MANAGEMENT'S DISCUSSION AND ANALYSIS

As at March 31, 2022 and for the three months ended March 31, 2022
and the period from incorporation on January 14, 2021 to March 31, 2021
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Helium Evolution Incorporated ("HEVI" or the "Company") (formerly Duckhorn Ventures Ltd. ("Duckhorn")) is dated May 19, 2022 and should be read in conjunction with HEVI's condensed interim consolidated financial statements and related notes for the three months ended March 31, 2022 and the period from incorporation on January 14, 2021 to March 31, 2021. The reporting currency is Canadian Dollars.

The Company

HEVI is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol HEVI. Duckhorn was incorporated under the British Columbia Business Corporations Act on March 25, 2019.

The Company was formed following the amalgamation of a private company of the same name being Helium Evolution Incorporated ("Helium Evolution Private") and Duckhorn. Helium Evolution Private was incorporated on January 14, 2021 under the Business Corporations Act (Alberta). On March 16, 2022, Helium Evolution Private and Duckhorn entered into an Amalgamation Agreement (the "Amalgamation") resulting in the reverse takeover of Duckhorn by Helium Evolution Private, including a change of control of Duckhorn. Following completion of the Arrangement, Helium Evolution Private shareholders held approximately 96% of the outstanding shares of the Company and the Board of Directors and key management of the Company are substantially the same as Helium Evolution Private. As a result, the transaction has been accounted for as a reverse acquisition with Helium Evolution Private being the acquirer for accounting purposes. Helium Evolution Private is the continuing entity and accordingly, the presentation of the comparative period information is that of Helium Evolution Private.

The Company has significant land holdings in Saskatchewan's "helium fairway" having been granted helium permits by the Government of Saskatchewan covering 5.5 million acres of land. HEVI holds a 100% working interest in these permits, encumbered by a 4.25% government royalty and a 3.0% gross overriding royalty ("GORR").

On November 10, 2021, the Company closed a non-brokered private placement (the "Offering") of subscription receipts (the "Subscription Receipts") for total gross proceeds of $12.3 million. In connection with the Offering, Helium Evolution Private issued 40,998,636 Subscription Receipts at a price of $0.30 per Subscription Receipt, with each Subscription Receipt automatically converting into one common share for no additional consideration or action on the part of the holder. Each common share was subsequently exchanged for 1.00542 common shares in the capital of Duckhorn in accordance with the terms of the Agreement.

At the date of this MD&A there are 78,738,474 common shares, 3,418,428 options and 4,846,124 warrants issued and outstanding (see Share Data on page 3).

Basis of Presentation

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the three months ended March 31, 2022, and the period from incorporation on January 14, 2021 to March 31, 2021, and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 of Helium Evolution Private's December 31, 2021 audited financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

Forward-looking Statements

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, or developments in the industry to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "plans," "anticipates," "believes," "intends," "estimates," "projects," "potential" and similar expressions, or that events or conditions "will," "would," "may," "could" or "should" occur.

Forward-looking statements in this document include statements regarding the granting of additional permits over lands under application and other statements that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors and risks include, among others:

- HEVI may require additional financing from time to time in order to continue its operations; financing may not be available when needed or on terms and conditions acceptable to the Company;
- new laws or regulations could adversely affect the Company's business and results of operations;
- stock markets have experienced volatility that has often been unrelated to the performance of companies which may adversely affect the price of the Company's securities regardless of its operating performance; and
- the granting of additional permits is subject to a competitive process over which the Company has no control.

When relying on forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and risks and other uncertainties and potential events. The Company has assumed that the material factors referred to in the previous paragraphs will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

Selected Financial Information

	Three months ended March 31, 2022	Period ended March 31, 2021
Financial		
Net loss	**$ (1,654)**	$ (720)
Net loss per share, basic and diluted	**(0.04)**	(0.05)
Cash	**10,119**	45
Working capital	**9,918**	15
Total assets	**12,038**	60
Total liabilities	**$ 497**	$ -
Weighted average shares outstanding		
Basic and diluted[1]	**41,609,979**	15,081,300

[1] The weighted average number of common shares outstanding is not increased for outstanding stock options and warrants when the effect is anti-dilutive.

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Selected Quarterly Financial Information

Period ended	Total Revenue ($)	Net Loss ($)	Net Loss ($/share)
March 31, 2022	-	(1,654)	(0.04)
December 31, 2021	-	(389)	(0.01)
September 30, 2021	-	(238)	(0.01)
June 30, 2021	-	(65)	(0.00)
January 14, 2021 to March 31, 2021	-	(720)	(0.05)

Share Data

Number of common shares outstanding	**78,738,474**
Options[2]	**3,418,428**
Warrants[2]	**4,846,124**
Number of common shares outstanding after exercise of options and warrants	**87,003,026**

[2] Each option and warrant reflects the 1.00542 exchange ratio in accordance with the terms of the Amalgamation

The above share data table outlines the number of common shares, options and warrants outstanding after closing of the transaction detailed in the Company section on page 1. The above share data should be read in conjunction with the March 31, 2022 condensed interim consolidated financial statements.

