The following Management's Discussion and Analysis ("**MD&A**") as provided by the management of Helium Evolution Incorporated ("**HEVI**" or the "**Company**") is dated April 22, 2025 and should be read in conjunction with HEVI's audited financial statements and related notes as at and for the years ended December 31, 2024 and December 31, 2023 (the "**Financial Statements**"), which are available on SEDAR+ at www.sedarplus.ca or on HEVI's website at www.heliumevolution.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.

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 has significant land holdings in Saskatchewan's "helium fairway", having been granted helium permits by the Government of Saskatchewan covering over 5 million acres of land. Helium permits in Saskatchewan have an initial three-year term, which can be extended annually for an additional three years and can be converted to 21-year leases at any time. At December 31, 2024, HEVI holds a 99.3% 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		
	December 31, 2024	December 31, 2023	December 31, 2022
Financial			
Revenue	-	-	-
Net loss	1,391	2,953	7,363
Net loss per share, basic and diluted	0.01	0.03	0.09
Cash and cash equivalents	3,829	6,330	9,128
Working capital	3,166	5,743	10,236
Total assets	10,601	11,639	13,022
Total liabilities	906	872	226
Weighted average shares			
Basic and diluted[1]	96,033,974	96,033,974	78,397,100

[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, 2024	-	713	0.01
September 30, 2024	-	185	0.00
June 30, 2024	-	254	0.00
March 31, 2024	-	239	0.00
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

Outlook

The Company continues to execute its strategy of developing its significant land base in Saskatchewan with the ultimate goal of helium production. The Company's efforts continue to focus on advancing its land portfolio, particularly in the Mankota region, where significant progress has been made in partnership with North American Helium Inc. (“**NAH**”).

As part of this strategy, the Company entered into a farmout agreement (the “**Original Farmout Agreement**”) with NAH on June 28, 2022, followed by an expansion and acceleration the Original Farmout Agreement in October 2022 through 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 (collectively with the Seismic Option Agreement, the “**Seismic Agreements**”). The Amended Farmout Agreement and the Seismic Agreements have allowed HEVI to explore its land base without incurring up-front capital costs, while retaining 99% of its land base for future development.

Concurrently with the Original Farmout Agreement, HEVI closed a strategic investor private placement whereby NAH subscribed for 8.75 million units comprised of 8.75 million common shares and 2.92 million warrants. In connection with the investment, HEVI and NAH entered into a standstill agreement (the “**Standstill Agreement**”) pursuant to which NAH was subject to certain standstill restrictions relating to, among other things, the acquisition of HEVI securities for a 24-month period. The Standstill Agreement expired on June 28, 2024. In addition, HEVI and NAH entered into a pro-rata participation and board nomination agreement (the “**Participation Agreement**”) pursuant to which NAH will be permitted to maintain its pro rata undiluted percentage of HEVI common shares until such time as NAH holds less than 5% on an undiluted basis or the closing of a business combination transaction by HEVI. Furthermore, should NAH’s ownership reach over 10% on an undiluted basis, NAH will have a right to appoint a nominee to the HEVI board of directors. 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.

Since announcing the Amended Farmout Agreement and the Seismic Option Agreement, NAH has drilled a total of seven earning wells (“**Farmout Wells**”, and each a “**Farmout Well**”) on HEVI lands since November 2022, earning an 80% interest in 70 sections of HEVI’s land base. Farmout Wells were funded 100% by NAH and HEVI retained a 20% working interest. Additionally, NAH and HEVI have drilled four joint wells (“**Joint Wells**”), with HEVI participating in the Joint Wells at its 20% working interest. Subsequent to year end, NAH and HEVI drilled an additional four Joint Wells, with HEVI participating at its 20% working interest.

As of the date of this MD&A, the results of these drilling activities have shown promising results, with six helium discovery wells in the Mankota region, underscoring the potential for future development and commercial production. The following Farmout Wells and Joint Wells, drilling dates and status are as follows:

Area, Well ID	Working Interest	Drilling date	Status	Flow Rate (MMscf/d)	Helium Content
Mankota 9-35-3-9W3 (Farmout Well)	20%	Q1-2024	Helium discovery	7.0	0.64%
Mankota 2-31-2-8W3 (Joint Well)	20%	Q3-2023	Helium discovery	4.0	0.95%
Mankota 9-18-3-8W3 (Joint Well)	20%	Q4-2023	Helium discovery	0.7	0.87%
Mankota 10-1-4-9W3 (Joint Well)	20%	Q4-2024	Helium discovery	9.5	0.75%
Mankota 10-36-3-9W3 (Joint Well)	20%	Q1-2025	Helium discovery	11.5	0.81%
Mankota 5-30-3-8W3 (Joint Well)	20%	Q1-2025	Helium discovery	9.7	0.76%
Mankota 12-29-2-8W3 (Joint Well)	20%	Q1-2025	Suspended		
Mankota 13-30-2-8W3 (Farmout Well)	20%	Q4-2022	Cased for further evaluation		
Fox 11-13-13-29W3 (Farmout Well)	20%	Q3-2023	Cased for further evaluation		
Gravelbourg 12-13-10-8W3 (Farmout Well)	20%	Q3-2023	Cased for further evaluation		
Mankota 7-2-4-9W3 (Joint Well)	20%	Q4-2024	Cased for further evaluation		
Mankota 1-1-06-10W3 (Farmout Well)	20%	Q4-2022	To be abandoned		
Mankota 12-11-05-10W3 (Farmout Well)	20%	Q3-2023	To be abandoned		
McCord 6-13-5-7W3 (Farmout Well)	20%	Q3-2023	To be abandoned		
Mankota 3-19-3-8W3 (Joint Well)	20%	Q1-2025	To be abandoned		

