This PortfolioDirect rating review is for the sole use of the PortfolioDirect/*resources* subscriber and subject to the terms and conditions relating to storage and distribution contained in the subscription agreement.

E.I.M. CAPITAL MANAGERS

PortfolioDirect/*resources*

Resource sector portfolio construction for independent investors

Pura Vida Energy NL (PVD:AU) Rating Update

This review of Pura Vida Energy Limited has been prepared in accordance with the **PortfolioDirect** stock rating framework described on pages 2-4.

PortfolioDirect/*resources* offers strategy and portfolio recommendations for independent investors. The rating framework has been developed to assist investors and their advisers to grade individual stock risk so as to better match stocks in their own portfolios with their personal risk profiles and to take account of the differing risk characteristics of potential investments when structuring their portfolios.

A **PortfolioDirect** stock rating is not intended as a forecast of future share price movements. Share prices will be influenced by a range of factors including, significantly, macroeconomic conditions and the current cyclical positioning of the sector which are not taken into account in determining a stock rating. The **PortfolioDirect** analytical framework separates the view about market direction from the stock risk analysis contained in this review.

The most important driver of a stock rating for a company being reviewed is an assessment whether the company to likely to meet its exploration and development targets within the timeframes sought by investment markets and, when development has occurred, its ability to maintain positive value momentum over future years.

The Investment Decision Snapshot

Commodity Exposure	*What is the mineral to which the company is principally exposed?*	Oil and gas
Location	*Is the development or exploration site in or near an established mineral province?*	Offshore Morocco and elsewhere in Africa with differing degrees of infrastructure development
Focus	*Is the company involved in single or multiple commodities or projects requiring capital rationing?*	Moderate - single commodity extending over multiple locations and requiring capital rationing
Time horizon	*Do investment returns depend on (i) a reduction in risk over the medium term, (ii) specific near term events or (iii) a future change in cyclical conditions?*	Near term drilling results will dictate investment results to the likely exclusion of future prospective resource opportunities
Investment proposition	*Can potential investment returns compensate for the amount of capital and time required?*	Potential investment returns will be dictated by the size of any discovery with some likelihood that prospective returns from development will not be adequate
Portfolio positioning	*What roles could the company play in a portfolio? Are other companies able to fulfill these roles more effectively?*	The company could be used to trade around the timing of the upcoming drilling results or used as one of a selection of offshore drillers to modify discovery risk from a single holding
Liquidity	*How easily can buyers or sellers of the stock be accommodated?*	Moderate to high liquidity

E.I.M. CAPITAL MANAGERS PTY LTD
ABN 28 101 508 632
AFS Licence Number 261989

Update:
10 April 2015

Important Information Regarding the Preparation of this Report

This report is not intended as an offer or solicitation with respect to the purchase or sale of a security. Nothing in this report should be taken as a recommendation. Pura Vida Energy has been rated without taking into account the particular objectives, financial circumstances or needs of any particular investor. Before taking any decision based on this communication, an investor should assess his or her own circumstances and seek professional advice.

This report is based on information disclosed publicly by Pura Vida Energy at the date of the report, information otherwise available in the public domain at that time and analysis and technical inferences drawn by the staff of E.I.M. Capital Managers Pty Ltd, the publisher of **PortfolioDirect**.

Although the statements of fact in this report have been added from and are based upon sources E.I.M. Capital Managers believes to be reliable, their accuracy is not guaranteed and any such information may be incomplete or condensed. To the extent permitted by law, E.I.M. Capital Managers, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this report.

All opinions and estimates in this communication, including the rating given to Pura Vida Energy, constitute judgments by E.I.M. Capital Managers as at the report date and are subject to change without notice. The report publisher is under no obligation to make public any change in view about any matter referred to in this document.

E.I.M. Capital Managers may receive a fee in exchange for allowing Pura Vida Energy to distribute this rating report in those jurisdictions in which it is lawful to do so and in accordance with any relevant laws or regulations. In the event Pura Vida Energy (the company) has been given permission to use the report in this way, the company has agreed to remove the report from its website or cease any other form of distribution as soon as it is notified of a rating change or a more recent rating review has been prepared.

Pura Vida Energy has not had an opportunity to comment on the report or request any amendments prior to its publication.

Trading in PortfolioDirect Rated Stocks by E.I.M. Capital Managers
Stocks rated in accordance with the criteria outlined in this communication may be bought or sold by E.I.M. Capital Managers on behalf of clients or funds whose investments are managed by the firm. Specific investment objectives and individual portfolio considerations may result in transactions by E.I.M. Capital Managers that are not consistent with **PortfolioDirect** ratings for individual stocks.

