



**Pura Vida Energy NL**

ACN 150 624 169

# **ANNUAL REPORT 2016**

## CORPORATE DIRECTORY

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### DIRECTORS

Mr Richard Malcolm	<i>Non-Executive Chairman</i>
Mr Damon Neaves	<i>Managing Director</i>
Mr Nathan Lude	<i>Non-Executive Director</i>

### COMPANY SECRETARIES

Mrs Dennaë Lont  
Mr Chen Chik Ong

### PRINCIPAL AND REGISTERED OFFICE

Level 3, 89 St Georges Terrace  
PERTH WA 6000  
Telephone: +61 8 9226 2011  
Facsimile: +61 8 9226 2099  
Web: [www.puravidaenergy.com.au](http://www.puravidaenergy.com.au)

### STOCK EXCHANGE LISTING

Australian Securities Exchange Limited  
ASX Code – PVD

### SHARE REGISTRY

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
PERTH WA 6000  
Telephone: 1300 850 505 (within Australia)  
+61 8 9415 4000 (outside Australia)

### AUDITOR

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

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Dear Shareholder,

The year in review has been a difficult one for the Company and its shareholders. It is pleasing to see some positive progress recently on two important fronts.

Firstly, the Company announced it has reached a conditional settlement with Freeport-McMoRan in relation to the second well obligation under the farmin agreement. That agreement and the settlement (other than the deposit already received) is conditional upon a further agreement with the regulator and any required approvals. This is an important step toward resolving this matter and securing an important value outcome for Pura Vida.

Secondly, the Company has recently released a substantial body of work demonstrating the commercial potential of the Loba discovery (141 meter gross oil column) in its 100%-owned Nkembe block and outlined the Company's strategy to realise value through a series of near term catalysts including farmout, drilling and development.

The Company has a fully costed Concept and Feasibility Study (CFS) for the fast-track development of the Loba Oil Field. The critical next critical step is to secure funding through a farmout for a well to carry out a production test and prove a commercial flow rate and book reserves. In this regard, the Company has undertaken a study by an independent flow assurance expert which modelled flow rates in excess of the threshold for a commercial development, which has further de-risked the project.

The economics for the development of the Loba Oil Field show the significant potential value this strategy can deliver to shareholders in the near term (refer the Company's announcement of 13 September 2016 for detailed economics). The Company has already identified suitable topside facilities that are readily available on a cost-effective basis. The approach adopted by the Company in the fast-track CFS would allow the Company to achieve first production within a period of as little as 12 months after a successful production test.

In this way, the Company seeks to transform itself from an explorer to a developer and producer. Loba presents an exciting and transformative opportunity for the Company and its shareholders with the potential to generate near term cash flow from early production from the field.

The Company has endured a challenging year having drilled a dry hole in Morocco (albeit with no financial exposure to the Company) and a sustained period of low oil prices. However, the Board and management are focused on rebuilding value as we look to finalise transactions with significant near term value for shareholders, including the settlement with Freeport and a farmout of the Company's acreage in Gabon opening the pathway for commercialisation of the Loba discovery.

In the current environment, the Board has taken positive action over the past year to reduce costs and conserve cash. These initiatives have included closure of the Melbourne office, reduction in head count by more than 50%, reduction in salary levels as well as various other measures. Over the past two years, the Company's wages and salary expense has been reduced by 60%. As a result, corporate overheads are estimated at \$1.2 to \$1.5 million per annum based on resourcing requirements to operate its projects.

The Company finished the year with approximately A\$6 million cash at bank and has subsequently received a US\$1.5 million (A\$2 million) deposit toward the settlement of the second well commitment in Morocco. The Company is in a sound financial position with further events to play out which may greatly improve the financial strength of the Company.

Pura Vida and its shareholders have much to look forward to in the coming year as we pursue the exciting potential within our portfolio.

Yours sincerely



**Ric Malcolm**  
**Non-Executive Chairman**

## BUSINESS REVIEW

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### OUR STRATEGY

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Driven by active exploration programs and successful acquisitions resulting in a quality portfolio spanning Morocco, Gabon and Madagascar.

#### Highlights

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- Approximately \$6 million cash at bank as at 30 June 2016.
- Execution of a conditional settlement agreement with Freeport-McMoRan and receipt of a US\$1.5 million deposit post year-end.
- Positive progress in technical and commercial work has demonstrated the commercial viability of the Loba oil discovery in the Nkembe block, offshore Gabon. This has led to a shift in the focus of the farmout towards appraisal and fast-track development of Loba along with the potential for near-field exploration.
- Increase to 100% ownership and Operatorship of Ambilobe block offshore Madagascar together with renegotiation and extension of the PSC terms providing up to five years remaining tenure on the block. 3D seismic data is currently being interpreted with potential drill targets identified ahead of a farmout campaign.
- The Company's cost reduction initiatives have achieved targeted cost savings of \$1.5 million for the 2016 financial year. Going forward, corporate overheads are expected to be approximately \$1.2 to \$1.5 million per annum based on current resourcing requirements to operate projects in Gabon and Madagascar together with a non-operated interest in Morocco.

#### **Mazagan permit, offshore Morocco** **23% interest (Operator: PXP Morocco B.V.)**

##### *Overview*

The Mazagan permit covers an area of 8,717 km<sup>2</sup> and is located off the Atlantic coast of Morocco, in water depths of 1,370-3,000 metres.

In the third quarter of 2015 the Company participated in the MZ-1 deep water well offshore Morocco. This was the Company's first well and targeted multiple Cretaceous and Jurassic targets. The MZ-1 exploration well was drilled to 6,180m to test multiple Cretaceous and Jurassic targets however the well failed to encounter commercial hydrocarbons.

In September 2016, the Company announced that it had entered into a conditional settlement with PXP in relation to the second well obligation under the farmin agreement. The agreement is conditional upon PXP and PVD reaching a further agreement with the regulator and obtaining any required Government approvals in relation to the second well commitment under the Petroleum Agreement in relation to the permit. The parties are in discussions with a view to resolving the matter, the outcome of these discussions and the timing of any resolution remains uncertain.



#### **Nkembe block, offshore Gabon** **100% interest (Operator)\***

\* Pura Vida's interest is subject to the right of the State of Gabon to participate in any development for up to a 20% interest under the Production Sharing Contract

##### *Overview*

The Nkembe block covers an area of 1,210 km<sup>2</sup> in water depths of 50-1,100 metres approximately 30 km off the coast of Gabon. The eastern part of the Nkembe block is in shallow water within a proven petroleum system proximate to producing fields and pipeline infrastructure.

The block contains the Loba Oil Field discovered in 1976 where the original well intersected a 141 metre gross oil column. An attempt to flow test the well was made without success, however during abandonment oil was recovered to surface and identified to be very similar oil quality to that of neighbouring producing fields.



## BUSINESS REVIEW

Recent engineering and well completion studies using modern technology and processes have provided assurance that sustainable and commercial flow rates should be achievable from Loba and would be comparable to nearby analogous fields that are in production.

The Loba Oil Field lies in shallow water (65 metres) which can be drilled by a jack-up rig and is ideally positioned to access existing pipeline infrastructure opening up the potential for cost effective development options. In addition, the attractive Lepidote Deep exploration prospect lies just 5 km to the northeast and if drilled and successful, could form a combined development.

The potential for commercialisation of the Loba oil discovery has been rejuvenated as a result of recent developments and various technical and commercial studies undertaken during the period, including:

- significant reductions in rig rates, drilling and oil field equipment and services as a consequence of the low oil price environment. Competitive terms and arrangements are now being offered by contractors and vendors which have had a significant positive impact on the economics of Loba;
- flow assurance studies conducted in relation to Loba crude and reservoir characteristics which de-risk an appraisal of Loba and enhanced field performance and recovery using horizontal completions with downhole Electric Submersible Pumps (ESPs);
- a fully costed Concept & Feasibility Study (CFS) for a phased drilling program and fast-track development of the Loba Oil Field;
- economic modelling based on costings for the appraisal and fast-track development of the Loba Oil Field and associated prospects (refer announcement of 13 September 2016 for economics);
- ongoing evaluation of 3D seismic data over Loba and integration of engineering and well completion work into resource estimations;
- progressed discussions for access to existing nearby infrastructure for oil export from the development of Loba;
- a fully costed CFS for the Lepidote Deep prospect from exploration through to fast-track development and then full field development of the potential prospective resource range; and
- economic modelling based on costings for the exploration, appraisal and development of the Lepidote Deep prospect.

The CFS in respect of the Loba Field is based on an appraisal and production test of the Loba discovery. Pura Vida estimates the chance of commercial success at 81% due to the known oil accumulation at the Batanga level. Based on preliminary evaluation of the work outlined above, Pura Vida is confident of demonstrating commerciality of a Loba development with a production test to establish a commercial flow rate.

Being able to offer a near-term and low risk appraisal/development opportunity such as Loba has shifted the focus of the farmout. Securing funding through a farmout for a future drilling program to unlock the value of Loba and test near field exploration has the potential to generate significant near term value for the Company.

Pura Vida's strategy for the commercialisation of Loba has the potential to transform the Company from an explorer to a producer in the near term.

### **Ambilobe block, offshore Madagascar 100% interest and Operator**

#### *Overview*

The Ambilobe block is located in the offshore part of the Ambilobe Basin, north-west Madagascar covering an area of 17,650 km<sup>2</sup>. Water depths across the block range from shoreline to 3,000 metres. The Ambilobe PSC is in the second phase of the exploration period and all work commitments have been fulfilled.

In the second quarter of 2016, the Company increased its equity to 100% and assumed Operatorship of the Ambilobe block at no cost following the withdrawal of its joint venture partner.

In conjunction with the increase in ownership, Pura Vida



## BUSINESS REVIEW

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renegotiated the terms of the Production Sharing Contract (PSC) with the Government of the Republic of Madagascar and the regulator (OMNIS). Those changes have now been ratified by Presidential Decree and await official publication to conclude the process.

Renegotiation of the PSC terms has achieved a number of important objectives:

- to ensure appropriate time to finalise interpretation of newly acquired 3D seismic data ahead of entry into drilling phase next year;
- a total of up to five years tenure remaining on the block; and
- reduced financial exposure ensuring all expenditure is directed towards progressing the ongoing technical work.

Interpretation of the newly acquired 3D seismic data continues. The evaluation going forward will be focused on defining leads and prospects and building a portfolio with the aim to mature prospects to drill ready candidates, ahead of a farm out campaign.

Initial interpretation of the newly acquired 3D seismic data has generated encouraging leads which includes structural traps with four way dip closure. Trap definition is considered robust with good vertical relief at this level ranging from 400 metres to over 600 metres with independent closure over significant areal extents ranging from 20km<sup>2</sup> to 65km<sup>2</sup>.

There has been limited exploration in the Ambilobe Basin, where the offshore area remains undrilled. There are several onshore heavy oil discoveries in the Morondava Basin, southern Madagascar that are currently being developed. Pura Vida made the strategic entry into the block based on compelling regional geology and 2D seismic data where oil seeps prove a working petroleum system and where effective source rocks, reservoirs and seals in combination with salt in the basin form large structural trends that provide the potential for a significant hydrocarbon province. These fundamental elements have been correlated from the onshore part of the basin, where a recent coring program in the neighbouring block undertaken in late 2014, revealed Cretaceous and Jurassic oil bearing reservoirs. These reservoirs and identical stratigraphic intervals correlate offshore directly into the structural fairway that was the site of the 3D seismic program. Mapping of the new data has reaffirmed the presence of multiple leads within each of the extensive play fairways where there is significant running room, in the event that a discovery is made.

### ***Cost Reductions***

In response to changing market conditions in the oil and gas sector, the Company implemented a significant cost reduction program in the 2016 financial year. This program has primarily been focused on non-technical corporate expenses in order to ensure expenditure is focused on operational activities. The cost reduction initiatives include:

- reduction in staff levels (decrease in head count by more than 50%) and associated cost savings;
- Executive and Non-Executive Directors all electing to voluntarily reduce their remuneration;
- cost sharing arrangements to reduce financial and administrative staff costs;
- downsizing the Perth office allowing for office space to be sub-let;
- closure of Melbourne office and relocation of remaining staff to Perth office; and
- minimisation of external service providers, travel, compliance and other costs.

The Company's cost reduction initiatives achieved targeted cost savings of \$1.5 million in the 2016 financial year. Over the past two years, the Company's monthly wages and salary expense has been reduced by 60%. Going forward, corporate overheads are expected to be approximately \$1.2 to \$1.5 million per annum based on current resourcing requirements to operate projects in Gabon and Madagascar together with a non-operated interest in Morocco.

## GLOSSARY

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3D seismic	seismic recorded along many closely spaced traverses and processed to form a three dimensional view of the subsurface
A\$ or \$	Australian dollars
ASX	Australian Securities Exchange Limited
Board	the Board of Directors of the Company
constitution	the constitution of the Company
Director	a director of the Company
Euro	Euro dollars
financial year	the 12 months ending 30 June 2016
km <sup>2</sup>	square kilometres
Pura Vida or the Company	Pura Vida Energy NL (ABN 11 150 624 169)
Report	this Annual Report
US\$	United States dollars

## DIRECTORS' REPORT

The Directors of Pura Vida Energy NL (**Company** or **Pura Vida**) and the entities it controls (**Consolidated Entity** or **Group**) present their report for the financial year ended 30 June 2016.

### FINANCIAL PERFORMANCE

The Group made a net loss after tax of \$7,566,293 for the year (30 June 2015: loss of \$16,589,080).

