



Valeura Energy Inc.

Valeura Annual and Special Meeting

SPEAKERS' SCRIPT

Calgary, August 12, 2020: The following is the speakers' script for the Valeura Energy Inc. Annual and Special Meeting of shareholders, held on August 12, 2020. An audio replay of the meeting webcast is available with the link:

https://produceredition.webcasts.com/starthere.jsp?ei=1341355&tp_key=64b800beb7

Corporate Speakers:

Tim Marchant, Chairman

Sean Guest, President & Chief Executive Officer

Operator

Good morning, ladies and gentlemen, and welcome to the Valeura Energy Inc. Annual General Meeting Conference Call. If you require assistance during this call, please press star zero for the operator.

I'd now like to turn the conference over to Tim Marchant, Chairman of Valeura Energy. Please go ahead.

Formal meeting

Tim Marcant – Chairman, Valeura Energy Inc.

Good morning, everyone. It's now just after 9:00 a.m. and I will ask that this meeting come to order. My name is Tim Marchant and I am the Chairman of the Board of Directors of Valeura. I will act as the Chair for today's meeting. On behalf of Valeura, I welcome you to today's meeting and I would also like to welcome those shareholders and others listening by the live audio webcast.

These are unprecedented times. In the light of COVID-19 and in consideration of the health and safety of our shareholders, team members, and the broader community, as well as the restrictions on mass gatherings implemented by the Government of Alberta, we have strictly limited access to today's meeting to registered shareholders and duly appointed proxy holders.

To those shareholders listening to this broadcast, you need not take any action during the formal part of today's meeting and we wish to thank you for submitting your proxies. Your votes will be recorded as you have instructed and, again, you need not take any action during the formal part of the meeting. I look forward to returning to our regular meeting format next year and appreciate your understanding.

Before we proceed with the formal business of today's meeting, I would like to introduce the limited number of directors and officers of Valeura who are present today: Sean Guest, a director and our President and CEO; Heather Campbell, our CFO; Robin Martin, our Investor Relations Manager; and Jim McFarland, a director of company. In light of COVID-19, we requested that all other members of our Board and the Management team listen to today's meeting broadcast.

In accordance with the bylaws of Valeura, Stephanie Stimpson, our Corporate Secretary and a partner of Torys LLP, will act as the Secretary for today's meeting and I appoint the scrutineers, representatives of Computershare Trust Company of Canada, to act as our scrutineers.

The Notice calling this meeting, the Information Circular, a Form of Proxy, and Mailing Request Form were mailed to all registered shareholders on July 3, 2020. The Declaration of Mailing is available for inspection by any shareholder and I would ask that the Secretary file a copy of such with the minutes.

I have been advised by the scrutineers that a quorum has been met for the meeting. The scrutineer's report is available for inspection by shareholders and I would ask that the Secretary file a copy of such with the minutes.

I wish to inform all attendees that the proxy cut-off for today's meeting was extended to 5:00 p.m. Mountain Daylight Time on August 11, 2020, revocations, where, of course, accepted, right up to the start of this meeting. With that said, I will declare this meeting regularly called and properly constituted for the transaction of business.

For convenience, we have divided today's meeting into two parts. The first part will deal with the formal business of the meeting. The second will consist of a presentation by Sean Guest, our President and CEO, on the operations of Valeura, and will be followed by questions from registered shareholders and proxy holders.

To facilitate the timely completion of the formal business, arrangements have been made with certain shareholders to move and second the resolutions to be considered. All votes shall be conducted by way of ballot except for the appointment of auditors, which will be voted on by way of a show-of-hands vote.

The first item of business is the presentation of the 2019 audited financial statements of Valeura and the auditor's report thereon. The financial statements are available on SEDAR and have been sent to those shareholders who have requested copies.

The next item of business is the appointment of the auditors. May I please have a motion for such business?

Sean Guest – President and CEO, Valeura Energy Inc.

Mr. Chair, I move that KPMG LLP be appointed as the auditors of Valeura to hold office until the close of the next annual meeting or until their successors are appointed at such remuneration as may be determined by the Board.

