



Pura Vida Energy NL

Date of Lodgement: 8/2/13

Title: Company Insight – Gabon Acquisition Explained

Highlights of Interview

- **Outlines the considerable oil industry already developed in Gabon and the active presence of oil majors.**
 - **Discusses the strategy for the Nkembe block, which is seeking to replicate the Company's Mazagan permit strategy where significant value was created through Pura Vida's technical work, culminating in a US\$230 million farmout.**
 - **Located in a mature, producing, oil-prone basin, the Nkembe block contains a number of drilled oil discoveries and attractive pre-salt and sub-salt targets.**
 - **Explains 'pre-salt' and 'sub-salt' plays – areas where Pura Vida possesses excellent technical credentials.**
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Record of interview:

Company Insight presents the second interview in a two-part series with Pura Vida management, Damon Neaves and David Ormerod. In this interview, Damon and David discuss Pura Vida's recent move into offshore Gabon, West Africa via their acquisition of the much sought after Nkembe block.

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What can you tell us about the oil industry in Gabon?

David Ormerod, Technical Director

Gabon has been an oil producing nation since the 1950's. Exploration started originally with Elf Aquitaine, the French national oil company, which discovered substantial oil in the offshore regions which was subsequently followed up by exploration undertaken by Shell in the onshore region where they found billions of barrels of oil.

Recently, Gabon has become a very active region for a number of international oil companies. In fact, the industry has been anticipating a major bid round in deep water offshore Gabon and existing major players such as Petrobras, Total, Shell, CNOOC and Marathon have active drilling plans for this year in their acreage.

Acreage in Gabon is highly sought after and we are very fortunate as a junior to have picked up a position in the Gabon basin surrounded by prolific production. We've had our eyes on the Nkembe block for quite some time, so we are very pleased to have finally secured it and to be entering into this territory which is surrounded by major oil companies, much like our block offshore Morocco.

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What attracted Pura Vida to the Nkembe block?

Damon Neaves, Managing Director

The key driver was the opportunity to secure a large equity position in a highly prospective block, providing Pura Vida with flexibility on how we go about adding value to the block.

As we've demonstrated since listing in February 2012, by securing large equity positions at ground floor stage, provides significant scope for generating value in the pre-drill phase.

The strategy we'll follow for the Nkembe block will replicate our approach to the Mazagan permit which unlocked considerable value through quality technical work. Our work program on the Mazagan permit over the last 12 months resulted in a farmout to fund up to US\$215 million of forward expenditure on the permit, including a firm commitment to drill two wells taking the project into the drilling phase targeting significant resources.

We hope to do something similar with Nkembe. Like Mazagan, we've secured the block via direct negotiation with the Government and achieved a high equity position at 80% and we'll now do the technical work to prove up the permit's prospectivity. The first stage of work will be mapping prospects based on the existing 3D seismic over the block and I expect we will be in a position to publish initial resource estimates in 2Q 13.

Gabon is a mature, producing, oil-prone basin, whereas at the time we entered Morocco it was more of a frontier area with big targets. The Nkembe block presents a number of exploration and appraisal targets that are low risk and this sits very well in a portfolio with our Mazagan permit. The surrounding areas, and the edge of the block, are peppered with oilfields. In our part of the Gabon Basin, Total has a major position producing around 100,000 barrels of crude per day from fields on the northern edge of our block. We'll be looking to appraise some earlier discoveries within our block as well as test the pre-salt and sub-salt plays.

There is known oil on the block. So we think the chances of realising a commercial development at Nkembe are very good.

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What do you mean by the terms 'pre-salt' and 'sub-salt' plays?

David Ormerod

A number of basins have two layers of salt. The uppermost layer, the shallow one, has traps beneath it called 'sub-salt' plays, and the traps beneath the deeper layer are called 'pre-salt' plays. Both are really 'below salt layers', but involve different structural traps at different levels. These salt related plays are attracting a lot of attention from the industry which has led to significant discoveries.

Sub-salt plays have been explored for some time now – probably about 20 years – largely in the Gulf of Mexico where much of the sub-salt technology was evolved and developed. The deeper pre-salt plays have become prominent over the past 5 to 10 years – notably through major discoveries offshore Brazil, including the Tupi and Carioca fields and a number of others. The pre-salt has large resource potential, supported by recent success further south in the Angola pre-salt.

The commercial risks in salt fields are quite different – pre-salt is often much deeper and so it's a longer well, and more involved to a certain extent, whereas the shallower sub-salt issues are more about being able to see the trap – because the seismic is distorted through salt. Understanding the

plays where salt is involved - because the picture below salt is often distorted - requires specialised techniques in how you acquire the seismic and how you process it in order to capture a better picture.

Both the Brazilian pre-salt and Gulf of Mexico sub-salt discoveries were made using these techniques – which the industry has worked out over the last 15 years. I've been fortunate to have been part of that work since the very early days. Pura Vida will be utilising these same techniques to work up the potential of the Nkembe block.

