



ROYAL HELIUM LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Introduction

The following management's discussion and analysis ("MD&A") of the consolidated financial condition and results of the operations of Royal Helium Ltd. (the "Company" or "RHL") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2023. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2023 and 2022, together with the notes thereto available on SEDAR+ at www.sedarplus.com and the Company's website at www.royalheliumltd.com.

Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the year ended December 31, 2023 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April 24, 2023 unless otherwise indicated.

The consolidated financial statements for the year ended December 31, 2023 and 2022 have been prepared using accounting policies consistent with IFRS.

The MD&A was approved by the board of directors on April 24, 2023.

RHC's Strategic Objectives

During fiscal 2023, RHC completed the construction of its flagship helium purification facility and commenced initial production from two production wells on its Steeveville helium property in Alberta. The Steeveville facility is one of the largest helium purification facilities in Canada, and the first facility with the ability to capture and utilize all of the associated gases produced along with helium, including both CO₂ for eventual sale and methane which is used to power the plant. As a cryogenic facility, as opposed to a more standard membrane helium separation facility, allows for this secondary and tertiary gas capture and allows the Steeveville facility to not only be one of the most power efficient helium plants in operation, but also one able to generate alternative cash flow streams through the sale of by-products.

Royal continues to ramp-up production through the Steeveville helium purification facility with a view to achieving capacity production of 15 Mmcf per day of raw gas throughput. During the ramp-up, conditions remain variable as the operating ranges of the various plant components are altered at every new production level to ensure that consistent operations can be maintained without issue. During this time, the plant continues to produce high grade purified helium and RHC continues to make sales under its long-term fixed price sales agreements. To date, 9 trailer loads have been delivered.

Helium is a critical mineral and a non-substitutable and non-renewable commodity that is essential in the high-tech manufacturing, aerospace and defense, data storage, artificial intelligence, quantum computing and health care industries. These sectors are universally experiencing exponential growth and represent some of the highest need and most focused sectors of the global economy, which continues to drive

demand at a global level. From a north American perspective, the move to onshore material components of the high-tech manufacturing sector has grown the demand for helium in this region to historically high levels. Royal Helium is uniquely positioned to deliver into this demand at ever increasing prices and it develops its portfolio of properties.

Saskatchewan and Alberta are both known helium producing regions, with multiple wells currently in production, and are strategically located for continued exploration and development of helium. Helium is created through the breakdown of uranium and thorium and Saskatchewan is well known for having some of the highest uranium concentrations in the world.

RHC is a helium production, infrastructure and exploration company focused on helium and associated industrial gas production from its flagship Steveville helium purification facility in central Alberta and exploration on its helium permits and leases in Saskatchewan and Alberta. RHC is one of the largest helium lease and permit holders in North America, with land that was acquired both from the Crown and via freehold lease agreements. All of the land acquired was subject to thorough analysis of existing well data, seismic and geological data and is associated with some of the highest known helium concentrations in Saskatchewan. The Company's properties are all in close vicinity to highways, roads, cities and oil & gas infrastructure.

The consolidated financial statements include the accounts of RHC together with its wholly owned subsidiary, Royal Helium Exploration Limited ("RHEL"), and Imperial Helium Corp ("IHC") and are expressed in Canadian dollars, unless otherwise stated.

Highlights

During the year ended December 31, 2023:

- Completed the construction of the Steveville Helium Purification facility.
- Initiated production from its initial two production wells.
- Completed first commercial sale of purified helium.
- Completed the acquisition of the 40 Mile helium property in southern Alberta.
- Closed a term debt financing with Canadian Western bank ("CWB") and Business Development bank of Canada, acting pari passu, for \$9,300,000 each, \$18,600,000 in total, of 6 year term loans, and received its first draw under the term debt facility
- Obtained a \$2,500,000 demand operating loan for working capital purposes
- Completed a bought deal convertible debenture financing for gross proceeds of \$7,300,000
- Completed an underwritten private placement for gross proceeds of \$5,170,000

After the reporting period:

- Royal entered into a letter of intent with Sparrow Hawk Developments, the economic development arm of the Peepeekisis Cree Nation for the development of the Val Marie helium project in southern Saskatchewan by way of a \$25,000,000 joint venture investment.
- Received \$3,000,000 repayable contribution from Western Economic Diversification Canada under the Aerospace Regional Recovery Initiative.

