**Press Release – May 14, 2014**

# VALEURA ANNOUNCES FIRST QUARTER 2014 FINANCIAL AND OPERATING RESULTS

Valeura Energy Inc. ("**Valeura**" or the "**Corporation**") (TSX: VLE) is pleased to report highlights of its unaudited financial and operating results for the three month period ended March 31, 2014 and an update on subsequent developments. The complete quarterly reporting package for the Corporation, including the unaudited financial statements and associated management's discussion and analysis ("**MD&A**"), has been filed on SEDAR at www.sedar.com and posted on the Corporation's website at www.valeuraenergy.com.

## Q1 2014 RESULTS AT A GLANCE

- **Net sales 1,317 boe/d, up 11% from Q4 2013 and tracking average annual guidance of 1,250 to 1,310 boe/d**
- **Funds flow from operations $3.7 million**
- **Corporate operating netback $44.26 per boe**
- **Net capex $3.9 million, down 32% from Q4 2013 and in-line with budget**
- **Drilled and fracked two new horizontal wells in Mezardere slope fan play with restricted IP30 rates of 1.5 and 1.3 MMcf/d (gross)**
- **Completed processing of new 3D seismic survey in Osmanli area**

(See below for definitions, non-IFRS measures and other advisories)

## OPERATIONAL HIGHLIGHTS

- Net corporate petroleum and natural gas sales in the first quarter of 2014 averaged 1,317 barrels of oil equivalent per day ("**boe/d**"), which was 11% higher than sales in the fourth quarter of 2013. This is the third consecutive quarter of increasing sales. Net sales in Turkey in the first quarter of 2014 averaged 1,274 boe/d, including 7.6 million cubic feet per day ("**MMcf/d**") of natural gas and 7.0 barrels of oil per day. Net sales in Canada in the first quarter of 2014 averaged 43 boe/d.
- Net corporate petroleum and natural gas sales in April 2014 averaged approximately1,250 boe/d, reflecting a temporary gap in drilling and associated production additions to offset natural declines. Drilling is expected to resume in June, consistent with the constrained work program and capital budget for 2014, funded from available cash and operating cash flow.

### *Thrace Basin – TBNG JV (Valeura 40%)*

- Drilled and fracked two new horizontal wells BTD-2H and TDR-11H in the Tekirdag area on joint venture lands acquired from Thrace Basin Natural Gas (Turkiye) Corporation ("**TBNG**") and Pinnacle Turkey Inc. ("**PTI**") (the "**TBNG JV**") (Valeura 40%). These wells are the fourth and fifth horizontal wells drilled in the TBNG JV lands and the first horizontal wells drilled into the Mezardere Formation, building on the success of an earlier 17-well re-entry frac program in this formation in existing wells.
- The BTD-2H well was drilled in 13 days to a vertical depth of 635 metres into the Mezardere Formation with a horizontal section of 476 metres and was subsequently completed with an eight-stage frac on March 4, 2014. The well is tied into the gathering system and over the initial 30 days since tie-in, flowed at an average production rate ("**IP30**") of 1.5 MMcf/d (gross). The total cost to drill, frac and tie-in the well was approximately $2.4 million (gross). (Note that the initial production rates stated throughout this press release are not necessarily indicative of long term performance or ultimate recovery and are subject to decline rates stated below).
- The TDR-11H well was drilled in 11 days to a vertical depth of 518 metres into the Mezardere Formation with a horizontal section of 678 metres and was subsequently completed with an ten-stage frac on March 25, 2014. The well is tied into the gathering system and has produced at an IP30 flow rate of 1.3 MMcf/d (gross). The well is continuing to clean up with approximately 77% of the completion load fluid recovered to date. The total

cost to drill, frac and tie-in the well was approximately $2.7 million (gross). Given the lower than expected performance of the TDR-11H well, a workover is planned aimed at cleaning out balls, ball seats and sand from the horizontal section of the well, which may be obstructing flow from a number of the fracked intervals.

- Completed the processing of the 232 square kilometre 3D seismic survey in the Osmanli area on the TBNG JV lands. The new seismic is expected to provide additional drilling opportunities in both the target Osmancik shallow gas reservoirs and Mezardere and Teslimkoy tight gas reservoirs, which are approximately 700 metres deeper in this area compared to the Tekirdag area where the bulk of the natural gas development has occurred to date on the TBNG JV lands.
- Completed two frac completions in the Mezardere and Teslimkoy Formations in two new wells drilled in 2013 and six shallow gas well recompletions on the TBNG JV lands.

