# Pura Vida Energy NL

ACN 150 624 169

# Interim report for the half-year ended 31 December 2018

## Corporate Directory

**DIRECTORS**
Bevan Tarratt, *Non-Executive Chairman*
Nathan Lude, *Executive Director*
Bruce Lane, *Non-Executive Director*
David Sanders, *Non-Executive Director*

**COMPANY SECRETARY**
John Kay

**REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**
Level 1, 89 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9226 2011
Facsimile: +61 8 9226 2099
Web: www.puravidaenergy.com.au
Email: info@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 3 9415 4000 (outside Australia)

**AUDITOR**
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

## Contents

## 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 half-year ended 31 December 2018.

**DIRECTORS**

The names of the Directors in office during the financial period or since the end of the financial period are:

- Bevan Tarratt, Non-Executive Chairman
- Nathan Lude, Executive Director
- Bruce Lane, Non-Executive Director
- David Sanders, Non-Executive Director

**COMPANY SECRETARY**

- John Kay, Company Secretary

**PRINCIPAL ACTIVITIES**

Pura Vida is an Australian-based African oil explorer. The Company has an interest in the Nkembe block, offshore Gabon and the Ambilobe block, offshore Madagascar. The Company's strategy is to extract value from the Company's assets and to build a diversified portfolio of assets over time.

**DIVIDENDS**

No dividends have been declared, provided for or paid in respect of the half-year (31 December 2017: Nil).

**FINANCIAL SUMMARY**

The Group made a net loss after tax of $1,306,893 for the financial half-year ended 31 December 2018 (31 December 2017: loss $2,251,006).

At 31 December 2018, the Group had net assets of $3,319,272 (30 June 2018: $4,887,602) and cash assets of $7,576,765 (30 June 2018: $8,976,805).

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There are no significant changes in the state of affairs of the Consolidated Entity during the financial period.

**REVIEW OF OPERATIONS**

**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


The Nkembe block covers an area of 1,210 km² 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.

Pura Vida has claimed force majeure on the Nkembe Production Sharing Contract (PSC), suspending all obligations. In accordance with Pura Vida's independent legal advice from a CEMAC Registered Legal Practitioner, Pura Vida has asserted that the PSC start date is the date of the issue of the Presidential Decree (4 December 2014) and that, based on this start date, no funds contributions are outstanding as at the date of the force majeure.

Pura Vida has committed substantial investment over a number of years in Gabon, including a US$9,000,000 signing bonus paid in January 2013 and accordingly has reserved all its rights in relation to the PSC, including the right to seek recovery of the signing bonus.

In the circumstances Pura Vida does not intend to commit any further resources to the Nkembe Project unless and until Pura Vida reaches a resolution with the Directorate General for Hydrocarbons, that enables Pura Vida to obtain third party funding to conduct further exploration under the PSC.

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

The Ambilobe block is located in the offshore part of the Ambilobe Basin, north-west Madagascar covering an area of 17,650 km². Recent independent Ambilobe block evaluation highlighted the need to further process and interpret the 3D seismic data for the purposes of improving the definition of previously identified leads.


Under the Ambilobe Production Sharing Contract (Ambilobe PSC), Pura Vida 's subsidiary that holds the Ambilobe block is required to relinquish a portion of the block. The Company has completed an independent review of a relinquishment proposal and the proposal is for Pura Vida to retain a continuous area which amounts to 11,480 km².

A representative of the Company's subsidiary has presented the final relinquishment proposal to the Madagascan Government (OMNIS) and has informed OMNIS that the Company intends to apply for the subsequent $2^{nd}$ special two (2) year extension of the Ambilobe PSC. Discussions with OMNIS are ongoing and at the date of this report the Company has not reached agreement with OMNIS on the terms of the $2^{nd}$ special two (2) year extension of the Ambilobe PSC.

The Company has continued to assess a variety of opportunities in Australia and overseas in order to create value for shareholders.

During the year the Company announced an on-market share buy-back of up to 26,138,633 shares in the Company. The board believes that the buy-back is in the interests of all shareholders as the Company's shares are currently trading below their intrinsic value and it is considered sound capital management. As of 31st December, the Company had purchased 4,927,070 shares for a total of $110,489.

Pura Vida purchased 102,387,595 ordinary shares and acquired an option on 10,611,411 shares for 14.7% of the total voting power in Jacka Resources Limited (ASX: JKA). Pura Vida notes Jacka's last market announcement in relation to a potential material oil and gas transaction and awaits further market updates. Pura Vida's closing cash at the end of the quarter was AU$7.58 million with the Company holding an additional $381,000 in listed ASX securities based on the market price as at 31 December 2018.

