ROYAL HELIUM LTD.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

Royal Helium Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31,		**2020**		**2019**
ASSETS				
Current				
Cash (note 5)	$	5,856,878	$	27,277
Amounts receivable		56,805		16,448
Prepaid		44,187		-
Total current assets		5,957,870		43,725
Non-current				
Exploration and evaluation assets (note 6)		2,519,583		2,145,978
Total non-current assets		2,519,583		2,145,978
Total assets	$	8,477,453	$	2,189,703
LIABILITES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (notes 7 and 15)	$	355,417	$	367,125
Total liabilities	$	355,417	$	367,125
Shareholders' Equity				
Share capital (note 8)	$	30,484,589	$	23,832,539
Contributed surplus		3,280,796		2,305,987
Deficit		(25,643,349)		(24,315,947)
Total shareholders' equity		8,122,036		1,822,578
Total liabilities and shareholders' equity	$	8,477,453	$	2,189,703

Nature and Continuance of Operations (Note 1)
Contingencies and Commitments (Note 6 and 14)
Events after the reporting period (Note 17)

Approved by the Board of Directors on April 19, 2021

“ *Andrew Davidson*”	*“Tom MacNeill”*
Andrew Davidson, President and Director	Tom MacNeill, Director

The accompanying notes are an integral part of these consolidated financial statements.

Royal Helium Ltd.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
Operating costs and expenses		
General and administrative (note 12 and 15)	$ 1,330,454	$ 351,660
Total operating costs	1,330,454	351,660
Other income		
Gain on settlement of payables	3,053	112,146
Net loss and comprehensive loss for the year	$ (1,327,401)	$ (239,514)
Basic and diluted loss per share (note 11)	$ (0.03)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	47,116,666	33,667,928

The accompanying notes are an integral part of these consolidated financial statements.

Royal Helium Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		December 31, 2020		December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(1,327,401)	$	(239,514)
Items not affecting cash:				
Share-based payments		648,000		-
Gain on settlement of payables		(3,053)		(112,146)
Changes in non-cash working capital items		(177,511)		(75,630)
Net cash used in operating activities		(859,965)		(427,290)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds - warrant exercise		382,900		-
Proceeds - stock option exercise		46,000		-
Issuance of share		7,150,000		300,000
Share issuance costs		(561,645)		(14,564)
Net cash provided by financing activities		7,017,255		285,436
CASH FLOWS FROM INVESTING ACTIVITIES				
Environmental deposit refund		-		408,420
Additions to exploration and evaluation assets		(327,689)		(284,277)
Net cash provided by (used in) investing activities		(327,689)		124,143
Change in cash		5,829,601		(17,711)
Cash, beginning of year		27,277		44,988
Cash, end of year	$	5,856,878	$	27,277

Supplemental information

Change in non-cash working capital items included in additions in exploration and evaluation assets	$	(61,146)	$	(15,230)
Fair value of broker warrants issued	$	370,009	$	-
Share issuance costs in accounts payable	$	38,396	$	-

The accompanying notes are an integral part of these consolidated financial statements.

Royal Helium Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2018	**$ 23,547,103**	**$ 2,305,987**	**$ (24,076,434)**	**$ 1,776,656**
Share issuance – private placement (Note 8)	300,000	-	-	300,000
Share issuance costs (Note 8)	(14,564)	-	-	(14,564)
Net loss for the year	-	-	(239,514)	(239,514)
Balance as at December 31, 2019	**$ 23,832,539**	**$ 2,305,987**	**$ (24,315,948)**	**$ 1,822,578**
Share issuance – warrant exercise (Note 8)	382,900	-	-	382,900
Share issuance – stock option exercise (Note 8)	89,200	(43,200)	-	46,000
Share issuance - private placements (Note 8)	7,150,000	-	-	7,150,000
Share issuance costs (Note 8)	(600,041)	-	-	(600,041)
Broker warrants issued (Note 10)	(370,009)	370,009	-	-
Share based compensation	-	648,000	-	648,000
Net loss for the year	-	-	(1,327,401)	(1,327,401)
Balance as at December 31, 2020	**$ 30,484,589**	**$ 3,280,796**	**$ (25,643,349)**	**$ 8,122,036**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Royal Helium Ltd. (the "Company" or "RHL") (formerly RHC Capital Corporation) is focused on primary helium production from its helium leases and permits in Saskatchewan, Canada. On February 27, 2017, the Company began trading on the NEX board of the TSX Venture Exchange ("TSX-V") under the trading symbol "RHC.H". On July 25, 2017, the Company resumed trading on the TSX-V under the trading symbol "RHC". The address of its registered office is 224 4th Avenue South, Suite 602, Saskatoon, Saskatchewan, S7K 5M5.

