

Share Price:	\$0.535
12mth Price Target:	\$1.78

## PURA VIDA ENERGY NL

### Two (maybe four) near term catalysts

Pura Vida Energy NL ("Pura Vida", "PVD", "Company") is entering a period of strong news flow. There are two near term catalysts that we believe will cause an immediate share price re-rating. The first is the receipt of the cash for the Mazagan farmout (US\$15m). The second is the commencement of neighbouring drilling in Morocco. The third potential catalyst would be neighbouring success in Gabon (Total is currently drilling Diaman-1 targeting 2,250 mmbbl, TD within weeks). The final potential catalyst is a Gabon farmout, although we note that recently the market's reaction to farmout announcements, in general, has been muted (+0 to 10%).

### Farmout must be completed, and would be big catalyst

We estimate that PVD currently has ~\$3m of cash (and \$4m of drawn debt). The Mazagan farmout to FCX (formerly Plains) will increase cash to ~\$19m, but it requires the approval of the Moroccan Government. Uncertainty around the timing of the payment is the main reason we believe the PVD share price does not factor in the significant potential from its assets.

Instead of focusing on the upside potential, the market seems focussed on funding risks. Changes in the Moroccan Government ministry announced last week has raised speculation that the approval for the farmout will be delayed. We consider that the approval of this farmout should be a very big share price catalyst and are hopeful it will be completed in coming months.

### Morocco Peers to watch: Cairn, Kosmos and Genel

While the market focusses on funding risk, the largest wave of drilling offshore Morocco is about to begin.

In the next year we expect Morocco will experience a wildcat drilling boom, with over 10 wells planned from late 2013 (two of the wells are in Mazagan and PVD is free carried). It is likely that either Cairn or Genel will be first to spud their wells, likely in Q4 CY13.

### Nearby success would increase our risked Toubkal valuation

Early nearby success in Morocco is likely to alleviate some risk ahead of PVD drilling Toubkal (prospective 347 million barrels net) in 2014. We value Toubkal at \$2.76 based on a 10% POS. Depending on the outcome of the neighbouring wells, we may look to increase our POS assessment (PVD's technical consultants, D&M, use a POS of 32%).

### Gabon farmout soon

The Company has opened a data room in London for the Gabon farmout process. We expect a farmout of the Nkembe block for 3D seismic plus one or two wells, and could be announced later this year.

### Recommendation - Buy

In our view the perception of Mazagan farmout approval risk is depressing the share price, and without that perception we believe PVD would be considerably higher. The point is that although drilling of Toubkal is probably over a year away, the PVD share price currently implies such depressed market expectations that it should run strongly on the farmout completion and/or drilling activity commencing by its neighbours.

#### Hartleys Brief Investment Conclusion

Pura Vida Energy (PVD) provides investors with huge upside potential from Morocco with minimal cash commitments, but must complete Morocco farmout and secure Gabon farmout.

#### Board of Directors:

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

#### Substantial Shareholders:

Damon Neaves (MD)	7.6%
David Ormerod (Technical Director)	6.2%

#### Company Address:

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

<b>Issued Capital:</b>	92.5m
- fully diluted	127.9m
<b>Market Cap:</b>	\$49.5m
- fully diluted	\$68.4m
<b>Cash (current est):</b>	\$3.0m
<b>Cash (pro-forma)*:</b>	\$19.0m
<b>Debt (current est):</b>	\$4.0m

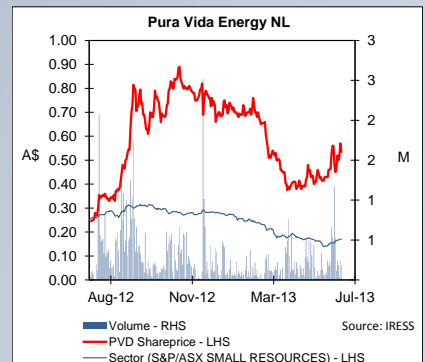
\* includes Mazagan farmout proceeds

#### Valuation Summary

Asset	Value (\$m)	Value (\$ps)	Unrisked Value (\$ps)
Toubkal	347	2.76	27.60
Loba	12	0.10	0.96
Others	433	3.45	50.46
Cash	5	0.04	0.040
Debt	-4	-0.03	-0.032
Corp Admin	-11	-0.09	-0.090
Options/Equity	8	0.07	0.066
<b>Total</b>	<b>789</b>	<b>6.29</b>	<b>78.99</b>

Contingent Resource (mmbbl)	20
Prospective Resource (mmbbl)	1,613
EV/Contingent Resource (\$/bbl)	\$ 3.409
EV/Prospective Resource (\$/bbl)	\$ 0.042

Source: Hartleys Research



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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.

