



# ROYAL HELIUM LTD.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

(Unaudited - Prepared by Management)

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

**Royal Helium Ltd.**

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	March 31 2022	December 31 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (note 5)	\$ 3,856,658	\$ 10,413,553
Accounts receivable	164,120	318,597
Environmental deposit	67,700	-
Prepaid	1,064,406	286,624
Total current assets	5,152,884	11,018,774
<b>Non-current</b>		
Exploration and evaluation assets (note 6)	20,091,069	18,412,963
Total assets	\$ 25,243,953	\$ 29,431,737
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (notes 7 and 16)	\$ 658,961	\$ 4,611,914
<b>Non-current</b>		
Decommissioning liability (Note 8)	205,251	203,333
Total liabilities	\$ 864,212	\$ 4,815,247
<b>Shareholders' Equity</b>		
Share capital (note 9)	\$ 47,467,654	\$ 47,415,565
Contributed surplus	7,944,625	7,970,545
Deficit	(31,032,538)	(30,769,620)
Total shareholders' equity	24,379,741	24,616,490
Total liabilities and shareholders' equity	\$ 25,243,953	\$ 29,431,737

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

Approved by the Board of Directors on May 13, 2022

*"Andrew Davidson"*

Andrew Davidson, President and Director

*"Tom MacNeill"*

Tom MacNeill, Director

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

**Royal Helium Ltd.**

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the three months ended March 31,	2022	2021
<b>Expenses</b>		
General and administrative (notes 13 and 16)	\$ 262,918	\$ 2,403,466
<b>Net loss and comprehensive loss for the period</b>	\$ (262,918)	\$ (2,403,466)
<b>Basic and diluted loss per share (note 12)</b>	\$ (0.00)	\$ (0.03)
<b>Weighted average number of shares outstanding – basic and diluted (Note 12)</b>	142,670,265	96,023,490

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

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

For the three months ended March 31,	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (262,918)	\$ (2,403,466)
Items not affecting cash:		
Share-based payments (Note 13)	-	2,078,400
Accretion	1,918	-
Changes in non-cash working capital (Note 18)	(499,179)	(485,529)
Net cash used in operating activities	(760,179)	(810,595)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds - warrant exercise	-	736,750
Proceeds - stock option exercise (Note 9)	27,600	88,000
Share issuance costs (Note 9)	(1,431)	(8,191)
Net cash provided by financing activities	26,169	816,559
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to exploration and evaluation assets	(1,678,106)	(5,566,292)
Environmental deposit	(67,700)	-
Changes in non-cash working capital (Note 18)	(4,077,079)	2,286,036
Net cash used in investing activities	(5,822,885)	(3,280,256)
<b>Change in cash</b>	<b>(6,556,895)</b>	<b>(3,274,292)</b>
<b>Cash, beginning of period</b>	<b>10,413,553</b>	<b>5,856,878</b>
<b>Cash, end of period</b>	<b>\$ 3,856,658</b>	<b>\$ 2,582,586</b>

*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
<b>Balance as at December 31, 2020</b>	<b>\$ 30,484,589</b>	<b>\$ 3,280,796</b>	<b>\$ (25,643,349)</b>	<b>\$ 8,122,036</b>
Share issuance – warrant exercise (Note 9)	736,750	-	-	736,750
Share issuance – stock option exercise (Note 9)	174,600	(86,600)	-	88,000
Share issuance costs (Note 9)	(8,191)	-	-	(8,191)
Share based compensation	-	2,078,400	-	2,078,400
Net loss for the period	-	-	(2,403,466)	(2,403,466)
<b>Balance as at March 31, 2021</b>	<b>\$ 31,387,748</b>	<b>\$ 5,272,596</b>	<b>\$ (28,046,815)</b>	<b>\$ 8,613,529</b>
<b>Balance as at December 31, 2021</b>	<b>\$ 47,415,565</b>	<b>\$ 7,970,545</b>	<b>\$ (30,769,620)</b>	<b>\$ 24,616,490</b>
Share issuance – stock option exercise (Note 9)	53,520	(25,920)	-	27,600
Share issuance costs (Note 9)	(1,431)	-	-	(1,431)
Net loss for the period	-	-	(262,918)	(262,918)
<b>Balance as at March 31, 2022</b>	<b>\$ 47,467,654</b>	<b>\$ 7,944,625</b>	<b>\$ (31,032,538)</b>	<b>\$ 24,379,741</b>

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

## **Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

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### **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 4<sup>th</sup> 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**

#### **Statement of compliance**

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021.

