



ROYAL HELIUM LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

(Unaudited - Prepared by Management)

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management.

Royal Helium Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	March 31 2021	December 31 2020
ASSETS		
Current		
Cash (note 4)	\$ 2,582,586	\$ 5,856,878
Amounts receivable	330,348	56,805
Prepaid	176,572	44,187
Total current assets	3,089,506	5,957,870
Non-current		
Exploration and evaluation assets (note 5)	8,085,875	2,519,583
Total non-current assets	8,085,875	2,519,583
Total assets	\$ 11,175,381	\$ 8,477,453
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (notes 6 and 13)	\$ 2,561,852	\$ 355,417
Total liabilities	\$ 2,561,852	\$ 355,417
Shareholders' Equity		
Share capital (note 7)	\$ 31,387,748	\$ 30,484,589
Contributed surplus	5,272,596	3,280,796
Deficit	(28,046,815)	(25,643,349)
Total shareholders' equity	8,613,529	8,122,036
Total liabilities and shareholders' equity	\$ 11,175,381	\$ 8,477,453

Nature and Continuance of Operations (Note 1)**Contingencies and Commitments** (Note 5 and 12)**Events after the reporting period** (Note 15)**Approved by the Board of Directors on May 25, 2021***"Andrew Davidson"*

Andrew Davidson, President and Director

"Tom MacNeill"

Tom MacNeill, Director

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

Royal Helium Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the three months ended March 31,	2021	2020
Operating costs and expenses		
General and administrative (note 11 and 13)	\$ 2,403,466	\$ 55,498
Total operating costs and expenses	2,403,466	55,498
Net loss and comprehensive loss for the period	\$ (2,403,466)	\$ (55,498)
Basic and diluted loss per share (note 10)	\$ (0.03)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	96,023,490	36,206,389

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

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

For the three months ended March 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,403,466)	\$ (55,498)
Items not affecting cash:		
Share-based payments	2,078,400	-
Changes in non-cash working capital items	(485,529)	60,472
Net cash provided by (used in) operating activities	(810,595)	4,974
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds - warrant exercise	736,750	-
Proceeds - stock option exercise	88,000	-
Share issuance costs	(8,191)	-
Net cash provided by (used in) financing activities	816,559	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to exploration and evaluation assets	(3,280,256)	-
Net cash provided by (used in) investing activities	(3,280,256)	-
Change in cash	(3,274,292)	4,974
Cash, beginning of period	5,856,878	27,277
Cash, end of period	\$ 2,582,586	\$ 32,251

Supplemental information

Change in non-cash working capital items included in additions in exploration and evaluation assets	\$ (2,347,182)	\$ (17,635)
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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Royal Helium Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2019	\$ 23,832,539	\$ 2,305,987	\$ (24,315,948)	\$ 1,822,578
Net loss for the period	-	-	(55,498)	(55,498)
Balance as at March 31, 2020	\$ 23,832,539	\$ 2,305,987	\$ (24,371,446)	\$ 1,767,080

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2020	\$ 30,484,589	\$ 3,280,796	\$ (25,643,349)	\$ 8,122,036
Share issuance - warrant exercise (Note 7)	736,750	-	-	736,750
Share issuance - stock option exercise (Note 7)	174,600	(86,600)	-	88,000
Share issuance costs	(8,191)	-	-	(8,191)
Share based compensation	-	2,078,400	-	2,078,400
Net loss for the period	-	-	(2,403,466)	(2,403,466)
Balance as at March 31, 2021	\$ 31,387,748	\$ 5,272,596	\$ (28,046,815)	\$ 8,613,529

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

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

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 March 31, 2021, the Company has a cumulative deficit of \$28,046,815 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 March 31, 2021 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.

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020.

The condensed interim consolidated financial statements of the Corporation for the three month periods ended March 31, 2021 were authorized for issuance by the Corporation's board of directors on May 25, 2021.

Basis of preparation

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value. These financial statements are prepared in Canadian dollars, which is the Corporation's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

New and future accounting standards and interpretation

During the period ended March 31, 2021, the Company did not adopted any new IFRS standards, interpretations, amending and improvement of existing standards.

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.

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020
Cash at bank and on hand	\$ 2,582,586	\$ 5,856,878
	\$ 2,582,586	\$ 5,856,878

5. EXPLORATION AND EVALUATION ASSETS

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,519,583	\$ 2,145,978
Additions	5,566,292	373,605
Balance, end of period	\$ 8,085,875	\$ 2,519,583

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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Accounts payable	\$ 2,552,752	\$ 341,517
Accruals and others	9,100	13,900
	\$ 2,561,852	\$ 355,417

7. 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, 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
Share issuance – warrant exercise	10,525,000	736,750
Share issuance – stock option exercise	200,000	174,600
Share issue costs	-	(8,191)
Balance, March 31, 2021	100,555,934	\$ 31,387,748

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL AND EQUITY RESERVES (continued)

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.