At 30 June 2016, the Group had net assets of \$3,930,851 (30 June 2015: \$8,660,568) and cash assets of \$6,083,331 (30 June 2015: \$7,329,004).

### PRINCIPAL ACTIVITIES

Pura Vida is an Australian-based African oil explorer. The Company has an interest in the Mazagan permit, offshore Morocco, the Nkembe block, offshore Gabon and the Ambilobe block, offshore Madagascar. The Company's strategy is to explore for oil and to build a diversified portfolio of assets.

There were no significant changes in the nature of these activities during the year.

### INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

#### **Mr Richard Malcolm, B.Sc. Geology, MAICD, MEI.** Non-Executive Chairman

Appointment date	13 January 2014		
Experience and expertise	<p>Mr Malcolm is a petroleum geologist who commenced his career in 1980 at Woodside Petroleum Limited. Mr Malcolm has previously held the position of Managing Director of OMV (UK) Limited, a subsidiary of OMV, one of Europe's leading oil and gas companies and overseen OMV's exploration activities in Australia, New Zealand, Norway and Libya. Prior to this time, he also worked with Ampolex and Mobil.</p> <p>Between 2008 and early 2013, Mr Malcolm was CEO of Gulfsands Petroleum plc, an AIM listed oil and gas production, exploration and development company with operations in Syria, Iraq, Morocco, Colombia, Tunisia and the USA. Mr Malcolm also has extensive experience and networks in UK equity capital markets.</p>		
Other ASX listed directorships	None		
Former directorships in the last three years of ASX listed companies	None		
Committee Memberships	Chairman of the Board Chairman of the Remuneration Committee Member of the Audit & Risk Committee		
Interest in ordinary shares and options, performance rights and retention rights to acquire shares	Fully paid ordinary shares	537,623	
	Options over ordinary shares	500,000	

#### **Mr Damon Neaves, LLB, B.Comm, A.S.I.A.** Managing Director

Appointment date	17 August 2011		
Experience and expertise	<p>Mr Neaves is a founding Director and shareholder of Pura Vida. He has worked in various commercial, operational and management roles and brings a wealth of international oil and gas expertise. Prior to forming Pura Vida, Mr Neaves was the Business Development Manager of a mid-cap international E&amp;P company and his international experience spans countries throughout Africa, Europe, the Middle East and Asia Pacific. Mr Neaves has extensive commercial experience particularly in commercialisation of gas in Western Australia as well as upstream project management experience.</p>		
Other ASX listed directorships	None		
Former directorships in the last three years of ASX listed companies	None		

## DIRECTORS' REPORT

Committee Memberships	None			
Interest in ordinary shares and options, performance rights and retention rights to acquire shares	Fully paid ordinary shares	5,675,000		
	Partly paid ordinary shares	4,725,000		
	Performance rights	1,906,356		
	Retention rights	1,250,000		
<b>Mr Nathan Lude, <i>B.Comm</i>, Non-Executive Director</b>				
Appointment date	16 May 2016			
Experience and expertise	Mr Lude has broad experience working in Asset Management, Mining and the Energy Industry. He operates a boutique advisory firm, Advantage Management Pty Ltd and works with private and public companies, focused on enhancing business growth and development through introducing new investors and capital. Mr Lude has worked in a Business Development Management role for a large Canadian Energy Company and previously held the Managing Director position for a listed ASX mining company. Since 2007, he has been involved in asset and fund management. His business network spreads across Australia and Asia and has strong ties with Australian broking firms, institutions, Asian investors and institutions.			
Other ASX listed directorships	None			
Former directorships in the last three years of ASX listed companies	None			
Committee Memberships	Chairman of the Audit & Risk Committee Member of the Remuneration Committee			
Interest in ordinary shares and options, performance rights and retention rights to acquire shares	Fully paid ordinary shares	3,948,815		
<b>Mr Jeff Dowling, <i>BComm, FCA, FAICD, FFin.</i> Non-Executive Chairman</b>				
Appointment date	13 January 2014			
Resignation date	16 May 2016			
Experience and expertise	Mr Dowling is a highly experienced corporate leader with 36 years’ experience in professional services with Ernst & Young. He has held numerous leadership roles within Ernst & Young which focused on the mining, oil & gas and other industries. His professional expertise centre around audit, risk and financial acumen derived from acting as lead partner on large public company audits, capital raisings and corporate transactions. Mr Dowling’s career with Ernst & Young culminated in his appointment as Managing Director of the Ernst & Young Western Region for a period of five years. He led the Ernst & Young Oceania oil and gas group and was responsible for servicing and developing Ernst & Young’s oil and gas clients across the Oceania region and was a member of Ernst & Young’s global oil and gas leadership group. Mr Dowling has a Bachelor of Commerce from the University of Western Australia and is a fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Financial Services Institute Australasia.			
Former directorships in the last three years of ASX listed companies	<b>Company</b>	<b>Position</b>	<b>Commenced</b>	<b>Ceased</b>
	Sirius Resources NL	Non-Executive Chairman	28 February 2013	23 September 2015
	Atlas Iron Ltd	Non-Executive Director	8 November 2011	6 May 2016
	NRW Holdings Ltd	Non-Executive Director	21 August 2013	-
Committee Memberships	Chairman of the Board Chairman of the Remuneration Committee Member of the Audit & Risk Committee			

## DIRECTORS' REPORT

### Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of the Board of Directors of Pura Vida) held during the financial year, which each Director of the Company was eligible to attend and the number of meetings attended by each Director of the Company (while they were a Director or committee member).

Directors	Board of Directors		Audit & Risk Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
J Dowling <sup>(1)</sup>	12	12	2	2	1	1
D Neaves	13	13	-	-	-	-
R Malcolm	13	13	2	2	1	1
N Lude <sup>(2)</sup>	1	1	-	-	-	-

1 J Dowling resigned as Non-Executive chairman on 16 May 2016

2 N Lude was appointed as Non-Executive director on 16 May 2016

### Company Secretaries

#### Mrs Dennaë Lont, Appointed 2 July 2014

Mrs Lont has substantial governance experience in the oil and gas industry and with Australian public companies. She is a member of the Governance Institute of Australia and was previously the Company's Deputy Company Secretary. On the 7 June the Company announced that Mrs Lont had commence here parental leave and Mr Ong would join the Company as interim Joint Company Secretary.

#### Mr Nicholas Ong, Appointed 7 June 2016

Mr Ong has spent seven years as a Principal Advisor at the ASX overseeing the listings of over a hundred companies. He has substantial experience in ASX Listing Rule compliance and corporate governance and has previously served as the Company Secretary.

### OPTIONS, PERFORMANCE RIGHTS AND RETENTION RIGHTS

Details of the options, retention rights and performance rights on issue as at the date of this report are as follows:

#### Options

- 775,000 options exercisable at \$1.03 expiring 2 October 2016
- 32,500 options exercisable at \$1.08 expiring 4 November 2016
- 250,000 options exercisable at \$0.82 expiring 16 December 2016
- 1,500,000 options exercisable at \$0.91 expiring 13 January 2017
- 2,400,000 options exercisable at \$0.35 expiring 20 August 2017

#### Performance Rights

- 135,954 performance rights subject to performance conditions, expiring on 30 October 2016
- 24,375 performance rights subject to performance conditions, expiring on 4 November 2016
- 540,071 performance rights subject to performance conditions, expiring on 30 June 2017
- 3,787,786 performance rights expiring 30 June 2018

#### Retention Rights

- 1,900,000 retention rights subject to performance conditions, expiring on 30 June 2016 \*
- 1,900,000 retention rights subject to performance conditions, expiring on 30 June 2017

\* Retention rights vested following the completion of the 1-year service condition, being the 2016 financial year. These rights remain unissued as a result of the Company being in a close period.

Further details of performance rights, retention rights and options issued by the Company during the financial year and on issue as at 30 June 2016 are set out in Note 11 to the financial statements and form part of this report.

## DIRECTORS' REPORT

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### INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a policy insuring the Company's Directors, secretaries, executive officers and any related body corporate against a liability incurred as such a director, secretary or officer to the extent permitted by the *Corporations Act 2001*. The policy of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has entered into Deeds of Indemnity, Insurance and Access with the Company's Directors, secretary and executive officers.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of the related body corporates against a liability incurred as such an officer or auditor.

### DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year or prior financial year.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Pura Vida, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of Pura Vida for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of Pura Vida with leave of the Court under section 237 of the *Corporations Act 2001*.

### CHANGES IN STATE OF AFFAIRS

- On 19 February 2016, the Company completed a placement to professional and sophisticated investors of \$986,640 (before fees and costs) through the issue 36,542,208 shares at \$0.027 per share.
- On 22 February 2016, the Company announced a pro-rata non-renounceable rights issue of one (1) New Share for every three (3) existing Shares of the Company at \$0.027 per Share (the same price as the placement) to raise up to approximately \$1.7 million (before fees and costs). The rights issue and shortfall closed fully subscribed.

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this report or the financial statements.

### EVENTS AFTER THE REPORTING PERIOD

- On 12 September 2016, the Company announced that it has entered into a conditional settlement with a subsidiary of Freeport-McMoRan Oil & Gas, PXP Morocco B.V. (PXP) in relation to the second well obligation under the farmin agreement with PXP. The settlement is conditional upon PXP and PVD reaching a further agreement (and obtaining any required approvals thereto) with the Office National des Hydrocarbures et des Mines (ONHYM). Under the terms of the settlement, PXP has paid Company an unconditional and non-refundable deposit of US\$1.5 million to the Company.

In the opinion of the Directors, no other event of a material nature or transaction, has arisen since year end and the date of this report that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or its state of affairs in subsequent financial years.

### LIKELY DEVELOPMENTS AND FUTURE PROSPECTS

The Company intends to continue its present range of activities during the forthcoming year. In accordance with its strategy, the Company may participate in exploration and appraisal wells and new projects, and may grow its exploration portfolio by farming into or acquiring new exploration licences.

### ENVIRONMENTAL REGULATION

The Company's policy is to comply with, or exceed, its environmental obligations in each jurisdiction in which it operates. No known environmental breaches have occurred during the financial year or prior financial year.

### REMUNERATION REPORT (Audited)

The Directors of Pura Vida Energy NL (**Company** or **Pura Vida**) present the Remuneration Report of the Company and the entities it controlled (**Consolidated Entity** or **Group**) for the year ended 30 June 2016. The report outlines the remuneration arrangements for the Company's key management personnel (**KMP**) in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

**The Company announced on 17 May 2016 that, in light of market conditions, the board had resolved to suspend all short term and long term incentive awards under the Company's remuneration policy. At the date of this report, all short term and long term incentive awards remain suspended and the policies and remuneration described in this Remuneration Report should be read in that context. No STI award was made in relation to the 2016 financial year.**

**The Company undertook significant redundancies during the financial year, closed the Melbourne office and significantly reduced the overall head count. In addition, as part of cost reduction measures undertaken by the Company, the Managing Director voluntarily accepted a 22% reduction in base salary and the Non-Executive Directors fees were reduced by 75% with effect from 16 May 2016. There were no increases in base salary of employees during the period.**

**The Company's CFO was made redundant on 1 June 2016 and has not been replaced. As a result, the Managing Director and the Exploration Manager now the only full-time staff employed by the Company. All finance and administrative staff are shared with another company in order to reduce the cost to Pura Vida.**

This report is presented in the following sections:

1. Introduction
2. Governance
3. Key Management Personnel
4. 2016 Remuneration
  - Executive Remuneration Structure
  - Target Remuneration Mix
  - Base Salary
  - Short Term Incentives
  - Long Term Incentives
  - Remuneration Related to Performance
  - Non-Executive Directors
5. Executive Service Agreements
6. Share-Based Compensation
7. Details of Remuneration
8. Other Transactions
9. Voting and Comments – 2015 Annual General Meeting

### 1. INTRODUCTION

The policies and practices adopted by the Company have been tailored to increase goal congruence amongst shareholders, Directors and KMP. They are designed to ensure that the level and form of compensation achieves certain objectives, including:

- attraction and retention of employees to pursue the Company's strategy and goals;
- delivery of value-adding outcomes for the Company; and
- incentive to deliver future individual and Company performance.

### REMUNERATION REPORT (Audited) (continued)

#### 2. GOVERNANCE

The Board retains overall responsibility for remuneration policies and practices of the Company.

The Board has established a Remuneration Committee (**Committee**) which operates in accordance with its charter as approved by the Board. The Committee comprises two independent Non-Executive Directors.

The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibility to shareholders by:

- reviewing and approving KMP remuneration to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensuring KMP remuneration demonstrates a clear relationship between KMP performance and remuneration;
- recommending to the Board the remuneration of KMP;
- fairly and responsibly rewarding KMP having regard to the performance of the Group, the performance of the individual and the prevailing remuneration expectations in the market;
- reviewing the Company's recruitment, retention and termination policies and procedures for KMP;
- reviewing and approving the remuneration of senior executives of the Company who report to the Managing Director; and
- reviewing and approving any equity based plans and other incentive schemes.

#### 3. KEY MANAGEMENT PERSONNEL

The KMP disclosed in this report are as follows:

##### *Non-Executive Directors*

- R Malcolm (Chairman) – appointed 13 January 2014
- N Lude – appointed 16 May 2016

##### *Non-Executive Director - Former*

- J Dowling (Chairman) – appointed 13 January 2014 and resigned 16 May 2016

##### *Executives*

- D Neaves (Managing Director) – appointed 17 August 2011
- A Morrison (Exploration Manager) – appointed 7 May 2014

##### *Executive- Former*

- B Tarratt (Chief Financial Officer) – appointed 13 January 2014 and resigned 1 June 2016

#### 4. 2016 REMUNERATION

Remuneration consists of base salary, short-term incentives and long-term incentives. Remuneration is determined by reference to market conditions and performance. Performance is evaluated at an individual level as well as the performance of the Company as a whole.

