ROYAL HELIUM LTD.

(FORMERLY RHC CAPITAL CORPORATION)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2019

(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. (*formerly RHC Capital Corporation*)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	September 30 2019	December 31 2018
ASSETS		
Current		
Cash and cash equivalents (note 3)	$ 41,755	$ 44,998
Amounts receivable and prepaid	34,414	21,300
Environmental deposit (notes 4 and 6)	-	408,420
Assets classified as held for sale (note 6)	-	474,103
Total current assets	76,169	948,811
Non-current		
Environmental deposit (note 4)	-	-
Exploration and evaluation assets (note 4)	2,135,259	1,846,471
Total assets	$ 2,211,428	$ 2,795,282
LIABILITES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (notes 5 and 14)	$ 314,776	$ 544,523
Liabilities related to assets classified as held for sale (note 6)	-	474,103
Total liabilities	314,776	1,018,626
Shareholders' Equity		
Share capital (note 7)	$ 23,832,789	$ 23,547,103
Contributed surplus	2,305,987	2,305,987
Deficit	(24,242,124)	(24,076,434)
Total shareholders' equity	1,896,652	1,776,656
Total liabilities and shareholders' equity	$ 2,211,428	$ 2,795,282

Nature and Continuance of Operations (Note 1)
Contingencies and Commitments (Note 13)

Approved by the Board of Directors on November 28, 2019

signed "Andrew Davidson"
Andrew Davidson, President and Director

signed "Tom MacNeill"
Tom MacNeill, Director

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

Royal Helium Ltd. (*formerly RHC Capital Corporation*)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Operating costs and expenses				
General and administrative (note 11)	$ 120,256	$ 95,352	$ 277,836	$ 344,061
Total operating costs	120,256	95,352	277,836	344,061
Net loss before undernoted items	(120,256)	(95,352)	(277,836)	(344,061)
Gain on debt settlements	28,513	6,966	112,146	6,966
Net income (loss) and comprehensive income (loss) for the period,	$ (91,743)	$ (88,386)	$ (165,690)	$ (337,095)
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	30,107,298	32,809,331	30,107,298

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

(Expressed in Canadian dollars)

For the nine months ended September 30,		**2019**		**2018**
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$	(165,690)	$	(337,095)
Items not affecting cash:				
Gain on debt settlement		(112,146)		(6,966)
Stock-based payments		-		90,123
Changes in non-cash working capital items		(143,058)		(53,585)
Net cash used in operating activities		(420,894)		(307,523)
CASH FLOWS FROM INVESTING ACTIVITIES				
Environmental refund (deposit)		408,420		83,680
Additions to exploration and evaluation assets		(276,445)		(796,004)
Net cash provided by (used in) investing activities		131,975		(712,324)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares		300,000		-
Share issuance costs		(14,314)		-
Net cash provided by financing activities		285,686		-
Change in cash		(3,233)		(1,019,847)
Cash and cash equivalents, beginning of period		44,988		1,030,291
Cash and cash equivalents, end of period	$	41,755	$	10,444

Supplemental information

Change in non-cash working capital items included in additions in exploration and evaluation assets	$	(12,343)	$	-

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

Royal Helium Ltd. (*formerly RHC Capital Corporation*)
Consolidated Statements of Changed in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2017	**$ 23,547,103**	**$ 2,188,693**	**$ (21,680,583)**	**$ 4,055,213**
Share based compensation	-	90,123	-	90,123
Net loss for the period	-	-	(337,095)	(337,095)
Balance as at September 30, 2018	**$ 23,547,103**	**$ 2,278,816**	**$ (22,017,678)**	**$ 3,808,241**

	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	(14,314)		-	(14,314)
Net loss for the period	-	-	(165,690)	(165,690)
Balance as at September 30, 2019	**$ 23,832,789**	**$ 2,305,987**	**$ (24,242,124)**	**$ 1,896,652**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Royal Helium Ltd. (the "Company" or "RHC") (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 8, 2019, the Company consolidated its share capital on a five to one basis. These 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 September 30, 2019, the Company has a working capital deficiency of $238,607 and cumulative deficit of $24,242,124 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

2. BASIS OF PREPARATION (continued)

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, 2018.

The financial statements of the Corporation for the three and nine month periods ended September 30, 2019 were authorized for issuance by the Corporation's board of directors on November 28, 2019.

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 pronouncements

On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact the new and amended standard is expected to have on its financial statements and does not expect any material changes. If the limited exception criteria are not met, rent expense is to be removed and replaced by amortization and finance expense related to the leased office space and respective lease liability.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Corporation.

3. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018
Cash at bank and on hand	$ 41,775	$ 44,988
	$ 41,775	$ 44,988

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION PROPERTIES

	September 30, 2019	December 31, 2018
Balance, beginning of period	$ 1,846,471	$ 3,380,054
Less: asset related to discontinued operations (note 6)	-	(1,567,179)
	1,846,471	1,812,875
Additions	288,788	33,596
Balance, end of period	$ 2,135,259	$ 1,846,471

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: 2019 - $169,155, 2020 - $217,660 and 2021 - $217,660.

