

BUY

Current Price **\$0.57**
Target Price **\$1.96**

Ticker: **PVD**
Sector: **Energy**

Shares on Issue (m): **92.5**
- fully diluted (m): **126.7**
Market Cap (\$m): **52.3**
Market Cap Diluted (\$m): **71.6**
Net Cash (\$m)*: **13.0**
Enterprise Value (\$m): **58.6**
* estimate

52 wk High/Low: **\$0.89** **\$0.33**
12m Av Daily Vol (m): **0.26**

Valuation	Risky		Unrisky
	\$m	\$/s	\$/s
Toubkal	260.0	2.05	27.36
Jbel Tadrart	101.1	0.80	19.01
Gabon	11.3	0.09	10.71
Cash*	17.0	0.13	0.13
Debt	-4.0	-0.03	-0.03
Corp Admin	-15.0	-0.12	-0.12
Options / Partly I	6.2	0.05	0.05
Total	376.5	2.97	57.11

*pro forma post receipt of US\$15m

In A\$ unless otherwise stated

Share Price Graph



Tuesday, 23 July 2013

Pura Vida Energy

In Principal Approval for Mazagan Farm-Out

Analyst | Dave Wall

Quick Read

Pura Vida has advised that it has received in principal approval, from the Minister for Energy, for the farm-out of its Moroccan permit, Mazagan, to Freeport-McMoRan. Receipt of the US\$15m cash consideration is expected in early August, post completion of amendment to the Petroleum Agreement (to introduce Freeport as a partner in the permit) and signing of Ministerial orders.

On the 9th of July, 6 Ministers resigned from the Moroccan Parliament to join the opposition party, including the Minister for Energy. This cast doubt as to the timing of Ministerial approval so today's announcement is a positive surprise. We remain cautious on timing for completion of the remaining sign offs given the ongoing uncertainty.

Our investment thesis and price target remain unchanged, with substantial share price appreciation highly likely over the next 12 months with completion of catalysts related to farm-out of Gabon and exposure to indirect drilling activity later this year and then drilling at Mazagan in 2014. We rate PVD as a BUY with a price target of \$1.96.

Event & Impact | Positive

Drilling offshore Morocco within Months: Drilling by Cairn, Genel and Kosmos offshore Morocco is scheduled to begin within months. Whilst most of this drilling will be technically independent of the main Miocene play, targeted by PVD, any success will result in positive sentiment for all companies with acreage in the region. PVD's drilling is slated for 2014 and we expect further clarity on the timing once the farm-out is formally completed.

Gabon Farm-Out: Pura Vida executed an excellent farm-out at its Mazagan permit, which had extensive 3D coverage for cash and drilling carry valued at \$230m. A farm-out at Gabon is more likely to include 3D seismic and one well, which may be worth up to \$80m. To execute two exceptional farm-outs within 24 months of listing would be a Herculean effort that is sure to be rewarded with substantial share price appreciation.

Recommendation

We have never witnessed a divergence of this magnitude (implied chance of success ~2% v independent expert estimate of 31% for Toubkal) between potential uplift and market capitalisation. This is 50x uplift potential for a prospect that has been given a 1 in 3 chance of success. Strong upwards share price correction prior to drilling is highly likely. Volatility related to the uncertainty of timing for completion of farm-out remains a risk but is irrelevant to our medium-longer term investment thesis. We rate PVD as a BUY with a price target of \$1.96.

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The analyst has a beneficial interest in the share of PVD.

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