

BUY

Current Price **\$0.42**
Target Price **\$1.96**

| | | |
|--------------------------|--------|--------|
| Ticker: | PVD | |
| Sector: | Energy | |
| Shares on Issue (m): | 92.3 | |
| - fully diluted (m): | 126.5 | |
| Market Cap (\$m): | 38.8 | |
| Market Cap Diluted (\$m) | 53.1 | |
| Net Cash (\$m)*: | 13.0 | |
| Enterprise Value (\$m): | 40.1 | |
| * estimate | | |
| 52 wk High/Low: | \$0.89 | \$0.25 |
| 12m Av Daily Vol (m): | 0.26 | |

| Valuation | Risky | | Unrisky |
|--------------------|--------------|-------------|--------------|
| | \$m | \$/s | \$/s |
| Toubkal | 260.0 | 2.06 | 27.40 |
| Jbel Tadrart | 101.1 | 0.80 | 19.04 |
| Gabon | 11.3 | 0.09 | 10.73 |
| Cash | 17.0 | 0.13 | 0.13 |
| Debt | -4.0 | -0.03 | -0.03 |
| Corp Admin | -15.0 | -0.12 | -0.12 |
| Options / Partly I | 6.2 | 0.05 | 0.05 |
| Total | 376.5 | 2.98 | 57.20 |

*Toubkal risky @ 7.5% vs IER 31%, Tadrart risky @ 5% vs IER 19%

In A\$ unless otherwise stated

Share Price Graph



Friday, 7 June 2013

Pura Vida

Gabon Upgraded but Morocco Still the Focus

Analyst | Dave Wall

Quick Read

Pura Vida has identified 815 million barrels of mean recoverable prospective Resources at its Nkembe Block, offshore Gabon. This compliments the 20 million barrels of contingent Resources already estimated at the Loba discovery. Additional prospects and discoveries remain to be assessed and we expect additional upgrades to both categories. The Company plans to open a data room shortly to farm-out seismic and drilling.

Despite the impressive early numbers and the likely farm-out, Morocco remains the key to the investment thesis. The divergence between the potential upside, from free-carried drilling in early 2014, and the current value of the Company is higher than any we have witnessed and a sharp correction is considered highly likely.

Event & Impact | Positive

Gabon – Worth Waiting For: The story in Gabon continues to improve and we expect further additions to prospective and contingent Resources ahead of a farm-out late 2013 / early 2014. Significant industry activity in-country is also likely to attract increased investor interest for PVD, possibly more likely from offshore markets.

We note some negative press related to the non-renewal of contract for certain of Addax Petroleum's onshore assets. The Gabonese have alleged breach of contract as the reason for the non-renewal; however, media spin has labelled this nationalisation. This does not change our view of sovereign risk for PVD or our expectation of a farm-out.

Morocco the Key: Morocco remains the core of our investment thesis and valuation, accounting for >95% of our risky value. As mentioned previously, we have never witnessed a divergence of this magnitude (implied chance of success 1.5% v independent expert estimate of 31% for Toubkal) between potential uplift and market capitalisation. In the lead up to drilling the share price is highly likely to correct sharply. In the meantime, receipt of \$15m from the farm-out to Plains should start the re-rating process.

Stay the Course: The Company ran afoul of depressed equity markets after mistiming its run at capital required to pay the \$9m signature bonus for Gabon. This derailed our investment thesis temporarily. Our conviction level is now back to a high level but is predicated on no significant change to the corporate strategy (which may change our thesis in either direction).

Recommendation

Pura Vida is extremely well placed to capitalise on excellent work by management, having secured two highly prospective blocks offshore Morocco and Gabon. Catalysts related to receipt of funds, resource upgrades, farm-out and lead up to drilling are sure to re-rate if the course remains steady. We rate PVD as a Buy with a price target of \$1.96 (unchanged for now).

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Argonaut assisted with placement in the recent Capital Raisings in November 2012 & April 2013 and received fees commensurate with this service.

The analyst has a beneficial interest in the shares of Pura Vida.

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