The Company was incorporated under the laws of the Province of Ontario on August 15, 2008 and continued into the Province of Saskatchewan on May 1, 2019.

Going concern of operations

The business of exploring for helium involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable helium operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying helium claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

As at December 31, 2020, the Company has a cumulative deficit of $25,643,349 and is not yet generating positive cash flows from operations. These consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards. Funding for operations has been obtained primarily through share offerings and management believes working capital at December 31, 2020 is sufficient to support planned operations for at least the next twelve months. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standard (“IFRS”) issued by the International Accounting Standard Board (“IASB”) and interpretations from the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical basis, except for those financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts have been rounded to the nearest dollar, unless otherwise noted.

Use of estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. See note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these statements.

Basis of consolidation

These consolidated financial statements include the accounts of RHL together with its wholly owned subsidiary, Royal Helium Exploration Limited ("RHEL"). Subsidiaries consist of entities over which the Company is exposed to, or has right to, variable returns as well as the ability to affect these returns through the power to direct the relevant activities of the entities. All intercompany balances and transactions have been eliminated on consolidation.

Foreign currency translation

Items included in the consolidated financial statements of each entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The functional currency of RHL and RHEL is the Canadian dollar. The presentation currency of the Company is the Canadian dollar.

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are held in Canadian banks. The Company did not have any cash equivalents as at December 31, 2020 and 2019.

Non-current assets held for sale and discontinued operations

The Company classifies non-current assets, or disposal groups consisting of assets and liabilities, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated income statements; however, gains are not recognized in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property. Upon classifying assets or disposal groups as held for sale, the Company presents the assets separately as a single amount and the liabilities separately as a single amount on the consolidated statements of financial position. When an asset no longer meets the criteria for classification as an asset held for sale, the Company records the asset at the lower of its recoverable amount and the carrying amount before the asset was classified as held for sale.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of the properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development and is classified as oil and gas wells under construction. Exploration and evaluation assets are also tested for impairment before assets are transferred to development properties.

Decommissioning liability

A decommissioning liability is recognized when the Company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the liability can be made. Decommissioning liabilities are related to obligations to plug a well, dismantle or remove property, plant and equipment, or complete site restoration work. The Company has estimated its decommissioning liability and such estimates are based on current costs and technology. When a decommissioning liability is recognized, a corresponding amount, equivalent to the amount of the obligation, is recognized as part of the cost of the related properties.

Decommissioning liabilities are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The effect of any changes to the decommissioning liability, including changes to the underlying estimates and changes in market interest rates used to discount the obligation, is added to or deducted from the cost of the related assets. Accretion, representing the increase in the decommissioning liability due to the passage of time, is recognized on the statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

Income taxes comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of loss, except to the extent that they relate to items recognized directly in other comprehensive income (OCI) or directly in shareholders' equity, in which case, the income taxes are also recognized directly in OCI or shareholders' equity, respectively. Current income taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income taxes are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable income nor loss. Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position dates and are expected to apply when the deferred income tax asset is realized or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments and warrants

RHL grants stock options to certain employees, directors, consultants and contractors of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date as the fair value of services received cannot be reliably estimated. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Stock-based compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. This number is reviewed at least annually, with any change in estimate recognized immediately in stock-based compensation expense with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. For share based payment arrangements with cash alternatives, these are structured so that the fair value of one settlement alternative is the same as the other. In such cases, the fair value of the equity component will be zero, and hence the fair value of the compound instrument will be the same as the fair value of the debt component.

The consideration received from private placement units and the issuance of warrants is allocated to share capital.

Share issue costs

Incremental costs directly attributable to the issuance of share capital are recognized as a deduction from common shares.

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

During the years ended December 31, 2020 and 2019, all outstanding options and warrants were anti-dilutive and were therefore excluded from the diluted loss per share calculation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Cash, amounts receivable and environmental deposit held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Sensitivity analysis-fair value hierarchy

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the consolidated statement of financial position. These have been prioritized into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New and future accounting standards and interpretation

During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, and amendments and improvements of existing standards. This includes amendments to IAS 1 and IAS 8.

