ROYAL HELIUM LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

(Unaudited - Prepared by Management)

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

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

	March 31 2023	December 31 2022
ASSETS		
Current		
Cash and cash equivalents (note 4)	$ 1,099,929	$ 1,002,973
Accounts receivable	507,573	751,363
Prepaid	1,198,621	1,119,450
Total current assets	2,806,123	2,873,786
Non-current		
Environmental deposit (note 8)	101,550	101,550
Exploration and evaluation assets (note 5)	45,861,710	45,626,613
Property, plant and equipment (note 6)	18,801,454	11,147,975
Total assets	$ 67,570,837	$ 59,749,924
LIABILITES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (notes 7 and 17)	$ 12,172,837	$ 8,780,986
Non-current		
Decommissioning liability (note 8)	376,137	375,994
Convertible Debentures (note 9)	4,274,541	-
Total liabilities	$ 16,823,515	$ 9,156,980
Shareholders' Equity		
Share capital (note 10)	$ 75,889,046	$ 75,574,713
Equity portion of convertible debentures (note 9)	419,400	-
Contributed surplus	10,743,336	10,176,855
Deficit	(36,304,460)	(35,158,624)
Total shareholders' equity	50,747,322	50,592,944
Total liabilities and shareholders' equity	$ 67,570,837	$ 59,749,924

Contingencies and Commitments (notes 7, 8 and 17)
Subsequent Events (note 20)

Approved by the Board of Directors on May 19, 2023

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

"John Pringle"
John Pringle, Director

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

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

For the three months ended March 31,	**2023**	**2022**
Operating costs and expenses		
General and administrative (notes 15)	$ 1,167,248	$ 262,918
Net loss before undernoted items	(1,167,248)	(262,918)
Interest income	21,412	-
Net loss and comprehensive loss for the period	$ (1,145,836)	$ (262,918)
Basic and diluted loss per share (note 14)	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding – basic and diluted (note 14)	239,513,854	142,670,265

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

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

For the three months ended March 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,145,836)	$ (262,918)
Items not affecting cash:		
Share-based payments (note 12)	170,500	-
Accretion – decommissioning liability (note 8)	2,814	1,918
Accretion – convertible debentures (note 9)	41,309	-
Accrued interest – convertible debentures (note 9)	107,589	-
Changes in non-cash working capital (note 19)	4,635,110	(499,179)
Net cash used in operating activities	3,811,486	(760,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds - warrant exercise (note 10)	289,600	-
Proceeds - broker warrant exercise (note 10)	18,114	-
Proceeds - stock option exercise (note 10)	-	27,600
Share issuance costs (note 10)	-	(1,431)
Issuance of convertible debenture (note 9)	5,500,000	-
Debt issuance costs (note 9)	(552,358)	-
Change in non-cash working capital (note 19)	-	-
Net cash provided by financing activities	5,255,356	26,169
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to exploration and evaluation assets (note 5)	(1,145,883)	(1,678,106)
Additions to property, plant and equipment (note 6)	(4,535,036)	-
Environmental deposit	-	(67,700)
Change in non-cash working capital (note 19)	(3,288,967)	(4,077,079)
Net cash used in investing activities	(8,969,886)	(5,822,885)
Change in cash	96,956	(6,556,895)
Cash, beginning of period	1,002,973	10,413,553
Cash, end of period	$ 1,099,929	$ 3,856,658