**RISK MANAGEMENT AND CORPORATE GOVERNANCE**

The Board of Pura Vida is committed to conducting its business in accordance with a high standard of corporate governance commensurate with its size, operations and the industry within which it participates. The Directors of Pura Vida are responsible for corporate governance of the Company and support the principles of the ASX Corporate Governance Council's Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The Company's Corporate Governance Statement as at 30 June 2018 as approved by the Board on 10 October 2018 remains current. The Company's Corporate Governance Statement can be viewed on the Company's website www.puravidaenergy.com.au under the Governance tab.

## EVENTS AFTER THE REPORTING PERIOD

In the opinion of the Directors, no event of a material nature or transaction, has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs. However, we note that Pura Vida has acquired a parcel of shares in Factor Therapeutics Limited (ASX code FTT) which, whilst not considered to be material by the Board, was advised to ASX by way of a notice of substantial holding in FTT.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on the following page of the half-year report.

On behalf of the Directors

**Bevan Tarratt**

Chairman

15 March 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF PURA VIDA ENERGY NL

As lead auditor for the review of Pura Vida Energy NL for the half-year ended 31 December 2018, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

BDO

J Prue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2019

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Half-Year Ended 31 December 2018

| | Note | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Interest income | | 51,949 | 49,547 |
| Other income | | 47,254 | 39,515 |
| **Total income** | | 99,203 | 89,062 |
| **Expenses** | | | |
| Exploration and evaluation expenditure | 2 | (1,029,155) | (1,111,243) |
| Depreciation expenses | | (159) | (648) |
| Administrative expenses | 2 | (492,808) | (741,817) |
| Share-based payments expense | 2 | - | (317,029) |
| Unrealised foreign exchange gain/(loss) | 2 | 116,026 | (169,331) |
| Loss before income tax | | (1,306,893) | (2,251,006) |
| Income tax expense | | - | - |
| Loss after income tax attributable to the owners of the Company | | (1,306,893) | (2,251,006) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | 1,655 | (16,879) |
| *Items that will not be reclassified to profit or loss* | | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI) | 5 | (105,352) | - |
| Other comprehensive income for the half-year, net of tax | | (103,697) | (16,879) |
| Total comprehensive income/(loss) for the half-year attributable to the owners of the Company | | (1,410,590) | (2,267,886) |
| | | **Cents** | **Cents** |
| Earnings per share for the half-year attributable the owners of the Company | | | |
| Basic and Diluted loss per share | | (0.49) | (0.83) |

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 31 December 2018

| | Note | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 7,576,765 | 8,976,805 |
| Other receivables | 4 | 116,159 | 120,658 |
| Total current assets | | 7,692,924 | 9,097,463 |
| **Non-current assets** | | | |
| Property, plant and equipment | | - | 159 |
| Financial assets at FVOCI | 11 | 380,672 | - |
| Total non-current assets | | 380,672 | 159 |
| **Total assets** | | **8,073,596** | **9,097,622** |
| **Current liabilities** | | | |
| Trade and other payables | 6 | 4,754,324 | 4,191,726 |
| Provisions | | - | 18,294 |
| Total current liabilities | | 4,754,324 | 4,210,020 |
| **Total liabilities** | | **4,754,324** | **4,210,020** |
| **Net assets** | | **3,319,272** | **4,887,602** |
| **Equity** | | | |
| Issued capital | 7 | 51,003,051 | 51,160,791 |
| Share-based payment reserve | | 4,466,740 | 4,466,740 |
| Financial assets at FVOCI | 5 | (105,352) | - |
| Foreign exchange reserve | | (100,963) | (102,618) |
| Accumulated losses | | (51,944,204) | (50,637,311) |
| **Total equity** | | **3,319,272** | **4,887,602** |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