Looking ahead, HEVI is working closely with NAH to plan the next phase of development in the Mankota region. With four helium discovery wells in close proximity, NAH is actively pursuing the licensing and installation of processing facilities in the area. The Amended Farmout Agreement allows HEVI the flexibility to either participate in the facility at its working interest share or pay processing fees, based on an industry standard calculation, without committing upfront capital. It is anticipated that the facilities will be operational in the fourth quarter of 2025, contingent on surface, licensing and installation considerations. HEVI fully supports this initiative, as the establishment of processing facilities is a crucial step in HEVI's strategy to transition toward commercial helium production.

Furthermore, HEVI and NAH intend to resume drilling in the Mankota area after September 1, 2025, given the environmental and surface restrictions that will be in place until that time. To fund these future activities, HEVI plans to utilize existing working capital, as well as securing additional financings as announced in the first and second quarters of 2025 (see section "Subsequent Events").

Beyond the Mankota region, HEVI continues to enhance its geological and geophysical understanding of its extensive land base. To date, the Company has acquired over 2,000 km of seismic. In 2025, the Company plans to acquire and reprocess additional seismic data in unexplored areas and undertake comprehensive geological modelling and interpretation to inform future drilling and development strategies.

HEVI remains confident in the significant potential of its helium assets, particularly in the Mankota region, and is committed to making strategic investments that will position the Company for long-term success in the helium production industry. We are focused on advancing our helium exploration efforts and progressing toward the goal of achieving commercial production, ultimately creating value for our shareholders.

Results of Operations

	Three months ended		Year ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Exploration and evaluation	451	1,076	485	1,474
Share-based compensation	40	174	219	625
Impairment expense on tubing and casing	35	121	35	121
Interest income (net)	(38)	(87)	(220)	(389)
Depletion and depreciation	5	6	22	45
General and administrative	220	429	850	1,077
Net loss	713	1,719	1,391	2,953

Capital Expenditures and Exploration and Evaluation

The following summarizes the Company's capital spending:

	Three months ended		Year ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Seismic, geological & geophysical	114	135	427	1,114
Drilling and completions	971	536	1,378	1,269
Transfer from tubing and casing	(326)	-	(326)	-
Royalty assets	1	-	1	119
Helium permits	121	101	454	380
Office equipment	-	1	-	1
Total capital spending- cash	881	773	1,934	2,883

In 2023, the majority of HEVI's capital spending was focused on building out its extensive seismic database and drilling the Joint Wells at 2-31-2-8W3 (the "**2-31 Well**") and 9-18-3-8W3 (the "**9-18 Well**") with NAH.

- **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 in the first quarter of 2024. 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. The 2-31 Well flow tested at 4.0 million standard cubic feet per day ("**MMscf/d**") with 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.
- **9-18 Well:** The 9-18 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2024. In an effort to enhance productivity, as was successfully done on the 2-31 Well, the 9-18 Well was stimulated in July 2024. Following stimulation, the 9-18 Well achieved a last flowing rate of 685 thousand standard cubic feet per day ("**Mscf/d**") at 690 kPa flowing tubing pressure with a helium concentration of 0.87%. Preliminary results indicate no formation water, which suggests a positive outlook for the future productive potential of the well. Several positive strategic and geological advancements have been provided through the 9-18 Well results, including:

- Trap confirmation: The existence of a trap, or cap rock, has been proven, which helps to further derisk the Mankota land base and solidify the potential for future helium extraction;
- Multiple helium-bearing zones: Three distinct helium-bearing zones have been confirmed at Mankota, highlighting the rich helium potential across HEVI's land base in the area;
- Helium-charged fairway: A helium charged fairway, extending over 20 kilometers, has been identified, emphasizing the extensive nature of helium deposits in the Mankota area; and
- Validation of exploration strategies: the 9-18 Well was drilled on a structural high, mirroring other successful helium wells that have been delineated downdip into onlapping sands, which have proven to be productive and commercial reservoirs.

