Global Helium Corp.

Consolidated financial statements

For the Years-Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Helium Corp.

Opinion

We have audited the consolidated financial statements of Global Helium Corp., (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has a loss and comprehensive loss of $3,407,904 for the year ended December 31, 2021 and an accumulated deficit of $4,350,564 as at December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information in Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of the auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kirk Roworth.

RSM Alberta LLP

Chartered Professional Accountants

February 23, 2022
Calgary, Alberta

Global Helium Corp.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		$ 9,128,611	$ 277,834
Amounts receivable	5,15(a)	68,560	39,683
Prepaids		34,991	3,090
Total current assets		9,232,162	320,607
Non-current assets			
Deposit on exploration and evaluation assets	6	267,120	-
Exploration and evaluation assets	6	750,237	120,975
Property and equipment	7	83,210	-
Total non-current assets		1,100,567	120,975
TOTAL ASSETS		$ 10,332,729	$ 441,582
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 269,112	$ 61,142
Lease obligation	9	33,456	-
Promissory notes	10	-	1,323,000
Total current liabilities		302,568	1,384,142
Non-current liabilities			
Lease obligation	9	46,983	-
TOTAL LIABILITIES		349,551	1,384,142
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	11(b)	10,324,677	100
Warrants	11(c)	3,434,108	-
Contributed surplus		574,957	-
Accumulated deficit		(4,350,564)	(942,660)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		9,983,178	(942,560)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 10,332,729	$ 441,582

Nature, continuance of operations and going concern - Note 1
Subsequent events – Note 6, 19

Approved by the Board of Directors

"Brad Nichol" , Director

"Wes Siemens" , Director

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

Global Helium Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes		Year-ended December 31, 2021		Year-ended December 31, 2020
Expenses					
Consulting fees and salaries		$	416,257	$	-
Depreciation	7		8,092		-
Exploration and evaluation expenditures	6		31,412		-
Foreign exchange			5,379		15,018
General and administrative			115,320		65,917
Interest on lease obligation	9		927		-
Investor relations			32,500		-
Management fees, salaries, and benefits	13		752,127		505,000
Marketing	14		1,399,015		-
Professional fees			196,296		75,961
Regulatory			57,286		-
Software licensing			25,293		20,570
Stock-based compensation	11(e)		370,000		-
Total expenses			3,409,904		682,466
Other items					
Rent income			(2,000)		-
Total other items			(2,000)		
Loss and comprehensive loss		$	(3,407,904)	$	(682,466)
Loss and comprehensive loss per share – basic and diluted	11(d)	$	(0.11)	$	(34.12)

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

Global Helium Corp.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

	Note	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
Balance – December 31, 2019		$ 100	-	-	(260,194)	$ (260,194)
Loss for the year		-	-	-	(682,466)	(682,466)
Balance – December 31, 2020		$ 100	-	-	(942,660)	$ (942,560)
Units issued pursuant to private placements	11	7,449,625	3,391,434	209,157	-	11,050,216
Units issued pursuant to promissory note settlements	11	910,224	412,776	-	-	1,323,000
Shares issued on warrant exercises	11	2,222,180	(243,760)	-	-	1,978,420
Shares issued on option exercises	11	49,200	-	(4,200)	-	45,000
Equity issuance costs	11	(306,652)	(126,342)	-	-	(432,994)
Stock-based compensation	11	-	-	370,000	-	370,000
Loss for the year		-	-	-	(3,407,904)	(3,407,904)
Balance – December 31, 2021		$ 10,324,677	3,434,108	574,957	(4,350,564)	$ 9,983,178

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

Global Helium Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	Year-ended December 31, 2021	Year-ended December 31, 2020
Operating activities			
Loss for the year		$ (3,407,904)	$ (682,466)
Items not affecting cash:			
Stock-based compensation	11	370,000	-
Depreciation	7	8,092	-
Change in non-cash working capital items:			
Amounts receivable		(28,877)	(34,669)
Prepaids		(31,901)	2,030
Accounts payable and accrued liabilities		(6,529)	(101,619)
Net cash used in operating activities		(3,097,119)	(816,724)
Investing activities			
Deposit paid on acquisition of exploration and evaluation assets	6	(267,120)	-
Exploration and evaluation expenditures	6	(629,262)	(116,136)
Purchase of property and equipment	7	(8,790)	-
Change in non-cash working capital item:			
Accounts payable and accrued liabilities		214,499	-
Net cash used in investing activities		(690,673)	(116,136)
Financing activities			
Proceeds from unit issuances	11	10,841,059	-
Proceeds from warrant exercises	11	1,978,420	-
Proceeds from option exercises	11	45,000	-
Unit issuance costs	11	(223,837)	-
Lease repayments	9	(2,073)	-
Proceeds from promissory note	10	-	1,054,000
Net cash from financing activities		12,638,569	1,054,000
Change in cash		8,850,777	121,140
Cash, beginning of the year		277,834	156,694
Cash, end of year		$ 9,128,611	$ 277,834

