ROYAL HELIUM LTD.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Royal Helium Ltd.

Opinion

We have audited the consolidated financial statements of Royal Helium Ltd. (the "Company"), which comprise:

- The consolidated statement of financial position as at December 31, 2021
- The consolidated statement of loss and comprehensive loss for the year then ended
- The consolidated statement of cash flows for the for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 19, 2021.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

– Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Timothy Arthur Richards.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 19, 2022

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

As at December 31,	2021	2020
ASSETS		
Current		
Cash and cash equivalents (note 5)	$ 10,413,553	$ 5,856,878
Accounts receivable	318,597	56,805
Prepaid	286,624	44,187
Total current assets	11,018,774	5,957,870
Non-current		
Exploration and evaluation assets (note 6)	18,412,963	2,519,583
Total assets	$ 29,431,737	$ 8,477,453
LIABILITES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (notes 7 and 16)	$ 4,611,914	$ 355,417
Non-current		
Decommissioning liability (Note 8)	203,333	-
Total liabilities	$ 4,815,247	$ 355,417
Shareholders' Equity		
Share capital (note 9)	$ 47,415,565	$ 30,484,589
Contributed surplus	7,970,545	3,280,796
Deficit	(30,769,620)	(25,643,349)
Total shareholders' equity	24,616,490	8,122,036
Total liabilities and shareholders' equity	$ 29,431,737	$ 8,477,453

Contingencies and Commitments (Notes 6 and 15)
Subsequent Events (Note 19)

Approved by the Board of Directors on April 19, 2022

" *Andrew Davidson*"	*"Tom MacNeill"*
Andrew Davidson, President and Director	Tom MacNeill, Director

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

(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
Expenses		
General and administrative (notes 13 and 16)	$ 5,162,640	$ 1,330,454
Other income		
Interest income	32,194	-
Gain on settlement of payables	4,175	3,053
Net loss and comprehensive loss for the year	$ (5,126,271)	$ (1,327,401)
Basic and diluted loss per share (note 12)	$ (0.04)	$ (0.03)
Weighted average number of shares outstanding – basic and diluted (Note 12)	123,300,431	47,116,666

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

(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (5,126,271)	$ (1,327,401)
Items not affecting cash:		
Share-based payments (Note 13)	3,557,550	648,000
Gain on settlement of payables	(4,175)	(3,053)
Changes in non-cash working capital (Note 18)	(542,691)	(177,511)
Net cash used in operating activities	(2,115,587)	(859,965)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds - warrant exercise	2,139,816	382,900
Proceeds - broker warrant exercise (Note 9)	72,581	-
Proceeds - stock option exercise (Note 9)	88,000	46,000
Issuance of share (Note 9)	17,250,000	7,150,000
Share issuance costs (Note 9)	(1,528,247)	(600,041)
Change in non-cash working capital (Note 18)	(38,396)	38,396
Net cash provided by financing activities	17,983,754	7,017,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to exploration and evaluation assets	(15,690.045)	(388,835)
Change in non-cash working capital (Note 18)	4,378,553	61,146
Net cash used in investing activities	(11,311,492)	(327,689)
Change in cash	4,556,675	5,829,601
Cash, beginning of year	5,856,878	27,277
Cash, end of year	$ 10,413,553	$ 5,856,878

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, 2019	**$ 23,832,539**	**$ 2,305,987**	**$ (24,315,948)**	**$ 1,822,578**
Share issuance - financing (Note 9)	7,150,000	-	-	7,150,000
Share issuance – warrant exercise (Note 9)	382,900	-	-	382,900
Share issuance – stock option exercise (Note 9)	89,200	(43,200)	-	46,000
Share issuance costs (Note 9)	(600,041)	-	-	(600,041)
Broker warrants issued (Note 11)	(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**
Share issuance - financing (Note 9)	17,250,000	-	-	17,250,000
Share issuance – warrant exercise (Note 9)	2,139,816	-	-	2,139,816
Share issuance - broker warrants (Note 9)	109,582	(37,001)	-	72,581
Share issuance – stock option exercise (Note 9)	174,600	(86,600)	-	88,000
Share issued for debt (Note 9)	41,025	-	-	41,025
Share issuance costs (Note 9)	(1,528,247)	-	-	(1,528,247)
Broker warrants issued (Note 11)	(1,255,800)	1,255,800	-	-
Share based compensation	-	3,557,550	-	3,557,550
Net loss for the year	-	-	(5,126,271)	(5,126,271)
Balance as at December 31, 2021	**$ 47,415,565**	**$ 7,970,545**	**$ (30,769,620)**	**$ 24,616,490**

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.

