



ROYAL HELIUM LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED June 30, 2021**

- **Dated August 30, 2021**
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Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Royal Helium Ltd. (the "Company" or "RHL") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in with the condensed consolidated interim financial statements and the notes thereto as at and for the three and six months ended June 30, 2021 and the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2020. together with the notes thereto available on SEDAR at www.sedar.com.

Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at August 30, 2021 unless otherwise indicated.

The financial statements for the three and six months ended June 30, 2021 and 2020 have been prepared using accounting policies consistent with IFRS.

Caution Regarding Forward-Looking Statements

Certain statements contained in this report constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions and statements relating to matters that are not historical facts constitute "forward looking information" within the meaning of applicable Canadian securities legislation. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated. Such forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this report should not be unduly relied upon. These statements are made only as of the date of this report.

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this

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MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Company's ability to meet its working capital needs at the current level for the period ending June 30, 2021, subject to the Company identifying suitable assets or businesses to acquire or merge with requiring additional financing.	The operating activities of the Company for the period ending June 30, 2021, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
The potential of RHL's leases to contain economic helium reserves. See "Helium Prospects" below.	Financing will be available for future exploration and development of RHL's leases; the actual results of RHL's exploration and development activities will be favourable; operating, exploration, development and production costs will not exceed RHL's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to RHL; applicable political and economic conditions will be favourable to RHL; the market prices for helium and applicable interest and exchange rates will be favourable to RHL;	Helium market prices volatility; uncertainties involved in interpreting geological and geophysical data; the possibility that future exploration results will not be consistent with RHL's expectations; availability of financing for and actual results of RHL's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest and exchange rates fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff and obtain all required permits in a timely manner on acceptable terms.
Management's outlook regarding future trends.	Financing will be available for the Company's operating activities.	Changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.

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Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

RHL's Strategic Objectives

RHL is focused primarily on helium production from its helium permits and leases in Saskatchewan. RHL is one of the largest helium lease and permit holders in North America, with land that was acquired both from the Crown and via freehold lease agreements. All of the land acquired was subject to thorough analysis of existing well data, seismic and geological data and is associated with some of the highest known helium concentrations in Saskatchewan. The Company's properties are all in close vicinity to highways, roads, cities and oil & gas infrastructure. Helium is a non-substitutable and non-renewable commodity needed in many high-tech and health care industries, with specific applications in rocketry, semiconductors, electronics, and health care. As these sectors continue to expand, the demand for helium expands in concert.

Saskatchewan is a known helium producing region, with multiple wells currently producing, and is a strategic location for continued exploration and development of helium. Helium is created through the breakdown of uranium and thorium and Saskatchewan is well known for having some of the highest uranium concentrations in the world.

These consolidated interim financial statements include the accounts of RHL together with its wholly owned subsidiary, Royal Helium Exploration Limited ("Royal Helium").

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Highlights

During the period ended June 30, 2021:

- Completed three-well exploratory drilling program at the Climax Helium Project.
- Commenced the testing of its initial three wells.
- Announced that economic grades of helium were encountered in each of the wells.
- Commenced production flow-testing of wells.
- Completed \$17,250,000 bought deal financing

After the reporting period ended June 30, 2021:

- Continued flow-testing
- Completed Helium in place calculation
- Commenced seven-well exploratory drilling program

Helium Prospects

Helium Market

The global helium market continues to be under significant supply pressures, as demand continues to outstrip supply. In North America, there has been no significant new source of supply impacting the market in several years. Royal Helium is well poised to be one of the much-needed new suppliers in the short term, aiding to fulfill a supply void felt from the removal of the United States Strategic Helium reserve in 2018. The ongoing mismatch of supply and demand has caused dramatic price movement since 2018, with prices rising by over 100% for this vital and irreplaceable inert gas.

Helium is valuable due to its completely inert nature. It is the only element on the periodic table that will not bind or react with any other element. Its properties also allow it to have the lowest boiling point on any element, and it can remain as a liquid until near absolute zero. These properties allow helium to act as the most effective super coolant on the market as well as a superconductor and purification gas that has no rivals. Helium acts as a cooling medium for superconducting magnets in MRI scanners, NMR spectrometers and other areas of scientific research. Helium has also been used to keep satellite instruments cool and is essential for space travel and rocketry. Helium is an essential in the manufacturing of many of the high-tech electronics and supporting network infrastructure that society uses every day, as well as being on the leading edge of new developments, both high-tech and scientific. Helium is often used to provide lift for weather balloons and airships because of its low density. Due to its unreactive nature, helium is used to provide an inert protective atmosphere essential for making fiber optics and semiconductors and for arc - welding various metal. Helium has applications in leak detection in multiple media, including HVAC systems and gas pipelines. Some gaseous helium mixtures are used to treat respiratory ailments in healthcare applications, and helium is also used in various laser applications.

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Off-Balance-Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

The Company routinely evaluates various business development opportunities that could entail farm-ins, farm-outs, acquisitions, trades and/or divestitures. The Company does not have any new or proposed transactions contemplated as of the date of this report.