Supplemental disclosure with respect to cash flows - Note 18

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

1. Nature, continuance of operations and going concern

Global Helium Corp. (the "Company") is an early-stage company incorporated in Canada on November 13, 2020, focused on the exploration, acquisition and development of helium resources. The address of the Company's head office is 800, 555-4th Ave SW, Calgary, AB, T2P 3E7. The consolidated financial statements were authorized for issue on February 23, 2022, by the board of directors of the Company. The Company received approval for a listing on the Canadian Securities Exchange ("CSE") under the symbol "HECO" and commenced trading on May 19, 2021.

On November 30, 2020, the Company acquired 100% of the assets of Yellow Line Helium Limited Partnership ("YLH LP") in exchange for 20,000 common shares, 20,000 common share purchase warrants and the assumption of YLH LP's debt. YLH LP held helium exploration permits in the province of Saskatchewan that are prospective for helium resources. Subsequent to this transaction, the net assets of YLH LP, being 100% of the shares and warrants in the Company, were distributed to the partners and YLH LP was immediately dissolved. Immediately following this acquisition, the Company was owned by the same group as YLH LP, and this transaction is considered a corporate reorganization. Since the transaction represents a continuity of interests from YLH LP to the Company, the Company has included the results of operations of the Company and YLH LP from YLH LP's inception, being January 1, 2019. Therefore, these consolidated financial statements include the historic financial position, results of operations and cash flows of YLH LP, from January 1, 2019, to November 30, 2020 (Note 4).

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cast significant doubt upon the use of the going concern assumption. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

For the year-ended December 31, 2021, the Company had loss and comprehensive loss of $3,407,904 (December 31, 2020 – $682,466) and has an accumulated deficit of $4,350,564 since inception. The Company has not yet reached production from its exploration activities.

The global COVID-19 pandemic has added a potential risk to the Company's ability to operate and raise equity in the near future. The potential financial impact of the pandemic cannot be reasonably estimated at this time.

Due to the factors mentioned above, there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include the necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that may be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and such adjustments could be material.

2. Significant accounting policies

(a) Basis of presentation and measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis except as otherwise stated and allowed for in accordance with IFRS.

These consolidated financial statements are presented in Canadian dollars.

(b) Basis of consolidation

On November 10, 2021, the Company incorporated a new 100% owned US subsidiary to support its planned activities in the United States.

These consolidated financial statements include the accounts of Global Helium USA Corp., a 100% wholly owned US subsidiary controlled by the Company. Control exists when the Company has the power to, directly or indirectly; to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

(c) Use of estimates, significant judgments, and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in preparing the Company's consolidated financial statements include:

i. Going-concern - the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
ii. Cash-generating units ("CGUs") - The Company's exploration and evaluation assets are aggregated into cash-generating units for calculating impairment, based on their ability to generate largely independent cash flows. The classification of assets into CGU's requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Company's operations;
iii. Exploration and evaluation assets – The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of resources have been found in assessing economic viability and technical feasibility;
iv. Leases - Judgments are required to determine if a contract is, or contains, a lease. These judgments require an assessment of whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Judgment is also required to determine the interest rate used to discount the lease payments; and
v. Decommissioning liabilities - the assessment that there are currently no decommissioning liabilities associated with the Company's operations.
vi. Stock-based compensation – The amounts recorded for stock-based compensation expense relating to the fair value of stock options issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Company's share value, estimated market value of the Company's shares at grant date, expected forfeiture rates, expected lives of the options (based on general holder behavior) and the risk-free interest rate (based on government bonds).

(d) Business combinations

Business combinations are accounted for using the acquisition method when the acquisitions of companies and /or assets meet the definition of a business under IFRS. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The acquired identifiable assets and liabilities are measured initially at their fair value at the date of acquisition. The fair value of exploration and evaluation assets and property, plant and equipment is the estimated amount for which these assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion. The market value of helium interests is estimated with reference to discounted cash flows expected to be derived from helium production based on internally and externally prepared reserve reports as well as estimates of market values of undeveloped lands. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in profit or loss. Associated transaction costs are expensed when incurred.