Outlook

The Company continues to execute its strategy of acquiring a significant land base in Saskatchewan for helium exploration and production. The total permits under an initial 3-year term with the Government of Saskatchewan as of March 31, 2022, is approximately 5.5 million acres.

The Company is undertaking extensive geological and geophysical modelling, which will include the purchase of existing 2D seismic lines, shooting additional 2D seismic lines, seismic reprocessing and interpretation, and well log integration to refine and mold the Company's geological model, and select initial drilling targets. HEVI expects to commence drilling operations in June 2022, results of which will be further incorporated into the geological model.

The Company expects to provide further guidance on anticipated capital expenditures and potential timing of helium production volumes once additional geological and geophysical work is completed, surface leases are acquired, and service contracts have been signed.

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Results of Operations

	Three months ended March 31, 2022	Period ended March 31, 2021
Exploration and evaluation expense	$ 5	$ 720
Share based compensation expense	116	-
Listing expense	1,142	-
Transaction costs	96	-
Interest expense	32	-
Depletion and depreciation expense	12	-
General and administrative expense	251	-
Net loss	$ 1,654	$ 720

Exploration and Evaluation (E&E) Expense

	Three months ended March 31, 2022	Period ended March 31, 2021
Exploration and evaluation expense	$ 5	$ 720

Pursuant to a Royalty Agreement between HEVI and certain HEVI founders, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of $5,000 to E&E expense for the three months ended March 31, 2022.

During the period from incorporation of Helium Evolution Private on January 14, 2021 to March 31, 2021, the Company incurred $720,000 of exploration and evaluation expense as settlement of intellectual property obligations and other rights through the issuance of 15.1 million Class A common shares.

Share Based Compensation Expense

	Three months ended March 31, 2022	Period ended March 31, 2021
Share based compensation expense	$ 116	$ -

The Company has an incentive Stock Option Plan (the "Plan") for directors, officers, employees, and consultants, under which the Company may issue stock options to purchase common shares of the Company provided that the amount of incentive stock options which may be granted and outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

The number of options issued and outstanding, and weighted average exercise price are as follows:

	Number of Options	Weighted Average Exercise Price ($/share)
Balance, December 31, 2021[1]	3,418,428	$ 0.30
Balance, March 31, 2022[1]	**3,418,428**	**$ 0.30**

[1] Each option reflects the 1.00542 exchange ratio in accordance with the terms of the Amalgamation

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

The fair value of options granted is measured using the Black Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility based on publicly available information for similar companies, weighted average expected life, estimated forfeiture rate, expected dividends, and the risk-free interest rate. The fair value is amortized to share based compensation expense or capitalized to exploration and evaluation assets over the option vesting period with a corresponding offset to contributed surplus.

The amount recorded as share-based compensation expense for the three months ended March 31, 2022 totaled $116,000 and $64,000 was capitalized to exploration and evaluation assets (period ended March 31, 2021 – $nil).

Listing Expense

	Three months ended March 31, 2022	Period ended March 31, 2021
Listing expense	**$ 1,142**	$ -

On March 16, 2022, Duckhorn acquired all the issued and outstanding common shares through a wholly owned subsidiary of the Company that previously amalgamated with Helium Evolution Private, which resulted in a reverse takeover of the Company by the former shareholders of Helium Evolution Private.

In connection with the Amalgamation and pursuant to the terms of the Amalgamation, Duckhorn changed its name to Helium Evolution Incorporated and issued 75,405,141 common shares to the shareholders of Helium Evolution Private. Immediately following the Amalgamation there were 78,738,474 common shares issued and outstanding, with the former Helium Evolution Private shareholders holding approximately 96% of the issued and outstanding common shares, and the board of directors and key management of the Company being substantially the same as Helium Evolution Private. As a result of the transaction, former Duckhorn shareholders received 3,333,333 common shares in the new entity.

The Amalgamation was treated as a reverse takeover ("RTO") for accounting purposes based on the terms of the Amalgamation. In accordance with IFRS, Duckhorn did not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination but a capital transaction of Duckhorn in substance with Helium Evolution Private being the continuing entity from an accounting perspective. As a result of the excess of the purchase price being greater than the net liabilities, the Company has recorded $1,142,000 of listing expense in the profit and loss.

