

Conviction Buy

15 April 2025

Rec: High-Conviction BUY

NAV:

Full-success case value:	730p
Risked target price:	123p
Upside to full-success case:	2240%
Upside to target price:	293%

Market Data:

Market cap:	£357m
EV:	£345m

Share price:

Change 1m:	-56%
Change 3m:	-14%
Change 12m:	-10%



Shares outstanding: 1,143m

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Pantheon Resources announced yesterday that the first and lowermost of six horizons to be production tested at the Megrez-1 well, namely, the TS1 horizon, is uncommercial with production flow consisting essentially of water. While this result is disappointing it has limited read-across for the higher zones, in our opinion. The TS1 had been flagged in advance as being the least likely of the zones to be commercial. The higher zones benefit from a more straightforward geological-petrophysical setting and from more comprehensive logging. We remain highly confident that the hydrocarbon saturations of the uppermost zones will supersede commercial thresholds, highlighting that the company has already recovered fluids extensively throughout the higher zones of the Megrez-1 well. Despite the setback in relation to the deepest zone to be production tested at Megrez 1 well, we are very comfortable retaining our High Conviction Buy recommendation and our 123p fair value estimate (after making a downward 3p change to reflect balance sheet adjustments pursuant to the interim results announced 24 March 2024). On balance, we believe that the well result after testing all zones is more likely to increase the pre-drill estimate of recoverable liquids of 609 million barrels (PANR estimate) than not under a success case due to the potential of the three zones in the higher Sagavanirktok formation, which were not included in that estimate. Those zones are hydrocarbon bearing, based on drill-bit cuttings and RST logs, in excellent quality reservoirs in compelling, straightforward and large-scale geological structures. We retain a positive outlook for future testing and expect the best results from the highest zones.

Compartmentalized Resources:

We highlight that Pantheon Resources has discovered and appraised 2C resources amounting to 1.6 billion barrels of recoverable liquids in addition to 6.6 tcf of natural gas as assessed by recognized third party evaluators. Those resources are independent of results at the Megrez-1 well (see Summary page).

Robust support from US Administration – strong momentum:

President Trump, Energy Secretary Wright, Secretary of the Interior Burgum and Alaska's Governor Dunleavy have all recently, robustly and publicly endorsed the development of a gas pipeline and LNG project that would, in our opinion, only be optimally developed with the associated gas of Pantheon Resources' liquids developments. In early April, Japan's Prime Minister Ishiba announced his country's interest in backing a \$44 billion Alaskan gas pipeline and LNG project. Since then, Taiwanese and South Korean officials have likewise formalised their strong interest in the project.

Summary

Pantheon Resources (PANR): High-Conviction BUY

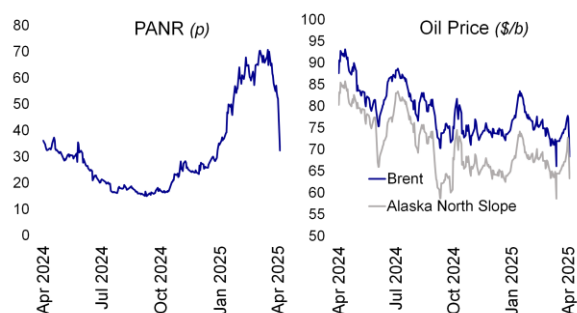
Market Data and Key Figures

Share price (last close;p)	31.2
Shares outstanding (m)	1,143.0
Shares outstanding fully diluted (incl. converts; m)	1,242.7
Market capitalisation basic (£m)	356.6
Market capitalisation fully diluted (£m)	387.7
Net cash (after \$25m Megrez-1 capex; \$m)	14.4
Assumed cash from options (\$m)	28.3
Enterprise value (\$m)	345.0

Market Valuation Metrics

EV/2C barrels (liquids only; \$/b)	0.22
EV/2C&2U barrels (liquids only; \$/b)	0.16

Share and Oil Price Dynamics



Asset Summary and Valuation (After Royalties and Income Tax; NPV10)