Tim Marchant

Is there a seconder?

Heather Campbell – CEO, Valeura Energy Inc.

Mr. Chair, I second the motion.

Tim Marchant

Any discussion?

All those in favour of this resolution, please signify by raising your hand.

Any contrary?

The motion is carried.

The next item of business is the election of the directors. Valeura has nominated seven directors for election and did not receive any nominations from shareholders in accordance with our bylaws. Accordingly, I will now receive the Corporation's director nominations.

Heather Campbell

Mr. Chair, I nominate the following for election as directors of Valeura: William Sean Guest, Timothy R. Marchant, James D. McFarland, Ronald W. Royal, Russell J. Hiscock, Kimberley K. Wood, and Timothy Chapman.

Tim Marchant

May I now have a motion for such business?

Sean Guest

Mr. Chair, I move that the Corporation's director nominees be elected as directors of Valeura to hold office until the close of the next annual meeting or until their successors are elected or appointed.

Tim Marchant — Chairman, Valeura Energy Inc.

Is there a seconder?

Heather Campbell

Mr. Chair, I second the motion.

Tim Marchant

In accordance with Valeura's majority voting policy, the directors will be elected individually by way of ballot. For a nominee to be elected as a director, she or he must receive a majority of the votes cast in favour of his or her election.

I am advised by the scrutineers that each director nominee has received greater than 50 percent of the votes cast in favour of his or her election. Accordingly, this motion is carried and each nominee has been elected as a director.

The next item of business is the approval of the amended and restated stock option plan of Valeura. May I have a motion for such business?

Sean Guest

Mr. Chair, I move that the resolution on Page 14 of the Information Circular be approved.

Tim Marchant

Is there a seconder?

Heather Campbell

Mr. Chair, I second the motion.

Tim Marchant

Any discussion?

As stated previously, the approval of the amended and restated stock option plan of the Corporation will be voted on by way of ballot.

I am advised by the scrutineers that the motion has been carried by the necessary majority; therefore, I declare the motion carried.

The last item of business is the approval of the amended and restated performance and restricted share unit plan of Valeura. May I have a motion for such business?

Sean Guest

Mr. Chair, I move that the resolution on Page 17 of the Information Circular be approved.

Tim Marchant

Is there a seconder?

Heather Campbell

Mr. Chair, I second the motion.

Tim Marchant

Any discussion?

As previously stated, the approval of the amended and restated performance and restricted share unit plan of the Corporation will be voted on by way of ballot.

I am advised by the scrutineers that the motion has been carried by the necessary majority. Accordingly, I declare the motion carried.

That now concludes the formal business of this meeting. I declare the formal part of the meeting terminated and thank you all for attending.

Now that formalities are completed, Sean Guest, our President and CEO, will provide an update on Valeura's operations. If you have any questions at the end of the presentation, please raise your hand or contact the online question ability. Email. Email the questions in.

Thank you very much. Sean Guest.

Operations update

Sean Guest — President & Chief Executive Officer, Valeura Energy Inc.

Thank you very much, Tim. I'd like to welcome everyone and say good morning to everyone joining us in Canada and good afternoon to those who are joining over in England.

For the presentation today I'm not going to speak from our corporate presentation that's been online at our website. What we really want to make a point of here is that the company has a forward strategy, that we have a plan going forward, and I really want to focus on that today and make that clear to everyone who's listening in. So it's really going to focus on the key elements of that strategy. I will, just at the beginning, touch on our Q2 results, as our press release came out this morning, and just highlight some of the issues from Q2 and the first half of the year.

Please note the advisories and disclaimer at the start of the presentation and which are also available on our website.

So, the snapshot of Valeura that we have there, and just going to focus at the production, while we had a low Q2 quarter, we have seen that the exit rate, we're returning back to normal as things come out of the pandemic within Turkey and we're seeing our production start to ramp up after that.

The key point I really want to make on this slide is that you can see our working capital of \$33 million, of which more than \$30 million of that is in cash, and yet our market cap is only \$24 million. And then the value of our 1P production, our current production, is another approximately \$24 million. The company, at this point on market cap, is extremely undervalued.