In the year ended December 31, 2024, the majority of the Company's capital spending was focused on drilling Joint Wells at 7-2-4-9W3 (the "**7-2 Well**") and at 10-1-4-9W3M (the "**10-1 Well**"), the stimulation of the 2-31 Well, as described above, and the completion, perforation and stimulation of the 9-18 Well, as described above. Additionally, HEVI participated in the completion and testing of the seventh and final Farmout Well at 9-35-3-9W3 (the "**9-35 Well**") drilled by NAH in the first quarter of 2024. Finally, the Company purchased a number of 2D trade seismic lines considered key for determining future drilling targets in the Mankota and Gravelbourg core areas.

- **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 ("**PTA**") indicated no reservoir pressure depletion or reservoir boundaries, highlighting a potentially expansive and productive reservoir.

- **10-1 Well:** The 10-1 Well encountered helium while being drilled in the fourth quarter of 2024. Subsequent to year-end, the 10-1 Well underwent completion, perforation and production testing. The 10-1 Well successfully flow tested at approximately 9.5 MMscf/d with a flowing tubing pressure of 10,800 kPa during the four-day extended flow period. The gas composition of the 10-1 Well revealed 0.75% helium without any water during the test period. A post-flow PTA of the 10-1 Well provided encouraging insight, indicating no reservoir pressure depletion or discernible reservoir boundaries, suggesting the presence of a potentially large, expansive and productive reservoir. Additionally, bottomhole pressure recorders were installed in the offsetting well located approximately two kilometers away at 9-35 Well during the 10-01 Well's flow test. Analysis of this pressure data confirmed pressure communication between the two wells, further supporting the potential of a large, continuous reservoir. A portion of HEVI's share of the net cost of the 10-1 Well was covered in-kind through the use of HEVI's pre-purchased tubing and casing.

- **7-2 Well:** The 7-2 Well was drilled in the fourth quarter of 2024. Following a thorough evaluation, the decision was made to suspend the cased hole portion of the 7-2 Well, which allows for flexibility to re-enter the well at later date to explore additional targets via a sidetrack.

Subsequent to December 31, 2024, the Company drilled Joint Wells at 5-30-3-8W3 well ("**5-30 Well**"), 10-36-3-9W3 well ("**10-36 Well**"), 3-19-3-8W3 well (the "**3-19 Well**") and 12-29-2-8W3 (the "**12-29 Well**") and completed, perforated and tested the 10-1 Well, as described above.

- **10-36 Well:** The 10-36 Well was producing approximately 11.5 MMscf/d at 13,100 kPa flowing tubing pressure following a five-day extended flow testing period. The preliminary test results confirmed a helium content of 0.81%, again well above the commercially viable threshold of 0.3%. Similar to other wells in the area, negligible water was produced, signaling strong potential for efficient helium recovery and processing. After the extended production flow period, the well was shut-in for 14 days to gather reservoir pressure data, followed by a PTA. The PTA, which again employed a composite reservoir model, assessed pressure response, flow rates, and other pertinent reservoir properties, indicated no reservoir pressure depletion and a high permeability reservoir. Notably, bottomhole pressure recorders were also installed in both the offsetting 9-35 Well and 10-01 Well, located approximately one to two kilometers away. Analysis of this pressure data confirmed communication between the three wells, again suggesting the presence of a potentially large, expansive and productive reservoir. A portion of HEVI's share of the net cost of the 10-36 Well was covered in-kind through the use of HEVI's pre-purchased tubing and casing.

- **5-30 Well:** The 5-30 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2025. The 5-30 Well was producing approximately 9.7 MMscf/d at 10,700 kPa flowing tubing pressure after a five-day extended flow period. The preliminary test results also confirmed a helium content of 0.76% with negligible water observed, signaling strong potential for efficient helium recovery and processing. The 5-30 Well was shut in to collect additional data, including the installation of recorders in the nearby 9-35 Well, the 10-1 Well and the 10-36 Well. Pressure data analysis indicated the 5-30 Well is a new pool discovery. The PTA radius of investigation was almost three kilometers and further drilling will be necessary to determine the size of the helium reservoir.

- **3-19 Well**: Drilling ceased prior to reaching the targeted zone due to operational challenges and the early onset of spring weather in the Mankota area. As a result, NAH and the Company made the decision to abandon the 3-19 Well. The original target will be re-evaluated as part of the 2025 fall drilling program.

- **12-29 Well**: Completion operations were suspended until the latter half of 2025 due to environmental restrictions in the area. Operations on the 12-29 Well had to cease by February 22, 2025, in compliance with these regulations.

