MANAGEMENT'S DISCUSSION AND ANALYSIS

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 April 24, 2024 and should be read in conjunction with HEVI's audited financial statements and related notes as at and for the years ended December 31, 2023 and December 31, 2022 (the "**Financial Statements**"), which are available on SEDAR + at www.sedarplus.ca. All financial information is reported in Canadian dollars and all per share information in based on diluted weighted average common shares, unless otherwise noted. Tabular amounts in this MD&A are in thousands of Canadian dollars, except share and per share amounts.

The Financial Statements have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

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 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.

Readers are cautioned that the MD&A should be read in conjunction with HEVI's disclosure elsewhere in this MD&A, including in the sections entitled "Use of Judgements and Key Sources of Estimation Uncertainty", "Business Risks and Uncertainties" and "Forward-looking Statements" included at the end of this MD&A.

About Helium Evolution Incorporated

HEVI is a public company trading on the TSX Venture Exchange ("**TSXV**") under the symbol HEVI.

The Company was formed following the amalgamation of a private company of the same name being Helium Evolution Incorporated ("**Helium Evolution Private**") and Duckhorn (the "**Amalgamation**"). Helium Evolution Private was incorporated on January 14, 2021 under the Business Corporations Act (Alberta). Duckhorn was incorporated under the Business Corporations Act (British Columbia) on March 25, 2019. On March 16, 2022, Helium Evolution Private and Duckhorn completed a business combination resulting in the reverse takeover of Duckhorn by Helium Evolution Private, including a change of control of Duckhorn. Following completion of the Amalgamation, 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 takeover with Helium Evolution Private being the acquirer for accounting purposes. Helium Evolution Private is the continuing entity and accordingly, the information presented for periods prior to March 16, 2022 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 5.6 million acres of land. Helium permits in Saskatchewan have an initial three-year term, which can be extended for an additional two-year term and can be converted to 21-year leases at any time. At December 31, 2023, HEVI holds a 99.5% net working interest in these permits, encumbered by a 4.25% government royalty and a 2.5% gross overriding royalty ("**GORR**").

Selected Financial Information

	Year ended		Period ended
	December 31, 2023	December 31, 2022	December 31, 2021
Financial			
Revenue	-	-	-
Net loss	2,953	7,363	1,412
Net loss per share, basic and	(0.03)	(0.09)	(0.06)
Cash and cash equivalents	6,330	9,128	171
Working capital	5,743	10,236	511
Total assets	11,639	13,022	13,666
Total liabilities	872	226	12,530
Weighted average shares			
Basic and diluted[1]	96,033,974	78,397,100	25,495,726

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

Selected Quarterly Financial Information

Three months ended	Total revenue	Net loss	Net loss per share (basic and diluted)
December 31, 2023	-	1,719	0.02
September 30, 2023	-	592	0.01
June 30, 2023	-	331	0.00
March 31, 2023	-	311	0.00
December 31, 2022	-	520	0.01
September 30, 2022	-	3,847	0.04
June 30, 2022	-	1,342	0.02
March 31, 2022	-	1,654	0.04

Outlook

The Company continues to execute its strategy of acquiring and developing its significant land base in Saskatchewan with the ultimate goal of helium production.

On June 28, 2022, the Company entered into a farmout agreement (the "**Original Farmout Agreement**") with North American Helium Inc. ("**NAH**") pursuant to which NAH will drill a total of five wells, incurring 100% of the drill expenditures, on three predetermined blocks of land in Saskatchewan comprising approximately 2.3 million acres located west of the third meridian (the "**Blocks**"). For each test well drilled, NAH will earn an 80% operated interest in the section on which the well was drilled plus nine contiguous sections of land. HEVI will retain a 20% working interest in the earned lands and each successful well drilled by NAH. NAH must drill one well in each of the three Blocks, with no more than three wells drilled in any given Block.

In connection with the Original Farmout Agreement, HEVI and NAH have entered into a standstill agreement pursuant to which NAH will be subject to certain standstill restrictions relating to, among other things, the acquisition of HEVI securities for a 24-month period following completion of the June 2022 Offerings, as defined herein. In addition, HEVI and NAH have entered into a pro-rata participation and board nomination agreement pursuant to which NAH will be permitted to maintain its pro rata undiluted percentage of HEVI common shares following completion of the June 2022 Offerings for a 24-month period. Furthermore, should NAH's ownership reach over 10% on an undiluted basis at any point until June 2024, NAH will have a right to appoint a nominee to the HEVI board of directors.

On October 21, 2022, the Company announced that it had expanded and accelerated the Original Farmout Agreement and entered into an amended and restated farm out agreement (the "**Amended Farmout Agreement**") as well as a seismic option agreement (the "**Seismic Option Agreement**") and a seismic review option agreement (the "**Seismic Review Option**" and collectively with the Seismic Option Agreement, the "**Seismic Agreements**") with NAH. Pursuant to the Seismic Agreements, the number of wells to be drilled by NAH could be expanded by 60%, from five wells per the Original Farmout Agreement to up to eight wells. NAH elected to drill two wells per the Seismic Option Agreement and elected to drop the Seismic Review Option well.

Finally, at no cost, HEVI received NAH's proprietary seismic recently used to drill three successful NAH wells in the Mankota area plus all seismic shot on the Seismic Agreements land, estimated to be approximately 200km, giving HEVI greater insight and valuable data that can be used in identifying future drilling targets. The Amended Farmout Agreement and the Seismic Option Agreement offer HEVI near-term drilling catalysts that could accelerate cash flow generation without incurring up-front capital costs and allows the Company to retain 99% of its land base.