Following the independent review undertaken by EY of the Company's remuneration policies and practices in May 2014, the Board implemented the new remuneration structure for the year ended 30 June 2015 for Pura Vida employees and Directors (exclusive of Non-Executive Directors). The new policies and practices recognise the need to motivate, attract and retain employees to deliver sustainable and superior business performance.

The objective of the Company's reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns individual reward with achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward.

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

The Board aims to ensure that individual reward practices are aligned with the following key criteria:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives, and the creation of shareholder value; and
- transparent.

#### Executive Remuneration Structure

The remuneration structure in place for 2016 has three elements:

- (a) Base Salary: Initial rate of compensation, excluding superannuation.
- (b) STI: Short-term incentives include annual incentives and bonuses. Short-term incentives are measured based on the individual's own performance and the Company's overall performance.
- (c) LTI: Long-term incentives are made in the form of performance rights and have a vesting period of three years.

On 17 May 2016, the Company announced that in light of market conditions, the Board had resolved to suspend short term and long term incentive awards under the Company's remuneration policy.

As a result of the suspension of the STI and LTI awards the incentives have been restructured so that the Managing Director may receive a percentage of cash received in respect of farmouts, asset sales and other cash generating transactions relating to the Company's existing and future asset portfolio. Any payments are capped at a maximum of 2% of cash received, reducing incrementally over three years to 0%.

At the date of this report, all short term and long term incentive awards remain suspended and the policies and remuneration described in this Remuneration Report should be read in that context.

The Chief Financial Officer was made redundant effective 1 June 2016, having regard to changes in resourcing requirements as part of the Company's cost reduction program.

#### Target Remuneration Mix

Pura Vida has a target remuneration mix approach to managing remuneration whereby base salary is guaranteed and variable reward (STI and LTI) is at-risk on the basis that variable reward is subject to Company and individual personal performance.

The target remuneration mix appropriate to each group of employee is outlined below. In any year, the actual may vary to the target given the overlay of business and individual performance.

Employee group	Base salary % of total remuneration mix	STI % of total remuneration mix	LTI % of total remuneration mix
Managing Director	60	15	25
Management	72.5	10	17.5
Professional, Technical & Support	77.5	5	17.5

Remuneration mix is more heavily weighted towards variable reward the higher in the organisation an employee is, and as such executives and KMP have the greatest portion of their total remuneration derived from variable rewards.

In setting the remuneration mix for executives and KMP, Pura Vida considers the scope for business growth and change, and the degree of "pay-for-performance" focus. In setting the remuneration mix for all other employees, Pura Vida considers the level of influence individuals have on business performance.

#### Base Salary

The first step to attracting and retaining talented, qualified and effective employees is paying base salaries which are competitive in the markets in which the Company operates.

Base salary is paid in cash and is not at risk other than by termination. Individual base salaries are set each year based on job description, competitive salary information sourced by the Company and overall competence in fulfilling the requirements of the particular role.

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

The Company compiles competitive salary information on companies of comparable size in the oil and gas industry from various sources. Information is obtained from surveys conducted by independent consultants and national and international publications. In the past, the Board has engaged independent advisors to review the remuneration levels paid to the Company's executives. An advisor was not engaged for the 2016 financial year.

In addition, as part of cost reduction measures undertaken by the Company, the Managing Director took a voluntary reduction in base salary during May 2016.

No increases in base salary of employees were made during the year.

#### Short-term incentives

##### *Short term incentive plan*

Pura Vida's STI provides an opportunity for employees to receive additional compensation if pre-established Company and individual personal results are achieved. The STI is designed to encourage continued improvement in the performance of the Company and individuals, as well as to provide a method for employees to share in the added value that they help create by contributing to the attainment of the results.

The STI award is expressed as a set percentage of base salary, with performance assessed against Company performance factors and/or individual personal performance factors contained within a weighted scorecard over a 12-month period.

Employee group	% Base salary	
	Target	Maximum
Managing Director	15	22.5
Management	10	15
Professional, Technical & Support	5	7.5

The weightings between the Company performance factors and the individual personal performance factors are outlined in the table below:

Employee group	Company performance measure	Individual personal performance measure
Managing Director	100%	0%
Management	50%	50%
Professional, Technical & Support	20%	80%

An STI award can be made in cash or shares and is calculated as the sum of the Company performance factor and the individual personal performance factor multiplied by the individual's base salary.

An employee's STI award is assessed using both the individual's personal performance and/or the Company's performance over the year. A rating for individual personal performance is determined on a scale of 1 to 3 based on how well the individual performs against the individual's annual goals. The Company's performance is assessed against a set of corporate goals, which are set by the Board for a given year. Individual personal performance is assessed through a formal performance review. A rating for each executive was allocated which was then reviewed by the Remuneration Committee.

An STI award is subject to the Company exceeding one or more fundamental performance hurdles determined by the Board on an annual basis. While a positive STI award might be assessed, circumstances within the year might see a reduction in the Company's ability or desire to pay such an award (for example due to an unexpected material reduction in the Company's cash flow or significantly poor share price performance). The Board, at its absolute discretion, reserves the right to withhold the making of any STI awards if it finds itself in such a position.

On 17 May 2016, the Company announced that in light of market conditions, the Board had resolved to suspend short term and long term incentive awards to all employees under the Company's remuneration policy.

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

#### *Cash award*

The Company undertook significant redundancies during the financial year, closing the Melbourne office and reducing overall head count by more than 50%. The Company's Chief Financial Officer was made redundant effective on 1 June 2016 and has not been replaced. As a result, the Executive management team consists only of the Managing Director and the Exploration Manager. In order to retain key personnel a cash award of \$50,000 was paid to ensure retention of the Exploration Manager in light of the restructure and office closure, relocation to Perth and significant reduction in the resourcing of the technical department placing increased reliance on the skills and knowledge of the Exploration Manager.

#### *Retention rights*

On 9 September 2015, the Board resolved to award retention rights to all employees, including the Managing Director, as part of the annual performance review process for the 2015 financial year.

In response to changing market conditions in the oil and gas sector, the Company has implemented a significant cost reduction program. This program has primarily been focused on non-technical corporate expenses in order to ensure expenditure is focused on operational activities. The cost reduction initiatives include the following:

- reduction in staff levels (decrease in head count by 50%) and associated cost savings;
- cost sharing arrangements to reduce financial and administrative staff costs;
- downsizing the Perth office allowing office space to be sub-let;
- closure of Melbourne office and relocation of remaining staff to Perth office; and
- minimisation of external service providers, travel, compliance and other costs.

The Company's cost reduction initiatives have achieved targeted cost savings of \$1.5 million for FY 2016. Going forward, corporate overheads are expected to be approximately \$1.2 to \$1.5 million per annum based on current resourcing requirements to Operate projects in Gabon and Madagascar together with a non-Operated interest in Morocco.

Notwithstanding these cuts, the Company retains a core management team, led by the Company's Managing Director, who is dedicated to generating value through the achievement of the Company's key objectives. These are:

- completing the settlement agreement with PXP in relation outstanding well commitment in Morocco;
- drilling within the Company's acreage in Gabon and Madagascar; and
- strengthening the Company's balance sheet through value accretive transactions, capital management and cost control.

#### **Long-term incentives**

The long-term incentive award may be made annually with vesting conditions to apply which will align employees interests with those of shareholders and the generation of long-term sustainable value.

LTI awards are made in the form of performance rights which have a vesting period of three years. The number of performance rights that vest will be based on the Company's performance over the same three years. An LTI award may be made by way of the grant of performance rights as soon as practicable after each year end. Grants of performance rights will be made each year with effect from 1 July.

The LTI quantum is expressed as a set percentage of base salary, outlined below:

Employee group	% Base salary
Managing Director	25
Management	17.5
Professional, Technical & Support	17.5

The number of performance rights for the LTI is determined by dividing the LTI quantum by the volume weighted average price (**VWAP**) of the Company's share price during the period of 30 calendar days prior to the date of grant.

## DIRECTORS' REPORT

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### REMUNERATION REPORT (Audited) (continued)

The performance period will commence from 1 July and will be measured based on Pura Vida's relative total shareholder return (TSR) over a three-year period. The vesting of the performance rights will be measured using the Company's TSR compared to the S&P/ASX 300 Energy (industry group) index (Index), with:

- 25% vesting if TSR is equal to 100% of the Index;
- a further 75% vesting if TSR is 115% of the Index or greater; and
- straight line pro-rata in between.

The TSR for the Company against the Index over the three-year performance period will be calculated as follows:

- TSR and Index measured over a three-year performance period;
- for the purpose of this measurement, the Company's share price / Index will be measured using the average closing price over the one month period up to (but excluding) the first day of the performance period, and the average closing price over the three month period up to and including the last day of the performance period;
- if dividends are paid, dividends will be assumed to have been reinvested on the ex-dividend date; and
- tax and any franking credits will be ignored.

On 17 May 2016, the Company announced that in light of market conditions, the Board had resolved to suspend short term and long term incentive awards to all employees under the Company's remuneration policy.

#### Remuneration related to Performance

Following the Board's review of the 2015 financial year, the Company issued a total of 750,751 shares as a short term incentive amongst KMP based on individual performance only. In light of the Company's strategy to minimise cost and preserve cash, the Board exercised its discretion and determined that the STI award for the financial year ended 30 June 2015, would be paid in the form of shares rather than cash.

The Company's performance in the 2016 financial year was strongly linked with the results of the MZ-1 exploration well in the Mazagan permit and the effect of the fall in oil price on the energy sector. For the 2016 financial year, the Company performance factor was the achievement of 10% increase in the Company's market capitalisation. This factor was not met in the 2016 financial year and in accordance with the Company's remuneration policy, the Company performance factor for the 2016 financial year was 0%. As a result, no short term or long term incentive awards under the Company's remuneration policy have been granted to KMP.

On 17 May 2016, the Company announced that in light of market conditions, the Board had resolved to suspend short term and long term incentive awards under the Company's remuneration policy.

#### Non-Executive Directors' Remuneration Structure

In line with corporate governance principles, Non-Executive Directors of the Company are remunerated solely by way of fees and statutory superannuation. The annual fee is set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board.

Non-Executive Directors' fees and payments are reviewed annually by the Board. On 17 May 2016, that Company advised that further to previous announcements regarding the Company's continuing cost reduction program, the Executive and Non-Executive Directors had all elected to reduce their remuneration. Each of the Non-Executive Director's base fee had been reduced from \$100,000 to \$25,000 per annum. Fees provided to Non-Executive Directors are exclusive of superannuation. There are no termination or retirement benefits paid to Non-Executive Directors (other than statutory superannuation). The aggregate amount of remuneration for Non-Executive Directors approved by shareholders at the 2014 Annual General Meeting is \$400,000 per annum.

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

#### 5. EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below. Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

#### Changes to Managing Director Service Agreement

On 17 May 2016 the Company advised that the Executive and Non-Executive Directors have all elected to reduce their remuneration. This voluntary reduction in salaries and fees demonstrates the Board's continuing commitment to reduce corporate costs in order to preserve its cash position.

The Managing Director's service agreement was varied as follows:

- base salary reduced from \$385,000 to \$300,000 per annum;
- STI and LTI awards were suspended and incentives have been restructured so that the Managing Director may receive a percentage of cash received in respect of farmouts, asset sales and other cash generating transactions relating to the Company's existing and future asset portfolio. Any payments are capped at a maximum of 2% of cash received, reducing incrementally over three years to 0%; and
- entitlements payable on termination remain unchanged.