These new standards did not have any material impact on the Company's consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

The Company is currently evaluating the impact of the above standards on its consolidated financial statements other than increased disclosure.

4. MANAGEMENT'S CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements:

4. MANAGEMENT'S CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key Estimates

Decommissioning liabilities
The Company is required to provide for decommissioning liabilities. The Company must estimate these costs in accordance with existing laws, contracts and other policies. The estimate of future costs involves a number of estimates relating to timing, type of costs and associated contract negotiations, and review of potential methods and technical advancements. Furthermore, due to uncertainties concerning environmental remediation, the ultimate cost of the Company's decommissioning liability could differ from amounts provided. The estimate of the Company's obligation is subject to change due to amendments to applicable laws and regulations and as new information concerning the Company's operations become available.

The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments
The Company has a variety of share-based payments to employees, directors, consultants and contractors as well as share-based payments issued as consideration for acquisitions. When share-based awards are granted, the Company measures the fair value of each award and recognizes the amount as expense over the vesting period. Management makes a variety of assumptions in calculating the fair value of share-based payments. Management uses the Black-Scholes option pricing model in determining the fair value of its share-based payments. Application of the option pricing model requires estimates in expected dividend yields, expected volatility of the underlying assets based on past volatility experienced and the expected life of the award granted. These estimates may ultimately be different from the estimates initially made, resulting in an overstatement or understatement of net loss.

Contingencies
See note 15.

Critical Judgments

Impairment of non-financial assets
The Company's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's

(Expressed in Canadian dollars)

4. MANAGEMENT'S CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical Judgments (continued)

Impairment of non-financial assets (continued)
financial position and result of operations. Assets are reviewed for an indication of impairment at each reporting date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and a significant drop in helium prices.

Going concern
See note 1.

5. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash at bank and on hand	$ 5,856,878	$ 27,277
	$ 5,856,878	$ 27,277

6. EXPLORATION AND EVALUATION ASSETS

	December 31, 2020	December 31, 2019
Balance, beginning of year	$ 2,145,978	$ 1,846,471
Additions	373,605	299,507
Balance, end of year	$ 2,519,583	$ 2,145,978

The Company holds helium exploration permits and helium leases over land in Saskatchewan. The Company has annual lease expenditure commitments of approximately $50,000 and annual permit expenditure commitments as follows: 2021 - $310,500, 2022 - $338,700, 2023 - $419,600 and 2024 - $384,700.

During the five months ended December 31, 2017, the Company acquired 7 oil and gas wells and 2 facilities, for the purpose of helium exploration/production, from TORC Oil & Gas Ltd. ("TORC") for $300,000. As well, the Company was required to pay a deposit of approximately $564,375, as required by the Saskatchewan Ministry of Economy, to secure clean-up costs if the wells are abandoned or closed. During the year ended December 31, 2018, the Company received a partial refund of the deposit. During the year ended December 31, 2019, the remaining balance of the deposit was refunded.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Accounts payable	$ 341,517	$ 343,025
Accruals and others	13,900	24,100
	$ 355,417	$ 367,125

(Expressed in Canadian dollars)

8. SHARE CAPITAL AND EQUITY RESERVES

Authorized share capital - the authorized share capital consists of an unlimited number of common shares.

Changes in issued share capital are as follows:

	Number of common shares	Amount
Balance, December 31, 2018	30,206,389	23,547,103
Share issuance	6,000,000	285,436
Balance, December 31, 2019	36,206,389	23,832,539
Share issuance – warrant exercise	5,470,000	382,900
Share issuance – stock option exercise	200,000	89,200
Unit issuance – private placements, net issue costs	47,954,545	6,179,950
Balance, December 31, 2020	**89,830,934**	**$ 30,484,589**

On June 4, 2019, the Company closed a private placement financing of 6,000,000 common shares at a price of $0.05 per share for gross proceeds of $300,000. The Company paid finder's fees and other expenses of $14,564 in relation to this private placement. Directors and officers of the Company subscribed for 1,600,000 shares for total proceeds of $80,000.

On July 9, 2020, the Company closed a private placement financing of 20,000,000 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.07 for a 12 month period. The Company paid finder's fees and other expenses of $31,954 in relation to this private placement. Directors and officers of the Company subscribed for 1,970,000 shares for total proceeds of $98,500.

