



ASX Code: PVD

15 January 2013

## **PURA VIDA AWARDED NKEMBE BLOCK OFFSHORE GABON, WEST AFRICA**

### **Highlights**

- **Pura Vida has acquired an 80% interest and has been appointed Operator of the Nkembe block, offshore Gabon**
- **Establishes Pura Vida in a proven oil producing basin proximate to several oil fields**
- **Oil encountered in previous wells in the block**
- **Shallow water extension of the prolific pre-salt play fairway**
- **Exposes Pura Vida to a wide variety of exploration plays associated with salt basins**
- **Pura Vida will use modern seismic technology to unlock new potential in a proven basin**

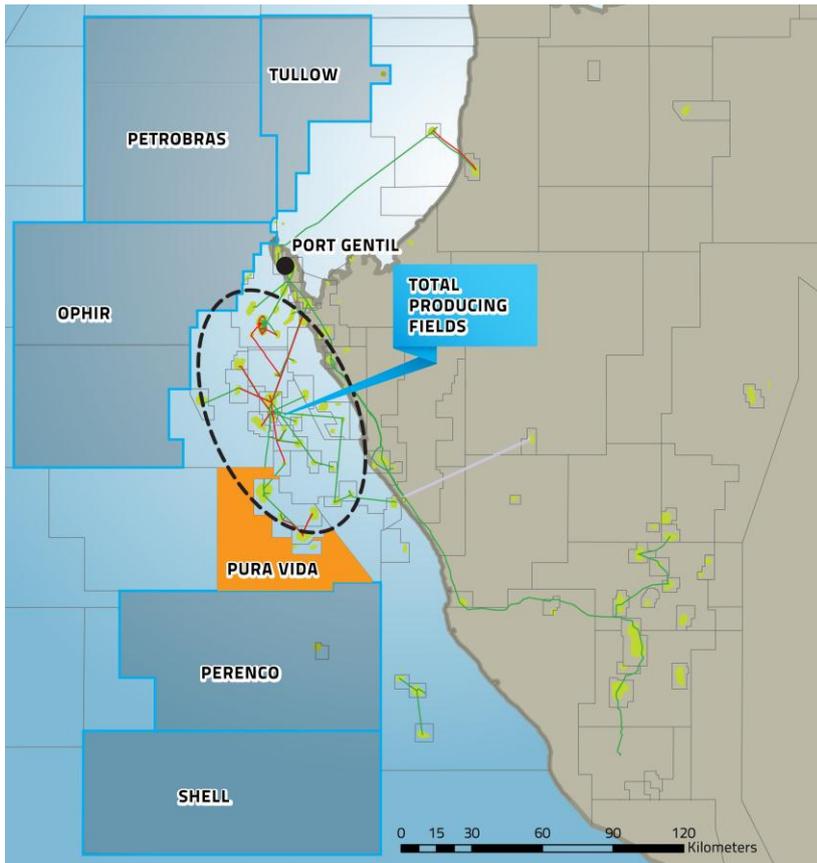
Pura Vida Energy NL (“Pura Vida” or the “Company”) (ASX: PVD) is pleased to announce that it has been awarded an 80% interest in a Production Sharing Contract for the Nkembe block, offshore Gabon (“Nkembe PSC”). Pura Vida will be Operator under the Nkembe PSC with the State of Gabon holding a 20% carried interest.

The Nkembe PSC was executed at a signing ceremony attended by His Excellency Mr Etienne Ngoubou, Minister for Oil, Energy and Hydraulic Resources and Mr Alilat Oyima, Directeur Générale des Hydrocarbures held in Libreville on 11 January 2013. The Nkembe PSC was effective immediately upon signature and approval by Presidential Decree is expected shortly.

The Nkembe block is an area of 1,210 km<sup>2</sup> in water depths (of 50-500 metres) about 20 km off the coast of Gabon in the oil prone Gabon Basin. The block is proximate to many producing oil fields, including several fields operated by Total, the largest operator in Gabon (refer maps on pages 2 and 3).

