

Georgina Energy PLC

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Global helium shortages could be good news for companies such as Georgina Energy

An ongoing shortage of helium, with prices of the gas rising around 135% to US\$0.28 per cubic foot year-on-year, has left buyers clamouring for new projects that could help ease the pinch.

The rising demand amid a tightening supply could end up being a positive for helium explorer Georgina Energy PLC, which is acquiring a licence on a project in Australia's Northern Territory that analysts say has "significant helium potential".

Proactive Research note: Georgina Energy

When the firm finally gets its hands on the licence it is likely to have a queue of buyers looking for any new supply of helium, as well as a long line of investors looking to take advantage of the high demand when it executes its upcoming initial public offering (IPO).

The rising prices are also a boon for AIM-listed Solo Oil PLC (LON:SOLO), which holds a 14% stake in Helium One, the owner of the Rukwa project in Tanzania which is estimated to hold a resource of just under 100bn cubic feet of gas.

Craig Howie, an analyst at Solo's house broker Shore Capital, said that higher helium prices were obviously a good thing for Helium One, particularly given plans for the company to launch an IPO on the Australian Securities Exchange in the future, which would by extension provide a "valuation read-across" for Solo as a stakeholder.

However, investors in helium buyers, particularly party supply firms which rely on the gas to fill their balloons, the ascent in prices is having the opposite effect as the company must spend more money to keep itself afloat.

A prime example is US-listed Party City Holdco Inc (NYSE:PRTY), which has seen its share price deflate by 40% to US\$6.00 in the year to date as a lack of helium causes falling demand for its balloons.

The Helium market

Aside from its most famous use as a filling for balloons and giving people squeaky voices, Helium plays a crucial role in a number of industries.

Around 30% of global helium demand is as a coolant for magnetic resonance imaging (MRI) machines, while the second biggest use, around 17%, is for lighter-than-air devices such as weather monitoring balloons. Other uses include semiconductor manufacturing and welding.

Despite being the second-most abundant element in the known universe, the finite global helium supply is currently dependent on around 20 liquefaction plants in countries with large natural deposits such as the US, Australia, China, Russia, Algeria, Poland and Qatar.

Of these plants, three of them, an ExxonMobil plant in Wyoming, the Ras Laffan Industrial City in Qatar and refining

Share Information

Code: GGINA

Listing: PRIVATE-UK

Sector: Oil & Gas

Website: www.georginaenergy.com

Company Synopsis:

Georgina Energy PLC is aiming to be a dominant participant in the helium market with the development of its prospective resource.

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facilities linked to the US BLM pipeline, account for around 75% of all helium produced.

As a result, global supplies are incredibly sensitive to geopolitical events or industrial circumstance. In 2017 supplies were disrupted by an embargo on Qatar by several other Middle Eastern countries for its alleged support for terrorism in the region, cutting off access to Ras Laffan.

Subsequently, in 2018, routine maintenance at the Wyoming plant cut off supplies to 23% of the world's helium.

The need for fresh supplies of helium has also become more prominent in recent years after the US government began to sell off its supply, known as the Federal Helium Reserve, in 1996 with the expectation that it will have depleted them entirely by 2021.

New projects

However, helium users may have some hope in the form of new global developments which are looking to unlock new supplies of helium.

One of these is a new development in Eastern Siberia, spearheaded by Russian gas giant Gazprom, which is aiming to produce around 60mln cubic meters of helium per year, which would make it one of the largest helium hubs in the world.

However, with helium supplies looking like they could be getting slimmer in the near future, floating party balloons could quickly become a thing of the past.

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