| | Issued capital $ | Reserves $ | Accumulated gain/(loss) $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2017** | **51,086,638** | **4,078,113** | **(47,660,543)** | **7,504,208** |
| Loss for the half-year | - | - | (2,251,006) | (2,251,006) |
| Other comprehensive income/(loss) for the half-year | - | (16,879) | - | (16,879) |
| Total comprehensive income/(loss) for the half-year | - | (16,879) | (2,251,006) | (2,267,886) |
| **Transactions with owners in their capacity as owners** | | | | |
| Contributed equity | 85,980 | - | - | 85,980 |
| Share issue costs | (11,827) | - | - | (11,827) |
| Option and performance rights expense recognised during the half-year | - | 317,029 | - | 317,029 |
| **Balance at 31 December 2017** | **51,160,791** | **4,378,263** | **(49,911,549)** | **5,627,504** |
| **Balance at 1 July 2018** | **51,160,791** | **4,364,122** | **(50,637,311)** | **4,887,602** |
| Loss for the half-year | - | - | (1,306,893) | (1,306,893) |
| Other comprehensive income/(loss) for the half-year | - | (103,697) | - | (103,697) |
| Total comprehensive income/(loss) for the half-year | - | (103,697) | (1,306,893) | (1,410,590) |
| **Transactions with owners in their capacity as owners** | | | | |
| Share buy-back – ordinary fully paid shares | (110,490) | - | - | (110,490) |
| Share buy-back – partly paid shares | (47,250) | - | - | (47,250) |
| **Balance at 31 December 2018** | **51,003,051** | **4,260,425** | **(51,944,204)** | **3,319,272** |

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

| | Note | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers, consultants and employees | | (547,816) | (666,634) |
| Payments for exploration and evaluation expenditure | | (415,091) | (516,347) |
| Interest received | | 38,209 | 51,087 |
| Other income | | 4 | 39,515 |
| **Net cash outflow from operating activities** | | (924,694) | (1,092,379) |
| | | | |
| **Cash flows from investing activities** | | | |
| Financial assets at FVOCI | | (486,024) | - |
| **Net cash outflow from investing activities** | | (486,024) | - |
| | | | |
| **Cash flows from financing activities** | | | |
| Share issue costs | | - | (11,827) |
| Share buy back | | (110,490) | - |
| **Net cash outflow from financing activities** | | (110,490) | (11,827) |
| | | | |
| **Net decrease in cash and cash equivalents** | | (1,521,208) | (1,104,206) |
| Cash and cash equivalents at the beginning of the half-year | | 8,976,805 | 10,510,690 |
| Effects of exchange rate changes on cash and cash equivalents | | 121,168 | (168,419) |
| **Cash and cash equivalents at the end of the half-year** | | 7,576,765 | 9,238,064 |

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

## 1. SEGMENT INFORMATION

Management has determined that the Group has two reportable segments. The first being an interest to explore for oil in acreage known as, the Nkembe block, located at offshore Gabon. The second interest being at the Ambilobe block, located at 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.

| | Gabon $ | Madagascar $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| **For the half-year ended 31 December 2018** | | | | |
| Income from external sources | - | - | 99,203 | 99,203 |
| Reportable segment profit/(loss) | (544,639) | (519,028) | (243,226) | (1,306,893) |
| Reportable segment assets (1) | 51,238 | 10,714 | 8,011,644 | 8,073,596 |
| Reportable segment liabilities | 4,264,131 | 436,431 | 53,762 | 4,754,324 |
| **For the half-year ended 31 December 2017** | | | | |
| Income from external sources | - | - | 89,062 | 89,062 |
| Reportable segment profit/(loss) | (936,327) | (75,599) | (1,239,080) | (2,251,006) |
| **For the year ended 30 June 2018** | | | | |
| Reportable segment assets (2) | 60,146 | 11,185 | 9,026,291 | 9,097,622 |
| Reportable segment liabilities | (4,088,152) | (6,139) | (115,729) | (4,210,020) |

1 *Other corporate activities includes cash held of $7,576,765*
2 *Other corporate activities includes cash held of $8,919,652*

## 2. EXPENSES

| | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|
| Profit/(Loss) before income tax includes the following specific items: | | |
| <u>Exploration and evaluation expenditure</u> | | |
| Nkembe block, offshore Gabon | 489,727 | 875,731 |
| Ambilobe block, offshore Madagascar | 518,695 | 62,381 |
| New venture activity costs (1) | 20,733 | 173,131 |
| Total exploration and evaluation expenditure | 1,029,155 | 1,111,243 |

1 *New venture costs incurred in building and diversifying portfolio of assets*

## 2. EXPENSES (continued)

| | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|
| Share-based payments expense | | |
| Performance rights | - | 918 |
| Options | - | 316,111 |
| Total share-based payments expenses | - | 317,029 |
| | | |
| Administrative expense includes | | |
| Employee benefits expense | 187,649 | 393,564 |
| Advisory and audit fees | 49,793 | 36,396 |
| Other expenses | 255,366 | 311,857 |
| Total administrative expense | 492,808 | 741,817 |
| | | |
| Unrealised foreign exchange loss/(gain) (2) | (116,026) | 169,331 |

2 *Foreign exchange gain was recognised in relation to the retranslation of United States and Euro dollar denominated balances*

## 3. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2018 (31 December 2017: Nil).

## 4. OTHER RECEIVABLES

The Group has no impairments to other receivables or have receivables that are past due but not impaired.

