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### Pura Vida Energy – bargain-priced oil play with enormous upside

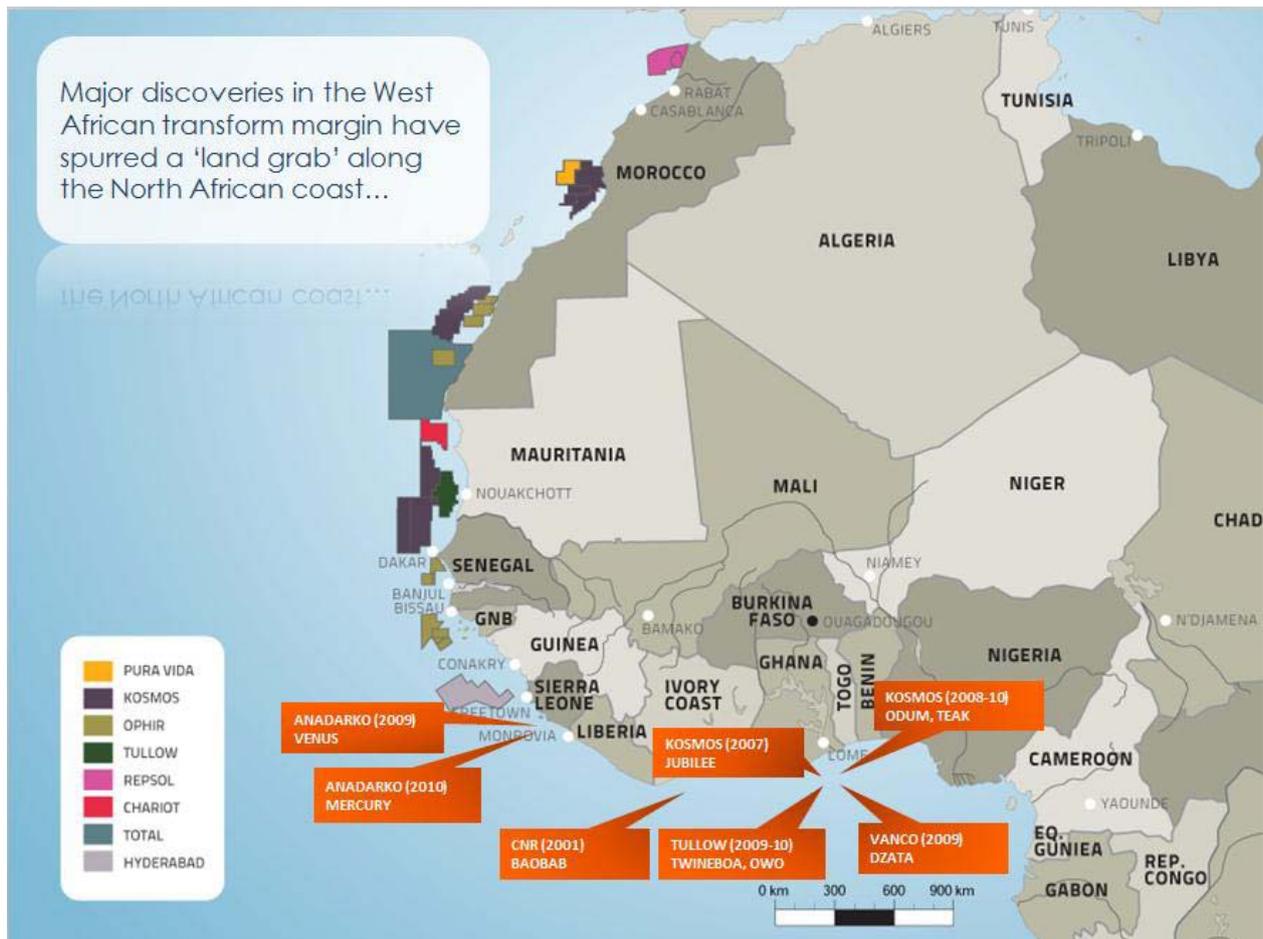
I had the opportunity recently for an initial meeting with Damon Neaves, the Managing Director of emerging Moroccan petroleum play, **Pura Vida Energy (ASX: PVD, Share Price: \$0.28, Market Cap: \$12m)**. The company's investment case is straightforward: it maintains a 75% stake in the Mazagan Offshore Area in Morocco, which is attracting huge attention in exploration terms. Political stability and a highly favourable fiscal regime have made Morocco a hugely attractive destination for major oil players. Independent resources estimates of the prospective oil resources in the Mazagan permit are enormous at 2.4 billion barrels (net to Pura Vida).