As a result of the Amended Farmout Agreement and the Seismic Option Agreement, NAH has drilled seven earning wells ("**Farmout Wells**", and each a "**Farmout Well**") on HEVI lands since November 2022 and earned an interest in 70 sections of HEVI's land base. Farmout Wells are funded 100% by NAH and HEVI retains a 20% working interest. In addition to the Farmout Wells, in the third and fourth quarters of 2023, NAH and HEVI drilled two joint wells ("**Joint Wells**"), with HEVI participating in the Joint Wells at its 20% working interest. The following Farmout Wells and Joint Wells, spud dates and status are as follows:

Area, Well ID	Spud Month	Status
Farmout Wells:		
Mankota 13-30-2-8W3	November 2022	Cased for further evaluation
Mankota 1-1-06-10W3	December 2022	To be abandoned
Mankota 12-11-05-10W3	July 2023	To be abandoned
Gravelbourg 12-13-10-8W3	July 2023	Cased for further evaluation
McCord 6-13-5-7W3	August 2023	To be abandoned
Fox 11-13-13-29W3	September 2023	Cased for further evaluation
Mankota 9-35-3-9W3	January 2024	Completed in Q1-2024
Joint wells:		
Mankota 2-31-2-8W3	September 2023	Completed in Q4-2023
Mankota 9-18-3-8W3	November 2023	Awaiting stimulation in Q2-2024

In the third quarter of 2023, NAH and HEVI drilled their first joint well at 2-31-2-8W3 ("**2-31 Well**"). The 2-31 Well encountered helium bearing gas and was completed, tested and evaluated in the fourth quarter of 2023 and was successfully stimulated subsequent to year end. The 2-31 Well underwent a series of tests to confirm flow rates, reservoir boundaries and gas composition, all of which represent important data points to help inform future development plans in the area. The 2-31 Well had helium concentrations of 0.95%, more than three times the 0.3% level deemed commercially viable, and 96% nitrogen, with the balance comprised of fractional percentages of minor component gases.

Subsequent to stimulation in the first quarter of 2024, the 2-31 Well demonstrated rates and pressures that remained steady throughout the three-day flow test period, indicating a stable and productive reservoir, and the well flow tested at 4.0 million standard cubic feet per day ("**MMscf/d**") and 5,500 kiloPascals ("**kPa**") flowing tubing pressure. Further, negligible water was produced by the well during the test period, which is favorable for helium recovery and processing.

In the fourth quarter of 2023, NAH and HEVI drilled a second joint well at 9-18-3-8W3 ("**9-18 Well**"). The 9-18 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2024. After initial testing, the 9-18 Well had a preliminary helium concentration of 0.78% and no water. In an effort to enhance productivity, as was successfully done on the 2-31 Well, it is anticipated that the 9-18 Well will be stimulated in Q2-2024, subject to surface conditions.

Subsequent to year end, NAH drilled its seventh and final Farmout Well at 9-35-3-9W3 ("**9-35 Well**"). The 9-35 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2024. The 9-35 Well was producing approximately 7 MMscf/d at 9,000 kPa flowing tubing pressure at the end of a six-day extended flow period, with a helium concentration of 0.64% and no water. After the extended production flow period, the 9-35 Well was shut in for a 21-day period to collect reservoir pressure data to confirm flow rates and reservoir boundaries. A third-party post-flow pressure transient analysis indicated no reservoir pressure depletion or reservoir boundaries, highlighting a potentially expansive and productive reservoir.

HEVI continues to work with NAH to determine optimal next steps, which includes the drilling of six to nine development wells (the "**New Wells**") in the next year designed to further delineate the pools. With HEVI's 20% working interest in the New Wells, the Company is positioned to capitalize on this strategic expansion, building upon three existing helium discoveries at Mankota. The Company intends to work with NAH over the coming months to determine specific well locations and timelines. In addition, NAH has received approval of a facility license at 12-30-2-8W3, approximately 1,500 metres from the 2-31 Well, the construction of which would represent another significant milestone on HEVI's path to commercialization. It is anticipated that HEVI will fund the New Wells from existing working capital, however in order to ensure that the Company has sufficient liquidity, the Company may access debt or capital markets in the coming year.

In addition to the above-mentioned activities, the Company is continuing to undertake extensive geological and geophysical modelling, including the acquisition of additional seismic, shooting of proprietary 2D seismic, seismic reprocessing and interpretation and well log integration.

Results of Operations

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Exploration and evaluation	1,076	87	1,474	4,478
Share based compensation	174	185	625	526
Impairment expense	121	8	121	8
Listing expense	-	-	-	1,142
Transaction costs	-	-	-	96
Interest expense (income) (net)	(87)	(92)	(389)	(155)
Depletion and depreciation	6	13	45	51
General and administrative	429	319	1,077	1,217
Net loss	1,719	520	2,953	7,363

Capital Expenditures and Exploration and Evaluation

The following summarizes the Company's capital spending:

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Seismic, geological & geophysical	135	155	1,114	1,287
Drilling and completions	536	93	1,269	4,535
Royalty assets	-	-	119	-
Facilities	-	-	-	124
Helium permits	101	54	380	165
Office equipment	1	-	1	5
Total capital spending- cash	773	302	2,883	6,116

Capital spending for the three and twelve months ended December 31, 2023 totaled $773,000 and $2,883,000, respectively (three and twelve months ended December 31, 2022, $302,000 and $6,116,000, respectively). In the year ended December 31, 2023, the majority of the Company's capital spending was focused on building out its extensive seismic database, participating in the drilling, completion and testing of the 2-31 Well, participating in the drilling of the 9-18 Well and the completion of a previously drilled well on HEVI lands at 6-12-6-5W3. To date, the Company has acquired approximately 2,000 km of seismic and is in the process of interpreting the seismic to select future drilling targets. Additionally, in the second quarter of 2023, the Company re-purchased 0.5% of the 3% total GORR from a former officer of the Company. Comparatively, in 2022, HEVI acquired and shot seismic and drilled its first two wells in the second and third quarters of 2022.

Share-Based Compensation Expense

The Company has an incentive Stock Option Plan (the "**Option 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 Option Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Total share-based compensation	262	297	924	849
Capitalized portion of share-based compensation	(88)	(112)	(299)	(323)
Share-based compensation	174	185	625	526

The amount recorded as share-based compensation expense for the three and twelve months ended December 31, 2023 totaled $174,000 and $625,000, respectively (three and twelve months ended December 31, 2022, $185,000 and $526,000, respectively). Additionally, $88,000 and $299,000 of share-based compensation was capitalized to exploration and evaluation ("**E&E**") assets during the three and twelve months ended December 31, 2023, respectively (three and twelve months ended December 31, 2022 – $112,000 and $323,000, respectively).

