



ROYAL HELIUM LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2020

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

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

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

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

	June 30 2020	December 31 2019
ASSETS		
Current		
Cash (note 3)	\$ 8,395	\$ 27,277
Restricted cash (note 3 and 15)	276,000	-
Amounts receivable	28,238	16,448
Prepaid expenses	94,545	-
Total current assets	407,178	43,725
Non-current		
Exploration and evaluation assets (note 4)	2,268,748	2,145,978
Total non-current assets	2,268,748	2,145,978
Total assets	\$ 2,675,926	\$ 2,189,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (notes 5 and 13)	\$ 726,700	\$ 367,125
Financing proceeds	276,000	-
Total liabilities	\$ 1,002,700	\$ 367,125
Shareholders' Equity		
Share capital (note 6)	\$ 23,832,539	\$ 23,832,539
Contributed surplus	2,305,987	2,305,987
Deficit	(24,465,300)	(24,315,948)
Total shareholders' equity	1,673,226	1,822,578
Total liabilities and shareholders' equity	\$ 2,675,926	\$ 2,189,703

Nature and Continuance of Operations (Note 1)
Contingencies and Commitments (Note 12)
Events after the Reporting Period (Note 15)

Approved by the Board of Directors on August 28, 2020

"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.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating costs and expenses				
General and administrative (note 11)	\$ 93,672	\$ 83,129	\$ 149,352	\$ 157,579
Total operating costs	93,672	83,129	149,352	157,579
Net loss before undernoted items	(93,672)	(83,129)	(149,352)	(157,579)
Gain on debt settlements	-	83,633	-	83,633
Net income (loss) and comprehensive income (loss) for the period,	\$ (93,672)	\$ 504	\$ (149,352)	\$ (73,946)
Basic and diluted income (loss) per share (note 10)	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	36,206,389	31,939,723	36,206,389	31,073,056

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 six months ended June 30,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the Period	\$ (149,352)	\$ (73,946)
Items not affecting cash:		
Gain on debt settlement	-	(83,633)
Changes in non-cash working capital items	130,470	(161,911)
Net cash used in operating activities	(18,882)	(319,490)
CASH FLOWS FROM INVESTING ACTIVITIES		
Environmental deposit refund	-	408,420
Additions to exploration and evaluation assets	-	(234,980)
Net cash provided by (used in) investing activities	-	173,440
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing proceeds received (note 15)	276,000	-
Issuance of shares	-	300,000
Share issuance costs	-	(13,619)
Net cash provided by financing activities	276,000	286,381
Change in cash	257,118	140,331
Cash, beginning of period	27,277	44,988
Cash, end of period	\$ 284,395	\$ 185,318

Supplemental information

Change in non-cash working capital items included in additions in exploration and evaluation assets	\$ (17,635)	\$ (6,682)
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Royal Helium Ltd.

Consolidated Statements of Changed in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2018	\$ 23,547,103	\$ 2,305,987	\$ (24,076,434)	\$ 1,776,656
Share issuance	300,000	-	-	300,000
Share issuance costs	(13,619)	-	-	(13,619)
Net loss for the period	-	-	(73,946)	(73,946)
Balance as at June 30, 2019	\$ 23,833,484	\$ 2,305,987	\$ (24,150,380)	\$ 1,989,091

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2019	\$ 23,832,539	\$ 2,305,987	\$ (24,315,948)	\$ 1,822,578
Net loss for the period	-	-	(149,352)	(149,352)
Balance as at June 30, 2020	\$ 23,832,539	\$ 2,305,987	\$ (24,465,300)	\$ 1,673,226

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

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Royal Helium Ltd. (the "Company" or "RHL") (formerly RHC Capital Corporation) is focused on primary helium production from its helium leases and permits in Saskatchewan, Canada. On February 27, 2017, the Company began trading on the NEX board of the TSX Venture Exchange ("TSX-V") under the trading symbol "RHC.H". On July 25, 2017, the Company resumed trading on the TSX-V under the trading symbol "RHC". The address of its registered office is 224 4th Avenue South, Suite 602, Saskatoon, Saskatchewan, S7K 5M5.

The Company was incorporated under the laws of the Province of Ontario on August 15, 2008 and continued into the Province of Saskatchewan on May 1, 2019.

On August 28, 2019, the Company consolidated its share capital on a five to one basis. These condensed consolidated financial statements reflect the share consolidation.

Going concern of operations

The business of exploring for helium involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable helium operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying helium claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

As at June 30, 2020, the Company has a working capital deficiency of \$595,522 and cumulative deficit of \$24,465,300 and is not yet generating positive cash flows from operations. Management is aware, in making this assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards. Funding for operations has been obtained primarily through share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION**Statement of compliance**

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2019.

The financial statements of the Corporation for the three and six month periods ended June 30, 2020 were authorized for issuance by the Corporation's board of directors on August 28, 2020.

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.

New and future accounting standards and interpretation

During the period ended June 30, 2020, the Company adopted a number of new IFRS standards, interpretations, amending and improvement of existing standards. This includes IAS 1.

These new standards did not have any material impact on the Company's consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019
Cash at bank and on hand	\$ 8,395	\$ 27,277
Restricted cash	276,000	-
	\$ 284,395	\$ 27,277

4. EXPLORATION AND EVALUATION ASSETS

	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 2,145,978	\$ 1,846,471
Additions	122,770	299,507
Balance, end of Period	\$ 2,268,748	\$ 2,145,978

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: 2020 - \$282,600 and 2021 - \$270,000, 2022 - \$136,700 and 2023 - \$106,500.

