

MORNING COMMENT

Pantheon Resources

Upgrading Fair Value Estimate

We put forward a fair value estimate to 82.8p for Pantheon Resources from “under review for an upward revision” as from 25 November 2020 and from 75p as per our initiation note dated 11 November 2020.

- **High-impact 2021 Drilling:** To our knowledge, the Talitha #A appraisal well planned for January 2021, subject to weather, will be the most exciting well drilled globally in 2021. It is expected to confirm 643 million barrels of recoverable resources from the sweet spots of two independent targets (Brookian Shelf Margin Deltaic and Kuparuk). The company believes that inclusive of two additional targets (Brookian Slope Fan System and Brookian Basin Floor Fans), the Talitha prospect has potential to unlock circa 1 billion barrels of recoverable oil. Based on our estimates, a success-case in respect of the 643 million barrels of defined prospective recoverable resources would amount to \$3.0 billion (315 p/sh).
- **Timing:** We believe that near-term drilling plans represent the culmination of a decade of work and over \$250 million of investment. Drilling is expected to commence in January.
- **Trajectory:** We believe Pantheon Resources is on a multi-year, catalyst-rich growth trajectory, which we expect will unlock the latent value of its assets.
- **Extremely attractive assets:** We believe that the company has extremely attractive Alaskan assets due to their i) scale ii) proximity to the Dalton Highway and the Trans Alaska Pipeline System iii) 3D seismic definition and iv) well penetrations.
- **Talitha:** Talitha was discovered in 1988 by the Pipeline State #1 Well drilled by ARCO on 2D seismic. Despite the discovery of oil in multiple horizons, it was impossible to delineate the scale of the resource at that time. 3D seismic combined with analysis by Pantheon Resources’ strategic partner, eSeis, have transformed the prospectivity of Talitha. We have a very positive outlook for this well. Our initiation note on Pantheon Resources provides 15 pages of analysis in respect of Talitha.
- **Updated valuation:** Pantheon Resources has derisked Talitha by raising \$30.2 million via an equity placing at 31p, which indicates that i) the company has robust public equity market support, ii) Pantheon Resources can independently progress value creation and thereby avoid asset level dilution and iii) that the company is fully funded to drill the forthcoming Talitha well. We have therefore included 25% of the success-case value of Talitha’s two most defined prospects in our fair value estimate, up from 20%. To reflect strengthening crude oil prices and our bullish outlook for oil prices, we have increased our long-term crude oil price estimate to \$60/barrel (from \$55/barrel). We have also increased our long-term estimate of the GBP:USD forex rate to 1.35 from 1.30. For perspective, we believe that the chance of geological success at Talitha is far greater than 25% and we believe that crude oil prices will strengthen above our \$60/barrel estimate in the mid-term and long-term; there is therefore an element of arbitrary conservatism reflected in our valuation. All-in, today, we see fair value for Pantheon at 82.8p. A valuation table is provided on the following page.

CORPORATE

Share Price 42p

Reuters/BBG	PANR.L / PANR.LN
Index	FTSE AIM
Sector	Oil & Gas
Market Cap	£285m

Marketing Communication

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Valuation: The basis of our valuation is provided in Table 1.

Table 1 Pantheon Resources - WHI Fair Value Estimate

	Key Assumptions		Unrisked Present Value			Fair Value Estimate		
	Working Interest (%)	Gross Resource Scale (mnb; oil)	Net to Company (NPV10)			% of NPV 10 in FV (%)	per Share (p/share)	Value \$/boe (\$/boe)
			Total		Per Share (p/share)			
			USD (\$mn)	GBP (£mn)				
Core assets								
Greater Alkaid	100%	76.5	396.8	294.0	42.1	25.0%	10.5	5.19
Talitha Brookian Shelf Margin	89%	302.0	1,346.0	997.1	142.7	25.0%	35.7	5.00
Talitha Kuparuk	89%	341.0	1,627.4	1,205.5	172.6	20.0%	34.5	5.35
Total of core assets		719.5	3,370.3	2,496.5	357.4	n.a.	80.7	n.a.
Balance sheet and other adjustments								
Cash (31 October 2020)		n.a.	2.4	1.8	0.3	n.a.	0.3	n.a.
Capital raise (20 Nov 2020)		n.a.	30.2	22.4	3.2	n.a.	3.2	n.a.
Expected Talitha well costs		n.a.	(14.6)	(10.8)	(1.5)	n.a.	(1.5)	n.a.
Other identified costs		n.a.	(5.9)	(4.4)	(0.6)	n.a.	(0.6)	n.a.
Cash from assumed exercise of options		n.a.	7.9	5.9	0.8	n.a.	0.8	n.a.
Debt		n.a.	-	-	-	n.a.	-	n.a.
Total of balance sheet adjustments		n.a.	20.0	14.8	2.1	n.a.	2.1	n.a.
Fair value estimate		n.a.	3,390.3	2,511.4	359.5	n.a.	82.8	n.a.
Additional assets under evaluation								
Talitha Brookian Slope Fan	89%	tbc	tbc	tbc	tbc	-	-	tbc
Talitha Brookian Basin Floor Fan	89%	tbc	tbc	tbc	tbc	-	-	tbc
Theta West	100%	tbc	tbc	tbc	tbc	-	-	tbc
Leonis	100%	tbc	tbc	tbc	tbc	-	-	tbc
Additional assets under evaluation		tbc	tbc	tbc	tbc	-	-	n.a.

Key assumptions:

Long-term oil price: \$60/b Brent; \$50 realised well-head Alaskan price; inflated at 1% from 2023

USD/GBP: 1.35

Source: WH Ireland Research

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Corporate	56	96.6	56	100.0
Buy	0	0.0	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	2	3.4	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	58.0	100.0	56.0	100.0

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Company Name	Table of interest number	12-month recommendation history	Date
Pantheon Resources (PANR)	4	Corporate	11.11.20

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