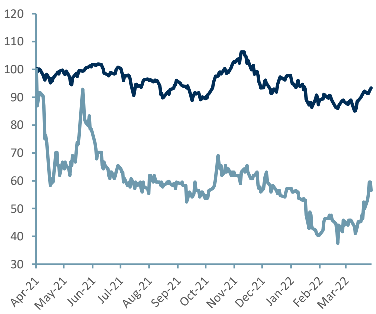
BRIEFING NOTE

52 Wk. Lo/Hi

0.28 – 0.92



RHC (lighter line) TSXV market vs price relative

Friday, 01 April 2022

Close Price	0.50
52 wk Range Low	0.28
52 wk Range High	0.92
MCAP (m)	$66.14
EV (m)	$52.27
Index: Public	TSXV
Financial YE	31-Dec
Currency	CAD

Business Activity
Mining E&P

Key Metrics

Gross debt (m)	$0.10
Cash (m)	$13.87
Net Debt (Cash) (m)	-$13.77
Net Operating Cash (m)	-$2.13
Revenue (m)	N/A
Net Income (loss) (m)	-$4.94
Key Ratios	
(Net Cash) / Shareholder Equity %	-20.82%

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Royal Helium Ltd.

Core Investment Case

Royal Helium Ltd (TSXV:RHC, OTCQB:RHCCF) is a Canada-based helium exploration company with ~1m acres of helium-rich land under lease or permit in the Saskatchewan region. Helium (He) is used in healthcare, technology, transportation, fibre optics and semiconductors because of its high thermal conductivity and non-reactive properties. Saskatchewan is a known helium producing region, with multiple wells in production and it is a strategic location for continued exploration and development. Saskatchewan has a unique geology and gas trapping structure - helium is produced closer to its source (the Precambrian basis) providing RHC with competitive advantage. Increased demand / tightened supply of He is also a value driver.

- Investor competition for He projects may drive down RHC WACC;
- Climax-4 drilling program delivers high helium shows;
- On track for Climax production – additional 2 licenses under review;
- Cash & CE 3Q21A C$13.9m – financing secured for drilling.

CAD (m)	MCAP	EV	RoA %	RoE %	NCO	Levered FCF
2021	66.14	52.27	-17.16%	-36.03%	-2.1	-6.0

Multiples	EV/ Revs	P/ S	Trail PE	BV/ Share	P/ B	Current
2021	N/A	N/A	N/A	0.18	2.65x	6.36x

Investment Case

RHC is a Canadian (Saskatchewan) helium (He) explorer in a vetted region - demand drivers healthcare, technology and transportation, investor search and competition for renewable / sustainable projects (serving to lower the RHC's WACC over time). The government of Saskatchewan in Nov 2021 Helium Action Plan (HAP) stated it aims to supply 10% of global demand by 2030. The HAP will grow the entire He value chain including export infrastructure.

Presence in the vetted Saskatchewan region – Royal Helium is one of the largest helium lease and permit holders in Canada. Saskatchewan has a favorable regulatory environment, its royalty rates on O&G are 2.5% vs. the average 20% and it boasts excellent infrastructure. The region has been vetted by helium experts, geologists and engineers – current and historic primary He production provides a rare opportunity for investors.

Helium industry fundamentals robust: The current industry dynamic remains favorable for new entrants. The global helium market is under pressure as demand continues to outstrip supply. In North America, there has been no significant new source of supply impacting the market since the Helium Privatization Act of 1996 was passed in order to sell off reserves by 2005 to wipe out the National Helium Reserve's (NHR) debt. RHC is well positioned to benefit.

Russian supply is now unlikely to materialize for the foreseeable future because of the isolation effects of the Russia / Ukraine war. This means the US and Qatar will remain the dominant global suppliers for the foreseeable future, accounting for ~75% of global production. The US holds ~53% of recognized reserves, and Russia holds around 23% of reserves, previously expected to come on-line and create a supply overhang, which we now believe is much less likely before 2027.

Production by RHC is on the horizon: Royal Helium is close to getting well production up and running with the Climax-4 well completions program underway (total drilled depth of 2,701 meters). The Drill Stem Tests (DST) findings at Climax-4 showed a zone of ~70 meters (230 feet) of helium pay, 80% thicker than recorded previously at the Climax-3 well. RHC is planning an immediate expansion by applying for two more well licenses.

Financing secured for Climax project: The bought-deal equity financing (34.5m units issued) in Jun 2021 generated ~C$17.3m gross proceeds. The equity raise de-risks RHC's trajectory to first production and the financing provides ample flexibility to continue operations through to the end of 2021.