Pura Vida’s Technical Director, Mr David Ormerod, said:

*“The award of the Nkembe block to Pura Vida marks a significant step in our strategy to build a diversified portfolio of high quality exploration assets. Nkembe is surrounded by oil fields and we see potential in a variety of different oil plays in this mature oil province. Pura Vida has taken a high equity position demonstrating our confidence in this project and the belief that sound technical work will generate value by proving the potential of these plays.”*



Map showing location of Nkembe block, offshore Gabon, West Africa

***“Gabon is an established oil producing country in West Africa and has enjoyed decades of economic growth and political stability in comparison to other countries in the region.”***

*Source: U.S. Energy Information Administration (EIA)*

## Prospectivity

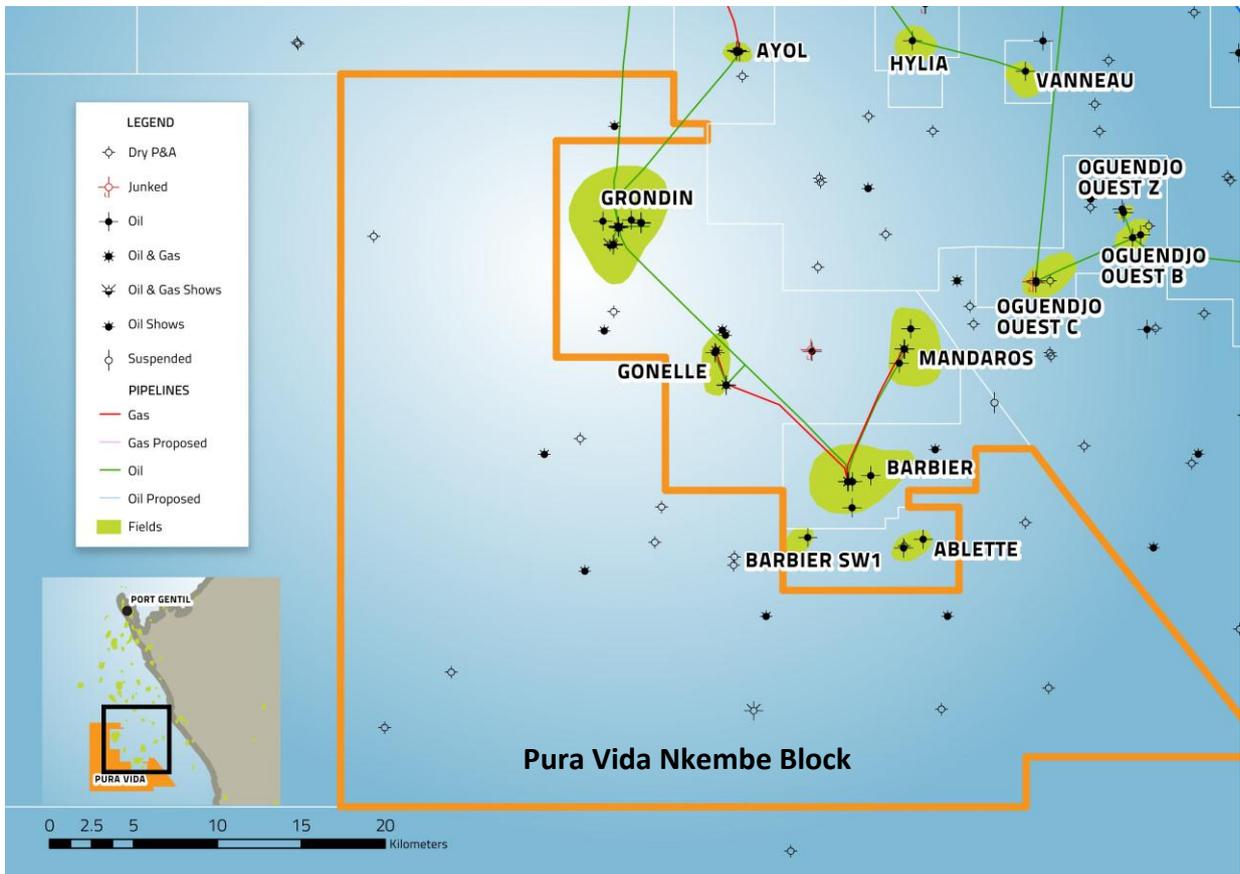
The Nkembe block is an area of 1,210 km<sup>2</sup> located in the producing Gabon Basin. Discoveries in the Gabon Basin led to the establishment of the oil industry in Gabon which has thrived for over 50 years. The Basin contains extensive production from reservoirs both above and below the salt layer. Both of these plays will be targeted by Pura Vida in the Nkembe block. The reservoirs above the salt have been producing since the 1950’s when Elf Aquitaine began exploration, while the reservoirs below the salt have been producing since the 1960’s when Shell began exploration in the onshore and southern offshore of Gabon.

New technologies in seismic acquisition and processing have overcome the challenges caused by salt features, leading to a resurgence of industry interest in sub-salt plays, and resulting in a number of major discoveries in recent years. Pura Vida will apply these technologies to unlock the sub-salt potential within the Nkembe block.