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	Equity portion of Convertible Debentures	Total Shareholders' Equity
Balance as at December 31, 2021	**$ 47,415,565**	**$ 7,970,545**	**$ (30,769,620)**	**$ -**	**$ 24,616,490**
Share issuance – stock option exercise (Note 10)	53,520	(25,920)	-	-	27,600
Share issuance costs (Note 10)	(1,431)	-	-	-	(1,431)
Net loss for the period	-	-	(262,918)	-	(262,918)
Balance as at March 31, 2022	**$ 47,467,654**	**$ 7,944,625**	**$ (31,032,538)**	**$ -**	**$ 24,379,741**
Balance as at December 31, 2022	**$ 75,574,713**	**$ 10,176,855**	**$ (35,158,624)**	**$ -**	**$ 50,592,944**
Share issuance – broker warrants exercise (note 10)	24,733	(6,619)	-	-	18,114
Share issuance –warrants exercise (note 10)	289,600	-	-	-	289,600
Debt issuance – convertible debentures (note 9)	-	402,600	-	419,400	822,000
Share based compensation	-	170,500	-	-	170,500
Net loss for the period	-	-	(1,145,836)	-	(1,145,836)
Balance as at March 31, 2023	**$ 75,889,046**	**$ 10,743,336**	**$ (36,304,460)**	**$ 419,400**	**$ 50,747,322**

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

These condensed interim consolidated 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, 2022.

The condensed interim consolidated financial statements of the Corporation for the three month periods ended March 31, 2023 were authorized for issuance by the Corporation's board of directors on May 19, 2023.

These condensed interim 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.

(Expressed in Canadian dollars)

3. STEVEVILLE ACQUISITION

On July 22, 2022, the Company completed an acquisition of Imperial Helium Corp. ("the Acquisition") of certain helium properties located in Southern Alberta (the "Steveville Assets"). The Acquisition was completed for total non-cash consideration of $21,382,528 as further outlined below. The common shares have been ascribed a fair value of $0.32 per common share issued, as determined based on the Company's closing share price on July 22, 2022.

The Company incurred transaction costs of $408,827 in fees and commissions, which were capitalized to exploration and evaluation assets.

The transaction has been accounted for as an asset acquisition.

The purchase price, based on management's estimates of fair values, is as follows:

Net assets acquired:	**Steveville Acquisition**
Cash and cash equivalents	$ 31,364
Accounts receivables	122,196
Prepaid	42,176
Exploration and evaluation assets	23,538,631
Property, plant and equipment	37,005
Accounts payables and accrued liabilities	(1,801,500)
Decommissioning liability	(178,517)
Net assets acquired	**$ 21,791,355**

Consideration	
Common shares (63,867,217 at $0.32 per share)	$ 20,437,509
Replacement stock options (note 12)	26,771
Replacement warrants (note 12)	400,318
Replacement broker options (note 13)	517,930
Transaction costs - cash	408,827
Total consideration paid	**$ 21,791,355**

4. CASH AND CASH EQUIVALENTS

	March 31, 2023	**December 31, 2022**
Cash at bank and on hand	$ 179,929	$ 1,002,973
GIC's held as collateral	920,000	-
Total Cash and cash equivalents	**$ 1,099,929**	**$ 1,002,973**

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Balance as at January 1, 2022	Acquisition / Renewals	Consultants	Drilling	Geophysics	Other Exploration	Balance as at December 31, 2022
Bengough/ Ogema	$ 6,411,022	$ -	$ 18,498	$ 542,749	$ 4,636	$ 53,614	$ 7,030,519
Cadillac	77,931	3,151	30,000	-	170,658	30,813	312,553
Climax	11,614,138	7,313	267,419	237,439	942,465	(1,740,898)	11,327,876
Coronach	25,000	-	-	-	-	952	25,952
Creelman	25,000	4,203	9,000	-	-	-	38,203
Francis	2,446	5,871	-	-	-	33,491	41,808
Midale	20,135	-	-	-	-	10,989	31,124
Minton	-	1,214	6,000	-	-	-	7,214
Steveville	-	23,538,631	-	-	-	(18,618)	23,520,013
Swift current	-	-	-	-	42,665	-	42,665
Val Marie	109,405	1,334	108,621	2,355,856	381,645	26,539	2,983,400
Weyburn	127,886	-	-	-	-	37,525	165,411
40 Mile	-	-	-	-	99,875	-	99,875
	$ 18,412,963	$ 23,561,717	$ 439,538	$ 3,136,044	$ 1,641,944	$(1,565,593)	$ 45,626,613