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What does the seismic and well evidence show about potential plays in the Nkembe block, and what technical evidence has been acquired?

David Ormerod

In the Nkembe block, there are five existing oil discoveries, the oil is a light crude and of good quality. These discoveries were made in turbidite reservoirs, the same sands that are producing in the nearby fields. Within 5 to 10 kms from the block to the north and east there are fields producing in total around 100,000 barrels of oil per day – those fields have been producing since the 1960's and are in decline at the moment. But they've been very productive reservoirs.

We also see on the existing seismic a number of salt structures, and a number of traps sitting on top of the shallow salt, and traps below that level. There is also potential for reservoirs in the deeper pre-salt play.

The technical evidence we acquired includes two 3D seismic surveys – which are good quality but modern technologies allow for better imaging around salt. The objective of our technical approach is to obtain a clearer picture of the salt plays.

The data acquired on the Nkembe block also includes results of 12 wells - 5 of which were oil discoveries. We're encouraged by these results, and one well in particular has quite a thick section of oil pay which may be a target for an early well.

One of our early priorities will be to release an independent resource assessment based on existing seismic and well data and this is expected within a few months. We will also try to understand what particular plays work best, and in this respect we're encouraged by the fact that some of the salt structures seem to have quite thick sections of hydrocarbons - predominantly oil - at the top of those structures. Oil has migrated upwards through the sub-salt to the shallower level where hydrocarbons have been discovered and that, in drilling deeper down into those structures we'll find more hydrocarbons.

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For the work program, what technology do you propose using to unlock the potential of the oil targets within Nkembe?

David Ormerod

At the outset, I should say we're applying a technology that has been proven to work in the Gulf of Mexico. When I was first working with BHP in the Gulf about 15 years ago, BHP was one of the first companies to use multi-azimuth seismic. Multi-azimuth seismic enables us to overcome the image distortion from the salt obstruction. This technique involves looking at the target from multiple angles down below the obstruction. When you combine all of those views, you manage to get a clearer picture of what's down there. The Gulf of Mexico, Brazil and deepwater Angola are all

examples of places where sub-salt and pre-salt discoveries were based on overcoming the distortion effect from the salt, so the real structures can be seen.

So multi-azimuth seismic is the key to understanding sub-salt targets. The technology is proven, and has been used for some time now, and that's exactly the kind of technology that we'll be applying in the Nkembe block.

The other thing we'll change is the way that seismic is recombined to create the image, it's a special technique called 'reverse time migration'. It sounds complicated but what we're doing is recombining the seismic in a very thorough way to capture all the different views around the obstruction. This gives the best picture of how the geology is working below the salt.

In our work program, we're proposing 550 km² of new seismic to complement the existing 3D seismic to see these structures better.

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What has been the experience of oil explorers in unlocking oil targets above and below salt formations in Gabon?

David Ormerod

It's been a little bit variable because the industry was a little slow to take up this new technology. But now they've begun to use the processing technology I've mentioned earlier, the results have greatly improved. In fact, there's been a recent discovery in the past few weeks by a US company, Harvest, which discovered pre-salt oil offshore Gabon in two levels using a combination of new techniques. There is now broad industry acceptance that these techniques are effective in unlocking these play types in Gabon.

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Why do you think Pura Vida has managed to obtain an interest in this region?

Damon Neaves

The industry has been focused on the shallower plays. However, the new technology opens up different targets, in salt-related plays, and that's where our expertise lies. The Gabonese are interested in Pura Vida because we are a new player skilled in utilising these techniques and ideas that can unlock new exploration potential. We believe they recognised our expertise in the award of the Nkembe block to Pura Vida.

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How will the US\$9 million acquisition cost of the Nkembe block be funded? What cash will Pura Vida retain to develop the Nkembe block, and what scope does this give you?

Damon Neaves

The US\$9 million cost has been paid out of our existing cash and via a \$5 million bridging facility. We have \$3.5 million in cash remaining and expect to receive US\$15 million on completion of the Moroccan farmout within the next few months so our cash position has never been stronger.

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What drilling activity do you expect to see in the coming year offshore Gabon?

David Ormerod

There is a likely to be a number of very significant pre-salt wells being drilled offshore Gabon in the coming year with Total, Shell and Petrobras each drilling pre-salt targets and the industry will be watching for the results of those wells with interest.

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Thank you, Damon and David.

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Persons compiling information about hydrocarbons

The information in the presentation has been prepared using the internationally recognised Petroleum Resources Management System to define resource classification and volumes by Mr David Ormerod BSc. Geology (Hons) a Geologist who has over 25 years' experience in petroleum geology, geophysics, prospect generation and evaluations, prospect and project level resource risk estimations. Mr Ormerod is a full time employee of the Company and has consented to the inclusion of the resource estimates in this report in the form and context in which it is included. The resource estimates above are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org