Pura Vida Energy NL PVD		Share Price \$0.535		19 Jul 2013 Buy	
<b>Key Market Information</b>				<b>Directors</b>	
<b>Share Price</b> \$0.535 Market Capitalisation \$50m Cash est (pro-forma is \$19m) \$3.0m Debt est \$4.0m Issued Capital 92.5m ITM options 33.1m Issued Capital (fully diluted ITM options) 125.6m Issued Capital (fully diluted all options) 127.9m <b>EV (pro-forma EV is \$35m)</b> \$50.5m  Risked Valuation (per share) \$6.29 <b>12Mth Price Target</b> \$1.78				<b>Company Details</b>  Mr Bevan Tarratt (Chairman) Mr Damon Neaves (MD) Mr David Ormerod (Technical Director)	
<b>Projects</b>				<b>Substantial Shareholders</b>	
	Interest	Location	Commodity	Shares	%
Mazagan	23%	Morocco	Oil		
Nkembe	80%	Gabon	Oil		
<b>Resources</b>				<b>Investment Summary</b>	
(net)	Oil mmbbl	Gas bcf	Condensate mmbbl	Oil Eq mmbbl	
<b>Mean Prospective</b>					
Mazagan	1,614	-	-	1,614	
Nkembe	815	-	-	815	
<b>P50 Contingent Resource</b>					
Loba	16	-	-	16	
<b>P&amp;L</b>				<b>Expected Newsflow</b>	
	FY2013F	FY2014F	FY2015F		
Net Revenue	na	na	na	3Q 13	Complete farmout of Mazagan
Total Costs	na	na	na	4Q 13	Cairn & Kosmos drilling
EBITDA	na	na	na	4Q 13	Total's Diaman 1 well result
Deprec/Amort	na	na	na	4Q 13	Gabon farmout
EBIT	na	na	na	4Q 13	Gabon resource update
Net Interest	na	na	na		
Pre-Tax Profit	na	na	na		
Tax Expense	na	na	na		
NPAT	loss	loss	loss		
Abnormal Items	na	na	na		
Reported Profit	loss	loss	loss		
				<b>Unpaid Capital</b>	
				No (m)	\$ (m)
				Ave Pr	% Ord
				30-Jun-14	22.0 4.4 0.20 23.7%
				30-Jun-15	1.5 0.4 0.25 1.6%
				30-Jun-16	2.7 1.4 0.53 2.9%
				30-Jun-17	6.3 2.5 0.40 6.8%
				Total	32.4 8.7 0.27 35.0%
				<b>Comments</b>	
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Analyst: Trent Barnett Phone: +61 8 9268 3052				Last Updated: 19/07/2013	
Sources: IRESS, Company Information, Hartleys Research					

## VALUATION SUMMARY

Permit / Interest	Country	Operator	Net Recoverable Potential	NPV per Unit (\$)	POS	Risked Value (\$ millions)	(cps)	Unrisked Value (cps)
<b>Production Assets</b>								
None								
<b>Exploration Assets</b>								
Toubkal	Morocco	FCX*	347 mmboe	10	10%	347	276	2,760
Morocco - Other	Morocco	FCX*	1,267 mmboe	5	2%	152	121**	5,046**
Loba	Gabon	Pura Vida	8 mmboe	15	10%	12	10	96
Gabon - Other	Gabon	Pura Vida	375 mmboe	15	5%	281	224	4,477
<b>Total</b>			<b>1,996 mmboe</b>			<b>791</b>	<b>630</b>	<b>12,378</b>

\* Freeport-McMoRan Copper & Gold Inc.

