



ASX Code: PVD

19 January 2017

## RIG CONTRACTOR TO FUND DRILLING COSTS FOR MULTI-WELL PROGRAM

### HIGHLIGHTS

- **Conditional term sheet signed with rig contractor to fund a three well drilling program in 2017, including a planned production test of the Loba Oil Field**
- **Rig contractor to fund rig costs for drilling program estimated at US\$20 million (A\$ 26.5 million)**
- **PVD is progressing discussions with potential partners to secure remaining funding required for 2017 Drilling Campaign**
- **The 2017 Drilling Campaign will target approximately 100 mmb<sup>1</sup>**

Pura Vida Energy NL (**Pura Vida** or **Company**) (ASX: PVD) is pleased to announce that it has entered into a conditional term sheet with a rig contractor to fund the costs of a three well, back to back drilling program on the Nkembe block, which will include an appraisal of the Loba Oil Field and a planned production test ("**Term Sheet**").

Under the Term Sheet, the rig contractor will provide a jack-up rig and fund the costs of the rig for the three well program anticipated to commence in the second half of 2017 with an estimated duration of 3-4 months ("**2017 Drilling Campaign**"), including the mobilisation costs and operating day rate of the rig, in exchange for a royalty out of production from any fields discovered during the drilling campaign that are brought into production. Pura Vida will maintain its 100% ownership interest in the Nkembe permit, subject to the terms of the participation option described below.

The costs to be funded by the rig contractor are approximately US\$20 million (A\$ 26.5 million). The transaction is conditional on Pura Vida securing funding for the balance of the drilling costs for the three well drilling program from a project partner (estimated to be an additional US\$20 million) and obtaining all required regulatory approvals. Pura Vida has commenced discussions with potential partners to secure the remaining funding required and meetings with the regulator concerning the approvals are being scheduled.

The value of the royalty payable to the rig contractor under the Term Sheet varies depending on the size and production rates of the relevant field(s) discovered during the 2017 Drilling Campaign.

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**Note 1:** Hydrocarbon volumes are expressed in gross unrisksed mean recoverable resources and differentiated as contingent (being discovered) and prospective (being un-discovered). See Table 1 for resource estimates, classification and risks

Based on the current schedule, the rig is expected to commence operations in the second half of 2017, subject to securing a partner to fund the balance of the 2017 Drilling Campaign and receiving the necessary regulatory approvals. The first well in the 2017 Drilling Campaign will target the Loba discovery and Loba Deep prospect, which includes a planned drill stem test (DST) of the Loba discovery. The location of the second and third wells will be determined by Pura Vida, based on results, and may include prospects such as Loba East, Lepidote Deep, Pompano and Palomite Deep (see Table 1). The 2017 Drilling Campaign will target approximately 100 mmbo<sup>1</sup> of which 12 mmbo are considered low risk appraisal testing of contingent (discovered) resources.

The transaction remains subject to a number of conditions, including:

- the parties entering into formal agreements in relation to the transaction;
- obtaining all government and regulatory approvals required in relation to the transaction and the 2017 Drilling Campaign; and
- Pura Vida obtaining the balance of funding required for the 2017 Drilling Campaign.

As part of the transaction, the formal documentation will grant an option to the rig contractor to subscribe for up to 10% of Pura Vida's issued capital on terms to be agreed.

The term sheet provides for the rig contractor to convert the royalty interest over any particular field into direct equity in that field prior to a Final Investment Decision (FID) to develop the field based on a valuation methodology to be contained in the formal documentation.

The term sheet also includes a number of other terms and conditions usually found in an agreement of this kind. The transaction remains highly conditional and terms may be subject to change. Further details in relation to the transaction will be provided once formal documentation is entered into.

### **Next Steps**

Pura Vida believes the signing of the Term Sheet is an important step in facilitating a project partnership arrangement for the balance of the funding required for the 2017 Drilling Campaign. Pura Vida is currently marketing the opportunity to potential farminees and is offering equity in the permit to potential partners to participate in a near term, multi-well offshore drilling program which will include a production test of the existing Loba discovery as well as near field exploration potential. With the rig costs proposed to be funded by the rig contractor, Pura Vida's primary farmout objective is to have the balance of costs funded for the three wells and also recover back costs.

Managing Director, Damon Neaves, said:

*"The proposed 2017 drilling campaign which includes three wells, including the potential for a production test of Loba to confirm a commercial flow rate to underpin development, represents an exciting opportunity that has the potential to transform Pura Vida from an explorer to a producer in the near term. Our plans to commercialise Loba and test the shallow water exploration potential of the Nkembe block are at the forefront of Pura Vida's strategy and we are very pleased to have reached this conditional agreement to provide a rig and partial funding for those activities.*

Our focus now turns to formalising the agreement and satisfying the conditions, including regulatory approvals and securing the remaining funding required. Our goal is to put the Company in a unique position with three offshore wells this year to test various targets and, subject to production test results, advance the commercialisation of Loba.”