Stock Rating Criteria

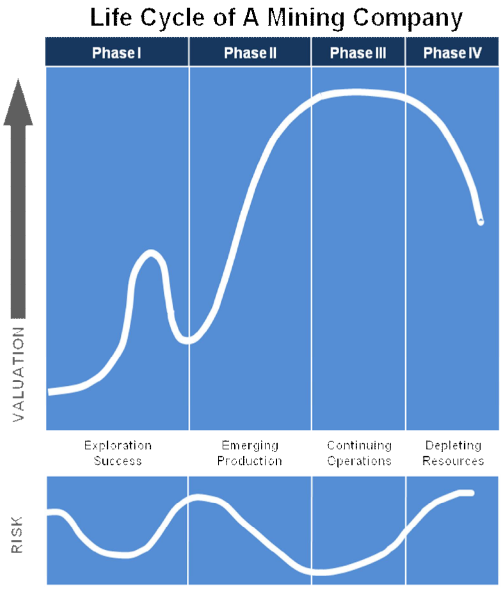
E.I.M. Capital Managers categorises sector investments based on the four phases in the life cycle of mining and oil and gas companies.

Phase I: the exploration phase during which relatively small amounts of capital may be deployed with the prospect of a high return but when investors also risk losing all the funds subscribed prior to the company having an agreed development plan.

Phase II: the emerging production phase in which companies are able to demonstrate access to a commercial resource and add value by meeting key development milestones along an agreed development path.

Phase III: the phase of continuing operations in which organic volume growth is limited and commodity price movements become the dominant driver of earnings and value.

Phase IV: a period typically characterised by falling ore grades and rising costs requiring additional capital to prevent output contracting.



Phase I companies will be scored (on a five point scale) on their potential to confirm a commercially viable development within an acceptable investment market timeframe. The duration of the investment horizon might vary from time to time depending on market conditions but will usually extend to a period of up to 24 months. Judgements will be based on publicly available information, including clarifying conversations with company management, and the resulting geological inferences drawn by E.I.M. Capital Managers analysts.

Phase II companies will be scored on a five point scale on their capacity to deliver positive value momentum (i.e. the ability to generate increasing fundamental value over future years without any reliance on higher commodity prices).

Since Phase III companies, by definition, no longer have any material organic growth prospects, they will generally fail the 'positive value momentum' test. A Phase III company may still play an important portfolio role depending on its relative financial strength, its capacity to withstand periods of cyclical weakness due to the competitiveness of its cost structure and its potential, arising from a large resource base, to operate through multiple economic cycles. Phase III companies will be scored on a five point scale on their absolute value proposition and how they meet these additional criteria.

No inferences about share price performance should be drawn from the rating of an individual stock. Investment returns will be influenced by a range of factors, some of which are included among the **PortfolioDirect** rating criteria, as well as investment market expectations about a range of macroeconomic variables. The **PortfolioDirect** rating does not take account of macroeconomic or investment market conditions that play a role in setting the price levels of securities.

There may be points in the cycle when stocks assessed by **PortfolioDirect** as being relatively risky and given a relatively low score on the **PortfolioDirect** rating scale are capable of producing relatively strong investment returns. This may arise, for example, because of strong leverage to changes or expected changes in market conditions among stocks with unusually depressed share prices or very small current market values.

Significant Investment Risks

In addition to general equity market risks reflecting unexpected changes in global economic or political conditions, investors in the resources sector may incur further risks specific to investments in the sector.

Commodity market risk: Resources sector investment returns are generally more volatile than returns from other equity market sectors due to the earnings of resources companies being exposed to commodity price and foreign exchange movements. Commodity prices can be influenced by a range of factors including economic events, which might affect the volume of commodities used, monetary policies which might affect levels of speculation and changes in output reflecting levels of industry exploration, investment and production disruptions.

Operational risk: Companies may fail to meet their development goals as a result of unexpected external influences, including political conditions and natural phenomena, as well as the skill base and operational capabilities of company management. Companies engaged in exploration activities may fail to locate or define mineral deposits of a sufficient size to be commercially viable.

Funding risk: Since companies in the resources sector require ongoing funding for development, expansion and maintenance of output, changes in financial market conditions can affect the value of investments adversely through the cost or availability of capital.

Regulatory risk: The value of investments in the sector may be affected adversely by changes in government policies relating to the conditions under which mine developments are permitted, including the need for more stringent environmental controls, higher taxation or royalty rates or requirements for local equity participation.

Small companies risk: Small or early stage companies generally have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties than larger companies. The securities of small companies may also be less liquid than those of larger companies making the purchase or sale of securities more difficult or costly to complete, possibly with an adverse impact on portfolio performance.

How does PortfolioDirect rate a Phase I company?

Phase I companies have yet to confirm a commercially viable development. The **PortfolioDirect** rating system scores Phase I companies on the potential to confirm a commercially viable development within two to three years. A company still seeking to define a resource will be assessed on how its exploration or development properties, as well as the company as a whole, measure up against 10 individual criteria.