Major provisions of the service agreements are set out below:

Name	Effective date	Term of agreement	Notice period <sup>(1)</sup>	Base salary <sup>(2)</sup> \$	Termination payments
Damon Neaves, <i>Managing Director</i>	20-Jun-2014	No fixed term	6 months	385,000	12 months
	15-May-2016	No fixed term	6 months	300,000	12 months
Andrew Morrison, <i>Exploration Manager</i>	7-May-2014	No fixed term	3 months	297,483	3 months
Bevan Tarratt, <i>Chief Financial Officer</i> <sup>(3)</sup>	20-Jun-2014	No fixed term	3 months	275,000	6 months

<sup>1</sup> The notice period applies equally to both parties

<sup>2</sup> Base salaries are quoted excluding superannuation for the year ended 30 June 2016

<sup>3</sup> B Tarratt was made redundant on 1 June 2016

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

#### 6. SHARE-BASED COMPENSATION

During the year ended 30 June 2016, the following share-based awards were granted, vested and/or lapsed to KMP:

Name	Type of award	Grant date	Grant value <sup>(1)</sup> \$	Number granted	Number vested during the year	Number lapsed during the year	Maximum expense yet to vest \$
Damon Neaves, Managing Director	Performance rights <sup>(2)</sup>	31 Oct 14	96,250	275,000	-	-	32,741
	Performance rights <sup>(2)</sup>	11 Nov 15	605	1,631,356	-	-	403
	Retention rights <sup>(2)</sup>	11 Nov 15	62,500	1,250,000	625,000 <sup>(3)</sup>	-	15,625
Andrew Morrison, Exploration Manager	Performance rights	01 Jul 14	59,739	169,714	-	-	19,913
	Performance rights	18 Sep 15	7,752	880,932	-	-	5,168
	Retention rights	18 Sep 15	48,000	1,000,000	500,000 <sup>(3)</sup>	-	12,000
Bevan Tarratt <sup>(4)</sup> , Chief Financial Officer	Performance rights	01 Jul 14	55,314	157,153	-	157,143	-
	Performance rights	18 Sept 15	7,178	815,678	-	815,678	-
	Retention rights	18 Sept 15	48,000	1,000,000	-	1,000,000	-

<sup>1</sup> The value of performance rights and retention rights is calculated as the fair value at grant date using a Monte Carlo Simulation model and allocated equally to remuneration over the vesting period

<sup>2</sup> Performance rights and retention rights granted to the Managing Director were approved by shareholders at Annual General Meetings held on 31 October 2014 and 11 November 2015

<sup>3</sup> Tranche 1 of the retention rights vested following the completion of the 1 year service condition, being the 2016 financial year. These rights remain unissued as a result of the Company being in a close period

<sup>4</sup> B Tarratt, was made redundant on 1 June 2016, as a result the share-based awards that had not yet vested at termination date lapsed

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

The key conditions of awards affecting remuneration in the current and future reporting periods are set out below:

Type of grant	Grant date	Expected vesting date	Expiry date	Exercise price	Value per performance right <sup>(2)(3)</sup>	Service and performance condition	Lapsed	Vested <sup>(6)</sup>
Performance rights <sup>(1)(4)</sup>	11 Nov 15	30-Jun-18	30-Jun-18	-	\$0.0004	Both	-	-
Retention rights <sup>(1)(5)</sup>	11 Nov 15	30 Jun 16 and 30 Jun 17	30 Jun 16 and 30 Jun 17	-	\$0.050	Service	-	50%
Performance rights <sup>(4)</sup>	18 Sep 15	30-Jun-18	30-Jun-18	-	\$0.0088	Both	-	-
Retention rights <sup>(5)</sup>	18 Sep 15	30 Jun 16 and 30 Jun 17	30 Jun 16 and 30 Jun 17	-	\$0.048	Service	28%	36%
Performance rights <sup>(1)(4)</sup>	31 Oct 14	30 Jun-17	30 Jun 17	-	\$0.350	Both	-	-
Performance rights <sup>(4)</sup>	01 Jul 14	30 Jun-17	30 Jun 17	-	\$0.352	Both	-	-

- 1 Performance rights and retention rights granted to the Managing Director were approved by shareholders at Annual General Meetings held on 31 October 2014 and 11 November 2015
- 2 Performance rights can only be converted if they have vested. Upon conversion each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares
- 3 The value of performance rights granted are calculated in accordance with AASB2 Share-based Payments. Refer to Note 11 of the financial statements for details of the assumptions used in calculating the value of each performance right as at their grant date
- 4 Performance will be measured based on Pura Vida's relative total shareholder return (TSR) over a three-year period, measured from 1 July in the year the rights were granted. The vesting of the performance rights will be measured using the Company's TSR compared to the S&P/ASX 300 Energy (industry group) index (Index). The employee is required to be employed with the Company at the date of vesting
- 5 Retention rights are split equally between two tranches, tranche 1 has a service condition of 1 year and tranche 2 has a service condition of 2 years
- 6 Tranche 1 of the retention rights vested following the completion of the 1 year service condition, being the 2016 financial year. These rights remain unissued as a result of the Company being in a close period

## DIRECTORS' REPORT

### 7. DETAILS OF REMUNERATION

Remuneration of KMP for the 2016 financial year is set out below:

Short-term benefits			Post-employment benefits			Share-based payments		Total remuneration	Performance related
Cash, salary & fees	STI award <sup>(1)</sup>	Cash award <sup>(2)</sup>	Non-cash benefit <sup>(3)</sup>	Super-annuation	Termination	Performance & retention rights <sup>(4)</sup>	Options		
\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors - Current</b>									
R Malcolm									
90,673	-	-	1,793	8,614	-	-	-	101,080	-
N Lude <sup>(5)</sup>									
3,237	-	-	221	308	-	-	-	3,766	-
<b>Non-Executive Directors - Former</b>									
J Dowling <sup>(6)</sup>									
87,564	-	-	1,571	8,319	-	-	-	97,454	-
<b>Executives - Current</b>									
D Neaves									
373,994	-	-	10,152	35,529	-	47,077	-	466,752	10%
A Morrison <sup>(7)</sup>									
297,483	2,575	50,000	41,790	28,261	-	55,968	-	467,077	12%
<b>Executives - Former</b>									
B Tarratt <sup>(8)</sup>									
252,083	2,384	-	8,470	30,479	154,360	(18,388)	-	429,389	(4%)
1,105,034	4,959	50,000	63,997	111,510	154,360	84,657	-	1,565,518	

1 Payment made during the year relate to services as KMP during the prior year. The STI award was settled in the form of shares, on settlement there was a variance between the prior period accrual and the amount settled

2 Cash award was paid to ensure retention of key management resulting from restructure and office closure, relocation to Perth and significant reduction in the resourcing of the technical department

3 Other benefits include the provision of car parking, payment of relocation costs and provisions of Working Directors' Personal Accident & Sickness insurance

4 Performance and retention rights granted as part of remuneration package, AASB 2 – Share Based Payments requires the fair value at grant date of the rights granted to be expensed over the vesting period

5 N Lude was appointed as Non-Executive Director on 16 May 2016

6 J Dowling resigned as Non-Executive Chairman on 16 May 2016

7 As part of the closure of Melbourne office and relocation of staff to Perth, moving costs were paid by the Company

8 B Tarratt, was made redundant on 1 June 2016 as a result the share-based awards that had not yet vested at termination date lapsed

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

The following table sets out each KMP's relevant interest in ordinary shares and options, performance rights and retention rights to acquire shares in the Company, as at 30 June 2016 or last employment date:

KMP	Fully paid ordinary shares	Partly paid ordinary shares	Options	Performance rights	Retention Rights <sup>(1)</sup>
<b>Non-Executive Directors - Current</b>					
R Malcolm	537,623	-	500,000	-	-
N Lude <sup>(2)</sup>	3,948,815	-	-	-	-
<b>Non-Executive Directors - Former</b>					
J Dowling <sup>(3)</sup>	466,667	-	1,000,000	-	-
<b>Executives – Current</b>					
D Neaves	5,675,000	4,725,000	-	1,906,356	1,250,000
A Morrison	1,584,941	-	-	1,050,646	1,000,000
<b>Executives - Former</b>					
B Tarratt <sup>(4)</sup>	482,501	1,075,000	-	-	-

1 Retention rights are split equally between two tranches, tranche 1 has a service condition of 1 year and tranche 2 has a service condition of 2 years. Tranche 1 of the retention rights vested following the completion of the 1-year service condition, being the 2016 financial year. These rights remain unissued as a result of the Company being in a close period.

2 N Lude was appointed as Non-Executive Director on 16 May 2016

3 J Dowling resigned as Non-Executive Chairman on 16 May 2016

4 B Tarratt, was made redundant on 1 June 2016, any rights held on the employee's final day that hadn't meet the performance hurdles were cancelled by the Board.

Remuneration of KMP for the 2015 financial year is set out below:

	Short-term benefits		Post-employment benefits			Share-based payments		Total remuneration	Performance related
	Cash, salary & fees	STI award <sup>(1)</sup>	Non-cash benefit <sup>(2)</sup>	Super-annuation	Termination	Performance rights	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>									
J Dowling	100,000	-	1,793	9,500	-	-	-	111,293	-
R Malcolm	100,000	-	1,793	9,500	-	-	-	111,293	-
<b>Executives</b>									
D Neaves	385,000	-	10,152	36,580	-	30,678	-	462,410	6%
A Morrison	297,483	18,711	-	28,261	-	19,858	-	364,313	11%
B Tarratt	275,000	17,325	9,240	26,125	-	18,388	-	346,078	10%
	1,157,483	36,036	22,978	109,966	-	68,924	-	1,395,387	

1 The STI award will be settled in the form of shares

2 Other benefits include the provision of car parking and Working Directors' Personal Accident & Sickness insurance

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

The following table sets out each KMP's relevant interest in ordinary shares, options and performance rights to acquire shares in the Company, as at 30 June 2015:

KMP	Fully paid ordinary shares	Partly paid ordinary shares	Options	Performance rights
<b>Non-Executive Directors</b>				
J Dowling	-	-	1,000,000	-
R Malcolm	-	-	500,000	-
<b>Executives</b>				
D Neaves	5,675,000	4,725,000	2,500,000	275,000
A Morrison	-	-	1,000,000	169,714
B Tarratt	-	1,075,000	-	157,143

### 8. OTHER TRANSACTIONS

#### *Loans to key management personnel*

There are no outstanding loans arising to or from related parties (30 June 2015: Nil).

#### *Transaction with other related parties*

There are other transactions with key management personnel during the year (30 June 2015: Nil).

### 9. VOTING AND COMMENTS - 2015 ANNUAL GENERAL MEETING

At the 2015 Annual General Meeting (AGM) held on 11 November 2015, 88% of the polled votes received supported the adoption of the remuneration report for the year ended 30 June 2015. There were no comments made on the remuneration report at the Company's last AGM.

**This concludes the Remuneration Report which has been audited.**

## DIRECTORS' REPORT

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on the following page.

### NON-AUDIT SERVICES

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important.

The Board is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

During the year ended 30 June 2016, the following amounts were paid or payable for non-audit services provided to the Group by the auditor, its related practices and non-related audit firms:

	2016 \$	2015 \$
Taxation services		
<i>BDO Tax (WA) Pty Ltd</i>		
Tax compliance services	11,730	12,816
International tax consulting and tax advice	4,855	31,738
<i>Audicis SARL</i>		
Tax compliance services in Morocco	87,165	52,166
<i>Ernst &amp; Young</i>		
International tax consulting and tax advice	17,646	6,180
<i>FFA Juridique et Fiscal</i>		
Tax compliance services in Gabon	31,794	30,812
International tax consulting and tax advice in Gabon	-	3,945
Total remuneration for taxation services	153,190	137,657
Other services		
<i>BDO Corporate Finance (WA) Pty Ltd</i>		
Valuation report for Annual General Meeting	-	1,530
Total remuneration for other services	-	1,530
Total remuneration for non-audit services	153,190	139,187

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Damon Neaves**  
**Managing Director**

Perth, Western Australia  
20 September 2016

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF PURA VIDA ENERGY NL

As lead auditor of Pura Vida Energy NL for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pura Vida Energy NL and the entities it controlled during the period.



Phillip Murdoch  
Director

BDO Audit (WA) Pty Ltd  
Perth, 20 September 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Note</b>	<b>2016 \$</b>	<b>2015 \$</b>
<b>Revenue from continuing operations</b>			
Interest income		16,920	53,454
Other income	2	106,380	30,000
<b>Total income</b>		<b>123,300</b>	<b>83,454</b>
<b>Expenses</b>			
Exploration and evaluation expenditure	3	(5,212,073)	(14,873,785)
Finance costs	3	(26)	(68)
Depreciation expenses		(18,887)	(58,347)
Administrative expenses	3	(2,625,993)	(3,795,860)
Share-based payments expense	3	(56,524)	(377,275)
Unrealised foreign exchange gain	3	223,910	2,432,801
Loss before income tax		(7,566,293)	(16,589,080)
Income tax expense	4	-	-
Loss attributable to the owners of the Company		(7,566,293)	(16,589,080)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		2,292	(39,570)
Other comprehensive loss for the period, net of tax		2,292	(39,570)
Total comprehensive loss for the period attributable to the owners of Pura Vida Energy NL		(7,564,001)	(16,628,650)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders			
Basic and Diluted loss per share (cents per share)	16	(4.08)	(10.85)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	<b>Note</b>	<b>2016 \$</b>	<b>2015 \$</b>
<b>Current assets</b>			
Cash and cash equivalents	5	6,083,331	7,329,004
Other receivables	6	248,058	2,385,904
Total current assets		6,331,389	9,714,908
<b>Non-current assets</b>			
Property, plant and equipment		6,705	34,946
Total non-current assets		6,705	34,946
<b>Total assets</b>		<b>6,338,094</b>	<b>9,749,854</b>
<b>Current liabilities</b>			
Trade and other payables	8	2,331,518	964,695
Provisions	9	75,725	124,591
Total current liabilities		2,407,243	1,089,286
<b>Total liabilities</b>		<b>2,407,243</b>	<b>1,089,286</b>
<b>Net assets</b>		<b>3,930,851</b>	<b>8,660,568</b>
<b>Equity</b>			
Issued capital	10(a)	51,035,913	48,258,153
Share-based payment reserve	10(c)	4,315,038	4,258,514
Foreign exchange reserve	10(c)	(63,952)	(66,244)
Accumulated losses	10(b)	(51,356,148)	(43,789,855)
<b>Total equity</b>		<b>3,930,851</b>	<b>8,660,568</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated loss \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2014</b>	<b>42,294,014</b>	<b>3,854,565</b>	<b>(27,200,775)</b>	<b>18,947,804</b>
Loss for the year	-	-	(16,589,080)	(16,589,080)
Other comprehensive income/(loss) for the year	-	(39,570)	-	(39,570)
Total comprehensive income/(loss) for the year	-	(39,570)	(16,589,080)	(16,628,650)
<b>Transactions with owners in their capacity as owners</b>				
Contributed equity	6,223,900	-	-	6,223,900
Share issue costs	(259,761)	-	-	(259,761)
Option and performance rights expense recognised during the year	-	377,275	-	377,275
Performance rights converted during the year	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>48,258,153</b>	<b>4,192,270</b>	<b>(43,789,855)</b>	<b>8,660,568</b>
Loss for the year	-	-	(7,566,293)	(7,566,293)
Other comprehensive income/(loss) for the year	-	2,292	-	2,292
Total comprehensive income/(loss) for the year	-	2,292	(7,566,293)	(7,564,001)
<b>Transactions with owners in their capacity as owners</b>				
Contributed equity	2,955,009	-	-	2,955,009
Share issue costs	(177,249)	-	-	(177,249)
Retention and performance rights expense recognised during the year	-	56,524	-	56,524
Retention and performance rights converted during the year	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>51,035,913</b>	<b>4,251,086</b>	<b>(51,356,148)</b>	<b>3,930,851</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Note</b>	<b>2016 \$</b>	<b>2015 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers, consultants and employees		(2,610,886)	(4,949,268)
Payments for exploration and evaluation expenditure		(1,639,279)	(16,675,513)
Interest received		17,444	86,088
Interest paid		(26)	(68)
Other income		106,380	30,000
<b>Net cash outflow from operating activities</b>	<b>13</b>	<b>(4,126,367)</b>	<b>(21,508,761)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,256)	(19,682)
Proceeds from sale of property, plant and equipment		-	330
<b>Net cash outflow from investing activities</b>		<b>(2,256)</b>	<b>(19,352)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,741,700	6,223,900
Share issue costs		(82,660)	(259,761)
<b>Net cash inflow from financing activities</b>		<b>2,659,040</b>	<b>5,964,139</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,469,583)</b>	<b>(15,563,974)</b>
Cash and cash equivalents at the beginning of the year		7,329,004	20,460,177
Effects of exchange rate changes on cash and cash equivalents		223,910	2,432,801
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>6,083,331</b>	<b>7,329,004</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**1. SEGMENT INFORMATION**

