HELIUM EVOLUTION INCORPORATED

Management's Discussion and Analysis

First Quarter 2025

As at March 31, 2025 and for the three month periods ended March 31, 2025 and March 31, 2024

The following Management's Discussion and Analysis ("**MD&A**") as provided by the management of Helium Evolution Incorporated ("**HEVI**" or the "**Company**") is dated May 20, 2025 and should be read in conjunction with HEVI's unaudited interim condensed financial statements and related notes as at March 31, 2025 and for the three month periods ended March 31, 2025 and March 31, 2024 (the "**Financial Statements**") and the Company's audited financial statements and related notes as at and for the years ended December 31, 2024 and December 31, 2023, 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 International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent 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 March 31, 2025, 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

	Three months ended	
	March 31, 2025	March 31, 2024
Financial		
Revenue	-	-
Net loss	675	239
Net loss per share, basic and diluted	0.01	0.00
Cash and cash equivalents	3,004	5,304
Working capital	1,966	4,992
Total assets	11,683	11,293
Total liabilities	1,500	668
Weighted average shares		
Basic and diluted[1]	97,129,085	96,033,974

[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)
March 31, 2025	-	675	0.01
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

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 of 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 eight joint wells ("**Joint Wells**"), with HEVI participating in the Joint Wells 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 has obtained a facility license and is actively undertaking the installation of a pre-purchased 12 million standard cubic feet per day (“**MMscf/d**”) processing facility at 1-2-4-9W3 (the “**Soda Lake Facility**”). The Soda Lake Facility will initially tie-in the wells at 9-35-3-9W3 (the “**9-35 Well**”), 10-1-4-9W3 (the “**10-1 Well**”) and 10-36-3-9W3 (the “**10-36 Well**”). The Amended Farmout Agreement allows HEVI the flexibility to either participate in the Soda Lake Facility at its working interest share or pay processing fees, based on an industry standard calculation, without committing upfront capital, a decision which is currently being contemplated. It is anticipated that the Soda Lake Facility will be operational in the fourth quarter of 2025, contingent on surface, environmental 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	
	March 31, 2025	March 31, 2024
Exploration and evaluation	474	19
Share-based compensation	12	68
Interest income (net)	(19)	(72)
Depletion and depreciation	5	6
General and administrative	203	218
Net loss	675	239

Capital Expenditures and Exploration and Evaluation

The following summarizes the Company's capital spending:

	Three months ended	
	March 31, 2025	March 31, 2024
Seismic, geological & geophysical	44	203
Drilling and completions	2,199	275
Transfer from tubing and casing	(318)	-
Helium permits	240	128
Office equipment	-	-
Total capital spending- cash	2,165	606

In the three month period ended March 31, 2025, the Company's capital spending was primarily directed toward activity on four Joint Wells, specifically the 5-30-3-8W3 well ("**5-30 Well**"), the 10-36 Well, the 3-19-3-8W3 well ("**3-19 Well**") and the 12-29-2-8W3 ("**12-29 Well**").

- **5-30 Well:** The 5-30 Well was drilled, completed, perforated and tested in the first quarter of 2025. Helium was confirmed and the pressure transient analysis indicated that the 5-30 Well is a new pool discovery. Further drilling will be necessary to determine the size of the reservoir.
- **10-36 Well:** The 10-36 Well was drilled, completed, perforated and tested during the first quarter of 2025. With a confirmed helium content of 0.81%, the 10-36 Well is expected to be tied-in to the Soda Lake Facility in the fourth quarter of 2025. A portion of HEVI's share of the net costs associated with the 10-36 Well was offset through the in-kind contribution of HEVI's pre-purchased tubing and casing.
- **12-29 Well:** Drilled in the first quarter of 2025, the 12-29 Well encountered helium during drilling. Completion operations commenced in the quarter, but were suspended until the latter half of 2025 due to environmental restrictions in the area.
- **3-19 Well:** The 3-19 Well was spud in the first quarter of 2025, however, 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 is expected to be re-evaluated as part of the 2025 fall drilling program.

In the comparative three month period ended March 31, 2024, HEVI's capital spending was focused on stimulating the Joint Well at 2-31-2-8W3 (the "**2-31 Well**"), completing the Joint Well at 9-18-3-8W3 (the "**9-18 Well**") with NAH and completion and testing of the seventh and final Farmout Well, the 9-35 Well, which was drilled by NAH in the first quarter of 2024.