The condensed interim consolidated financial statements of the Corporation for the three month periods ended March 31, 2022 were authorized for issuance by the Corporation's board of directors on May 13, 2022.

#### **Basis of preparation**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **New and future accounting standards and interpretation**

During the period ended March 31, 2022, 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 37.

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.

## Royal Helium Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **New and future accounting standards and interpretation (continued)**

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:

#### **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.

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

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

*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**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Cash at bank and on hand	\$ 3,856,658	\$ 10,413,553

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

**6. EXPLORATION AND EVALUATION ASSETS**

	Balance as at						Balance as at
	January 1, 2021	Acquisition /				Other	December 31, 2021
		Renewals	Consultants	Drilling	Geophysics	Exploration	
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	10,698,046	41,590	64,297	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	\$ 14,509,223	\$ 807,071	\$ 230,524	\$ 18,412,963

	Balance as at						Balance as at
	January 1, 2022	Acquisition /				Other	March 31, 2022
		Renewals	Consultants	Drilling	Geophysics	Exploration	
Bengough/ Ogema	\$ 6,411,022	\$ -	\$ 9,000	\$ 666,688	\$ 4,636	\$ -	\$ 7,091,346
Cadillac	77,931	-	-	-	-	3,151	81,082
Climax	11,614,138	-	56,619	218,188	369,877	7,313	12,266,135
Coronach	25,000	-	-	-	-	952	25,952
Creelman	25,000	-	-	-	-	-	25,000
Francis	2,446	-	-	-	-	-	2,446
Midale	20,135	-	-	-	-	10,000	30,135
Val Marie	109,405	-	31,900	9,832	273,541	483	425,161
Weyburn	127,886	-	-	-	-	15,926	143,812
	\$ 18,412,963	\$ -	\$ 97,519	\$ 894,708	\$ 648,054	\$ 37,825	\$ 20,091,069

Included in other exploration expense for the Climax project is \$nil (December 31, 2021 - \$125,469) and for the Ogema project is \$nil (December 31, 2021 - \$77,864) 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**

	March 31, 2022	December 31, 2021
Accounts payable	\$ 633,061	\$ 4,593,014
Accruals and others	25,900	18,900
	\$ 658,961	\$ 4,611,914

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

**8. Decommissioning liabilities**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Balance, beginning of period	\$ 203,333	\$ -
Additions	-	203,333
Accretion	1,918	-
<b>Balance, end of period</b>	<b>\$ 205,251</b>	<b>\$ 203,333</b>

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:

	<b>Number of common shares</b>	<b>Amount</b>
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
Share issuance – stock option exercise	120,000	53,520
Share issue costs	-	(1,431)
<b>Balance, March 31, 2022</b>	<b>142,741,726</b>	<b>\$ 47,467,654</b>

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.

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

**9. SHARE CAPITAL AND EQUITY RESERVES (continued)**

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
<b>Balance, December 31, 2020</b>	<b>2,800,000</b>	<b>\$ 0.23</b>
Issued	4,800,000	0.44
Issued	2,850,000	0.60
Exercised	(200,000)	0.44
Balance, December 31, 2021	10,250,000	0.43
Exercised	(120,000)	0.23
<b>Exercisable, March 31, 2022</b>	<b>10,130,000</b>	<b>\$ 0.43</b>

As at March 31, 2022, 10,130,000 (December 31, 2021 – 10,250,000) options were issued and outstanding and exercisable with a weighted average remaining life of 3.79 years (December 31, 2021 – 4.03).

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.

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

**11. WARRANTS AND BROKER WARRANTS**

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

	<b>Number of warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2020</b>	<b>28,507,272</b>	<b>\$ 0.21</b>
Issued	17,250,000	0.75
Exercised	(14,530,000)	0.07
Exercised	(3,207,761)	0.35
<b>Balance, December 31, 2021 and March 31, 2022</b>	<b>28,019,511</b>	<b>\$ 0.60</b>

As of March 31, 2022, 28,019,511 (December 31, 2021 – 28,019,511) warrants were issued and outstanding with a weighted average remaining life of 1.01 years (December 31, 2021 – 1.26).

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

	<b>Number of warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2020</b>	<b>1,837,500</b>	<b>\$ 0.22</b>
Issued	2,415,000	0.50
Exercised	(183,750)	0.22
<b>Balance, December 31, 2021 and March 31, 2022</b>	<b>4,068,750</b>	<b>\$ 0.39</b>

As of March 31, 2022, 4,068,750 (December 31, 2021 – 4,068,750) warrants were issued and outstanding with a weighted average remaining life of 1.00 years (December 31, 2021 – 1.25 years).