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

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| Other receivables | 27,996 | 35,561 |
| Prepayments | 88,163 | 85,097 |
| | 116,159 | 120,658 |

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income comprise of listed equity securities on the Australian Securities Exchange (ASX).

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| Opening balance | - | - |
| Purchase of securities | 486,024 | - |
| Revaluation movement recognised in other comprehensive income | (105,352) | - |
| Closing balance | 380,672 | - |

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On disposal of these equity investments, any related balance within the FVOCI reserve remain within other comprehensive income.

**Significant accounting estimates, assumptions and judgements**

*Classification of financial assets at fair value through other comprehensive income*

During the period Pura Vida purchased 102,387,595 ordinary shares and acquired an option on 10,611,411 shares for 14.7% of the total voting power in Jacka Resources Limited. Further, during the period Mr Bevan Tarratt was appointed as non-executive director of Jacka Resources Limited. The Company has considered the requirements of AASB 128 Investments in Associates and Joint Ventures as to whether the Company has significant influence over Jacka Resources Limited. As the Company has a holding of less than 20% and it is not clearly demonstrable that the Company has and/or exerts significant influence the investment has been treated as a Financial Asset at FVOCI.

Investments are designated at fair value through other comprehensive income where management have made the election in accordance with *AASB 9: Financial Instruments*.

*Fair value for financial assets at fair value through other comprehensive income*

Information about the methods and assumptions used in determining fair value is provided in Note 11.

## 6. TRADE AND OTHER PAYABLES

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| Trade and other payables | 202,953 | 223,567 |
| Other payables | 4,551,371 | 3,968,159 |
| | 4,754,324 | 4,191,726 |

Trade and other payables recognised, but not yet invoiced, are expected to settle within 12 months.

Other payables include amounts that may be payable to the Directeur Général des Hydrocarbures (DGH) in Gabon in relation to fund contributions pursuant to the Nkembe PSC and the Madagascan Government (OMNIS) in relation to administrative and training fees on the Ambilobe block.

Included within the other payables is an amount payable to the Directeur Général des Hydrocarbures (DGH) in Gabon in relation to fund contributions pursuant to the Nkembe PSC for approximately US$2.91 million, based on the liability for fund contributions commencing on the date on which the Nkembe PSC was signed, being 11 January 2013. The date from which fund contributions were required to commence and therefore the Company's liability to make this payment is, however, currently in dispute with the DGH.

## 7. ISSUED CAPITAL

| | 31 December 2018 Securities | 31 December 2017 Securities | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|---|---|
| Fully paid ordinary shares | 261,386,330 | 261,386,330 | 51,056,505 | 51,056,505 |
| Share buy back – fully paid ordinary shares | (4,927,070) | - | (110,490) | - |
| Partly paid ordinary shares | 5,703,550 | 10,428,550 | 57,036 | 104,286 |
| | 262,162,810 | 271,814,880 | 51,003,051 | 51,160,791 |

There has been no movement in the fully paid ordinary shares during the half year period.

## 7. ISSUED CAPITAL (continued)

During the period the Company announced an on-market share buy-back of up to 26,138,633 shares in the Company. The board believes that the buy-back is in the interests of all shareholders as the Company's shares are currently trading below their intrinsic value and it is considered sound capital management. As of 31st December, the Company has purchased 4,927,070 shares for a total of $110,490.

*Movement in partly paid shares*

| | Date | Number of securities | Issue price $ | $ |
|---|---|---|---|---|
| **Balance at 1 July 2017** | | **10,428,550** | | **104,286** |
| | | - | | - |
| **Balance at 31 December 2017** | | **10,428,550** | | **104,286** |
| **Balance at 1 July 2018** | | **10,428,550** | | **104,286** |
| Share buy-back (1) | 13-Dec-18 | (4,725,000) | 0.01 | (47,250) |
| **Balance at 31 December 2018** | | **5,703,550** | | **57,036** |

1 *On 23 November 2018, shareholder approved the buy-back agreement between the Company and Mr Neaves for the selective buy back of 4,725,000 ordinary partly paid shares.*

## 8. COMMITMENTS

There are no material changes to the commitments as disclosed at 30 June 2018.