Overall, capital allocation in the first quarter of 2025 reflects a continued focus on advancing the Company's Mankota development strategy, while adapting to operational and environmental constraints. The results of these initiatives are expected to support the Company's near-term objective of helium production, anticipated in the fourth quarter of 2025.

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	
	March 31, 2025	March 31, 2024
Total share-based compensation	15	97
Capitalized portion of share-based compensation	(3)	(29)
Share-based compensation	12	68

The amount recorded as share-based compensation expense for the three months ended March 31, 2025 totaled $12,000 (three months ended March 31, 2024, $68,000). Additionally, $3,000 of share-based compensation was capitalized to exploration and evaluation ("**E&E**") assets during the three months ended March 31, 2025 (three months ended March 31, 2024, $29,000). 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, 2023	9,575,718	0.30	3.5
December 31, 2024	9,575,718	0.29	2.5
March 31, 2025	**9,575,718**	**0.29**	**2.3**

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

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2024	8,553,718	0.30
March 31, 2025	9,023,718	0.29

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 three month period ended March 31, 2025.

Interest Income (net)

	Three months ended	
	March 31, 2025	March 31, 2024
Interest income (net)	(19)	(72)

Net interest income recorded in the three months ended March 31, 2025 was $19,000 (three months ended March 31, 2024, $72,000). Interest income in the three month period ended March 31, 2025 was principally a result of investing excess cash balances into redeemable short-term guaranteed investment certificates with an interest rate between 2.5% and 3.25%. Interest income in the three month period ended March 31, 2024 was principally a result of interest income on higher excess cash balances and higher average interest rates.

Depletion and Depreciation Expense

	Three months ended	
	March 31, 2025	March 31, 2024
Depletion and depreciation	5	6

Depletion and depreciation expense in the amount of $5,000 was recorded in the three months ended March 31, 2025, respectively, and is related to the Company's office equipment and right-of-use assets (three months ended March 31, 2024, $6,000). 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	
	March 31, 2025	March 31, 2024
General and administrative expense	203	218

General and administrative expenses ("**G&A**") for the three months ended March 31, 2025 totaled $203,000, as compared to $218,000 in the three months ended March 31, 2024. The $15,000 decrease year over year is primarily attributable to lower investor relations costs in 2025, reflecting the Company's ongoing efforts to manage expenditures and prioritize cash preservation.

The Company has incurred costs associated with being a public company including management salaries, consulting fees, software fees, office related expenses, legal and regulatory fees, marketing and investor relations. The Company continues to monitor and evaluate its general and administrative spending to align with strategic priorities and available resources.

Share Capital

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 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 was on March 17, 2025 (the "**First Closing**"), with the second closing taking place on April 4, 2025. Of the gross proceeds for the First Closing, $1.02 million ($0.98 million, net of share issuance costs) was allocated to share capital and $0.17 million ($0.17 million, net of warrant issuance costs) was allocated to warrant capital.

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

Common Shares	Number of Shares	Share Equity
December 31, 2023 and December 31, 2024	96,033,974	19,216
Shares issued as part of March 17, 2025 private placement	7,040,000	1,024
Share issuance costs	-	(42)
March 31, 2025	103,073,974	20,198

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

	Number of Warrants	Warrant Equity
December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
December 31, 2024	-	-
Issued	3,520,000	173
Warrant issuance costs	-	(7)
March 31, 2025	3,520,000	166

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

	March 31, 2025
Opening cash position	3,829
Inflow of funds	
Changes in non-cash working capital	375
Shares issued, net of share issuance costs	1,148
Total inflow of funds	1,523
Outflow of funds	
Capital expenditures	(2,165)
Cash flow used in operations, before changes in non-cash working capital	(183)
Total outflow of funds	(2,348)
Closing cash position	3,004

Capital Funding and Resources

As at March 31, 2025, the Company's working capital balance was $1,966,000 (December 31, 2024 - $3,166,000), including cash and cash equivalents of $3,004,000.

The working capital balance and subsequent financings closing in the 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 March 31, 2025, 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 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.