- Entered into its first commercial offtake agreement for the sale of food and beverage grade CO₂
- \$2,500,000 principal amount of the June 12% series convertible debentures were converted into common shares
- Announced a bought deal financing for gross proceeds of \$6,000,030.

Helium Prospects

Helium Market

The global helium market continues to be under significant supply pressures, as demand continues to outstrip supply. Globally, additional uncertainty has hit the helium market tied directly to Russian actions in the Ukraine and renewed tensions in the middle east. With Russia being one to the largest helium producers in the world, sanctions put in place over Russian exports has severely compounded the ongoing global helium shortage. In North America, there has been no significant new source of supply impacting the market in several years. Royal Helium is well poised to be one of the much-needed new suppliers in the short term, aiding to fulfill a supply void felt from the removal of the United States Strategic Helium reserve in 2018. The ongoing mismatch of supply and demand has caused dramatic price movement since 2018, with prices rising by over 100% for this vital and irreplaceable inert gas. In addition, global sanctions on Russia have reduced the global helium supply and thus increased the price further.

Helium is valuable due to its completely inert nature. It is the only element that will not bind or react with any other element. Its properties also allow it to have the lowest boiling point on any element, and it can remain as a liquid until near absolute zero. These properties allow helium to act as the most effective super coolant on the market as well as a superconductor and purification gas that has no rivals. Helium acts as a cooling medium for superconducting magnets in MRI scanners, NMR spectrometers and other areas of scientific research. Helium has also been used to keep satellite instruments cool and is essential for space travel and rocketry. Helium is essential in the manufacturing of many of the high-tech electronics and supporting network infrastructure that society uses every day, as well as being on the leading edge of new developments, both high-tech and scientific. Helium is often used to provide lift for weather balloons and airships because of its low density. Due to its unreactive nature, helium is used to provide an inert protective atmosphere essential for making fiber optics and semiconductors and for arc - welding various metals. Helium has applications in leak detection in multiple media, including HVAC systems and gas pipelines. Some gaseous helium mixtures are used to treat respiratory ailments in healthcare applications, and helium is also used in various laser applications and as a cooling medium in small modular nuclear reactors.

Off-Balance-Sheet Arrangements

As of the date of this filing, the Company does not have any material off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Steveville Acquisition

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

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

The transaction has been accounted for as an asset acquisition.

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

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

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

Subsequent Events

On January 2, 2024, the Company paid accrued debenture interest by issuing 3,788,660 common shares, valued at \$784,253.

On January 19, 2024, the board of directors granted the aggregate of 909,070 deferred share units ("DSUs") to certain directors, 5,963,635 performance share units ("PSUs") to certain officers and 950,000 stock options to certain directors, employees and consultants of the Company. The stock options are exercisable at \$0.35 and expire January 19, 2029. The stock options vest immediately on the date of the grant, and the DSUs and PSUs vest one year from the date of grant.

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On February 23, 2024, the Company received a \$3,000,000 repayable contribution from Western Economic Diversification Canada under the Aerospace Regional Recovery Initiative. The loan is non-interest bearing with repayment commencing April 1, 2025 and repayable in 60 monthly payments.

On March 12, 2024, the Company issued 380,804 common shares to a market awareness and liquidity consultant.

On April 2, 2024, \$2,500,000 principal amount of the June 12% series convertible debentures were converted to 6,757,500 common shares.

On April 24, 2024, the Company announced a bought deal financing for gross proceeds of \$6,000,030.

Environmental Contingency

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. As of the date of this MD&A, the Company believes that there are no significant environmental obligations requiring material capital outlays in the next 12 months.