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, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Total share-based compensation	58	262	319	924
Capitalized portion of share-based compensation	(18)	(88)	(100)	(299)
Share-based compensation	40	174	219	625

The amount recorded as share-based compensation expense for the three and twelve months ended December 31, 2024 totaled $40,000 and $219,000, respectively (three and twelve months ended December 31, 2023, $174,000 and $625,000, respectively). Additionally, $18,000 and $100,000 of share-based compensation was capitalized to exploration and evaluation ("**E&E**") assets during the three and twelve months ended December 31, 2024, respectively (three and twelve months ended December 31, 2023 – $88,000 and $299,000, respectively). The decrease in overall share-based compensation period over period is due to a significant number of options vesting over the past year, at which point the associated share-based compensation is fully recognized.

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, 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
December 31, 2024	**9,575,718**	**0.29**	**2.5**

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

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2023	5,306,574	0.32
December 31, 2024	8,553,718	0.30

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.

No share options were issued in the year ended December 31, 2024. In June 2024, the Company amended an aggregate of 700,000 incentive stock options, of which 420,000 incentive stock options had vested (the "**Amended Options**"), previously granted to certain consultants, and investor relations service providers of the Company under the Company's 2021 stock option plan (the "**Option Amendments**"). The Amended Options were originally granted on September 30, 2022 at an exercise price of $0.385 per share, and are exercisable until September 30, 2027. Pursuant to the Option Amendments, the exercise price of the Amended Options was amended to $0.15 per share and there was no change to the expiry date. None of the Amended Options were held by insiders of the Company.

Interest Income (net)

	Three months ended		Year ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Interest income (net)	(38)	(87)	(220)	(389)

Net interest income recorded in the three and twelve months ended December 31, 2024 was $38,000 and $220,000, respectively (three and twelve months ended December 31, 2023, $87,000 and $389,000, respectively). Interest income in the year ended December 31, 2024 was principally a result of investing excess cash balances into redeemable short-term guaranteed investment certificates with an interest rate between 3.25% and 5.25%. Interest income in the year ended December 31, 2023 was principally a result of interest income on higher excess cash balances and higher average interest rates.

Depletion and Depreciation Expense

	Three months ended		Year ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Depletion and depreciation	5	6	22	45

Depletion and depreciation expense in the amount of $5,000 and $22,000 was recorded in the three and twelve months ended December 31, 2024, respectively, and is related to the Company's office equipment and right-of-use assets (three and twelve months ended December 31, 2023, $6,000 and $45,000, 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, 2024	December 31, 2023	December 31, 2024	December 31, 2023
General and administrative	220	429	850	1,077

General and administrative expenses ("**G&A**") for the three and twelve months ended December 31, 2024 totaled $220,000 and $850,000, respectively, as compared to $429,000 and $1,077,000 in the three and twelve months ended December 31, 2023, respectively. The decrease in the three and twelve months ended December 31, 2024 as compared to the same periods of 2023 is mainly due to a discretionary bonus paid to an employee in 2023 and lower marketing and investment relation costs in 2024. 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.

Share Capital

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

Common Shares	Number of Shares	Share Equity
December 31, 2022, December 31, 2023 and December 31, 2024	96,033,974	19,216

The following table details the number of warrants issued and outstanding:

	Number of Warrants	Warrant Equity
December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
December 31, 2024	-	-

At the date of this MD&A, there are 112,290,974 common shares 8,128,500 warrants and 9,575,718 options issued and outstanding. See section "Subsequent Events".

Liquidity, Financing and Capital Resources

	December 31, 2024
Opening cash position	6,330
Inflow of funds	
Changes in non-cash working capital	77
Total inflow of funds	77
Outflow of funds	
Capital expenditures	(1,934)
Lease payments	(19)
Cash flow used in operations, before changes in non-cash working capital	(625)
Total outflow of funds	(2,578)
Closing cash position	3,829

Capital Funding and Resources
As at December 31, 2024, the Company's working capital balance was $3,166,000 (December 31, 2023 - $5,743,000), including cash and cash equivalents of $3,829,000.

The working capital balance and financings in the first and second quarter of 2025 (see section "Subsequent Events") are expected to be sufficient to fund the Company's capital program for 2025. 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. Furthermore, in order to ensure that the Company has sufficient liquidity, the Company may selectively elect not to participate in joint operations or access debt or capital markets during the coming year.

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 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, 2024, the Company's accounts receivables consisted of 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, 2024.

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 sales taxes due and invoices payable to trade suppliers and/or joint venture partners 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 selectively elect not to participate in joint operations or 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 continues to explore its helium properties. 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 resources, 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, which can be extended annually for an additional three years and can be converted to 21-year leases at any time. To keep the Company's current leases in good standing, the Company has annual lease expenditure commitments as follows: 2025 – $554,000, 2026 – $555,000 and 2027 - $4,362,000 and annual permit expenditure commitments as follows: 2025 – $60,000, 2026 – $60,000 and 2027 – $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, 2024 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	20	1	1	-	22

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. On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for $120,000, inclusive of transaction costs.