The number of share options issued and outstanding, weighted average exercise price and weighted average remaining life is as follows:

	Number of Options	Weighted Average Exercise Price ($/share)	Weighted Average Remaining Life (years)
December 31, 2021[1]	3,418,428	0.30	2.9
Issued	5,210,000	0.37	3.6
Forfeited	(1,002,710)	0.34	3.2
December 31, 2022	7,625,718	0.34	3.3
Issued	1,950,000	0.16	4.1
December 31, 2023	**9,575,718**	**0.30**	**3.5**

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

The number of share options exercisable and the weighted average exercise price is as follows:

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2022	1,866,287	0.33
December 31, 2023	5,306,574	0.32

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 E&E assets over the option vesting period with a corresponding offset to contributed surplus.

The fair value of the options on the date of issuance was determined using the following Black-Scholes pricing model inputs:

Share price	0.160
Risk-free interest rate	2.93%
Expected life (years)	5
Expected volatility	97%
Forfeiture rate	9.0%
Expected dividends	Nil
Fair value	0.12

Interest Income (net)

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Interest income (net)	(87)	(92)	(389)	(155)

Net interest income recorded in the three and twelve months ended December 31, 2023 of $87,000 and $389,000, respectively (three and twelve months ended December 31, 2022, $92,000 and $155,000, respectively). Interest income in the three and twelve months ended December 31, 2023 was principally a result of investing excess cash balances into redeemable short-term guaranteed investment certificates with interest rates ranging from 4.85% to 5.60%. Interest income in the three and twelve months ended December 31, 2022 was principally a result of interest income on excess cash balances, offset by interest expense incurred on a short-term loan that was repaid during the first quarter of 2022.

Depletion and Depreciation Expense

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Depletion and depreciation expense	6	13	45	51

Depletion and depreciation expense in the amount of $6,000 and $45,000 was recorded in the three and twelve months ended December 31, 2023, respectively, and is related to the Company's office equipment and right-of-use assets (three and twelve months ended December 31, 2022, $13,000 and $51,000, respectively). Office equipment is depreciated on a straight-line basis over a period of two 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		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
General and administrative expense	435	322	1,083	1,268
Overhead recoveries	(6)	(3)	(6)	(51)
General and administrative expense	429	319	1,077	1,217

General and administrative expenses ("**G&A**") for the three and twelve months ended December 31, 2023 totaled $429,000 and $1,077,000, respectively (three and twelve months ended December 31, 2022, $319,000 and $1,217,000, respectively). The Company has incurred costs associated with being a public company including management salaries, consulting fees, software fees, office related expenses, legal and regulatory fees, marketing and investor relations. The decrease in G&A year over year is mainly due to non-recurring marketing activities undertaken in 2022.

Share Capital

The following table details the number of common shares issued and outstanding:

Common Shares	Number of Shares	Share Equity
December 31, 2021[1]	34,184,280	1,915
Shares issued in exchange for subscription receipts	41,220,861	12,300
Shares issued as part of Duckhorn reverse takeover[2]	3,333,333	1,000
Shares issued as part of June 28, 2022 private placement	17,295,500	6,074
Share issuance costs	-	(2,073)
December 31, 2022 and December 31, 2023	96,033,974	19,216

[1] Each common share reflects the 1.00542 exchange ratio in accordance with the Amalgamation.
[2] Issued to former Duckhorn shareholders in accordance with the Amalgamation.

The following table details the number of warrants issued and outstanding as at December 31, 2023:

	Number of Warrants	Warrant Equity
December 31, 2021[1]	4,846,124	552
Warrants issued as part of June 28, 2022 private placement[2]	5,765,152	845
Warrants issued as part of June 28, 2022 private placement[2,3]	175,000	28
December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
December 31, 2023	5,940,152	873

[1] Each warrant reflects the 1.00542 exchange ratio in accordance with the Amalgamation.
[2] In connection with the June 2022 Offerings, the warrants were valued using the Black-Scholes model and the following inputs: exercise price of $0.70 per share, expected term of 24 months, annualized volatility based on publicly traded peer companies of 103%, a risk-free rate of 3.1%, and zero expected dividends.
[3] Issued to a finder in connection with the strategic investor private placement.

On November 10, 2021, the Company closed a non-brokered private placement (the "**November 2021 Offering**") of subscription receipts (the "**Subscription Receipts**") for total gross proceeds of $12.3 million. In connection with the November 2021 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 business combination agreement entered into between Helium Evolution Private and Duckhorn dated September 19, 2021 and as amended October 22, 2021 and February 8, 2022.

On June 28, 2022, HEVI closed a strategic investor private placement, brokered and non-brokered private placements (the "**June 2022 Offerings**") for total gross proceeds of $6.9 million ($6.4 million, net of share issuance costs). In connection with the June 2022 Offerings, HEVI issued 17,295,500 units comprised of 17,295,500 common shares and 5,765,152 warrants. In addition, 175,000 warrants were issued to a finder in connection with the strategic investor private placement.

During the year ended December 31, 2023, warrants totaling 4,846,124 expired. At the date of this MD&A, there are 96,033,974 common shares, 9,575,718 options and 5,940,152 warrants issued and outstanding.

Liquidity, Financing and Capital Resources

	December 31, 2023
Opening cash position	9,128
Inflow of funds	
Changes in non-cash working capital	703
Tubing and casing	871
Total inflow of funds	1,574
Outflow of funds	
Capital expenditures	(2,883)
Lease payments	(20)
Cash flow used in operations, before changes in non-cash working capital	(686)
Total outflow of funds	(4,372)
Closing cash position	6,330

Capital Funding and Resources

As at December 31, 2023, the Company's working capital balance was $5,743,000 (December 31, 2022 - $10,236,000), including cash and cash equivalents of $6,330,000. The working capital balance at December 31, 2023 excludes casing inventory of $783,000 which was pre-purchased for a multi-well drilling program. The casing inventory is considered liquid, given the supply chain issues facing the oil and gas industry.

The working capital balance, including the casing inventory, is expected to be sufficient to fund the Company's capital program for 2024. The Company has considerable flexibility in managing capital given the current 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

HEVI is exposed to a variety of financial and non-financial risks inherent in the helium business, including, but not limited to: equity price risk, commodity price risk, foreign exchange, credit availability and liquidity risk. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

(a) Credit risk

Credit risk is the risk that a third party will not complete its contractual obligations under financial instrument and cause the Company to incur a financial loss.