Selected Financial Information

All amounts rounded to thousands of dollars, except for per share amounts.

(000's)	Year Ended December 31, 2023 (\$)	Year Ended December 31, 2022 (\$)	Year Ended December 31, 2021 (\$)
Revenue for the period	98	-	-
Net loss for the period	11,044	4,389	5,126
Basic and diluted loss per share	0.04	0.02	0.04
Total assets	91,815	59,750	29,432
Total long-term liabilities	31,295	376	203

Selected Quarterly Financial Information

Summary quarterly information is presented in the table below. All amounts rounded to thousands of dollars, except for the per share amounts.

Three Months Ended	Total Revenue (\$)	Loss	
		Total (\$)	Basic and diluted Per Share (\$)
December 31, 2023	98	(5,331)	(0.02)
September 30, 2023	-	(1,836)	(0.01)
June 30, 2023	-	(2,731)	(0.01)
March 31, 2023	-	(1,146)	(0.00)
December 31, 2022	-	(2,643)	(0.01)
September 30, 2022	-	(978)	(0.01)
June 30, 2022	-	(505)	(0.00)
March 31, 2022	-	(263)	(0.00)

Results of Operations

Year ended December 31, 2023 compared with the year ended December 31, 2022

RHL's net loss totaled \$11,043,624 for the year ended December 31, 2023, with basic and diluted loss per share of \$0.04. This compares with a net loss of \$4,389,004 with basic and diluted loss per share of \$0.02 for the year ended December 31, 2022. The increase of \$6,654,620 in net loss was principally because:

- During the year ended December 31, 2023, depreciation increased to \$941,325. The increase relates to the available for use equipment associated to the Steveville facility.
- During the year ended December, General office and other expenses increased from \$2,782,665 to \$4,191,062. The \$1,408,397 increase relates to the following items; increase in wages and benefits associated with additional staff, and director pay. Increase in use of consultants associated with the Company's carbon credit strategy development and execution, and legal and advisory consulting related to the term debt and operating line of credit secured.
- During the year ended December 31, 2023, operating costs increased from \$nil to \$2,120,866. The increase relates to the Steveville helium processing facility commencing operations.
- During the year ended December 31, 2023, Share-based compensation decreased from \$1,406,790 to \$596,750. The decrease relates to timing of when the Company issues stock options and other share based compensation.
- During the year end December 31, 2023, Finance expenses increased from \$9,549 to \$2,544,464. The \$2,544,464 increase relates to the debt issued in 2023 to build the Steveville helium facility and all other supporting equipment.

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- During the year ended December 31, 2023, exploration and evaluation expense increased from \$nil to \$289,781. The expense relates to the Company allowing certain property claims to expire.
- During the year ended December 31, 2023, losses and other losses increased from \$190,000 to \$451,924. Realized losses are a non-recurring event. In fiscal 2023, the losses relate to issuance of common shares to settle accounts payables and loss related to a phishing attack. In fiscal 2022 the loss was related to selling royalty credits at a discount.

Three months ended December 31, 2023 and 2022

RHL's net loss totaled \$5,331,081 for the three months ended December 31, 2023, with basic and diluted loss per share of \$0.02 compared to \$2,643,301 with basic and diluted loss per share of \$0.01 for the three months ended December 31, 2022. The increase of \$2,687,780 in net loss was principally because:

- During the three months ended December 31, 2023, depreciation increased to \$529,408. The increase relates to the available for use equipment associated to the Steveville facility.
- During the three months ended December, General office and other expenses decreased from \$1,233,480 to \$1,182,014. The \$51,466 decrease relates to the following items; decrease in investor relation activities.
- During the three months ended December 31, 2023, operating costs increased from \$nil to \$2,120,866. The increase relates to the Steveville helium processing facility commencing operations.
- During the three months ended December 31, 2023, Share-based compensation decreased from \$1,406,790 to \$nil. The decrease relates to timing of when the Company issues stock options and other share based compensation.
- During the three months end December 31, 2023, Finance expenses increased from \$3,030 to \$1,321,561. The \$1,318,531 increase relates to the debt issued in 2023 to build the Steveville helium facility and all other supporting equipment.
- During the three months ended December 31, 2023, exploration and evaluation expense increased from \$nil to \$289,781. The expense relates to the Company allowing certain property claims to expire.