1. Consistency with recognised deposit types.
2. Proximity to other discoveries.
3. Adequacy of funding to complete a critical program of drilling or analysis.
4. The track records of key executives driving exploration programs on behalf of the company.
5. The company's possession of unique or innovative insights leading to reinterpretation of previous geological assessments.
6. A strong focus on a specific geographic region.
7. The likelihood of a market surprise arising from a change in view about the quality of a potential mineral resource.
8. The likelihood of a market surprise arising from a change in view about the size of a potential mineral deposit.
9. The potential to resolve outstanding technical parameters within a reasonable investment horizon.
10. Whether the company's share price has already been re-rated by the share market.

A Guide to the PortfolioDirect Rating Report

Each **PortfolioDirect** company rating report addresses questions affecting business outcomes and potential investment standing under five separate headings.

Primary Development Assets

- What are the most important geological or operational attributes of the company?
- Where are the assets located and what is the availability of local infrastructure?
- What potential impact does location have on business outcomes?
- How was ownership achieved - corporate exploration, acquisition or farm-in - and what obligations remain to the vendors or partners?
- Do historical outcomes on or near these exploration properties say anything about likely mineral characteristics on the company's own assets?
- Are there identifiable technical issues that need addressing before further work can be completed?

Regulatory Standing

- What approvals have been received?
- What additional approvals will be necessary to meet business goals?
- Has the company been in breech of any regulatory requirements at this site or elsewhere on any previous occasion?
- Can the company show a commitment to environmental and social needs?

Project Potential

- What scale of development is anticipated or, if judgements about this cannot be made presently, what must happen before such a judgement can be made?
- What operational or market constraints might affect the project potential?
- What is the likely range of project capital needs in the event of development?

Capacity to Meet Targets

- What skills does the company currently have available?
- What additional or alternative skills will be needed for the next stage of activities?
- How does the track record of the existing management impact current judgements about the capacity of the company to meet its targets?
- What financial resources are currently available? Are they adequate for the targets being set?
- Are there unresolved technical, financial or regulatory matters that could impact the achievement of business targets?

Rating Discussion

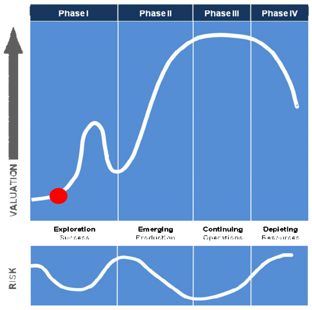
- Into which development phase has the company been classified?
- What are the key criteria against which the company is being benchmarked?
- How does the company stand against the rating criteria for a company at this stage of development?
- Are there criteria which have been more or less important in coming to a rating decision?
- Are there matters which might affect the rating in the future?
- Are there any special attributes displayed by the company that might impact on its role in a portfolio?
- How have historic investment returns affected judgements about current and future market risk?

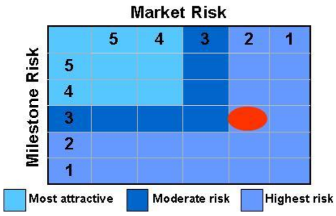
Company Rating Update
Pura Vida Energy NL (PVD:AU)

NR 1 1+ 2 2+ 3 3+ 4 4+ 5

Recent Events

What has happened to cause a review of the company's PortfolioDirect rating?





The terms of the Freeport farm-in agreement covering its offshore Moroccan Mazagan Permit were revised to allow Pura Vida Energy to dilute its interest by 1% for each US$4.5M of additional gross well costs over the budgeted US$215M for the two planned wells subject to a minimum 4% interest (ASX 17 December 2014).

In another de-risking move, a 3D seismic survey was completed resulting in the first well of the upcoming Moroccan drill program changing from Toubkal to the Ouanoukrim prospect with an objective of testing up to five stacked target horizons across Mid Miocene and older trap structures with a collective gross mean prospective resource estimated at 1.4 billion barrels of liquids.

A A$4M capital raising (ASX 24 February 2015) allows the company to pursue a 3D seismic survey of the central portion of its offshore Madagascan prospect as a step toward demonstrating the prospectivity of the play for senior exploration partners.

What's Different?

How do recent events differ from prior expectations about what will drive company investment returns?

Variations to the terms of the Freeport farm-in agreement significantly reduce the financial risk for a relatively small company engaged in potentially expensive offshore oil exploration. The completion of a 3D seismic survey leading to recalibration of the initial exploration target also de-risks the company for investors. The strengthening of the capital base, although modest in the context of the overall costs of exploration, helps position the company to replicate its Moroccan strategy.

Rating Impact

What have been the key influences on a rating change?