The fair value of the net assets (liabilities) that were acquired pursuant to the RTO is as follows:

Cash	$ -
Accounts receivable	7
Accounts payable and accrued liabilities	(149)
Net assets (liabilities) acquired	**$ (142)**
Fair value of the common shares of Duckhorn (3,333,333 common shares)	$ 1,000
Total consideration	**$ 1,000**
Excess of purchase price consideration over net liabilities acquired (listing expense)	**$ 1,142**

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Transaction Costs

	Three months ended March 31, 2022	Period ended March 31, 2021
Transaction costs	$ 96	$ -

Acquisition costs incurred by the Company in the amount of $96,000 have been excluded from consideration paid and were recognized as transaction costs in the three months ended March 31, 2022.

Interest Expense

	Three months ended March 31, 2022	Period ended March 31, 2021
Interest expense	$ 32	$ -

Interest expense recorded in the three months ended March 31, 2022, net of interest income earned on the Company's cash and cash equivalents balance, pertains to a short-term loan that was repaid during the three months ended March 31, 2022 and the Company's lease obligations.

Depletion and depreciation Expense

	Three months ended March 31, 2022	Period ended March 31, 2021
Depletion and depreciation expense	$ 12	$ -

Depletion and depreciation expense recorded in the three months ended March 31, 2022 pertains to the Company's office equipment and right-of-use assets. Office equipment is depreciated on a straight-line basis over a period of 2 years and the Company's right-of-use assets are depreciated over the term of the Company's office and office equipment leases.

General and Administrative Expense

	Three months ended March 31, 2022	Period ended March 31, 2021
General and administrative expense	$ 251	$ -

General and administrative expenses for the three months ended March 31, 2022 totaled $251,000 (period ended March 31, 2021 – $nil). The Company has incurred costs associated with startup of a new entity including management salaries, consulting fees, software fees, office related expenses and legal fees.

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Capital Expenditures

The following summarizes the Company's capital spending:

	Three months ended March 31, 2022	Period ended March 31, 2021
Seismic	**$ 746**	$ -
Geological and geophysical	**120**	-
Drilling	**5**	-
Helium permits	**70**	-
Office equipment	**5**	-
Total	**$ 946**	$ -

Capital spending for the three months ended March 31, 2022 totaled $946,000 (period ended March 31, 2021 – $nil). The main focus of the Company during the three months ended March 31, 2022 was on acquiring helium permits in Saskatchewan and continuing evaluation of the existing prospects on helium permits granted to HEVI.

Share Capital

The following table details the number of common shares issued and outstanding as at March 31, 2022:

Class A Common Shares	Number of Shares	**Equity**
Balance, December 31, 2021[1]	34,184,280	$ 1,915
Shares issued in exchange for subscription receipts[2]	41,220,861	12,300
Shares issued as part of Duckhorn reverse takeover[3]	3,333,333	1,000
Share issuance costs	-	(1,421)
Balance, March 31, 2022	**78,738,474**	**$ 13,794**

[1] In conjunction with the closing of the Amalgamation as detailed in note 3, each common share, option and warrant in Helium Evolution Private was subsequently exchanged for 1.00542 common shares in the capital of the Company. The number of common shares have been restated to reflect the exchange ratio.

[2] On November 10, 2021, Helium Evolution Private closed a non-brokered private placement (the "Offering") of subscription receipts (the "Subscription Receipts") for total gross proceeds of $12.3 million. In connection with the Offering, Helium Evolution Private issued 40,998,636 Subscription Receipts at a price of $0.30 per Subscription Receipt, with each Subscription Receipt automatically converting into one common share for no additional consideration or action on the part of the holder. Each common share was subsequently exchanged for 1.00542 common shares in the capital of Duckhorn in accordance with the terms of the Amalgamation. As at December 31, 2021 the Subscription Receipts were included in restricted cash and subscription receipts payable.

[3] See Listing Expense details on page 5 of the MD&A.

Upon completion of the Agreement there are 78,738,474 HEVI common shares issued and outstanding (see Share Data on page 3).

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

The following table details the number of warrants issued and outstanding as at March 31, 2022:

	Number of Warrants	Equity
Balance, December 31, 2021[1]	4,846,124	$ 552
Balance, March 31, 2022[1]	**4,846,124**	**$ 552**

[1] Each warrant reflects the 1.00542 exchange ratio in accordance with the Amalgamation

The following table details the number of options issued and outstanding as at March 31, 2022:

	Number of Options	Weighted Average Exercise Price ($/share)
Balance, December 31, 2021[1]	3,418,428	$ 0.30
Balance, March 31, 2022[1]	**3,418,428**	**$ 0.30**

[1] Each option reflects the 1.00542 exchange ratio in accordance with the Amalgamation

The fair value of options granted is measured using the Black Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility based on publicly available information for similar companies, weighted average expected life, estimated forfeiture rate, expected dividends, and the risk-free interest rate. The fair value is amortized to share based compensation expense and/or capitalized over the option vesting period with a corresponding offset to contributed surplus. The options vest equally every six months for a period of thirty months from the grant date.