*Gabon, Nkembe block*

The Group is currently in the first exploration phase of the Block, which initially covered a period of four years. On 3 November 2016, Pura Vida was granted a 12 month extension of the current exploration phase with no additional work commitments. A dispute has arisen with the Directeur Général des Hydrocarbures (DGH) as to whether the first exploration stage commenced when the Nkembe PSC was signed, on 11 January 2013 or on the date of issue of the Presidential Decree, 4 December 2014. As a consequence of this dispute Pura Vida has claimed force majeure in relation to the Nkembe PSC since 1 April 2018 until such time as the dispute is resolved.

The work commitments for the first exploration stage under the Nkembe PSC includes the acquisition and processing of 3D seismic data and an exploration well. The Nkembe PSC included an estimate of US$17 million for the work commitments for the first exploration phase and Pura Vida has expended approximately US$1.4 million towards these work commitments. Separately to the committed work program an additional US$8.6 million of allowable costs have been incurred during the first exploration phase. The effect of the dispute with the DGH has meant that Pura Vida has been unable to make any progress with potential funding partners for an exploration well. Accordingly, until such time as the dispute is resolved it is not possible to quantify the likely commitment and/or payable (if any) in relation to the Nkembe PSC.

Pura Vida has received legal advice that its obligations to make the fund contributions (refer Note 6) under the Nkembe PSC commenced on the issue of the Presidential Decree, being 4 December 2014. Based on this advice, no fund contributions are outstanding. This issue, however, remains unresolved between Pura Vida and the DGH and accordingly until this matter is resolved the Board believe it is prudent to continue to show the other payables balance based on the signing date of 11 January 2013. Pura Vida has also made a force majeure claim from 1 April 2018 pursuant to the Nkembe PSC suspending all obligations and accordingly no further fund contributions have been accrued since that date.

## 9. 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.

**Transaction with related parties**

*Purchases from entities associated with key management personnel*

The Group acquired the following services from entities in which the Group's key management personnel have an interest:

- Legal services
- Rental charge, marketing and consulting fees

A Director, Mr. D Sanders, is a Director and shareholder in the firm of Bennett + Co. Bennett + Co has provided legal services to Pura Vida Energy NL on normal commercial terms and conditions. The legal services recognised as an expense during the period was $25,924 (including GST) (31 December 2017: $58,991).

Directors, Mr Nathan Lude and Mr Bevan Tarratt, are Director and related party, respectively, of Battler Corporate Pty Ltd which has provided office space per a leasing arrangement as well as consulting and market fees with the Company on normal commercial terms and conditions. The expense recognised during the period was $19,591 (including GST) (31 December 2017: nil).

*Receipts from entities associated with key management personnel*

Directors, Mr Nathan Lude and Mr Bevan Tarratt, are Director and related party, respectively, of Battler Corporate Pty Ltd which during the period utilized from shared office facilities. A reimbursement of $188 has been recognised in the statement of profit or loss (31 December 2017: Nil).

## 10. CONTINGENCIES

There have been no material changes to the contingencies disclosed at 30 June 2018, there are no other contingent assets or liabilities as at 31 December 2018.

## 11. FAIR VALUE MEASUREMENTS

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

*Fair value hierarchy*
To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 on a recurring basis (30 June 2018: none):

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **As at 31 December 2018** | | | | |
| Financial assets at FVOCI – Equity securities | 380,672 | - | - | 380,672 |

There were no transfers between levels during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

## 11. FAIR VALUE MEASUREMENTS (continued)

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).

**Valuation techniques used to determine fair values**

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.

*Financial assets at fair value through other comprehensive income – equity securities*

The fair value of the equity holdings held in ASX listed companies are based on the quoted market prices from the ASX on 28 December 2018, being the last traded price prior to half-year end.

## 12. EVENTS OCCURRING AFTER REPORTING DATE

In the opinion of the Directors, no event of a material nature or transaction, has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs. However, we note that Pura Vida has acquired a parcel of shares in Factor Therapeutics Limited (ASX code FTT) which, whilst not considered to be material by the Board, was advised to ASX by way of a notice of substantial holding in FTT.

