

Friday 7<sup>th</sup> September, 2012

### Pura Vida Energy – encouraging share price action reflects growing market awareness

Back in July I initiated coverage of **Pura Vida Energy (ASX: PVD, Share Price: \$0.41, Market Cap: \$20m)** and placed it on our Watch-list following an initial meeting with the company's Managing Director, Damon Neaves. At the time the company was trading at around \$0.28, so there's been a healthy share price appreciation of almost 50% in just two months.



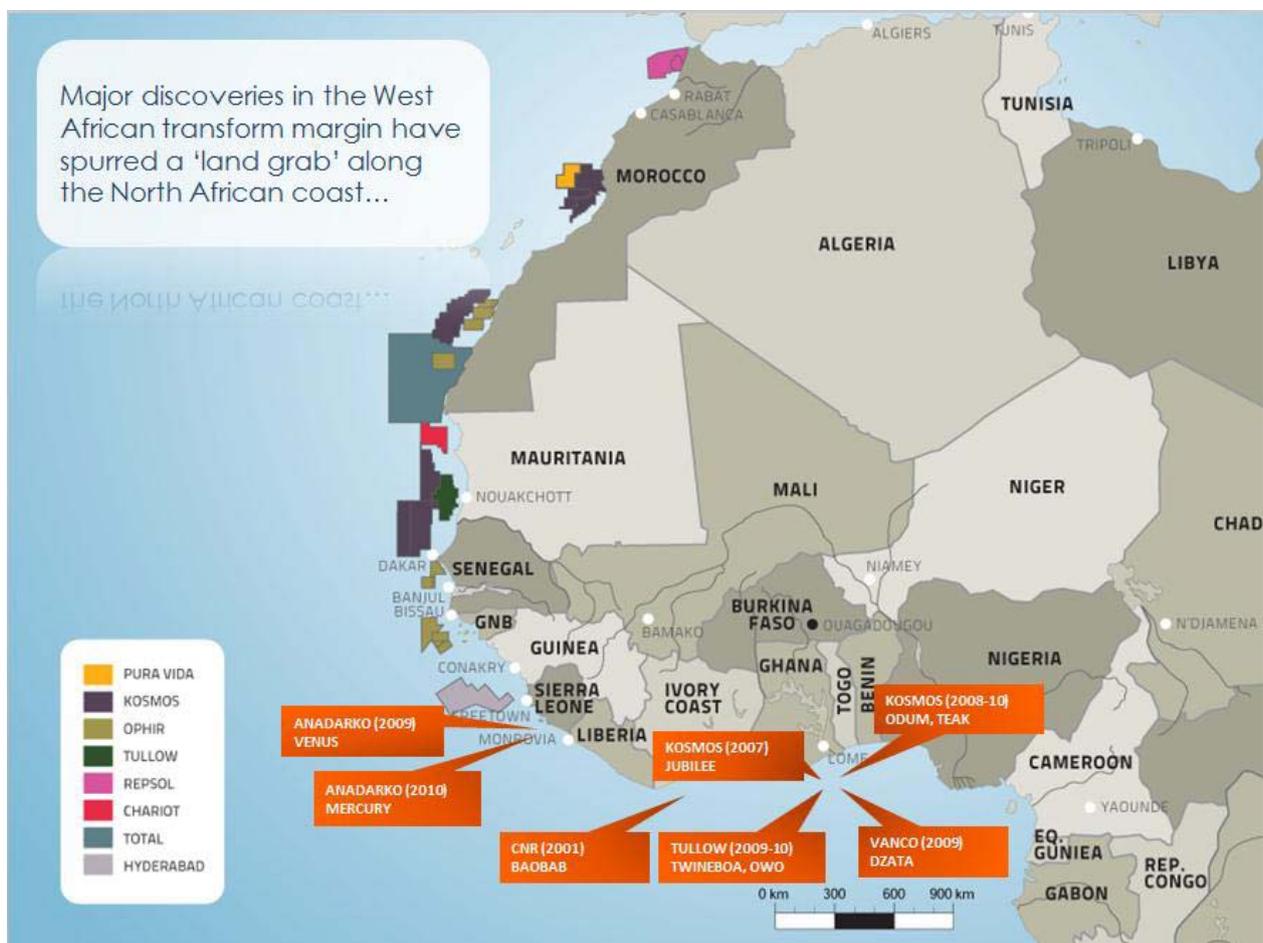
The company presents a fairly straightforward investment case - it maintains a 75% stake in the Mazagan Offshore Area in Morocco, which is a petroleum patch that's attracting enormous attention in exploration terms. What many investors may not know is that relative political stability and a highly favourable fiscal regime have made Morocco a highly attractive investment destination for oil industry players.

But it's not only about political and fiscal stability – Pura Vida's acreage itself boasts enormous oil potential. Independent resources estimates of the prospective oil resources within the company's Mazagan permit are in the vicinity of 2.4 billion barrels (net to Pura Vida).

As we've discussed at length previously, Africa has witnessed an upsurge in oil industry investment, due mainly to encouraging levels of exploration success over recent times. Of particular relevance to West African oil hopefuls like Pura Vida are exploration successes like the 1 billion-barrel Jubilee field off the coast of Ghana. Industry heavyweights like Shell and Total, as well as smaller independent players like Tullow, Kosmos and Anadarko, are looking to Morocco to replicate exploration success.