Liquidity, Financing and Capital Resources

	March 31, 2022
Opening cash position	**$ 171**
Inflow of funds	
Proceeds from share issuance (net of share issuance costs)	**11,346**
Changes in working capital	**(71)**
	11,275
Outflow of funds	
Capital expenditures	**(946)**
Lease payments	**(2)**
Cash flow used in operations	**(379)**
	(1,327)
Closing cash position	**$ 10,119**

Capital Funding and Resources

As at March 31, 2022, the Company's working capital balance was $9,918,000 including cash of $10,119,000.

Financial Capacity

At March 31, 2022, the Company's working capital balance was $9,918,000. The working capital balance is expected to be sufficient to fund the Company's target capital program in 2022 of up to $10.0 million. The Company has considerable flexibility in managing capital given the terms of helium permits granted by the Government of Saskatchewan. Any commitments related to the lease and permit terms are incorporated into the capital budget.

Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

HEVI is exposed to normal market risks inherent in the helium business, including, but not limited to, commodity price risk, foreign currency rate risk, credit risk, liquidity risk and interest rate risk. The Company seeks to mitigate these risks through various business processes and management controls and from time to time by using various derivative financial instruments and physical delivery sales contracts.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable.

The carrying amount of cash and cash equivalents and accounts receivable represents the maximum credit exposure. As at March 31, 2022, the Company's receivables consisted of sales taxes paid on general and administrative and capital expenditures.

Cash and cash equivalents are held by a level 1 financial institution.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any interest rate exposure as at March 31, 2022.

Foreign exchange risk:

Helium prices are based on US dollar denominated commodity prices. As a result, the Canadian dollar price received by the Company will be affected by the Canadian and US dollar exchange rates once helium revenues are realized.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities and subscription receipts payable.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and exploration and evaluation expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

HEVI anticipates having adequate funds flow to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cashflow from operations.

Capital Management

The Company's capital structure includes shareholders' equity and working capital. HEVI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

HEVI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt, or obtain alternative financing.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity and warrant securities for cash through private placements to sophisticated investors.

The Company's continuing operations and underlying value and recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests.

As at March 31, 2022, the Company had positive working capital of $9,918,000.

These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

Commitments

The Company holds helium exploration permits in Saskatchewan with an initial 3-year term. The Company has annual lease expenditure commitments as follows: 2022 – $111,000, 2023 – $208,000, 2024 – $447,000 and annual permit expenditure commitments as follows: 2022 – $808,000, 2023 – $1,292,000, and 2024 – $2,005,000. Permit expenditures can be grouped and carried forward to future years if the expenditure amount is greater than the minimum expenditure required. If the above commitments are not satisfied, the Company will relinquish the associated helium permits.

The Company entered into a 2-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023, and has entered into office equipment leases. The lease commitments as at March 31, 2022 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	$ 19	$ 21	$ 4	$ 4	$ 48

(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Related Party Transactions

The following table summarizes transactions with related parties:

	March 31, 2022	March 31, 2021
Exploration and evaluation expense – management	**$ 5**	$ 720

Under the terms of the January 14, 2021 share issuance to certain management and directors, the Company recorded $720,000 as pre-exploration expenditure under E&E expense.

Pursuant to a Royalty Agreement between HEVI and certain HEVI founders, a 3.0% gross overriding royalty ("GORR") on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of $5,000 to E&E expense.

On January 12, 2022, the Company entered into a Secured Promissory Note (the "Promissory Note") with a director of the Company in the amount of $1.5 million with an annualized interest rate of 10 percent. The note was secured by a General Security Agreement between the parties providing the lending party with security over the assets of the Company. The Promissory Note was repaid in full on March 18, 2022, along with total interest of $37,500, and the security was subsequently discharged.

Use of Judgements and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.
Critical Judgments

(i) Identification of cash generating units ("CGUs")

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment regarding shared infrastructure, geographical proximity, and similar exposure to market risk and materiality.

(ii) Exploration and evaluation ("E&E") assets

The application of the Company's accounting policy for E&E requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

(iii) Deferred income taxes

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable income. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in earnings or loss in the period in which the change occurs.