Environmental Contingency

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. As of the date of this MD&A, the Company believes that there are no significant environmental obligations requiring material capital outlays in the immediate future.

Selected Annual Financial Information

All amounts rounded to thousands of dollars, except for per share amounts.

	6 Months Ended June 30, 2021 (\$)	Year Ended December 31, 2020 (\$)	Year Ended December 31, 2019 (\$)
Revenue for the period	-	-	-
Net loss for the period	2,780	1,327	240
Basic and diluted loss per share	0.03	0.03	0.01
Total assets	25,906	8,477	2,190
Total long-term liabilities	-	-	-

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Selected Quarterly Financial Information

Summary quarterly information is presented in the table below. All amounts rounded to thousands of dollars, except for the per share amounts.

Three Months Ended	Total Revenue (\$)	Income (loss)	
		Total (\$)	Per Share (\$)
June 30, 2021		(376)	(0.00)
March 31, 2021		(2,043)	(0.03)
December 31, 2020	-	(288)	(0.01)
September 30, 2020	-	(890)	(0.02)
June 30, 2020	-	(94)	(0.00)
March 31, 2020	-	(55)	(0.00)
December 31, 2019	-	(75)	0.00
September 30, 2019	-	(92)	0.00

Results of Operations

Six months ended June 30, 2021 and 2020

RHL's net loss totaled \$2,780,352 for the six months ended June 30, 2021, with basic and diluted loss per share of \$0.00 compared to a net loss of \$149,352 with basic and diluted loss per share of \$0.00 for the six months ended June 30, 2020. The increase of \$2,631,000 in net loss was principally because:

- For the six months ended June 30, 2021, Audit and accounting, legal and professional increased \$21,097 to \$34,163. The increased cost relates to when the Company requires professional services. Such services are required in business transactions and general business matters.
- For the six months ended June 30, 2021, general office and other increased \$113,982 to \$239,055. The increase is attributed to the Company significantly increasing all business activities.
- For the six months ended June 30, 2021, investor relations and marketing increased \$421,696 to \$432,909. The increase relates to the Company significantly increasing its business activities and initiated marketing programs and public awareness campaigns.
- For the six months ended June 30, 2021, Share-based compensation increased \$2,078,400 to \$2,078,400. The increase relates to timing of when the Company issues stock options and other share based compensation. No share based compensation was issued in the comparative period.

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Three months ended June 30, 2021 and 2020

RHL's net loss totaled \$376,885 for the three months ended June 30, 2021, with basic and diluted loss per share of \$0.00 compared to \$93,672 with basic and diluted loss per share of \$0.00 for the three months ended June 30, 2020. The increase of \$283,213 in net loss was principally because:

- For the three months ended June 30, 2021, general office and other increased \$80,594 to \$150,169. The increase is attributed to the Company increasing business activities in the quarter.
- For the three months ended June 30, 2021, investor relations and marketing increased \$201,467 to \$212,680. The increase relates to the Company significantly increasing its business activities and initiated marketing programs and public awareness campaigns.

Liquidity and Financial Position

At June 30, 2021, RHL had \$15,938,971 in cash and cash equivalents (December 31, 2020 - \$5,856,878) and working capital of \$15,665,399 (December 31, 2020 – working capital of \$5,602,453).

Cash used in operating activities was \$907,254 for the period ended June 30, 2021 compared to cash used of \$18,882 in the period ended June 30, 2020.

Cash used by investing activities was \$6,865,385 for the period ended June 30, 2021 compared to \$nil provided for the period ended June 30, 2020. The increase in net cash used is the result of the Company commencing drilling and testing activities in the first half of 2021.

Cash provided by financing activities was \$17,854,732 for the period ended June 30, 2021 compared to \$276,000 for the period ended June 30, 2020. The increase in net cash provided from financing activities is the result of the exercise of in the money warrants and stock option in the period as well as completion of a bought deal financing.

New and future accounting standards and interpretations

During the period ended June 30, 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.

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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.

Financial risk management

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 June 30, 2021, the Company had a cash balance of \$15,938,971 (December 31, 2020 - \$5,856,878) to settle current liabilities of \$486,076 (December 31, 2020 - \$355,417).

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(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 period ended June 30, 2021.

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 June 30, 2021, the Company believes it was in compliance with Policy 2.5.

Related Party Transactions

The following table summarizes transactions with related parties:

For the six months ended June 30,	2021 (\$)	2020 (\$)
Consulting fees – Andrew Davidson	35,000	30,000
Consulting fees – Tom MacNeill	30,000	30,000
Consulting fees – Jeff Sheppard	35,000	30,000
Consulting fees - Steve Halabura	30,000	30,000
Total	130,000	120,000

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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:

For the six months ended June 30,	2021 (\$)	2020 (\$)
Short-term benefits	130,000	120,000
Share-based payments	1,515,500	-
Total	1,645,500	120,000

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 June 30, 2021, the Company had \$10,500 (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.

Directors and officers of the Company subscribed for nil (December 31, 2020 - 1,970,000) shares for total proceeds of \$nil (December 31, 2020 - \$88,500) during the private placement financing held by the Company on July 9, 2020.

