

Pura Vida Energy

Oil & Gas Exploration & Production

BUY
Unchanged since 29/02/12

Resources Upgrade

Pura Vida Energy (ASX: PVD), the exploration focused company with a 75% interest in the Mazagan Offshore Area (Morocco), has advised that a resources review has led to a net increase of 1.6 Billion barrels of resources potential (prospects & leads). Adhering to the same methodology as previously utilised (applying prospective resources only) the impact is to take our PT from A\$0.80 to A\$0.95/share.

What's changed: 0.8 (net) to 2.4 (net) Billion bbls of resource potential

Total resources potential of 825 MMbbls to PVD's current 75% interest (although we assume a farm-down to 37.5% in our valuation) has increased to 2.4 Billion bbls following ongoing technical work (which has integrated the deeper reservoirs seen in proximate wells). Actual net prospective (excluding leads) resources has gone from 825 MMbbls to 1,047 MMbbls (+27%) with the balance of additional resources in the guise of new leads.

A new technical angle & activity in the area stepping up

The upgrade in resources transpired from the inclusion of additional estimates for the Lower Cretaceous (LC) horizons (Miocene prospects unchanged). In essence the existing LC prospects have been upgraded and new leads have been identified, with the LC now being acknowledged as a major prospective play fairway in the deep water of Morocco (due to work combining historical well data with recently added deeper water 2D seismic). With Kosmos having completed 2,500km² of 3D on its adjacent block 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.

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)
Seismic re-processing	Now -> Q3 2012	-	-	-
Farm-out discussions	Q2 -> Q4 2012	-	-	-
Potential acq. of new project	Q2->Q3 2012	-	-	-
1st Exp. Well (Toubkal)	2013	20%	4.3	21.5
Total			4.3	21.5

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)

Current Rating

	Current Risked	Current Unrisked
Prospective Resources (MMboe)	52	524*
Valuation, \$m	15.5	15.5
Net debt (cash), \$m	-5.5	-5.5
EV, \$m	10	10
EV/Prospective Res. (\$/boe)	0.19	0.02

*Assumes a farm-down to a 37.5% interest

Stock Data

Share Price*	A\$0.36
12m Price Target:	A\$0.95
Upside/(Downside):	164%
Fundamental View:	Positive
Forecast Sensitivity:	3
Share in Issue:	41.4m
Market Capitalisation	A\$15.5m
Forecast FY'12 Cash/(Debt)	A\$2.0m
Enterprise Value FY'12	A\$13.5m
Reuters:	PVD.ASX



Key Indicators

WI C & P Resources	1,047 MMbbls
EV/All Resources	US\$0.02/bbl
CNAV	A\$0.11/share
TNAV	A\$0.11/share
RNAV	A\$6.92/share
P/RNAV	0.05x

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* Priced close 30/04/12

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

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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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