Liquidity and Financial Position

At December 31, 2023, RHC had \$2,611,794 in cash and cash equivalents (December 31, 2022 - \$1,002,973) and working capital deficiency of \$6,408,533 (December 31, 2022 – working capital deficiency of \$5,907,200).

Cash used in operating activities was \$5,385,737 for the year ended December 31, 2023 compared to cash used of \$3,288,652 in the year ended December 31, 2022.

Cash used by investing activities was \$27,312,593 for the year ended December 31, 2023 compared to \$13,698,069 used for the year ended December 31, 2022. The increase in net cash used is the result of ongoing development of the Steveville helium processing facility and associated equipment.

Cash provided by financing activities was \$34,307,151 for the year ended December 31, 2023 compared to \$7,576,141 for the year ended December 31, 2022. The increase in net cash provided from financing activities is the result of receiving proceeds from term debt, convertible debt and vendor financed equipment in fiscal 2023.

Financial risk management

Financial risks factors

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

(a) Market risk

Foreign exchange risk

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

(b) Credit risk

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

(c) Liquidity risk

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

The Company mitigates liquidity risk by planning its project expenditures in advance of undertaking significant commitments. see note 1.

(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 years ended December 31, 2023 and 2022.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2023, the Company was not in compliance with Policy 2.5. Capital requirements imposed by lending institutions will begin December 31, 2024.

For the year ended December 31, 2023, the Company used cash in operating activities of \$5,385,737 and had a working capital deficit of \$6,408,533 as at December 31, 2023. Although, management has available \$2,500,000 of undrawn demand operating loan for working capital purposes and subsequent to year end received a \$3,000,000 repayable contribution from Western Economic Diversification Canada, the Company will need additional cash resources to meet liquidity requirements while the Steeveville helium plant is brought up to capacity in efforts to generate positive cash flow from operations. The Company to address its liquidity requirements has entered into a bought deal equity financing for gross proceeds of \$6,000,000.

The Company has also historically received support from various lenders and will require this ongoing support. To that end, the Company is required under its current lending arrangements to maintain a cash flow coverage ratio of not less than 1.10:1, a tangible net working capital ratio of not greater than 1.25:1 and a fixed charge coverage ratio of not less than 1.10:1 beginning December 31, 2024. Based on current forecasts management is projecting potential non-compliance with the above noted covenants as at December 31, 2024. There can be no assurance that the Company will be able to obtain a waiver for the potential covenant default or an amendment to the covenants, if necessary, prior to December 31, 2024. This potential covenant default may result in the term debt being due on demand and would trigger other cross-covenant defaults.

The continuance of the Company remains dependent upon the discovery of economically recoverable resources in the underlying helium claims and the ability of the Company to increase the current output of the Steeveville helium plant to planned capacity in efforts to generate positive cash flows from operations, in addition to obtaining waivers for potential covenant defaults or amendments to the covenant. Although, there remains considerable risk around the Company's ability to address these substantial uncertainties the Company believes the bought deal equity financing will generate cash to address current projected liquidity requirements and that the continued support of the lender will be available to manage lending covenant requirements before December 31, 2024.

Related Party Transactions

The following table summarizes transactions with key management personnel:

Years ended December 31,	2023 (\$)	2022 (\$)
Consulting fees – management	165,838	500,000
Wages	600,000	-
Director fees	301,000	163,067
Total	1,066,838	663,067

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:

Years ended December 31,	2023 (\$)	2022 (\$)
Short-term benefits	1,066,838	663,067
Share-based payments	340,000	1,060,290
Total	1,406,838	1,723,357

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 December 31, 2023, the Company had \$239,014 (December 31, 2022 – \$229,026), included in accounts payable and accrued liabilities, owing to its key management personnel and directors. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

The Company has an agreement for office space and related services for a monthly fixed fee of \$4,000 (2022 - \$4,000), with another company that has common director. The Company incurred \$48,000 in 2023 (2022 – \$48,000) in respect of this agreement and had \$26,750 (2022 – \$nil), included in accounts payable and accrued liabilities as at December 31, 2023.