So, looking at Q2 highlights, first point I'd say is that the balance sheet is very strong. Valeura does not have any debt and with that working capital of \$33 million and the majority of that in cash, we are very strongly positioned.

Our production, while it was low in Q2 due to the COVID pandemic and a lot of our industrial customers shutting down, we were ramping up at the end of the quarter and coming back to more normal. And again, in Turkey, the gas pricing remains strong. And while we have seen it slide back a bit, largely due to the Turkish lira depreciating in value, we're still more than three times the price of gas at Henry Hub or in the EU area.

Now at the end of last year we were increasing production. We had a number of activities going on. We had to halt those in February given the COVID-19 pandemic and we stopped all of our non-essential field operations. Those will be picking up again in Q3. We expect to be back out in the field and already are on

some activities, and we drilled a couple of exploration wells in Q2, but we'll get on to testing those as we get back into September. So things are returning to normal.

Now on our deep gas unconventional play there's been a couple of key things that have happened. We were obviously very disappointed to lose our partner in Q1 and we were ready to get out there looking for a new partner, but the pandemic, the situation with the oil and gas price drop, just meant that it was not the time in our industry to be going out there to look to bring in a new partner. So we've used this time in Q2 to really re-establish ourselves and be ready to go forward on this programme.

We've engaged with the government and had a very smooth exit of our partner with all of the working interest returning to Valeura. We also managed to get the extensions to those exploration blocks from the government. And the final thing that we did is we did a corporate reorganisation to separate the shallow and the deep into different companies, which gives us increased flexibility to work with partners in these assets as we move forward. So there's a lot of Q2, while the production was lower and we had the issues there, we have really established a firm foundation to go forward on that.

And just a few points on COVID-19: We have been following the best practices. We did have to maintain our gas production as we are a critical service in Turkey and had to work with medical staff to ensure that we did that in an appropriate way. Now, as I pointed out, we are starting to get back to operations, however, we remain vigilant to see how this is going to play out in the future and we're ready to react, if we have to, to try and again maintain the safety of our staff and our contractors as we work over in these areas.

So that's just really a highlight on Q2. And now, really looking at the strategy going forward, so, as I've noted before, we are in a very strong position and we believe we are significantly undervalued with our market cap being much below our cash. Going forward, there are three prongs to this strategy. In the near term and immediately we are focused on our gas production and how we up that production and how we convert what we have as reserves into cash flow or into cash.

The next step, as we've said in our press releases, we are looking at merger and acquisition opportunities, and this is focused on really the near- to mid-term. We're looking at how we could leverage the cash that we have to try and yield higher cash flows as we go into 2021 and into 2022. So, looking at opportunities where we can deploy that cash, increasing production, developing new assets to actually create growth and create higher cash flow, but also then looking for opportunities that don't deliver just that near-term advantage but also have further growth beyond that.

And finally, the focus for the company the past few years has been on this deep, tight, unconventional play. We still believe in that play. We believe it has potential. We need to bring in a new partner, but I'll talk really more about how we've integrated the data we've acquired and have a clear technical plan forward for this asset.

So, a three-pronged strategy, all of these which we are working as a team and working very hard to progress them all. So I'll just step in a little more detail on each of these.

First, quickly summarising our production, all of our production is in the Thrace Basin just west of Istanbul. Turkey is a very captive gas market, importing more than 99% of the gas, and that's what allows us to yield these quite high gas prices. We own and operate all of our infrastructure here, which gives us a lot of flexibility and also allows us to buy and market third-party gas. And you can see on the chart there that over the past three years we've continued to see higher gas prices and yield higher netbacks.

Now the first half of this year was affected by COVID, as we had the lower production, but also included in that was when we tested one of the deep wells, because it has reserves associated with it, all of those testing costs actually came into our opex and in that way created a slightly higher opex and then a lower netback. But this is a very good area to work in our area. It's a very safe area. It's an area that has gas, oil and gas production for decades. We can find all the services we need and we've seen that the government and the regulator in this area have been extremely supportive. It is a good place to work.

