

7 Mar 2013

Share Price: \$0.70  
12mth Price Target: \$2.12

## PURA VIDA ENERGY NL

### Existing Discovery in Nkembe Block Defined

Pura Vida Energy NL ("Pura Vida", "PVD", "Company") has further defined an existing discovery in its Gabon acreage. The discovery, named Loba, has an existing well that Pura Vida believes intersected a 46 metre oil column (Loba M 1).

The Company estimates that the discovery could contain 20mmbbls on a P50 basis. The estimate is based on actual well log data and 3D seismic that covers the discovery. Pura Vida estimates porosities of 18% with oil saturation of 66%.

Pura Vida believes that the initial well was drilled over pressure and with sub-optimum, water based mud which caused formation damage and restricted oil flows when tested. The Company believes that modern drilling techniques used elsewhere in Gabon should result in oil flows.

### The path to adding value in Gabon

Assuming an NPV of \$15/bbl we estimate a 20mmbbl discovery in Gabon could be worth \$240m to Pura Vida on a success basis. We apply a standard POS of 10% (which could be considered too low given the existing discovery) to estimate a risked value of \$24m.

Pura Vida will continue to add value to the Nkembe block by interpreting existing seismic in order to identify additional prospects, acquiring multi-azimuth 3D seismic to better define the sub-salt opportunities and then drilling a well which would most likely appraise the Loba field and then drill deeper into the sub-salt. The work program has an initial period of four years plus a three year option.

### Activity in Morocco more certain

Recent market comments by Genel indicate that a rig capable of drilling in shallow water could be active in Morocco by the end of 2013. Pura Vida will require a rig capable of drilling in deep water but this is a clear indication that the companies that have moved into Morocco are nearing drilling activity.

### Buy – significant upside can't be ignored forever

We maintain our Buy recommendation. The definition of the existing discovery in Gabon and the impending drilling in Morocco will provide substantial upside in the next 12 months. In addition to this, we see little possibility of downside.

In Morocco, Pura Vida will be exposed to a well targeting 1.5bn bbls of oil. We estimate Pura Vida's risked interest in the well at \$3.34 based on a 10% POS. This is significantly higher than the current share price and, in our opinion, the only impediment to share price appreciation is the market's appetite for risk. However, our price target of \$2.12 implies a POS of just 6% and does not include any upside from the Gabon acquisition. As such, we believe it is only a matter of time before the market recognises the potential value to be gained from drilling success.

#### Brief Business Description:

Dual focus exploration - free carried on two wells offshore Morocco with early stage exploration in Gabon nearby existing production.

#### Hartleys Brief Investment Conclusion

Free carried through two well program initially targeting a billion barrel prospect plus adding value to Gabon asset.

#### Key Personnel

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

#### Top Shareholders:

No substantial holders

#### Company Address:

Lvl 1, 89 St Georges Tce  
Perth, WA, 6000

Valuation: \$5.17  
Issued Capital: 71.5m  
- fully diluted 103.7m  
Market Cap: \$50.0m  
- fully diluted \$72.6m  
Cash (current est)\*: \$16.0m  
Debt (current est): \$5.0m

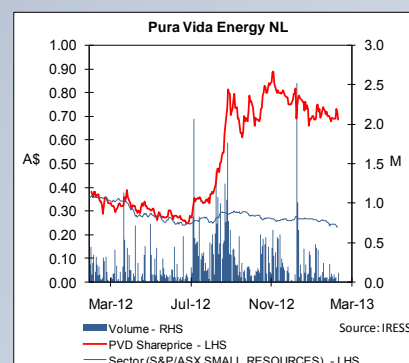
\* inc Mazagan receipt and signature fee

#### Valuation Summary

Asset	Value (\$m)	Value (\$ps)	Unrisked Value (\$ps)
Toubkal	346.61	3.342	33.42
Loba	24.00	0.231	2.31
Others	151.70	1.463	61.10
Cash	16.00	0.154	0.154
Debt	5.00	0.048	0.048
Corp Admin	-11.33	-0.109	-0.109
Options/Equity	4.65	0.045	0.045
<b>Total</b>	<b>536.63</b>	<b>5.175</b>	<b>96.97</b>

Contingent Resource (mmbbl) 20  
Prospective Resource (mmbbl) 1,613  
EV/Contingent Resource (\$/bbl) \$ 3,080  
EV/Prospective Resource (\$/bbl) \$ 0.038

Source: Hartleys Research



#### Authors:

Peter Gray  
Oil and Gas Analyst  
Ph: +61 8 9268 2837  
E: peter\_gray@hartleys.com.au

