

Desert Mountain Energy Corp. (DME-V)

A Potential New End-user Enters the Fray

Desert Mountain has signed an NDA and MOU with Sustany Holdings (a California-based company) to provide natural gas and helium to a potential large data center that we understand is to be situated in New Mexico. If Sustany is successful in securing a site and all regulatory approvals, the 200 MW data center would require something in the order of 120 mmcf/d to power the facility along with a significant amount of helium to provide cooling. Obviously, this is much more than DME can supply on its own, but would allow DME to have an end-user for all the natural gas and helium it can produce for many years. Although timing is uncertain, we believe an early-2026 start date is the target.

If this project goes ahead, DME plans to upgrade and expand 33 miles of flowlines in its West Pecos field in New Mexico in order to directly tie-into the power plant that would run the data center. This project could not come at a better time as DME has had challenges securing a new gas processing contract with the existing midstream company.

Arizona may be another piece to the Sustany puzzle. Part of the discussions between DME and Sustany include the potential to use the existing solar facilities in Arizona to provide power to the Southwest Power Grid. This may include a BESS system as battery storage gains momentum in the power space.

Conclusion & Recommendation: The Sustany opportunity provides a light at the end of the tunnel that may give an end-user for all the natural gas and helium that DME can produce from its West Pecos Field. We maintain our price target of \$0.50, which tracks to a 7.5x EV/EBITDA multiple of our F2026 forecasts. We maintain our Spec Buy rating.

Sustany Holdings MOU

Spec Buy (unch) **\$0.50 (unch)**

Recent/Closing Price	\$0.23
12-month Target Price	\$0.50
Potential Return	122%
52 Week Price Range	\$0.19 - \$0.47

Estimates

YE: Sept 30	FY24A	FY25E	FY26E
Nat Gas prod (mmcf/d)	1.4	1.0	2.8
Helium prod (mcf/d)	0	11	24
Revenue (\$M)	\$0.9	\$4.1	\$12.7
EBITDA (\$M)	(\$3.6)	(\$0.8)	\$6.4
EPS (FD)	(\$0.05)	(\$0.02)	\$0.05

Valuation

YE: Sept 30	FY25E	FY26E
EV/EBITDA	-25.8x	2.9x
EV/MCFPD	\$21,279	\$6,257
P/E	neg	0.0x

Stock Data

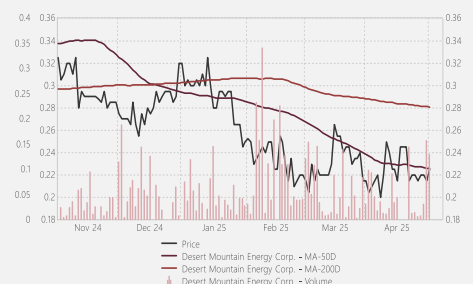
Shares Outstanding	
Basic	92.3
Fully Diluted	103.6
Market Cap (C\$M)	
Basic	\$20.8
Fully Diluted	\$23.3
FQ1/25 Net Debt/(Cash) (\$M)	\$(0.7)
Enterprise Value (\$M)	\$20.0

About the Company

Desert Mountain Energy is focused on the exploration, development and production of primary helium and noble gases in the U.S. Southwest.