Management has determined that the Group has three reportable segments, being an interest to explore for oil in acreage known as the Mazagan permit, offshore Morocco, the Nkembe block, offshore Gabon and the Ambilobe block, offshore Madagascar. This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. As the Group is focused on oil exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.



	Morocco	Gabon	Madagascar	Other corporate activities	Total
	\$	\$	\$	\$	\$
<b>For the year ended 30 June 2016</b>					
Revenue from external sources	-	-	-	123,300	123,300
Reportable segment loss	(615,018)	(2,235,031)	(2,870,641)	(1,968,903)	(7,566,293)
Reportable segment assets <sup>(1)</sup>	2,586	81,951	162,928	6,090,629	6,338,094
Reportable segment liabilities	145,526	1,838,638	106,638	316,441	2,407,243
<b>For the year ended 30 June 2015</b>					
Revenue from external sources	-	-	-	83,454	83,454
Reportable segment profit/(loss)	(418,298)	(3,339,646)	(10,864,486)	(1,966,650)	(16,589,080)
Reportable segment assets <sup>(2)</sup>	4,240	45,686	2,299,647	7,400,281	9,749,854
Reportable segment liabilities	10,233	623,004	21,207	434,842	1,089,286

<sup>1</sup> Other corporate activities includes cash held of \$5,995,234

<sup>2</sup> Other corporate activities includes cash held of \$7,283,318

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**2. OTHER INCOME**

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Other income		
Recharge income	106,380	30,000
Total other income	106,380	30,000

**3. EXPENSES**

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Loss before income tax includes the following specific items:		
Exploration and evaluation expenditure		
Mazagan permit, offshore Morocco	523,583	520,676
Nkembe block, offshore Gabon	2,091,402	3,388,739
Ambilobe block, offshore Madagascar	2,588,923	10,964,370
New venture activity costs	8,165	-
Total exploration and evaluation expenditure	5,212,073	14,873,785
Finance costs		
Other interest expense	26	68
Total finance costs	26	68
Share-based payments expenses		
Options	-	99,977
Performance rights <sup>(1)</sup>	(82,151)	277,298
Retention rights	136,675	-
Total share-based payments expenses	56,524	377,275
Administrative expenses		
Employee benefits expense <sup>(2)</sup>	1,372,113	1,913,255
Advisory and audit fees	312,625	333,980
Travel & accommodation <sup>(3)</sup>	9,178	132,696
Other expenses	932,077	1,415,929
Total administrative expenses	2,625,993	3,795,860
Foreign exchange loss/(gain) <sup>(4)</sup>	(223,910)	(2,432,801)

<sup>1</sup> Forfeitures occurred during the year as a result of staff redundancies. Performance rights on issue that hadn't met the performance hurdles on the employee's final day, were cancelled by the Board. These included performance rights issued to Mr Bevan Tarratt, KMP. The cancellation resulted in a reversal of current and prior period expenditure

<sup>2</sup> Part of the Company's cost reduction initiatives included a reduction in staff levels was undertaken resulting in a reduction in the expenditure during the current year

<sup>3</sup> Travel costs directly related to operational activities have been classified as exploration and evaluation expenditure

<sup>4</sup> Foreign exchange gain was recognised upon cash held and payments of United States and Euro dollar denominated balances

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**4. TAXATION**

	<b>2016 \$</b>	<b>2015 \$</b>
<b>(a) Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
<b>(b) Reconciliation of income tax to prima facie tax payable</b>		
Profit/(Loss) before income tax	(7,566,293)	(16,589,080)
Income tax expense/(benefit) at 30% (30 June 2015: 30%)	(2,269,888)	(4,976,724)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	34,542	113,183
Other	165,364	222,396
Deferred tax assets relating to tax losses and timing differences not recognised	2,069,982	4,641,145
Timing differences previously unrecognised now recognised	-	-
Total income tax expense	-	-
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets and liabilities not recognised relate to the following:		
Tax losses	2,439,042	2,168,054
Exploration assets	12,204,549	11,043,690
Other temporary differences	780,819	497,174
<b>Net deferred tax assets unrecognised</b>	<b>15,424,410</b>	<b>13,706,918</b>

**Significant accounting judgment**

*Deferred tax assets*

The Group expects to have carried forward tax losses, which have not been recognised as deferred tax assets, as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions. The utilisation of the tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are utilised. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary difference can be utilised.

*Income taxes*

The Group is subject to income taxes in Australia and overseas and at times significant judgement is required in determining the Group's provision for income taxes. The Group estimates its tax liabilities based on the Group's understanding of the tax law in the local jurisdiction in which it operates. During the period, the Group has treated the cash component with respect to the Mazagan farmout as being non-assessable based upon tax advice received from its Moroccan tax advisors. Should the final tax outcome of these matters be different from the initial assessment, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**5. CASH AND CASH EQUIVALENTS**

**(a) Risk exposure**

Refer to Note 15 for details of the risk exposure and management of the Group's cash and cash equivalents.

**(b) Deposits at call**

Deposits at call are presented as cash equivalents if they have a maturity of three months or less. Refer Note 25(k) for the Group's other accounting policies on cash and cash equivalents. Deposits at call held with Australian banks and financial institutions and are bearing interest rates between 1.75% and 2.40%.

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Cash at bank	5,982,733	6,158,068
Deposits at call	100,598	1,170,936
	<b>6,083,331</b>	<b>7,329,004</b>

**6. OTHER RECEIVABLES**

The Group has no impairments to other receivables or have receivables that are past due but not impaired. Refer to Note 15 for detail of the risk exposure and management of the Group's other receivables.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Under the farmin agreement for the Ambilobe block, Pura Vida has funded the acquisition and processing of 1,175 km<sup>2</sup> of 3D seismic data. The 3D seismic survey was acquired during the year. Interpretation of the newly acquired 3D seismic data continues.

Pura Vida was cash called for the estimated cost of the program in December 2014 for an amount of US\$9.7 million. As at 30 June 2016, US\$115,000 of this balance remains unspent. A refund of the unspent amount is expected early in the following year.

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Other receivables	14,834	9,485
Prepayments	83,136	83,003
Joint operation contribution	150,088	2,293,416
	<b>248,058</b>	<b>2,385,904</b>

**7. JOINTLY CONTROLLED OPERATIONS**

At the reporting date, the Group has operator and non-operating working interests in joint operating agreements for the following projects:

Project	Activity	Working interest <sup>(1)</sup>			
		Exploration phase		Exploitation phase	
		<b>2016</b> <b>%</b>	<b>2015</b> <b>%</b>	<b>2016</b> <b>%</b>	<b>2015</b> <b>%</b>
Mazagan permit (Morocco)	Exploration	31	31 <sup>(2)</sup>	23	23
Ambilobe block (Madagascar)	Exploration	100 <sup>(3)</sup>	50	100	50
Nkembe block (Gabon)	Exploration	100	100	100 <sup>(4)</sup>	100 <sup>(4)</sup>

<sup>1</sup> Working interest denotes the percentage share of costs to be borne by the Group in relation to its interests in the projects

<sup>2</sup> The Company is fully funded for 100% of the costs of the work program up to a maximum of US\$215 million. The carried costs include a firm commitment to fund and drill two deep water exploration wells

<sup>3</sup> Pura Vida advised on 10 May 2016 that it has increased its equity to 100% and has taken Operatorship of, the Ambilobe block, offshore Madagascar following the withdrawal of Sterling Energy (UK) Limited, increasing from its previous 50% non-operator interest

<sup>4</sup> Subject to the right of the State of Gabon to participate in any development for up to a 20% interest under the Production Sharing Contract

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**8. TRADE AND OTHER PAYABLES**

	<b>2016 \$</b>	<b>2015 \$</b>
Trade payables	396,992	163,561
Other payables	1,934,526	801,134
	<b>2,331,518</b>	<b>964,695</b>

Trade and other payables are normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are expected to settle within 12 months.

Refer to Note 15 for details of the risk exposure and management of the Group's trade and other payables.

*Other payables*

Included within the other payables is an amount payable to the Direction Generale des Hydrocarbures (DGH) in Gabon in relation to the fund contributions in accordance with the Nkembe PSC for approximately US\$1.25 million. Fund contributions have been accrued but not paid pending directions from the DGH and resolution of other matters.

**9. PROVISIONS**

The provision for employee benefits relate to annual leave which is provided for all employees of the Group in line with their employment contracts and the balance for the year ended 30 June 2016 is expected to be settled within 12 months. The measurement and recognition criteria relating to employee benefits have been included in Note 25(n) to this report.

	<b>2016 \$</b>	<b>2015 \$</b>
Employee benefits	75,725	124,591

**10. ISSUED CAPITAL**

**(a) Contributed equity**

	<b>2016 Securities</b>	<b>2015 Securities</b>	<b>2016 \$</b>	<b>2015 \$</b>
Fully paid ordinary shares	255,978,414	150,684,051	50,931,621	48,148,867
Partly paid ordinary shares	10,428,550	10,928,550	104,286	109,286
			<b>51,035,913</b>	<b>48,258,153</b>

**(i) Fully paid ordinary shares**

Fully paid ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. At 30 June 2016, there are no ordinary shares subject to escrow (30 June 2015: Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**10. ISSUED CAPITAL (continued)**

*Movement in fully paid ordinary shares*

	<b>Date</b>	<b>Number of Securities</b>	<b>Issue price \$</b>	<b>\$</b>
<b>Balance at 1 July 2014</b>		<b>128,768,198</b>		<b>42,099,491</b>
Conversion of partly paid shares	27-Aug-14	112,500	0.20	22,500
Conversion of partly paid shares	13-Oct-14	550,000	0.20	110,000
Conversion of partly paid shares	31-Oct-14	700,000	0.20	140,000
Conversion of partly paid shares	22-Dec-14	100,000	0.20	20,000
Exercise of options	22-Dec-14	1,500,000	0.25	375,000
Conversion of partly paid shares	16-Jan-15	1,000,000	0.20	200,000
Conversion of partly paid shares	29-Jan-15	673,685	0.20	134,737
Conversion of partly paid shares	6-Feb-15	1,000,000	0.20	200,000
Conversion of partly paid shares	10-Feb-15	1,000,000	0.20	200,000
Placement	25-Feb-15	11,165,000	0.36	4,019,400
Conversion of partly paid shares	25-Feb-15	812,500	0.20	162,500
Conversion of partly paid shares	20-Mar-15	275,000	0.20	55,000
Exercise of option	1-May-15	600,000	0.35	210,000
Conversion of partly paid shares	8-May-15	650,000	0.20	130,000
Conversion of partly paid shares	29-May-15	1,150,000	0.20	230,000
Conversion of performance rights	8-Jun-15	98,931	-	-
Conversion of partly paid shares	23-Jun-15	500,000	0.20	100,000
Conversion of performance rights	23-Jun-15	28,237	-	-
Share issue costs				(259,761)
<b>Balance at 30 June 2015</b>		<b>150,684,051</b>		<b>48,148,867</b>
Conversion of partly paid shares	1-Jul-15	250,000	0.20	50,000
Conversion of partly paid shares	14-Jul-15	250,000	0.20	50,000
Conversion of performance rights	21-Aug-15	201,875	-	-
Issue of shares for employee short term incentive	18-Sep-15	1,304,259	-	71,220
Placement	4-Apr-16	36,542,208	0.027	986,640
Rights Issue	8-Apr-16	19,103,503	0.027	515,795
Shortfall share from rights issue	18-Apr-16	44,139,190	0.027	1,191,758
Share based payment <sup>(1)</sup>	22-Apr-16	3,503,328	-	94,590
Share issue costs				(177,249)
<b>Balance at 30 June 2016</b>		<b>255,978,414</b>		<b>50,931,621</b>

*1 Share based payments have been recorded at the value of services received for broker and compliance manager fees*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**10. ISSUED CAPITAL (continued)**

(ii) Partly paid ordinary shares

Partly paid ordinary shares have an issue price of \$0.20 of which \$0.01 is paid. The balance of the issue price is payable at the election of the holder at any time by the issue of a payment notice in writing and delivered to the registered office of the Group; or the Directors can make a call on the partly paid shares up to one day before five years from the date of issue of the partly paid shares. If a call is not paid when made, the partly paid shares shall be subject to forfeiture. Partly paid shares participate in any dividends on the same basis as if the partly paid share were fully paid and are not listed.

