

PURA VIDA ENERGY NL (PVD)

Heading into the hot zone

We are now less than three months away from the expected spud date (late January) of Pura Vida Energy's (PVD) Toubkal-1 well offshore Morocco. The drillship Atwood Achiever is expected to spud a well for Kosmos in early November after which it will move to drill Toubkal-1. In Gabon there has been no slow-down in offshore exploration activity highlighted recently by two significant (pre-salt) discoveries by Shell and Total. We maintain our Speculative Buy recommendation on PVD with a target price of \$1.16cps.

Toubkal-1 well...the main game.....expected late January 2015

We understand that spudding of the Toubkal-1 well is still on track for January 2015. The drillship Atwood Achiever is currently being mobilised to drill offshore Western Sahara for Kosmos in the Cap Boujdour block. Drilling delays are not uncommon however should the Kosmos well go to plan then Toubkal-1 should spud in late January.

Toubkal has been independently assessed to hold a best estimate prospective resource of 1.1 billion bbls (269 mmbbls net). We value Toubkal on a risked basis at \$1.31 based on a 25% probability of success (POS) and 30% recovery factor. The total gross (mean) un-risked prospective resource on the Mazagan Permit has been independently assessed at 7bn bbls. Importantly, under the farmout PVD will be free carried on 2 firm wells next year for up to US\$215 million.

Discoveries offshore Gabon bode well for a farm-out....

Drilling success offshore Gabon in recent months continues to de-risk PVD's acreage. Following on from Eni's discovery in block D4, announced in July, Shell (and CNOOC) recently reported success from its Leopard-1 well in block BCD10, where Shell reported 200m of net gas and condensate pay. Shell and its partners have already announced their intention to begin an appraisal program to determine the resource size. Industry success can only be positive for PVD's ongoing efforts to farm down its 80% interest in the Nkembe block.

September Quarterly...

At the end of the September quarter PVD had a cash balance of A\$18.8m. During the quarter PVD spent A\$2.8m with a forecast spend of \$7.6m next quarter. The most significant expenditure item in the next quarter is expected to be the seismic acquisition offshore Madagascar covering an area of 1,250km² on the Ambilobe block.

Valuation and Target Price

Our risked valuation of PVD is \$2.31 / share with a 12-month target price of \$1.16. Our valuation of PVD's assets offshore Gabon assumes a final working interest in the Nkembe block of 25% (currently 80%) and an NPV/boe of US\$10. Recent exploration success from the likes of FAR Ltd (FAR) and Carnarvon Petroleum (CVN) has improved market sentiment towards explorers albeit off a very low base. As we get closer to spudding of Toubkal-1 we would expect uplift in the stock price.

3 Nov 2014

Share Price:	\$0.50
12mth Price Target:	\$1.16

Hartleys Brief Investment Conclusion

Pura Vida (PVD)'s retained a significant free-carried interest in what is potentially a 1bn bbl resource (Toubkal). Upside also comes from its offshore acreage in Gabon and now Madagascar.

Board of Directors:

Jeff Dowling	Non-Executive Chairman
Richard Malcolm	Non-Executive Director
Damon Neaves	Managing Director

Substantial Shareholders:

Board (Un-diluted)	5.1%
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Company Address:

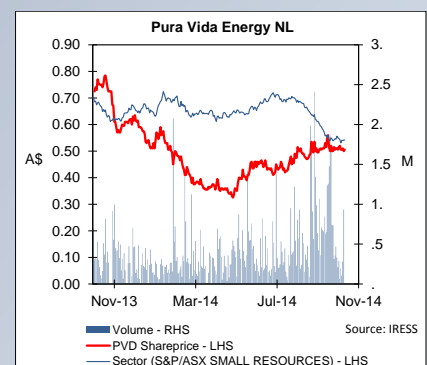
Level 3, 89 St Georges Tce
Perth, W.A. 6000

Issued Capital:	130.1m
- fully diluted	164.1m
Market Cap:	\$65.1m
- fully diluted	\$82.1m
Cash (current est):	\$18.8m