All prices in C\$ unless otherwise stated

Stock Performance



Operating & Financial Summary

DESERT MOUNTAIN ENERGY
Recommendation: SPEC BUY
Target price: \$0.50

SHARE INFORMATION					VALUATION				
					F2024A	F2025E	F2026E		
Price				\$0.23	EV/EBITDA		-25.8x		2.9x
Shares O/S – basic (mm)				92.3	P/FFO (diluted)		-42.5x		3.2x
Shares O/S – float (mm)				60.8	P/E		neg		4.9x
Shares O/S – f.d. (mm)				103.6	EV/production (\$/mcf/d)		\$21,279		\$6,257
Market cap (\$mm)				\$21					
Enterprise value (\$mm)				\$20	Price/ PDP NAV		483%		
52-week range				\$0.19 - \$0.47	Price/ 1P NAV		296%		
Total projected return				122%	Price/ 2P NAV		298%		
COMMODITY PRICES					NETBACKS (\$/mcf)				
	F2023A	F2024A	F2025E	F2026E		F2023A	F2024A	F2025E	F2026E
WTI (US\$/bbl)	\$78.56	\$77.81	\$68.47	\$69.75	Revenue	\$18.31	\$1.70	\$11.47	\$11.92
HHub gas (US\$/mcf)	\$3.47	\$2.40	\$3.45	\$3.56	Royalties	(\$0.37)	\$0.00	(\$0.79)	(\$0.32)
Helium (US\$/mcf)	-	\$600	\$500	\$550	Operating & Trans	<u>(\$13.46)</u>	<u>(\$2.52)</u>	<u>(\$2.30)</u>	<u>(\$1.41)</u>
Fx (C\$/US\$)	\$0.74	\$0.73	\$0.70	\$0.70	Operating Netback	\$4.48	(\$0.82)	\$8.38	\$10.19
					G&A	(\$81.83)	(\$6.24)	(\$10.64)	(\$4.22)
					Interest	\$4.06	\$1.00	\$0.42	\$0.12
					Other	<u>\$5.37</u>	<u>(\$0.36)</u>	<u>\$0.23</u>	<u>\$0.00</u>
					Cash Flow Netback	(\$67.92)	(\$6.42)	(\$1.61)	\$6.09
					DD&A	-	(\$0.92)	(\$107.45)	(\$90.00)
					Stock based compensation	(\$32.08)	(\$2.00)	(\$2.52)	(\$1.12)
					Other non-cash	(\$97.53)	\$0.04	\$0.00	\$0.00
					Deferred tax	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>(\$0.21)</u>
					Earnings Netback	(\$203.54)	(\$9.29)	(\$5.32)	\$4.02
PRODUCTION					RESERVES (mmcf)				
	F2023A	F2024A	F2025E	F2026E		F2022A	F2023A	F2024A	
NGL (bbl/d)	-	0	3	25	PDP	-	3,467	5,106	
Natural Gas (mmcf/d)	0.2	1.4	1.0	2.8	Proved (1P)	-	12,214	14,117	
					Proved + Probable (2P)	-	13,460	15,370	
Nat Gas (mmcf/d)	0.2	1.4	1.0	2.8					
Avg concentration	n/a	n/a	0.7%	0.8%	PDP NAV (\$/Share)	-	\$0.17	\$0.05	
Helium (mcf/d)	0	0	11	24	1P NAV (\$/Share)	-	\$0.21	\$0.08	
He/MM Basic Shares	1.9	15.3	10.7	31.7	2P NAV (\$/Share)	-	\$0.21	\$0.08	
Production Growth	-	782%	-31%	189%	F2025 QRTL FORECASTS				
Prod Growth Per Share	-	-	-30%	197%		Q1A	Q2E	Q3E	Q4E
					NGL (bbl/d)	-	-	-	10
					Nat Gas (mmcf/d)	0.7	0.6	1.0	1.5
					Helium (mcf/d)	-	6	18	20
					Revenue (\$MM)	\$0.1	\$0.6	\$1.5	\$1.9
					EBITDA (\$MM)	-\$0.7	-\$0.7	\$0.1	\$0.5
					FD EPS	-\$0.01	-\$0.01	\$0.00	\$0.00
FINANCIAL (\$mm)					MANAGEMENT & BOARD				
	F2023A	F2024A	F2025E	F2026E					
Revenue	1.0	0.9	4.1	12.7	Robert Rohlfing		CEO & Director		
Royalties	(0.0)	0.0	(0.3)	(0.3)	Don Mosher		President & Director		
Operating	(0.8)	(1.3)	(0.8)	(1.5)	Dr. James Cronoble		VP, Exploration & Director		
G&A	<u>(4.7)</u>	<u>(3.1)</u>	<u>(3.8)</u>	<u>(4.5)</u>	Marta Wasko		VP, Geology		
EBITDA	(4.4)	(3.6)	(0.8)	6.4	James Hayes		VP, Engineering		
Interest	0.2	0.5	0.2	0.1	Valorie Farley		CFO		
DD&A	(0.3)	(0.5)	(0.4)	(0.8)	Dr. Kelli Ward		Director		
Taxes	0.0	0.0	0.0	(0.2)	Jenaya Rohlfing		Director		
Other	<u>(7.1)</u>	<u>(1.2)</u>	<u>(0.8)</u>	<u>(1.2)</u>	Michael O'Shea		Director		
Net Income	(\$11.6)	(\$4.7)	(\$1.9)	\$4.3	Weldon Stout		Director		
FFO (mm)	(\$3.9)	(\$3.5)	(\$0.5)	\$6.5					
FFOPS (basic)	(\$0.05)	(\$0.04)	(\$0.01)	\$0.07					
FFOPS (diluted)	(\$0.05)	(\$0.04)	(\$0.01)	\$0.07					
EPS Fully Diluted	(\$0.14)	(\$0.05)	(\$0.02)	\$0.05					
Net Debt (Surplus)	(\$12.6)	(\$1.3)	\$0.0	(\$2.5)					
D/EBITDA - trailing	3.3x	0.4x	NA	NA					
D/EBITDA - forward	25.9x	NA							
Borrowing capacity	NA	NA							
CAPITAL PROGRAM									
	F2023A	F2024A	F2025E	F2026E					
Total Capex (mm)	\$17	\$8	\$2	\$4					
% of cash flow	-427%	-221%	-340%	61%					