The Company's maximum exposure to credit risk is the sum of the carrying values of its cash and cash equivalents and accounts receivable. As at December 31, 2023, the Company's accounts receivables consisted of sales taxes paid on G&A and capital expenditures and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents balance with a major Canadian chartered bank.

(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 significant interest rate exposure as at December 31, 2023.

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 as they come due. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable consists of invoices payable to trade suppliers for G&A activities and E&E 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.

HEVI anticipates having adequate cash on hand 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 debt or 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 cash flows 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. 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 is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. The Company's continuing operations and underlying value and recoverability of the amounts shown for E&E 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. 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 three-year term. To keep the Company's current leases in good standing, the Company has annual lease expenditure commitments as follows: 2024 – $452,000, 2025 – $565,000 and 2026 – $565,000 and annual permit expenditure commitments as follows: 2024 – $45,000, 2025 – $60,000 and 2026 – $60,000. 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 an initial two-year office lease agreement, commencing November 1, 2021 and ending October 31, 2023. The office lease was renewed in June 2023 for an additional two years, beginning November 1, 2023 and ending October 31, 2025. Additionally, the Company has entered into office equipment leases. The lease commitments as at December 31, 2023 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	21	20	2	-	43

Related Party Transactions

Pursuant to a royalty agreement, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors, officers and a consultant of the Company or to companies controlled by such individuals. As a result, the Company assigned a value of $nil to E&E expense for the year ended December 31, 2023 (year ended December 31, 2022 - $5,000). On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for $119,000, inclusive of transaction costs.

On January 12, 2022, the Company entered into a Secured Promissory Note (the "**Promissory Note**") with a current director of the Company in the amount of $1,500,000 with an annualized interest rate of 10%. The Promissory 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 $38,000, and the security was subsequently discharged.

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at December 31, 2023.

Financial Instruments

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

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.

(i) Identification of cash generating units

The Company's assets are aggregated into cash generating units ("**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

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.

The Company assesses its E&E assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of helium properties are planned, whether commercially viable quantities of helium mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered.

(iii) Deferred income taxes

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.

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) Climate reporting regulations

Climate change and the transition to a lower-carbon economy from carbon-based sources to alternative energy were considered in preparing the financial statements. These may have significant impacts on the currently reported amounts of the Company’s assets and liabilities and on similar assets and liabilities that may be recognized in the future.

Business Risks and Uncertainties

The Company’s business of exploring for resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company 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.

Without limiting the generality of the foregoing, on November 10, 2023 the Ministry of Energy and Resources of the Government of Saskatchewan released a discussion paper entitled *Establish a Modernized Helium and Brine Mineral Tenure System* (the "**Discussion Paper**"). The Discussion Paper proposes several changes to the current regulatory framework in Saskatchewan which may have a negative effect on the Company and its business, if adopted. At this time no changes proposed in the Discussion Paper have been enacted.

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 but are not limited to: delivery uncertainties related to the proximity of its resources 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 may have greater technical or financial resources. The Company may be unable to acquire drilling rigs, service rigs, materials, additional attractive resource properties, employees and contractors, service providers and other items 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 the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

An inability to manage costs could have a material adverse effect on the Company. The Company’s operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices and additional government intervention through stimulus spending or additional regulations. The Company’s inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flow.

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.

The Company's business, financial condition and results of operations may be affected by a number of factors, including, but not limited to, the factors described within the Forward-looking Statements section of this MD&A, the Company’s annual information form dated September 6, 2023 and the Company's other disclosure documents filed with Canadian securities regulatory authorities.

Environmental Reporting Regulations

In March 2024, the Canadian Sustainability Standards Board proposed Canadian-specific modifications to IFRS S1: *General Sustainability-related Disclosures* and IFRS S2: *Climate-related disclosures*, which were issued by the International Sustainability Standards Board (ISSB) in June 2023. The new standards add sustainability and climate disclosure requirements for annual reporting purposes. The Canadian-specific versions of IFRS S1 and S2 are expected to be available for voluntary adoption starting January 1, 2025; however, the Canadian Securities Administrators have not yet confirmed whether the new standards will be mandated for Canadian reporting issuers. The Company is actively reviewing the new standards and has not yet determined the impact on future financial statements, nor has HEVI quantified the costs to comply with such standards.

Forward-looking Statements

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 Company's ability to identify future exploration and drilling targets, timeline of drilling, increasing shareholder value, the Company's ability to preserve capital, the Company's expectations regarding scalable helium production from its land generally, the Company and/or NAH's plans with respect to stimulation of the 9-18 Well, the Company's expectations regarding recoverability of helium, the Company and/or NAH's ability to identify future exploration and drilling targets, the Company and/or NAH's plans regarding future exploration and development including the New Wells, the productivity of the 2-31 Well, the productivity of the 9-35 Well, the Company and/or NAH's plans regarding building a facility at 12-30-2-8W3, the Company's ability to achieve commercial production, the sale of tubing and casing 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; the Company and/or NAH may be unsuccessful in drilling commercially productive wells; NAH may defer the drilling, completion and stimulation of wells including the New Wells; the Company and/or NAH may determine not to bring the 2-31 Well and/or the 9-35 Well onto production; NAH may abandon any plans to build a facility at the 12-30-2-8W3 site; the Company may choose to defer, accelerate or abandon its drilling plans; 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.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

Helium Evolution Incorporated

Annual Financial Statements

As at and for the years ended December 31, 2023 and December 31, 2022

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Helium Evolution Incorporated

Opinion

We have audited the financial statements of Helium Evolution Incorporated (the "Company"), which comprise:

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of loss and comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of indicators of impairment of exploration and evaluation assets

Description of the matter

We draw attention to note 3, note 5 and note 8 to the financial statements. The Company assesses its exploration and evaluation assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of helium properties are planned, whether commercially viable quantities of helium mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered. At December 31, 2023, the Company has exploration and evaluation assets of $4,343,000. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2023.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment of exploration and evaluation assets as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures with respect to the Company's indicators of impairment assessment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Company's indicators of impairment assessment by:

- Assessing the remaining period and right to explore for a selection of helium permits
- Assessing whether further expenditures for exploration and evaluation of helium properties are planned by examining the Company's internal documents and certain minutes of the meetings of the Board of Directors
- Assessing whether data exists to suggest the carrying amount of exploration and evaluation assets is unlikely to be recovered by examining external market and industry data, the Company's press releases and certain minutes of the meetings of the Board of Directors.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Timothy Arthur Richards.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 24, 2024

