



Pura Vida Energy NL

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Title: Company Insight – Mazagan Farm Out Explained

Highlights of Interview

- Pura Vida has farmed out to a subsidiary of Plains Exploration & Production Company (NYSE: PXP) ('PXP') for US\$15 million cash and a carry of up to US\$215 million on exploration activities, focussing on the Toubkal prospect and retaining a 23% carry in the overall Mazagan permit.
 - Very strong interest in offshore Morocco and the Mazagan farmout - secured commitment for 2 firm wells and coverage for contingencies.
 - PXP is a substantial partner with significant expertise in offshore exploration and development.
 - Explains the gross mean unrisked prospective resource in Toubkal at 1.5 billion barrels (Pura Vida share 350 million barrels), and the 1 in 3 chance of geologic success assessed by DeGolyer & MacNaughton.
 - Discusses considerable transactional activity in offshore Morocco and planned drilling programs commencing later this year.
 - Discusses implications for the value of Pura Vida (with its tight capital structure) including potential upside.
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Record of interview:

Company Insight presents the first in a series of a two-part interview with Pura Vida management, Damon Neaves and David Ormerod, about two recent developments with significant implications for Pura Vida. In this interview, Damon talks about the farmout of the Mazagan permit offshore Morocco. In the second interview to be released later this week, David and Damon will discuss the acquisition of the Nkembe block, offshore Gabon, West Africa.

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What are the basic terms of the Mazagan farm-out?

Damon Neaves, Managing Director

We've assigned a 52% interest in the Mazagan block and operatorship to PXP (a substantial company with significant expertise in offshore exploration and development) which has agreed to fund the forward work program including drilling the Toubkal structure - to the tune of US\$215 million. PXP will also make an upfront cash payment to Pura Vida of US\$15 million once we obtain Moroccan Government approval. Importantly, we retain a 23% interest in a project that is now fully funded.

The beauty of this deal is in the structure of the carry. The US\$215 million that PXP will spend includes a firm commitment to drill two exploration wells. It also covers any contingencies such as deepening or side tracking (from either of the two firm wells), cost overruns, and any additional 3D seismic survey over an area of up to 2,500 km², all as may be agreed between PVD and PXP. It's all captured. The carry has significant room that takes care of various contingencies, which is important for a junior facing the funding challenges in a deep water block. We obtain certainty as well as the ability to extract the most potential from the Mazagan permit, in particular, the potential to test deeper targets. Securing funding to test multiple targets significantly increases our chance of finding oil, which is our main aim.

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What is the significance of Toubkal in the overall Mazagan permit?

Damon Neaves

Toubkal is a large structure with an aerial extent of some 150 km². DeGolyer & MacNaughton, the US expert which provides independent resource estimates, assesses the gross mean prospective resource in Toubkal at 1.5 billion barrels. That's a significant target in anyone's book, particularly for a junior such as Pura Vida with a tight capital structure. The other important consideration is the high chance of success for this prospect. It is DeGolyer & MacNaughton's view that Toubkal has a 1 in 3 geologic chance of success. In a nutshell, Toubkal is sizeable, has a good chance of success and offers significant returns in the success case.

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What are the other targets within the Mazagan permit, how large are they, and what similarities do they share with Toubkal?

Damon Neaves

We have a number of large, look-a-like structures - first, a number of follow-up structures in the Miocene trend and secondly, two independent trends in the Cretaceous which have been prolific producing structures around Africa and on the conjugate margin in South America (i.e., where the same geology exists, but the rocks have been separated by continental drift).

There is real depth to the drilling inventory in the Mazagan permit. The Cretaceous plays vary in size, including some big targets - some are in the region of 600-800 million barrels in the deeper water part of the block. Overall, DeGolyer & MacNaughton assesses Mazagan's prospect inventory - outside of Toubkal - at around 5.5 billion barrels (mean).

Toubkal will be the primary objective of the first well. It is the standout target simply because of its size coupled with the probability of success. It is a very exciting prospect.

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Were other parties attracted to the Mazagan farm-out?

Damon Neaves

There was a lot of interest in the data room especially from the big end of the market - the majors and large independents - all multi-billion dollar companies. There were couple of reasons for that. First, there is a lot of recent transactional activity and industry interest in Morocco at present. It still remains relatively underexplored, and a lot of success has been experienced in similar plays along the Western African transform margin where billions of barrels of crude have been discovered - and now international oil companies are taking up positions along the North African Atlantic margin, including Morocco. Secondly, the industry has also turned its eye to the success across the Atlantic

on the conjugate margin in the Scotian shelf, offshore Canada - where again there have been prolific discoveries. We are drilling the same source rocks, the same plays and therefore expect similar outcomes.

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What does the Mazagan farm-out imply - in a quantitative sense - for Pura Vida's ongoing interest?