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.

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 results may differ from these estimates and assumptions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses.

Decommissioning Obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category unless it arises from the normal course of production activities, in which case it is recognized in profit or loss.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs, whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

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, 2021 and 2020.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Exploration and Evaluation Expenditures

Pre-license costs are recognized in the statement of loss as incurred.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area, pending determination of technical feasibility and commercial viability.

The Company assesses the recoverability of exploration and evaluation assets, before and at the moment of reclassification, to property, plant and equipment. Exploration and evaluation assets are assessed for impairment if (a) sufficient data exists to determine technical feasibility and commercial viability, and (b) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The impairment of exploration and evaluation assets, and any eventual reversal thereof, is recognized in the statement of profit or loss.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved or probable reserves have been discovered. Upon determination of proved or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment. The cost of undeveloped land that expires is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Development and Production Costs

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. The Company has grouped its development and production assets into the Southern Sask CGU. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

Subsequent Costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as property, plant and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depletion and Depreciation

The net carrying value of development or production assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by Company reserves engineers at least quarterly.

Proved and probable reserves are estimated using independent reserves engineer reports and represent the estimated quantities of crude oil, natural gas and NGLs that geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and that are considered commercially producible.

For other assets, depreciation is recognized in profit or loss on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for other assets for the current and comparative years are as follows:

- Office equipment and fixtures 30% declining basis
- Computer hardware and software 30% declining basis

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

Non-Derivative Financial Assets

Impairment of financial assets is determined by measuring the assets' expected credit loss ("ECL"). The Company's financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the financial asset. ECL allowances have not been recognized for cash and cash equivalents due to the virtual certainty associated with their collection. The ECL pertaining to trade and other receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of all possible default events related to the financial asset (over the lifetime or within 12 months after the reporting period, as applicable) and are measured as the difference between the present value of the cash flows due to the Company and the cash flows the Company expects to receive, including cash flows expected from collateral and other credit enhancements that are a part of contractual terms. In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, the number of days a debtor is past due in making a contractual payment, and the term to maturity of the specified receivable. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in profit and loss.

Based on contractual terms and conditions, the Company considers its financial assets to be in default when the counterparty fails to make contractual payments as required. Once the Company has pursued collection activities and it has been determined that the incremental cost of pursuing collection outweighs the benefits, the Company derecognizes the gross carrying amount of the financial asset and the associated allowance from the statement of financial position.

Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGUs). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less cost to sell.

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. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell oil and natural gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate, which would be applied by such a market participant to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to CGUs or groups of CGUs.

Impairment losses, for non-financial assets other than goodwill, recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

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 capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

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.

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, accounts 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)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and future accounting standards and interpretation

During the year ended December 31, 2021, 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 consolidated 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.

Taxation
Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets, if any, are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

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.

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 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.

(Expressed in Canadian dollars)

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

Critical Judgments (continued)

Exploration and evaluation ("E&E") assets
The application of the Company's accounting policy for E&E requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

Deferred income taxes
Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable income. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in earnings or loss in the period in which the change occurs.

5. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash at bank and on hand	$ 10,413,553	$ 5,856,878

6. EXPLORATION AND EVALUATION ASSETS

	Balance as at January 1, 2020	Acquisition / Renewals	Consultants	Drilling	Geophysics	Other Exploration	Balance as at December 31, 2020
Bengough/ Ogema	$ 1,774,594	$ 26,421	$ -	$ -	$ -	$ 20,839	$ 1,821,854
Cadillac	66,931	-	-	-	-	-	66,931
Climax	191,048	83,449	69,377	44,371	105,130	24,018	517,393
Coronach	5,000	-	-	-	-	-	5,000
Creelman	5,000	-	-	-	-	-	5,000
Midale	5,000	-	-	-	-	-	5,000
Val Marie	93,405	-	-	-	-	-	93,405
Weyburn	5,000	-	-	-	-	-	5,000
	$ 2,145,978	$ 109,870	$ 69,377	$ 44,371	$ 105,130	$ 44,857	$ 2,519,583

