

12 Nov 2012

Share Price: \$0.70  
6mth Price Target: \$1.50

## PURA VIDA ENERGY NL

### Moroccan Prospects - Huge Potential

Pura Vida Energy NL ("Pura Vida", "PVD", "Company") has performed seismic inversion analysis, utilising local well results, to further confirm the prospectivity for hydrocarbons within the Mazagan permit. The recent analysis will be added to the data room currently set up to assist the Company in the farmout process of the Mazagan permit.

Seismic inversion analysis is a process of identifying the response of seismic acquired over oil or gas shows in other nearby wells and comparing that seismic response to the seismic acquired over the Mazagan permit.

The seismic inversion analysis follows the encouraging recent and ongoing drop core analysis.

### 5.3 billion barrels in prospective oil targets

DeGolyer & MacNaughton's (D&M) independent report estimates net resource potential of 5.3 billion barrels of oil (Pmean) in the Mazagan permit.

D&M's estimate includes the giant Toubkal prospect which has a Pmean potential of 1.5 billion barrels of oil (1.1 billion barrels net to PVD). The Direct Hydrocarbon Indicators, which have been previously identified and supported by the recent analysis, support a probability of success (POS) of 31% for Toubkal. We have a risked value of \$140m for the Toubkal prospect which is based on a rule of thumb NPV of \$10/bbl assuming Pura Vida retains a 30% interest in the permit and a probability of success of just 3%.

### Plenty of pre-spud upside - Buy

Investing early in oil and gas explorers is highly speculative and comes with many risks. There are general rules that we believe can be followed that will limit risk exposure. The key to early stage exploration investment is to wait for a giant prospect to be identified (PVD tick) in a region of growing popularity (PVD tick), derisked through desktop analysis (PVD tick) and where well timing is known (next to be ticked).

When assessing the likelihood of upside, we believe that the market will focus on the next well to be drilled and not the potential of the whole permit. As such, we assess the rule of thumb value of the most current prospect (in this case we assume Toubkal will be the first prospect drilled) to be the key driver in share price appreciation. The common industry POS is 10% and we assume this is the common value that could be reached pre-spud on the assumption that investors will pay 10% of a prospects' value to take the risk of a 10% POS. In the case of Toubkal, Pura Vida's diluted market cap currently implies a 1.3% POS and D&M have attributed a 31% POS. As such, we believe the share price pre-spud should reflect at least 10% POS which is a 7x uplift from current prices but could potentially reflect a 31% POS.

Current risks surround the farmout process being successful (which we consider a low risk), Pura Vida's ability to negotiate a carry on at least the first well and the Toubkal prospect being selected as the first target (some potential farminees might prefer to drill the prospect with the highest POS first). We recommend Pura Vida as a Buy with a price target of \$1.50.

#### Brief Business Description:

African focussed oil and gas exploration company with core asset offshore Morocco.

#### Hartleys Brief Investment Conclusion

Early entrant offshore Morocco. Increased industry interest is likely to be followed by the market.

#### Key Personnel

Mr Bevan Tarratt (Chairman)  
Mr Damon Neaves (CEO, Director)  
Mr David Ormerod (Technical Director)

#### Top Shareholders:

No substantial holders

#### Company Address:

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#### Valuation:

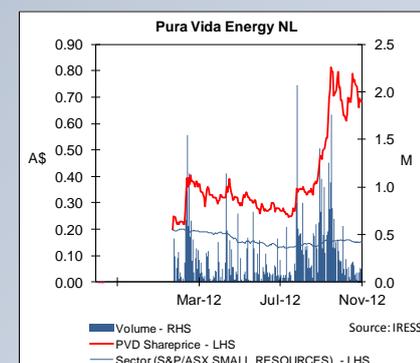
Issued Capital: 50.8m  
- fully diluted 90.3m  
Market Cap: \$35.6m  
- fully diluted \$63.2m  
Cash (Sep '12): \$4.5m  
Debt (Sep '12): \$0.0m