Helium Evolution Incorporated

Statements of Financial Position

(thousands of Canadian Dollars)	As at December 31, 2023	As at December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	6,330	9,128
Accounts receivable *(note 16)*	76	263
Tubing and casing	-	992
Deposits and prepaid expenses	66	36
Total Current Assets	6,472	10,419
Non-Current Assets		
Property, plant and equipment *(note 7)*	41	51
Tubing and casing	783	-
Exploration and evaluation assets *(note 8)*	4,343	2,552
Total Non-Current Assets	5,167	2,603
Total Assets	11,639	13,022
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 16)*	708	163
Lease obligations *(note 9)*	21	20
Total Current Liabilities	729	183
Non-Current Liabilities		
Lease obligations *(note 9)*	22	9
Decommissioning obligations *(note 10)*	121	34
Total Non-Current Liabilities	143	43
Total Liabilities	872	226
Shareholders' Equity		
Share capital *(note 11)*	19,216	19,216
Warrants *(note 11)*	873	1,425
Contributed surplus	2,406	930
Deficit	(11,728)	(8,775)
Total Shareholders' Equity	10,767	12,796
Total Liabilities and Shareholders' Equity	11,639	13,022

See accompanying notes to the financial statements.

Commitments *(notes 8 and 17)*

Original "*signed*" by
James Baker, Director

Original "*signed*" by
Greg Robb, President, CEO & Director

Helium Evolution Incorporated

Statements of Loss and Comprehensive Loss

(thousands of Canadian Dollars, except number of shares and per share amounts)	Year ended December 31, 2023	Year ended December 31, 2022
Expenses		
Exploration and evaluation *(note 8)*	1,474	4,478
Impairment expense on tubing and casing	121	8
Share-based compensation *(note 14)*	625	526
Listing expense *(note 6)*	-	1,142
Transaction costs *(note 6)*	-	96
Interest (income) expense (net)	(389)	(155)
Depletion and depreciation *(note 7)*	45	51
General and administrative *(note 13)*	1,077	1,217
Total expenses	2,953	7,363
Net loss and comprehensive loss	(2,953)	(7,363)
Weighted average number of shares outstanding - basic and diluted	96,033,974	78,397,100
Net loss per common share - basic and diluted	(0.03)	(0.09)

See accompanying notes to the financial statements.

Helium Evolution Incorporated

Statements of Cash Flows

(thousands of Canadian Dollars)	Year ended December 31, 2023	Year ended December 31, 2022
Cash provided by (used in):		
Operating activities:		
Net loss	(2,953)	(7,363)
Exploration and evaluation *(note 8)*	1,474	4,478
Impairment expense	121	8
Share-based compensation *(note 14)*	625	526
Listing expense *(note 6)*	-	1,142
Depletion and depreciation *(note 7)*	45	51
Accretion *(note 10)*	2	-
Change in non-cash working capital *(note 15)*	340	(285)
Cash used in operating activities	(346)	(1,443)
Financing activities:		
Shares issued, net of share issuance costs *(note 11)*	-	17,640
Lease obligations *(note 9)*	(20)	(19)
Proceeds from promissory note *(note 19)*	-	1,500
Payment of promissory note *(note 19)*	-	(1,500)
Change in non-cash working capital *(note 15)*	-	(142)
Cash provided by (used in) financing	(20)	17,479
Investing activities:		
Property, plant and equipment *(note 7)*	(1)	(5)
Exploration and evaluation assets *(note 8)*	(2,882)	(6,111)
Tubing and casing, net	871	(1,000)
Change in non-cash working capital *(note 15)*	363	37
Cash used in investing activities	(2,432)	(7,079)
Net change in cash and cash equivalents	(2,798)	8,957
Cash and cash equivalents, beginning of year	9,128	171
Cash and cash equivalents, end of year	6,330	9,128
Cash and cash equivalents is comprised of:		
Cash	19	837
Cancellable guaranteed investment certificates	6,311	8,291

See accompanying notes to the financial statements.

Helium Evolution Incorporated

Statements of Changes in Shareholders' Equity

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2023	96,033,974	19,216	1,425	930	(8,775)	12,796
Expiry of warrants *(note 11)*	-	-	(552)	552	-	-
Share-based compensation *(note 14)*	-	-	-	924	-	924
Net loss for the year	-	-	-	-	(2,953)	(2,953)
Balance, December 31, 2023	96,033,974	19,216	873	2,406	(11,728)	10,767

(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 issue costs *(note 11)*	61,849,694	17,301	873	-	-	18,174
Share-based compensation *(note 14)*	-	-	-	849	-	849
Net loss for the year	-	-	-	-	(7,363)	(7,363)
Balance, December 31, 2022	96,033,974	19,216	1,425	930	(8,775)	12,796

See accompanying notes to the financial statements.

Notes to the Financial Statements
As at and for the years ended December 31, 2023 and December 31, 2022

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 *Business Corporations Act* (British Columbia) on March 25, 2019. 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 Company was formed following the amalgamation of a private company of the same name being Helium Evolution Incorporated ("**Helium Evolution Private**") and Duckhorn (the "**Amalgamation**"). Helium Evolution Private was incorporated on January 14, 2021 under the Business Corporations Act (Alberta). On March 16, 2022, Helium Evolution Private and Duckhorn closed a business combination agreement, resulting in the reverse takeover of Duckhorn by Helium Evolution Private, including a change of control of Duckhorn. Following completion of the Amalgamation, Helium Evolution Private shareholders held approximately 96% of the outstanding shares of the Company and the board of directors (the "**Board**") 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 6).

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

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

2. Basis of Preparation

The annual financial statements (the "**financial statements**") have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The Company's financial statements are expressed in thousands of Canadian dollars, unless otherwise stated. The presentation currency is Canadian dollars, which is the functional currency of the Company and its subsidiary, which was amalgamated during the year ended December 31, 2022.

These 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. Certain prior year disclosures have been adjusted to reflect current year presentations. The financial statements were authorized for issue by the Board on April 24, 2024.