Share Capital

As of the date of this MD&A, the Company had 282,718,029 issued and outstanding common shares.

As of the date of this MD&A, the Company had 18,570,000 stock options as follows:

Expiry Date	Exercise Price (CDN)	Total Options	Vested Options
July 17, 2025	\$0.23	2,530,000	2,530,000
January 10, 2026	\$0.44	4,600,000	4,600,000
July 2, 2026	\$0.60	2,850,000	2,850,000
December 1, 2027	\$0.26	5,890,000	5,890,000
March 28, 2028	\$0.38	500,000	500,000
April 26, 2028	\$0.38	500,000	500,000
May 3, 2028	\$0.38	250,000	250,000
May 28, 2028	\$0.40	500,000	500,000
January 19, 2029	\$0.35	950,000	-

As of the date of this MD&A, the Company had 909,070 deferred share units and 5,963,635 performance share units outstanding, the units do not vest until January 19, 2025.

As of the date of this MD&A, the Company had 90,093,650 warrants as follows:

Expiry Date	Exercise Price (CDN)	Total Warrants
October 13, 2024	\$0.32	27,646,250
January 10, 2026	\$0.32	21,153,000
June 9, 2026	\$0.40	19,731,900
November 14, 2026	\$0.31	18,750,000
December 14, 2026	\$0.31	2,812,500

As of the date of this MD&A, the Company had 3,006,906 broker warrant units as follows:

Expiry Date	Exercise Price (CDN)	Total Warrants
October 13, 2024	\$0.26	1,605,110
October 19, 2024	\$0.26	183,046
November 14, 2024	\$0.24	1,050,000
December 14, 2024	\$0.24	168,750

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As of the date of this MD&A, the Company had \$9,020,000 convertible debentures that convert to common shares as follows:

Maturity Date	Face value (CDN)	Conversion Price (CDN)	Total Common shares on conversion
December 31, 2025	\$4,220,000	\$0.26	16,230,120
June 30, 2025	\$4,800,000	\$0.37	12,974,400

Additional Disclosure for Venture Issuers Without Significant Revenue

	December 31, 2023	December 31, 2022
Audit and accounting	\$ 72,104	\$ 148,608
General office and other	2,587,234	1,346,324
Investor relations and marketing	820,035	975,975
Legal and professional	711,689	311,758
	\$ 4,191,062	\$ 2,782,665

Exploration and Evaluation

	Balance as at January 1, 2022	Acquisition / Renewals	Consultants and Geophysics	Drilling	Expiry and transfers	Other Exploration	Balance as at December 31, 2022
Bengough/ Ogema	\$ 6,411,022	\$ -	\$ 23,134	\$ 542,749	\$ -	\$ 53,614	\$ 7,030,519
Cadillac	77,931	3,151	200,658	-	-	30,813	312,553
Climax	11,614,138	7,313	1,209,884	237,439	-	(1,740,898)	11,327,876
Coronach	25,000	-	-	-	-	952	25,952
Creelman	25,000	4,203	9,000	-	-	-	38,203
Francis	2,446	5,871	-	-	-	33,491	41,808
Midale	20,135	-	-	-	-	10,989	31,124
Minton	-	1,214	6,000	-	-	-	7,214
Steveville	-	23,538,631	-	-	-	(18,618)	23,520,013
Swift current	-	-	42,665	-	-	-	42,665
Val Marie	109,405	1,334	490,086	2,355,856	-	26,539	2,983,220
Weyburn	127,886	-	-	-	-	37,525	165,411
40 Mile	-	-	99,875	-	-	-	99,875
	\$ 18,412,963	\$ 23,561,717	\$ 2,081,302	\$ 3,136,044	\$ -	\$(1,565,593)	\$ 45,626,433