	Balance as at January 1, 2023	Acquisition / Renewals	Consultants	Drilling	Geophysics	Other Exploration	Balance as at March 31, 2023
Bengough/ Ogema	$ 7,030,519	$ -	$ -	$ 17,784	$ -	$ 282	$ 7,048,585
Cadillac	312,553	3,776	-	-	123,675	-	440,004
Climax	11,327,876	-	-	-	-	(1,188)	11,326,688
Coronach	25,952	-	-	-	-	352	26,304
Creelman	38,203	-	-	-	-	651	38,854
Francis	41,808	-	-	-	-	-	41,808
Midale	31,124	-	-	-	-	-	31,124
Minton	7,214	-	-	-	-	-	7,214
Steveville	23,520,013	-	-	-	-	206	23,520,219
Swift current	42,665	-	-	-	39,269	-	81,934
Val Marie	2,983,400	1,162	-	-	11,116	(348)	2,995,330
Weyburn	165,411	-	-	-	-	1,303	166,714
40 Mile	99,875	-	-	-	37,057	-	136,932
	$ 45,626,613	$ 4,938	$ -	$ 17,784	$ 211,117	$ 1,258	$ 45,861,710

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Included in other exploration costs for the Climax project is a reduction of $1,118 (December 31, 2022 – reduction of $11,021) and for the Ogema project is a reduction of $1,021 (December 31, 2022 – reduction of $9,468) and for the Val Marie project is a reduction of $396 (December 31, 2022 – increase of $26,539) and for the Steveville project is a reduction of $66 (December 31, 2022 – $nil) which is related to the estimated decommissioning liability (note 8).

On September 28, 2022, the Saskatchewan government issued $1,791,187 royalty credits to the Company, of which $1,790,000 were sold on September 29, 2022 for $1,600,000 to a third party Saskatchewan oil company. The credits were received in relation to the Climax Hydraulic stimulation program as previously approved under the Saskatchewan Petroleum Innovation Incentive ("SPII") program. The Company has reduced other exploration costs for the Climax project for the $nil (December 31, 2022 - $1,791,187) royalty credits received and recorded $nil loss on sale of royalty credits (December 31, 2022 - $190,000 loss on sale). At March 31, 2023 the remaining $1,187 (December 31, 2022 - $1,187) royalty tax credits are recorded in accounts receivable.

The Company holds helium exploration permits and helium leases over land in Saskatchewan and Alberta. The Company has annual lease expenditure commitments of approximately $50,000 and annual permit expenditure commitments as follows: 2023 - $224,855, 2024 - $173,875, 2025 - $192,650 and 2026 - $175,369.

There were no impairment indicators for the exploration and evaluation assets as of March 31, 2023 and December 31, 2022.

6. PROPERTY, PLANT AND EQUIPMENT

	Computer Hardware	Property, plant and equipment	Total
Cost			
Balance, December 31, 2021	$ -	$ -	$ -
Additions – Steveville acquisition (note 3)	37,005	-	37,005
Additions	3,074	11,107,896	11,110,970
Balance, December 31, 2022	40,079	11,107,896	11,147,975
Additions	-	7,656,254	7,656,254
Balance, March 31, 2023	**$ 40,079**	**$ 18,764,150**	**$ 18,804,229**
Accumulated amortization			
Balance, December 31, 2021 and 2022	$ -	$ -	$ -
Depreciation	2,775	-	2,775
Balance, March 31, 2023	**$ 2,775**	**$ -**	**$ 2,775**
Carrying Value			
Balance, December 31, 2022	$ 40,079	$ 11,107,896	$ 11,147,975
Balance, March 31, 2023	**$ 37,304**	**$ 18,764,150**	**$ 18,801,454**

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Property plant and equipment additions in the period relate to the helium processing facility, which is under construction. Since the facility is under construction, it is not available for use and is not being depreciated.