3. Summary of Material Accounting Policies

The following material accounting policies have been applied in these financial statements:

a) Fair value measurement

At each reporting date, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair value in the financial statements based on the lowest level of input that is significant to the fair value measurement as a whole. Assessment of the significance of a particular input to the fair value measurement requires judgement that may affect the placement within the fair value hierarchy.

b) Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument and are classified into one of the following three categories: amortized cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss ("**FVTPL**"). Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost and reported at amortized cost. Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

c) Exploration and evaluation assets

Exploration and Evaluation ("**E&E**") costs are capitalized until the technical feasibility and commercial viability, or otherwise, of the relevant projects have been determined. E&E costs may include costs of seismic and land acquisitions, technical services and studies, exploratory drilling and testing, certain overhead charges including cash and share-based compensation and the estimate of any related decommissioning costs. Costs incurred prior to obtaining the legal right to explore are recognized in profit or loss as incurred. Assets classified as E&E may have sales of helium associated with production from test wells. These operating results are recognized in the statements of loss. A depletion charge, recognized as E&E expense, is recognized on these wells. Non-producing assets classified as E&E are not depleted.

When a project classified as E&E is determined to be technically feasible and commercially viable, the applicable value is reclassified from E&E assets to property, plant and equipment ("**PP&E**") on the statement of financial position. The assets are assessed for impairment prior to such transfer.

Farm outs within the exploration and evaluation phase

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farmout arrangements, but redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess over those costs accounted for by the farmor as a gain on disposal.

d) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated via an impairment test.

E&E assets are assessed for impairment when they are reclassified to PP&E, and at the end of each reporting period. In determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of helium properties are planned, whether commercially viable quantities of helium mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, or cash generating units ("**CGU**"). The recoverable amount of an asset or a CGU is the greater of its value-in-use ("**VIU**") and its fair value less costs of disposal ("**FVLCD**"). FVLCD is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. VIU is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved plus probable reserves.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of PP&E and E&E assets, recognized in prior years, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, if no impairment loss had been recognized.

e) Tubing and casing

Tubing and casing inventories are valued at the lower of cost or net realizable value on a weighted average cost basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, an impairment is recognized. The impairment may be reversed in a subsequent period if the circumstances which caused it no long exist and the inventory is still on hand.

f) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the obligation, using a risk-free interest rate. After the initial measurement, the obligation is adjusted, at the end of each period, to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs, whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

g) Share capital

Common shares are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of tax.

h) Income tax

Provision for, or recovery, of income tax comprising of current and deferred income taxes is recognized in the statements of loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the net income or loss attributable to shareholders and the weighted average number of common shares outstanding during the period for the effects of dilutive instruments such as options or warrants. The number of shares included is computed using the treasury stock method, whereby the common shares are assumed to be purchased at the average market price.

4. New accounting standards and interpretations not yet adopted

a) Adoption of new IFRS standards

The standards, amendments and interpretations that are adopted up to the date of authorization of the Company's financial statements, and that may have an impact on the disclosures and financial position of the Company, are disclosed below.

Disclosure initiative – accounting policies

In February 2021, the IASB issued narrow-scope amendments to IAS 1, *Presentation of Financial Statements* ("**IAS 1**"), IFRS Practice Statement 2, *Making Materiality Judgements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarify how to distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impacts of the amended standards.

b) Recently announced accounting pronouncements

The standards, amendments and interpretations that are issued, but not yet effective up to the date of authorization of the Company's financial statements, and that may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company intends to adopt these standards, amendments and interpretations when they become effective.

General sustainability-related disclosures and climate-related disclosures

In March 2024, the Canadian Sustainability Standards Board proposed Canadian-specific modifications to IFRS S1: *General Sustainability-related Disclosures* and IFRS S2: *Climate-related disclosures*, which were issued by the International Sustainability Standards Board (ISSB) in June 2023. The new standards add sustainability and climate disclosure requirements for annual reporting purposes. The Canadian-specific versions of IFRS S1 and S2 are expected to be available for voluntary adoption starting January 1, 2025; however, the Canadian Securities Administrators have not yet confirmed whether the new standards will be mandated for Canadian reporting issuers. The Company is currently assessing the impact of these new standards on the financial statements as a result of future application.

5. Management Judgements and 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. Information about significant areas of estimation uncertainty in applying accounting principles that have the most significant effect on the amounts recognized in the Financial Statements are included in the notes.

In the process of applying the Company's accounting policies, significant estimates and judgements have been made, of which the following may have the most significant effect on the amounts recognized in the financial statements:

Identification of cash generating units

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 is based on management's judgment regarding shared infrastructure, geographical proximity and similar exposure to market risk and materiality.

Exploration and evaluation 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 helium have been found in assessing economic and technical feasibility.

The Company assesses its E&E assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of helium properties are planned, whether commercially viable quantities of helium mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered.

Deferred income taxes

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.

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.

Climate reporting regulations

Climate change and the transition to a lower-carbon economy from carbon-based sources to alternative energy were considered in preparing the financial statements. These may have significant impacts on the currently reported amounts of the Company's assets and liabilities and on similar assets and liabilities that may be recognized in the future.

6. Reverse Takeover Transaction

On March 16, 2022, Duckhorn acquired all the issued and outstanding class A common shares of Helium Evolution Private 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.

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 and key management of the Company being substantially the same as Helium Evolution Private.

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.

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

Consideration:	
Fair value of the common shares of Duckhorn (3,333,333 common shares)	1,000
Total consideration	**1,000**
Assets (liabilities) acquired:	
Cash	-
Accounts receivable	7
Accounts payable and accrued liabilities	(149)
Net liabilities acquired	(142)
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 statement of loss and comprehensive loss for the year ended December 31, 2022.

7. Property, Plant and Equipment

Cost	Total
Balance, December 31, 2021	90
Additions	5
Right-of-use asset additions	17
Balance, December 31, 2022	112
Additions	1
Right-of-use asset additions	34
Balance, December 31, 2023	**147**
Accumulated depletion and depreciation	Total
Balance, December 31, 2021	10
Depletion and depreciation	51
Balance, December 31, 2022	61
Depletion and depreciation	45
Balance, December 31, 2023	**106**
Net book value	Total
Balance, December 31, 2022	51
Balance, December 31, 2023	**41**

As at December 31, 2023, PP&E is comprised of office equipment with a net book value of $1,000 (December 31, 2022 – $24,000) and ROU assets with a net book value of $40,000 (December 31, 2022 – $27,000).

