



Press Release – July 17, 2016

## VALEURA CONFIRMS NO IMPACT TO DATE ON PERSONNEL OR OPERATIONS FROM ATTEMPTED COUP IN TURKEY AND PROVIDES OPERATIONAL UPDATE

Valeura Energy Inc. ("**Valeura**" or the "**Corporation**") (TSX: VLE) is pleased to provide the following update.

"We would like to confirm that our operations in the Thrace Basin have not been directly affected to date by the attempted coup in Turkey on July 15, 2016, which appears to have been put down by the government", said Jim McFarland, President and Chief Executive Officer. "All of our Turkish employees and expatriate contractors in Turkey are safe. We will continue to monitor conditions in the aftermath of this event, including the safety of our personnel and operations, the security situation generally, impact on the Turkish Lira and banking facilities, the functioning of the General Directorate of Petroleum Affairs ("GDPA"), impact on our joint venture partners and any changes in offtakes by our natural gas customers."

"We are pleased to advise that good progress is being made to complete the definitive transaction documents under the binding letter agreement with Statoil for the farm-out on the Banarli licences."

"We would also like to report that preliminary Q2 2016 net petroleum and natural gas sales in Turkey averaged 945 barrels of oil equivalent per day ("**boe/d**"), up 19% from Q1 2016, at an estimated average price realization of \$9.43 per thousand cubic feet ("**Mcf**"). Final quarterly results are expected to be released after markets close on August 11, 2016."

### STATOIL BINDING LETTER AGREEMENT FOR FARM-OUT AT BANARLI

Good progress is being made to complete definitive transaction documents by the July 29, 2016 target date under the binding letter agreement (the "**Letter Agreement**") with Statoil Holding Netherlands B.V. ("**Statoil**"), a wholly-owned affiliate of Statoil ASA, for a farm-out agreement for the exploration of the deeper formations below approximately 2,500 metres on Valeura's 100% owned and operated Banarli exploration licences.

### PRELIMINARY Q2 2016 OPERATIONAL RESULTS

Preliminary petroleum and natural gas sales in Turkey in Q2 2016 of 945 boe/d (net) included 5.6 million cubic feet per day ("**MMcf/d**") of natural gas and 18 barrels per day ("**bbl/d**") of oil and condensate. Sales in Q2 2016 were up 19% from Q1 2016 reflecting a full quarter of sales from Banarli, where sales commenced on March 12, 2016. Banarli sales in Q2 2016 accounted for approximately 43% of total sales. Compared to the same period in 2015, Q2 2016 sales were down 10% due to natural declines and reduced drilling and other capital expenditures on the joint venture lands acquired from Thrace Basin Natural Gas (Turkiye) Corporation ("**TBNG**") and Pinnacle Turkey Inc. ("**PTI**") (the "**TBNG JV**"), partially offset by new sales from Banarli.

The preliminary average natural gas price realization in Q2 2016 was approximately \$9.43 per Mcf, down 6% from Q1 2016 and down 5% from Q2 2015 due to the impact of new sales from Banarli, which are priced at a small net discount to TBNG JV sales, and some fluctuations in the Turkish Lira exchange rate. The BOTAS reference price for domestic gas sales in Turkey (priced in Turkish Lira) has remained unchanged since October 1, 2014.

### BANARLI DRILLING AND COMPLETION INTERIM RESULTS

#### *Bati Gurgun-2*

The Bati Gurgun-2 well, the third well drilled by Valeura at Banarli, was spudded on June 19 and is currently drilling in a side-track operation in the Osmancik formation at a depth of approximately 1,800 metres. The original targeted depth of the well was 2,200 metres to appraise both Danismen and Osmancik sandstone reservoirs discovered in the Bati Gurgun-1 well located 530 metres to the northwest. The initial wellbore at Bati Gurgun-2 was drilled to a true vertical depth of 2,226 metres and penetrated well developed sands in both the Danismen and Osmancik formations but these formations were 25 to 29 metres deeper than expected and the sands appeared to be wet on logs.

As a result, a sidetrack drilling operation is underway targeting sands in the Osmancik formation in a higher structural position and at a bottom-hole location that is approximately 420 metres west of the initial bottom-hole location. The target Osmancik sands are also expected to be at a higher elevation than in the Bati Gurgun-1 well with good potential

for additional natural gas trapping. The Danisman formation is not expected to be prospective at this new bottom-hole location. The planned true vertical depth of the sidetrack is 2,000 metres.

