How do we evaluate public Helium and/or Hydrogen Companies for investment

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Approximately eighty percent of the world's helium (He) comes from five areas in the world, and they are the Hugoton-Texas Panhandle, Big Piney-La Barge in Wyoming (Exxon operated), Amur – Irkutsk in Russia (presently only selling to China), South Pars Field in Qatar and Hassi R Mel in Algier. One private company and its partner along the northwestern flank of the Williston Basin are presently producing five+ percent of the world's He. The remaining 14+% He is being produced from small deposits in a variety of geologic settings in the US, Canada and South Africa. Subsurface hydrogen (H) is in the early stage of exploration, and several companies from start-ups to majors are in the process of evaluating various areas spanning from Australia to North America to Europe. Only one reservoir, located in the African paradise of Mali, produces about 8 MCFGP of H for a local village.

The He shortage of two years ago has turned into a surplus but prices remain strong compared to a decade ago. There are multiple junior companies that are traded on the CAC, Frankfurt, VSE, ASX, OTC, TSX and AIM exchanges with early-stage prospects or projects with a lot of hope and glitter. How does an investor evaluate a company based on the information or lack thereof typically provided on their websites or in press releases? In many cases there is no EBITDA, because there is no revenue as the prospect(s) is being developed or the He processing facility must be purchased or built. Hydrogen is even more nebulous because it is in very early stages. The H industry does not even know what it is looking for in terms of geologic setting, reservoir characteristics, seal, depth, extraction process, drilling, and completion practices. Both He and H companies are like junior gold companies. Gold deposits being explored or developed are in trace amounts and all other components are considered waste.

One of the first criteria for He or H is location, location, and location. If a prospect is in a historical and active producing area with a history of production that is a plus. Just like gold. High percentage of He or H always excites investors but, in many prospects, has proven to be a money losing teaser and not very productive. High percentage He and H reservoirs deposits tend to be very under-pressured, and small in areal extent. Examples for high percentage He and H deposits that are significantly under-pressured reservoirs is the Holbrook Basin, Arizona; Harley Dome, Utah; Apishapa Arch, Colorado, Morrow Play in Southeastern Colorado, Central Kansas Uplift, Nemaha Ridge, Kansas, Iron Range in St. Louis County, Minnesota; Gawler Craton area, New South Wales and East Africa Rift System, Tanzania to name a few. If a well(s) is drilled with positive test results, it will usually result in obtaining a resource report. Reserve reports are only for those projects that have been producing for six months or more. Management experience and background must be considered. In many cases, typical management came out of oil and gas or mining but with limited experience in dealing with processing for a trace element from the gaseous host product. The exchange a company is on also dictates what they can say or not say to the public. Companies on the ASX and AIM are very loose with the truth. Those on the VSE, TSX and OTC must be more careful as serious penalties could be involved. Many junior gold companies go through a cycle of excitement, over hype, drilling, reserve reports, mine development and then production. Usually many of these companies crash and burn in the early stages and if they do reach production their stock price typically falls to reflect the reserve report. He companies seem to have a similar cycle. H companies are in the early-stages of exploration but they will probably follow a similar pattern. Presented in this talk are some of the He and H play areas and companies working there.