

Pura Vida Energy

Oil & Gas Exploration & Production

BUY
Unchanged since 29/02/12

Equity Issue for future growth

Pura Vida Energy (ASX: PVD), the exploration focused company with a 75% interest in the Mazagan Offshore Area (Morocco), last week announced that it has raised \$3.0m at A\$0.25/share. Adhering to the same methodology as previously utilised (applying prospective resources only) the impact is to take our PT from A\$0.95 to A\$0.87/share. In this note we have updated our peer review which whilst highlighting the pullback in the average rating (sector wide) also illustrates the significant discount that PVD trades on and the upside potential for those that find success with the drill bit.

Funded for its near term programme...

The \$3.0m (12m shares) placing will take place in two tranches with c.6m shares being issued under its current 15% capacity and the further 6m being issued following shareholder approval at a General meeting in mid-August '12. Pura Vida is fully funded for its work programme through to farming out to fund a drilling programme. PVD has estimated total net resources potential of 2.4 Billion bbls to its current 75% interest (although we include only prospective resources of c.1.0 Billion bbls in our valuation and assume a farm-down to 37.5%). The table below shows gross resources.

...Activity in the area is stepping up...

With Kosmos having completed 2,500km² of 3D seismic on its adjacent blocks recently, and a decision to drill in 2013 expected to be taken at the year end, we expect attention to turn increasingly to Morocco. We would also expect PVD to be able to have a better chance of farmout (on better promote terms) given the newly enhanced database and additional play type.

...And it trades at a substantial discount to peers

The peer average has come back from c. \$0.7/bbl in February, on an EV/risked prospective resources basis, to c.\$0.3/bbl currently. However, PVD continues to trade at a substantive discount (\$0.08 versus its closest peer Tangiers on \$0.6/bbl).

In aggregate, we continue to believe that there is potential for near-term high impact events, including additional resources, farm-out negotiations (leading to securing funding for the drilling program) and acquisitions.

Upcoming Events/Catalysts

Event/Prospect	Timing	CoS (%)	Risked (A\$/s)	Unrisked (A\$/s)
Drop Core program	Q3 2012	-	-	-
Seismic re-processing	Q3 2012	-	-	-
Farm-out discussions	Q4 2012 ->Q1 2013	-	-	-
Potential acq. of new project	Q3->Q4 2012	-	-	-

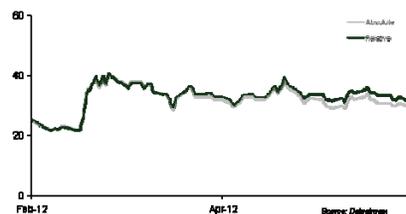
Prospect Inventory (with revised estimates)

Reservoir	Prospect	Gross Resources Mean MMbbls	CoS %
Miocene	Toubkal	790	20%
	Zagora	47	23%
	Amchad	38	23%
Lower Cretaceous	Jbel Musa	202	14%
	Jbel Ayachi	222	14%
	Jbel Lakhdar	97	14%
Total:		1,396[†]	

[†]Includes prospects only (excluding leads & prospects of +1.8 MMbbls gross)

Stock Data

Share Price:	A\$0.27
12m Price Target:	A\$0.87
Upside/(Downside):	228%
Fundamental View:	Positive
Forecast Sensitivity:	3
Share in Issue (post raise):	53.6m
Market Capitalisation (pre raise):	A\$11.4m
Forecast FY'12 Cash/(Debt) :	A\$4.6m
Enterprise Value FY'12:	A\$6.8m
Reuters:	PVD.ASX



Key Indicators

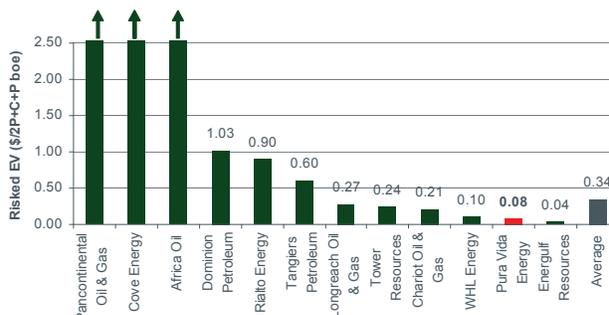
WI C & P Resources	1,047 MMbbls
Current EV/All Resources	US\$0.01/bbl
CNAV	A\$0.12/share
TNAV	A\$0.12/share
RNAV	A\$5.4-0/share
P/RNAV	0.05x

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Current Rating Versus Peers



Please note that prior to 1st February 2012 NPlus1 Brewin LLP ("N+1 Brewin") was formerly the Corporate Advisory and Broking division of Brewin Dolphin Ltd. As from 1st February N+1 Brewin has adopted a different recommendation structure which is detailed below. The recommendation structure used prior to 1st February 2012 was based on the upside to the 12m Price Target; Buy (>20% upside), Add (10% to 20% upside), Hold (-10% to 10% upside), Reduce (10% to 20% downside) and Sell (>20% downside).

(B) Denotes N+1 Brewin acts as broker to the company (A) Denotes AIM listing

N+1 Brewin Research – Current Recommendation Definition: Recommendations are a function of N+1 Brewin's expectation of total return (forecast price appreciation and dividend yield within the next 12 months)

Buy – Expected total return of 20% or more
 Add – Expected total return of between 10% and 20%
 Hold – Expected total return of between 0% and 10%
 Reduce – Expected negative total return of between 0% and 10%
 Sell – Expected negative total return of 10% or more

Fundamental View:

Positive - quality company, strong management, strong fundamentals, focused strategy.
 Neutral - ambivalent over the company's strategy, market place, management.
 Negative – N+1 Brewin believes company has fundamental flaws and is not a long term investment.

Forecast Sensitivity:

1 = highly likely downgrade 2 = likely downgrade 3 = neutral 4 = likely upgrade 5 = highly likely upgrade

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