

Pura Vida Energy (PVD.ASX) – Maiden resource at Gabon

Event:

- Contingent resource at Loba M 1 discovery, Gabon.

Investment highlights:

- 20 mmbo contingent resource booked at Gabon.** PVD recently announced a maiden 20 mmbo contingent resource at Loba M 1 discovery at its 80% owned Nkembe block, offshore Gabon. Petrophysical analysis by PVD of the existing discovery, which was made in 1976, highlighted 46m of interpreted oil pay which combined with interpretation of existing 3D seismic has allowed PVD to define a contingent resource of the structure to be in the range of (p10, p50 and p90) of 11.2, 20.0 and 28.7 mmbo. PVD management have estimated high porosities of 18% and oil saturation of 66%. Importantly, the identified oil pay in the Loba M 1 discovery is in the Batanga sandstones which produce in nearby fields offshore Gabon, the closest being the Barbier field 6km north of Loba. Should a commercial discovery be made it provides the option of a quick path to commercialisation through tie-back development to the existing pipeline export network.
- Pre salt has potential to host multi million barrels of oil.** 3D multi azimuth seismic is expected to be acquired in the 2HCY13 to better define the potential of the pre salt horizon, which lies below the Loba M 1 discovery and could host multimillion million barrels of oil based on analogue basins. Prospectivity of the subsalt is supported by multi- billion barrel discoveries which have been made in Brazil in the pre-salt horizon over the past 5 years. Given the stacked nature of the play a single well could appraise the Loba M1 discovery and the pre salt horizon.
- Following a similar value creation path as the Mazagan permit, Morocco.** We expect to see a similar value creation path as the Mazagan permit in Morocco as PVD progresses its work program over the next 12 months. All the key ingredients are in place for significant value to be added over the next 12 months as the asset is de-risked through the acquisition and processing of 3D seismic, delineation of a resources, prospects and leads at the pre salt layer a farm-out being concluded and ultimately the drilling of a well.
- CY13, the start of a renaissance period for Moroccan oil.** We anticipate the first well, targeting the giant 1.5b bbl Toubkal prospect, could be drilled 1HCY14 subject to regulatory approval and availability of a drill ship. 2H of CY13 will mark the beginning of a renaissance period in the Moroccan oil industry with the first of up to 8 offshore wells expected to be drilled. We expect over the coming months to get further visibility of the schedule for the drill ship being used and recommend exposure to PVD as the regional deepwater drill program in Morocco commences in 2HCY13, as any success by adjacent operators will serve as a major catalyst for PVD.
- Valuation update.** We have updated our valuation to account for the 20m bbl contingent resource of the Loba M1 prospect in Gabon. We have ascribed a risked value of \$14.4m of the Gabon discovery net to PVD 80% and an unrisked value of \$96m. Our risked NAV across the prospect inventory is \$442.8m, \$4.3/sh (prev: \$428m, \$4.1/sh). Our equity valuation on a fully diluted basis is \$461.0, \$4.45/sh after taking into account net cash inclusive of the \$15m payment by PXP

Recommendation:

- We re-iterate our SPECULATIVE BUY recommendation and maintain our price target of \$2.15/sh

Rating	SPEC BUY
Previous	SPEC BUY
Price Target (A\$)	\$2.15
Previous (A\$)	\$1.50

Share Price (A\$)	\$0.70
52 week low - high (A\$)	\$0.24 - \$0.96
Valuation (A\$/share)	\$4.46
Methodology	In-Situ/Sum of Parts
Risk	High

Capital Structure	
Shares on Issue (m)	59.8
Options/restricted on issue (m)	43.9
Market Cap (A\$m)	41.8
Market Cap- Fully Diluted (A\$m)	72.5
Net Debt/(Cash) (A\$m)	-13.0
EV (A\$m)	59.5
12mth Av Daily Volume ('000)	260

Board and Management	
Bevan Tarrat	Non Executive Chairman
Damon Neaves	Managing Director
David Ormerod	Technical Director

Resource	
Prospective Resource (mmbbl)	5,300

Major Shareholders	
Board and Management	34%

Catalysts	
Government approval	1QCY13
Seismic survey Nkembe, Gabon	2HCY13
Drilling Toubkal, Morocco	1HCY14