8. 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 periods presented:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2019	-	\$ -
Issued	3,000,000	0.23
Exercised	(200,000)	0.23
Balance, December 31, 2020	2,800,000	0.23
Issued	4,800,000	0.44
Exercised	(200,000)	0.44
Exercisable, March 31, 2021	7,400,000	\$ 0.36

As at March 31, 2021, 7,400,000 (December 31, 2020 – 2,800,000) options were issued and outstanding with a weighted average remaining life of 4.60 years (December 31, 2020 – 4.55 years).

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.

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 January 11, 2026 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 \$0.44, expected yield of 0%, expected volatility of 216% based on the historical volatility of the Company, risk free rate of 0.46% and an expected life of 5 years.

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

9. WARRANTS AND BROKER WARRANTS

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

	Number of warrants	Weighted Average Exercise Price
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
Exercised	(10,525,000)	0.07
Balance, March 31, 2021	17,982,272	\$ 0.29

As of March 31, 2021, 17,982,272 (December 31, 2020 – 28,507,272) warrants were issued and outstanding with a weighted average remaining life of 1.40 years (December 31, 2020 – 1.24 years).

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

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2019	-	\$ -
Issued	1,837,500	0.22
Balance, December 31, 2020 and March 31, 2021	1,837,500	\$ 0.22

As of March 31, 2021, 1,837,500 (December 31, 2020 – 1,837,500) warrants were issued and outstanding with a weighted average remaining life of 1.73 years (December 31, 2020 – 1.98 years).

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.

10. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share, was based on the loss attributable to common shareholders of \$2,403,466 (March 31, 2020 - \$55,498) and the weighted average number of common shares outstanding of 96,023,490 for the three months ended March 31, 2021 (March 31, 2020 – 36,206,389).

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

11. GENERAL AND ADMINISTRATIVE

For the three months ended March 31,	2021	2020
Audit and accounting	\$ 10,200	\$ -
General office and other	88,886	55,316
Investor relations and marketing	220,229	-
Legal and professional	5,751	182
Share-based compensation	2,078,400	-
Total general and administrative	\$ 2,403,466	\$ 55,498

12. 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 \$19,500 upon receipt of final deliverable. As a triggering event has not taken place as at March 31, 2021, 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 5.

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 have not been significantly affected by the effects of the widespread global outbreak of the COVID-19 virus. The Company has seen cost increases associated with mandated safety measures. The Company cannot accurately predict the future impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company. Should the economic and market disruption resulting from COVID-19 continue for an extended period of time, the Company's operations and ability to finance its operations may be negatively impacted.

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with related parties:

Three months ended March 31,	2021	2020
Consulting fees – Andrew Davidson	\$ 15,000	\$ 15,000
Consulting fees – Tom MacNeill	15,000	15,000
Consulting fees – Jeff Sheppard	15,000	15,000
Consulting fees – Steve Halabura	15,000	15,000
Total	\$ 60,000	\$ 60,000

Compensation of key management personnel of the Company

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

	March 31, 2021	March 31, 2020
Short-term benefits	\$ 60,000	\$ 60,000
Share-based payments	1,515,500	-
Total	\$ 1,575,500	\$ 60,000

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 March 31, 2021, the Company had \$137,020 (December 31, 2020 – \$137,020), 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 7, 8, 12 and 15.

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

14. 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.

(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 March 31, 2021, the Company had a cash balance of \$2,582,586 (December 31, 2020 - \$5,856,878) to settle current liabilities of \$2,561,852 (December 31, 2020 - \$355,417).

(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.

Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (continued)**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 period ended March 31, 2021 and December 31, 2020.

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 March 31, 2021, the Company believes it was in compliance with Policy 2.5.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to March 31, 2021, 1,505,000 warrants were exercised at \$0.07 per share for total proceeds of \$105,350, and 1,845,700 warrants were exercised at \$0.35 per share for total proceeds of \$645,995.

On May 17, 2021, the Company announced a bought deal financing of 30,000,000 units at a price of \$0.50 per unit for gross proceeds of \$15,000,000. Each unit consisted of one common share and one half of one common share purchase warrant, each whole warrant exercisable at \$0.75 for a 24 month period. The Company will pay 7% cash finder's fees and other expenses and issue 7% broker warrants. The broker warrants are exercisable into units at \$0.50 per unit, with each unit comprised of one common share and one half of one common share purchase warrant, each whole warrant exercisable at \$0.75 for a 24 month period from the closing date of the financing. The underwriters have an over-allotment option to acquire additional units up to 15% of the number issued pursuant to the offering. Closing of the offering is subject to TSX Venture Exchange and other necessary regulatory approvals. The bought deal financing remains subject to filing of a prospectus and other closing requirements.