On December 22, 2020, the Company closed a private placement financing of 27,954,545 units at a price of $0.22 per unit for gross proceeds of $6,150,000. Each unit consisted of one common share and one half of one common share purchase warrant, each whole warrant exercisable at $0.35 for a 24 month period. The Company paid cash finder's fees and other expenses of $568,087 and issued 1,837,500 broker warrants with a value of $370,009 in relation to this private placement. The broker warrants are exercisable at $0.22 per unit, with each unit comprised of one common share and one half of one common share purchase warrant, each whole warrant exercisable at $0.35 for a 24 month period. Directors and officers of the Company subscribed for 720,696 units for total proceeds of $158,553.

(Expressed in Canadian dollars)

9. STOCK OPTIONS

On February 3, 2017, the shareholders of the Company approved a stock option plan, pursuant to which, the Company may issue up to a number of options that is 10% of the outstanding common shares of the Company to employees, directors and officers.

The following table reflects the continuity of stock options for the years presented:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2018	**1,052,314**	**$ 1.36**
Forfeited/expired	(1,052,314)	1.36
Balance, December 31, 2019	-	-
Issued	3,000,000	0.23
Exercised	(200,000)	0.23
Exercisable, December 31, 2020	**2,800,000**	**$ 0.23**

As at December 31, 2020, 2,800,000 (2019 – nil) options were issued and outstanding with a weighted average remaining life of 4.55 years (2019 – nil).

On July 17, 2020, the Company granted 3,000,000 stock options, of the total options granted 2,000,000 were granted to directors and officers with the balance issued to consultants of the Company. The options have an exercise price of $0.23, expire July 17, 2025 and vest immediately. The grant date fair value of the options was estimated using the Black-Scholes pricing model with the following weighted average assumptions: share price of $0.22, expected yield of 0%, expected volatility of 212% based on the historical volatility of the Company, risk free rate of 0.30% and an expected life of 5 years.

10. WARRANTS AND BROKER WARRANTS

The following table reflects the continuity of warrants for the years presented:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2018	**684,179**	**$ 0.25**
Expired	(684,179)	0.25
Balance, December 31, 2019	-	-
Issued	20,000,000	0.07
Issued	13,977,272	0.35
Exercised	(5,470,000)	0.07
Balance, December 31, 2020	**28,507,272**	**$ 0.21**

As of December 31, 2020, 28,507,272 (2019 – nil) warrants were issued and outstanding with a weighted average remaining life of 1.24 years (2019 – nil).

(Expressed in Canadian dollars)

10. WARRANTS AND BROKER WARRANTS (continued)

The following table reflects the continuity of broker warrants for the years presented:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2018 and 2019	**-**	**$ -**
Issued	1,837,500	0.22
Balance, December 31, 2020	**1,837,500**	**$ 0.22**

As of December 31, 2020, 1,837,500 (2019 – nil) warrants were issued and outstanding with a weighted average remaining life of 1.98 years (2019 – nil).

On December 22, 2020, the Company issued broker warrants upon closing of a private placement financing. The broker warrants are exercisable into units at $0.22 per unit, with each unit comprised of one common share and one half of one common share purchase warrant, each whole warrant exercisable at $0.35 for a 24 month period. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following weighted average assumptions: share price of $0.22, expected yield of 0%, expected volatility of 243% based on the historical volatility of the Company, risk free rate of 0.22% and an expected life of 2 years.

11. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2020, was based on the loss attributable to common shareholders of $1,327,401 (December 31, 2019 - $239,514) and the weighted average number of common shares outstanding of 47,116,666 for the year ended December 31, 2020 (December 31, 2019 – 33,667,928).

12. GENERAL AND ADMINISTRATIVE

Years ended December 31,		**2020**		**2019**
Audit and accounting	$	11,660	$	43,800
General office and other		338,602		231,696
Investor relations and marketing		325,017		17,765
Legal and professional		7,175		58,399
Share-based compensation		648,000		-
Total general and administrative	$	1,330,454	$	351,660

(Expressed in Canadian dollars)

13. INCOME TAXES

a) The statutory tax rate for the year ended December 31, 2020 is 26.5% (year ended December 31, 2019 – 26.5%).

	December 31, 2020	December 31, 2019
Loss for the year before income taxes	$ (1,327,401)	$ (239,514)
Expected income tax recovery based on statutory rate	(352,000)	(63,000)
Adjustment to expected income tax benefit:		
Share based compensation	172,000	-
Other	(284,000)	(130,000)
Change in unrecognized deferred tax asset	464,000	193,000
Income tax provision (recovery)	$ -	$ -

b) Deferred income tax assets and (liabilities) recorded are as follows:

Deferred tax assets (liabilities) have not been recognized in respect of the following deductible (taxable) temporary differences:

	December 31, 2020	December 31, 2019
Non-capital loss carry-forwards	$ 6,481,000	$ 5,569,000
Share issue costs	870,000	26,000
Deductible temporary differences	$ 7,351,000	$ 5,595,000

Deferred tax assets have not been recognized in respect of the deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can use the benefits.