Share Capital

As of the date of this MD&A, the Company had 142,146,990 issued and outstanding common shares.

As of the date of this MD&A, the Company had 10,250,000 stock options as follows:

Expiry Date	Exercise Price (CDN)	Total Options	Vested Options
July 17, 2025	\$0.23	2,800,000	2,800,000
January 10, 2026	\$0.44	4,600,000	4,600,000
July 2, 2026	\$0.60	2,850,000	2,850,000

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As of the date of this MD&A, the Company had 28,273,622 warrants as follows:

Expiry Date	Exercise Price (CDN)	Total Warrants
December 22, 2022	\$0.35	11,023,622
June 8, 2023	\$0.75	17,250,000

As of the date of this MD&A, the Company had 4,252,500 broker warrants as follows:

Expiry Date	Exercise Price (CDN)	Total Warrants
December 22, 2022	\$0.22	1,837,500
June 8, 2023	\$0.50	2,415,000

Subsequent Events

Subsequent to June 30, 2021, 300,000 warrants were exercised at \$0.07 per share for total proceeds of \$21,000.

On July 2, 2021, the Company granted 2,850,000 stock options, of the total options granted 1,600,000 were granted to directors and officers with the balance issued to consultants of the Company. The options have an exercise price of \$0.60, expire July 2, 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 \$0.53, expected yield of 0%, expected volatility of 209% based on the historical volatility of the Company, risk free rate of 0.86% and an expected life of 5 years.

Additional Disclosure for Venture Issuers Without Significant Revenue

For the six months ended June 30,	2021	2020
Audit and accounting	\$ 21,420	\$ 11,660
General office and other	239,055	125,073
Investor relations and marketing	432,909	11,213
Legal and professional	12,743	1,406
Share-based compensation	2,078,400	-
	\$ 2,780,527	\$ 149,352

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Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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Risk Factors

Helium development

No reserves have been assigned in connection with RHL's property interests to date, given their early stage of development. The future value of RHL is therefore dependent on the success or otherwise of RHL's activities, which are principally directed toward the further exploration, appraisal and development of its assets in Saskatchewan, and potential acquisition of additional property interests in the future. Exploration, appraisal and development of helium reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the property interests of RHL will lead to a commercial discovery or, if there is a commercial discovery, that RHL will be able to realize the value of such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage RHL is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, RHL's business, financial condition and / or results of operations and, accordingly, the trading price of RHL shares, is likely to be materially adversely affected. Helium exploration involves a high degree of risk and there is no assurance that expenditures made for future exploration or development activities by RHL will result in discoveries reserves that are commercially or economically viable.

No history of production

RHL's properties are exploration stage only. RHL has never had any material interest in helium producing properties. There is no assurance that commercial quantities of helium will be discovered at any of the properties of RHL or any future properties, nor is there any assurance that the exploration or development programs of RHL thereon will yield any positive results. Even if commercial quantities of helium are discovered, there can be no assurance that any property of RHL will ever be brought to a stage where helium can profitably be produced thereon. Factors which may limit the ability of RHL to produce helium from its properties include, but are not limited to, commodity prices, availability of additional capital and financing and the nature of any helium deposits.

Environmental regulation and risks

All phases of RHL's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect RHL's operations. Environmental hazards may exist on the properties in which RHL holds interests that are unknown to RHL at present and which have been caused by previous or existing owners or operators of the properties.

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Government approvals, approval of aboriginal people and permits are currently and may in the future be required in connection with RHL's direct and indirect operations. To the extent such approvals are required and not obtained, RHL may be curtailed or prohibited from continuing its helium exploration operations or from proceeding with planned exploration or development of its properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of natural resource properties may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of helium companies, or more stringent implementation thereof, could have a material adverse impact on RHL and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

Requirement for permits and licenses

The operations of RHL require it to obtain licenses for operating, permits, and in some cases, renewals of existing licenses and permits from authorities in Saskatchewan. RHL believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the terms of such licenses and permits. However, the ability of RHL to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies.

Insurance and uninsured risks

RHL's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, mechanical failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to helium properties and / or production facilities, personal injury or death, environmental damage to the properties of RHL, or the properties of others, delays in exploration, development and production activities, monetary losses and possible legal liability.

Although RHL maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with helium operations. RHL may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production activities is not generally available to RHL or to other companies in the helium

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industry on acceptable terms. RHL might also become subject to liability for pollution or other hazards that may not be insured against or which RHL may elect not to insure against because of premium costs or other reasons. Losses from these events may cause RHL to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers. There is no assurance that the Company can maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects.

Price volatility of publicly traded securities

In recent years, the securities markets throughout the world, including in the United States and Canada, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

The value of securities qualified hereunder will be affected by market volatility. An active public market for the common shares might not be sustained. If an active public market for the common shares is not sustained, the liquidity of a shareholder's investment may be limited and the share price may decline.

Conflicts of interest

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of applicable corporate law.

Additional Information:

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Andrew Davidson, President and CEO