8. Exploration and Evaluation

Cost	Total
Balance, December 31, 2021	562
Additions	6,468
E&E expense	(4,478)
Balance, December 31, 2022	2,552
Additions	3,265
E&E expense	(1,474)
Balance, December 31, 2023	**4,343**

The Company holds helium exploration permits in Saskatchewan with an initial 3-year term. The December 31, 2023 additions include $299,000 of non-cash share-based compensation (December 31, 2022 – $323,000) and $85,000 of non-cash decommissioning obligations (December 31, 2022 – $34,000). During the year ended December 31, 2023, $1,474,000 of E&E assets were recognized in E&E expense based on historic costs incurred (December 31, 2022 - $4,478,000), due to unfavourable well results in the McCord core area. On May 26, 2023, the Company re-purchased 0.5% of the gross overriding royalty ("**GORR**") from a former officer of the Company (see note 19).

To keep the Company's leases in good standing, the Company has annual lease expenditure commitments as follows: 2024 – $452,000, 2025 – $564,000 and 2026 – $565,000 and annual permit expenditure commitments as follows: 2024 – $45,000, 2025 – $60,000 and 2026 – $60,000. 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.

At December 31, 2023, the Company has E&E assets of $4,343,000. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2023.

9. Lease Obligations

	Total
Balance, December 31, 2021	33
Additions	17
Lease payments	(21)
Balance, December 31, 2022	29
Additions	36
Lease payments	(22)
Balance, December 31, 2023	**43**
Current portion of lease obligations	**21**
Non-current portion of lease obligations	**22**

	December 31, 2023	December 31, 2022
Lease payments	22	21
Interest payments	(2)	(2)
Total cash outflow	**20**	**19**

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 year ended December 31, 2023 was 10.0% (December 31, 2022 – 10.0%).

10. Decommissioning Obligations

	December 31, 2023	December 31, 2022
Decommissioning obligations, beginning of year	**34**	-
Additions	**28**	33
Change in estimates	**57**	1
Accretion	**2**	-
Decommissioning obligations, end of year	**121**	**34**

The Company's decommissioning obligations result from its ownership interest in helium assets currently comprised of well sites. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years.

The following significant assumptions were used to estimate the decommissioning obligations:

	December 31, 2023	December 31, 2022
Undiscounted, uninflated cash flows	**115**	36
Risk free rate	**3.30%**	3.94%
Inflation rate	**3.46%**	3.25%
Timing of cash flows	**8.7 years**	1.8 years

11. Share Capital

The authorized capital of HEVI consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series with no par value.

The following table details the number of common shares issued and outstanding as at December 31, 2023:

	Number of Class A Common Shares	Share Equity
Balance, December 31, 2021	34,000,000	1,915
Exchanged on reverse takeover[1]	(34,000,000)	(1,915)
Issued on reverse takeover[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	3,333,333	1,000
Shares issued as part of June 28, 2022 private placement[3]	17,295,500	6,074
Share issuance costs	-	(2,073)
Balance, December 31, 2022 and December 31, 2023	**96,033,974**	**19,216**

[1] In conjunction with the closing of the Amalgamation, each common share, option and warrant in Helium Evolution Private were subsequently exchanged for 1.00542 common shares in the capital of the Company.

[2] On November 10, 2021, Helium Evolution Private closed a non-brokered private placement (the "**November 2021 Offering**") of subscription receipts (the "**Subscription Receipts**") for total gross proceeds of $12.3 million. In connection with the November 2021 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.

[3] On June 28, 2022, HEVI closed a strategic investor private placement and brokered and non-brokered private placements (the "**June 2022 Offerings**") for total gross proceeds of $6.9 million ($6.4 million, net of share issuance costs). Of the gross proceeds, $6.1 million ($5.5 million, net of share issuance costs) was allocated to share capital and $0.9 million was allocated to warrant capital. In connection with the June 2022 Offerings, HEVI issued 17,295,500 units comprised of one common share and one-third of a warrant.

The following table details the number of warrants issued and outstanding at December 31, 2023:

	Number of Warrants	Warrant Equity
Balance, December 31, 2021[1]	4,846,124	552
Warrants issued as part of June 28, 2022 private placement[2]	5,765,152	845
Warrants issued as part of June 28, 2022 private placement[2,3]	175,000	28
Balance, December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
Balance, December 31, 2023	**5,940,152**	**873**

[1] Each warrant reflects the 1.00542 exchange ratio in accordance with the terms of the Amalgamation.
[2] In connection with the June 2022 Offerings, the warrants were valued using the Black-Scholes pricing model and the following inputs: exercise price of $0.70 per share, expected term of 24 months, annualized volatility based on publicly traded peer companies of 103%, a risk-free rate of 3.1%, and zero expected dividends. The weighted average Black-Scholes fair value is $0.16 per warrant with a relative fair value ascribed to the warrants.
[3] On June 28, 2022, HEVI issued 175,000 warrants to a finder in connection with the strategic investor private placement.

The number of warrants issued and outstanding, weighted average exercise price and weighted average remaining life are as follows:

	Number of Warrants	Weighted Average Exercise Price ($/share)	Weighted Average Remaining Life (years)
Balance, December 31, 2021	4,846,124	0.30	-
Issued	5,940,152	0.70	0.5
Balance, December 31, 2022	10,786,276	0.52	0.3
Expired	(4,846,124)	0.30	-
Balance, December 31, 2023	**5,940,152**	**0.70**	**0.5**

At December 31, 2023, all warrants outstanding are exercisable.