(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: remainder of 2025 – $321,000, 2026 – $555,000 and 2027 - $4,362,000 and annual permit expenditure commitments as follows: remainder of 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 March 31, 2025 are as follows:

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

Subsequent Events

On April 4, 2025, the Company issued 8,900,000 Units related to the second closing of the First Private Placement.

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 March 31, 2025.

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 (“**CSSB**”) 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 available for voluntary adoption starting January 1, 2025 and provide transitional relief allowing an issuer to limit its disclosure to climate-related risks and opportunities in the first year.

In December 2024, the CSSB published its first two disclosure standards for sustainability reporting in Canada (general sustainability disclosures and climate related disclosures). Most notably, the new standards retained the requirement for companies to disclose their scope 3 emissions. The standards provide for numerous transitional provisions and allowances between 2025 and 2028 to facilitate the adoption by Canadian companies.

However, in April 2025, the Canadian Securities Administrator ("**CSA**"), which is responsible for determining the reporting requirements for public companies in Canada and decision related to the adoption of the sustainability disclosure standards, announced that it is pausing further work on the development of mandatory climate-related disclosure rules, in light of recent developments in the United States and internationally. The CSA has indicated that it will monitor domestic and international regulatory developments with respect to climate-related disclosures and expects to revisit this project in future years to finalize the requirements for Canadian issuers. Until such time as the CSA and CSSB make decisions on sustainability standard adoption in Canada, there is no requirement for public companies in Canada to adopt the sustainability standards. The Company is 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 the Soda Lake Facility including obtaining licenses, date facilities will become operational, timeline of drilling, increasing shareholder value, tying in the 10-36 Well, the 9-35 Well and the 10-1 Well into the Soda Lake Facility, 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, 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, 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 not tie-in the 10-36 Well, the 9-35 Well and/or the 10-1 Well to the Soda Lake Facility; NAH may abandon any plans to build and/or license a facility, including the Soda Lake Facility; there may be delays in the Soda Lake 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

Financial Statements

First Quarter 2025

As at March 31, 2025 and for the three month periods ended March 31, 2025 and March 31, 2024

Helium Evolution Incorporated

Condensed Interim Statements of Financial Position
(unaudited)

(thousands of Canadian Dollars)	As at March 31, 2025	As at December 31, 2024
Assets		
Current Assets		
Cash and cash equivalents	3,004	3,829
Accounts receivable *(note 10)*	57	57
Deposits and prepaid expenses	196	34
Total Current Assets	3,257	3,920
Non-Current Assets		
Property, plant and equipment *(note 3)*	16	19
Tubing and casing	104	422
Exploration and evaluation assets *(note 4)*	8,306	6,240
Total Non-Current Assets	8,426	6,681
Total Assets	11,683	10,601
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 10)*	1,271	734
Lease obligations *(note 5)*	20	20
Total Current Liabilities	1,291	754
Non-Current Liabilities		
Lease obligations *(note 5)*	2	2
Decommissioning obligations *(note 6)*	207	150
Total Non-Current Liabilities	209	152
Total Liabilities	1,500	906
Shareholders' Equity		
Share capital *(note 7)*	20,198	19,216
Warrants *(note 7)*	166	-
Contributed surplus	3,613	3,598
Deficit	(13,794)	(13,119)
Total Shareholders' Equity	10,183	9,695
Total Liabilities and Shareholders' Equity	11,683	10,601

See accompanying notes to the condensed interim financial statements.

Commitments *(notes 4 and 11)*
Subsequent Events *(note 13)*

Helium Evolution Incorporated

Condensed Interim Statements of Loss and Comprehensive Loss
(unaudited)

(thousands of Canadian Dollars, except number of shares and per share amounts)	Three months ended March 31, 2025	Three months ended March 31, 2024
Expenses		
Exploration and evaluation *(note 4)*	474	19
Share-based compensation *(note 8)*	12	68
Interest income (net)	(19)	(72)
Depletion and depreciation *(note 3)*	5	6
General and administrative	203	218
Total expenses	675	239
Net loss and comprehensive loss	(675)	(239)
Weighted average number of shares outstanding - basic and diluted	97,129,085	96,033,974
Net loss per common share - basic and diluted	(0.01)	(0.00)

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Condensed Interim Statements of Cash Flows
(unaudited)