### ***Yayli-1***

As previously announced, the Yayli-1 well was drilled to depth of 2,914 metres, penetrating over-pressured tight sands in the Teslimkoy formation below approximately 2,500 metres. Two fracture stimulations were carried out in the Teslimkoy which produced natural gas. Confirmation of over-pressure below 2,500 metres and evidence of producible gas from the over-pressured Teslimkoy sands were important data points in assessing the potential of a basin-centered gas play on Banarli and progressing farm-out negotiations.

Following the signing of the Letter Agreement with Statoil, the Corporation plugged off the Teslimkoy and moved up-hole to complete and test 13 metres of indicated net pay in shallower conventional sands in the Osmancik formation at a depth of 1,800 metres. Five intervals in the Osmancik formation were perforated and simultaneously tested yielding initial short term production rates of more than 1.0 MMcf/d but with high associated water production. Production logging indicated that the water production appeared to be sourced from one of the lower perforated intervals and attempts to isolate this zone and achieve a viable gas flow rate at low water production levels were not successful. Preparations are therefore underway to plug off the bottom four perforated intervals and to re-perforate and test the top interval which showed good gas shows during drilling.

(See advisories below regarding outlook disclosures)

## **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.

## **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 ("**bbbl**") of oil or NGLs, or six thousand cubic feet ("**Mcf**") of natural gas. Barrel of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6.0 Mcf to 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 wellhead.

The short production test rates disclosed in this news release are preliminary in nature and may not be indicative of stabilized on-stream production rates. Initial on-stream production rates are typically disclosed with reference to the number of days in which production is measured (e.g. IP30 refers to an initial on-stream average production rate measured over a 30-day period). Initial production rates are not necessarily indicative of long-term performance or ultimate recovery. To date, shallow gas conventional wells and fraced unconventional tight gas wells have exhibited relatively high decline rates at more than 50% and 75%, respectively, in their first year of production. All natural gas rates and volumes are presented net of any load fluids.

## **ADVISORY AND CAUTION REGARDING FORWARD-LOOKING INFORMATION**

This news release contains certain forward-looking statements including, but not limited to: the aftermath of the failed coup attempt in Turkey, including the potential impact to the safety of our personnel and operations, the security situation generally, impact on the Turkish Lira and banking facilities, the functioning of the GDPA, impact on our joint venture partners and any changes in customer offtakes; the Statoil Letter Agreement and the ability to satisfy the conditions for closing, including executing the definitive transaction documents by the target date of July 29, 2016; the expected final Q2 2016 net corporate petroleum natural gas sales and natural gas price realizations; the ability to complete the sidetrack drilling operation on the Bati Gurgun-1 well and the results thereof, including the potential for natural gas trapping; plugging of the bottom intervals in the Yayli-1 well and re-perforating and testing the top interval in that well; and, the timing, estimated costs and ability to fund each of the foregoing. 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, and in particular the aftermath of the failed coup attempt in Turkey on July 15, 2016 and whether the coup has been successfully put down; continued safety of operations and ability to proceed in a timely manner; the ability to complete

the definitive transaction documents and other closing conditions under the Statoil Letter Agreement; continued operations of and approvals forthcoming from the GDPA in a manner consistent with past conduct; future sources of funding; future economic conditions; future currency and exchange rates; future customer offtakes; and, the Corporation's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. 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: the ability to complete definitive transaction documents with Statoil for the farm-out at Banarli or to obtain government approvals for that transaction; the ability to re-perforate and achieve viable gas flows from the Yayli-1 well; the risk in completing the drilling of the sidetrack wellbore at the Bati Gurgun-1 well and finding gas at a higher structural position than in the original wellbore and in the Bati Gurgun-1 well; 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 state of capital markets; uncertainty regarding the amount of operating cash flow and the ability to reduce costs and achieve capital efficiencies; 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 in Turkey; political stability in Turkey, including potential changes in political leaders or parties or a resurgence of a coup or other political turmoil; 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 Boru Hatlari ile Petrol Tasima Anonim Sirketi ("**BOTAS**") reference prices (denominated in Turkish Lira ("**TL**")); the risk of fluctuations in foreign exchange rates, particularly the TL; the uncertainty associated with negotiating with third parties in countries other than Canada; 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 Valeura's 2015 AIF for a detailed discussion of the risk factors.

Additional information relating to Valeura is also available on SEDAR at [www.sedar.com](http://www.sedar.com)

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