(iv) Lease accounting regarding incremental borrowing rate and lease term

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Key Sources of Estimation Uncertainty

(i) Taxation

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets, if any, are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

(ii) Warrants

The estimated fair value of the warrants and share options as part of the share and warrant issuance and share option grants uses the Black-Scholes pricing model incorporating assumptions on volatility, risk-free interest rate, and the expected term.

Off Balance Sheet Arrangements

The Company had no off-balance sheet arrangements outstanding as at March 31, 2022.

Financial Instruments

Financial instruments of the Company include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and subscription receipts payable. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity.

Business Risks and Uncertainties

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The Company's business of exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company was only recently incorporated, has not commenced commercial operations, and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's common shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development.

The Company's property interests are located in Canada. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labour and deficiencies in infrastructure may negatively influence costs of exploration and development.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfil its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to conduct exploration and development work at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any resources discovered. The marketability and price of helium which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mineral extraction business. Declines in resource prices may have a negative effect on the Company.

The resource industry is intensely competitive, and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical or financial resources. The Company may be unable to acquire additional attractive resource properties on terms it considers to be acceptable.

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mineral extraction industry operations, which could result in environmental pollution. Failure to comply with such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favour of the Company. If any of such conflicts are not resolved in favour of the Company, the Company may be adversely affected.

Helium Evolution Incorporated

(formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Financial Statements

As at March 31, 2022 and for the three months ended March 31, 2022 and the period from incorporation on January 14, 2021 to March 31, 2021

Helium Evolution Incorporated **(formerly Duckhorn Ventures Ltd.)**

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian Dollars)	March 31, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	$ 10,119	$ 171
Restricted cash *(note 7)*	-	12,300
Accounts receivable *(note 10)*	156	46
Deposits and prepaid expenses	111	507
	10,386	13,024
Property, plant and equipment *(note 4)*	90	80
Exploration and evaluation assets *(note 5)*	1,562	562
Total Assets	$ 12,038	$ 13,666
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 10)*	$ 449	$ 197
Subscription receipts payable *(note 7)*	-	12,300
Lease obligations *(note 6)*	19	16
	468	12,513
Long-Term Liabilities		
Lease obligations *(note 6)*	29	17
Shareholders' Equity		
Share capital *(note 7)*	13,794	1,915
Warrants *(note 7)*	552	552
Contributed surplus	261	81
Deficit	(3,066)	(1,412)
Total Shareholders' Equity	11,541	1,136
Total Liabilities and Shareholders' Equity	$ 12,038	$ 13,666

See accompanying notes to the condensed interim consolidated financial statements.

Commitments *(notes 5 and 11)*

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

(thousands of Canadian Dollars, except number of shares and per share amounts)		Three months ended March 31, 2022		Period ended March 31, 2021
Expenses				
Exploration and evaluation *(notes 5 and 12)*	$	5	$	720
Share-based compensation *(note 8)*		116		-
Listing expense (*note 3)*		1,142		-
Transaction costs *(note 3)*		96		-
Interest expense, net *(note 12)*		32		-
Depletion and depreciation *(note 4)*		12		-
General and administrative		251		-
		1,654		720
Net loss and comprehensive loss	$	1,654	$	720
Weighted average number of shares outstanding – basic and diluted		41,609,979		15,081,300
Net loss per common share – basic and diluted	$	(0.04)	$	(0.05)

See accompanying notes to the condensed interim consolidated financial statements.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(thousands of Canadian Dollars)	Three months ended March 31, 2022	Period ended March 31, 2021
Cash was provided by (used in):		
Operating activities:		
Net loss for the period	$ (1,654)	$ (720)
Exploration and evaluation *(notes 5 and 12)*	5	720
Share based compensation *(note 8)*	116	-
Listing expense *(note 3)*	1,142	-
Depletion and depreciation *(note 4)*	12	-
Change in non-cash working capital *(note 9)*	(110)	-
Cash used in operating activities	(489)	-
Financing activities:		
Shares issued, net of share issuance costs *(note 7)*	11,346	30
Lease obligations *(note 6)*	(2)	-
Proceeds from promissory *(note 12)*	1,500	-
Payment of promissory *(note 12)*	(1,500)	-
Change in non-cash working capital *(note 9)*	(86)	15
Cash provided by financing activities	11,258	45
Investing activities:		
Property, plant and equipment *(note 4)*	(5)	-
Exploration and evaluation assets *(note 5)*	(941)	-
Change in non-cash working capital *(note 9)*	125	-
Cash used in investing activities	(821)	-
Net change in cash and cash equivalents	9,948	45
Cash and cash equivalents, beginning of period	171	-
Cash and cash equivalents, end of period	$ 10,119	$ 45