The **PortfolioDirect** rating for Pura Vida Energy has not changed. Pura Vida Energy was already rated at the upper end of the ratings range for a company engaged in offshore oil exploration activities.

While the recent moves reduce the company's risk profile (and correspondingly enhance the value proposition), market risks will persist. Having already risen by over 30% after the revisions to the Freeport farm-in agreement, the company's share price remains vulnerable to a disappointing drilling result from the Moroccan field resulting in damage to market sentiment.

Gross Prospective Resource

Mbls	Mean	Best Estimate	Probability of Success	Risked Mean
Cretaceous- Cenomnian	47	39	23	11
Cretaceous – Aptian	309	238	30	94
Lower Jurassic – Fan 1	588	450	13	76
Lower Jurassic – Fan 2	95	79	12	11
Lower Jurassic – Fan 3	385	306	12	45
Total	1,424	1,112		237

Investment Consequences

What is the impact of recent events on the investment prospects of the company and how investors should react?

Recent steps toward a lower risk model enhance the investment prospects of the company without transforming the risk or value profile. The company is still engaged in inherently risky activities with a low chance of success. While the company can legitimately be regarded by investors as being among the best positioned and potentially most resilient of opportunities within its class, the binary nature of its exploration outcomes implies it should only be a part of a well diversified portfolio for all but the most risk friendly investors. ■

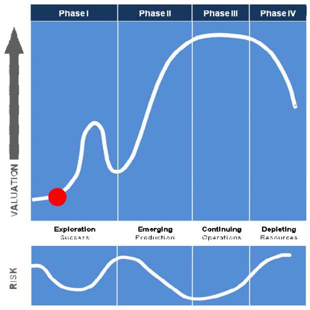
Company Review: Pura Vida Energy NL

Rating: PI - 

Development Stage: Phase I

Selection Criteria: Subscriber initiated review

Recent Company Events



- The operator of the Moroccan Mazagan permit announced it has secured the use of a deepwater drillship in January 2015 and later in 2015. The delay of three months is a reflection of deepwater equipment availability in an area of heightened exploration activity.
- In November, the farm out of the Mazagan permit was completed with industry major Freeport-McMoRan Oil and Gas agreeing to fund a two well deepwater drilling program to the value of US$215M for a 52% interest in the permit. As part of the agreement, the company received an initial US$15M cash payment.
- The company is in the midst of a farm out on its Gabon project and has begun a farm in on an offshore block in Madagascar by meeting the costs of a seismic survey.

Primary Development Prospects
Mazagan Permit, offshore Morocco, Freeport-McMoRan Oil and Gas 52%, ONHYM 25%, Pura Vida Energy 23%
The Mazagan permit is located approximately 100 km off the Atlantic coastline of Morocco, west northwest of the port city of Agadir. The permit covers 10,900 km^2 with 3,570 km^2 of seismic coverage. Water depths across the permit vary from 1,000 to 2,100m. There are multiple play types within the offshore Essaouira Basin, including Mid-Miocene stratigraphic traps and Lower Cretaceous structural traps (associated with low angle faults and anticlines). The stratigraphic trap is seen to be analogous to the Jubilee field in offshore Ghana, a 2007 discovery and the most significant West African oil discovery of the last decade.

The company completed a farm out agreement in November 2013 with industry major Freeport-MacMoRan Oil and Gas with that entity agreeing to fund a two well deepwater drilling program to the value of US$215M for a 52% interest and operatorship of the permit. The terms of the agreement, outlined in January 2013, included an initial US$15M cash payment to the company (ASX 3 January 2013, 1 November 2013).

In March 2014, the new operator announced that it had secured two drilling slots to drill the exploration wells with the first slot in January 2015 and the second in the later part of 2015 (ASX 3 March 2014). The timing of the first well was approximately three months later than initially presented by the company but is a reflection of the shortage of drilling rigs in the area and a risk management decision by the operator which decided to forgo the use of a less suitable but available rig this year for a deepwater drilling vessel (the Atwood Achiever) that can test deeper targets enabling full coverage of all available permit targets for the second well. Should the initial well fail to meet objectives, Freeport-MacMoRan can test even deeper targets and not be impeded by drillship capacity or another potentially lengthy wait until a slot for a suitable vessel becomes available.

As with other parts of offshore Morocco, the Mazagan permit area is relatively under explored with only 36 offshore wells drilled in the whole of Morocco including less than ten since 2000. The area has received recent attention with an unprecedented level of drilling activity expected over the next two years.

In terms of the in-shore plays, the prospectivity of the Jurassic carbonate sequences has been reappraised following the news of a substantive oil discovery by Genel and Cairn Energy at the Cap Juby prospect to the south. The Cap Juby partners have outlined a target resource of

(Continued on page 8)

(Continued from page 7)

250Mbls here with a four well appraisal and exploration program.