*Movement in partly paid shares*

	Date	Number of securities	Issue price \$	\$
<b>Balance at 1 July 2014</b>		<b>19,452,235</b>		<b>194,523</b>
Conversion of partly paid shares	27-Aug-14	(112,500)	0.01	(1,125)
Conversion of partly paid shares	13-Oct-14	(550,000)	0.01	(5,500)
Conversion of partly paid shares	31-Oct-14	(700,000)	0.01	(7,000)
Conversion of partly paid shares	22-Dec-14	(100,000)	0.01	(1,000)
Conversion of partly paid shares	16-Jan-15	(1,000,000)	0.01	(10,000)
Conversion of partly paid shares	29-Jan-15	(673,685)	0.01	(6,737)
Conversion of partly paid shares	6-Feb-15	(1,000,000)	0.01	(10,000)
Conversion of partly paid shares	10-Feb-15	(1,000,000)	0.01	(10,000)
Conversion of partly paid shares	25-Feb-15	(812,500)	0.01	(8,125)
Conversion of partly paid shares	20-Mar-15	(275,000)	0.01	(2,750)
Conversion of partly paid shares	8-May-15	(650,000)	0.01	(6,500)
Conversion of partly paid shares	29-May-15	(1,150,000)	0.01	(11,500)
Conversion of partly paid shares	23-Jun-15	(500,000)	0.01	(5,000)
<b>Balance at 30 June 2015</b>		<b>10,928,550</b>		<b>109,286</b>
Conversion of partly paid shares	10-Jul-15	(250,000)	0.01	(2,500)
Conversion of partly paid shares	31-Oct-15	(250,000)	0.01	(2,500)
<b>Balance at 30 June 2016</b>		<b>10,428,550</b>		<b>104,286</b>

(iii) Options

Information relating to the Pura Vida Incentive Option Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 11.

(iv) Performance rights and Retention rights

Information relating to the Pura Vida Performance Rights Plan, including details of performance and retention rights issued, vested and lapsed during the financial year and rights outstanding at the end of the reporting period, is set out in Note 11.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**10. ISSUED CAPITAL (continued)**

**(b) Accumulated losses**

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Balance at 1 July	(43,789,855)	(27,200,775)
Net loss attributable to owners of the Company	(7,566,293)	(16,589,080)
Balance at 30 June	(51,356,148)	(43,789,855)

**(c) Reserves**

The following table shows a breakdown of the reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided.

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
<b>Share-based payments reserve</b>		
Balance at 1 July	4,258,514	3,881,239
Performance rights expense	(82,151)	277,298
Retention rights expense	138,675	-
Options expense	-	99,977
Balance at 30 June	4,315,038	4,258,514
<b>Foreign currency translation reserve</b>		
Balance at 1 July	(66,244)	(26,674)
Currency translation differences arising during the year	2,292	(39,570)
Balance at 30 June	(63,952)	(66,244)

*Share-based payments reserve*

The share-based payments reserve is used to recognise: (a) the grant date fair value of options issued to employees and directors but not exercised; (b) the grant date fair value of market based performance rights granted to employees but not yet vested; and (c) the fair value non-market based performance and retention rights granted to employees but not yet vested.

*Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 25(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**11. SHARE-BASED PAYMENT TRANSACTIONS**

Share-based payment transactions are recognised at fair value in accordance with AASB 2.

At 30 June 2016 the Group had the following share-based payments arrangements:

**(a) Share options**

*Pura Vida Incentive Option Scheme*

The Pura Vida Incentive Option Scheme is used to reward Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. The scheme is designed to provide long-term incentives to deliver long-term shareholder returns. Participation is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The fair value of services received in return for options granted to Directors and employees is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The life of the options and early exercise are built into the option model.

No incentive options were granted during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**11. SHARE-BASED PAYMENT TRANSACTIONS (continued)**

*Vendor options*

Pura Vida has issued options to vendors in lieu of services received. The value of the share based payments has been recorded at the fair value of broker and compliance manager fees received.

No vendor options were granted during the year.

The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

Set out below are summaries of options granted:

	<b>2016</b>		<b>2015</b>	
	<b>Average exercise price per option</b>	<b>Number of options</b>	<b>Average exercise price per option</b>	<b>Number of options</b>
As at 1 July	\$0.56	11,007,693	\$0.51	13,107,693
Granted during the year	-	-	-	-
Exercised during the year	-	-	\$0.28	(2,100,000)
Forfeited during the year	\$0.415	(2,300,193)	-	-
As at 30 June	\$0.54	8,707,500	\$0.56	11,007,693
Vested and exercisable	\$0.54	8,707,500	\$0.56	11,007,693

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>2016 Number of options</b>	<b>2015 Number of options</b>
06-Sep-11	06-Sep-16	\$0.40	2,500,000	2,500,000
20-Aug-12	20-Aug-17	\$0.35	2,400,000	2,400,000
19-Oct-12	06-Sep-16	\$0.40	250,000	250,000
26-Nov-12	03-Dec-14	\$0.25	-	-
05-Feb-13	06-Sep-16	\$0.40	1,000,000	1,000,000
21-Jun-13	20-Jun-16	\$0.60	-	2,000,193
21-Jun-13	03-Jun-16	\$0.70	-	300,000
30-Oct-13	02-Oct-16	\$1.03	775,000	775,000
07-Nov-13	04-Nov-16	\$1.08	32,500	32,500
16-Dec-13	16-Dec-16	\$0.82	250,000	250,000
13-Jan-14	13-Jan-17	\$0.91	1,500,000	1,500,000
			8,707,500	11,007,693
Weighted average remaining contractual life of options outstanding at the end of the year:			0.54 years	1.41 years

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**11. SHARE-BASED PAYMENT TRANSACTIONS (continued)**

**(b) Rights over shares**

*Performance Rights Plan*

Prior to the introduction of the new long-term incentive plan, performance rights were issued at the discretion of the Board to any full-time or part-time employee of the Group. Each performance right will vest as an entitlement to one fully paid ordinary share provided that certain performance milestones are met. If the performance milestones are not met, the performance rights will lapse and the eligible participant will have no entitlement to any shares.

During the period the Company granted performance rights as a long term incentive to employees which have been issued under the Company's Performance Rights Plan approved by Shareholders on 2 September 2011 and 31 October 2014. On vesting, each performance right has an entitlement to one fully paid ordinary share provided that certain performance milestones are met. If the performance milestones are not met, the performance rights will lapse and the eligible participant will have no entitlement to any shares.

*Retention rights*

The reduction in staff numbers has created increased demands on retained employees and heightened the importance of the core team in reaching the Company's key objectives. In order to incentivise and retain key personnel, on 9 September 2015 the Board resolved to award retention rights to all employees, including the Managing Director, as part of the annual performance review process for 2015.

The retention rights to employees have been issued under the Company's Performance Rights Plan approved by Shareholders on 2 September 2011 and 31 October 2014. On vesting, each retention right has an entitlement to one fully paid ordinary share provided that certain service milestones are met. If the service milestones are not met, the retention rights will lapse and the eligible participant will have no entitlement to any shares.

Movement in the rights is shown below:

Grant date	Series	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year <sup>(1)</sup>	Balance at year end	Vested and exercisable at year end
<b>Year ended 30 June 2016</b>									
30-Oct-13	3	30-Oct-16	n/a	567,204	-	(131,250)	(300,000)	135,954	-
07-Nov-13	4	07-Nov-16	n/a	32,500	-	(8,125)	-	24,375	-
16-Dec-13	5	16-Dec-16	n/a	250,000	-	(62,500)	(187,500)	-	-
01-Jul-14	6	30-Jun-17	n/a	606,500	-	-	(341,429)	265,071	-
31-Oct-14	7	30-Jun-17	n/a	275,000	-	-	-	275,000	-
01-Jul-15	8	30-Jun17	n/a	-	3,550,000	-	(1,000,000)	2,550,000	1,275,000
01-Jul-15	9	30-Jun18	n/a	-	2,972,108	-	(815,678)	2,156,430	-
11-Nov-15	10	30-Jun17	n/a	-	1,250,000	-	-	1,250,000	625,000
11-Nov-15	11	30-Jun18	n/a	-	1,631,356	-	-	1,631,356	-
Total				1,731,204	9,403,464	(201,875)	(2,644,607)	8,288,186	1,900,000
<b>Year ended 30 June 2015</b>									
21-Jun-13	2	03-Jun-16	n/a	265,105	-	(70,694)	(194,411)	-	-
30-Oct-13	3	30-Oct-16	n/a	775,000	-	(56,473)	(151,323)	567,204	-
07-Nov-13	4	07-Nov-16	n/a	32,500	-	-	-	32,500	-
16-Dec-13	5	16-Dec-16	n/a	250,000	-	-	-	250,000	-
01-Jul-14	6	30-Jun-17	n/a	-	717,929	-	(111,429)	606,500	-
31-Oct-14	7	30-Jun-17	n/a	-	275,000	-	-	275,000	-
Total				1,322,605	992,929	(127,167)	(457,163)	1,731,204	-

<sup>1</sup> Forfeitures occurred during the year as a result of staff redundancies. As the rights hadn't meet the performance hurdles on the employee's final day, the Board cancelled the rights. These included performance rights issued to Mr Tarratt, KMP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**11. SHARE-BASED PAYMENT TRANSACTIONS (continued)**

The weighted average remaining contractual life of rights outstanding at 30 June 2016 was 1.44 years (30 June 2015: 1.69 years).

Rights are not listed and carry no dividend or voting rights. Upon exercise each right is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

Key inputs to the Monte-Carlo simulation valuation models used in the calculation of each grant of long-term incentive performance rights and retention rights during the year ended 30 June 2016 were as follows:

Type of grant	Series	Volatility <sup>(1)</sup>		Vest date	Expiry date	Share price at grant date	Risk free interest rate <sup>(2)</sup>	Fair value per right
		S&P/ASX 300 Energy index	Pura Vida shares					
Grant date: 9 September 2015								
Performance rights <sup>(3)</sup>	8	2.04%	11.53%	30-Jun-18	30-Jun-18	\$0.048	1.86%	\$0.0088
Grant date: 11 November 2015 <sup>(4)</sup>								
Performance rights <sup>(3)</sup>	10	2.04%	11.53%	30-Jun-18	30-Jun-18	\$0.050	1.97%	\$0.0004
Grant date: 9 September 2015								
Retention rights <sup>(5)</sup>	9	n/a	n/a	30-Jun-16 and 30-Jun-17	30-Jun-16 and 30-Jun-17	\$0.048	n/a	\$0.048
Grant date: 11 November 2015 <sup>(3)</sup>								
Retention rights <sup>(5)</sup>	11	n/a	n/a	30-Jun-16 and 30-Jun-17	30-Jun-16 and 30-Jun-17	\$0.050	n/a	\$0.050

1 Expected price volatility is based on the 90 days' averages for both the Pura Vida share price and the S&P/ASX 300 Energy (industry group) index

2 Risk free rate of government bonds rates with comparable terms to maturity

3 Performance will be measured based on Pura Vida's relative total shareholder return (TSR) over a three-year period, measured from 1 July. The vesting of the performance rights will be measured using the Company's TSR compared to the S&P/ASX 300 Energy (industry group) index (Index). The employee is required to be employed with the Company at the date of vesting

4 Rights granted to the Managing Director were approved by shareholders at the annual general meeting held on 11 November 2015

5 Rights are split equally between two tranches, Tranche 1 has a service condition of 1 year and Tranche 2 has a service condition of 2 years

**(c) Expense arising from share-based payment transaction**

The total expense arising from share-based payment transactions recognised during the reporting period were as follows:

	2016 \$	2015 \$
Performance rights issued under the Performance Rights Plan	(82,151)	277,298
Retention rights issued under the Performance Rights Plan	136,675	-
Options issued under Incentive Option Scheme	-	99,977
	56,524	377,275

**Significant accounting estimates and assumptions**

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees and vendors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or Monte-Carlo model taking into account the assumptions detailed within this note.

**11. SHARE-BASED PAYMENT TRANSACTIONS (continued)**

*Probability of vesting conditions being achieved*

Inputs to pricing models may require an estimation of reasonable expectations about achievement of future vesting conditions. Vesting conditions must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement.

Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).

The Company recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

The achievement of future vesting condition is reassessed every reporting period.