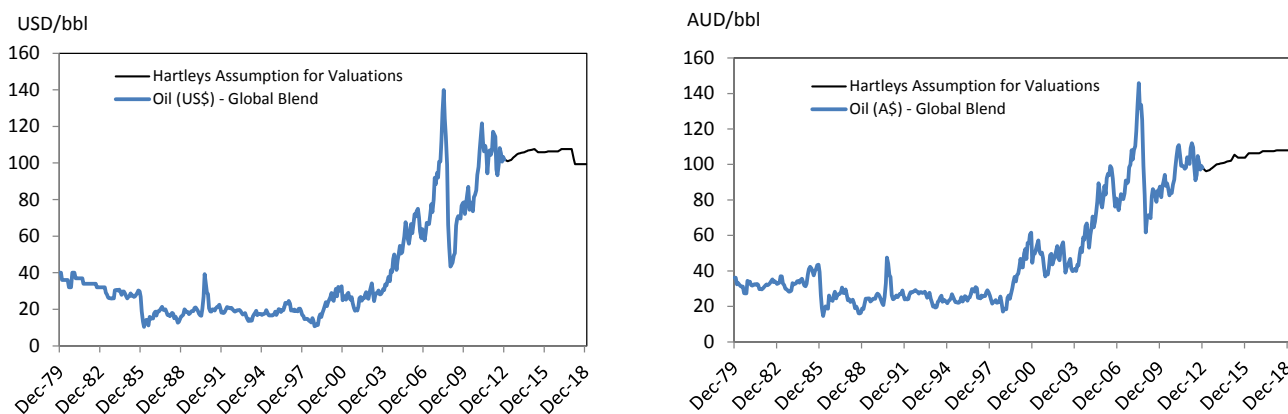
Hartleys has assisted in the completion of capital raisings in the past 12 months for Pura Vida Energy NL. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Pura Vida Energy NL. Hartleys has a beneficial interest in 3 million unlisted options in Pura Vida. See disclosure on back page for details.

## KEY ASSUMPTIONS / RISKS

Our valuation methodology is based on risked value of resource potential using notional in ground valuation and conservative estimates for probability of success. This methodology results in Net Asset Value of 517cps.

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 212cps which partly reflects our current risked valuation 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. It is important to note that exploration risk is currently low as drilling will not occur for at least 12 months.
Funding Risk	Low	Low-Moderate	PVD will have ~\$11m in cash and a free carry on a two well program post farmout close. Gabon will require additional funding but the work program has a four year period and, although less likely, the asset could be farmed out to fund exploration.
Valuation Risk	Low	Low-Moderate	Our exploration valuation includes a risked 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

*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

# HARTLEYS CORPORATE DIRECTORY

## Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
Ben Crowley	Resources Analyst	+61 8 9268 3045
Paul Cartwright	Oil & Gas Analyst	+61 8 9268 2826
Peter Gray	Research Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

## Corporate Finance

Grey Egerton-Warburton	Head of Corp Fin.	+61 8 9268 2851
Richard Simpson	Director – Corp. Fin.	+61 8 9268 2824
Paul Fryer	Director – Corp. Fin.	+61 8 9268 2819
Dale Bryan	Director – Corp. Fin.	+61 8 9268 2829
Ben Wale	Snr Mgr – Corp. Fin.	+61 8 9268 3055
Ben Crossing	Snr Mgr – Corp. Fin.	+61 8 9268 3047
Stephen Kite	Snr Mgr - Corp. Fin.	+61 8 9268 3050
Scott Weir	Mgr - Corp Fin.	+61 8 9268 2821

## Registered Office

### Level 6, 141 St Georges Tce Postal Address:

Perth WA 6000	GPO Box 2777
Australia	Perth WA 6001
PH: +61 8 9268 2888	FX: +61 8 9268 2800
www.hartleys.com.au	info@hartleys.com.au

*Note: personal email addresses of company employees are structured in the following manner:*

*firstname\_lastname@hartleys.com.au*

## 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 Buy	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.

## Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has assisted in the completion of capital raisings in the past 12 months for Pura Vida Energy NL ("Pura Vida") for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Pura Vida, for which it has earned and continues to earn fees. Hartleys has a beneficial interest in 3 million unlisted options in Pura Vida.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Chris Chong	+61 8 9268 2817
Simon Andrew	+61 8 9268 3020
Veronika Tkacova	+61 8 9268 3053

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Bradley Knight	+61 8 9268 2823
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Damir Mikulic	+61 8 9268 3027
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Charlie Ransom	+61 8 9268 2868
Brenton Reynolds	+61 8 9268 2866
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Jayne Walsh	+61 8 9268 2828
Samuel Williams	+61 8 9268 3041