



Valeura Energy Inc.

Management Briefing

SPEAKERS' SCRIPT

Calgary, October 20, 2020: The following is the speakers' script for the Valeura Energy Inc. Management Briefing conference call and webcast, held on October 20, 2020. An audio replay of the meeting webcast is available with the link:

https://produceredition.webcasts.com/starthere.jsp?ei=1388367&tp_key=09c7ff5fda

Corporate Speakers:

Sean Guest, President & Chief Executive Officer

Operator

[Introduction]

Sean Guest – President and CEO, Valeura Energy Inc.

Thank you very much. I'd like to welcome everyone and say good morning to those of you joining us in Canada and good afternoon to those who are joining over in the UK. I'm speaking to you from Ankara Turkey today, and on the line from Calgary we have our CFO, Heather Campbell and our IR Manager, Robin Martin.

For this call, we don't have a formal presentation, and instead will just provide some commentary on the news we announced earlier today, and then, with the help of the operator we'll take any questions you might have.

This morning we announced the sale of our shallow conventional gas producing business in Turkey. For clarity, this includes all of our production, infrastructure and substantially all of our reserves, but does not affect our interests in the deep, tight gas play. And in fact, through commercial arrangements with the buyer, we're retaining the ability to access the gas infrastructure, for use in production testing deep appraisal wells in the future.

It's a strong deal. Headline cash consideration at closing is \$15.5 million, and in addition there is a quarterly royalty payment linked to local gas prices. This royalty agreement will pay to Valeura a minimum of \$1 million and is capped a total of \$2.5 million over the next five years. On a unit of production basis, the price is approximately \$25,000 per flowing barrel equivalent, or more than \$7 per boe of 1P reserves. In addition, we expect to save more than \$1 million per year in G&A going forward.

The key condition to close the deal is government approval in Turkey. We do not see this as an issue and are hoping to have that finalised in the next few months, which will result in closing some time in Q1 2021. This is positive for Turkey as Valeura is bringing another international energy investor into Turkey, like we've done successfully in the past. The buyer is a new corporate entity, TBNG Limited, with a key partner who's well known for in the UK investment banking space for backing the international resource sector, and who has experience in Turkey. The management team of TBNG Limited has worked in the region, and when they're combined with Valeura's Turkish staff who will remain with the operations, I believe we're placing these assets in capable hands.

With this sale Valeura will become a very lean company with a transparent cash value. We have no debt, and as a starting point, at the end of Q3 we had approximately \$31 million of cash on hand. To put that into context, that's effectively 47 Canadian cents per share before this deal. The headline cash for this sale of US\$15.5 million adds effectively 24 Canadian cents per share. So by cash and sale proceeds, Valeura is worth 71 cents per share, without attributing any value to the royalty payments or to the deep gas play.

We have been very clear in recent public announcements and in our AGM presentation about our three-pronged growth strategy. First, generating cash from our conventional production, and we achieved that today, Second, production and cash flow growth via near-term M&A activities, and third, significant bluesky upside potential in our deep unconventional play.

Our cash and the sale proceeds will leave us very well funded, with effectively \$46 million to support the M&A component of our forward strategy. We believe that with the current state of our industry, there is significant scope for consolidation, and we feel it is critical to build size and materiality. This deal is the first step to help us to broaden the scope of the assets and companies that we can be looking for.

To flesh out the M&A part of our strategy a bit more, we are looking at production and development opportunities that add near-term cash flow to the portfolio, but with also clear opportunities to invest our capital into projects that can yield a material uptick in mid-term cash generation. Significant and sustainable annual cashflows will allow the Company the flexibility to continue to grow, while at the same time offering sustainable return of capital to shareholders, via such mechanisms as dividends.

We are raising our sights to more material opportunities in the greater Mediterranean region including eastern Europe, North Africa, and the middle East. This is an area where our team has a lot of experience and the current environment has resulted in some really interesting assets coming to the market. Unfortunately, we can't go into any detail on what we are currently looking at, but suffice to say we're keeping our advisors busy screening potential deals. We won't be rushed to make a deal though, and will stick to our strict criteria. I'm optimistic that we'll get there!

At the same time, our deep tight gas play in Turkey with potentially 20 Tcfe of prospective resource remains an important part of the portfolio, and this presents a longer term, potentially very high value opportunity. We've built strong relationships in Turkey and we intend to continue pursuing the next phase of appraisal once we've identified a new partner. We've made some recent strides in understanding the play, and planning for the next appraisal well.

Summing up, I believe we're presenting really strong value for shareholders by way of this sale. We had set out to maximise the value of the conventional producing business, and this deal accomplishes that goal by adding approximately 24 Canadian cents a share, based on closing cash. Adding that to our current cash position represents approximately 70 Canadian cents in value. And importantly, with this sale done, we're now laser focused on executing our forward strategy, and looking at bigger and more material opportunities point forward.

So I want to thank you for your time today, and will now pass the call back to the operator to help us take any questions you may have. Operator?

Operator

[Q&A session]