**12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This Note provides an overview of the areas that involved a higher degree of judgement or complexity and items which are more likely to be materially adjusted. Detailed information about each of these estimates and judgements is included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

**Significant accounting estimates and judgements**

The areas involving significant estimates or judgements are:

- recognition of deferred tax asset for carried forward tax losses — Note 4;
- income taxes — Note 4;
- estimation of fair value of share-based payments – Note 11; and
- estimation of probability of vesting conditions being satisfied – Note 11.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There have been no actual adjustments this year as a result of an error and of changes to previous estimates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**13. RECONCILIATION OF GAIN/(LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>Note</b>	<b>2016 \$</b>	<b>2015 \$</b>
Loss for the year		(7,566,293)	(16,589,080)
Add/(Less) non-cash items:			
Depreciation		18,887	58,347
Write off of plant and equipment		11,610	-
Non-cash employee benefits expense		71,220	
Share-based payments	11(c)	56,524	377,275
Unrealised foreign exchange loss		(223,910)	(2,472,370)
Add/(Less) items classified as invested/financing activities:			
Gain on sale of subsidiary		-	-
Changes in assets and liabilities during the financial year:			
Decrease/(Increase) in receivables		2,131,152	(2,226,834)
Increase/(Decrease) in payables		1,344,636	(651,943)
Increase/(Decrease) in employee provision		(48,866)	(4,156)
Net cash outflow from operating activities		(4,126,367)	(21,508,761)

## 15. FINANCIAL AND CAPITAL RISK MANAGEMENT

### Overview

The financial risks that arise during the normal course of the Group's operations comprise market risk, credit risk and liquidity risk. In managing financial risk, it is policy to seek a balance between the potential adverse effects of financial risks on financial performance and position, and the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various risk management methods available to manage them.

#### *General objectives, policies and processes*

The Board is responsible for approving policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal control. The Board receives reports as required from the Chief Financial Officer and Managing Director in which they review the effectiveness of the processes implemented and the appropriateness of the objectives and policies it sets. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

These disclosures are not, nor are they intended to be an exhaustive list of risks to which the Group is exposed.

#### *Financial Instruments*

The Group has the following financial instruments:

	2016 \$	2015 \$
<b>Financial assets</b>		
Cash and cash equivalents	6,083,331	7,329,004
Other receivables	14,834	9,485
	6,098,165	7,338,489
<b>Financial liabilities</b>		
Trade and other payables	2,331,518	964,695
	2,331,518	964,695

### (a) Market Risk

Market risk can arise from the Group's use of interest bearing financial instruments, foreign currency financial instruments and exposure to commodity prices. It is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rate (currency risk) and fluctuations in commodity prices (commodity price risk).

#### (i) Interest rate risk

As at the year ended 30 June 2016, the Group has interest-bearing assets and liabilities being liquid funds on deposit and unsecure funds. As such, the Group's income and operating cash flows (other than interest income from funds on deposit and interest expense from the senior secured revolving credit facility) are somewhat dependent on changes in market interest rates. The Board manages the Group's exposure to interest rate risk by regularly assessing exposure, taking into account funding requirements and selecting appropriate instruments to manage its exposure.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

*Sensitivity analysis*

Based on the financial instruments held at the reporting date, with all other variables assumed to be held constant, the table sets out the notional effect on consolidated profit after tax for the year and on equity at the reporting date under varying hypothetical changes in prevailing interest rates.

	<b>2016</b> \$	<b>2015</b> \$
<b>Impact on post-tax profits and equity</b>		
Hypothetical basis points increase in interest	8,997	36,645
Hypothetical basis points decrease in interest	(8,997)	(36,645)

A hypothetical change of 50 basis points was used to calculate the Group's sensitivity to future interest rate movements as this figure approximates the movement in bond yields published by the Reserve Bank of Australia for bonds with a 12 month maturity (30 June 2015: 0.50%).

The weighted average effective interest rate of funds on deposit is 0.23% (30 June 2015: 0.55%).

(ii) **Currency risk**

The Group operates in Morocco, Madagascar and Gabon however, maintains a corporate listing in Australia. As a result of various operating locations, the Group is exposed to foreign exchange risk arising from fluctuations in primarily the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Group manages risk by matching receipts and payments in the same currency and monitoring movements in exchange rates. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	<b>US</b> \$	<b>Euro</b> \$	<b>Other</b> \$	<b>Total</b> \$
<b>At 30 June 2016</b>				
<b>Financial assets</b>				
Cash	3,893,375	124,490	45,269	4,063,134
<b>Financial liabilities</b>				
Trade and other payables	1,910,137	99,639	-	2,009,776
<b>At 30 June 2015</b>				
<b>Financial assets</b>				
Cash	5,345,540	49,459	2,774	5,397,773
<b>Financial liabilities</b>				
Trade and other payables	497,463	29,845	9,293	536,601

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

*Sensitivity analysis*

The following table demonstrates the estimated sensitivity to a 10% increase/decrease in the US/Australian dollar exchange rate and a 10% increase/decrease in the Euro/Australian dollar exchange rate, with all variables held consistent, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the Australian dollar exchange rate on future cash flows. The sensitivity to currency risk of 10% was used for the year ended 30 June 2015.

	<b>2016</b>		<b>2015</b>	
	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
<b>Impact on post-tax profits and equity</b>				
US\$/A\$ + %	10	144,889	10	484,808
US\$/A\$ - %	10	(144,889)	10	(484,808)
Euro/A\$ + %	10	6,772	10	1,961
Euro/A\$ - %	10	(6,772)	10	(1,961)

A hypothetical change of 10% in the US dollar and Euro dollar exchange rates was used to calculate the Group's sensitivity to foreign exchange rate movements as the Company's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility.

(iii) **Commodity price risk**

As the Group has not yet entered into production, the risk exposure to changes in commodity price is not considered significant.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with financial institutions, as well as trade receivables. Credit risk is managed on a Group basis. For cash balances held with bank or financial institutions, only independently rated parties with a minimum rating of 'A' are preferred.

The Board are of the opinion that the credit risk arising as a result of the concentration of the Group's assets is more than offset by the potential benefits gained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised, none of which are impaired or past due.

*Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	6,083,331	7,329,004
Other receivables	14,834	9,485
	<b>6,098,165</b>	<b>7,338,489</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
<b>Cash at bank and short term deposits</b>		
<i>Held with Australian banks and financial institutions</i>		
AA S&P rating	5,985,615	7,273,849
A S&P rating	48,444	51,917
B S&P rating	45,932	-
Unrated	3,340	3,238
Total	6,083,331	7,329,004
<b>Other receivables</b>		
<i>Counterparties with external credit ratings</i>	-	-
<i>Counterparties without external credit ratings<sup>(1)</sup></i>		
Group 1	-	-
Group 2	14,834	9,485
Group 3	-	-
Total	14,834	9,485

<sup>1</sup> Group 1 — new customers (less than 6 months)

Group 2 — existing customers (more than 6 months) with no defaults in the past

Group 3 — existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Through continuous monitoring of forecast and actual cash flows the Group manages liquidity risk by maintaining adequate reserves to meet future cash needs. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

*Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 6</b> <b>months</b> <b>\$</b>	<b>6 - 12</b> <b>months</b> <b>\$</b>	<b>1 - 5 years</b> <b>\$</b>	<b>Over 5 years</b> <b>\$</b>	<b>Total</b> <b>contractual</b> <b>cash flows</b> <b>\$</b>	<b>Carrying</b> <b>amount</b> <b>liabilities</b> <b>\$</b>
<b>At 30 June 2016</b>						
Trade and other payables	2,331,518	-	-	-	2,331,518	2,331,518
<b>At 30 June 2015</b>						
Trade and other payables	964,695	-	-	-	964,695	964,695

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

**(d) Capital risk management**

The Group's objective when managing capital is to safeguard the ability to continue as a going concern. This is to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board monitors capital on an ad-hoc basis. No formal targets are in place for return on capital, or gearing ratios, as the Group has not derived any income from exploration.

**(e) Fair value measurements**

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

*Fair value hierarchy*

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and/or disclosure purposes. The Group measures fair values by level, per the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**16. EARNINGS PER SHARE**

	2016	2015
<b>Basic and Diluted earnings/(loss) per share</b>		
Net loss after tax attributable to the members of the Company	(\$ 7,566,293)	(\$ 16,589,080)
Weighted average number of ordinary shares	185,352,493	152,930,021
Basic loss per share	(\$ 0.0408)	(\$ 0.1085)

**Information concerning the classification of securities**

**(i) Partly paid ordinary shares**

Partly paid ordinary shares carry the right to participate in dividends and have been recognised as ordinary share equivalents in the determination of earnings per share.

**(ii) Options**

Options granted to employees and Directors under the Incentive Option Scheme are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 11

**(iii) Deferred shares**

Rights to deferred shares granted to employees under the Performance Rights Plan are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in Note 11.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**17. DIVIDENDS**

No dividend has been paid or is proposed in respect of the year ended 30 June 2016 (30 June 2015: Nil).

**18. COMMITMENTS**

**(a) Capital commitments**

*Gabon, Nkembe block*

The Group is currently in the first exploration phase of the block, which covers a period of four years (January 2013 – January 2017). The work commitments for the first exploration phase under the Nkembe PSC includes the acquisition and processing of 3D seismic data and an exploration well. The Nkembe PSC includes an estimate of US\$17 million for the work commitments for the first exploration phase. The remaining portion of the work commitment as at the reporting date has been included in the table below. It is anticipated by the Group that upon a successful farmout of the Nkembe block, some or all of these costs will be funded by the farmout partner.

The other acreage of the Group, being the Mazagan permit (Morocco) and Ambilobe block (Madagascar) do not have and capital commitments at year end (30 June 2015: Nil).

Significant capital expenditure contracted for at the end of the reporting period but not recognised as a liability is as follows:

	2016 <sup>(1)</sup> \$	2015 <sup>(2)</sup> \$
Within one year	22,194,663	1,235,853
Later than one year but no later than five years	-	21,908,654
Later than five years	-	-
	22,194,663	23,144,507

1 The US\$ commitments have been translated at a rate of 0.7469 to AUD

2 The US\$ commitments have been translated at a rate of 0.7687 to AUD

**(b) Non-cancellable operating leases**

The Group leases offices in Perth under non-cancellable operating leases expiring in August 2016. From August, the Group is renting the premises on a short term rolling monthly agreement.

The Group leased offices in Melbourne under non-cancellable operating lease. During the year the Melbourne office was closed with the remaining staff relocated to Perth.

	2016 \$	2015 \$
Rent		
Within one year	19,667	272,578
Later than one year but no later than five years	-	244,839
Later than five years	-	-
	19,667	517,417

**19. CONTINGENCIES**

**(a) Contingent liabilities**

The Group currently has no contingent liabilities as at 30 June 2016 (30 June 2015: Nil).

**(b) Contingent assets**

The Group has no contingent assets as at 30 June 2016 (30 June 2015: Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**20. REMUNERATION OF AUDITORS**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related parties and non-related audit firms:

	<b>2016 \$</b>	<b>2015 \$</b>
(a) BDO Australia		
<i>Audit and assurance services</i>		
Audit and review of financial statements	43,643	50,526
<i>Taxation services</i>		
Tax compliance services	11,730	12,816
International tax consulting and tax advice	4,855	31,738
Total remuneration for taxation services	16,585	44,554
<i>Other services</i>		
Report for Notice of Meeting	-	1,530
Total remuneration for BDO Australia	60,228	96,610
(b) Network firms of BDO		
<i>Audit and assurance services</i>		
Audit and review of financial statements	21,202	19,087
Total auditors remuneration	81,430	115,697

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence on acquisitions, which are awarded on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects. The Board is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

**21. RELATED PARTY TRANSACTIONS**

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**(a) Parent entities**

The ultimate parent entity and ultimate controlling party is Pura Vida Energy NL (incorporated in Australia) which at 30 June 2016 owns 100% of the issued ordinary shares of the subsidiaries set out in Note 22.

**(b) Subsidiaries**

Interests in subsidiaries are set out in Note 22.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**21. RELATED PARTY TRANSACTIONS (continued)**

**(c) Key management personnel compensation**

	<b>2016 \$</b>	<b>2015 \$</b>
Short-term employee benefits	1,182,201	1,216,497
Post-employment benefits	111,510	109,966
Long-term benefits	-	-
Termination benefits	154,360	-
Share-based payments	84,657	68,924
	<b>1,532,727</b>	<b>1,395,387</b>

Detailed remuneration disclosures are provided within the Remuneration Report.

**(d) Transaction with other related parties**

There were no other transactions with key management personnel during the year (30 June 2015: nil).

**(e) Outstanding balances arising from sales/purchases of goods and services**

There are no outstanding balances arising from sales/purchases of goods and services (30 June 2015: Nil).

**(f) Loan to/from related parties**

There are no outstanding loans arising to or from related parties (30 June 2015: Nil).

**22. CONSOLIDATED ENTITIES**

**(a) Investments in controlled entities**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 25(a):

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>2016 Equity holding</b>	<b>2015 Equity holding</b>
Pura Vida Mazagan Pty Ltd	Australia	100%	100%
Pura Vida Nkembe Pty Ltd	Australia	100%	100%
Pura Vida Energy Sdn Bhd	Malaysia	100%	100%
PVD Exploration Morocco SARL AU	Morocco	100%	100%
PVD Belgium SA	Belgium	100%	100%
PVD Gabon SARL	Gabon	100%	100%
Pura Vida Africa Pty Ltd	Australia	100%	100%
Pura Vida Mauritius	Mauritius	100%	100%
Pura Vida Belgium SA	Belgium	100%	100%
Pura Vida Gabon SARL	Gabon	100%	100%
Pura Vida 1 Pty Ltd	Australia	100%	100%
Pura Vida 2 Pty Ltd	Australia	100%	100%
Pura Vida 3 Pty Ltd	Australia	100%	100%
Pura Vida Investments Limited	Mauritius	100%	100%
Buda Veda Energy Pty Ltd	Australia	100%	100%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

**23. PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Pura Vida Energy NL as at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 25.