The company employed recognised resource assessors DeGolyer and Naughton to review the seismic data and recent results following reprocessing of the data to estimate a range of exploration targets within the permit. In September 2012, the company released this analysis noting the resource potential of the Lower Cretaceous and Mid-Miocene plays of the permit with expected probabilities of success (ASX 21 September 2012).

The study found a total mean prospective resource of 7,000Mbls noting a low estimate of 4,614Mbls, a high estimate of 9,791Mbls and a best estimate of 6,721Mbls from 13 different prospects. An average assessed probability of success of 25.9% was assumed with a range of 19% to 34%.

The stand-out prospects of this study were Toubkal and Tafraoute, both Mid-Miocene stratigraphic targets and each with mean oil resource potential of over one billion barrels. The analysis of these prospects is summarised below. Toubkal has been selected by the operator as the first drilling target.

Resource Prospectivity, Mid Miocene stratigraphic targets, September 2012, DeGolyer and Naughton

	Low Mbls	Best Mbls	High Mbls	Mean Mbls	Chance of Success
Toubkal	436	1,168	3,074	1,507	31 %
Tafraoute	294	807	2,114	1,047	32 %

Four other Mid Miocene stratigraphic targets were analysed with the next largest after Tafraoute being the Amtoudi east and west complex which appears to be dissected with a fault. Assessments were also made of the Lower Cretaceous toe thrust plays and Lower Cretaceous inversion anticline targets. The thrust targets occur in the same water depths as the stratigraphic plays but are much smaller (typically 200Mbls) with lower expected chances of success (at 19%).

A suite of large anticline structures occurs further offshore in deeper water. Two of these structures, summarised below, have been assigned mean prospective resources of over 800Mbls but have a lower assessed chance of success. As with the Mid Miocene plays, they are targets of sufficient size for a large oil and gas company which can then replicate the play across multiple permits.

Resource Prospectivity, Lower Cretaceous Inversion Anticline targets September 2012 DeGolyer and Naughton

	Low Mbls	Best Mbls	High Mbls	Mean Mbls	Chance of Success
Jbel Tadrart	237	689	1,780	879	19 %
Jbel Azavza	229	640	1,687	829	19 %

One aspect is the recognition of "pre-salt" geology (prior to disturbance by movement of salt domes and diapirs in the sedimentary profile) of the sequence and mapping of previously obscured prospective formations. This large scale "pre salt " work is being applied in the deeper targets by the operator.

In addition to historic drill results, mapping of coastal formations and the important seismic work, the company undertook an oil drop program in 2012 to test for the presence (if any) of biomarkers in the seafloor sediments overlying target formations. This work, reported in November 2012 showed the presence of light oil in some samples in the vicinity of the Toubkal prospect (ASX 20 November 2012). These results are encouraging. An absence of biomarkers in this area would have led to a reappraisal of the prospect.

Prior to the availability of the deepwater drillship in January 2015 at Toubkal and while awaiting the second slot later in the year, work will be directed at refining the technical knowledge about the inventory of other prospects. The company has detailed some of the other offshore wells to be

(Continued on page 9)

(Continued from page 8)

drilled by other companies over 2014 and 2015 noting a recent dry result from Cairn Energy using historical seismic data and seven more wells in Cretaceous and Jurassic plays (ASX 5 February 2014). While the level of exploration activity is high, many of these wells are directed at inshore targets of Jurassic age and many are distant to the company project area. Kosmos is drilling the Eagle 1 target in the first quarter of 2014, a Cretaceous play similar to the deeper targets of Pura Vida Energy.

Nkembe Block, offshore Gabon, Pura Vida Energy 80%, State of Gabon 205
The Nkembe Block is located 30km in offshore Gabon south of the city of Port Gentil. This is a prolific oil production area with the onshore Rabi-Kounga field and multiple oil production facilities and related pipeline infrastructure extending offshore to the edge of the Pura Vida Energy block. The block was awarded in January 2013 (ASX 15 January 2013) and is in water depths ranging from 50m to 500m. The basin has many features in common with other salt-related oil fields around the globe.

The block contains the 20 Mbls Loba Oil Field, a 1976 discovery, and associated prospects and leads in the immediate vicinity, presenting an immediate appraisal and development opportunity. Importantly for the company, a number of pre salt exploration prospects have been identified and these are the subject of ongoing farm-in negotiations. The project had an up-front acquisition cost of US$9M and a commitment to a two stage work program within an initial exploration period of seven years (ASX 15 January 2013).

In March 2013, the company defined a contingent resource within a porous turbidite unit adjacent to a deformed salt diapir. The original Loba discovery was made by Elf Aquitaine in 1976 when a 46m net column was defined from 1,879m depth. Drilling techniques at the time appeared to have hindered subsequent flow testing with mud impacting clays in the reservoir.