Source of Resource Estimate	Class. (SPE)	Liquids (mb)	Nat. Gas (bcf)	Oak Sec. Full Success		Full Success-Case Value (p/sh)	Risking Factor (Com+ dilut)	Oak Sec. Risked Fair Value Estimate (p/sh)	Assumed First Oil to Last Drill (year)	
				Case Value (\$m)	Value / Barrel of Liquids (\$/b)					
Kodiak	NSAI	2C	1,208	5,396	3,277	2.71	212.6	10%	21.3	2034-2042
Ahpun - Alkaid	LKA	2C	79	424	348	4.40	22.6	10%	2.3	2030-2034
Ahpun - West	CGA	2C	282	804	1,931	6.85	125.3	20%	25.1	2028-2034
Total contingent			1,569	6,624	5,555	15.4	360.5		48.6	
Ahpun - East	PANR	2U	609	3,300	5,697	9.35	369.7	20%	73.9	2028-2034
Total			2,178	9,924	11,252	15.4	730.2		122.5	

Key commodity and forex assumptions: Brent oil price of \$65.00/b, inflated at 2% p.a.; USD:GBP forex rate of 1.24

Key assumption: full dilution of options, warrants, RSUs and all \$35m of convertibles

Key consideration: We see significant scope for resource growth at Kodiak, Ahpun-W & Ahpun-E

Key consideration: Particularly for Kodiak, we see significant potential upside from accelerated drilling to capture the time value of money

Summary Income Statement (\$m; June Year-End)

	2022A	2023A	2024A	2025E
Revenues	-	0.8	0.0	-
Production costs	-	(0.7)	(0.0)	-
Gross profit	-	0.1	0.0	-
Admin. exp.	(7.4)	(3.9)	(8.8)	(9.1)
Share based comp.	(8.3)	(3.1)	-	(1.0)
Operating profit	(15.7)	(6.9)	(8.8)	(10.1)
Covert. bond exp.	(4.6)	(6.1)	(4.9)	(3.6)
Other	4.4	11.7	0.3	0.7
Profit before tax	(16.0)	(1.3)	(13.4)	(13.0)
Tax	2.0	(0.1)	1.8	-
Gain (loss) for period	(14.0)	(1.4)	(11.5)	(13.0)

Summary Cashflow Statement (\$m; June Year-End)

	2022A	2023A	2024A	2025E
Cash from ops.	(0.9)	(11.4)	(11.4)	(7.9)
Capital expenditure	(47.6)	(47.9)	(6.3)	(33.4)
Cash from debt	54.9	(0.1)	(5.3)	17.6
Cash from equity	45.7	22.2	10.3	30.1
Change in cash	52.1	(37.1)	(12.7)	6.5

Key Asset Locations: Alaska, USA



Summary Balance Sheet (\$m; June Year-End)

	2022A	2023A	2024A	2025E
Cash	57.8	20.7	7.9	14.4
Other	2.5	2.6	2.9	3.0
Long-term assets	237.8	286.7	293.8	329.4
Total assets	298.1	309.9	304.6	346.9
Payables	6.4	2.8	0.7	3.4
Borrowings	43.3	26.8	21.0	33.9
Other liabilities	9.0	7.9	6.1	8.3
Total liabilities	58.7	37.5	27.7	45.6
Equity	239.4	272.4	276.9	301.3
Total liab. & equity	298.1	309.9	304.6	346.9

Sources: Pantheon Resources, Oak Securities Research, NSAI, LKA, CGA, Bloomberg

Research Analyst Disclosures

Brendan Long, CFA

Brendan Long has over 20 years of experience valuing oil & gas projects globally. He has worked for many of the most well-known financial organizations supporting the oil & gas sector including Scotia Capital, BNP Paribas and Bank of Scotland. He holds an MSc. in Finance from the London School of Economics, a Certificate in Petroleum Reservoir Evaluation from the Harold Vance Department of Petroleum Engineering of Texas A&M University, a Masters from Sciences-Po, Paris and he is a Certified Financial Analyst (CFA) charterholder.

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