(e) Foreign currencies

The presentation currency of the Company is the Canadian dollar, which is the functional and presentation currency of the parent company. The functional currency for a subsidiary is the currency of the primary economic environment in which the subsidiary operates. As of December 31, 2021, the functional currency was determined to be the United States dollar for the Company's US subsidiary.

(f) Exploration and evaluation expenditures

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and evaluation of its properties incurred subsequent to the acquisition of legal rights to explore, including surveying, exploratory drilling and similar costs, are capitalized by property. Exploration and evaluation assets are not depreciated. If economically recoverable resources are determined to exist, capitalized costs of the related property will be reclassified as helium assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off or derecognized. Management reviews exploration and evaluation assets at each reporting date to determine if facts and circumstances indicate that the carrying amount of the assets might exceed their recoverable amount. If these conditions exist, the Company would perform an impairment test and record the impairment if the carrying amount exceeds the greater of the fair value and value in use of the assets.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to explore and complete the development of the properties, and future profitable production from the disposition of the helium produced from the properties or by sale.

Once technical feasibility and commercial viability of a property has been established, the property is considered to be a development property and is classified as helium development assets in property, plant and equipment. The carrying value of the property is tested for impairment before the expenditures are transferred to property, plant and equipment. General and administrative costs are expensed as incurred.

(g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: the contract involves the use of an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and, the Company has the right to direct the use of the asset.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. Leases to explore for or use crude oil, natural gas, minerals and similar non regenerative resources, including helium, are also exempt from the standard. The Company treats lease payments for these types of leases as an expense when incurred, over the lease term. The Company recognizes a right of use asset and a lease liability at the commencement date of the lease contract, which is the date that the lease asset is available to the Company. The lease asset is initially measured at cost. The cost of a lease asset includes the amount of the initial measurement of the lease liability, lease payments made at or before to the commencement date less any incentives received, initial direct costs and estimates of the decommissioning liability, if any. Subsequent to initial recognition, the lease asset is depreciated using the straight-line method over the earlier of the end of the useful life of the lease asset or the lease term. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date discounted using the rate implicit in the lease or the Company's incremental borrowing rate if the implicit rate is not readily available. Lease payments that are present valued include fixed payments, less any lease incentives receivable, variable lease payments that are based on index or rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option that is reasonably certain of exercise and payment of penalties for terminating a lease if the lease term reflects exercising that option. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. Optional renewal periods, or periods which are cancellable by the Company, are included in the lease payments if the Company is reasonably certain to exercise the renewal option or not cancel the lease. The lease liability is measured at amortized cost using the effective interest method. The lease liability is re-measured when there is a change in the Company's assessment of the expected lease term or if there is a lease modification.

(h) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effects.

(i) Share-based payments

The Company may make periodic grants of stock options to selected directors, officers, employees, and others providing a similar service. The fair value of the options is determined at the date of the grant using the Black-Scholes option pricing model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry to contributed surplus. No expense is recognized for awards that do not ultimately vest.

(j) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

(k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are generally measured at fair value.

(l) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the instruments have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial instruments are measured at fair value upon initial recognition. Measurement in subsequent periods is dependent on the financial instrument's classification, as described below:

- *Fair value through profit or loss ("FVTPL")*
  Financial assets and liabilities designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with subsequent changes in fair value charged to the statement of income. The Company does not currently have any financial assets or liabilities classified as FVTPL.
- *Amortized cost*
  Financial assets and financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment. The Company includes cash, accounts payable and accrued liabilities, and promissory notes within the amortized cost category.

- *Fair value through other comprehensive income ("FVTOCI")*
  Financial assets designated at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not currently have any financial assets or liabilities classified as FVTOCI.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Any subsequent reclassification of financial assets and liabilities from their initial recognition will be reclassified on the first day of the reporting period.

i. Impairment of financial assets

Impairment of financial assets carried at amortized cost is determined by measuring the assets' expected credit losses ("ECLs"). Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, which is measured as the difference between the present value of the cash flows due to the Company and the cash flows that the Company expects to receive. In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts, evidence of a deterioration of a debtor's financial condition, evidence that a debtor will enter bankruptcy, increase in the number of days the debtor is past due and change in economic condition that could correlate to increased risk of default. ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component since amounts receivable are due within one year or less.

ii. Commodity price contracts

Commodity price contracts may be used by the Company to manage exposure to market risks related to commodity prices, exchange rates and interest rates. The Company does not intend to use derivative contracts for speculative purposes. The Company will not designate its derivative contracts as hedges and, as such, will not apply hedge accounting. All derivative contracts would be classified at fair value through profit and loss.

(m) Taxes

i. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii. Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recognized for temporary differences related to goodwill or asset acquisitions which do not constitute a business combination and, at the time of the transaction, affect neither accounting income (loss) or taxable income (loss).