Damon Neaves

If we use the farm-out metric where PXP has committed to pay up to US\$230 million for 52% of Mazagan - this values 100% of the block at about US\$440 million - so Pura Vida's remaining 23% carry is worth around US\$100 million on that basis. This compares with Pura Vida's current market capitalisation of around A\$50 million implying an upside of 100% to the current market price. This is a compelling value benchmark because it is based on real investment metrics (ie. what an international company of substance was actually prepared to pay in an active competitive process).

If investors wish to assess Mazagan's upside potential, Pura Vida has a 23% interest in the block post-farmout with the drilling program fully-funded for a two well program with multiple large targets. If all the other targets are ignored - and only the Toubkal target is focussed on - that's 23% of a 1.5 billion barrel structure (gross mean prospective resource) which is 350 million barrels net to Pura Vida in the success case. When you factor in that Morocco has one of the more attractive offshore fiscal regimes in the world, the financial rewards of a discovery will be substantial. The valuations and price targets from the independent research analysts that cover Pura Vida have generated some interest - so developments in Mazagan will be treated with some anticipation.

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In a qualitative sense, what do you think the farm-out and associated activity will mean for Pura Vida's interest in Mazagan?

Damon Neaves

The farm-out deal truly enlivens the potential of Mazagan. For a long time we've maintained that Mazagan is a quality asset - with significant resource potential. The farmout introduces a substantial partner with impressive credentials in offshore exploration and development - it is a major producer in the Gulf of Mexico and recently acquired certain of BP's and Shell's assets in the Gulf for US\$6 billion. The fact that PXP wishes to invest up to US\$230 million to acquire an interest in our project lends a lot of credibility to the technical work we've done and the technical views we've expressed regarding the prospectivity of the permit. Importantly, we've resolved the main risk by removing any uncertainty around the funding we need to take the project forward. That's a giant leap for Pura Vida that fundamentally changes the investment proposition for investors.

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There has been extensive transactional interest in offshore Morocco from other companies. What is the source of this interest, and what companies are becoming involved?

Damon Neaves

Just in the last few days it has been announced that Chevron has been awarded a large area on the Northern border of our Mazagan permit. Prior to that Total, Anadarko, Kosmos, Cairn Energy and Genel Energy (led by ex-BP CEO Tony Haywood) led the charge by the industry into Morocco following Pura Vida's early entry. Pura Vida is well-positioned with a large acreage position in an area that is attracting enormous industry interest, investment and activity.

The industry is encouraged by the geology, from successes on the conjugate margin in the Scotian shelf and from successes elsewhere along the Central Atlantic transform margin in Western Africa.

Moroccan fiscal terms are also very attractive. And Morocco is a very stable political regime - a key reason why we're there in the first place.

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How does the PXP farm-out deal compare with other farm-out deals struck in the same general offshore Morocco area?

Damon Neaves

We think it compares very favourably. Here we have a carry on two wells, plus we've got a big cap on that carry. The US\$215 million carry contains scope to cover contingencies - it means we can execute at least two firm wells with confidence knowing the funding will cover this. The scale of the deal is also significant because we are accessing multiple targets, and it gives us a much higher overall chance of success in finding oil and having a commercial project at the end of it - which is the big prize.

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What activity is planned in the neighbouring permits that surround Mazagan?

Damon Neaves

The first wells will spud in the second half of this year. We expect there will be a continuous drilling program undertaken by Operators offshore Morocco which will include two wells in our Mazagan permit and the remaining wells by other Operators in the surrounding areas.

Any success in the search for oil offshore Morocco will have positive implications for our wells in the Mazagan permit, so we'll be watching out for drilling results.

We'll have visibility on the timing of Pura Vida's wells within the wider drilling program soon. Well results in the area will generate a lot of interest from the market and industry - we expect to see steady news flow from drilling operations commencing in the third quarter of this year.

With approximately 11,000 km², Pura Vida has a large acreage position in an area that will see a huge investment effort from the industry to find oil. We are well-positioned to capitalise on any discovery in the area.

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What are the next steps for Pura Vida and the Mazagan partners in progressing and implementing this deal in 2013?

Damon Neaves

We are progressing the Government approvals we're required to obtain to complete the PXP farmout. These are expected within two to three months, which of course will trigger the payment of US\$15 million to Pura Vida. PXP will then become the new operator - and their well planning efforts will be underway. As these plans become more concrete, we will of course keep the market updated in terms of the timing and the details of the drilling program.

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In summary, what do you think will be the medium-to-longer term significance of the Mazagan farm-out for Pura Vida?

Damon Neaves

For the first time we can definitively say that we will drill Toubkal - because we are now fully-funded. We'll have a real crack at achieving the success case and the huge financial rewards that come with success. Pura Vida's objective to discover a major oil field has been advanced significantly through the excellent technical work that has been done under the stewardship of Technical Director, David Ormerod.

We will test multiple plays and test large targets. This is a rare opportunity for a junior oil company like Pura Vida.

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Thank you Damon.

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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