Africa is witnessing an upsurge in oil investment and exploration, due mainly to the encouraging level of success over recent times. Of particular relevance to West African oil hopefuls, the success of the 1 billion barrel Jubilee field off the coast of Ghana has had a major impact, with industry heavyweights such as Shell and Total, and smaller players like Tullow, Kosmos and Anadarko looking to Morocco to replicate exploration success.

Pura Vida holds a 75% stake in the almost 12,000 sq km Mazagan Offshore Area, with the 25% balance held by the state national oil company (ONHYM), which retains a free-carried interest through the exploration phase. One of Pura Vida's biggest advantages is that with the Mazagan acreage it inherited ~3,500 sq km of 3D seismic and ~5,000 sq km of 2D seismic, with 3D reprocessing currently ongoing and expected to be completed by September 2012.

**Figure 1: Major Discoveries and Land Grab Offshore Northwest Africa**



The plan then is to farm down its stake to a partner in return for a free-carried interest on a 1 - 3 well program, depending on prospectivity and market conditions, given well drilling costs are likely to be in the vicinity of US\$50 million per well. The company recently announced the appointment of industry-leading EZDataRoom to orchestrate the farm-out process.

Pura Vida will also shortly initiate a drop-core program during August conducted by US services company, TDI-Brooks, which will acquire 50 sea-bed samples that potentially contain hydrocarbons. In petroleum systems natural seepage of hydrocarbons to the sea-bed is common and sea-bed sampling techniques have been successful in identifying areas of active hydrocarbon generation and entrapment. Pura Vida has also carried out satellite sea surface oil slick analysis with the Fugro Group to assess indications of hydrocarbons on the sea surface as a means to assist location of the best sea-bed sampling points.

The acquisition of these cores will assist in better defining the potential of the Mazagan permit and will assist in the farm-out to a large operator. Results of the program are expected to be available following geochemical analysis of the cores in or about September.

In terms of potential oil reserves, the company just recently announced that Resource Investment Strategy Consultants (RISC) had prepared revised resource estimates for the Lower Cretaceous prospects and leads within the Mazagan permit. The independently-assessed total unrisks mean gross prospective resources for the Mazagan permit have increased to 3.2 billion barrels of recoverable oil, which equates to 2.4 billion barrels net to Pura Vida's 75% interest.

**TABLE 1 – LOWER CRETACEOUS GROSS UNRISKED PROSPECTIVE OIL RESOURCES (mmbbl)**

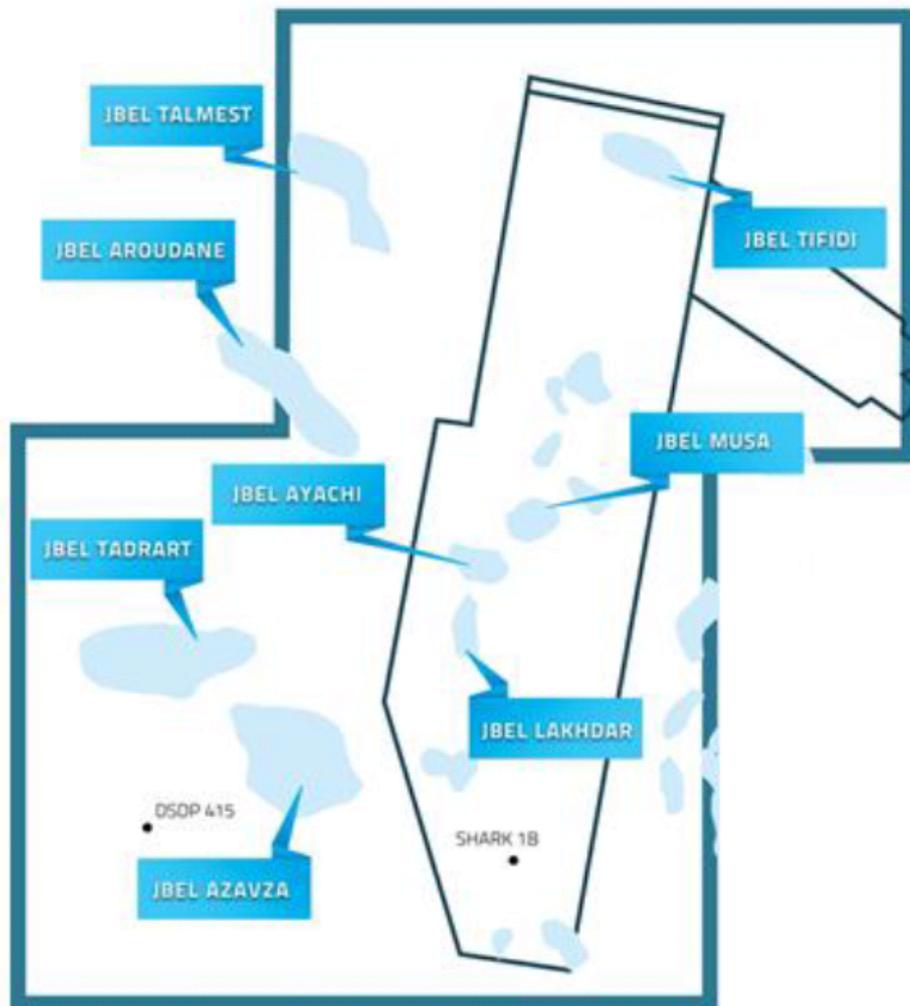
PROSPECTS	LOW	BEST	HIGH	MEAN
Jbel Musa	32	121	452	202
Jbel Ayachi	32	127	501	222
Jbel Lakhdar	14	56	216	97
<b>TOTAL – Lower Cretaceous PROSPECTS</b>	-	-	-	<b>521</b>
<b>LEADS</b>				
Jbel Tifidi	12	49	207	91
Jbel Tadrart	94	364	1,400	622
Jbel Azavza	80	306	1,175	522
Jbel Aroudane	37	143	556	247
Jbel Talmest	41	162	632	280
<b>TOTAL – Lower Cretaceous PROSPECTS &amp; LEADS</b>	-	-	-	<b>2,283</b>

