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PROVINCE OFFERS EASY TERMS FOR HELIUM EXPLORERS

Consider filling up on Saskatchewan helium

The province of Saskatchewan has been the beneficiary of one resource boom after another in recent years. Agricultural commodities have always been part of the story. Conventional oil-and-gas production remains significant. Massive coal fields and potash deposits supply steady output of these essential resources for worldwide markets. Saskatchewan is also a global leader in uranium production with some of the richest uranium deposits in the world located in the Athabasca Basin.

What you may not have been hearing as much about is the development and production of helium currently underway in the province. Helium is an inert gas that is essential for health-care, aerospace and numerous technological applications. Several countries, including Canada, have designated helium as a critical resource. The worldwide market for helium is relatively modest with much of the current supply coming as a byproduct of natural gas production.

However, similar to conventional oil-and-gas resources, helium also accumulates in natural basins underground within



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favourable rock units. Some of the most prospective geological formations for helium are located in southern Saskatchewan.

Like many other essential resources, the market value of pure helium has been trending higher. If you need it right now, expect to pay upwards of US\$600 per thousand cubic feet (mcf) wholesale and up to US\$2,000 per mcf retail. Demand is also trending higher, which suggests the bullish price outlook may remain a factor for a long time into the future. Despite the high value for helium as a commodity play, there are very few companies active in this subsector.

The opportunity for exploration and production of helium resources is attractive and Saskatchewan has rolled out the proverbial red carpet with incentives to support this emerging subsector. To encourage exploration activity, help kick-start the industry and create new jobs, the province offered exploration licences for large land holdings that could be acquired for attractive costs. These property rights, covering some of the most favourable geology for potential helium basins, also include at-

tractive land retention terms.

The province offers an initial three-year exploration term requiring certain minimum capital expenditures and payment of annual lease rentals, with the option to extend ownership for over 20 years at a nominal cost. Royalty payment commitments are also extremely low in situations where a new gas field is developed through to production.

A recently-listed junior explorer, **Helium Evolution Inc.** (HEVI-TSX/VEN, \$0.40) was established with the singular focus of participating in this burgeoning play. While the company itself is a new player, the management team is stacked with seasoned professionals from the Saskatchewan energy sector.

There has been a steep learning curve nonetheless. HEVI has been working for more than two years to secure an enormous land position and prepare its exploration strategy. Strong contracts within the industry have enabled the company to secure a premium drilling rig and service contractors. All of the fundamentals necessary for a successful exploration effort are now lined up.

The company controls an eye-popping 5.5 million acres of permitted land in Saskatchewan. This is the largest helium land

package of all the public companies active in this space. Some of the land rights are immediately adjacent to established helium basins controlled by industry-leading helium player, private company North American Helium Inc., which is producing helium and has three commercial helium plants currently online. In June 2022, HEVI entered into an agreement with North American Helium for a proposed farm-out on HEVI's lands.

North American Helium will fund 100 per cent of the drilling costs for five wells to earn an 80 per cent interest in the land and wells. Concurrent with this agreement, the company raised \$8.5 million through a private placement, under which North American Helium committed a strategic investment into HEVI of \$3.5 million.

Helium is produced as part of the natural decay process of uranium embedded deep underground in ancient Cambrian rock units. The light helium gas rises through the porous host rock unless it is trapped under domes of harder sandstone rock layers above. Interpretation of seismic data to identify helium targets is similar to the strategy employed for oil and gas exploration. HEVI has been actively mapping exist-

ing helium pools and calibrating seismic data to improve the target definition process across their land holdings.

HEVI is now ready to commence exploration with the first well to spud in late June. Prior experience with the similar processes to conduct energy sector exploration will serve management well. Conventional vertical drilling technology is effective for helium exploration and much cheaper than the horizontal drilling necessary for tight O&G basins elsewhere in the province.

Delays are not uncommon and problem-solving skills are essential. Materials are getting harder to source in the resource drilling sector so the long lead time has worked in their favour.

Meticulous planning and preparation to ensure efficient drilling progress will contribute to a more favourable outcome.

In the fortunate event that a helium discovery is achieved within the first drilling program, the development curve to establish production could be completed as early as the first quarter of 2023. Thereafter, the typical growth strategy for a junior explorer calls for operating cash flow to be deployed towards drilling additional wells to build growth. Even with seismic data completed for only about five per cent of the total property holdings, the inventory of drilling targets is sufficient to keep the company busy for several years.

A clean balance sheet and well-funded treasury is going to afford a margin of extra security during the early phases. Following the recently completed equity financing, the share structure remains attractive, with about 116 million shares outstanding on a fully diluted basis. Management and insiders control nearly a quarter of the capital structure.

One other aspect to this story that is certainly appealing is that Helium Evolution is considered a “green” company in that it is engaged in the pursuit of helium resources that are not dependent on hydrocarbons like natural gas for the extraction process. There is no magical technology component to make things viable. The business model is not based on

harvesting carbon credits in order to create shareholder value.

Instead, Helium Evolution is a real company with strong fundamentals and highly-respected, experienced management. The opportunity to complete conventional exploration with a superb portfolio of prospective land holdings is the ideal profile for an early-stage explorer. Look for the results from the first exploration well to be reported shortly.

If this junior can deliver a helium discovery, expect the market performance in the months ahead to be very rewarding.

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