Share Price Graph



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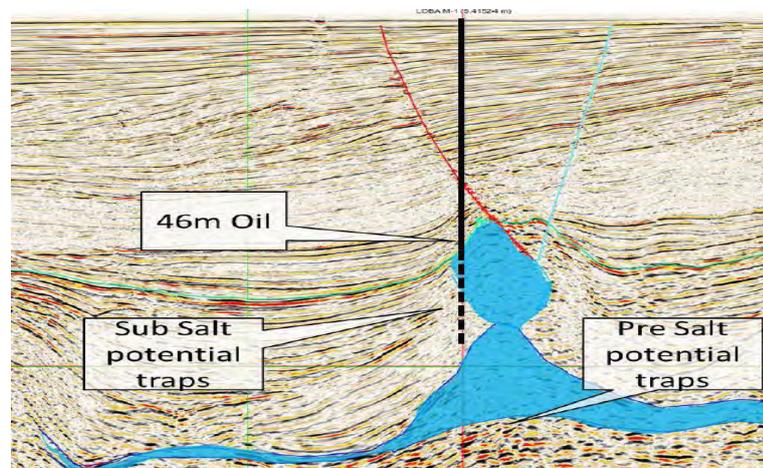
20MMBO CONTINGENT RESOURCE BOOKED AT GABON

PVD recently announced a maiden 20 mmbo contingent resource at Loba M 1 discovery at PVD's 80% owned Nkembe block.

3D multi azimuth seismic is scheduled to be acquired and interpreted in 2HCY13 to better define the potential of the pre salt horizon. Potential exists to hosts multi million barrels of oil.

- PVD recently announced a maiden 20 mmbo contingent resource at Loba M 1 discovery at PVD's 80% owned Nkembe block, offshore Gabon. Petrophysical analysis by PVD of the existing discovery, which was made in 1976, highlighted 46m of interpreted oil pay which combined with interpretation of existing 3D seismic has allowed PVD to define a contingent resource of the structure to be in the range of (p10, p50 and p90) of 11.2, 20.0 and 28.7 mmbo. PVD management have estimated high porosities of 18% and oil saturation of 66%.
- Importantly, the identified oil pay in the Loba M 1 discovery is in the Batanga sandstones which produce in nearby fields offshore Gabon, the closest being the Barbier field 6km north of Loba and should a commercial discovery be made provides the option of a quick path to commercialisation through tie-back development to the existing pipeline export network.
- The structures on the Nkembe block also have the potential to host multi stacked play, therefore a single well could both appraise the upper horizon, where the Loba M1 discovery lies, and test the potential of the highly prospective pre salt layer. 3D multi azimuth seismic is expected to be acquired in the 2HCY13 to better define the potential of the pre salt horizon, which lies below the Loba M 1 discovery and could host multimillion million barrels of oil based on analogue basins. Prospectivity of the subsalt is supported by multi- billion barrel discoveries which have been made in Brazil in the pre-salt horizon over the past 5 years.

Figure 1: Seismic section through the Loba M 1 discovery well



Source: FSB Research

We expect to see a similar value creation path as the Mazgan permit in Morocco as PVD progresses its work program over the next 12 months.

- This play is being actively sought after by deep-water operators seeking analogues basins in the conjugate margin including Gabon, the Republic of Congo, Angola and Namibia. Marathon, Ophir and Total will be drilling targets in the 2HCY13 targeting the pre salt and any success should further de-risk PVD's acreage.
- We expect to see a similar value creation path as the Mazgan permit in Morocco as PVD progresses its work program over the next 12 months. All the key ingredients are in place for significant value to be added over the next 12 months as the asset is de-risked through the acquisition and processing of 3D seismic, delineation of a resources, prospects and leads at the pre salt layer a farm-out being concluded and ultimately the drilling of a well. We have ascribed a risked value of \$14.4m of the Gabon discovery net to PVD 80% and an unrisked value of \$96m

RECOMMEND EXPOSURE TO PVD AS REGIONAL DRILLING IN MOROCCO COMMENCES 2HCY13

- We expect over the coming months to get further visibility of the schedule for the drill ship being used and recommend exposure to PVD as the regional deepwater drill program in Morocco commences in 2HCY13, as any success by adjacent operators will serve as a major catalyst for PVD. The next 12-18 months could prove to be a renaissance period for the Moroccan oil and gas industry with 7 wells expected to be drilled by Genel, Cairns, Kosmos and Galp. Success on the adjacent permits would also serve as a catalyst for PVD.
- We anticipate the first well could be drilled 1HCY14 subject to regulatory approval and availability of a drill ship. The giant Toubkal prospect, which has a P50 estimate of 1.5B bbl (347m bbl net to PVD's 23% interest) and has been estimated by DeGoyler & MacNaughton as having a 31% chance of success, will be the lead drill target. To put the potential un-risked upside of a success case in context we value the drill ready Toubkal prospect (1.5bbl barrel) alone at \$16.73/sh (\$1,773m). The target of the second exploration well is to be mutually agreed between PVD and PXP.
- We believe there remains significant value to be realised before the spudding of the maiden well, given our conservative risked valuation of Toubkal is \$173m, \$1.67/sh vs. the pro-forma fully diluted EV of \$59m a discount we expect to unwind as visibility of the schedule for the maiden drill is defined.