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

	Balance as at January 1, 2023	Acquisition / Renewals	Consultants and Geophysics	Drilling	Expiry and transfers	Other Exploration	Balance as at December 31, 2023
Bengough/ Ogema	\$ 7,030,519	\$ 30,405	\$ 866	\$ 17,784	\$ -	\$ (4,673)	\$ 7,074,901
Cadillac	312,553	81,691	131,564	-	-	-	525,808
Climax	11,327,876	(43,499)	-	-	-	(6,956)	11,277,421
Coronach	25,952	-	-	-	-	10,352	36,304
Creelman	38,203	6,763	-	-	(38,527)	651	7,090
Francis	41,808	6,818	-	-	(73,821)	33,491	8,296
Midale	31,124	4,360	-	-	-	-	35,484
Minton	7,214	-	-	-	-	-	7,214
Steveville	23,520,013	352,615	23,212	-	(501,746)	(3,165)	23,390,929
Swift current	42,665	-	39,269	-	-	-	81,934
Val Marie	2,983,400	3,798	21,116	-	-	(2,271)	3,006,043
Weyburn	165,411	9,876	-	-	(177,433)	31,565	29,419
40 Mile	99,875	401,735	40,440	-	-	-	542,050
	\$ 45,626,613	\$ 854,562	\$ 256,467	\$ 17,784	\$ (791,527)	\$ 58,994	\$ 46,022,893

Included in other exploration costs for the Climax project is a reduction of \$6,956 (December 31, 2022 – reduction of \$11,021) and for the Ogema project is a reduction of \$5,976 (December 31, 2022 – reduction of \$9,468) and for the Val Marie project is a reduction of \$2,319 (December 31, 2022 – increase of \$26,539) and for the Steveville project is a reduction of \$8,313 (December 31, 2022 – \$nil) which is related to the estimated decommissioning liability.

The Company holds helium exploration permits and helium leases over land in Saskatchewan and Alberta. The Company has annual lease expenditure commitments of approximately \$228,878 and annual permit expenditure commitments as follows 2024 - \$85,000, 2025 - \$65,000, 2026 - \$75,000 and 2027 - \$nil.

During the year, the Company allowed certain claims to expire as it was determined that future work would be focused on other properties.

In addition, the Company completed its helium processing facility and determined that \$501,746 should be transferred from exploration and evaluation assets to helium producing properties included in property, plant and equipment. There were no impairment on the transfer of exploration and evaluation to helium producing properties.

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

Right of use asset

Right of use asset	
Value of ROU as at December 31, 2022	\$ -
Initial recognition of ROU	5,037,548
Depreciation	(534,525)
Value of ROU as at December 31, 2023	\$ 4,503,123
Lease liability	
Lease liability as at December 31, 2022	\$ -
Initial recognition of lease liability	5,037,548
Lease payments	(677,057)
Lease accretion	96,484
Lease liability as at December 31, 2023	\$ 4,640,505
Current portion	\$ 926,871
Long-term portion	3,713,634
	\$4,640,505

The Company's total undiscounted amount of cash flow required to settle its lease obligation is approximately \$5,800,000 at December 31, 2023 and is expected to settle in 2027. The Company applied a discount rate of 12% to calculate the discounted value of the lease obligation at initial recognition.

Decommissioning liabilities

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 375,994	\$ 203,333
Additions - Steveville acquisition (note 4)	-	178,517
Additions	302,093	26,137
Change in inflation and discount rate	(23,564)	(41,542)
Accretion	9,040	9,549
Balance, end of year	\$ 663,563	\$ 375,994

The total of the decommissioning liabilities are estimated based on the Company's net ownership interest in all the wells, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated that based on their net ownership interest, the total undiscounted cash flows required to settle the obligations will be \$852,586. The obligations have been discounted using a risk free rate of 3.02% (December 31, 2022 - 3.28%) and an inflation rate of 1.62% (December 31, 2022 - 2.09%) per year. Most of these obligations are not expected to be paid until approximately 10 years in the future and will be funded from general Company resources at that time.