## 13. BASIS OF PREPARATION

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Pura Vida during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period expect for the new policies adopted in Note 14.

*Changes to accounting estimates and judgements*

In the process of applying the accounting policies, management has made certain judgements or estimations which may have an effect on the amounts recognised in the financial statements. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Key estimates and assumptions may have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities. Key estimates and judgements are consistent with 30 June 2018 with addition of significant estimates and judgements note in Note 5.

*Going Concern*

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

During the period the Group incurred a net loss of $1,306,893 and incurred cash outflows from operating activities of $924,694.

### 13. BASIS OF PREPARATION (continued)

As at 31 December 2018 Pura Vida Mauritius (a subsidiary of the Company) had commitments with an estimated value of $3.4 million (US$2.5 million) pertaining to the current exploration phase of the Ambilobe PSC to July 2019.

Pura Vida is currently in a dispute with the Gabonese Government with regards to the Nkembe PSC, (refer to Note 8 for details on the dispute). Until such a time as the dispute is resolved it is not possible to quantify the likely commitments and/or payable (if any) in relation to the Nkembe PSC.

In the event the Company is unable to secure funding to complete the current exploration phase in Madagascar and resolve the dispute with the Gabonese Government the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the consolidated entity's working capital requirements at the date of this report for the following reasons:

- at 31 December 2018 the consolidated entity had $7.58 million of cash and a current working capital position of $2.94 million; and
- the Company is progressing realisation of the value of the consolidated entity's assets in Madagascar through ongoing discussions with potential farm-in partners to secure the remaining funding required to complete the current exploration phase.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

### 14. CHANGES IN ACCOUNTING POLICIES

This note explains the changes in the Group's accounting policies as a result of the adoption of AASB 9 Financial instruments and AASB 15 Revenue from Contracts with Customers, however the prior year financial statements did not have to be restated as a result.

#### (a) AASB 15 Revenue from Contracts with Customers ("AASB 15")

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 July 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The Group has considered AASB 15 in detail and determined that the impact on the Group's sales revenue from contracts under AASB 15 is insignificant for the period. The Group's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

#### (b) AASB 9 Financial Instruments ("AASB 9")

AASB 9 replaces the provisions of AASB 139 Financial Instruments: Measurement and Recognition ("AASB 139") that relate to the recognition, classification and measurement of financial assets and liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. The new accounting policies are set out below. Transitional adjustments were however required, as set out below, which were recognised on 1 July 2018, in accordance with the transitional provisions of AASB 9.

## 14. CHANGES IN ACCOUNTING POLICIES (continued)

AASB 9 - Impact of adoption

*Classification and measurement of financial assets*

The adoption of AASB 9 on the Group's trade and other receivables did not have a material impact.

AASB 9 - Accounting policies applied from 1 July 2018

*Investments and other financial assets*

*Classification*

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The group reclassifies debt investments when and only when its business model for managing those assets changes.

*Measurement*

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*Impairment*

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## DIRECTORS' DECLARATION

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 31 December 2018 and its performance for the half-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.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

**Bevan Tarratt**
Chairman

Perth, Western Australia

15 March 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pura Vida Energy NL

## Report on the Half-Year Financial Report

### Qualified conclusion

We have reviewed the half-year financial report of Pura Vida Energy NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

### Basis for qualified conclusion

As disclosed in Note 8 to the financial statements, there is a dispute over the commencement date of Pura Vida's obligations under the Nkembe Production Sharing Contract (PSC), which has prevented Pura Vida progressing funding discussions to meet its obligations under the PSC and has therefore resulted in force majeure being claimed by the Company. The Company has stated that until such time as the dispute is resolved, it is not possible to quantify the likely commitment and/or payable (if any) under the PSC. As such management were unable to provide support as to its commitment or obligation under the PSC as at 31 December 2018 and we were unable to obtain sufficient appropriate evidence to determine whether any adjustments to the commitments or other payables note disclosure was necessary.

As disclosed in Note 6 and 8 to the financial statements an amount has been accrued based on the date on which the Nkembe PSC was signed (11 January 2013). In light of circumstances noted above, management were unable to provide support as to the accuracy of the obligation owing as at 31 December 2018. Consequently, we were unable to determine whether any adjustments might have been necessary in respect of the carrying amount of other payables as at 31 December 2018, and the elements making up the statement of profit or loss and other comprehensive income.

### Material uncertainty related to going concern

We draw attention to Note 13 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth 15 March 2019