The Company has entered into a purchase order for the manufacture of the Steveville processing facility with milestone payments of $2,569,740 on award of contract (paid October 2022), $2,569,740 procurement of long lead items (paid October 2022), $2,569,740 (January 2023 – paid subsequent to year end), $2,569,740 (January 2023 –paid subsequent to year end), $1,713,160 (estimated payment February 2023), $1,713,160 (estimated payment March 2023), $1,713,160 (estimated payment April 2023), and $1,713,160 upon completion.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023	December 31, 2022
Accounts payable	$ 12,024,537	$ 8,633,796
Accruals and others	148,300	147,190
	$ 12,172,837	$ 8,780,986

8. DECOMMISSIONING LIABILITIES

	March 31, 2023	December 31, 2022
Balance, beginning of period	$ 375,994	$ 203,333
Additions – Steveville acquisition (note 3)	-	178,517
Additions	-	26,137
Change in inflation and discount rate	(2,671)	(41,542)
Accretion	2,814	9,549
Balance, end of period	$ 376,137	$ 375,994

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 $430,086. The obligations have been discounted using a risk free rate of 3.02% (December 31, 2022 - 3.28%) and an inflation rate of 1.68% (December 31, 2022 - 2.09%) 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.

As March 31, 2023, the Company has a $101,550 (December 31, 2022 - $101,550) deposit held by the Saskatchewan government for future site reclamation.

9. CONVERTIBLE DEBENTURES

On February 8, 2023, the Company closed a bought deal financing and issued 5,500 units for gross proceeds of $5,500,000. Each unit consists of $1,000 convertible debenture principal amount and 3,846 common share purchase warrants. The convertible debenture bears interest at 14% per annum, is paid semi annually in arears and matures on December 31, 2025. Each warrant is exercisable at $0.32 for a period of 36 months and the Company may elect to accelerate the expiry date in the event the volume weighted average trading price exceeds $0.65 per share for 20 consecutive trading days.

(Expressed in Canadian dollars)

9. CONVERTIBLE DEBENTURES (continued)

The convertible debentures are convertible at the holder's option into common shares at a fixed conversion price of $0.26 per share.

As the debenture has a conversion feature, the equity and debt components must be bifurcated with value assigned to each as well as to the warrants issued as part of the offering. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 25.61%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in the consolidated statement of loss. The fair value assigned to the warrants and the conversion feature, on the date of issuance, was based on the Black-Scholes option pricing model for each and assigned on a relative fair value basis. This resulted in an initial amount of $4,678,000 being allocated to the liability portion and $419,400 being allocated to the equity portion and $402,600 to the warrant.

	Liability Component		Equity Component
	Face Value	**Carrying Value**	**Carrying Value**
Balance, December 31, 2022	$ -	$ -	$ -
Issuance - Initial recognition	5,500,000	4,678,000	419,400
Less: Issuance costs		(552,359)	-
Accrued interest		107,589	-
Accretion - Interest		41,309	
Balance, March 31, 2023	**$ 5,607,589**	**$ 4,274,539**	**$ 419,400**

10. 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, 2021	142,621,726	47,415,565
Share issuance – bought deal	30,963,750	8,050,575
Share issuance – Steveville acquisition (note 3)	63,867,217	20,437,509
Share issuance – stock option exercise	515,600	205,086
Share issuance – broker warrant exercise	1,286,250	541,980
Fair value allocation – broker warrants	-	(176,493)
Share issue costs	-	(899,509)
Balance, December 31, 2022	239,254,543	75,574,713
Share issuance – warrant exercise	1,035,000	289,600
Share issuance – broker warrant exercise	69,669	24,733
Balance, March 31, 2023	**240,359,212**	**$ 75,889,046**

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND EQUITY RESERVES (continued)

On July 22, 2022, the Company closed the Steveville acquisition and issued 63,867,217 common shares valued at $0.32 per common share (see note 3).