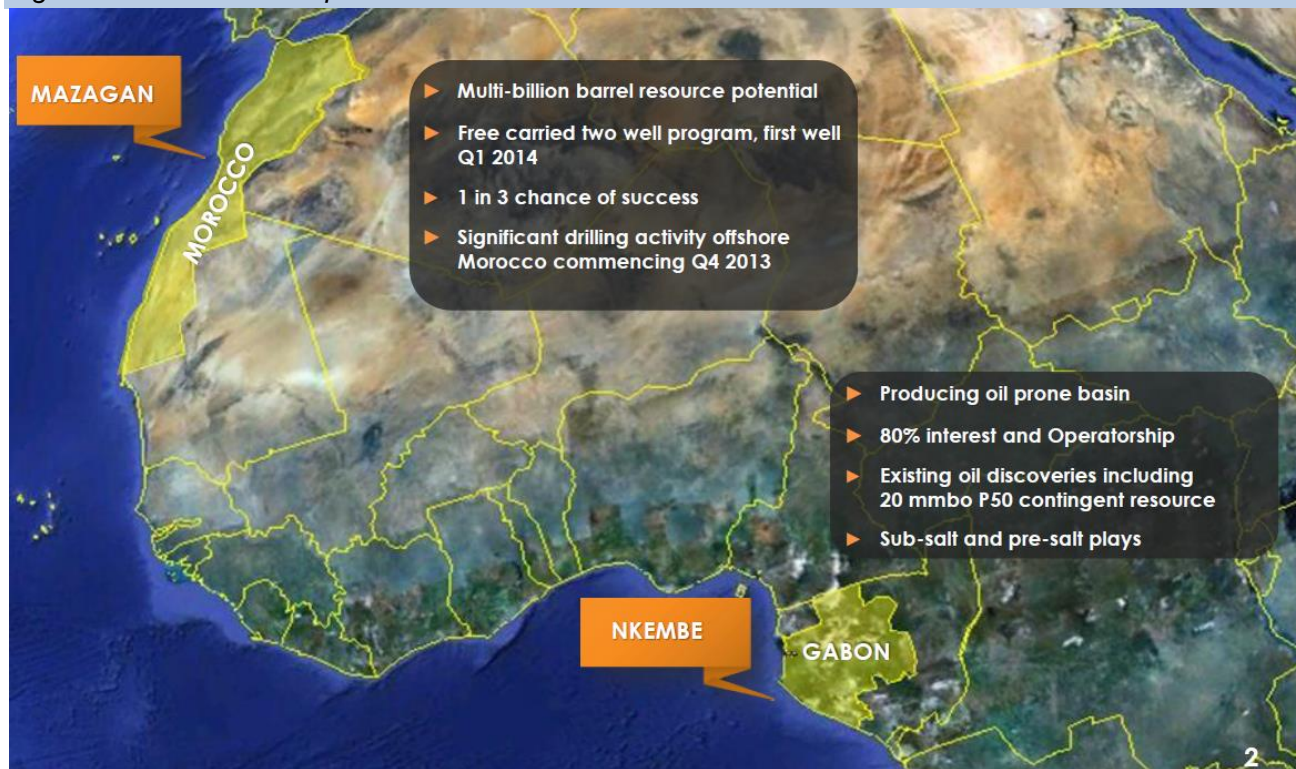
\*\* Valuation based only on Tafroute, Jbel Tadrart and Jbel Azavza prospects (total gross prospective resource estimate of 2,755 mmbbls)

Source: Hartleys and PVD

## PRICE TARGET

Our twelve month price target is \$1.78, which is a qualitative discount to our risked valuation of \$6.29 to allow for timing risk.

Fig. 1: PVD African Exposure



Source: PVD

**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	Post Morocco farmout completion, PVD will have ~\$13m in net cash and a free carry on a two well program post farmout. Gabon will require additional funding but the work program has a four year period and the asset will 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

## RISKS

The key risks for Pura Vida Energy NL (like most oil & gas exploration companies) is making an economic discovery and obtaining the funding for ongoing exploration. Other risks include delays, key person risk, country/sovereign risk, weather, JV partner obligations, cost inflation. Investing in explorers is very risky given the exploration value of the company in essence assumes that the market will recognise a portion of potential value before the results of an exploration program are known, conscious that the ultimate chance of success is low (typically 1%-20%) and that failure is much more likely, in most cases. Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, resource estimate errors and management performance and contract negotiation skills. High financial leverage (if it exists at that time) would add to the problem.



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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 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.

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