**(a) Summary of financial information**

The individual aggregate financial information for the parent entity is shown in the table.

**(b) Guarantees entered into by the parent entity**

The parent entity did not have any guarantees as at 30 June 2016 or 30 June 2015.

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

**(d) Contractual commitments for the acquisition of property, plant and equipment**

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2016 or 30 June 2015.

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Financial position</b>		
Current assets	6,221,038	9,652,520
<b>Total assets</b>	<b>6,331,790</b>	<b>9,750,596</b>
Current liabilities	2,400,939	1,090,027
<b>Total liabilities</b>	<b>2,400,939</b>	<b>1,090,027</b>
<b>Equity</b>		
Contributed equity	51,035,913	48,258,153
Share-based payment reserve	4,315,039	4,100,755
Accumulated losses	(51,420,101)	(43,698,339)
<b>Total equity</b>	<b>3,930,851</b>	<b>8,660,569</b>
<b>Financial performance</b>		
Loss for the year	(7,557,308)	(16,628,650)
<b>Total comprehensive loss</b>	<b>(7,557,308)</b>	<b>(16,628,650)</b>

**24. EVENTS OCCURRING AFTER REPORTING DATE**

- On 12 September 2016, the Company announced that it has entered into a conditional settlement with a subsidiary of Freeport-McMoRan Oil & Gas, PXP Morocco B.V. (PXP) in relation to the second well obligation under the farmin agreement with PXP. The settlement is conditional upon PXP and PVD reaching a further agreement (and obtaining any required approvals thereto) with the Office National des Hydrocarbures et des Mines (ONHYM). Under the terms of the settlement, PXP has paid Company an unconditional and non-refundable deposit of US\$ 1.5 million to the Company.

In the opinion of the Directors, no other event of a material nature or transaction has arisen since year-end and the date of this report that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or its state of affairs in subsequent financial years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

#### 25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pura Vida Energy NL (**Company** or **Pura Vida**) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Pura Vida is the ultimate parent entity of the Group.

The consolidated financial statements of Pura Vida Energy NL for the year ended 30 June 2016 comprise the Company and its controlled subsidiaries (together referred to as the **Group** and individually as **Group entities**).

##### *Statement of compliance*

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Company Interpretations and the Corporations Act 2001. Pura Vida is a for-profit entity for the purpose of preparing the financial statements.

The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### *Basis of preparation*

The financial statements of the Group are presented in Australian dollars, which is the Company's functional currency.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

##### *Critical accounting estimates and significant judgements*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 12.

##### *New and amended standards adopted by the Group*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

##### *New standards and interpretations not yet adopted*

##### *AASB 9 Financial Instruments*

AASB 9 *Financial Instruments* (AASB 9) addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013 it also sets out new rules for hedge accounting.

When adopted, the standard will affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group does not have any such assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Adoption of AASB 9 is only mandatory for the year commencing 1 January 2017.

##### *AASB 16 Leases*

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

The Group currently has no long term leases and is not expected to be impacted by the introduction of the new standard for reporting periods beginning on or after 1 January 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting period and in the foreseeable future.

##### **Accounting policies**

In order to assist in the understanding of the accounts, the following summary explains the principle accounting policies that have been adopted in the preparation of the financial report. These policies have been applied consistently to all of the periods presented, unless otherwise stated.

##### **(a) Principles of consolidation**

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of the Company at the end of the reporting period. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where a subsidiary has entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of subsidiaries is contained in Note 22 to the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **(b) Joint arrangements**

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint operations.

##### *Joint operations*

The Group recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated into the financial statements under the appropriate headings. Details of joint operations are set out in Note 7.

#### **(c) Foreign currency translation**

##### *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

No dividends were paid or proposed during the period.

##### *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates,

in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **(d) Segment reporting**

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker, which has been identified by the Group as the Managing Director and other members of the Board.

#### **(e) Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured it is probable that future economic benefits will flow to the entity.

Revenue for other business activities is recognised on the following basis:

##### *Recharge income*

Revenue from consulting services is recognised in the accounting period in which the services are rendered.

##### *Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### **(f) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **(g) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the diminishing value or straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Office furniture and equipment                      4 - 15 years
- Computer software and equipment                2 - 4 years

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying value is greater than its estimated recoverable amount (Note 25(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statements of profit or loss.

#### **(h) Income tax and other taxes**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

#### **(i) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

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The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(j) Exploration and evaluation expenditure**

The Group expenses exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until a time where an asset is in development.

##### *Exploration and Evaluation expenditure*

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area as well as the determination of the technical feasibility and commercial viability of extracting mineral resource.

Exploration and evaluation expenditure is expensed to the profit or loss as incurred except when existence of a commercially viable oil and/or gas reserve has been established and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure.

#### **(k) Cash and cash equivalents**

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

#### **(l) Investments and other financial assets**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired, management determines the classification of its investments at initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

##### *Recognition and de-recognition*

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### *Subsequent measurement*

Loans and receivables are carried at amortised cost using the effective interest method and available for sale assets are carried at fair value.

##### *Impairment*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

#### **(m) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

#### **(n) Employee benefits**

##### *Short-term employee benefits*

Liabilities for wages and salaries, including short-term incentive payments, non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

##### *Other long-term employee benefits*

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual requirements. The liability for long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

#### *Share-based payments*

The Group has provided benefits to its employees (including key management personnel) in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Remuneration Committee has also approved the grant of options, retention rights or performance rights as incentives to attract executives and to maintain their long-term commitment to the Company. These benefits were awarded at the discretion of the Board, or following approval by shareholders.

The costs of these equity settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of retention rights and performance rights granted under the Pura Vida performance rights plan is determined using the Monte-Carlo simulation valuation model. The fair value of options granted is determined by using the Black-Scholes option pricing technique. Further details of options and performance rights granted are disclosed in Note 11.

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of: (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is valued as if it will vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding performance rights and options is reflected as additional share dilution in the computation of diluted earnings per share (refer Note 16).

#### **(o) Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is determined by dividing the operating loss attributable to the equity holders of the Company after income tax by the weighted average number of ordinary shares outstanding during the period.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **(p) Trade and other receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months.

#### **(q) Trade and other payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

#### **(r) Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Transaction costs are included in borrowings and measured at amortised cost using the effective interest rate method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, and, therefore are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

#### **(s) Parent entity financial information**

The financial information for the parent entity, Pura Vida Energy NL, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below:

##### *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost.

## DIRECTORS' DECLARATION

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In the Directors' opinion:

1. the financial statements, and accompanying notes set out above, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and its performance for the financial year ended on that date.
2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;
3. the financial statements and accompanying notes are presented in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
4. the remuneration disclosures set out in the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2016 comply with section 300A of the *Corporations Act 2001*.

The Directors have been given the declarations by the Managing Director required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Damon Neaves**  
**Managing Director**

Perth, Western Australia

20 September 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of Pura Vida Energy NL

### Report on the Financial Report

We have audited the accompanying financial report of Pura Vida Energy NL, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 25, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Pura Vida Energy NL, would be in the same terms if given to the directors as at the time of this auditor's report.

#### Opinion

In our opinion:

- (a) the financial report of Pura Vida Energy NL is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 25.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 21 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Opinion

In our opinion, the Remuneration Report of Pura Vida Energy NL for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO



Phillip Murdoch

Director

Perth, 20 September 2016

## ADDITIONAL INFORMATION

The following additional information is required by ASX in respect of listed public companies only.

### Information as at 19 September 2016

#### 1 Distribution of shareholders

Category (size of holding)	Number ordinary
1 - 1,000	167
1,001 - 5,000	1,103
5,001 - 10,000	673
10,001 - 100,000	1,424
100,001 and above	346
<b>Total</b>	<b>3,713</b>

The number of shareholdings held in less than marketable parcels is 2,123.

#### 2 Voting rights

The voting rights attached to each class of equity security are as follows:

<i>Fully paid ordinary shares</i>	Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
<i>Partly paid shares</i>	The holder will be entitled to exercise any vote attaching to a partly paid share at general meetings of members in accordance with the Constitution of the Company. Under the Constitution, on a poll, partly paid shares have a vote pro rata to the proportion of the total issue price paid up. Amounts paid in advance of a call will be ignored when calculating the proportion.
<i>Performance rights</i>	There are no voting rights attached to any class of performance rights on issue.
<i>Retention rights</i>	There are no voting rights attached to any class of performance rights on issue.
<i>Options</i>	There are no voting rights attached to any class of options on issue.

## ADDITIONAL INFORMATION

### 3 20 largest shareholders - ordinary shares as at 19 September 2016

	Name	N° of ordinary fully paid shares held	% held of issued ordinary capital
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,767,635	2.64
2	ATX INDUSTRIES PTY LTD	4,646,297	1.82
3	NICK MARTIN SUPERANNUATION PTY LTD <NICK MARTIN SUPER FUND A/C>	4,444,445	1.74
4	MINARET CAPITAL INVESTMENTS PTY LTD <MINARET INVESTMENT A/C>	4,444,444	1.74
5	ADVANTAGE MANAGEMENT PTY LTD <ADVANTAGE MANAGEMENT A/C>	3,929,512	1.54
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,708,649	1.45
7	BETTY CHIN HOLDINGS PTY LTD <BETTY CHIN FAMILY A/C>	3,703,703	1.45
8	CITICORP NOMINEES PTY LIMITED	3,674,246	1.44
9	MR DAMON NEAVES	3,285,196	1.28
10	CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RETIRE A/C>	3,000,000	1.17
11	MRS ANN CHRISTINE NOACK	3,000,000	1.17
12	P & D INSTRUMENT & ELECTRICAL SERVICES PTY LTD	3,000,000	1.17
13	SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C>	2,777,778	1.09
14	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,614,411	1.02
15	DR MD ZULFIKAR ALI + MRS HAMIDA AKHTER <ALI AKHTER SUPER FUND A/C>	2,587,950	1.01
16	BROWN BRICKS PTY LTD <HM A/C>	2,500,000	0.98
17	DETROIT CAPITAL PTY LTD	2,466,667	0.96
18	ISHTAH SFAX PTY LTD <ISHTAH SFAX FUND A/C>	2,389,804	0.93
19	ZERRIN INVESTMENTS PTY LTD	2,309,999	0.90
20	KENDLESTONE PTY LTD	2,250,000	0.88
	Total	67,500,736	26.37
	Balance of register	188,477,678	73.63
	Grand total	255,978,414	100.00

### 4 Unquoted securities

- 10,428,550 partly paid shares with an issue price of \$0.20 of which \$0.01 was paid upon issue
- 135,954 performance rights expiring 30 October 2016
- 24,375 performance rights expiring 4 November 2016
- 540,071 performance rights expiring 30 June 2017
- 3,787,786 performance rights expiring 30 June 2018
- 1,900,000 retention rights expiring on 30 June 2016 \*
- 1,900,000 retention rights expiring on 30 June 2017
- 775,000 options exercisable at \$1.03 expiring 2 October 2016
- 32,500 options exercisable at \$1.08 expiring 4 November 2016
- 250,000 options exercisable at \$0.82 expiring 16 December 2016
- 1,500,000 options exercisable at \$0.91 expiring 13 January 2017
- 2,400,000 options exercisable at \$0.35 expiring 20 August 2017

\* Retention rights vested following the completion of the 1-year service condition, being the 2016 financial year. These rights remain unissued as a result of the Company being in a close period.

## ADDITIONAL INFORMATION

### 5 Unquoted equity securities holders with greater than 20% of an individual class

As at 19 September 2016, the following classes of unquoted securities had holders with greater than 20% of the class on issue.

#### Partly paid shares

Holder	N° securities held	% held
Damon Neaves <The DA Neaves Family A/C>	4,725,000	45.31
David Ormerod <Ormerod Family Inv A/C>	2,225,000	21.34

#### Performance rights

Expiry date	Holder	N° securities held	% held
30 October 2016	Jasmin Doller	42,204	31.04
	Michelle Saxton	93,750	68.96
4 November 2016	Elizabeth Elliott	24,375	100.00
30 June 2017	Damon Neaves	275,000	50.92
	Andrew Morrison	169,714	31.42
30 June 2018	Damon Neaves	1,631,356	43.07
	Andrew Morrison	880,932	23.26

#### Retention rights

Expiry date	Holder	N° securities held	% held
30 June 2016*	Damon Neaves	625,000	32.89
	Andrew Morrison	500,000	26.32
30 June 2017	Damon Neaves	625,000	32.89
	Andrew Morrison	500,000	26.32

\* Retention rights vested following the completion of the 1-year service condition, being the 2016 financial year. These rights remain unissued as a result of the Company being in a close period.

#### Options

Exercise price	Expiry date	Holder	N° securities held	% held
\$1.03	2 October 2016	Dorte Macrae	400,000	51.61
\$1.08	4 November 2016	Elizabeth Elliott	32,500	100.00
\$0.82	16 December 2016	Timothy Carter	250,000	100.00
\$0.91	13 January 2017	Starwood Holdings Pty Ltd <JP Dowling Family A/C>	1,000,000	66.67
		Mr Richard John Malcolm <Malcolm Family Super FD A/C>	500,000	33.33
\$0.35	20 August 2017	Zenix Nominees Pty Ltd	2,400,000	100.00