On October 13, 2022, the Company completed a first close on a bought deal financing of 27,912,982 units at a price of $0.26 per unit for gross proceeds of $7,257,375. Each unit consisted of one common share and one common share purchase warrant, each whole warrant exercisable at $0.32 for a 36 month period. The Company paid $435,443 cash finder's fees and other expenses and issued 1,674,779 broker warrants. The broker warrants are exercisable into units at $0.26 per unit, with each unit comprised of one common share and one common share purchase warrant, each whole warrant exercisable at $0.32 for a 36 month period from the closing date of the financing (see note 13).

On October 19, 2022, the Company completed a final close on a bought deal financing of 3,050,768 units at a price of $0.26 per unit for gross proceeds of $793,200. Each unit consisted of one common share and one common share purchase warrant, each whole warrant exercisable at $0.32 for a 36 month period. The Company paid $47,592 cash finder's fees and other expenses and issued 183,046 broker warrants. The broker warrants are exercisable into units at $0.26 per unit, with each unit comprised of one common share and one common share purchase warrant, each whole warrant exercisable at $0.32 for a 36 month period from the closing date of the financing (see note 13).

11. 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, 2021	**10,250,000**	**$ 0.43**
Issued – Steveville acquisition (note 3)	552,600	0.33
Issued – Steveville acquisition (note 3)	3,653,300	0.41
Issued	6,090,000	0.26
Exercised	(245,600)	0.33
Exercised	(270,000)	0.23
Expired	(307,000)	0.33
Expired	(3,653,300)	0.41
Balance, December 31, 2022	16,070,000	0.37
Issued	500,000	0.38
Exercisable, March 31, 2023	**16,570,000**	**$ 0.37**

As at March 31, 2023, 16,570,000 (December 31, 2022 – 16,070,000) options were issued and outstanding and exercisable with a weighted average remaining life of 3.55 years (December 31, 2022 – 3.75).

(Expressed in Canadian dollars)

12. STOCK OPTIONS (continued)

On July 22, 2022, the Company granted 552,600 replacement stock options as part of the consideration for the acquisition of Steveville Acquisition (see note 3). The options have an exercise price of $0.33, expire August 21, 2022 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 $0.32, expected yield of 0%, expected volatility of 72% based on the historical volatility of the Company, risk free rate of 3.07% and an expected life of 30 days, which resulted in a fair value of $0.022 per option. During the period, 245,600 options were exercised, the remaining 307,000 expired unexercised.

On July 22, 2022, the Company granted 3,653,300 replacement stock options as part of the consideration for the acquisition of Steveville Acquisition (see note 3). The options have an exercise price of $0.41, expire August 21, 2022 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 $0.32, expected yield of 0%, expected volatility of 72% based on the historical volatility of the Company, risk free rate of 3.07% and an expected life of 30 days, which resulted in a fair value of $0.004 per option. The options expired unexercised.

On December 1, 2022, the Company granted 6,090,000 stock options, of the total options granted 4,590,000 were granted to directors and officers with the balance issued to consultants of the Company. The options have an exercise price of $0.26, expire December 1, 2027 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 $0.24, expected yield of 0%, expected volatility of 182% based on the historical volatility of the Company, risk free rate of 3.22% and an expected life of 5 years, which resulted in a fair value of $0.231 per option.

On March 28, 2023, the Company granted 500,000 stock options, of the total options granted 500,000 were granted to consultants of the Company. The options have an exercise price of $0.38, expire March 28, 2028 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 $0.36, expected yield of 0%, expected volatility of 171% based on the historical volatility of the Company, risk free rate of 3.10% and an expected life of 5 years, which resulted in a fair value of $0.341 per option.