Valuation Summary

Asset	Risked A\$m	Risked A\$/s	Un-risked A\$/s
Toubkal	214	1.31	17.41
Morocco - Other	51	0.31	10.27
Gabon	114	0.70	23.24
	379	2.31	50.92

Source: Hartleys Research



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SUMMARY MODEL

Pura Vida Energy NL		Share Price		Nov-14		
PVD		\$ 0.500		Speculative Buy		
Key Market Information			Directors			
Share Price		\$0.500	Jeff Dowling			
Market Capitalisation		\$82m	Richard Malcolm			
Cash est		\$18.8m	Damon Neaves			
Issued Capital		130.1m	Non-Executive Chairman			
ITM options		6.5m	Non-Executive Director			
Issued Capital (fully diluted all options)		164.1m	Managing Director			
Enterprise Value (EV)		\$63.2m				
Risked Valuation (per share)		\$2.31				
12Mth Price Target		\$1.16				
Projects			Substantial Shareholders			
Interest	Location	Commodity	%			
Mazagan	Morocco	Oil	Board (Un-diluted) 5.1%			
Nkembe	Gabon	Oil				
Ambilobe	Madagascar	Oil				
Investment Summary			<p>Pura Vida recently confirmed two slots to drill wells on the Mazagan permit. We expect the share price to rally prior to drilling Toubkal, the first prospect of PVD's to be drilled in Morocco. The farm-out of PVD's Nkembe block and a significant well program by other operators in both Morocco and Gabon will continue to generate newsflow. PVD's farm into the Ambilobe Block offshore Madagascar adds to the Company's portfolio of African assets.</p>			
Resources			Expected Newsflow			
(net)	Oil mmbbl	Gas bcf	Condensate mmbbl	Oil Eq mmbbl	Project	Impact
Best Prospective						
Mazagan	1,168	-	-	1,168	Gabon	Direct
Nkembe	1,434	-	-	1,434	Gabon	Indirect
Ambilobe					Morocco	Indirect
P50 Contingent Resource						
Loba	16	-	-	16	Maagascar	Direct
Valuation						
		Risked A\$m	Risked	Unrisked		
		A\$ m	\$/share	A\$ m		
Toubkal		214	1.31	17		
Morocco - Other		51	0.31	10		
Gabon		114	0.70	23		
Gross Valuation			\$2.31	\$50.92		
12 Months Price Target			\$1.16			
Shareprice - Last			\$0.50			
12 mth total return (% to 12mth target)			131%			
Analyst: Simon Andrew			Last Updated: 03/11/2014			
Phone: +618 9286 3020						
Sources: IRESS, Company Information, Hartleys Research						

SIGNIFICANT ACTIVITY OFFSHORE GABON

In the past three months there has been significant activity offshore Gabon but more importantly there has been several discoveries. The map in Figure 1 details the recent drilling activity offshore Gabon. The feature of recent activity offshore Gabon has been discoveries in the pre-salt. These pre-salt discoveries significantly de-risk this play type on PVD's Nkembe block and should enhance the Company's chance of securing a farmout in the near future.

Fig. 1: Gabon Location map

October 2014 - ACREAGE AWARD

- Ophir signs PSC for Blocks A3 and A4

July 2014 - DISCOVERY

- Eni in Block D4 offshore
- Nyonie Deep1 well
- 500 MM boe gas / condensate discovery
- Pre-salt reservoir

October 2014 – SEISMIC SHOOT

- Impact Oil & Gas (Private) plan to shoot seismic in block D7 followed by a farm-down process