Subsequent Events

On March 10, 2025, the Company announced a private placement of 15,940,000 units ("**Units**") at a price of $0.17 per Unit for total gross proceeds of $2.7 million ($2.6 million, net of estimated share issuance costs) (the "**First Private Placement**"). Each Unit was comprised of one common share of the Company (each, a "**Unit Share**") and one half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire one common share of the Company (each, a "**Warrant Share**") at a price of $0.27 for a period of one year from the applicable Closing Dates, as defined herein, with an acceleration feature if the closing price over a 30-day period remains at or above $0.51 per common share at any time following the six-month anniversary of closing. The first closing of the First Private Placement closed on March 17, 2025, with the second closing on April 4, 2025.

On April 7, 2025, the Company closed a private placement of 317,000 Units for gross and net proceeds of $0.05 million with the same terms and conditions of the First Private Placement.

On April 7, 2025, the Company announced an additional private placement of 9,422,000 Units at a price of $0.19 per Unit for total gross proceeds of $1.8 million ($1.7 million, net of estimated share issuance costs) (the "**Second Private Placement**") to the same investor as the First Private Placement. Consistent with the First Private Placement, each Unit will be comprised of one Unit Share and one half of one Warrant. Each Warrant will entitle the holder thereof to acquire one Warrant Share at a price of $0.305 for a period of one year from the closing date of the Second Private Placement, with an acceleration feature if the closing price over a 30-day period remains at or above $0.57 per common share at any time following the six-month anniversary of closing.

On April 7, 2025, the Company announced a private placement of 1,000,000 Units for gross and net proceeds of $0.2 million (the "**Insider Private Placement**") with the same terms and conditions as the Second Private Placement.

Closing of the Second Private Placement and the Insider Private Placement is anticipated to be on or around May 31, 2025, subject to approval by the TSXV and the shareholder vote, as applicable. There can be no assurance that the Second Private Placement or the Insider Private Placement will close.

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at December 31, 2024.

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.

(v) Tariffs

Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of geopolitical events such as the tariffs between Canada and the United States, regional conflicts, especially in helium producing areas, can materially impact helium markets, interest and inflation rates and supply chains resulting in higher levels of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

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.

Future Accounting Pronouncements

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 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.

Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payments system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026. The Company is currently evaluating the impact on its financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*
In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* (“**IFRS 18**”), which will replace IAS 1 *Presentation of Financial Statements* and includes requirements for all entities applying IFRS for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expense in the statement of loss, as well as requiring disclosure about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. IFRS 18 will be effective on January 1, 2027, with earlier adoption permitted, and it must be adopted on a retrospective basis. The Company is currently evaluating the impact on its financial statements.

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, planning of the next phase of development in Mankota, installation of facilities in Mankota including obtaining licenses, date facilities will become operational, 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, productivity of the wells mentioned in this MD&A and the Company’s interpretation of the results, reservoir sizes, the Company's expectations regarding recoverability of helium, re-evaluation of the 3-19 Well target including the timing thereof, resumption of completion activities on the 12-29 Well, re-entering the 7-2 Well, 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, funding of future activities including securing additional financings including the Second Private Placement and the Insider Private Placement, the Company’s ability to achieve commercial production, 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 Second Private Placement and/or the Insider Private Placement may not close; the Company and/or NAH may be unsuccessful in drilling commercially productive wells; the Company and/or NAH may not re-evaluate the 3-19 Well; the Company and/or NAH may determine to not re-enter or abandon the 12-29 Well; NAH may defer the drilling and completion of wells; the Company and/or NAH may determine not to bring the wells mentioned in this MD&A onto production; the Company and/or NAH may abandon plans to re-enter the 7-2 Well; NAH may abandon any plans to build and/or license a facility; 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, 2024 and December 31, 2023

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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, 2024 and December 31, 2023
- 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, 2024 and December 31, 2023, 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, 2024. 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 7 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, 2024, the Company has exploration and evaluation assets of $6,240,000. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2024.

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 22, 2025

Helium Evolution Incorporated

Statements of Financial Position

(thousands of Canadian Dollars)	As at December 31, 2024	As at December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	3,829	6,330
Accounts receivable *(note 15)*	57	76
Deposits and prepaid expenses	34	66
Total Current Assets	3,920	6,472
Non-Current Assets		
Property, plant and equipment *(note 6)*	19	41
Tubing and casing	422	783
Exploration and evaluation assets *(note 7)*	6,240	4,343
Total Non-Current Assets	6,681	5,167
Total Assets	10,601	11,639
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 15)*	734	708
Lease obligations *(note 8)*	20	21
Total Current Liabilities	754	729
Non-Current Liabilities		
Lease obligations *(note 8)*	2	22
Decommissioning obligations *(note 9)*	150	121
Total Non-Current Liabilities	152	143
Total Liabilities	906	872
Shareholders' Equity		
Share capital *(note 10)*	19,216	19,216
Warrants *(note 10)*	-	873
Contributed surplus	3,598	2,406
Deficit	(13,119)	(11,728)
Total Shareholders' Equity	9,695	10,767
Total Liabilities and Shareholders' Equity	10,601	11,639

See accompanying notes to the financial statements.