A deferred tax liability in the amount of $213,000 as at December 31, 2020 and 2019 has not been recognized in respect of the taxable temporary differences as these differences arose from the initial recognition of an asset in a transaction which was not a business combination and at the time of the transaction, affected neither accounting nor tax loss**.**

c) As at December 31, 2020, the Company has $6,481,000 of non capital losses in Canada which may be used to reduce taxable income in future years. These losses expire as follows:

2029	$ 95,000
2030	120,000
2031	250,000
2032	227,000
2033	318,000
2034	1,082,000
2035	162,000
2036	1,094,000
2037	1,440,000
2038	525,000
2039	256,000
2039	912,000
	$ 6,481,000

(Expressed in Canadian dollars)

14. CONTINGENCIES AND COMMITMENTS

Contracts

The Company is party to certain management consulting contracts. Upon termination of these contracts, the Company will be required to make payments of $45,000 pursuant to the terms of these contracts. The Company also committed to a payment of $195,000 on the completion of a financing pursuant to a consulting agreement. As a triggering event has not taken place as at December 31, 2020, these amounts have not been recorded in these consolidated financial statements.

Environmental contingencies

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Property expenditure commitments

See note 6.

Legal matters

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at period end, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to net loss in that period.

Novel coronavirus

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

15. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with related parties:

Years ended December 31,		**2020**		**2019**
Consulting fees – Andrew Davidson	$	90,000	$	60,000
Consulting fees – Tom MacNeill		90,000		60,000
Consulting fees – Jeff Sheppard		90,000		60,000
Consulting fees – Campbell Becher		45,000		-
Consulting fees – Steve Halabura		60,000		60,000
Total	$	375,000	$	240,000

(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the years presented were as follows:

		December 31, 2020		December 31, 2019
Short-term benefits	$	375,000	$	240,000
Share-based payments		432,000		-
Total	$	807,000	$	240,000

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors executive and non-executive) of the Company.

As at December 31, 2020, the Company had $137,020 (2019 – $159,070), included in accounts payable and accrued liabilities, owing to its key management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

See notes 8, 9 and 17.

16. FINANCIAL INSTRUMENTS

Financial risks factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company does not hedge foreign currency exposures. All of the operating assets were located in Canada and majority of the Company's liabilities were also settled in Canada, therefore the Company does not have any significant foreign currency risk.

(b) Credit risk

The maximum exposure to credit risk for deposits approximates the amount recognized as cash, amounts receivable, and environmental deposit in the consolidated statements of financial position. Bank deposits are held with reputable Banks, therefore credit risk is low. The Company does not hold any collateral as security.

16. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's financial liabilities comprise accounts payable and accrued liabilities which are due within 30 days.

The Company mitigates liquidity risk by planning its project expenditures in advance of undertaking significant commitments. The Company anticipates that it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of $5,856,878 (December 31, 2019 - $27,277) to settle current liabilities of $355,417 (December 31, 2019 - $367,125).

(d) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to helium to determine the appropriate course of action to be taken by the Company.

Capital management

The Company defines the capital that it manages as its working capital. The Company's objectives when managing capital are to manage its business in an effective manner with the goal of increasing the value of its assets. The Company regularly monitors its available capital and, as necessary, adjusts to changing economic circumstances and the risk characteristics of the underlying assets. In order to maintain or adjust capital requirements, the Company may consider the issuance of new shares, the entry into joint venture arrangements or farm-out agreements, or engage in debt financing.

There were no changes in the Company's approach to capital management during the years ended December 31, 2020 and 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2020, the Company believes it was in compliance with Policy 2.5.

17. EVENTS AFTER THE REPORTING PERIOD

On January 11, 2021, the Company granted 4,800,000 stock options, of the total options granted 3,500,000 were granted to directors and officers with the balance issued to consultants of the Company. The options have an exercise price of $0.44, expire on January 11, 2026 and vest immediately.

Subsequent to December 31, 2020, 10,595,000 warrants were exercised at $0.07 per share for total proceeds of $741,650.