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(n) Earnings (loss) per share

During the year ended December 31, 2021, the Company began calculating and disclosing earnings (loss) per share given it obtained a public listing in May 2021.

Basic earnings (loss) per share is computed by dividing the income (loss) by the weighted average number of common shares outstanding during the period. Diluted earning (loss) per share amounts are calculated to give effect to the potential dilution that would occur if contracts to issue common shares were exercised, fully vested, or converted to common shares. The treasury stock method is used to determine the dilutive effect of dilutive instruments, where it is assumed that the proceeds received from the exercise of in-the-money dilutive instruments are used to repurchase common shares at market prices.

(o) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided annually at rates calculated to write off the cost of property and equipment, less the estimated residual value over the useful life, using the following methods and rates:

Asset	Basis	Rate
Computers	Straight line	3 years
Right of use assets	Straight line over the term of the lease	2.3 years

Depreciation on assets used in exploration activities (if any) is capitalized to exploration and evaluation assets.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(Expressed in Canadian dollars)

3. Future accounting pronouncements

The Company plans to adopt the following amendments to accounting standards, issued by the IASB, that are effective for annual periods beginning on or after January 1, 2022. The pronouncements will be adopted on their respective dates and are not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit a company from deducting from the cost of PP&E amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2023.

4. Corporate reorganization

On November 30, 2020, the Company acquired 100% of the assets of Yellow Line Helium Limited Partnership (“YLH LP”) in exchange for 20,000 common shares, 20,000 common share purchase warrants and the assumption of YLH LP’s debt. YLH LP held helium exploration permits in the province of Saskatchewan that are prospective for helium resources. Subsequent to this transaction, the net assets of YLH LP, being 100% of the shares and warrants in the Company, were distributed to the partners and YLH LP was immediately dissolved. Immediately following this acquisition, the Company was owned by the same group as YLH LP and this transaction is considered a corporate reorganization. Since the transaction represents a continuity of interests from YLH LP to the Company, the Company has included the results of operations of the Company and YLH LP from YLH LP’s inception, being January 1, 2019. Therefore, these consolidated financial statements include the historic financial position, results of operations and cash flows of YLH LP, from January 1, 2019 to November 30, 2020.

The following table summarizes the carrying value of the amounts transferred on November 30, 2020, to the Company:

Cash	$	402,002
Amounts receivable		31,451
Prepaid		4,635
Exploration and evaluation assets		120,540
Accounts payable and accrued liabilities		(34,395)
Promissory notes payable		(1,323,000)
Share capital		(100)
Deficit	$	798,867

5. Amounts receivable

The amounts receivable represents GST input tax credits recoverable from the Canadian government as at December 31, 2021 and December 31, 2020.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets

		December 31, 2021		December 31, 2020
Balance, beginning of the year	$	120,975	$	4,839
Additions		629,262		116,136
Balance, end of the year	$	750,237	$	120,975

As at December 31, 2021, the Company holds 25 helium exploration permits over certain lands in Saskatchewan. The Company is required to make future annual lease maintenance expenditures, annual permit exploration expenditures and annual permit drilling expenditures as follows:

	2022	2023	2024	2025	2026	Total
Annual lease maintenance expenditures	$ 42,600	$ 77,100	$ 123,100	$ 123,100	$ -	$ 365,900
Annual permit exploration expenditures	215,000	255,000	532,000	761,000	759,000	2,522,000
Annual permit drilling expenditures	-	29,000	54,000	197,000	369,000	649,000
Total	**$ 257,600**	**$ 361,100**	**$ 709,100**	**$ 1,081,100**	**$ 1,128,000**	**$ 3,536,900**

Should the Company not meet the above requirements, the permits would lapse and the Company would lose the right to explore on the applicable lands.

In 2020, the Company was granted an extension of one year by the Saskatchewan government to incur the 2020 qualifying annual permit expenditures. As of December 31, 2021, the Company had met its annual permit expenditures obligations on its helium permits related to the above 2020 and 2021 requirements.

During the year ended December 31, 2021, the Company paid a deposit of $267,120 on certain exploration and evaluation assets. Subsequent to year end, the underlying agreement closed.

During the year ended December 31, 2021, $31,412 (2020 - $Nil) in exploration and evaluation expenditures were expensed as they were incurred prior to the Company having the legal right to explore.