***Thrace Basin – Banarli Licence (Valeura 100%)***

- The Corporation has made a preliminary application to the General Directorate of Petroleum Affairs ("**GDPA**") to convert the 100% owned and operated Banarli licence 5104 to the new licencing regime adopted by the Turkish government in May 2013. Voluntary conversion of existing licences to the new regime is encouraged, where possible, and would require re-alignment of the licence boundaries and negotiation with offset licence holders to fit a new grid system. If such a conversion is successfully negotiated, the immediate effect would be to lengthen the initial term of the licence to five years and re-start the clock on the drilling commitment timing, thereby delaying the required spud date to early 2015 or later. There is no certainty that such a conversion can be achieved and timing remains uncertain. (See the Corporation's 2013 AIF for a detailed description of the old and new licencing terms in Turkey).
- Given the uncertainty associated with converting the Banarli licence to the new licencing regime, the Corporation is making preparations to spud an exploration well under the current licencing terms, targeting the Osmancik Formation. The planned location is near the southern boundary of the Banarli licence, which is contiguous with the TBNG JV lands. The target prospect has been identified on the new Osmanli 3D seismic survey, which overlapped part of the Banarli licence. The cost to drill such a well is expected to be less than $1.0 million (net) and is included in the Corporation's budget for 2014.
- Valeura is continuing to seek a joint venture partner to participate in funding a deep exploration drilling program on the Banarli licence, targeting a potential basin-centered gas play below 3,000 metres. The Corporation has engaged Moyes & Co., an internationally active acquisition and divestment firm, to assist in the farm-out process.

**FINANCIAL HIGHLIGHTS**

- Funds flow from operations of $3.7 million in the first quarter of 2014 was essentially unchanged from the fourth quarter of 2013, reflecting higher sales volumes and lower operating costs offset by slightly lower natural gas price realizations in Turkey, due to weakening of the Turkish Lira ("**TL**"). Funds flow from operations in the first quarter of 2014 was up 136% from the same period in 2013 due primarily to higher sales volumes, lower operating costs and lower general and administrative expenditures, partially offset by lower natural gas price realizations in Turkey due to weakening of the TL. (See discussion below regarding non-IFRS measures).
- Capital expenditures of $3.9 million in the first quarter of 2014 were down 32% from the fourth quarter of 2013 due primarily to lower seismic expenditures, and down 39% from the same period in 2013 reflecting lower drilling and fracking expenditures. Targeted capital expenditures in 2014 have been reduced by more than 35% from actual expenditures in 2013, consistent with the objective to fund capital spending from available cash and operational cash flow only in 2014.
- The average wellhead price realization in Turkey of $9.64 per Mcf in the first quarter of 2014 was down 3% from the fourth quarter of 2013 and down 13% from the same period in 2013 reflecting weakening of the TL, which is the pricing basis for Turkish gas sales. The average Canadian dollar ("**CAD**") to TL exchange rate peaked in January 2014 at 2.10 before the Central Bank of Turkey intervened on January 28, 2014 to stabilize the currency by lifting interest rates. In the first quarter of 2014, the CAD/TL exchange rate averaged 2.01. The TL has further strengthened to the current CAD/TL exchange rate of approximately 1.91 following the results of the March 30 local elections in Turkey, in which the ruling AK Party received the strongest support.
- The corporate average operating netback of $44.26 per boe in the first quarter of 2014 was up 2% from the fourth quarter of 2013 due primarily to lower unit operating costs and royalties, partially offset by slightly lower natural gas price realizations, and up 13% from the same period in 2013 due primarily to lower unit operating

costs and royalties, partially offset by lower natural gas price realizations. (See discussion below regarding non-IFRS measures).

- As at March 31, 2014, the Corporation had a working capital surplus of $6.8 million, including cash and cash equivalents of $5.5 million. This working capital surplus is unchanged from the surplus at December 31, 2013.
- Additional financial and operating results are summarized in the Table 1 below.