(thousands of Canadian Dollars)	Three months ended March 31, 2025	Three months ended March 31, 2024
Cash provided by (used in):		
Operating activities:		
Net loss	(675)	(239)
Exploration and evaluation *(note 4)*	474	19
Share-based compensation *(note 8)*	12	68
Depletion and depreciation *(note 3)*	5	6
Accretion *(note 6)*	1	1
Change in non-cash working capital *(note 9)*	(43)	(186)
Cash used in operating activities	(226)	(331)
Financing activities:		
Units issued, net of share issuance costs *(note 7)*	1,148	-
Lease obligations *(note 5)*	-	(1)
Change in non-cash working capital *(note 9)*	(22)	-
Cash provided by (used in) financing	1,126	(1)
Investing activities:		
Property, plant and equipment *(note 3)*	(2)	-
Exploration and evaluation assets *(note 4)*	(2,163)	(606)
Change in non-cash working capital *(note 9)*	440	(88)
Cash used in investing activities	(1,725)	(694)
Net change in cash and cash equivalents	(825)	(1,026)
Cash and cash equivalents, beginning of period	3,829	6,330
Cash and cash equivalents, end of period	3,004	5,304
Cash and cash equivalents is comprised of:		
Cash	27	28
Cancellable guaranteed investment certificates	2,977	5,276

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Condensed Interim Statements of Changes in Shareholders' Equity
(unaudited)

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2025	96,033,974	19,216	-	3,598	(13,119)	9,695
Units issued, net of share issue costs *(note 7)*	7,040,000	982	166	-	-	1,148
Share-based compensation *(note 8)*	-	-	-	15	-	15
Net loss for the period	-	-	-	-	(675)	(675)
Balance, March 31, 2025	103,073,974	20,198	166	3,613	(13,794)	10,183

(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
Share-based compensation *(note 8)*	-	-	-	97	-	97
Net loss for the period	-	-	-	-	(239)	(239)
Balance, March 31, 2024	96,033,974	19,216	873	2,503	(11,967)	10,625

See accompanying notes to the condensed interim 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 ("**TSXV**") under the symbol HEVI. The Company was initially 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 office address and address of records is 400, 505 – 3 Street SW, Calgary, Alberta, Canada, T2P 3B6.

2. Basis of Preparation

The unaudited condensed interim financial statements (the "**financial statements**") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board, and were prepared following the same material accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2024 (the "**Annual Financial Statements**") These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's Annual Financial Statements.

The Company's financial statements are expressed in thousands of Canadian dollars, unless otherwise stated. The presentation currency is Canadian dollars.

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.

The financial statements were authorized for issue by the board of directors of the Company on May 20, 2025.

3. Property, Plant and Equipment Assets

Cost	Total
Balance, December 31, 2023	147
Balance, December 31, 2024	147
Additions	2
Balance, March 31, 2025	**149**

Accumulated depletion and depreciation	Total
Balance, December 31, 2023	106
Depletion and depreciation	22
Balance, December 31, 2024	128
Depletion and depreciation	5
Balance, March 31, 2025	**133**

Net book value	Total
Balance, December 31, 2024	19
Balance, March 31, 2025	**16**

As at March 31, 2025, property, plant and equipment is comprised of office equipment with a net book value of $3,000 (December 31, 2024 – $1,000) and right-of-use assets with a net book value of $13,000 (December 31, 2024 – $18,000).

4. Exploration and Evaluation Assets

Cost	Total
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
Additions	2,222
Transfer from tubing and casing	318
E&E expense	(474)
Balance, March 31, 2025	**8,306**

The Company holds helium exploration permits in Saskatchewan with an initial three-year term. The March 31, 2025 additions include $3,000 of non-cash share-based compensation (December 31, 2024 – $100,000) and $56,000 of non-cash decommissioning obligations (December 31, 2024 – $24,000). During the three months ended March 31, 2025, $474,000 of exploration and evaluation ("**E&E**") assets were recognized in E&E expense based on historic costs incurred (three months ended March 31, 2024 - $19,000), due to unfavourable well results in the Mankota core area.

To keep the Company's leases in good standing, the Company has annual lease expenditure commitments as follows: remainder of 2025 – $321,000, 2026 – $555,000 and 2027 - $4,362,000 and annual permit expenditure commitments as follows: remainder of 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 March 31, 2025 or December 31, 2024.