Looking at the way forward, since Valeura took operatorship of this asset in 2017, very quickly our focus moved over to the deep and the shallow was not getting the full attention that it needed. Our shareholders and ourselves saw the value in the deep and that's where we were focusing our technical capability.

Last year, when we were still seeing these very high gas prices and netback, we established an independent team that was not in the deep and was solely focused on our shallow on how we could maximise our production. And that team started work in September last year and by December we had operations in the field focused on the things we could do quickly, which was workovers, reperforations to improve that production, and we saw the results of that in our Q4 production and in our Q1 production. These were activities that paid back within a couple of weeks or, at most a couple of months. They were all profitable. Unfortunately, we stopped those activities in February with COVID, but we are now ready to get back on these very simple, low-cost, low-risk activities.

The other mandate of that technical team was Valeura has reserves and how do we go about converting those into production and cash flow. That study concluded in Q2, just a few months ago, and we now have a plan to go after that. Looking mainly at our main field of Tekirdag, which is our largest field, we've identified a number of infill locations there which are focused on going after the deeper parts of the reservoir in the Mezardere and the Teslimkoy. And we've worked up a number of locations for those. And, again, we also have worked up horizontal locations that, should we have success in that initial programme, we can then migrate to more wells and horizontal wells. We're putting a number of those locations in for approval of the government as we speak and we look to have approval of those around year end and to be ready to start that drilling programme.

And finally, just touching on we still have an exploration portfolio. We showed that we drilled two wells there in Q2 to fulfil commitments. We will production test those, as both of those wells look like they're gas bearing, but we need to prove that actually by going out there in the testing, which will occur in September. So we have a plan to really take our production up and continue to deliver those sustainable cash flows into the company. You can see the value of our 1P reserve and our 2P reserve, as shown there, and we, again, are trading well below that.

Looking at the next prong on the strategy, which is mergers and acquisitions, so, as we've noted, Valeura has a strong balance sheet with cash and no debt. And the current market has created a situation where it is very difficult for a number of smaller companies to access, whether it's capital through equity or through debt, and what we see is we have that capital available to us that we could look to deploy in these areas and we're looking to leverage it, whether it's through supporting development, whether it is through clear opportunities to increase production, but we want to see that the cash that we would deploy there is going to actually return in multiples as we go forward on that.

Another key point to make here is that our industry is changing and companies need to be of scale and magnitude to get interest. We need to look at these kind of mergers and growth to create a larger company and to show that you can do these deals to try and get the focus of institutional investors as we move forward. But I will emphasise that our focus is really on cash flow generating opportunities that will deliver that cash flow back whether it's in 2021 or 2022 and then hopefully opportunities that can then step up further in growth.

On timing for this, what I can say is we have announced that we are working with RBC and we have been for a number of months to look at a number of opportunities within our region of focus. When a deal will be done, it's always hard to say in these, because we can't really announce anything until that deal is done, but whether it's a month, whether it's a quarter, we continue to work at it and we do see good opportunities out there that can yield value to our shareholders.

So the last leg I want to focus on is our deep unconventional gas play and it remains a core constituent of Valeura's portfolio. We know we have a very large area here of about 1,600 square kilometres in this basin and we've seen the numbers that are very large of up to 20 Tcf recoverable. We also now have the government approvals to take us through these next phases to allow us to actually go after that and do the next phase of appraisal.

But the key thing I want to focus on here is that we are in the early phases of this play and we are acquiring data all the time that is advancing our knowledge and focusing us on where we need to move next. We are learning as we go. And if we were in North America there would probably 12 companies drilling in this area and progressing that knowledge and that learning very quickly. For us, it has just been us and our partners that have been doing this, so it has been a slower progress. But we have acquired a significant amount of high-quality data that we've now integrated and what we can clearly say is that gas and reservoir is pervasive across this basin. There's no question that there are tens of Tcf of gas in here. What we need to do is find the areas where we can sustain a commercial flow. And it may not be the whole 1,600 square kilometres. We need to focus down on these sweet spots. And we need to find the areas where we can overlap the best reservoir quality with the best gas properties to yield that flow and that's where our next well is going to focus, and I'll come to that in a minute.