13. 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, 2021	**28,019,511**	**$ 0.60**
Issued	30,963,750	0.26
Issued – Steveville acquisition (note 3)	546,460	0.41
Issued – Steveville acquisition (note 3)	17,217,440	0.61
Expired	(10,769,511)	0.35
Balance December 31, 2022	65,977,650	0.51
Issued	21,153,000	0.32
Exercised	(1,035,000)	0.32
Expired	(546,460)	0.41
Balance, March 31, 2023	**85,549,190**	**$ 0.47**

(Expressed in Canadian dollars)

13. WARRANTS AND BROKER WARRANTS (continued)

As of March 31, 2023, 85,549,190 (December 31, 2022 – 65,977,650) warrants were issued and outstanding with a weighted average remaining life of 1.64 years (December 31, 2022 – 1.52).

On July 22, 2022, the Company issued 546,460 replacement warrants. The warrants have an exercise price of $0.41, expire with a range of January 18, 2023 to March 15, 2023. The issue date fair value of the warrants was estimated using the Black-Scholes pricing model with the following weighted average assumptions: share price of $0.32, expected yield of 0%, expected volatility range of 65.43% to 72.29% based on the historical volatility of the Company, risk free rate of 3.07% and an expected life range of 0.49 to 0.65 years, which resulted in a fair value range of $0.038 to $0.041 per warrant (see note 3).

On July 22, 2022, the Company issued 17,217,440 replacement warrants as part of the consideration for the acquisition of Steveville Acquisition (see note 3). The warrants have an exercise price of $0.61, expire with a range of May 18, 2023 to November 8, 2023. The issue date fair value of the warrants was estimated using the Black-Scholes pricing model with the following weighted average assumptions: share price of $0.32, expected yield of 0%, expected volatility range of 67.51% to 73.21% based on the historical volatility of the Company, risk free rate of 3.07% and an expected life range of 0.82 to 1.30 years, which resulted in a fair value range of $0.022 to $0.047 per warrant.

On February 8, 2023, the Company issued 21,153,000 warrants as part of the convertible debt issuance (see note 9). The warrants have an exercise price of $0.32, expire January 10, 2026 (see note 9).

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

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2021	**4,068,750**	**$ 0.39**
Issued	1,857,825	0.26
Issued – Steveville acquisition (note 3)	1,752,724	0.41
Exercised	(1,286,250)	0.22
Expired	(184,750)	0.22
Balance, December 31, 2022	6,208,299	0.39
Exercised	(69,669)	0.26
Expired	(182,750)	0.22
Balance, March 31, 2023	**5,955,880**	**$ 0.40**

As of March 31, 2023, 5,955,880 (December 31, 2022 – 6,208,299) warrants were issued and outstanding with a weighted average remaining life of 0.58 years (December 31, 2022 – 0.82 years).

On July 22, 2022, the Company issued 1,752,724 replacement broker warrants as part of the consideration for the acquisition of Steveville Acquisition (see note 3). The broker warrants are exercisable into units at $0.41 per unit, with each unit comprised on once common share and one half of one common share purchase warrant, each whole warrant exercisable at $0.61 for a 24 month period, expire May 17, 2023. The issue date fair value of the warrants was estimated using the Black-Scholes pricing model with the following weighted average assumptions: share price of $0.32, expected yield of 0%, expected volatility of 62.42% based on the historical volatility of the Company, risk free rate of 3.07% and an expected life of 0.82 years. The fair value of the broker units were $517,930.

(Expressed in Canadian dollars)

13. WARRANTS AND BROKER WARRANTS (continued)

On October 13, 2022, the Company issued 1,674,779 broker warrants upon closing of a bought deal financing. The broker warrants are exercisable into units at $0.26 per unit, with each unit comprised of one common share and one common share purchase warrant, each whole warrant exercisable at $0.32 for a 36 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 $0.235, expected yield of 0%, expected volatility of 76% based on the historical volatility of the Company, risk free rate of 4.07% and an expected life of 2 years. The fair value of the broker units were $159,104.