5. Lease Obligations

	Total
Balance, December 31, 2023	43
Lease payments	(21)
Balance, December 31, 2024	22
Lease payments	-
Balance, March 31, 2025	**22**
Current portion of lease obligations	**20**
Non-current portion of lease obligations	**2**

	March 31, 2025	December 31, 2024
Lease payments	1	21
Interest payments	(1)	(2)
Total cash outflow	**-**	**19**

The Company has lease liabilities for contracts related to office space and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The discount rate applied during the period ended March 31, 2025 was 10.0% (December 31, 2024 – 10.0%).

6. Decommissioning Obligations

	March 31, 2025	December 31, 2024
Decommissioning obligations, beginning of period	**150**	121
Additions	**54**	19
Change in estimates	**2**	5
Accretion	**1**	5
Decommissioning obligations, end of period	**207**	**150**

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:

	March 31, 2025	December 31, 2024
Undiscounted, uninflated cash flows	**205**	148
Risk free rate	**2.99%**	3.21%
Inflation rate	**2.62%**	2.62%
Timing of cash flows	**9.9 years**	9.7 years

7. 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.

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 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 was on March 17, 2025 (the "**First Closing**"), with the second closing taking place on April 4, 2025. Of the gross proceeds for the First Closing, $1.02 million ($0.98 million, net of share issuance costs) was allocated to share capital and $0.17 million ($0.17 million, net of warrant issuance costs) was allocated to warrant capital.

The following table details the number of common shares issued and outstanding as at March 31, 2025:

	Number of Class A Common Shares	Share Equity
Balance, December 31, 2023 and December 31, 2024	96,033,974	19,216
Shares issued	7,040,000	1,024
Share issuance costs	-	(42)
Balance, March 31, 2025	**103,073,974**	**20,198**

The following table details the number of warrants issued and outstanding as at March 31, 2025:

	Number of Warrants	Warrant Equity
Balance, December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
Balance, December 31, 2024	-	-
Issued	3,520,000	173
Warrant issuance costs	-	(7)
Balance, March 31, 2025	3,520,000	166

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, 2023	5,940,152	0.70	-
Expired	(5,940,152)	0.70	-
Balance, December 31, 2024	-	-	-
Issued	3,520,000	0.27	0.96
Balance, March 31, 2025	3,520,000	0.27	0.96

The fair value of the warrants issued in the three months ended March 31, 2025 was determined using the following weighted average Black-Scholes pricing model inputs:

	March 31, 2025
Share price	0.18
Risk-free interest rate	2.55%
Expected life (years)	1
Expected volatility	117%
Forfeiture rate	0.0%
Expected dividends	Nil
Fair value	0.06

8. 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, 2023	9,575,718	0.30	3.5
Balance, December 31, 2024	9,575,718	0.29	2.5
Balance, March 31, 2025	**9,575,718**	**0.29**	**2.3**

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

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2024	8,553,718	0.30
March 31, 2025	**9,023,718**	**0.29**

9. Supplemental Cash Flow Information

	March 31, 2025	March 31, 2024
Accounts receivable	-	-
Deposits and prepaid expenses	(162)	(53)
Accounts payable and accrued liabilities	537	(221)
Change in non-cash working capital	**375**	**(274)**
Allocated to:		
Operating	(43)	(186)
Financing	(22)	-
Investing	440	(88)
Change in non-cash working capital	**375**	**(274)**

10. 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 March 31, 2025, 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 March 31, 2025 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	1,271	-	-	-	1,271
Lease obligations	20	2	-	-	22
Total	1,291	2	-	-	1,293

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 13). 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 March 31, 2025, the Company had a positive working capital balance of $2.0 million (December 31, 2024 - $3.2 million).

11. Commitments

The Company holds helium permits that require minimum expenditures on an annual basis (see note 4).

The Company entered into a two-year office lease agreement, commencing November 1, 2023 and ending October 31, 2025. Additionally, the Company has entered into certain office equipment leases. The lease commitments as at March 31, 2025 are as follows:

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

12. Financial Instruments

At March 31, 2025, the Company's financial instruments include cash and cash equivalents, accounts receivable, and 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 March 31, 2025 approximate their respective fair values due to the short-term nature of these instruments.

13. Subsequent Events

On April 4, 2025, the Company issued 8,900,000 Units related to the second closing of the First Private Placement (note 7).

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.