

# Imperial Helium Corp (TSX:IHC)

October 13, 2021

Share price: C\$0.20

Target: N/A

## Smaller resources but good well test results could suggest a commercial development

- At the IHC-Steveville-2 well, a 12 metre zone was tested at a rate of ~2 mmcf/d. This zone is an interval equivalent to the blow-out zone in the offsetting 13-22 well. While the headline flow rate might appear low, it is in reality a good result that suggests that the well can be brought into production at 5-6 mmcf/d at least.
- The choke used to test the well had a diameter of only 14/64 inch (5 mm), with a drawdown of only 5% over a 5.5 day period and a very high flowing pressure (1,885 psi), which increased over the entire flow period. A larger choke, allowing for a 10% drawdown would for instance be expected to take the flow rate to ~4 mmcf/d. Importantly, upon shut-in, the pressure build-up was near instantaneous, which is indicative of a high quality reservoir.
- Gas analysis confirmed a Helium concentration of 0.43% (below expectations of ~0.6%) with hardly any water (in line).
- No gas was encountered at deeper horizons and the IHC-Steveville-1 well (that was testing the extent of the formation down dip) only encountered water but has allowed for a precise estimate of the water to gas contact. With smaller gross gas volume than expected and a lower helium concentration, the management's estimate of 1.1 bcf will be reduced. The size of the structure filled with gas is however now well defined.
- Once further details on the potential development plan are revealed, we will update our estimates. Pending those details, we are withdrawing our target price.

### Next steps

The upcoming resources certification combined with the finalization of offtake and contractual discussions with ON2 and Uniper by YE21 will provide further visibility on a development that is expected to be commercial in light of the achieved flow rates and Helium concentration. With C\$6.6 mm current net cash, Imperial has enough resources to fabricate the prototype surface plant, drill further wells and acquire new properties.

### Valuation

With C\$6.6 mm in net cash, Imperial Helium has an EV of only ~C\$10 mm.

Rating & target	Old	New	
Target	C\$1.00	N/A	
Yield		0%	
Implied total return		n.a.	
Share data	2020	2021e	2022e
Shares dil., mm	35	140	140
Mkt cap, US\$mm	\$3	\$19	\$19
EV, US\$mm	\$3	\$17	\$32
Financial data	2020	2021e	2022e
Helium, mmcf/d	0.0	0.0	15.9
CFO, US\$mm	(\$0)	(\$3)	(\$1)
Net capex, US\$mm	\$0	\$7	\$13
Net debt, US\$mm	\$0	(\$2)	\$13
CFPS dil., US\$/shr	(\$0.00)	(\$0.03)	(\$0.01)
EPS dil., US\$/shr	(\$0.00)	(\$0.03)	(\$0.01)
Valuation	2020	2021e	2022e
Share price, C\$/shr	\$0.21	\$0.21	\$0.21
EV/DACF	-11.9x	n.a.	n.a.
EV per mcf	\$2.59	\$2.59	\$2.59
Net asset value			
CNAV, C\$/shr			\$0.61
RENAV, C\$/shr			\$0.95
Unrisked NAV, C\$/shr			\$1.77
P/CNAV			0.3x
P/RENAV			0.2x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

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**Figure 1. Financial & operating information**

Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e
<b>Commodity Prices</b>							
Helium Grade A	US\$/mcf	\$375.00	\$375.00	\$375.00	\$375.00	\$375.00	\$375.00
Henry Hub	US\$/mcf	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
USD / CAD	US\$/C\$	0.750	0.800	0.800	0.800	0.800	0.800
<b>Production</b>							
Helium Grade A	mcf/d	0	0	16	134	221	252
<b>Financials</b>							
Cash Flow (CFO)	US\$mm	(\$0)	(\$3)	(\$1)	\$14	\$25	\$22
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.03)	(\$0.01)	\$0.16	\$0.27	\$0.24
EBITDAX	<sup>a</sup> US\$mm	(\$1)	(\$3)	(\$1)	\$14	\$25	\$29
E&D Capex	US\$mm	\$0.30	\$4.51	\$12.74	\$14.97	\$1.49	\$1.49
A&D Capex, Net	US\$mm	\$0.00	\$2.20	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Capex	US\$mm	\$0.30	\$6.71	\$12.74	\$14.97	\$1.49	\$1.49
Total Net Capex/CFO	x	-0.6x	-2.6x	-21.2x	1.1x	0.1x	0.1x
<b>Leverage</b>							
Net Debt	US\$mm	\$0	(\$2)	\$13	\$16	(\$6)	(\$25)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	(\$0)	n.a.	\$1	\$1	n.a.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	17	85	85	85	85	85
Diluted Shares o/s @ YE	mm	35	140	140	140	140	140
Market Capitalization (fully diluted)	US\$mm	\$3	\$19	\$19	\$19	\$19	\$19
Enterprise Value	US\$mm	\$3	\$17	\$32	\$35	\$13	(\$6)
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$mm	0	0	0	0	0	0
Dividends	C\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0%	0%	0%	0%	0%
Free Cash Flow	US\$mm	(\$1)	(\$9)	(\$13)	(\$1)	\$23	\$20
Cash Use/CFO	%	-63%	-262%	-2123%	107%	6%	7%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%	-100%	n.a.	n.a.	743%	65%	14%
PPS Growth (Y/Y) DDA - dil.	<sup>b</sup> %	n.a.	n.a.	n.a.	662%	334%	-361%
CFPS Growth (Y/Y) - dil.	%	n.a.	651%	-80%	-2426%	77%	-12%
CFPS Growth (Y/Y) DDA - dil.	<sup>b</sup> %	n.a.	1073%	-91%	-2201%	365%	-300%
ROCE	%	-90%	-125%	-5%	35%	54%	54%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	C\$/shr	\$0.61					
RENAV (Atax) - diluted	C\$/shr	\$0.95					
Unrisked NAV (Atax) - diluted	C\$/shr	\$1.77					
P/CNAV	x	0.3x					
P/RENAV	x	0.2x					
P/Unrisked NAV	x	0.1x					
<b>Valuation</b>							
Share Price, YE/Current	C\$/shr	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
P/CF	x	-34.8x	-4.9x	-25.2x	1.1x	0.6x	0.7x
EV/DACF	x	-11.9x	n.a.	n.a.	2.6x	0.7x	-0.1x
EV per discovered Helium	US\$/mcf	\$2.59	\$2.59	\$2.59	\$2.59	\$2.59	\$2.59

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

Source: Auctus advisors, Company Disclosures

\*\*Futures strip as of 12-Oct-21

**Figure 2. NAV Table**

Asset Valuation	WI Reserves and Resources (bcf)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	C\$/Share (Risky)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE21			2	2	0.02	0.02	2%
G&A + proceeds from options			-14	-14	-0.13	-0.13	-14%
Stevenville	1.1	75%	101	76	0.72	0.96	76%
<b>Total Core NAV</b>			<b>90</b>	<b>64</b>	<b>0.61</b>	<b>0.85</b>	<b>65%</b>
Stevenville upside on 10 mmcf/d IP per	0.0	50%	54	27	0.26	0.51	27%
Stevenville incremental upside on 15							
mmcf/d IP per well	0.0	20%	43	9	0.08	0.41	9%
<b>Total Risked Exploration</b>			<b>97</b>	<b>35</b>	<b>0.34</b>	<b>0.92</b>	<b>35%</b>
<b>Total</b>			<b>186</b>	<b>100</b>	<b>0.95</b>	<b>1.77</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>1.77</b>		
<b>P/Core NAV</b>							<b>34%</b>
<b>P/NAV</b>							<b>22%</b>
<b>P/Unrisked NAV</b>							<b>12%</b>

Source: Auctus Advisors, Company Reports

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