

Imperial Helium Corp (TSX:IHC)

October 14, 2021

Share price: C\$0.20

Target: N/A

Moving closer to development

- Imperial has signed an agreement with ON2 for the construction of a prototype plant for producing 99.999% pure (Grade A) Helium.
- The prototype plant has been designed to accept a broad range of dry gas compositions and produce pure helium. The plant will initially process a synthetic gas mixture reflecting the gas composition at Steveville and then a gas sample from Steveville in 1Q22.
- The filter system comprises two processes; a Molecular Sieve and Vacuum Pressure Swing Adsorption.
- The gas mixtures associated with helium are unique to each resource accumulation and the prototype plant is an important step to confirm the preferred plant design (and reduce risk) before fabrication for both the Steveville asset and other future assets.
- In addition, it would allow Imperial to capture the 100%-200% price premium associated with Grade A helium compared to raw Helium.
- The plant is expected to be complete by YE21 and will cost C\$0.4 mm.
- First production continues to be expected in 2H22.

Rating & target	Old	New	
Target	N/A	n.c.	
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

Important upcoming newsflow

The resources certification is expected by mid November. This would provide visibility on the development (including flow rates) and the size of the Helium resources at Steveville. The completion of the prototype plant will provide more granularity on the cost of the processing plant to be constructed by 4Q22 (currently estimated at UC\$5.8 mm). The company is also planning to acquire additional helium properties in 1Q22 (budget of C\$0.7 mm). We also anticipate the conclusion of offtake agreements that will provide more certainty on realized prices. With C\$6.6 mm current net cash, Imperial has enough resources to fabricate the prototype surface plant, further drilling and acquire new properties.

Valuation

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

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Figure 1. Financial & operating information

Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e
Commodity Prices							
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
Production							
Helium Grade A	mcf/d	0	0	16	134	221	252
Financials							
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	^a 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
Leverage							
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.
Capital Structure							
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)
Dividends & Sustainability							
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%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-100%	n.a.	n.a.	743%	65%	14%
PPS Growth (Y/Y) DDA - dil.	^b %	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.	^b %	n.a.	1073%	-91%	-2201%	365%	-300%
ROCE	%	-90%	-125%	-5%	35%	54%	54%
Net Asset Value							
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					
Valuation		2020a	2021e	2022e	2023e	2024e	2025e
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%
Total Core NAV			90	64	0.61	0.85	65%
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%
Total Risked Exploration			97	35	0.34	0.92	35%
Total			186	100	0.95	1.77	100%
Unrisked NAV						1.77	
P/Core NAV							34%
P/NAV							22%
P/Unrisked NAV							12%

Source: Auctus Advisors, Company Reports

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