7. Property and equipment

		Computer Equipment		Right of use assets		Total
Cost						
Balance, December 31, 2019 and 2020		-		-		-
Additions		8,790		82,512		91,302
Balance, December 31, 2021	$	8,790	$	82,512	$	91,302
Accumulated depreciation						
Balance, December 31, 2019 and 2020		-		-		-
Depreciation		2,198		5,894		8,092
Balance, December 31, 2021	$	2,198	$	5,894	$	8,092
Net carrying value						
December 31, 2020	$	-	$	-	$	-
December 31, 2021	$	6,592	$	76,618	$	83,210

(Expressed in Canadian dollars)

8. Accounts payable and accrued liabilities

		December 31, 2021		December 31, 2020
Accounts payable	$	263,093	$	61,142
Accrued liabilities		6,019		-
Total	$	269,112	$	61,142

9. Lease obligation

The lease obligation relates to a right of use ("ROU") liability recognized pursuant to an office lease agreement which started in November 2021 and ends in February 2024. Interest on the lease obligation during the year ended December 31, 2021 was $927 (December 31, 2020 - $nil). The amount expensed in the consolidated statement of loss, during the year-ended December 31, 2021, related to short-term leases was $5,750 (December 31, 2020 - $750).

The following table summarizes the lease obligations at December 31, 2021:

At December 31, 2020 and 2019	$	-
Additions		82,512
Lease repayments		(3,000)
Interest on lease obligations		927
At December 31, 2021	$	80,439

The following table reconciles total undiscounted contractual cash flows to the lease obligation:

		Undiscounted amount	Less effect of discounting	Current		Non-current
As at December 31, 2022	$	38,000	(4,544)	33,456	$	-
As at December 31, 2023		42,000	(1,958)	-		40,042
As at December 31, 2024		7,000	(59)	-		6,941
Total	$	87,000	(6,561)	33,456	$	46,983

10. Promissory notes

During 2019 and 2020, the Company received a total of $1,323,000 in exchange for promissory notes payable which were due on demand, were unsecured and bore no interest. The notes were due to a company related by virtue of common ownership, management, and directors.

These promissory notes were converted to equity on February 15, 2021 (note 11).

11. Share capital

(a) Authorized

Unlimited number of Class A voting common shares
Unlimited number of Class B non-voting common shares
Unlimited number of Preferred Shares, issuable in series, with rights and privileges to be set by the board of directors

(Expressed in Canadian dollars)

(b) Issued and outstanding

Class A common shares	Number of Shares		$
Balance, November 13, 2020	-	$	-
Issue and repurchase of 1 common share (1)	-		-
Issue of common shares pursuant to a corporate reorganization (2)	20,000		100
Balance, December 31, 2020	20,000	$	100
Issue of common shares pursuant to private placements (3)	37,408,820		7,449,625
Issue of common shares pursuant to promissory note settlements (4)	2,646,000		910,224
Issue of common shares on warrant exercises (note 11c)	3,391,720		2,222,180
Issue of common shares on option exercises (note 11e)	300,000		49,200
Share issuance costs	-		(306,652)
Balance, December 31, 2021	43,766,540	$	10,324,677

1) This share was issued to affect the incorporation of the Company and then repurchased for the same amount, being $0.01, immediately on the corporate reorganization (note 4).

2) Pursuant to note 4, the Company issued 20,000 common shares, at a value of $0.005 per share, as part of a corporate reorganization. Pursuant to the corporate reorganization, the value for this issuance has been recorded at the carrying value of the equity in YLH LP at the date of the corporate reorganization, being $100.

3) During the year ended December 31, 2021, the Company completed the following private placements:

   (a) On January 1, 2021, the Company issued 7,980,000 units at $0.005 per unit for gross proceeds of $39,900. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.25 per share until May 19, 2023.

   (b) On January 15, 2021, the Company issued 5,500,000 units at $0.02 per unit for gross proceeds of $110,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.25 per share until May 19, 2023.

   (c) On February 1, 2021, the Company issued 5,300,000 units at $0.05 per unit for gross proceeds of $265,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.25 per share until May 19, 2023.

   (d) On March 1, 2021, the Company issued 8,756,403 units at USD$0.39 per unit for gross proceeds of USD$3,414,997 (CDN $4,323,728). Each unit consisted of one common share and one common share purchase warrant exercisable at CDN$1.00 per share until May 19, 2023.

   (e) On March 1, 2021, the Company issued 2,097,597 units at $0.50 per unit for gross proceeds of $1,048,799. Each unit consisted of one common share and one common share purchase warrant exercisable at $1.00 per share until May 19, 2023.

   (f) In October 2021, the Company issued 7,774,820 units at $0.65 per unit for gross proceeds of $5,053,633. Each unit consisted of one common share and one common share purchase warrant exercisable at $1.00 per share until October 2023.