The company has had the benefit of reviewing a core library with the Loba well core preserved. Oil stained coarse sands suggest that a better flow test result should have been obtained. The discovery is adjacent to Total production facilities with the Barbier oil field only 6 km away (ASX 6 March 2013). Pura Vida Energy has estimated that the reservoir is located over 67% of the mapped closure with a range of probabilities. For the p50 case, the company notes the closure is 3.8km^2 and a recovery factor of 30% is applied. At the time, the company noted that given the proximity to infrastructure, the economics of a commercialization of Loba are "very attractive".

Contingent Loba Resource 100% March 2013

	p10 Mbls	p50 Mbls	p90 Mbls
Contingent Resource	11.2	20.0	28.7

The resource will be refined with upcoming 3D seismic work. The company plans to employ techniques that have been employed on deep salt systems in the Gulf of Mexico.

As with Morocco, the level of exploration activity in Gabon has increased following recent success and a reappraisal of the prospectivity of the offshore blocks. In February, the company detailed a number of offshore Gabon wells that are considered to be relevant to the evaluation of the Nkembe Block (ASX 5 February 2014).

An August 2013 oil discovery at the Diaman prospect by Total was noted by the company being the first deep water well in offshore Gabon. Another five holes directed at "pre-salt" targets are intended to be drilled before July 2014 by Shell (sole and in joint venture with CNOOC), Ophir (sole and in joint venture with Petrobras) and Perenco in a joint venture with Tullow Oil. The inventory of prospects on the Nkembe Block includes some large "pre salt" targets.

In June 2013, the company attempted to quantify the prospectivity of prospects outside the Loba area focusing on pre-salt accumulations within the Gambia Formation and post-salt targets within the Anguille Formation. The estimation was performed by the company as an initial step and no guide to the chance of success of the prospects was provided at the time.

(Continued on page 10)

(Continued from page 9)

Resource Prospectivity, June 2013, 100% Pura Vida Energy

	Low Mbls	Mid Mbls	High Mbls	Mean Mbls	Chance of Success
Pre -salt					
MVIM West	247	588	1,102	639	not detailed
POM Deep	89	205	381	225	" "
Post -salt					
Lepidote Deep	61	120	219	131	" "
Loba Deep	14	24	35	24	" "

In a presentation in late 2013, the company compared the substantial pre salt prospects to the recent Total discovery at Diaman 1B. The first of the three well Total program reported a 55m net hydrocarbon column in the pre salt. The prospectivity of the pre salt underpins the confidence of the company in being able to execute an attractive farm-down arrangement that will allow the company to be carried through a program of deepwater exploration.

Ambilobe Block, offshore Madagascar, Sterling Energy, Pura Vida Energy earning 50%
Following the completion of the Morocco transaction with Freeport-McMoRan Oil and Gas, the company announced that it had entered into a farm-in agreement with AIM listed Sterling Energy relating to the Ambilobe block located off the northwest coast of Madagascar. The agreement stipulates that the company will fund a seismic program (2D and 3D) up to a cost of US$15M. The transaction is subject to Government approval.

The block is in a proven oil basin. Madagascar recorded its first oil discovery in 1842 when heavy oil was discovered on western side of the island. The block covers known Permian and Jurassic host rocks and the company is of the opinion that, given the depth of burial, any oil would be of a light grade. As with Morocco, the company has identified oil targets that would be of interest to a larger industry player. Exxon Mobil holds the Ampassindava block to the immediate southwest of this area and is planning to drill in the next 18 months (ASX 1 November 2013). The initial cost of the 2D seismic program is estimated to be US$2M with 3D work dependent on vessel availability.

Regulatory Standing
Morocco is politically stable with a constitutional monarchy and an elected parliament. A number of companies have successfully worked with relevant authorities to progress development projects including tin project developer Kasbah Resources (securing options over exploitation licenses in 2007), Tangiers Petroleum, Pura Vida Energy and a host of much larger oil and gas industry players.

Pura Vida Energy has progressed the permits through the necessary steps of having signed a petroleum agreement with the state in September 2011 (agreement with *Office National des Hydrocarbures et des Mines (*ONHYM) and receiving an exploration permit. Oil and gas exploration permits in Morocco can be held for an initial two year period (with an agreed minimum work program) after which a company may elect to exit the permit or commit to a further two year program with a relinquishment of 20% of the area and a further work program commitment. After this two year period a further four year exploration period is available. In the event of a commercial discovery, the company may elect to move to an exploitation concession over the relevant area for a period up to 25 years which may be extended by a further 10 years.