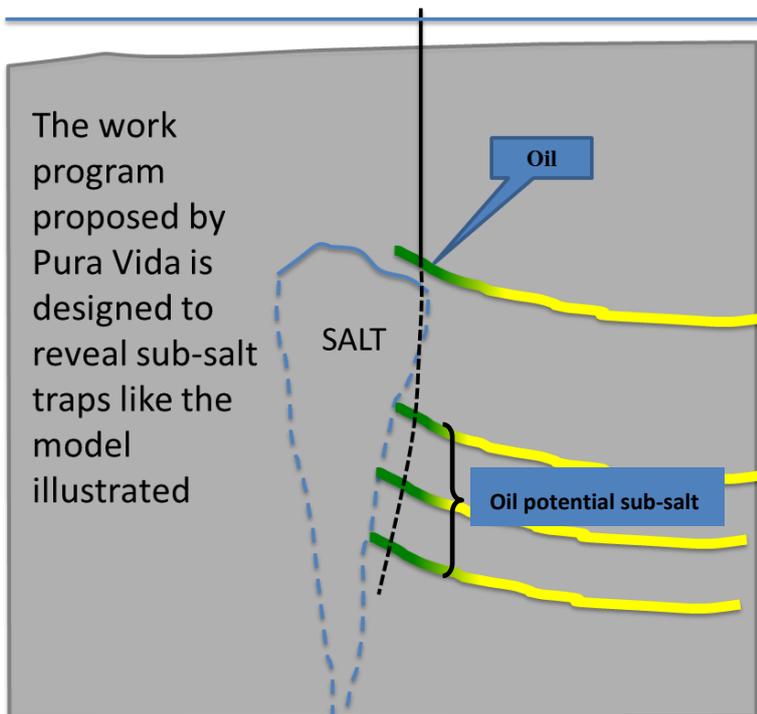
The Nkembe block is surrounded by producing oil fields and discoveries. The companies operating around Pura Vida’s Nkembe block include:

- **Mitsubishi:** Recent discovery in the Batanga formation in the adjacent block to the north;
- **Total:** Production from the Batanga formation in the nearby fields adjacent to the Nkembe block to the north-east;
- **Perenco:** Production from the Batanga formation reservoirs to the east of the Nkembe block;
- **Ophir:** Exploration in the acreage to the north-west for similar reservoirs; and
- **Petrobras, Shell and Total:** Exploration for pre-salt targets in nearby acreage.

As part of the terms of the acquisition, Pura Vida has acquired existing well and seismic data on the Nkembe block. Pura Vida will also purchase 845 km<sup>2</sup> of previously acquired 3D seismic data from seismic contractor, WesternGeco.



Map showing proximate fields and infrastructure



Nkembe exploration potential sub-salt

Pura Vida sees the Nkembe block as having a variety of plays within the sub-salt providing potential for large scale oil discoveries. Previous wells encountering oil are also of interest and may be used to identify drilling locations and to de-risk deeper sub-salt prospects defined on new seismic data.

The diagram (left) illustrates a well path designed to test a shallow zone and deeper sub-salt reservoirs.

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The pre-salt is a major play that has emerged offshore Brazil, with multi-billion barrels being discovered in the last five years. Gabon and Angola are a part of the conjugate margin to Brazil, meaning the geology is replicated on both sides of the Atlantic Ocean. This has led to a high level of industry interest in offshore Gabon, where it is believed there is potential to replicate the large discoveries that have been made in the pre-salt of Angola and Brazil.

## Acquisition terms

The term of the exploration period is for seven years, with a minimum work program divided into two phases described below. Upon a commercial oil discovery, an exploitation licence is granted for a period of 10 years (25 years for a gas development) with two extension options, each for a period of five years.

An upfront acquisition cost of US\$9 million was paid to the State upon signature of the Nkembe PSC. The acquisition cost reflects the value of this acreage and maturity of the Gabon Basin as an oil province, as well as the cost of acquiring existing well and seismic data over the Nkembe block. Pura Vida believes the proposed work program (described below) will prove the potential of the multiple play types in the Nkembe block leading to the identification of multiple drilling targets.

### First Phase

Pura Vida has committed to a first phase of four years with the following minimum work program:

- a 550 km<sup>2</sup> Multi Azimuth (MAZ) 3D seismic survey; and
- an exploration well to a depth of 2,000 metres sub-sea.

Pura Vida intends to acquire specialised seismic data designed to better image the reservoirs below salt. This will include reservoirs below both shallow and deep salt layers. The technology has been proven to work in salt basins worldwide and originated in the Gulf of Mexico where companies such as BHP have used the technology to better define discoveries on fields such as the large Shenzi field. Pura Vida expects to commence acquisition of the new seismic data early in the second half of 2013. However, Pura Vida has the flexibility to complete the seismic survey at any time within the primary term of four years (i.e. prior to January 2017).