Commitments *(notes 7 and 16)*
Subsequent Events *(note 19)*

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, 2024	Year ended December 31, 2023
Expenses		
Exploration and evaluation *(note 7)*	485	1,474
Impairment expense on tubing and casing	35	121
Share-based compensation *(note 13)*	219	625
Interest income (net)	(220)	(389)
Depletion and depreciation *(note 6)*	22	45
General and administrative *(note 12)*	850	1,077
Total expenses	1,391	2,953
Net loss and comprehensive loss	(1,391)	(2,953)
Weighted average number of shares outstanding - basic and diluted	96,033,974	96,033,974
Net loss per common share - basic and diluted	(0.01)	(0.03)

See accompanying notes to the financial statements.

Helium Evolution Incorporated

Statements of Cash Flows

(thousands of Canadian Dollars)	Year ended December 31, 2024	Year ended December 31, 2023
Cash provided by (used in):		
Operating activities:		
Net loss	(1,391)	(2,953)
Exploration and evaluation *(note 7)*	485	1,474
Impairment expense	35	121
Share-based compensation *(note 13)*	219	625
Depletion and depreciation *(note 6)*	22	45
Accretion *(note 9)*	5	2
Change in non-cash working capital *(note 14)*	(104)	340
Cash used in operating activities	(729)	(346)
Financing activities:		
Lease obligations *(note 8)*	(19)	(20)
Change in non-cash working capital *(note 14)*	(12)	-
Cash used in financing activities	(31)	(20)
Investing activities:		
Property, plant and equipment *(note 6)*	-	(1)
Exploration and evaluation assets *(note 7)*	(1,934)	(2,882)
Tubing and casing, net	-	88
Change in non-cash working capital *(note 14)*	193	363
Cash used in investing activities	(1,741)	(2,432)
Net change in cash and cash equivalents	(2,501)	(2,798)
Cash and cash equivalents, beginning of year	6,330	9,128
Cash and cash equivalents, end of year	3,829	6,330
Cash and cash equivalents is comprised of:		
Cash	16	19
Cancellable guaranteed investment certificates	3,813	6,311

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, 2024	96,033,974	19,216	873	2,406	(11,728)	10,767
Expiry of warrants *(note 10)*	-	-	(873)	873	-	-
Share-based compensation *(note 13)*	-	-	-	319	-	319
Net loss	-	-	-	-	(1,391)	(1,391)
Balance, December 31, 2024	96,033,974	19,216	-	3,598	(13,119)	9,695

(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 10)*	-	-	(552)	552	-	-
Share-based compensation *(note 13)*	-	-	-	924	-	924
Net loss	-	-	-	-	(2,953)	(2,953)
Balance, December 31, 2023	96,033,974	19,216	873	2,406	(11,728)	10,767

See accompanying notes to the financial statements.

1. Organization and Nature of the Business

Helium Evolution Incorporated ("**HEVI**" or the "**Company**"), is a public company trading on the TSX Venture Exchange under the symbol HEVI. The Company was originally 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'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.

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 22, 2025.

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 longer 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 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) 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.

Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payments system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026. The Company is currently evaluating the impact on its financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("**IFRS 18**"), which will replace IAS 1 *Presentation of Financial Statements* and includes requirements for all entities applying IFRS for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expense in the statement of loss, as well as requiring disclosure about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. IFRS 18 will be effective on January 1, 2027, with earlier adoption permitted, and it must be adopted on a retrospective basis. The Company is currently evaluating the impact on its financial statements.

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.

Tariffs
Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of geopolitical events such as the tariffs between Canada and the United States, regional conflicts, especially in helium producing areas, can materially impact helium markets, interest and inflation rates and supply chains resulting in higher levels of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

6. Property, Plant and Equipment

Cost	Total
Balance, December 31, 2022	112
Additions	1
Right-of-use asset additions	34
Balance, December 31, 2023	147
Balance, December 31, 2024	**147**

Accumulated depletion and depreciation	Total
Balance, December 31, 2022	61
Depletion and depreciation	45
Balance, December 31, 2023	106
Depletion and depreciation	22
Balance, December 31, 2024	**128**

Net book value	Total
Balance, December 31, 2023	41
Balance, December 31, 2024	**19**

As at December 31, 2024, PP&E is comprised of office equipment with a net book value of $1,000 (December 31, 2023 – $1,000) and ROU assets with a net book value of $18,000 (December 31, 2023 – $40,000).