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2021	Acquisition / Renewals	Consultants	Drilling	Geophysics	Other Exploration	Balance as at December 31, 2021
Bengough/ Ogema	$ 1,821,854	$ -	$ 50,750	$ 3,811,177	$ 646,621	$ 80,620	$ 6,411,022
Cadillac	66,931	-	1,000	-	-	10,000	77,931
Climax	517,393	152,401	140,411	10,560,916	41,590	201,427	11,614,138
Coronach	5,000	-	-	-	-	20,000	25,000
Creelman	5,000	-	-	-	-	20,000	25,000
Francis	-	-	-	-	-	2,446	2,446
Midale	5,000	-	-	-	-	15,135	20,135
Val Marie	93,405	-	1,000	-	-	15,000	109,405
Weyburn	5,000	-	1,000	-	118,860	3,026	127,886
	$ 2,519,583	$ 152,401	$ 194,161	$ 14,372,093	$ 807,071	$ 367,654	$ 18,412,963

Included in other exploration expense for the Climax project is $125,469 (December 31, 2020 - $nil) and for the Ogema project is $77,864 (December 31, 2020 - $nil) which is related to the estimated decommissioning liability (Note 8).

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: 2022 - $236,668, 2023 - $310,827, 2024 - $361,279 and 2025 - $408,374.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
Accounts payable	$ 4,593,014	$ 341,517
Accruals and others	18,900	13,900
	$ 4,611,914	$ 355,417

(Expressed in Canadian dollars)

8. Decommissioning liabilities

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ -	$ -
Additions	203,333	-
Balance, end of year	$ 203,333	$ -

The total of the decommissioning liabilities are estimated based on the Company's net ownership interest in all the wells, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated that based on their net ownership interest, the total undiscounted cash flows required to settle the obligations will be $204,600. The obligations have been discounted using a risk free rate of 1.68% and an inflation rate of 1.82% per year. Most of these obligations are not expected to be paid until approximately 10 years in the future and will be funded from general Company resources at that time.

9. 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	47,954,545	7,150,000
Fair value allocation – broker warrants	-	(370,009)
Share issue costs	-	(600,041)
Balance, December 31, 2020	89,830,934	30,484,589
Share issuance – bought deal	34,500,000	17,250,000
Share issuance – warrant exercise	17,737,761	2,139,816
Share issuance – broker warrant exercise	275,625	109,582
Share issuance – stock option exercise	200,000	174,600
Share issuance – share for debt	77,406	41,025
Fair value allocation – broker warrants	-	(1,255,800)
Share issue costs	-	(1,528,247)
Balance, December 31, 2021	**142,621,726**	**$ 47,415,565**

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.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND EQUITY RESERVES (continued)

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 (see note 11). Directors and officers of the Company subscribed for 720,696 units for total proceeds of $158,553.

On June 8, 2021, the Company closed a bought deal financing of 34,500,000 units at a price of $0.50 per unit for gross proceeds of $17,250,000. 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 paid $1,528,247 cash finder's fees and other expenses and issued 2,415,000 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 (see note 11).

10. 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, 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
Issued	2,850,000	0.60
Exercised	(200,000)	0.44
Exercisable, December 31, 2021	**10,250,000**	**$ 0.43**

As at December 31, 2021, 10,250,000 (2020 – 2,800,000) options were issued and outstanding and exercisable with a weighted average remaining life of 4.03 years (2020 – 4.55).

On July 17, 2020, the Company granted 3,000,000 stock options, of the total options granted 2,400,000 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, which resulted in a fair value of $0.216 per option.

(Expressed in Canadian dollars)

10. STOCK OPTIONS (continued)

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 0.38% and an expected life of 5 years, which resulted in a fair value of $0.433 per option.

On July 2, 2021, the Company granted 2,850,000 stock options, of the total options granted 1,750,000 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, , which resulted in a fair value of $0.519 per option.

11. 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, 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
Issued	17,250,000	0.75
Exercised	(14,530,000)	0.07
Exercised	(3,207,761)	0.35
Balance, December 31, 2021	**28,019,511**	**$ 0.60**

As of December 31, 2021, 28,019,511 (2020 – 28,507,272) warrants were issued and outstanding with a weighted average remaining life of 1.26 years (2020 – 1.24).

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

	Number of warrants	**Weighted Average Exercise Price**
Balance, December 31, 2019	**-**	**$ -**
Issued	1,837,500	0.22
Balance, December 31, 2020	1,837,500	0.22
Issued	2,415,000	0.50
Exercised	(183,750)	0.22
Balance, December 31, 2021	**4,068,750**	**$ 0.39**

(Expressed in Canadian dollars)

11. WARRANTS AND BROKER WARRANTS (continued)

As of December 31, 2021, 4,068,750 (December 31, 2020 – 1,837,500) warrants were issued and outstanding with a weighted average remaining life of 1.25 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. The fair value of the broker units were $370,009 booked to Contributed surplus.