   In addition, 255,070 purchase warrants, exercisable until October 2023 at a price of $0.65 per share, were issued as additional compensation to the agent with respect to this financing. Share issuance costs of $209,157 were recorded with a corresponding increase in contributed surplus. The fair value of the warrants was estimated on the date of issuance at $0.82 per warrant, using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate – 0.52%, expected life – 2 years, expected dividend yield – 0%, expected volatility – 130%, and forfeiture rate – 0%.

(Expressed in Canadian dollars)

(g) Share capital and warrant proceeds allocation: The total gross proceeds for these private placements in 2021 of $10,841,059 has been split to share capital and warrants as to $7,449,625 and $3,391,434, respectively, based on the relative fair values of each instrument on the date of issuance. The fair value of the warrants issued was estimated on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate – 0.34%, expected life – 2.3 years, expected dividend yield – 0%, expected volatility – 124%, and forfeiture rate – 0%. The expected volatility was calculated using a weighted average volatility of similar public companies in the junior resource industry and the Company's own volatility after it began trading.

4) On February 15, 2021, the Company converted promissory notes payable of $1,323,000 to 2,646,000 units of the Company. Each unit consisted of one common share and one common share purchase warrant exercisable at $1.00 per share until May 19, 2023.

The total amount of the promissory note settlements of $1,323,000 has been split to share capital and warrants as to $910,224 and $412,776, respectively, based on the relative fair values of each instrument on the date of issuance. The fair value of the warrants was estimated on the date of issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate – 0.29%, expected life – 2.3 years, expected dividend yield – 0%, expected volatility – 123%, and forfeiture rate – 0%. The expected volatility was calculated using a weighted average volatility of similar public companies in the junior resource industry.

(c) Warrants

The following table outlines the Company's warrants outstanding at December 31, 2021:

	Number	**$**	**Weighted average exercise price**
Balance, December 31, 2019	-	$ -	$ -
Issued pursuant to a corporate reorganization (note 4)	20,000	-	0.25
Balance, December 31, 2020	20,000	$ -	$ 0.25
Issued pursuant to private placements	37,663,890	3,391,434	0.63
Issued pursuant to debt settlements	2,646,000	412,776	1.00
Warrant issue costs		(126,342)	-
Exercised [(1)]	(3,391,720)	(243,760)	0.58
Balance, December 31, 2021	36,938,170	$ 3,434,108	$ 0.66

1. During the year ended December 31, 2021, 3,391,720 warrants were exercised for cash proceeds of $1,978,420. The original value of $243,760 ascribed to these warrants when issued was adjusted to share capital on exercise.

Information about the warrants at December 31, 2021 is as follows:

Number of warrants – outstanding and exercisable	**Exercise price**	**Expiry date**
16,915,600	$ 0.25	May 19, 2023
12,032,680	$ 1.00	May 19, 2023
2,382,800	$ 1.00	October 4, 2023
5,607,090	$ 1.00	October 5, 2023
36,938,170		

(Expressed in Canadian dollars)

(d) Per share amounts

		Year-ended December 31, 2021		Year-ended December 31, 2020
Loss and comprehensive loss for the year	$	(3,407,904)	$	(682,466)
Weighted average number of common shares outstanding – basic and diluted[1]		31,787,888		20,000
Loss and comprehensive loss per share – basic and diluted	$	(0.11)	$	(34.12)

(1) All stock options and warrants have been excluded from the calculation of diluted loss per share as they would be anti-dilutive due to the Company being in a loss position for the years-ended December 31, 2021 and 2020.

(e) Stock-based compensation

i. Stock option plan

The Company has a rolling stock option plan (the "Plan") consistent with the guidelines of the Canadian Securities Exchange ("CSE"), to provide incentive for the directors, officers, employees, and consultants of the Company. The maximum number of shares which may be set aside for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant.

The exercise price of options granted under the Plan will be fixed by the Board at the time of grant, provided that such exercise price may not be less than the market price of the common shares as outlined in the Policies of the CSE. The options granted under the Plan will vest and be exercisable on a basis determined by the Board at the time of the grant and will be exercisable for a period not exceeding ten years.

Stock option transactions are summarized as follows:

	Number	Weighted average exercise price
Balance, December 31, 2019 and 2020	-	-
Granted [1]	2,900,000	0.29
Exercised [2]	(300,000)	0.15
Balance, December 31, 2021	2,600,000	$ 0.31

(1) All the options vested immediately.
(2) During 2021, 300,000 options were exercised for cash proceeds of $45,000. $4,200 of related stock-based compensation recognized on vested options before the exercises has been added to share capital and removed from contributed surplus.