See accompanying notes to the condensed interim consolidated financial statements.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2022	34,184,280	$ 1,915	$ 552	$ 81	$ (1,412)	$ 1,136
Shares issued, net of share issuance costs *(note 7)*	44,554,194	11,879	-	-	-	11,879
Share-based compensation *(note 8)*	-	-	-	180	-	180
Net loss for the period	-	-	-	-	(1,654)	(1,654)
March 31, 2022	**78,738,474**	**$ 13,794**	**$ 552**	**$ 261**	**$ (3,066)**	**$ 11,541**

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 14, 2021	-	$ -	$ -	$ -	$ -	$ -
Shares issued *(note 7)*	15,081,300	720	-	-	-	720
Net loss for the period	-	-	-	-	(720)	(720)
March 31, 2021	**15,081,300**	**$ 720**	**$ -**	**$ -**	**$ (720)**	**$ -**

See accompanying notes to the condensed interim consolidated financial statements.

1. Organization and Nature of the Business

Helium Evolution Incorporated ("HEVI" or the "Company") (formerly Duckhorn Ventures Ltd. ("Duckhorn")) is a public company trading on the TSX Venture Exchange ("TSXV") under the symbol HEVI. Duckhorn was incorporated under the British Columbia Business Corporations Act on March 25, 2019.

The Company was formed following the amalgamation of a private company of the same name being Helium Evolution Incorporated ("Helium Evolution Private") and Duckhorn. Helium Evolution Private was incorporated on January 14, 2021 under the Business Corporations Act (Alberta). On March 16, 2022, Helium Evolution Private and Duckhorn entered into an Amalgamation Agreement (the "Amalgamation") resulting in the reverse takeover of Duckhorn by Helium Evolution Private, including a change of control of Duckhorn. Following completion of the Arrangement, Helium Evolution Private shareholders held approximately 96% of the outstanding shares of the Company and the Board of Directors and key management of the Company are substantially the same as Helium Evolution Private. As a result, the transaction has been accounted for as a reverse acquisition with Helium Evolution Private being the acquirer for accounting purposes. Helium Evolution Private is the continuing entity and accordingly, the presentation of the comparative period information is that of Helium Evolution Private (see note 3).

Helium Evolution Incorporated commenced trading on the TSXV on March 30, 2022.

The Company's principal and office address and address of its records is 400, 505 – 3 Street SW, Calgary, Alberta, Canada, T2P 3B6.

The Company is in the early stages of exploration for helium as a resource and has not yet determined whether its helium properties contain deposits that are economically recoverable. The condensed interim consolidated financial statements of the Company and comprised of the accounts of Helium Evolution Incorporated and its wholly owned subsidiary 2416227 Alberta Ltd. (formerly Private Helium Evolution).

2. Basis of Preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Helium Evolution Private's annual financial statements for the period ended December 31, 2021, with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted in the unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with Helium Evolution Private's annual financial statements for the period ended December 31, 2021.

The Company's unaudited condensed interim consolidated financial statements are expressed in thousands of Canadian Dollars, unless otherwise stated. The presentation currency is Canadian dollars ("CAD"), which is the functional currency of the Company and its subsidiary.

These unaudited condensed interim consolidated financial statements have been prepared using the historical cost convention on an accrual basis except for, when outstanding, certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments, including accruals, considered necessary for a fair presentation have been included.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 19, 2022.

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants, unaudited)

Climate Reporting Regulations

Climate and emission related reporting standards are constantly evolving. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal to develop sustainability disclosure standards that are globally consistent, comparable, and reliable. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters which details the additional reporting requirements for Canadian Public Companies. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The Company continues to monitor progress on these reporting requirements and have not yet quantified the cost to comply with these standards.

3. Reverse Takeover ("RTO") Transaction

On March 16, 2022, Duckhorn acquired all the issued and outstanding common shares through a wholly owned subsidiary of the Company that amalgamated with Helium Evolution Private, which resulted in a reverse takeover of the Company by the former shareholders of Helium Evolution Private (the "Amalgamation").

In connection with the Amalgamation and pursuant to the terms of the Amalgamation, Duckhorn changed its name to Helium Evolution Incorporated and issued 75,405,141 common shares to the shareholders of Helium Evolution Private. Immediately following the Amalgamation there were 78,738,474 common shares issued and outstanding, with the former Helium Evolution Private shareholders holding approximately 96% of the issued and outstanding common shares, and the Board of Directors and key management of the Company being substantially the same as Helium Evolution Private.

The Amalgamation was treated as an RTO for accounting purposes based on the terms of the Amalgamation. In accordance with IFRS, Duckhorn did not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination but a capital transaction of Duckhorn in substance with Helium Evolution Private being the continuing entity from an accounting perspective.