***Table 1 Financial Results Summary***

| | **Three Months Ended March 31, 2014** | **Three Months Ended December 31, 2013** | **Three Months Ended March 31, 2013** |
|---|---|---|---|
| **Financial (thousands of Canadian Dollars, except share or per share amounts)** | | | |
| Petroleum and natural gas revenues | 6,896 | 6,556 | 4,848 |
| Funds flow from operations (1) | 3,744 | 3,789 | 1,587 |
| Net income (loss) | 330 | (9,888) | (818) |
| Capital expenditures | 3,946 | 5,780 | 6,445 |
| Net working capital surplus | 6,817 | 6,834 | 19,457 |
| Cash and cash equivalents | 5,484 | 6,511 | 22,758 |
| Common shares outstanding | | | |
| Basic | 57,906,135 | 57,906,135 | 57,906,135 |
| Diluted | 77,406,352 | 75,819,352 | 79,040,602 |
| Share trading | | | |
| High | 0.78 | 0.43 | 1.15 |
| Low | 0.30 | 0.27 | 0.86 |
| Close | 0.64 | 0.30 | 0.88 |
| **Operations** | | | |
| Sales | | | |
| Crude oil & NGLs (bbl/d) | 38 | 44 | 53 |
| Natural Gas (Mcf/d) | 7,675 | 6,883 | 4,787 |
| boe/d (@ 6:1) (2) | 1,317 | 1,191 | 851 |
| Average reference price | | | |
| Edmonton light ($ per bbl) | 99.74 | 86.28 | 88.16 |
| AECO ($ per Mcf) | 4.76 | 3.69 | 3.03 |
| BOTAS reference ($ per Mcf) (3) | 10.02 | 10.44 | 11.37 |
| Average realized price | | | |
| Crude oil ($ per bbl) | 78.95 | 78.23 | 74.76 |
| Natural gas - Turkey ($ per Mcf) | 9.64 | 9.93 | 10.66 |
| Natural gas - consolidated ($ per Mcf) | 9.60 | 9.86 | 10.43 |
| Average operating netback ($ per boe @ 6:1) (1) (2) | 44.26 | 43.25 | 39.54 |

**Notes:**

(1) The above table includes non-IFRS measures, which may not be comparable to other companies. Funds flow from operations is calculated as net loss for the period adjusted for non-cash items in the statement of cash flows. Operating netback is calculated as petroleum and natural gas sales less royalties, production expenses and transportation costs. See MD&A for further discussion.

(2) BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6.0 Mcf:1.0 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the well head.

(3) BOTAS owns and operates the national crude oil and natural gas pipeline grids in Turkey. BOTAS regularly posts prices and its Industrial Interruptible Tariff benchmark is shown herein as a reference price. See the 2013 AIF for further discussion.

## OUTLOOK

The Corporation expects to execute a capital expenditure budget of up to $14 to $17 million (net) in Turkey in 2014, focused on natural gas development in the Thrace Basin, and contingent on the level of operating cash flow. The work program and budget aims to achieve the following key objectives in 2014, as outlined in earlier guidance for 2014:

- Offset natural declines and achieve 5% to 10% production growth in 2014 from the annualized 2013 fourth quarter production (1,250 to 1,310 boe/d annual average for 2014) with a natural gas development program on the TBNG JV lands funded by available cash and operating cash flow, focused primarily on exploiting tight gas reservoirs with horizontal and vertical wells completed with multi-stage fracs
- Expand the tight gas development area on the TBNG JV lands from the Tekirdag area to other areas in Osmanli and Hayrabolu, which are also covered with 3D seismic
- Test for the presence of a basin-centered gas accumulation on Valeura's 100% owned Banarli licence, subject to obtaining a partner or other financing

The planned work program on the TBNG JV lands in 2014 is currently expected to include up to 10 horizontal and vertical wells (gross) utilizing a single drilling rig. Of this total, up to seven new drill wells with multi-stage frac completions are planned targeting tight gas reservoirs in the Mezardere and Teslimkoy Formations and up to three wells targeting conventional shallow gas reservoirs. Up to an additional 10 well re-entry fracs (gross) are also planned, primarily targeting the Mezardere Formation, and up to 18 recompletion workovers in shallow gas formations. To date in 2014, two horizontal wells BTD-2H and TDR-11H have been drilled in the Mezardere Formation and six shallow gas well recompletions have been carried out.

The planned level of capital spending in 2014 is not expected to support 100% utilization of the drilling rig currently contracted for the TBNG JV program. Therefore to minimize mobilization and de-mobilization costs for the drilling rig and to also optimize the efficiency of the fracking program, the TBNG JV is currently developing a multi-well program of firm, independent locations that could be drilled back-to-back for the next phase of drilling in 2014, which is expected to commence in June. This next phase is expected to include two to three horizontal development wells targeting tight gas in the Mezardere and Teslimkoy Formations and two to three vertical, step-out exploration wells on the new 3D seismic in the Osmanli area targeting both shallow gas in the Osmancik Formation and tight gas in the Mezardere Formation at depths ranging from 1,400 to 2,000 metres.

As a result of the discontinuous nature of the drilling and fracking program in 2014, quarterly volumes are expected to fluctuate during the year.