We anticipate the first well could be drilled 1HCY14 subject to regulatory approval and availability of a drill ship, with the giant Toubkal prospect as the primary drill target.

VALUATION - \$461M, \$4.45/SH

- We have updated our valuation to account for the 20m bbl contingent resource of the Loba M1 prospect in Gabon. Our valuation is based on the risked net asset value on the Mazagan Permit, including only prospects which have been assessed as having a prospective resource in the Competent Persons Report and the Loba M1 prospect. Figure 2 outlines the prospects included in our NAV valuation.
- We have attributed a higher COS of 15% given the contingent resource at Loba M1 vs. the 5-10% we have attributed to prospective resources across the Mazagan permit. We have opted to take a conservative approach and applied a 10% COS across the Miocene prospects and a 5% COS across the Lower Cretaceous targets. Toubkal, for example was assessed as having a 31% COS, which we have discounted to 10%. We view our valuation to be highly conservative given we have ascribed a notional value of \$5 per in ground bbl. Our indicative modelling of a commercial discovery at Toubkal indicates a NPV per barrel of ~\$25bbl given the attractive fiscal terms.

Figure 2: Net Asset Value

Prospect/Lead	Gross Recoverable Potential (MMbbls)	WI (%)	Net Recoverable Potential (MMbbls)	COS (%)	\$ per in ground bbl	Risked Value (\$m)	Risked Value (\$/sh)	Unrisked Value (\$m)	Unrisked Value (\$/sh)
Zagora	65.3	23%	15.0	10%	5.0	7.5	0.07	75.1	0.72
Amchad	79.6	23%	18.3	10%	5.0	9.2	0.09	91.6	0.88
Tafaroute	1047.2	23%	240.8	10%	5.0	120.4	1.16	1,204.2	11.62
Amtoudl East	590.4	23%	135.8	10%	5.0	67.9	0.66	679.0	6.55
Amtoudl West	434.7	23%	100.0	10%	5.0	50.0	0.48	499.9	4.82
Toubkal	1507.5	23%	346.7	10%	5.0	173.4	1.67	1,733.6	16.73
Jbel Ayachi	202.5	23%	46.6	5%	5.0	11.6	0.11	232.9	2.25
Jbel Musa	280.8	23%	64.6	5%	5.0	16.1	0.16	323.0	3.12
Jbel Lakhar	208.5	23%	48.0	5%	5.0	12.0	0.12	239.8	2.31
Jbel Talmest	474.9	23%	109.2	5%	5.0	27.3	0.26	546.1	5.27
Jbel Aroudane	417.3	23%	96.0	5%	5.0	24.0	0.23	479.9	4.63
Jbel Tadarat	879.1	23%	202.2	5%	5.0	50.5	0.49	1,011.0	9.75
Jbel Azayza	829.5	23%	190.8	5%	5.0	47.7	0.46	953.9	9.20
Loba M1	20.0	80%	16.0	15%	6.0	14.4	0.14	96.0	0.93
Total	3724.8		857			442.8	4.3	4,379.5	42.3

Source: FSB Research

- Based on these relatively conservative assumptions our risked NAV across the prospect inventory is \$442.8m, \$4.3/sh (prev: \$428m, \$4.1/sh). Our equity valuation on a fully diluted basis is \$461.0, \$4.45/sh after taking into account net cash inclusive of the \$15m payment by PXP, corporate and unpaid capital as highlighted in figure 3 below.

Figure 3: Valuation Summary

Valuation Summary	(A\$m)	A\$/sh
Risked NAV	441.0	4.25
Net cash/debt	25	0.24
Corporate	-10	-0.10
Unpaid capital	5	0.05
Total	461.0	4.45
Price Target		2.15

Source: FSB Research

RECOMMENDATION AND PRICE TARGET - \$2.15/SH

- We re-iterate our SPECULATIVE BUY recommendation and maintain our price target of \$2.15/sh

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