### Second Phase

Following completion of the first phase, Pura Vida has the option to elect to enter the second phase with the following minimum work program:

- a further 550 km<sup>2</sup> Multi Azimuth (MAZ) 3D seismic survey; and
- two exploration wells to a depth of 3,000 metres sub-sea.

The PSC provides for payment of royalties and sharing of production between Pura Vida and the State after Pura Vida recovers its historical costs out of production. Under the fiscal terms, the development economics are positive with an estimated NPV (10% discount rate, after tax) of around US\$15/bbl.

Under the terms of the PSC, Pura Vida is exempted from corporate income tax, withholding tax, VAT, tax on dividends and other distributions.

The PSC contains stability provisions to protect the economic benefits of the PSC to Pura Vida. Any dispute is settled by arbitration out of country (Paris) based on international rules of arbitration.

## Gabon

Gabon is a democratic republic in West Africa, and is a member of the United Nations (UN) as well as the World Bank, the International Monetary Fund (IMF) and the African Union (AU). Gabon is bordered by Equatorial Guinea to the north-west, Cameroon to the north, the Republic of the Congo on the east and south, and the Atlantic Ocean to the west.

According to the *Oil & Gas Journal (OGJ)* in 2012, Gabon has 2 billion barrels of proven oil reserves, the fourth largest in sub-Saharan Africa after Nigeria, Angola, and Sudan.

Gabon has been an oil producing nation since the 1950's and is currently the sixth largest oil producing nation in sub-Saharan Africa. A number of international oil companies operate in Gabon, including Total, Shell, Sinopec, Petrobras, Ophir, Mitsubishi and Hess.

The U.S. Energy Information Administration (EIA) describes Gabon as *"an established oil producing country in West Africa and has enjoyed decades of economic growth and political stability in comparison to other countries in the region."*

Oil production is of fundamental importance to the economy of Gabon and, according to the World Bank, oil revenues account for 45% of gross domestic product (GDP) and 60% of government revenue. As a consequence of its relatively low population and abundant oil, Gabon is one of the most prosperous countries in sub-Saharan Africa enjoying a relatively high standard of living (per capita GDP is four times that of most nations of sub-Saharan Africa).

Due to its political stability, prosperity and foreign investment, Maplecroft's Political Risk Atlas 2012 rated Gabon as 'medium risk', the lowest amongst West African nations.

## Funding

In connection with meeting the acquisition costs for the Nkembe PSC, Pura Vida has executed a short-term funding facility for \$5 million. The lenders under the facility are unrelated parties. Hartleys Limited is Corporate Advisor to Pura Vida and arranged the facility.

The facility is unsecured, bears interest at the rate of 20% and contains representations and warranties usually found in an agreement of this kind.

Following payment of the Nkembe PSC upfront acquisition cost, PVD retains net cash of approximately \$4.5 million, which includes \$2 million in the form of a bank guarantee (expected to be released shortly). In addition, Pura Vida will receive a cash payment of US\$15 million upon completion of the farmout agreement recently announced in respect of the Mazagan permit. Completion of the farmout is expected to occur in the first quarter of 2013.

The forward expenditure for the performance of the work program on the Nkembe PSC will be incurred as that work is undertaken over the four year period of the first phase, allowing Pura Vida flexibility in choosing the method to fund those operations.

## Strategy

Entry into Gabon is an important strategic development for Pura Vida as it diversifies our asset portfolio. It also provides an additional source of activity and news flow as we progress into the well planning phase for a high impact deep water drilling program on the Mazagan permit, offshore Morocco.

Pura Vida's portfolio is now comprised of multiple play types which span frontier areas with significant resource potential as well as low risk known oil provinces. Pura Vida has been successful in building a high quality portfolio of exploration assets in a relatively short period of time which demonstrates the effectiveness of the management team in executing its growth strategy. Pura Vida will maintain its efforts to expand the portfolio as we pursue other opportunities in the resource rich African region.

Pura Vida has generated significant value for its shareholders through the work it has done in maturing its prospects in the Mazagan permit for drilling in 2014. We hope to replicate that success as we begin our work on the Nkembe block which also exhibits significant resource potential.

The next 12 months will be another exciting period for Pura Vida as we progress with well planning and can provide visibility around timing and targets of the high impact drilling program in the Mazagan permit and progress operations on the Nkembe block to high grade drilling candidates.

**About Pura Vida Energy:** Pura Vida is an Australian-based African oil explorer building a portfolio of high quality assets. Pura Vida currently has operations offshore Morocco and Gabon with significant resource potential.

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