Fiscal terms in Morocco are attractive relative to other countries with the ONHYM free carry of 25% and a 7% royalty on net oil revenues. A ten year tax holiday applies to new petroleum developments as well as exemption from VAT, import duties and withholding taxes. After the tax holiday, revenues are taxed at the corporate rate of 30%.

The company was awarded the Nkembe Block in January 2013 following the signing of a Petroleum Production Sharing Agreement with the State of Gabon. Under the agreement, the state holds a 20% carried interest. There is a 14% sales royalty on oil production and the agreement works out to approximately 56% revenue split to Pura Vida Energy. These terms favour the development of large fields. Gabon has been an oil producing nation for over 60 years

(Continued on page 11)

(Continued from page 10)

and is currently the sixth largest oil producer in sub-Sahara Africa.

The term of the exploration period in Gabon is seven years which has been divided into two programs of work. The first phase of work in the first four years is a 550km^2 seismic survey followed by an exploration well to a depth of 2,000m. The second phase of work, being optional following the completion of the first phase of work, is another 550km^2 program of seismic and two wells to 3,000m each. Upon a commercial discovery, an exploitation license is granted for a period of ten years (25 years for gas) with two extension options, each for five years.

Project Potential
The Mid Miocene prospects of the Morocco Mazagan block are substantial with two prospective targets in excess of 1 billion barrels. The technical work by the company and the level of permitting was of a suitable standard to attract Freeport-McMoRan Oil and Gas to enter into a farm-in with a substantive expenditure commitment.

The work by the company in the deepwater of Gabon has similar potential with expectations having been boosted by recent elevated basin activity. The Loba prospect could be excluded from a farm in transaction due to it being below the target size for many global explorers. This would allow Pura Vida Energy to potentially preserve its leverage to what appears to be a good reserve (that was poorly tested in the past) near infrastructure.

Capacity to Meet Targets
The company has founded by Mr. Damon Neaves and Mr. David Ormerod. Mr. Neaves is Managing Director of the company and has a commercial and legal background having held senior positions with a range of listed mid cap oil and gas companies in Australia. Mr. Ormerod is a qualified geologist and is an executive director of the company with technical responsibilities. He has over 25 years experience in the sector, 14 with BHP Petroleum with specific experience in the Gulf of Mexico, West Africa and the North West Shelf. He has worked for Woodside, leading its Gulf of Mexico exploration team, Karoon Gas where he was responsible for the entry of that company into Brazil and Peru, as well as holding senior roles with Tap Oil and Sterling Oil and Gas, where he had a West African focus.

Senior executives at the company include Mr. Andrew Morrison, a geoscientist with 25 years experience in the industry. Mr. Matthew Warner, the commercial manager, has 12 years experience in PSC negotiations and gas sales agreements. Dorte Macrae, a senior geophysicst with global exploration experience, was most recently with Maersk Oil.

There have been some changes to the company board with the appointment of Mr. Jeff Dowling as a non executive chairman in November 2013. Mr. Dowling has over 40 years experience with Ernst and Young and is a director of a number of listed resources companies. He replaced Mr. Bevan Tarratt who has assumed the role of chief financial officer. The appointment of Mr. Dowling coincided with the appointment of Mr. Ric Malcolm as a non executive director. Mr. Malcolm has over 30 years experience in the oil and gas industry with Woodside, OMV and Aim-listed Gulfsands, a global oil and gas exploration and development company.

Pura Vida Energy has demonstrated a clear capability to source high quality tenements in emerging basins selecting prospects with large targets that can be de-risked through application of advanced seismic analysis and then attracting high calibre farm-in partners.

The small Pura Vida Energy executive team is playing to its skill set and experience in deepwater plays and the seismic interpretation of salt impacted sediments. The move into Madagascar follows the same path.

The company has raised additional equity from investors since listing in February 2012 with $8.95M over two placements in 2012 and a further $15M over two placements in 2013 with the last completed in early December raising $13.5M at 63c. The company has been well supported by investors. The company ended the December 2013 quarter with a cash position of $28.9M.

(Continued on page 12)

(Continued from page 11)

Rating Discussion
PortfolioDirect has classified Pura Vida Energy as a Phase I company. The **PortfolioDirect** rating system scores Phase I companies on the potential to confirm a commercially viable development within a reasonable timeframe acceptable to investment markets. A company still seeking to define a resource and whose investment potential relies primarily on exploration success will be assessed on how its exploration or development properties, as well as the company as a whole, measure up against the stated individual criteria. The investment potential of Pura Vida Energy relies primarily on a market re-rating resulting from exploration success.

The company has a demonstrated core competence in deepwater basin selection, seismic techniques and the geological interpretation of sediments that have been distorted by salt systems. This skill set is a function of direct experience and the application of appropriate seismic methods, both competitive advantages not readily available to smaller or start up companies.