#### Valuation Summary

Asset	Value (\$m)	Value (\$ps)	Unrisked
			Value (\$ps)
Toubkal	140.15	1.552	50.07
Others	197.87	2.191	91.53
Cash	4.50	0.050	0.050
Debt	0.00	0.000	0.000
Corp Admin	-11.33	-0.125	-0.125
Options/Equity	6.37	0.071	0.071
<b>Total</b>	<b>337.56</b>	<b>3.738</b>	<b>141.59</b>

Prospective Resource (mmbbl) 5,300  
EV/Resource (\$/bbl) \$ 0.011

Source: Hartleys Research



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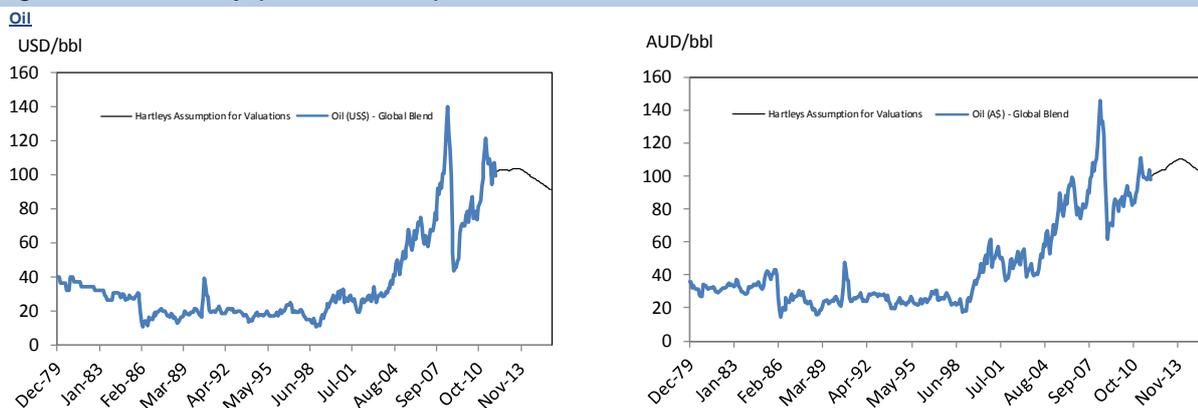
Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Pura Vida Energy NL. See disclosure on back page for details.

## KEY ASSUMPTIONS / RISKS

Our valuation methodology is based on risk value of resource potential using notional in ground valuation and conservative estimates for probability of success. This methodology results in Net Asset Value of 374cps.

Our price target is a qualitative discount to our valuation. In PVD's case, this discount has been estimated at 60% resulting in a price target of 150cps which reflects our current risk value of the Toubkal prospect.

**Fig. 1: Commodity price assumptions**



Source: Hartleys, Bloomberg

**Fig. 2: Key assumptions and risks for valuation**

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Exploration Risk	Moderate-High	Moderate-High	Oil and gas exploration is more likely to fail than succeed so risk is high; however, the high discovery rate offshore West Africa provides some mitigating factors in the form of successful application of modern techniques.
Schedule Risk	Low	Low-Moderate	Timing of farm-out negotiations, especially with large corporations, is difficult to predict; however, the wave of activity offshore Morocco means that timing is not a major risk, in our view.
Funding Risk	Low	Low-Moderate	PVD has \$4.5m in cash and is fully funded for the current work program.
Valuation Risk	Low	Low-Moderate	Our exploration valuation includes a risk metric based on prospect sizes. It assumes that the market will recognise a portion of potential value before the results of a well are known. In most cases, we include ~10% of potential prospect value in our valuations. However, this may increase or decrease depending on the type of well drilled and confidence in the prospect
Toubkal is the first prospect drilled	Moderate	Low-Moderate	If Toubkal is not the first target drilled there will be minimal change to our valuation as the prospect will still be valid. However, there may be some share price pressure as this is the highest impact target.

**Conclusion**

*We believe the assumptions we have used have a low-moderate risk of not being achieved, which would have a moderate impact on our valuation.*

SOURCE: Hartleys

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## Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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