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	December 31, 2019
Accounts payable	\$ 721,900	\$ 343,025
Accruals and others	4,800	24,100
	\$ 726,700	\$ 367,125

6. 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, 2018	30,206,389	23,547,103
Share issuance	6,000,000	285,436
Balance, December 31, 2019 and June 30, 2020	36,206,389	\$ 23,832,539

On June 4, 2019, the Company closed a private placement financing of 6,000,000 shares at a price of \$0.05 per share for gross proceeds of \$300,000. The Company paid finder's fees and other expenses of \$14,564 in relation to this private placement. Directors and officers of the Company subscribed for 1,600,000 shares for total proceeds of \$80,000.

7. 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, 2018	1,052,314	\$ 1.36
Forfeited/expired	(1,052,314)	1.36
Exercisable, December 31, 2019 and June 30, 2020	-	\$ -

On March 19, 2018, the Company granted 600,000 stock options to certain directors and officers of the Company. 300,000 options vested immediately and the remaining 300,000 vest on the one-year anniversary of the grant date. The options have an exercise price of \$0.09 and expire on March 19, 2028. The fair value of the options was estimated using the Black-Scholes pricing model with the following weighted average assumptions: expected yield of 0%, expected volatility of 150% based on the historical volatility of the Company, risk free rate of 2.17% and an expected life of 10 years.

As at June 30, 2020, nil options were issued and outstanding.

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

8. WARRANTS

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

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2018	684,179	\$ 025
Expired	(684,179)	0.25
Balance, December 31, 2019 and June 30, 2020	-	\$ -

As of June 30, 2020, nil warrants were issued and outstanding.

9. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share, was based on the loss attributable to common shareholders of \$149,352 (June 30, 2019 - \$73,946) and the weighted average number of common shares outstanding of 36,206,389 for the six months ended June 30, 2020 (June 30, 2019 – 31,073,056).

10. GENERAL AND ADMINISTRATIVE

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2020	2019	2020	2019
Audit and accounting	\$ 11,660	\$ 6,360	\$ 11,660	\$ 12,720
General office and other	80,788	65,886	136,286	126,700
Legal and professional	1,224	10,883	1,406	18,159
Total general and administrative	\$ 93,672	\$ 83,129	\$ 149,352	\$ 157,579

11. INCOME TAXES

As at December 31, 2019, the Company has \$5,569,000 of non capital losses in Canada which may be used to reduce taxable income in future years. These losses expire as follows:

2029	\$ 95,000
2030	120,000
2031	250,000
2032	227,000
2033	318,000
2034	1,082,000
2035	162,000
2036	1,094,000
2037	1,440,000
2038	525,000
2039	256,000
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	\$ 5,569,000

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

12. CONTINGENCIES AND COMMITMENTS**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 4.

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 income (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.

13. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with related parties:

For the six months ended June 30,	2020	2019
Consulting fees – Andrew Davidson	\$ 30,000	\$ 30,000
Consulting fees – Tom MacNeill	30,000	30,000
Consulting fees – Jeff Sheppard	30,000	30,000
Total	\$ 90,000	\$ 90,000

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

13. 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 periods presented were as follows:

For the six months ended June 30,	2020		2019	
Short-term benefits	\$	90,000	\$	90,000
Share-based payments		-		-
Total	\$	90,000	\$	90,000

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors executive and non-executive) of the Company.

As at June 30, 2020, the Company had \$254,290 (December 31, 2019 – \$159,070), 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.

14. FINANCIAL INSTRUMENTS**Financial risks factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk**Foreign exchange risk**

Foreign exchange risk arises when assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company does not hedge foreign currency exposures. All of the operating assets were located in Canada and majority of the Company's liabilities were also settled in Canada, therefore the Company does not have any significant foreign currency risk.

(b) Credit risk

The maximum exposure to credit risk for deposits approximates the amount recognized as cash, amounts receivable, and environmental deposit in the consolidated statements of financial position. Bank deposits are held with reputable Banks, therefore credit risk is low. The Company does not hold any collateral as security.

Royal Helium Ltd.

Notes to the Consolidated Financial Statements

Six Months Ended June 31, 2020 and 2019

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's financial liabilities comprise accounts payable and accrued liabilities which are due within 30 days.

The Company mitigates liquidity risk by planning its project expenditures in advance of undertaking significant commitments. The Company anticipates that it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had a cash and restricted cash balance of \$284,395 (December 31, 2019 - \$27,277) to settle current liabilities of \$1,002,700 (December 31, 2019 - \$367,125).

(d) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to helium to determine the appropriate course of action to be taken by the Company.

Capital management

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

There were no changes in the Company's approach to capital management during the period ended June 30, 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 June 30, 2020, the Company may not be compliant with Policy 2.5 because the Company has negative working capital. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

15. EVENTS AFTER THE REPORTING PERIOD

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 a common share and 1 common share purchase warrant, each whole warrant is exercisable at \$0.07 for a 12 month period expiring July 9, 2021. The Company paid \$3,600 in finder's fees and \$15,300 in other expenses in relation to this private placement. Directors and officers of the Company subscribed for 1,770,000 shares for total proceeds of \$88,500.