On October 19, 2022, the Company issued 183,046 broker warrants upon closing of a bought deal financing. The broker warrants are exercisable into units at $0.26 per unit, with each unit comprised of one common share and one common share purchase warrant, each whole warrant exercisable at $0.32 for a 36 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 $0.235, expected yield of 0%, expected volatility of 76% based on the historical volatility of the Company, risk free rate of 4.18% and an expected life of 2 years. The fair value of the broker units were $17,389.

14. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the period ended March 31, 2023, was based on the loss attributable to common shareholders of $1,145,836 (March 31, 2022 - $262,918) and the weighted average number of common shares outstanding of 239,513,854 for the period ended March 31, 2023 (March 31, 2022 – 142,670,265).

During the periods ended March 31, 2023 and 2022, all outstanding options and warrants were anti-dilutive and were therefore excluded from the diluted loss per share calculation.

15. GENERAL AND ADMINISTRATIVE

Three months ended March 31,		**2023**		**2022**
Audit and accounting	$	15,000	$	12,000
General office and other		766,648		136,684
Investor relations and marketing		210,915		111,571
Legal and professional		4,185		2,663
Share-based compensation		170,500		-
Total general and administrative	$	1,167,248	$	262,918

(Expressed in Canadian dollars)

16. CONTINGENCIES AND COMMITMENTS

Contracts

The Company is party to certain management employment contracts. Upon termination of these contracts, the Company will be required to make payments of $444,000 pursuant to the terms of these contracts. As a triggering event has not taken place as at March 31, 2023, these amounts have not been recorded in these consolidated financial statements.

Environmental contingencies

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

Property expenditure commitments

See notes 5 and 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.

17. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with key management personnel:

Three months ended March 31,		**2023**		**2022**
Consulting fees – management	$	-	$	75,000
Wages		150,000		-
Director fees		71,400		-
Total	$	221,400	$	75,000

Three months ended March 31,		**2023**		**2022**
Short term benefits	$	221,400	$	75,000
Share based compensation		-		-
Total	$	221,400	$	75,000

As at March 31, 2023, the Company had $229,026 (December 31, 2022 – $229,026), included in accounts payable and accrued liabilities, owing to its key management personnel and directors. 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 $4,000 (2022 - $4,000), with another company that has a common director. The Company incurred $12,000 in 2023 (2022 – $12,000) in respect of this agreement and had $nil (2022 – $nil), included in accounts payable and accrued liabilities as at March 31, 2023.
See notes 7 and 17.

18. 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, 2023, the Company had a cash balance of $1,099,929 (December 31, 2022 - $1,002,973) to settle current liabilities of $12,172,837 (December 31, 2022 - $8,780,986). – see subsequent events.

(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.

(Expressed in Canadian dollars)

18. FINANCIAL INSTRUMENTS (continued)

Capital management

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

There were no changes in the Company's approach to capital management during the periods ended March 31, 2023 and 2022.

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, 2023, 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 of the Steveville helium plant, the management of working capital thorough the construction and pre-production phase, and the commencement of future profitable production thereafter, 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.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2023	March 31, 2022
Change in non-cash working capital:		
Accounts receivable	$ 243,790	$ 154,477
Prepaid	(79,171)	(777,782)
Accounts payable and accrued liabilities	1,181,523	(3,952,953)
	$ 1,346,142	$ (4,576,258)
Allocated to:		
Operating	$ 4,635,109	$ (499,179)
Investing	(3,288,967)	(4,077,079)
Total general and administrative	$ 1,346,142	$ (4,576,258)

20. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company closed a term debt financing with Canadian Western bank ("CWB") and Business Development bank of Canada, acting pari passu, for $7,500,000 each, $15,000,000 in total, of 6 year term loans, and received its first draw under the term debt facility.

In addition, CWB has provided the Company with a $2,500,000 demand operating loan for working capital purposes.