Information about the stock options outstanding and exercisable on December 31, 2021, are as follows:

Number of options - outstanding	Number of options - exercisable	Weighted average exercise price	Expiry date
1,700,000	1,700,000	$0.15	February 1, 2023
900,000	900,000	$0.61	August 11, 2023
2,600,000	2,600,000		

ii. Stock-based compensation expense

Compensation expense of $370,000 for the year ended December 31, 2021 (December 31, 2020 - $Nil) has been recorded in the statement of loss with a corresponding increase in contributed surplus.

(Expressed in Canadian dollars)

The weighted average fair value of each option granted during the year ended December 31, 2021, was estimated on the date of grant to be $0.13 using the Black-Scholes option pricing model with the following weighted average assumptions for grants as follows:

	Year ended December 31, 2021
Risk-free interest rate	0.25%
Expected life of option	2.0 years
Expected dividend yield	0%
Expected volatility [(a)]	127%
Forfeiture rate	0%
Exercise price	$0.29
Share price at grant date	$0.22

[(a)] The expected volatility was calculated using the Company's historic volatility and a weighted average volatility of similar public companies in the junior resource industry when applicable.

12. Taxes

(a) Deferred tax asset

At December 31, 2021, a deferred tax asset of $782,573 (December 31, 2020 - $33,072) has not been recognized in the consolidated financial statements. The following table provides a continuity of components of the deferred tax asset:

	Balance – December 31, 2019	**Recognized in income**	**Closing balance – December 31, 2020**
Exploration and evaluation assets	$ -	$ -	$ -
Undepreciated capital cost	-	7,180	7,180
Non-capital losses	-	25,892	25,892
Deferred tax asset not recognized	-	(33,072)	(33,072)
Deferred tax asset (liability)	$ -	$ -	$ -

	Balance – December 31, 2020	**Recognized in income**	**Closing balance – December 31, 2021**
Exploration and evaluation assets	$ -	$ 8,597	$ 8,597
Undepreciated capital cost	7,180	34,006	41,186
Non-capital losses	25,892	706,898	732,790
Deferred tax asset not recognized	(33,072)	(749,501)	(782,573)
Deferred tax asset (liability)	$ -	$ -	$ -

(Expressed in Canadian dollars)

(b) Deferred tax expense

The actual income tax provision differs from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes.

A reconciliation of income taxes at statutory rates with the reported income tax expense is as follows:

	Year-ended December 31, 2021	**Year-ended December 31, 2020**
Loss before income taxes	$ (3,407,904)	$ (682,466)
Corporate tax rate	23%	23%
Expected income tax recovery at statutory rates	(783,818)	(156,967)
Differences resulting from:		
Change in deferred tax asset not recognized	749,501	33,072
Other items	(50,783)	-
Stock-based compensation	85,100	-
Income not taxed in corporation as earned in partnership	-	(123,895)
Total income tax expense	$ -	$ -

13. Related party transactions

(a) Related party transactions

i. For the year-ended December 31, 2021, the Company incurred $180,000 of chief executive officer consulting fees (December 31, 2020 - $40,000) from a private company in which a director and officer is the private company's principal shareholder. These fees are included in management fees in the statement of loss.

ii. For the year-ended December 31, 2021, the Company incurred $45,000 of chief financial officer consulting fees (December 31, 2020 - $150,000) from an officer of the Company. These fees are included in management fees in the statement of loss.

iii. For the year-ended December 31, 2021, the Company incurred $45,000 of vice-president of exploration consulting fees (December 31, 2020 - $175,000) from a private company in which the officer is the private company's principal shareholder. These fees are included in management fees in the statement of loss.

iv. For the year-ended December 31, 2021, the Company received $2,000 of rent income (December 31, 2020 - $nil) from companies that share senior management of the Company. The rent income results from office space expenses that the entities share and the amount is included in rent income in the statement of loss. The Company also owed $1,613 (December 31, 2020 - $980) to companies that share senior management of the Company related to the shared office space expense and is included in accounts payable on the statement of financial position as at December 31, 2021.

(Expressed in Canadian dollars)

(b) Key management compensation

The remuneration of directors and management of the Company is set out below:

		December 31, 2021		December 31, 2020
Officer consulting fees, salaries, and benefits	$	752,127	$	365,000
Stock-based compensation		289,800		-
Total	$	1,041,927	$	365,000

14. Marketing

During the year-ended December 31, 2021, in connection with its public listing, the Company commenced a significant corporate awareness campaign resulting in $1,399,015 (December 31, 2020 – $nil) being recorded in the consolidated statement of loss and comprehensive loss.