Catalysts

Production start at Climax; strongly underpinned helium prices; diminishing helium resources; demand for fiber optics and electronics; demand for heliox mixtures in healthcare (asthma treatment); demand from space exploration.

Operational Strategy

Royal Helium's strategy primarily revolves around advancing its exploration and drilling program in its current Saskatchewan locations. RHS has two objectives: 1) advancing its Climax helium project to begin production and 2) growing its helium resources through continued drilling and exploring.

Royal Helium has expanded the development program for the Climax block and has applied for two additional well licenses. Once approved, the company expects drilling to commence on these two wells.

Saskatchewan boasts the 5th largest global helium resources with geology that provides for low GHG emissions and is perhaps as much as 99% less carbon intensive compared with other helium production/prospecting jurisdictions.

As of 26 Oct 21, RHC had received its license for Omega with spud scheduled for 1 Nov 21. At Bengough, new drilling is planned for three wells initially.

Operational delivery on the current priorities:

Climax - Advancing the project - The company has drilled the Climax-4 well to a total depth of 2,701 meters and the production plan is underway.

The initial assessment suggests Climax-4 has the highest and most consistently elevated helium shows on the Climax block - a zone of ~70 meters (230 feet) of helium pay, 80% thicker than Climax-3's well. As a result, RHC is expanding the Climax-4 program by applying for two additional well licenses.

• **Climax-4 Nazare pay zone progress** – Completions Program initiated 16 Nov 2021; 0.57% helium over 100m interval, a grade consistent with commercial grades in the region announced Feb 2022; 3D seismic over 39km^2 to detail/extend deeper Nazare zone, initiated Feb 2022. Simulation modelling commissioned from the University of Regina for Nazare pay zone to examine development of the asset.

Climax-1, Climax-2 and Climax-3 - Initial production testing and facility design specifications are ongoing. RHC plans to have these three wells operational within six months of testing completion.

• **Omega:** is the first helium-specific drilling program in the southeastern Saskatchewan region. Test results indicate some of the highest helium shows in the province.

Progress at Omega - Omega-1 new discovery and initiation of completions program, Dec 2021; Omega 2 total depth reached and drill stem testing commenced, Dec 2021

Management Team

- **CEO, Andrew Davidson.**

Andrew Is a founder of Royal Helium with 10+ years in the industry across different types of commodities. Andrew has experience in moving projects from greenfield exploration to production. Andrew is a CPA with financial management and capital markets experience in the Canadian junior resource markets space.

- **CFO, Jeff Sheppard.**

Jeff is a CPA with 9 years of experience in taxation and financial reporting and brings a comprehensive understanding of the junior resource markets to Royal Helium.

Risks

Project development risk – This includes failure to be granted a license or to discover or develop an economically recoverable ore reserve, to conclude a definitive feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and mining. Mineral reserves do not have to demonstrate economic viability. Mineral resources are subject to infill drilling, permitting, mine planning, mining dilution and recovery losses before conversion into mineral reserves.

Commodity price risk – RHC is highly exposed to commodity price volatility. A potential fall in commodity prices could lead to uneconomic projects. Risk mitigation steps can include risk hedging such as stockpiling when prices are low and price hedging when prices rise above expectations.

Funding availability risk – Mining is a capital-intensive business and requires a significant amount of investment as well as working capital. If the company is unable to raise capital for its exploration and development activities, it will adversely impact the timelines for its projects. Also, too much new equity (raising money via issuing equity) will lead to dilution while debt funding will increase interest cost thereby putting further pressures on cash flows. We estimate that in 2021 AUM $30trn were formerly inaccessible to companies without an ESG with metrics. We assess that informally ESG-filtered AUM at this time is far in excess of AUM $30trn. RHC has made published an initial ESG commitment statement but there are currently no initial published metrics to allow investors to monitor performance.

Regulatory risk – Mining projects tend to attract high regulatory interest given their impact on the environment as well as on the country's natural resources. RHC's assets are located in Africa, which has extensive country-specific laws and regulations. Failure to comply with them could lead to delays or complete shutdown of the development of the assets. RHC does not use big data collection and analysis at this time. Big data collection / analysis cuts e.g., environmental risk and wastage.

Personnel risk - Small and mid-cap companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and market perception cf. similar events at larger more mature (often ex-growth) companies.

Supply/Demand risk – Pandemic imposed lockdowns are ongoing creating disruptions to natural resource supply, demand reductions and reduced government revenues from declining exports could lead to tax and regulatory changes to stabilise prices.

Notes [Intentionally Blank]

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