In 2017, the Company acquired 7 oil and gas wells and 2 facilities, for the purpose of helium exploration/production, from TORC Oil & Gas Ltd. ("TORC") for $300,000. As well, the Company was required to pay a deposit of approximately $564,375, as required by the Saskatchewan Ministry of Economy, to secure clean-up costs if the wells are abandoned or closed. During the year ended December 31, 2018, the Company received a partial refund of the deposit. On March 28, 2019, the remaining balance of the deposit was refunded (see note 6).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Accounts payable	$ 299,776	$ 522,523
Accruals and others	15,000	22,000
	$ 314,776	$ 544,523

6. DISCONTINUED OPERATIONS

On December 14, 2018, the Company entered into an agreement to sell all of the assets acquired from TORQ to Saturn Oil & Gas Inc., for proceeds of nil. This transaction was completed on March 14, 2019. As a result, an impairment loss of $1,698,145 was recognized in the consolidated statement of loss for the year ended December 31, 2018, in relation to this transaction. The Company has made a request to have its reclamation deposit of $408,420 refunded, which was granted and refunded net of other amounts owing to the Saskatchewan government, on March 28, 2019.

Assets related to discontinued operations

	September 30, 2019	December 31, 2018
Balance, reclassified beginning of period	**$ 474,103**	**$ 1,567,179**
(Disposal)/ additions	(474,103)	605,069
Impairment	-	(1,698,145)
Balance, end of period	**$ -**	**$ 474,103**

(Expressed in Canadian dollars)

6. DISCONTINUED OPERATIONS (continued)

Liabilities related to discontinued operations

	September 30, 2019	December 31, 2018
Balance, reclassified beginning of period	**$ 474,103**	**$ 537,505**
Disposal	(474,103)	-
Refund received in the period	-	(63,402)
Balance, end of period	**$ -**	**$ 474,103**

The decommissioning liabilities are estimated based on the Company's ownership interest in the wells and facilities acquired from TORC (see note 6), 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 the total undiscounted cash flows required to settle the obligations will be $564,375. These obligations have been discounted using a risk free rate of 3% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 5 years in the future and have already been fully funded with a refundable deposit, held on account with the Government of Saskatchewan (see note 4).

7. 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, 2017 and 2018	**30,206,389**	**$ 23,547,103**
Share issuance	6,000,000	285,686
Balance September 30, 2019	**36,206,389**	**23,832,789**

(Expressed in Canadian dollars)

8. 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 periods presented:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2017	**5,536,568**	**0.25**
Forfeited/expired	(875,000)	0.19
Granted	600,000	0.09
Balance, December 31, 2018	**5,261,568**	**$ 0.27**
Forfeited/expired	(5,261,568)	0.27
Exercisable, September 30, 2019	**-**	**$ -**

As at September 30, 2019, nil options were issued and outstanding.

9. WARRANTS

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

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2017	**17,774,352**	**$ 0.22**
Expired	(14,353,455)	0.25
Balance, December 31, 2018	**3,420,897**	**$ 0.05**
Expired	(3,420,897)	0.05
Balance, September 30, 2019	**-**	**$ -**

As of September 30, 2019, nil warrants were issued and outstanding.

10. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the nine months ended September 30, 2019, was based on the loss attributable to common shareholders of $165,690 (September 30, 2018 - $337,095) and the weighted average number of common shares outstanding of 32,809,331 for the nine months ended September 30, 2019 (September 30, 2018 – 30,107,298).

(Expressed in Canadian dollars)

11. GENERAL AND ADMINISTRATIVE

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Salary and salary related	$ -	$ -	$ -	$ 32,016
Legal and professional	16,936	6,881	35,096	31,951
Audit and accounting	26,840	5,000	39,560	26,879
Stock-based compensation	-	26,250	-	90,123
General office and other	76,480	57,221	203,180	163,092
Total general and administrative	$ 120,256	$ 95,352	$ 277,836	$ 344,061

12. INCOME TAXES

As at December 31, 2018, the Company has $5,422,000 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	634,000
	$ 5,422,000

13. 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.

(Expressed in Canadian dollars)

13. CONTINGENCIES AND COMMITMENTS (continued)

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.

14. RELATED PARTY TRANSACTIONS

The following table summarizes transactions with related parties:

For the nine months ended September 30,		**2019**		**2018**
Consulting fees – Andrew Davidson	$	45,000	$	72,000
Consulting fees – Tom MacNeill		45,000		-
Consulting fees – Jeff Sheppard		45,000		-
Consulting fees – Scott Newman		-		72,333
Consulting fees – John Jeffrey		-		72,000
Key management compensation		-		94,411
Exploration – Axiom Exploration		-		9,483
Total	$	135,000	$	320,227

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 nine months ended September 30,		**2019**		**2018**
Short-term benefits	$	135,000	$	230,104
Share-based payments		-		90,123
Total	$	135,000	$	320,227

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 September 30, 2019, the Company had $111,710 (December 31, 2018 – $157,650), 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 (see note 5).

15. 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.

(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 September 30, 2019, the Company had a cash and cash equivalents balance of $41,755 (December 31, 2018 - $44,988) to settle current liabilities of $314,776 (December 31, 2018 - $1,018,626).

(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.

15. 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 September 30, 2019 and 2018.

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 September 30, 2019, 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.