RABI KOUNGA FIELD

- EUR of 900MM bbls, Peak 230,000b/d
- Pre-salt reservoir

October 2014 - TECHNICAL SUCCESS

- Sputnik-1 well
- Hydrocarbons - not commercial volumes
- Pre-salt target

July 2014 - DISCOVERY

- Tullow - Igongo-1 well
- 90m oil / gas pay
- Pre-salt reservoir

August 2014 - DRY HOLE

- N'komi-1 well believed to be dry

October 2014 - DISCOVERY

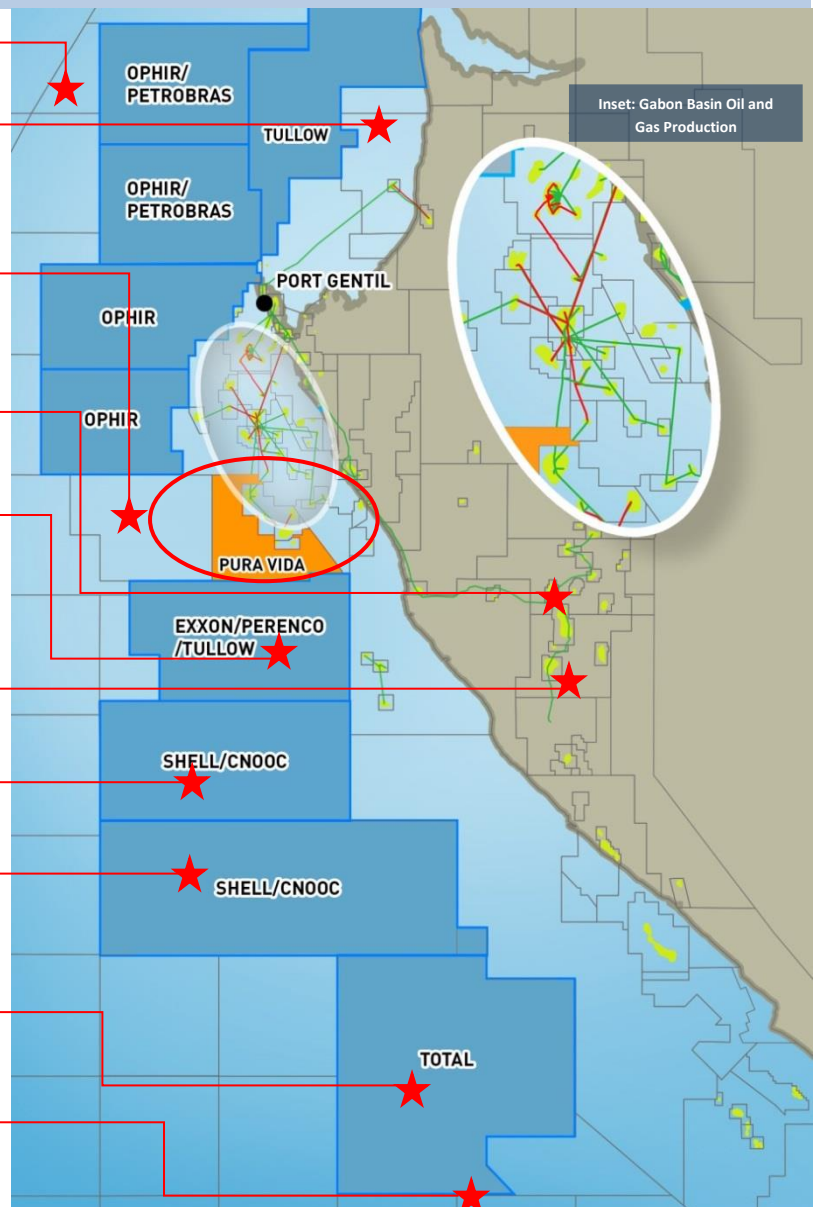
- Leopard-1 well
- 200m of net gas / condensate pay
- Pre-salt reservoir