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 period ended March 31, 2022, was based on the loss attributable to common shareholders of \$262,918 (March 31, 2021 - \$2,403,466) and the weighted average number of common shares outstanding of 142,670,265 for the period ended March 31, 2022 (March 31, 2021 – 96,023,490).

During the periods ended March 31, 2022 and 2021, all outstanding options and warrants were anti-dilutive and were therefore excluded from the diluted loss per share calculation.

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

**13. GENERAL AND ADMINISTRATIVE**

<b>Three months ended March 31,</b>	<b>2022</b>	<b>2021</b>
Accretion	\$ 1,918	\$ -
Audit and accounting	12,000	10,200
General office and other	134,766	88,886
Investor relations and marketing	111,571	220,229
Legal and professional	2,663	5,751
Share-based compensation	-	2,078,400
<b>Total general and administrative</b>	<b>\$ 262,918</b>	<b>\$ 2,403,466</b>

**14. INCOME TAXES**

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 condensed interim consolidated financial statements.

**Environmental contingencies**

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

**Property expenditure commitments**

See note 6.

**Legal matters**

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

**Royal Helium Ltd.**

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars)

**15. CONTINGENCIES AND COMMITMENTS (continued)****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:

<b>Three months ended March 31,</b>	<b>2022</b>	<b>2021</b>
Consulting fees – Andrew Davidson	\$ 30,000	\$ 15,000
Consulting fees – Tom MacNeill	-	15,000
Consulting fees – Jeff Sheppard	30,000	15,000
Consulting fees – Steve Halabura	15,000	15,000
<b>Total</b>	<b>\$ 75,000</b>	<b>\$ 60,000</b>

**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:

<b>Three months ended March 31,</b>	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 75,000	\$ 60,000
Share-based payments	-	1,515,500
<b>Total</b>	<b>\$ 75,000</b>	<b>\$ 1,575,500</b>

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.

## **Royal Helium Ltd.**

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### **16. RELATED PARTY TRANSACTIONS (continued)**

As at March 31, 2022, the Company had \$5,250 (December 31, 2021 – \$5,250), 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 \$6,000 in 2022 (2021 – \$6,000) in respect of this agreement and had \$nil (2020 – \$nil), included in accounts payable and accrued liabilities as at March 31, 2022.

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.

(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 March 31, 2022, the Company had a cash balance of \$3,856,658 (December 31, 2021 - \$10,413,553) to settle current liabilities of \$658,961 (December 31, 2021 - \$4,611,914).

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**17. FINANCIAL INSTRUMENTS (continued)****(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 periods ended March 31, 2022 and 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 March 31, 2022, the Company believes it was in compliance with Policy 2.5.

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**

	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b>Change in non-cash working capital:</b>		
Accounts receivable	\$ 154,477	\$ (273,543)
Prepaid	(777,782)	(132,385)
Accounts payable and accrued liabilities	(3,952,953)	2,206,435
	<b>\$ (4,576,258)</b>	<b>\$ 1,800,507</b>
<b>Allocated to:</b>		
Operating	\$ (499,179)	\$ (485,529)
Investing	(4,077,079)	2,286,036
<b>Total general and administrative</b>	<b>\$ (4,576,258)</b>	<b>\$ 1,800,507</b>

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**19. SUBSEQUENT EVENTS**

On May 2, 2022, the Company announced it entered into an agreement to acquire 100% of the issued and outstanding shares of Imperial Helium Corp ("Imperial") through a plan of arrangement. Under the terms of the agreement, the Company will issue 0.614 common share for each Imperial common share held. Following the Arrangement, each outstanding warrant to purchase an Imperial Share (the "Imperial Warrants") outstanding shall receive upon the exercise of such Imperial Warrant, in lieu of each Imperial Share to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the fraction of a Royal Share represented by the Exchange Ratio that the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the effective time of the Arrangement, such holder had been the registered holder of the number of Imperial Shares to which the holder was theretofore entitled upon the exercise of such Imperial Warrant. Pursuant to the Arrangement, outstanding stock options to acquire Imperial Shares will be exchanged for options to acquire Royal Shares, at numbers and exercise prices adjusted for the Exchange Ratio, and exercisable for a period of 30 days following closing.

The Arrangement Agreement contains representations and warranties for the benefit of each of Royal and Imperial, conditions relating to Imperial Shareholder, Court and regulatory approvals, material adverse changes and compliance with the Arrangement Agreement as are in each case customary in comparable transactions of this nature.