The sedimentary systems of the type targeted by Pura Vida Energy can be prolific and substantial in size. They are typically the domain of much larger oil and gas exploration and development companies. This raises the possibility of highly rewarding and transformational discoveries for smaller companies that can access such opportunities.

The possibility of large investment rewards comes with a downside. Drilling outcomes that a large company could take in its stride because they clarify the direction of future drilling, for example, can disappoint investors with shorter time horizons. A small company with limited financial resources risks losing a large part of its market value from any results that fall short of complete success.

The timescale involved in these costly exploration ventures is also a risk with few, if any, progressive signs of success until a final determination of drill results. This will often mean large share price fluctuations as results are due but potentially large opportunity costs for investors at other times no matter how successful an eventual drilling program might be.

Pura Vida Energy cannot avoid a lengthy wait until drill results are forthcoming. Investors will have to assess the opportunity cost associated with a 2015 drilling program including the likelihood of changes in other companies' share prices in response to their respective favourable exploration outcomes.

Since the company was listed on the ASX in early 2012, its share price performance has placed it among the top 2% of sector returns. Over the same period, the median share price return for companies within the sector has been minus 60%. Considerable success has been embedded in the Pura Vida Energy share price.

The market performance is a credit to those running the company and the strategy they have adopted. Nonetheless, the share price performance leaves the company vulnerable. The performance gap between Pura Vida Energy and the rest of the market risks being closed in the event of disappointing drill results in 2015. The past share price performance also suggests Pura Vida Energy is likely to underperform any cyclical recovery in sector values that might occur over this period.

Pura Vida Energy is focussed on prospects that could attract a large industry player leading to a farm-in from a senior partner before exploration drilling takes place. The calibre of the Morocco joint venture partner is indicative of what Pura Vida Energy can achieve in applying this model. Provided the company can structure the terms of acquisition to minimise the risk of sole funding a large deep well (as it has done in Gabon) the business model is repeatable.

The company is well resourced and prudently focussed on seismic work before the Moroccan drilling program commences next year.

Pura Vida Energy is one of several smaller companies involved in deepwater oil and gas exploration activities, such as Neon Energy, Global Petroleum and Tangiers Petroleum which have been reviewed by **PortfolioDirect**. Recognising the potentially transformative nature of a

(Continued on page 13)

(Continued from page 12)

successful drilling program despite the risks faced by small companies in this space, it would be open for an investor to consider a minor position in such companies in an exploration oriented portfolio.

Taking account of the partner it has attracted to its Moroccan venture and the technical proficiency the company has deployed, **PortfolioDirect** rates Pura Vida Energy at the upper end of the smaller companies engaged in deepwater oil and gas exploration activities. However, the overall rating also reflects the low likelihood of timely exploration success when viewed against other companies in the sector capable of delivering favourable outcomes well within a 12 month timeframe. ■

Abbreviations and Symbols

lb	pound	cif	cost, insurance and freight
oz	troy ounce	fob	free on board
Koz	1,000 troy ounces	fot	free on truck
Mlbs	million pounds	g/t	grams per tonne
kg	kilogram	ppm	parts per million
t	tonne	RC	reverse circulation
kt	1,000 tonnes	RAB	rotary air blast
Mt	1,000,000 tonnes	U_3O_8	yellowcake (uranium)
Mtpa	million tonnes per annum	Fe/FeO	iron/iron ore
kL	kilolitre (1,000 litres)	SiO_2	silica
ML	megalitre (one million litres)	Al_2O_3	alumina
GL	gigalitre (one billion litres)	P	phosphorus
ha	hectare	TiO_2	titanium dioxide
m	metre	ZrO_2	zirconium dioxide
m^3	cubic metre	LOI	loss on ignition
km	kilometre	mg/l	milligrams per litre
A$	Australian dollar	Mj/kg	mega joules per kilogram
$M	million dollars	EBITDA	earnings before interest, tax, depreciation & amortisation
US$	United States dollar	EBIT	earnings before interest & tax
MG/GW	megawatt/gigawatt	ROM	run of mine
ct	carat	LOM	life of mine
bbl	barrel	MOU	memorandum of understanding
mbd	million barrels a day	VTEM	Versatile Time Domain Electromagnetic
MBOE	million barrels of oil equivalent		

PortfolioDirect/*resources*

Publisher	E.I.M. Capital Managers
Chief Investment Strategist	John A Robertson john.robertson@eimcapital.com.au
Head of Stock Research	Tony Wiggins tony.wiggins@eimcapital.com.au
Joint Portfolio Manager	Doug Goodall doug.goodall@eimcapital.com.au
Technical Advisers	See www.eimcapital.com.au/advcttee.htm
Information about PortfolioDirect	www.portfoliodirect.com.au/intro.htm
Rating updates & market commentary	www.eimcapital.com.au/PortfolioDirect/daily_views.htm