Source: Company reports, Beacon Securities Limited

Risks

- **Commodity Price Fluctuations** – The company has direct exposure to the price for helium, which is an opaque market. Downward movements in this commodity can adversely affect the financial performance of the company. To offset this risk, the company may enter into take-or-pay contracts to manage its exposure to commodity price fluctuations.
- **Financing** – Exploring and developing helium may require a combination of debt and equity capital. Our models incorporate fluctuations in net debt and while we may forecast additional equity, there is no certainty that the company can raise equity capital or that any future bank lines will remain static or increase.
- **Foreign Exchange & Interest Rates** – Any movement in either of these rates has the potential to adversely affect the company's financial performance.
- **Cost Overruns** – Unexpected drilling, completion and/or operational cost overruns can mitigate the operational and financial performance of the company.
- **Country Risk** – A change in government may lead to policies or laws that are detrimental to the industry or company, which may impact results. As the United States and Canada are democratically elected governments where the rule of law presides, this risk is muted.
- **Weather and Seasonal Factors** – Extreme weather conditions may impact operations that may then influence results.
- **Change in Fiscal Regime** – A change in the royalty or tax rates as they relate to helium production may adversely affect cash flows.
- **Well Performance** – The company may have a higher than normal amount of risk associated with its wells or plays due to the early-stage nature of its asset base. Lower production volumes, higher decline rates and/or dry holes can adversely affect the results of the company, particularly from a potential negative resource or reserve revision perspective. Past performance may not be indicative of future execution.

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As of April 30, 2025	#Stocks	Distribution
BUY	67	80.7%
Speculative Buy	12	14.5%
Hold	0	0.0%
Sell	0	0.0%
Under Review	3	3.6%
Tender	1	1.2%
Total	83	100%

BUY Total 12-month return expected to be > 15%
 Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
 Hold Total 12-month return is expected to be between 0% and 15%
 Sell Total 12-month return is expected to be negative
 Under Review
 Tender Clients are advised to tender their shares to a takeover bid or similar offer

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