EUROZ SECURITIES LIMITED

Pura Vida Energy NL
(PVD $0.35/sh) Speculative Buy

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New Well Location + Farm-out Option

Price Target: $0.75/sh

Investment Case:

The 1st well location in Morocco has been changed it order to maximise the number of plays tested. The new location will test 5 stacked intervals with similar in-place volume potential as Toubkal.

In addition, PVD has negotiated a sound farm-out option that insulates the balance sheet in the event of cost over-run on the total farm-in carry amount (US$215m). We retain our Speculative Buy foreseeing heightened speculative interest in the lead-up to the first Moroccan well due to spud in the Mar Q'15.

Spec. Buy - PT $0.75/sh (prev $0.73/sh)

Key Points:

Well Location

- Following detailed analysis of the reprocessed 3D volume the JV has altered the 1st well location in Morocco to intersect and appraise a series of stacked targets.
- The well (MZ-1) will test 4 (possibly 5) independent potential plays at the Ouanoukrim prospect location (to the north and outboard of the Toubkal prospect location).
- A total (gross) mean prospective resource of 1.4Bbbls will be tested; PVDs equity stands 23%.
- In our opinion the change in location increasing the number of reservoir targets intersected broadens the number of opportunities for success as well as improves the JV's technical understanding of the basin in the lead-in to defining the second well location.
- We estimate that the well will be spud in Q1 (possibly Q2) of CY'15 dependent upon rig availability.
- We have altered our valuation and price target upwards to reflect the Ouanoukrim prospect's volumetrics and risk profile.

Farm-out Option

- PVD has secured a clever farm-out option to minimise balance sheet exposure in return for capped dilution at the asset equity level.
- PVD has the option to farm down its 23% equity for US$4.5m of gross well cost free carry per 1% of equity to a minimum of 4% (at which point the equity dilution is uncapped).

Analysis:

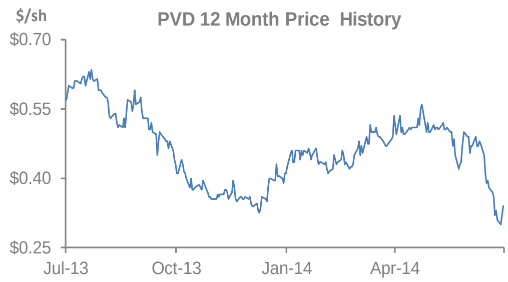
Well Location

The JV has altered the 1st well location in Morocco to now intersect and test a series of stacked targets; 4 (possibly 5) independent play types.

MZ-1 will test the entire stratigraphy of the basin, from the deeper Jurassic inter-

Pura Vida Energy		Year end 30 June
Share Price	**0.35**	**A$/sh**
Price Target	**0.75**	**A$/sh**
Valuation	0.75	A$/sh
Shares on issue	151	m, diluted
Market Capitalisation	52	A$m
Enterprise Value	35	A$m
Debt	0	A$m
Cash	17.5	A$m
Largest Shareholder		Mgmt 4%

Share Price Chart



bedded source rock though to the shallow Cretaceous potential reservoir zones. The analysis will provide the JV with invaluable data that will feed the 2nd well appraisal program (including of location selection).

A total gross mean prospective resource of 1.4Bbbls will be appraised by the MZ-1 well. The target sizes and associated probabilities of success are highlighted below -

Ouanoukrim Prospective Interval	Gross Prospective Resources Unrisked (mmbo) [1,2]				Gross Prospective Resources risked (mmbo) [1,2]		Net Prospective Resources (mmbo) [1,2]
	Low	Best	High	Mean	POS	Mean Risked	Mean Unrisked
Cenomanian	9	39	95	47	23%	11	11
Aptian	42	238	680	309	30%	94	71
Lower Jurassic – Fan 1	84	450	1,290	588	13%	76	135
Lower Jurassic – Fan 2	21	79	189	95	12%	11	22
Lower Jurassic – Fan 3	60	306	820	385	12%	45	89
Total Recoverable prospective resources (aggregated, mmbo)[3]	**216**	**1,112**	**3,074**	**1,424**		**237**	**328**

Note 1 - Pura Vida estimates are based on probabilistic estimation method as at 7 October 2014
Note 2 - POS refers to probability of geologic success
Note 3 - Arithmetic summation of probabilistic estimates

Source: PVD

The theory stands that source rock is inter-bedded with potentially productive reservoir zones (or fans). Failing productivity within these fans, recoverable oil may have migrated upwards into the standard 4-way dip closures that lie above. Each of these potential targets will be apprised within the drilling program.

As the well will be drilled deeper we anticipate an increase to the gross cost; our estimate is US$120-140m on a dry hole basis. This represents an increase on the previous cost estimate for the original Toubkal well which stood $60-80m.

This cost increase is from our prospective an effective use of funds as MZ-1 will now appraise the entire basins stratigraphy (compared to Toubkal which was to appraise a single reservoir zone).

We highlight that PVD is free carried up to US$215m across the entire two well exploration program.

We still estimate that MZ-1 will be spud in Q1 (possible Q2) of CY'15 dependent on rig availability.

Our valuation has increased to $0.75/sh (prev $0.73/sh) reflecting the altered targets potential and risk profile.

We value PVDs Moroccan asset at $81m with the balance value attributed to the 1st prospect MZ-1. At this early stage (accounting for geological unknowns and engineering risk) we allocate a 5% chance of success.

Farm-out Option

PVD has negotiated a sensible farm-out option to cover downside risk and limit funding exposure.

PVD now has the option to farm down its 23% equity to the operator Freeport in return for carry. PVD will be gross carried on all drilling and appraisal costs at a rate of USS$4.5m per 1% of equity.

The option provides PVD with optionality going forward, on a success case PVD may -

a. Retain its 23% equity and not require additional funding if both the 1st and 2nd well costs equate to <US$215 (the current free carry)

b. Retain its 23% equity and utilise other funding forms (ie asset farm downs, cash reimbursements or equity) to strengthen the company's balance sheet.

   Or alternatively if the combined well cost look likely to exceed the US$215m free carry -

c. PVD my exercise the option to provide forward funding and increase balance sheet strength.

PVDs equity shall not be reduced below 4%, at this point in time Freeport (the Operator and Farm-in partner) will cover 100% of PVDs forward costs (associated with the 2 well program).

In other words, if the two well program goes beyond US$300m (by any amount), PVD retain 4% equity and be free carried for 100% of the excess expenditure - this is uncapped and unlimited.

This option is a highly material in our opinion providing PVD with cash and balance sheet protection in the event of a significant cost over-run.

PVD is required to exercise the option prior to the programs 2nd well spud (likely late CY'15).

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