

Share Price:	\$0.73
12mth Price Target:	\$2.12

## PURA VIDA ENERGY NL

### Gabon Acquisition

Pura Vida Energy NL ("Pura Vida", "PVD", "Company") has signed a Production Sharing Contract (Nkembe PSC) offshore Gabon for a sign on fee of US\$9m and a four year work program that includes 550sqkm of 3D seismic and a well. The terms allow for a renewal of another three years that includes a work commitment of an additional 550sqkm of 3D seismic and two wells.

The Company will fund the sign on fee through a short term bridging finance facility of \$5m and existing cash reserves. The finance facility will be repaid from funds received (US\$15m) from the recently announced farmout of the Mazagan permit offshore Morocco.

### Nkembe block contiguous to existing production

The Nkembe block is located in approximately 100 metres of water and is contiguous to production from a number of fields operated by Total which contribute to around 57kbb/d of production. In addition, the block is prospective for the emerging West African pre-salt play which is analogous to pre-salt plays offshore Brazil where multi million barrel fields have been discovered.

### Similar strategy has already added 280% to IPO value

Pura Vida has already proven its ability to add value for shareholders from early stage exploration assets through the exploration and farmout of the Mazagan permit. Investors in the IPO have benefited from a 280% increase in value (~\$35m) following Pura Vida's carefully planned exploration program that culminated in an outstanding farmout (US\$15m payment and a US\$215m two well carry) to Plains Exploration and Production Company.

We expect Pura Vida to be able to develop the Nkembe Block under a similar strategy of pre-farmout studies/exploration leading to a farmed-out carry on at least one well.

### Buy – more news flow to fill the gaps

In our opinion, the disappointing share price movements following what we considered to be an excellent farmout of the Mazagan permit was due to the length of time to a potential first spud date (at least 12 months away). The Nkembe block will provide much needed news flow to fill the gap left following the farmout of the Mazagan permit. In addition, the block also provides diversification from the prospects of one location.

We estimate that Pura Vida will have around \$11m in cash following the receipt of funds from the Mazagan farmout, repayment of the bridging facility and payment of the signature fee. We expect that Pura Vida will incur minimal costs related to Morocco following the farmout which means all funds can be allocated to adding value in Gabon.

We currently value Gabon at \$9m (cost of signature bonus) but expect Pura Vida to increase this value as exploration progresses. We retain our Buy recommendation with a price target of \$2.12.

#### Brief Business Description:

Dual focus exploration - free carried on two wells offshore Morocco with early stage exploration in Gabon nearby existing production.

#### Hartleys Brief Investment Conclusion

Free carried through two well program initially targeting a billion barrel prospect plus adding value to Gabon asset.

#### Key Personnel

Mr Bevan Tarratt (Chairman)  
Mr Damon Neaves (CEO, Director)  
Mr David Ormerod (Technical Director)

#### Top Shareholders:

No substantial holders

#### Company Address:

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Valuation:	\$5.04
Issued Capital:	71.2m
- fully diluted	103.5m
Market Cap:	\$51.6m
- fully diluted	\$75.0m
Cash (current est)*:	\$16.0m
Debt (current est):	\$5.0m

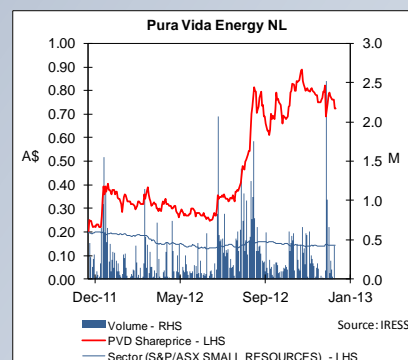
\* inc Mazagan receipt and signature fee