The fair value of the net assets (liabilities) that were acquired pursuant to the RTO is as follows:

Net assets (liabilities) acquired		
Cash	$	-
Accounts receivable		7
Accounts payable and accrued liabilities		(149)
Net assets (liabilities) acquired	**$**	**(142)**

Consideration		
Fair value of the common shares of Duckhorn (3,333,333 common shares)	$	1,000
Total consideration	**$**	**1,000**

Excess of purchase price consideration over net liabilities acquired, being a listing expense	**$**	**1,142**

Acquisition costs of $96,000 were incurred by the Company and have been excluded from the above consideration paid. These costs have been recorded as transaction costs in the Company's condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2022.

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants, unaudited)

4. Property, Plant and Equipment ("PP&E") Assets

Cost		Total
Balance, January 14, 2021	$	-
Additions		58
Right-of-use asset additions		32
Balance, December 31, 2021		90
Additions		5
Right-of-use asset additions		17
Balance, March 31, 2022	**$**	**112**

Accumulated depletion and depreciation		Total
Balance, January 14, 2021	$	-
Depletion and depreciation		10
Balance, December 31, 2021		10
Depletion and depreciation		12
Balance, March 31, 2022	**$**	**22**

Net book value		Total
Balance, December 31, 2021	$	80
Balance, March 31, 2022	**$**	**90**

As at March 31, 2022, PP&E is comprised of office equipment with a net book value of $48,000 (December 31, 2021 – $51,000) and right-of-use assets with a net book value of $42,000 (December 31, 2021 – $29,000).

5. Exploration and Evaluation ("E&E") Assets

Cost		Total
Balance, January 14, 2021	$	-
Additions		562
Balance, December 31, 2021		562
Additions		1,000
Balance, March 31, 2022	**$**	**1,562**

The Company holds helium exploration permits in Saskatchewan with an initial 3-year term and capitalized $1 million of exploration and evaluation activities in the three months ended March 31, 2022, which included $64,000 of share-based compensation. The Company has annual lease expenditure commitments as follows: 2022 – $111,000, 2023 – $208,000, 2024 – $447,000 and annual permit expenditure commitments as follows: 2022 – $808,000, 2023 – $1,292,000, and 2024 – $2,005,000. Permit expenditures can be grouped and carried forward to future years if the expenditure amount is greater than the minimum expenditure required. If the above commitments are not satisfied, the Company will relinquish the associated helium permits.

Pursuant to a Royalty Agreement between HEVI and certain HEVI founders, a 3.0% gross overriding royalty ("GORR") on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of $5,000 to E&E expense.

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants, unaudited)

6. Lease Obligations

		Total
Balance, January 14, 2021	$	-
Additions		32
Interest expense		1
Balance, December 31, 2021	$	33
Additions		17
Lease payments		(2)
Balance, March 31, 2022	**$**	**48**
Current portion of lease obligations	**$**	**19**
Long-term portion of lease obligations	**$**	**29**

		March 31, 2022
Lease payments	$	2
Interest payments		-
Total cash outflow	$	2

The Company has lease liabilities for contracts related to office space and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The discount rate applied during the three months ended March 31, 2022 was 10.0 percent.

7. Share Capital

The authorized capital of HEVI consists of an unlimited number of common and preferred shares without par value.

The following table details the number of common shares issued and outstanding as at March 31, 2022:

	Number of Class A Common Shares		Equity
Balance, December 31, 2021[1]	34,184,280	$	1,915
Shares issued in exchange for subscription receipts[2]	41,220,861		12,300
Shares issued as part of Duckhorn reverse takeover (see note 3)	3,333,333		1,000
Share issuance costs	-		(1,421)
Balance, March 31, 2022	**78,738,474**	**$**	**13,794**

[1] In conjunction with the closing of the Amalgamation as detailed in note 3, each common share, option and warrant in Helium Evolution Private was subsequently exchanged for 1.00542 common shares in the capital of the Company. The number of common shares have been restated to reflect the exchange ratio.

[2] On November 10, 2021, Helium Evolution Private closed a non-brokered private placement (the “Offering”) of subscription receipts (the “Subscription Receipts”) for total gross proceeds of $12.3 million. In connection with the Offering, Helium Evolution Private issued 40,998,636 Subscription Receipts at a price of $0.30 per Subscription Receipt, with each Subscription Receipt automatically converting into one common share for no additional consideration or action on the part of the holder. Each common share was subsequently exchanged for 1.00542 common shares in the capital of Duckhorn in accordance with the terms of the Amalgamation. As at December 31, 2021 the Subscription Receipts were included in restricted cash and subscription receipts payable.