*Source: RISC Independent Resource Assessment – April 2012*

The significance of this estimate is that up until this point the majority of the potential resources reported by Pura Vida have comprised Miocene prospects. Resource estimates for Miocene prospects remain unchanged (see Table 2 below). However, technical work has focused on the recently added deeper water 2D seismic data, which integrates the reservoirs seen in proximate wells. As a result, resource estimates for Lower Cretaceous prospects have been upgraded and new leads have been recognised.

The Lower Cretaceous has been recognised as a major prospective play fairway within the deep water of Morocco. Within the Mazagan permit a wide variety of four-way closures have been interpreted relating to the salt tectonics and a new series of major four-way structures are also interpreted within the deeper water on the 2D data.

**FIGURE 1 – MAP OF LOWER CRETACEOUS PROSPECTS**



Turning our attention to the Miocene-age reservoir, Toubkal is the leading drilling candidate, representing a gross unrisks prospective resource of 790 mmbbl (mean). It's been described as a 'look-alike' of the 1 billion barrel Jubilee field in Ghana.

**TABLE 2 – MIOCENE GROSS UNRISKED PROSPECTIVE OIL RESOURCES (mmbbl)**

PROSPECTS	LOW	BEST	HIGH	MEAN
Toubkal	180	560	1,670	790
Zagora	13	35	95	47
Amchad	8	26	81	38
<b>TOTAL – Mid Miocene PROSPECTS</b>	-	-	-	<b>875</b>

Source: RISC Independent Resource Assessment – Sep 2011 (note estimates for Amtoudi and Taфраoute leads not included)

The company has sought to top up its cash reserves given its active program of sampling and interpretation prior to potential farm-out activity commencing in October 2012, by announcing a placement to raise up to \$3 million via a placement of up to 12 million shares at 25 cents each to institutional and sophisticated investors. The placement is being completed in two tranches, with around six million shares to be issued pursuant to the company's 15% placement capacity, whilst a further six million shares will be issued subject to shareholder approval at a General Meeting to be held during mid-August 2012.

Pura Vida held \$4.9 million cash as at the end of the March 2012 quarter, so the company's cash position will be boosted by the raising to more than \$7 million.

**The company represents one of the most attractive, new risk-rewards plays in the international petroleum space and we're delighted to add it to our Watch-list. Of course we already maintain a suite of exciting African petroleum exploration plays in our Portfolio the form of WHL Energy (ASX: WHN), Jacka Petroleum (ASX: JKA) and Rialto Energy (ASX: RIA), but Pura Vida represents a welcome addition to our radar screen.**

**A relevant comparison in terms of potential value is with fellow ASX-listed emerging African oil plays, which are collectively valued at around A\$1.00 (risked EV/BOE), compared to Pura Vida at just \$0.15, based on respective prospective resources.**

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