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

Rent to own debt obligation

Rent to own liability	
Rent to own liability as at December 31, 2022	\$ -
Initial recognition of debt	2,775,390
Debt payments	(873,862)
Debt accretion	134,107
Rent to own liability as at December 31, 2023	\$ 2,035,635
Current portion	\$ 742,188
Long-term portion	1,293,447
	\$ 2,035,635

The Company's total undiscounted amount of cash flow required to settle its rent to own obligation is approximately \$2,366,310 at December 31, 2023 and is expected to settle in 2026. The Company applied a discount rate of 12% to calculate the discounted value of the rent to own obligation at initial recognition and the asset is held as collateral on the debt obligation.

Convertible debentures

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, December 31, 2022	\$ -	\$ -	\$ -
Issuance - Initial recognition	12,800,000	10,886,000	854,310
Less: Issuance costs		(1,145,899)	-
Interest		848,521	-
Accretion - Interest		652,032	
Conversion	(1,280,000)	(1,003,594)	(122,025)
Balance, December 31, 2023	\$ 11,520,000	\$ 10,237,060	\$ 732,285

On June 30, 2023, the Company paid accrued debenture interest by issuing 822,044 common shares, valued at \$283,605. The interest accrued at the time of the issuance was \$299,562, and the \$8,246 difference was recorded against interest expense.

Term debt

On April 24, 2023, the Company closed a term debt financing, and received its first draw, with Canadian Western bank ("CWB") and Business Development Bank of Canada ("BDC"), acting pari passu, for \$7,500,000 each, \$15,000,000 in total.

On December 21, 2023, Canadian Western bank ("CWB") and Business Development bank of Canada, acting pari passu, increased the term loans for \$1,800,000 each, and extended the first principal repayment date to February 1, 2024.

As of December 31, 2023, the Company has drawn the full debt facility. During the year ended December 31, 2023 the Company has paid \$697,210 interest related to the term debt, \$352,695 has been capitalized to property, plant and equipment and \$344,515 has been expensed.

CWB

Prime rate plus 3%, secured by all present and future assets, repayable in monthly blended payments of \$134,783 principal plus accrued interest, maturing on February 1, 2030. Repayable at any time without penalty.

Under the terms of the debt, the Company is required to maintain a cash flow coverage ratio of not less than 1.10 and a debt to tangible net work ratio not greater than 1.25, beginning December 31, 2024.

BDC

BDC floating rate, secured by all present and future assets, repayable in monthly blended payments of \$132,850 principal plus accrued interest, maturing on February 1, 2030. Once in any 12 month period, the Company can prepay up to 15% of the outstanding principal without penalty.

Under the terms of the debt, the Company is required to maintain a fixed charge coverage ratio of 1.10, beginning December 31, 2024.

In addition, CWB has provided the Company with a \$2,500,000 demand operating loan for working capital purposes. At December 31, 2023, no funds have been drawn from the demand operating loan. The Company's access to the operating loan is limited to 75% of Canadian trade accounts and 90% of good earned United States trade accounts that are Economic Development Canada insured and do not exceed 90 days aging.

Risk Factors

Helium development

No reserves have been assigned in connection with RHC's property interests to date, given their early stage of development. The future value of RHC is therefore dependent on the success or otherwise of RHC's activities, which are principally directed toward the further exploration, appraisal and development of its assets in Saskatchewan and Alberta, and potential acquisition of additional property interests in the future. Exploration, appraisal and development of helium reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the property interests of RHC will lead to a commercial discovery or, if there is a commercial discovery, that RHC will be able to realize the value of such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage RHC is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, RHC's business, financial condition and / or results of operations and, accordingly, the trading price of RHC shares, is likely to be materially adversely affected. Helium exploration involves a high degree of risk and there is no assurance that expenditures made for future exploration or development activities by RHC will result in discoveries reserves that are commercially or economically viable.