## ABOUT THE CORPORATION

Valeura Energy Inc. is a Canada-based public company currently engaged in the exploration, development and production of petroleum and natural gas in Turkey and Western Canada.

## OIL AND GAS ADVISORIES

When used herein, the term "boe" means barrels of oil equivalent on the basis of one boe being equal to one barrel of oil or NGLs, or 6,000 cubic feet of natural gas. Barrel of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6.0 Mcf:1.0 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

The initial production rates for wells stated herein are not necessarily indicative of long term performance or ultimate recovery. To date, shallow gas conventional wells and fracked unconventional tight gas wells have exhibited relatively high decline rates at more than 50% and 75%, respectively, in their first year of production.

## ADVISORY AND CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release contains certain forward-looking statements including, but not limited to: the 2014 work program and budget, operational plans and costs (seismic, drilling, fracking and workovers) for the tight gas and shallow gas development programs in the Thrace Basin; the availability of operating cash flow and the ability to finance development; the planned drilling of horizontal and vertical wells, well re-entry fracs and well recompletions and the expected impact thereof; the timing, estimated costs and ability to fund each of the foregoing; the plans to attract a joint venture partner to drill the deep, potential basin-centered gas play on the Banarli licence 5104; the plans to drill an exploration well on the Banarli licence 5104 under the current licencing terms, and the costs and timing thereof; the ability to convert the Banarli licence 5104 under the new licencing regime in Turkey and thereby defer the drilling commitment timing to hold the licence; 2014 production targets and volume fluctuations; and drilling rig utilization rates. Forward-looking information typically contains statements with words such as "anticipate", "estimate", "expect", "target", "potential", "could", "should", "would" or similar words suggesting future outcomes. The Corporation cautions readers and prospective investors in the Corporation's securities to not place undue reliance on forward-looking information, as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: continued political stability of the areas in which the Corporation is operating and completing transactions; continued operations of and approvals forthcoming from the GDPA in a manner consistent with past conduct; results of future seismic programs; future drilling, fracking and re-completion activity, including the extent and pace of tight gas delineation and development drilling in the Tekirdag area and the funding thereof; the prospectivity of the Osmanli and Hayrabolu areas on the TBNG JV lands; the ability to manage water production; future production rates, capital efficiencies and associated cash flow; future capital and other expenditures (including the amount and nature thereof); the ability to meet drilling deadlines and other requirements under licences and leases, including the spudding deadline under the Banarli licence 5104; the ability to attract partners and negotiate farm-in arrangements, in particular on the Banarli licence 5104; future sources of funding; future economic conditions; future currency and exchange rates; and, the Corporation's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. In addition, the Corporation's 2014 work program and budget are based upon the current work programs proposed by partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of fracking and other specialized oilfield equipment and service providers, and unexpected delays and changes in market conditions. Although the Corporation believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a significant degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Corporation including, but not limited to: risks associated with the oil and gas industry (e.g. operational risks in exploration, inherent uncertainties in interpreting geological data, and changes in plans with respect to exploration or capital expenditures, the uncertainty of estimates and projections in relation to costs and expenses, and health, safety, and environmental risks); uncertainty regarding the sustainability of initial production rates and decline rates thereafter; uncertainty regarding the ability to address technical drilling challenges and manage water production; uncertainty regarding the state of capital markets and the availability of future financings; the risk of being unable to secure farm-in partners; the risk of being unable to meet drilling deadlines and the requirements under licences and leases (including the Banarli licence 5104); uncertainty regarding converting licenses under the GDPA’s new licensing regime; uncertainty regarding the amount of operating cash flow; the risks of disruption to operations and access to worksites, threats to security and safety of personnel and potential property damage related to political issues, terrorist attacks, insurgencies or civil unrest; the risks of increased costs and delays in timing related to protecting the safety and security of Valeura's personnel and property; the risk of fluctuations in commodity pricing and BOTAS pricing (in TL); the risk of fluctuations in foreign exchange rates, particularly the TL, which has weakened in the past year; the uncertainty associated with negotiating with third parties in countries other than Canada; the risk of partners having different views on work programs and potential disputes among partners and service providers; the uncertainty regarding government and other approvals; potential changes in laws and regulations; risks associated with weather delays and natural disasters; and, the risk associated with international activity. The forward-looking information included in this news release is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date hereof and Valeura assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law. See the Corporation's Annual Information Form for the year ended December 31, 2013 ("2013 AIF") for a detailed discussion of the risk factors.

Additional information relating to Valeura is also available on SEDAR at www.sedar.com

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