12. Income Taxes

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to net loss before income taxes as follows:

	December 31, 2023	December 31, 2022
Loss before taxes	**(2,953)**	(7,363)
Combined federal and provincial tax rate	**23%**	23%
Expected income tax recovery	**(679)**	(1,693)
Change in unrecognized deferred tax assets	**508**	1,308
Share-based compensation	**144**	121
Non-deductible listing costs and other	**27**	264
Deferred income tax expense	**-**	**-**

A deferred tax asset has not been recognized because it is not considered probable that future taxable profits will be available against which these temporary differences could be utilized. The components of the deferred income tax asset and liabilities as at December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023	December 31, 2022
Deferred tax liabilities:		
E&E and PP&E in excess of tax basis	**(1,008)**	(599)
Other	**(143)**	(23)
Deferred tax assets:		
Lease obligations	**10**	7
Decommissioning obligations	**28**	8
Non-capital losses	**3,076**	2,042
Other	**-**	21
Less: unrecognized deferred income tax	**(1,963)**	(1,456)
Deferred income tax asset	**-**	**-**

The following table provides a continuity of the deferred income tax asset (liability):

	December 31, 2022	Recognized in profit or loss	Recognized in equity	December 31, 2023
PP&E	(599)	(409)	-	(1,008)
Other	(23)	(120)	-	(143)
Lease obligations	7	3	-	10
Decomissioning obligations	8	20	-	28
Non-capital losses	2,042	1,034	-	3,076
Other	21	(21)	-	-
Unrecognized deferred income tax	(1,456)	(507)	-	(1,963)
Deferred income tax asset (liability)	**-**	**-**	**-**	**-**

	December 31, 2021	Recognized in profit or loss	Recognized in equity	December 31, 2022
PP&E	(145)	(454)	-	(599)
Other	-	(23)	-	(23)
Lease obligations	7	-	-	7
Decomissioning obligations	-	8	-	8
Non-capital losses	285	1,757	-	2,042
Other	-	21	-	21
Unrecognized deferred income tax	(147)	(1,309)	-	(1,456)
Deferred income tax asset (liability)	**-**	**-**	**-**	**-**

The Company has tax pools of $14.8 million available for deduction against future taxable income at December 31, 2023 ($11.0 million at December 31, 2022).

13. General and Administrative Expense

Details of the Company's general and administrative expenditures for the years ended December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023	December 31, 2022
Consulting	**22**	43
Legal	**66**	103
Office	**286**	279
Investor relations	**153**	432
Salaries and benefits	**419**	246
Professional fees	**137**	164
Capitalized G&A	**(6)**	(50)
General and administrative expense	**1,077**	**1,217**

14. Share Option Plan

The Company has an incentive Share Option Plan (the "**Option 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 Option 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, weighted average exercise price and weighted average remaining life is as follows:

	Number of Options	Weighted Average Exercise Price ($/share)	Weighted Average Remaining Life (years)
December 31, 2021[1]	3,418,428	0.30	2.9
Issued	5,210,000	0.37	3.6
Forfeited	(1,002,710)	0.34	3.2
December 31, 2022	7,625,718	0.34	3.3
Issued	1,950,000	0.16	4.1
December 31, 2023	**9,575,718**	**0.30**	**3.5**

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

The number of share options exercisable and the weighted average exercise price is as follows:

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2022	1,866,287	0.33
December 31, 2023	**5,306,574**	**0.32**

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.

The fair value of the options on the date of issuance was determined using the following weighted average Black-Scholes pricing model inputs:

	December 31, 2023	December 31, 2022
Share price	0.16	0.37
Risk-free interest rate	2.93%	3.15%
Expected life (years)	5	5
Expected volatility	97%	101%
Forfeiture rate	9.0%	9.0%
Expected dividends	Nil	Nil
Fair value	0.12	0.28

15. Supplemental Cash Flow Information

	December 31, 2023	December 31, 2022
Accounts receivable	187	(211)
Deposits and prepaid expenses	(29)	4
Accounts payable and accrued liabilities	545	(183)
Change in non-cash working capital	**703**	**(390)**
Allocated to:		
Operating	340	(285)
Financing	-	(142)
Investing	363	37
Change in non-cash working capital	**703**	**(390)**

16. Risk and Capital Management

The Company's activities expose it to a variety of financial and non-financial risks inherent in the business. Financial risks include: equity price, commodity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

Credit risk

Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss.

The Company's maximum exposure to credit risk is the sum of the carrying values of its cash and cash equivalents and accounts receivable. As at December 31, 2023, the Company's accounts receivables consisted of sales taxes paid on general and administrative and capital expenditures and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents balance with a major Canadian chartered bank.

Market risk

Market risk is the risk that the fair value or future cash flow from operating activities of the Company's financial instruments will fluctuate because of changes in market prices. This could include changes in market conditions, such as commodity prices, foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. 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 E&E 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.

The timing of undiscounted cash outflows relating to the financial liabilities outstanding at December 31, 2023 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	708	-	-	-	708
Lease obligations	21	20	2	-	43
Total	729	20	2	-	751

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 debt or 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 cash flows 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. 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 is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. The Company's continuing operations and underlying value and recoverability of the amounts shown for E&E 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. These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

As at December 31, 2023, the Company had a positive working capital balance of $5.7 million (December 31, 2022 - $10.2 million), excluding tubing and casing of $0.8 million which was pre-purchased and not utilized.

17. Commitments

The Company holds helium permits that require minimum expenditures on an annual basis (see note 8).

The Company entered into a two-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023. The office lease was renewed in June 2023 for an additional two years, beginning November 1, 2023 and ending October 31, 2025. Additionally, the Company has entered into certain office equipment leases. The lease commitments as at December 31, 2023 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	21	20	2	-	43

18. Financial Instruments

At December 31, 2023, the Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

The Company's cash and cash equivalents are classified as Level 1 measurements. The Company has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The carrying value of the Company's accounts receivable and accounts payable and accrued liabilities at December 31, 2023 approximate their respective fair values due to the short-term nature of these instruments.

19. Related Party Transactions

Pursuant to a royalty agreement, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors, officers and a consultant of the Company or companies controlled by such individuals. As a result, the Company assigned a value of $nil to E&E expense in the year ended December 31, 2023 (December 31, 2022 - $5,000). On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for $119,000 inclusive of transaction costs.

On January 12, 2022, the Company entered into a secured promissory note (the "**Promissory Note**") with a current director of the Company in the amount of $1.5 million with an annualized interest rate of 10%. The Promissory 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 $38,000, and the security was subsequently discharged.

Compensation of key management personnel of the Company

The remuneration of directors and members of key management personnel during the year presented are as follows (including capitalized expenditures):

	December 31, 2023	December 31, 2022
Salaries and benefits	**522**	358
Share-based compensation	**730**	662
Key management compensation	**1,252**	**1,020**

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 and executive employees of the Company.