On June 8, 2021, the Company issued broker warrants upon closing of a bought deal financing. 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. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following weighted average assumptions: share price of $0.60, expected yield of 0%, expected volatility of 205% based on the historical volatility of the Company, risk free rate of 0.32% and an expected life of 2 years. The fair value of the broker units were $1,255,800.

12. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2021, was based on the loss attributable to common shareholders of $5,126,271 (December 31, 2020 - $1,327,401) and the weighted average number of common shares outstanding of 123,300,431 for the year ended December 31, 2021 (December 31, 2020 – 47,116,666).

During the years ended December 31, 2021 and 2020, all outstanding options and warrants were anti-dilutive and were therefore excluded from the diluted loss per share calculation.

13. GENERAL AND ADMINISTRATIVE

Years ended December 31,		**2021**		**2020**
Audit and accounting	$	22,920	$	11,660
General office and other		535,765		338,602
Investor relations and marketing		1,028,015		325,017
Legal and professional		18,390		7,175
Share-based compensation		3,557,550		648,000
Total general and administrative	$	5,162,640	$	1,330,454

(Expressed in Canadian dollars)

14. INCOME TAXES

a) The statutory tax rate for the year ended December 31, 2021 is 26.5% (year ended December 31, 2020 – 26.5%).

	December 31, 2021	December 31, 2020
Loss for the year before income taxes	$ (5,126,271)	$ (1,327,401)
Expected income tax recovery based on statutory rate	(1,358,000)	(352,000)
Adjustment to expected income tax benefit:		
Share based compensation	943,000	172,000
Other	2,000	(284,000)
Adjustments in respect of prior years	(4,902,000)	-
Change in unrecognized deferred tax asset	5,315,000	464,000
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, 2021	December 31, 2020
Exploration and evaluation assets	$ 1,365,000	$ -
Asset retirement obligations	203,000	-
Capital loss carry-forwards	16,933,000	-
Non-capital loss carry-forwards	8,563,000	6,481,000
Share issue costs	1,873,000	870,000
Deductible temporary differences	$ 28,937,000	$ 7,351,000

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, 2021 and 2020 has not been recognized in respect of certain 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.

Non-capital losses available as at December 31, 2021 can be carried forward for twenty years, and begin to expire in 2029. As at December 31, 2021, the Company has estimated non-capital losses of approximately $8.56 million.

15. 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, 2021, these amounts have not been recorded in these consolidated financial statements.

(Expressed in Canadian dollars)

15. CONTINGENCIES AND COMMITMENTS (continued)

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, which has had no impact on the company to date.

16. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with key management personnel:

Years ended December 31,		**2021**		**2020**
Consulting fees – Andrew Davidson	$	95,000	$	90,000
Consulting fees – Tom MacNeill		30,000		90,000
Consulting fees – Jeff Sheppard		95,000		90,000
Consulting fees – Campbell Becher		-		45,000
Consulting fees – Steve Halabura		60,000		60,000
Office rent		24,000		-
Total	$	304,000	$	375,000

(Expressed in Canadian dollars)

16. 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:

Years ended December 31,		2021		2020
Short-term benefits	$	304,000	$	375,000
Share-based payments		2,423,750		518,400
Total	$	2,727,750	$	883,400

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, 2021, the Company had $5,250 (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.

The Company has an agreement for office space and related services for a monthly fixed fee of $2,000, with another company that has common management and directors. The Company incurred $24,000 in 2021 (2020 – $nil) in respect of this agreement and had $nil (2020 – $nil), included in accounts payable and accrued liabilities as at December 31, 2021.

See notes 9, 10 and 18.

17. 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.

17. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

The maximum exposure to credit risk for deposits approximates the amount recognized as cash, accounts 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. Accounts receivable are all considered current and primarily relate to GST.

(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, 2021, the Company had a cash balance of $10,413,553 (December 31, 2020 - $5,856,878) to settle current liabilities of $4,611,914 (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.

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

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

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 the discovery of economically recoverable reserves in the underlying helium claims and 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.

18. SUPPLEMENTAL CASH FLOW INFORMATION

		December 31, 2021		December 31, 2020
Change in non-cash working capital:				
Accounts receivable	$	(261,792)	$	(40,357)
Prepaid		(242,437)		(44,187)
Accounts payable and accrued liabilities		4,256,497		11,708
	$	3,752,268	$	(72,836)
Allocated to:				
Operating	$	(587,889)	$	(172,378)
Financing		(38,396)		38,396
Investing		4,378,553		61,146
Total general and administrative	$	3,752,268	$	(72,836)

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, 120,000 stock options were exercised at $0.23 per share for total proceeds of $27,600.