7. Exploration and Evaluation

Cost	Total
Balance, December 31, 2022	2,552
Additions	3,265
E&E expense	(1,474)
Balance, December 31, 2023	4,343
Additions	2,056
Transfer from tubing and casing	326
E&E expense	(485)
Balance, December 31, 2024	**6,240**

The Company holds helium exploration permits in Saskatchewan with an initial 3-year term. The December 31, 2024 additions include $100,000 of non-cash share-based compensation (December 31, 2023 – $299,000) and $24,000 of non-cash decommissioning obligations (December 31, 2023 – $85,000). During the year ended December 31, 2024, $485,000 of E&E assets were recognized in E&E expense based on historic costs incurred (December 31, 2023 - $1,474,000), due to unfavourable well results in the Mankota and McCord core areas. 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 18).

To keep the Company's leases in good standing, the Company has annual lease expenditure commitments as follows: 2025 – $554,000, 2026 – $555,000 and 2027 - $4,362,000 and annual permit expenditure commitments as follows: 2025 – $60,000, 2026 – $60,000 and 2027 – $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.

There were no impairment indicators for the exploration and evaluation assets as of December 31, 2024 or December 31, 2023.

8. Lease Obligations

	Total
Balance, December 31, 2022	29
Additions	36
Lease payments	(22)
Balance, December 31, 2023	43
Lease payments	(21)
Balance, December 31, 2024	**22**
Current portion of lease obligations	**20**
Non-current portion of lease obligations	**2**

	December 31, 2024	December 31, 2023
Lease payments	21	22
Interest payments	(2)	(2)
Total cash outflow	**19**	**20**

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, 2024 was 10.0% (December 31, 2023 – 10.0%).

9. Decommissioning Obligations

	December 31, 2024	December 31, 2023
Decommissioning obligations, beginning of year	**121**	34
Additions	**19**	28
Change in estimates	**5**	57
Accretion	**5**	2
Decommissioning obligations, end of year	**150**	**121**

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, 2024	December 31, 2023
Undiscounted, uninflated cash flows	**148**	115
Risk free rate	**3.21%**	3.30%
Inflation rate	**2.62%**	3.46%
Timing of cash flows	**9.7 years**	8.7 years

10. 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:

	Number of Class A Common Shares	Share Equity
Balance, December 31, 2022, December 31, 2023 and December 31, 2024	**96,033,974**	**19,216**

As of December 31, 2024, all warrants had expired and the balance of warrant equity was moved to contributed surplus. The following table details the number of warrants issued and outstanding:

	Number of Warrants	Warrant Equity
Balance, December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
Balance, December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
Balance, December 31, 2024	-	-

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, 2022	10,786,276	0.52	-
Expired	(4,846,124)	0.30	-
Balance, December 31, 2023	5,940,152	0.70	-
Expired	(5,940,152)	0.70	-
Balance, December 31, 2024	-	-	-

11. Income Taxes

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

	December 31, 2024	December 31, 2023
Loss before taxes	**(1,391)**	(2,953)
Combined federal and provincial tax rate	**23%**	23%
Expected income tax recovery	**(320)**	(679)
Change in unrecognized deferred tax assets	**270**	508
Share-based compensation	**50**	144
Non-deductible listing costs and other	**-**	27
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, 2024 and December 31, 2023 are as follows:

	December 31, 2024	December 31, 2023
Deferred tax liabilities:		
E&E and PP&E in excess of tax basis	**(1,438)**	(1,008)
Other	**(242)**	(143)
Deferred tax assets:		
Lease obligations	**5**	10
Decommissioning obligations	**34**	28
Non-capital losses	**3,808**	3,076
Other	**66**	-
Less: unrecognized deferred income tax	**(2,233)**	(1,963)
Deferred income tax asset	**-**	**-**

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

	December 31, 2023	Recognized in profit or loss	December 31, 2024
PP&E	(1,008)	(430)	(1,438)
Other	(143)	(99)	(242)
Lease obligations	10	(5)	5
Decomissioning obligations	28	6	34
Non-capital losses	3,076	732	3,808
Other	-	66	66
Unrecognized deferred income tax	(1,963)	(270)	(2,233)
Deferred income tax asset (liability)	**-**	**-**	**-**

	December 31, 2022	Recognized in profit or loss	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)	**-**	**-**	**-**

The Company has tax pools of $17.6 million available for deduction against future taxable income at December 31, 2024 ($14.8 million at December 31, 2023).