August 2013 - DISCOVERY

- Diaman-1B well
- 60m net gas / condensate pay
- Pre-salt reservoir

October 2014 – SEISMIC SHOOT

- Impact Oil & Gas (Private) currently shooting seismic over block D13 and D14



Source: Pura Vida Energy NL

MADAGASCAR WORK PROGRAM

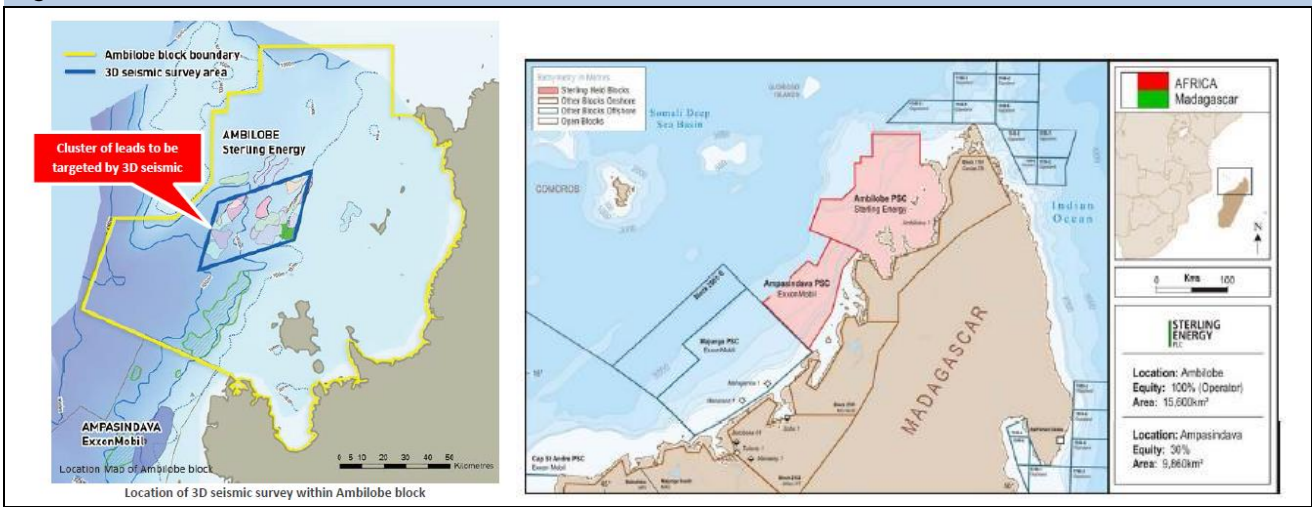
PVD and its partner Sterling Energy Plc (SEY LN) are expected to start the 3D seismic acquisition on the Ambilobe block in late 2014/early 2015. The seismic program will involve shooting and processing 1250km² of 3D seismic. PVD will carry the cost of the overall seismic program up to a maximum of US\$15m after which the partners will contribute evenly. It is expected that the seismic program will cost in the order of US\$10m.

The Ambilobe PSC is currently in Phase 2, which does not require any further work (Phase 2 expires in September 2015). Should the JV partners decide to proceed to Phase 3 then a well will be required to be drilled by September 2016.

PVD believe Ambilobe contains a range of play types. These include several salt related plays similar to those being chased by PVD offshore West Africa. PVD also believe the large onshore oil discoveries extend onto the Ambilobe block due to oil seeps on the eastern coastal border of the block.

The Ambilobe acreage is certainly frontier. Only limited data has been acquired over the block, which makes it difficult to make an assessment as to the prospectivity. There is the potential for Madagascar to have some geological similarities to offshore Mozambique where significant gas discoveries have been made. Exxon operate the block located to the south of Ambilobe.

Fig. 2: Ambilobe Block



Source: Sterling Energy Plc / Pura Vida Energy

VALUATION

Our risked valuation of PVD is \$2.31 / share with a 12-month target price of \$1.16. Our valuation of PVD's assets offshore Gabon assumes a final working interest in the Nkembe block of 25% (currently 80%) and an NPV/boe of US\$10.

Given that we are potentially less than three months away from a significant event for PVD (Toubkal-1 well) our 12-month target price becomes less relevant. As we have witnessed with other stocks in the sector (FAR, CVN and NEN) there can be significant share price volatility associated with drilling activity.

Fig. 3: Price Target Methodology

PVD Price Target Methodology	Risky		Unrisky
	A\$ m	A\$.share	A\$ m
Toubkal	214	1.31	17.41
Morocco - Other	51	0.31	10.27
Gabon	114	0.70	23.24
Gross Valuation		\$2.31	\$50.92
12 Months Price Target		\$1.16	
Shareprice - Last		\$0.505	
12 mth total return (% to 12mth target + dividend)		129%	

Source: Hartleys Research

RISKS

The key risks for PVD (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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