15. Financial risk management

The Company's activities expose it to certain financial risks, including credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for managing risk. There were no changes to the Company's risk management policies or procedures during the year-ended December 31, 2021.

a. Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's primary exposure to credit risk relates to its cash held with a major financial institution and its amounts receivable which primarily consist of amounts to be received from the Government of Canada.

Cash consists of cash bank balances. In order to manage credit risk, the Company holds cash balances with a financial institution with a high credit rating.

The Company has determined the credit risk associated with amounts receivable is minimal as the amounts are due from the Government of Canada.

The Company's receivables are aged as follows:

Aging		December 31, 2021		December 31, 2020
Current (less than 90 days)	$	68,560	$	39,683
Past due (more than 90 days)		-		-
	$	68,560	$	39,683

Since the Company's receivables consist of amounts due from the government, the Company does not have an allowance for doubtful accounts as at December 31, 2021 and December 31, 2020, and believes all amounts will be collected in due course. The Company's historical expected credit loss is $Nil. At December 31, 2021, the amount subject to credit risk relating to amounts receivable equates to their carrying value.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows and its holdings of cash.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2021:

	Within one year	Between one and five years	Total
Accounts payable and accrued liabilities	$ 269,112	$ -	$ 269,112
Lease obligation	33,456	46,983	80,439
Total	302,568	46,983	349,551

c. Market risk

i. Foreign currency risk and sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in USD. As at December 31, 2021, net financial assets totaling $2,526,000 (December 31, 2020 - $18,000) were held in USD. The Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Based on the above net exposure as at December 31, 2021 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately $50,000 (December 31, 2020 - $360) in the Company's loss and comprehensive loss for the year-ended December 31, 2021.

ii. Commodity price risk

The nature of the Company's operations may expose the Company to commodity price risks when the Company begins production.

As at December 31, 2021, the Company has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage price risk, it will only enter into derivative financial instruments with highly rated investment grade counterparties.

iii. Interest rate risk

Interest rate risk is the risk the future cash flows will fluctuate as a result of changes in market interest rate. The Company is not exposed to interest rate risk as the Company had no interest-bearing debt as of December 31, 2021.

16. Fair value determination of financial instruments

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels within the fair value hierarchy for the year-ended December 31, 2021 or the year-ended December 31, 2020.

Due to their short term until maturity, at December 31, 2021, the carrying value of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair value. The fair value of lease obligation approximates its carrying value as the Company's incremental borrowing rate has not changed from when the lease was originally entered into.

17. Capital management

The primary capital management objective of the Company is to ensure adequate working capital is available to fund both its helium exploration and development projects and its working capital requirements, while also seeking to minimize the risk-adjusted cost of capital.

Capital is raised and retained for the purposes and to the extent necessary to fund exploration and corporate overhead costs, subject to the availability of financing on acceptable terms. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of its planned exploration activities and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company defines capital as Shareholders' equity (deficit). The Company's targeted capital structure at December 31, 2021 is 100% shareholders' equity. Management believes that such a capital structure is the most suitable for a pre-production exploration company.

The chief source of working capital is equity financing obtained through the sale of common shares and any related warrants. The Company from time to time may receive loans from related parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider debt to be a sustainable source of capital, as in the absence of positive cash flows from operations; any debt obtained must be retired with funds raised through equity financing.

A significant measure used in assessing capital adequacy is the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the balance of the annual exploration and development goals and fund corporate overhead expenses in the near term. Considering the equity raised (note 11), management believes that there is sufficient capital to carry out its planned activities over the next twelve months, however the Company may raise additional capital in the future if terms are acceptable.

Equity financings will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of the Company's shares. The terms on which the Company obtains financings are furthermore subject to the guidelines of the CSE.

There were no changes in the Company's approach to capital management during the years-ended December 31, 2021, or 2020.

18. Supplemental information with respect to cash flows

There was no interest or taxes paid for the year-ended December 31, 2021, and 2020.

During the year-ended December 31, 2021, the Company had the following significant non-cash transactions:

- The settlement of promissory notes payable of $1,323,000 with unit issuances (note 11)

There were no significant non-cash transactions year-ended December 31, 2020.

19. Subsequent events

(a) Subsequent to December 31, 2021, 309,500 warrants have been exercised for gross cash proceeds of $309,500.

(b) Subsequent to December 31, 2021, the Company has been granted an additional two permits in Saskatchewan covering 38,897 additional hectares, resulting in future annual rental, exploration and drilling obligations totaling approximately $26,000, $196,000 and $45,000 respectively. The obligations will have to be met over the next five years, consistent with Saskatchewan helium permit requirements.