**Table 1: Resource potential of potential well candidates for 2017 Drilling Campaign**

Nkembe Permit (Contingent Resources)		Most Likely Hydrocarbon phase	Gross un-risked contingent recoverable resources (mmboe)				Prospect with stacked targets	Single Well Options	Individual prospect commercial risk (Pc)	Risk based on volume weighted mean (aggregated)	Gross risked prospective resources	PVD 80% net un- risked contingent recoverable resources (mean)	PVD 80% net risked contingent recoverable resources (mean)
Discovery Name	Target		C1	C2	C3	MEAN							
Loba (Oil Discovery)	Batanga/P. Clairette	Oil (Discovered)	7.7	11.5	16.5	11.9	≡	A	81%	81%	9.6	9.5	7.7
<b>Loba Complex</b>													
Nkembe Permit (Prospective Resources)		Most Likely Hydrocarbon phase	Gross un-risked prospective recoverable resources (mmboe)				Prospect with stacked targets	Single Well Options	Individual prospect risk (Pg)	Risk based on volume weighted mean (aggregated)	Gross risked prospective resources	PVD net un-risked prospective recoverable resources (mean)	PVD net risked prospective recoverable resources (mean)
Prospect Name	Target		LOW	BEST	HIGH	MEAN							
Loba Deep	L. Anguille	Oil	6.0	11.0	16.0	11.0	≡	A	35%		3.9	8.8	3.1
Loba East	Batanga/P. Clairette	Oil	4.9	10.5	18.1	11.0	≡	B	52%		5.7	8.8	4.6
Loba Area Aggregated*						34				57%	19.2	27.1	15.4
Lepidote Deep	L. Azile/Cap Lopez	Oil	25.0	60.0	114.0	65.0		C	30%		19.5	52.0	15.6
<b>Palomite Cluster</b>													
Pompano	Batanga/P. Clairette	Oil	3.0	5.0	11.0	7.0			25%		1.8	5.6	1.4
Pompano	L. Anguille	Oil	7.0	15.0	35.0	18.0			24%		4.3	14.4	3.5
Pompano	Cap Lopez	Oil	12.0	43.0	95.0	54.0			17%		9.2	43.2	7.3
Pompano Aggregated		Oil				79	≡	D		19%	15.3	63.2	12.2
Palomite Deep	Gamba	Gas / Cond.	20.0	34.0	51.0	36.0			29%		10.4	28.8	8.4
Palomite Deep	Dentale	Gas / Cond.	52.0	160.0	353.0	185.0			29%		53.7	148.0	42.9
Palomite Deep	Synrift Carbonates	Gas / Cond.	58.0	105.0	172.0	111.0			7%		7.8	88.8	6.2
Palomite Deep Aggregated (Pre-salt Only)		Gas / Cond.				332.0	≡	D'		22%	71.9	265.6	57.5
Palomite Cluster: (single deep well to test Pompano and Palomite Deep)		Mixed				411.0	≡	D'		21%	87.1	328.8	69.7

Notes: All recoverable resources are expressed in millions of barrels of oil (mmb) and for gas condensate cases, millions of barrels of oil equivalent (mmboe)

Calculation for converting gas condensate into to liquids is based on a range of ratios for condensate yield (CGR), expressed in barrels per million standard cubic feet of gas or mmscf/g. Low case (P90) = 10 bbls/mmscf/g, Best case (P50) is 50 bbls/mmscf/g, High case (P10) is 134 bbls/mmscf/g with a mean case of 53 bbls/mmscf/g

### Resource estimates cautionary statement

The estimated quantities of prospective resources relate to undiscovered accumulations and contingent resources relate to discovered accumulations. These estimates have an associated risk of discovery or appraisal (as the case may be) as well as a risk of development. Further exploration, appraisal and/or evaluation is required to determine the existence of a commercial quantity of moveable hydrocarbons.

Prospective and contingent resource estimates in this presentation are prepared as at 7<sup>th</sup> September 2016. The resource estimates have been prepared using the Society of Petroleum Engineers' Petroleum

Resources Management System (SPE-PRMS) to define resource classification and volumes see [www.spe.org](http://www.spe.org) . For calculations of gas to liquids a conversion factor of 6 has been used to report barrels of oil equivalent.

Pura Vida is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of the contingent and prospective resources.

#### **Persons compiling information about hydrocarbons**

The resource estimates contained in this presentation have been prepared by Mr Andrew Morrison BSc. Geology (Hons) a Geologist who has over 30 years of experience in petroleum geology, geophysics, prospect generation and evaluations, prospect and project level resource and risk estimations and is a member of the Society of Petroleum Engineers. Mr Morrison is a full time employee of the Company and has consented to inclusion of the resource estimates in the form and context in which they are included. Mr Morrison meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this document.

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