Pura Vida holds a 75% stake in ~12,000 sq km Mazagan Offshore Area, with the balance held by Morocco's national oil company – ONHYM - which retains a free-carried interest through the exploration phase. The Mazagan acreage included ~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**



Pura Vida's strategy sensibly is to allow a farm-in partner to do the financial heavy lifting. The company aims to farm-down its stake in return for a free-carried interest on a 1 - 3 well program, depending on prospectivity and market conditions, with well costs likely to be in the vicinity of US\$50 million each. The company had previously appointed industry-leading group EZDataRoom to orchestrate the farm-out process.

Pura Vida announced this week that it had commenced the acquisition of up to 67 sea-bed samples via the drop-coring technique from the ocean floor within its Mazagan permit. The company has contracted a specialist group TDI-Brooks International to do the work. The recovery of hydrocarbon samples will allow a more accurate assessment of the working petroleum system within the block and have been used extensively internationally over the past 20 years.

Locations for testing are selected where there might be migration pathways to the sea floor from areas where the hydrocarbon source rocks are interpreted to be expelling hydrocarbons. The cores will undergo initial examination and scanning for evidence of fluorescence and collection of any associated gas, and in the event that hydrocarbons are found further sampling and analysis will be performed in Houston.

The results of the drop-core program are expected to be announced during October, with the program costing around \$1 million.

With respect to potential oil reserves, Resource Investment Strategy Consultants (RISC) recently prepared a revised estimate 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, based on its current 75% interest.

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

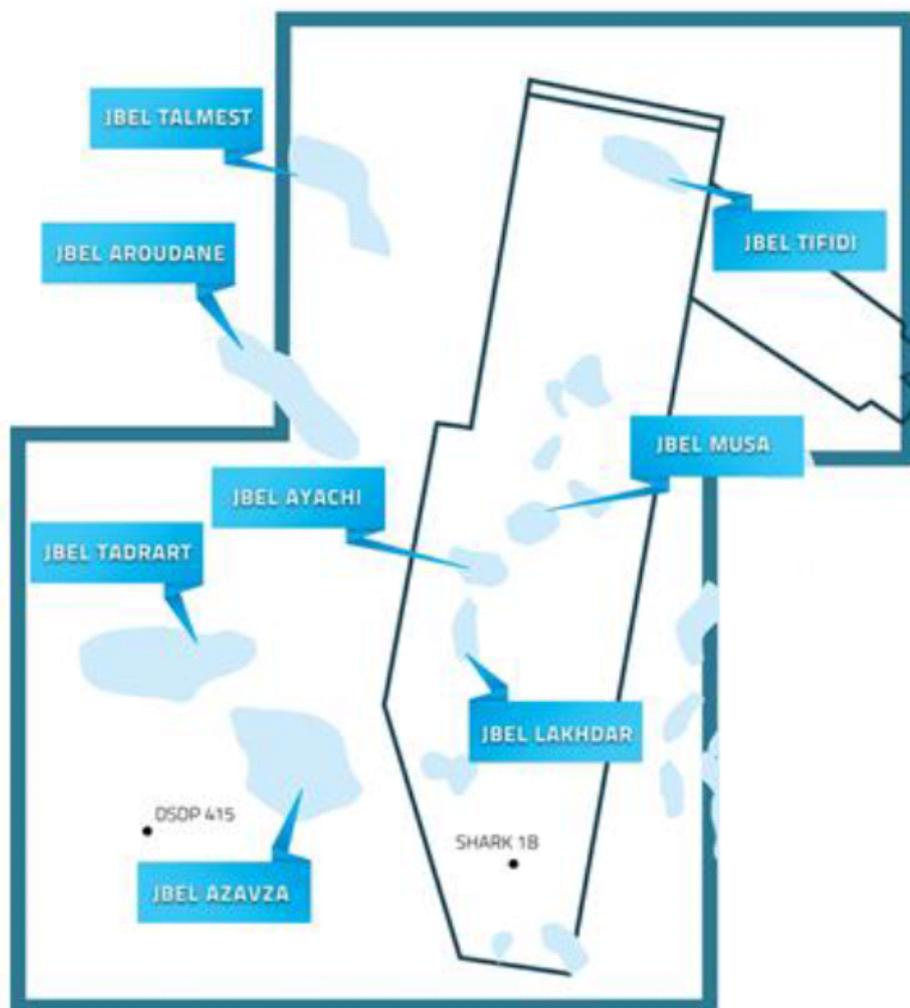
PROSPECTS	LOW	BEST	HIGH	MEAN
Jbel Musa	32	121	452	202
Jbel Ayachi	32	127	501	222
Jbel Lakhdar	14	56	216	97
<b>TOTAL – Lower Cretaceous PROSPECTS</b>	-	-	-	<b>521</b>
<b>LEADS</b>				
Jbel Tifidi	12	49	207	91
Jbel Tadrart	94	364	1,400	622
Jbel Azavza	80	306	1,175	522
Jbel Aroudane	37	143	556	247
Jbel 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 recent 2D deeper water 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**



In terms of the Miocene-age reservoir, Toubkal is the leading drilling candidate, representing a gross unrisksed prospective resource of 790 mmbbl (mean) and a potential look-alike of the 1 billion barrel Jubilee oilfield 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 recently topped-up its cash position with a \$3 million placement of 12 million shares at 25 cents each to institutional and sophisticated investors. The company held \$3.8 million cash as at the end of the June 2012 quarter, so the company’s cash position is now well over \$6 million.

**Pura Vida represents one of the most attractive risk-rewards plays in the petroleum space. 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 Watch-list. Hartley’s have this week proposed a price target of \$1.13 on the company. We’ll look to add the company to our Portfolio in the near future.**

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