12. General and Administrative Expense

Details of the Company's general and administrative expenditures for the years ended December 31, 2024 and December 31, 2023 are as follows:

	December 31, 2024	December 31, 2023
Consulting	**6**	22
Legal	**31**	66
Office	**295**	286
Investor relations	**128**	153
Salaries and benefits	**400**	419
Professional fees	**115**	137
Capitalized G&A	**(125)**	(6)
General and administrative expense	**850**	**1,077**

13. 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)
Balance, 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
Balance, December 31, 2024	**9,575,718**	**0.29**	**2.5**

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

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2023	5,306,574	0.32
December 31, 2024	**8,553,718**	**0.30**

On June 12, 2024, the Company amended the exercise price from $0.385 per share to $0.15 per share (the “**Amendment**”) on 700,000 stock options (the “**Amended Options**”), of which 420,000 stock options were vested. The Amended Options were previously granted to certain consultants and investor relations service providers of the Company under the Option Plan. The Amendment did not impact any stock options held by insiders or directors. In the year ended December 31, 2024, the Company recorded a non-cash share-based compensation expense of $6,000 (net, $4,000 of capitalization in the year ended December 31, 2024), relating to the Amended Options. This amount represents the fair value of the Amendment determined by the difference between the fair value of the outstanding share option with the share price of $0.385 per share and the fair value of the outstanding share option with the share price of $0.15 per share. The fair value in each case was estimated as at June 12, 2024 using the Black-Scholes pricing model that takes into account: share price on the measurement date, exercise price of the instrument, expected volatility based on either the Company’s publicly available information, weighted average expected life, estimated forfeiture rate, expected dividends and the risk-free interest rate.

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

	Original	Amended
Share price	0.15	0.15
Exercise price	0.385	0.15
Risk-free interest rate	3.70%	3.70%
Expected life (years)	3	3
Expected volatility	188%	188%
Forfeiture rate	9.0%	9.0%
Expected dividends	Nil	Nil
Fair value	0.13	0.14

There were no stock options granted in the year ended December 31, 2024. For the year ended December 31, 2023, the fair value of the options on the date of issuance was determined using the following weighted average Black-Scholes pricing model, as described above, with the following inputs:

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

14. Supplemental Cash Flow Information

	December 31, 2024	December 31, 2023
Accounts receivable	19	187
Deposits and prepaid expenses	32	(29)
Accounts payable and accrued liabilities	26	545
Change in non-cash working capital	**77**	**703**
Allocated to:		
Operating	(104)	340
Financing	(12)	-
Investing	193	363
Change in non-cash working capital	**77**	**703**

15. 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, 2024, the Company's accounts receivables consisted of 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 sales taxes due and 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, 2024 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	734	-	-	-	734
Lease obligations	20	1	1	-	22
Total	754	1	1	-	756

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 selectively elect not to participate in joint operations or access debt or capital markets (see note 19). 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 continues to explore its helium properties. 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 resources, 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, 2024, the Company had a positive working capital balance of $3.2 million (December 31, 2023 - $5.7 million), excluding tubing and casing of $0.4 million which was pre-purchased and not utilized.

16. Commitments

The Company holds helium permits that require minimum expenditures on an annual basis (see note 7).

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, 2024 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	20	1	1	-	22

17. Financial Instruments

At December 31, 2024, 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, 2024 approximate their respective fair values due to the short-term nature of these instruments.

18. 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. On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for $120,000 inclusive of transaction costs.

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, 2024	December 31, 2023
Salaries and benefits	**381**	522
Share-based compensation	**251**	730
Key management compensation	**632**	**1,252**

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.

19. Subsequent Events

On March 10, 2025, the Company announced a private placement of 15,940,000 units ("**Units**") at a price of $0.17 per Unit for total gross proceeds of $2.7 million ($2.6 million, net of estimated share issuance costs) (the "**First Private Placement**"). Each Unit was comprised of one common share of the Company (each, a "**Unit Share**") and one half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire one common share of the Company (each, a "**Warrant Share**") at a price of $0.27 for a period of one year from the applicable Closing Dates, as defined herein, with an acceleration feature if the closing price over a 30-day period remains at or above $0.51 per common share at any time following the six-month anniversary of closing. The first closing of the First Private Placement closed on March 17, 2025, with the second closing on April 4, 2025.

On April 7, 2025, the Company closed a private placement of 317,000 Units for gross and net proceeds of $0.05 million with the same terms and conditions as the First Private Placement.

On April 7, 2025, the Company announced an additional private placement of 9,422,000 Units at a price of $0.19 per Unit for total gross proceeds of $1.8 million ($1.7 million, net of estimated share issuance costs) (the "**Second Private Placement**") to the same investor as the First Private Placement. Consistent with the First Private Placement, each Unit will be comprised of one Unit Share and one half of one Warrant. Each Warrant will entitle the holder thereof to acquire one Warrant Share at a price of $0.305 for a period of one year from the closing date of the Second Private Placement, with an acceleration feature if the closing price over a 30-day period remains at or above $0.57 per common share at any time following the six-month anniversary of closing.

On April 7, 2025, the Company announced a private placement of 1,000,000 Units for gross and net proceeds of $0.2 million (the “**Insider Private Placement**”) with the same terms and conditions as the Second Private Placement.

Closing of the Second Private Placement and the Insider Private Placement is anticipated to be on or around May 31, 2025, subject to approval by the TSXV and the shareholder vote, as applicable. There can be no assurance that the Second Private Placement or the Insider Private Placement will close.