#### Valuation Summary

Asset	Value (\$m)	Value (\$ps)	Unrisked
			Value (\$ps)
Toubkal	346.61	3.349	33.49
Others	160.70	1.553	61.23
Cash	16.00	0.155	0.155
Debt	5.00	0.048	0.048
Corp Admin	-11.33	-0.109	-0.109
Options/Equity	4.65	0.045	0.045
<b>Total</b>	<b>521.63</b>	<b>5.040</b>	<b>94.86</b>

Prospective Resource (mmbbl)	1,613
EV/Resource (\$/bbl)	\$ 0.037

Source: Hartleys Research



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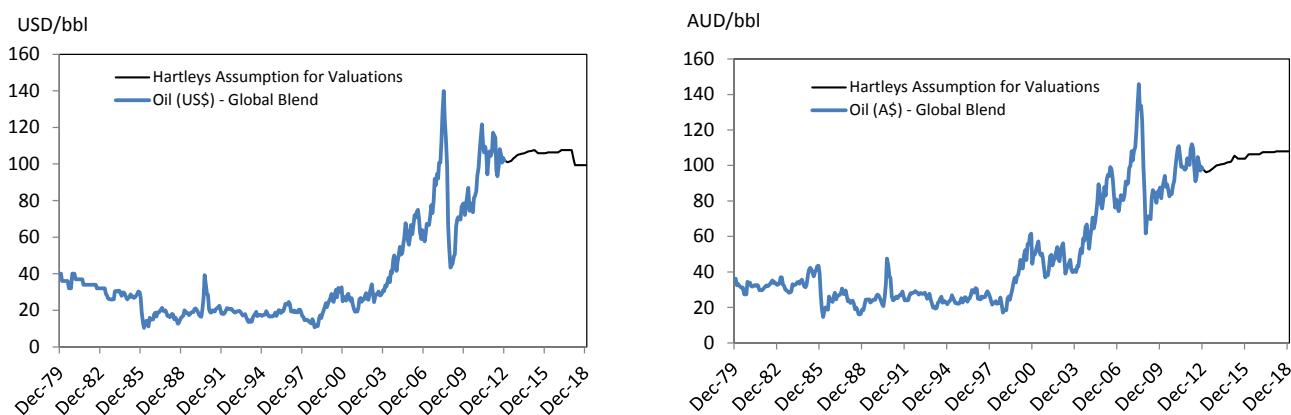
Hartleys has assisted in the completion of capital raisings in the past 12 months for Pura Vida Energy NL. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Pura Vida Energy NL. Hartleys has a beneficial interest in 3 million unlisted options in Pura Vida. See disclosure on back page for details.

## KEY ASSUMPTIONS / RISKS

Our valuation methodology is based on risked value of resource potential using notional in ground valuation and conservative estimates for probability of success. This methodology results in Net Asset Value of 529cps.

Our price target is a qualitative discount to our valuation. In PVD's case, this discount has been estimated at 60% resulting in a price target of 212cps which partly reflects our current risked valuation of the Toubkal prospect.

**Fig. 1: Commodity price assumptions**



Source: Hartleys, Bloomberg

**Fig. 2: Key assumptions and risks for valuation**

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Exploration Risk	Moderate-High	Moderate-High	Oil and gas exploration is more likely to fail than succeed so risk is high; however, the high discovery rate offshore West Africa provides some mitigating factors in the form of successful application of modern techniques. It is important to note that exploration risk is currently low as drilling will not occur for at least 12 months.
Funding Risk	Low	Low-Moderate	PVD will have ~\$11m in cash and a free carry on a two well program post farmout close.
Valuation Risk	Low	Low-Moderate	Our exploration valuation includes a risked metric based on prospect sizes. It assumes that the market will recognise a portion of potential value before the results of a well are known. In most cases, we include ~10% of potential prospect value in our valuations. However, this may increase or decrease depending on the type of well drilled and confidence in the prospect

**Conclusion**

*We believe the assumptions we have used have a low-moderate risk of not being achieved, which would have a moderate impact on our valuation.*

Source: Hartleys

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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	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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