No history of production

RHC's properties are exploration stage only. RHC has never had any material interest in helium producing properties. There is no assurance that commercial quantities of helium will be discovered at any of the properties of RHC or any future properties, nor is there any assurance that the exploration or development programs of RHC thereon will yield any positive results. Even if commercial quantities of helium are

discovered, there can be no assurance that any property of RHC will ever be brought to a stage where helium can profitably be produced thereon. Factors which may limit the ability of RHC to produce helium from its properties include, but are not limited to, commodity prices, availability of additional capital and financing and the nature of any helium deposits.

Environmental regulation and risks

All phases of RHC's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect RHC's operations. Environmental hazards may exist on the properties in which RHC holds interests that are unknown to RHC at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals, approval of aboriginal people and permits are currently and may in the future be required in connection with RHC's direct and indirect operations. To the extent such approvals are required and not obtained, RHC may be curtailed or prohibited from continuing its helium exploration operations or from proceeding with planned exploration or development of its properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of natural resource properties may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of helium companies, or more stringent implementation thereof, could have a material adverse impact on RHC and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

Requirement for permits and licenses

The operations of RHC require it to obtain licenses for operating, permits, and in some cases, renewals of existing licenses and permits from authorities in Saskatchewan. RHC believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the terms of such licenses and permits. However, the ability of RHC to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies.

Insurance and uninsured risks

RHC's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, mechanical failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to helium properties and / or production facilities, personal injury or death, environmental damage to the properties of RHC, or the properties of others, delays in exploration, development and production activities, monetary losses and possible legal liability.

Although RHC maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with helium operations. RHC may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production activities is not generally available to RHC or to other companies in the helium industry on acceptable terms. RHC might also become subject to liability for pollution or other hazards that may not be insured against or which RHC may elect not to insure against because of premium costs or other reasons. Losses from these events may cause RHC to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers. There is no assurance that the Company can maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects.

Price volatility of publicly traded securities

In recent years, the securities markets throughout the world, including in the United States and Canada, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

The value of securities qualified hereunder will be affected by market volatility. An active public market for the common shares might not be sustained. If an active public market for the common shares is not sustained, the liquidity of a shareholder's investment may be limited and the share price may decline.

Conflicts of interest

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of applicable corporate law.

Caution Regarding Forward-Looking Statements

Certain statements contained in this report constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions and statements relating to matters that are not historical facts constitute “forward looking information” within the meaning of applicable Canadian securities legislation. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated. Such forward-looking statements are based on reasonable assumptions but no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this report should not be unduly relied upon. These statements are made only as of the date of this report.

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Company’s ability to meet its working capital needs at the current level for the period ending December 31, 2023, subject to the Company identifying suitable assets or businesses to acquire or merge with requiring additional financing.	The operating activities of the Company for the period ending December 31, 2023, and the costs associated therewith, will be consistent with the Company’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.

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<p>The potential of RHC's permits and leases to contain economic helium reserves. See "Helium Prospects" below.</p>	<p>Financing will be available for future exploration and development of RHC's leases; the actual results of RHC's exploration and development activities will be favourable; operating, exploration, development and production costs will not exceed RHC's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to RHC; applicable political and economic conditions will be favourable to RHC; the market prices for helium and applicable interest and exchange rates will be favourable to RHC.</p>	<p>Helium market prices volatility; uncertainties involved in interpreting geological and geophysical data; the possibility that future exploration results will not be consistent with RHC's expectations; availability of financing for and actual results of RHC's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest and exchange rates fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff and obtain all required permits in a timely manner on acceptable terms.</p>
<p>Management's outlook regarding future trends.</p>	<p>Financing will be available for the Company's operating activities.</p>	<p>Changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

Additional Information:

Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca and the Company's website at www.royalheliumltd.com.

Andrew Davidson, CEO