But to be very clear on the forward plan here, we are looking to bring in a partner and we have engaged Stellar Energy Advisors in London to work with us to do that. We would have liked to have been out there six months ago doing this, but we just haven't been able to. So that plan will take place going towards the end of the year. We have worked up, based on our technical knowledge, appraisal well locations to get after the next phase. Those will be submitted to the government shortly so that while we're doing this farm-down process we are also getting everything in place to be ready to move quickly towards drilling with a new partner in 2021.

So, to try and put a little technical oversight here and try and show people that what we've learned, the story going forward is not that complicated. When we work in the oil and gas industry we need a number of elements to all come together that we have success and there's reservoir and there's hydrocarbons in that. And what we found in this deep play is we need to find the spot where we get the best quality reservoir, but we also need to be in the window where we get the best gas properties to yield the best flows. And this isn't that complicated.

So when we look at the reservoir, we've talked over the past couple of years that there's several thousand metres of Kesan reservoir that exists there. And we've drilled it in Inanli. We drilled 1,600 metres of continuous gas reservoir with gas throughout it and tested it and flowed it at many levels. But what we have seen from the wells that we have drilled and the historic wells in this area is the best quality reservoir for the Kesan is in the top few hundred metres. So we need to stop talking about this 2,000 metres and just focus on that upper level where we've seen the best quality reservoir.

The other thing we've seen is as you move deeper in the section the hydrocarbons mature. So when you're 2,500 to 3,700 metres you're generating oil. When you go 3,700 to 4,100 metres you generate gas but with quite a bit of condensate. And in our early wells like Yamalik we were very focused and excited about that condensate. But what we've seen by going deeper, you get into what we refer to as a dry gas window where you're not flowing any condensate. And when we tested Inanli down to that deepest level

in that window, that's where we sustained the best flows. So, in simple terms now, what we need to do is take the best reservoir in the upper Kesan and move it deeper down into that area where you have the dry gas and where we've seen the best flows that were near commercial in Inanli. And the final element is we've seen that natural fracturing is important and we'll focus on that. And what you can see is that's going to drive us towards the centre of the basin.

So, looking at the appraisal well location we've worked up there and the red polygon that we kind of show, that's the area where you take the best Kesan and you put it into that dry gas window as we've estimated. And it's about 100 square kilometres. It's not 1,600 square kilometres. But what we can say is that 100 square kilometres, and only considering about 100 metres of reservoir, will still yield more than a Tcf of recoverable gas. That's extremely significant for us and that's what we need to go after. We need to prove that we can get that commercial flow. After that, we can start to expand and chase the other gas, but it's about demonstrating that commercial flow and moving towards the centre of the basin in the play and that's where the next step in this play is that we'll focus on with our partner.

So finally, just trying to show that these elements are all going forward. Production growth - we are currently back out in the field starting to work and we'll pick that up in September as we look to actually workover these wells, do the simple operations there. We're submitting the well locations to be ready for a development drilling programme we expect to start around year end. As I noted on mergers and acquisitions, it's hard to talk about a timeline, but what I can tell you is there is a lot of work ongoing on this and we are making progress with a number of different players. And finally, on the deep appraisal, we have started working with Stellar on these farm-out activities and we would like to see offers coming in from people around December this year. In parallel with that, we're permitting the well locations to be ready in 2021 to get out there with drilling. We have a plan, it's all being worked, and we hope to have releases of exciting news flow as we move forward.

So finally, bringing it to a conclusion, again, emphasising we're in a very strong position with cash, no debt, and cash flow from producing assets. We are working to increase that production. We are significantly undervalued and we're implementing all elements of this three-pronged growth strategy focused on the production and increasing that reserve to production and cash flow after M&A and, finally, still maintaining the ability to go after this deep play with the significant value that that could return to shareholders.

So I want to thank you for your time today. I hope that you're all maintaining being healthy and staying well and we look forward to moving through the next quarter and the next half year with our results. Thank you very much.

Operator, I'll pass it back over to you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a great day.