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants, unaudited)

The following table details the number of warrants issued and outstanding at March 31, 2022:

	Number of Warrants		Equity
Balance, December 31, 2021[1]	4,846,124	$	552
Balance, March 31, 2022[1]	**4,846,124**	**$**	**552**

[1] Each warrant reflects the 1.00542 exchange ratio in accordance with the terms of the Amalgamation.

8. Share Option Plan

The Company has an incentive Share Option Plan (the "Plan") for directors, officers, employees, and consultants, under which the Company may issue share options to purchase common shares of the Company provided that the amount of incentive share options which may be granted and outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

The number of share options issued and outstanding, prior to completion of the Agreement, and weighted average exercise price are as follows:

	Number of Options	Weighted Average Exercise Price ($/share)	
Balance, December 31, 2021[1]	3,418,428	$	0.30
Balance, March 31, 2022[1]	**3,418,428**	**$**	**0.30**

[1] Each option reflects the 1.00542 exchange ratio in accordance with the terms of the Amalgamation.

The fair value of options granted is measured using the Black Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility based on publicly available information for similar companies, weighted average expected life, estimated forfeiture rate, expected dividends, and the risk-free interest rate. The fair value is amortized to share based compensation expense and/or capitalized over the option vesting period with a corresponding offset to contributed surplus. The options vest equally every six months for a period of thirty months from the grant date.

9. Supplemental Cash Flow Information

		March 31, 2022		March 31, 2021
Change in non-cash working capital:				
Accounts receivable	**$**	**(103)**	$	-
Deposits and prepaid expenses		**(71)**		15
Accounts payable and accrued liabilities		**103**		-
	$	**(71)**	$	15
Allocated to:				
Operating	**$**	**(110)**	$	-
Financing		**(86)**		15
Investing		**125**		-
	$	**(71)**	$	15

10. Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout the financial statements.

HEVI is exposed to normal market risks inherent in the helium business, including, but not limited to, commodity price risk, foreign currency rate risk, credit risk, liquidity risk and interest rate risk. The Company seeks to mitigate these risks through various business processes and management controls and from time to time by using various derivative financial instruments and physical delivery sales contracts.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable.

The carrying amount of cash on hand, and accounts receivable represents the maximum credit exposure. As at March 31, 2022, the Company's receivables consisted of sales taxes paid on general and administrative and capital expenditures.

Cash on hand is held by a level 1 financial institution and restricted cash was held with the transfer agent.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any interest rate exposure as at March 31, 2022.

Foreign exchange risk:

Helium prices are based on US dollar denominated commodity prices. As a result, the Canadian dollar price received by the Company will be affected by the Canadian and US dollar exchange rates once helium revenues are realized.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and exploration and evaluation expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants, unaudited)

HEVI anticipates having adequate cash on hand and funds flow to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cashflow from operations.

The timing of undiscounted cash outflows relating to the financial liabilities outstanding at March 31, 2022 is outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	$ 449	$ -	$ -	$ -	$ 449
Lease obligations	19	21	4	4	48
Total	$ 468	$ 21	$ 4	$ 4	$ 497

Capital management:

The Company's capital structure includes shareholders' equity and working capital. HEVI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

HEVI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt, or obtain alternative financing.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. As the Company does not yet have cash flow from operations, it must rely on cash on hand and future equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity and warrant securities for cash, through private placements.

The Company's continuing operations and underlying value and recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests.

As at March 31, 2022, the Company had positive working capital of $9,918,000.

These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

11. Commitments

The Company holds helium permits that require minimum expenditures on an annual basis (see note 5).

The Company entered into a 2-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023, and has entered into office equipment leases. The lease commitments as at March 31, 2022 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	$ 19	$ 21	$ 4	$ 4	$ 48

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants, unaudited)

12. Related Party Transactions

The following table summarizes transactions with related parties:

		March 31, 2022
Exploration and evaluation expense – management	$	5

Under the terms of the January 14, 2021 share issuance to certain management and directors, the Company recorded $720,000 as pre-exploration expenditure under E&E expense.

Pursuant to a Royalty Agreement between HEVI and certain HEVI founders, a 3.0% gross overriding royalty ("GORR") on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of $5,000 to E&E expense.

On January 12, 2022, the Company entered into a Secured Promissory Note (the "Promissory Note") with a director of the Company in the amount of $1.5 million with an annualized interest rate of 10 percent. The note was secured by a General Security Agreement between the parties providing the lending party with security over the assets of the Company. The Promissory Note was repaid in full on March 18, 2022, along with total interest of $37,500, and the security was subsequently discharged.