



Management's Discussion and Analysis

Year End 2025

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



The following Management's Discussion and Analysis ("**MD&A**") as provided by the management of Helium Evolution Incorporated ("**HEVI**" or the "**Company**") is dated April 28, 2026 and should be read in conjunction with HEVI's audited financial statements and related notes as at and for the years ended December 31, 2025 and December 31, 2024 (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 is 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, 2025, HEVI holds a 99.3% net working interest in these permits.

Selected Financial Information

	Year ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Financial			
Revenue	172	-	-
Net loss	3,729	1,391	2,953
Net loss per share, basic and diluted	0.03	0.01	0.03
Cash, cash equivalents and restricted cash	6,887	3,829	6,330
Working capital	6,233	3,166	5,743
Total assets	20,777	10,601	11,639
Total liabilities	1,738	906	872
Weighted average shares			
Basic and diluted ¹	122,203,851	96,033,974	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)
December 31, 2025	172	1,094	0.01
September 30, 2025	-	1,764	0.01
June 30, 2025	-	196	0.01
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

Outlook

The Company will continue to advance its strategy of developing its significant helium land base in Saskatchewan, with a near-term focus on the Mankota/Grasslands region in partnership with North American Helium Inc. ("**NAH**"). Encouraging drilling results to date, including six helium discovery wells, support the Company's view that the region remains highly prospective and capable of supporting future development.

Subsequent to year end, the Company executed a pooling arrangement with NAH which is expected to enhance development efficiency across approximately 40,000 acres (the "**Pooled Lands**") in the Mankota/Grasslands area. Under the agreement, the Pooled Lands will be shared 51% by NAH and 49% by HEVI, with NAH being the operator. The consolidation of interests is intended to support coordinated development planning, optimize capital allocation, and accelerate the progression of identified helium leads into drill-ready prospects.

The completion of an approximately 170-square kilometer 3D seismic program across the Pooled Lands in March 2026 represents a key step in de-risking future drilling activities. The Company and NAH anticipate that processing and interpretation of the seismic data in the second quarter of 2026 will refine subsurface targeting, expand the inventory of prospective locations, and support a planned drilling program anticipated to commence in the fourth quarter of 2026, subject to results, requisite approvals and prevailing market conditions.

Following the October commencement of operations at the 12 million standard cubic feet per day ("**MMscf/d**") processing facility at 1-2-4-9W3 (the "**Soda Lake Facility**") (HEVI 20% WI), HEVI sold its first load of helium in mid-October 2025, marking an important operational milestone. The Soda Lake Facility was initially supplied by three of HEVI's 20% WI 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**"); however, production from these wells in the fourth quarter fell below the levels required to support sustained operations. A workover program was undertaken; however, further optimization will be required to achieve consistent production volumes. Accordingly, the Soda Lake Facility has been temporarily placed on standby while the Company and NAH evaluate optimization initiatives, advance the 3D seismic program and refine development plans. These plans include the integration of future drilling opportunities to support a successful Soda Lake Facility restart. While the temporary suspension of the Soda Lake Facility is disappointing, the strategic location near the Company's 3D Seismic program provides a significant advantage, enabling rapid tie-in of future successful wells and potentially avoiding the typical 18-month timeline associated with facility construction.

Beyond Mankota/Grasslands, the Company will continue to evaluate and advance its broader land portfolio, including the Glenbain area, where a 60 kilometer 2D seismic shoot took place in the fourth quarter of 2025. Ongoing geological and geophysical work is expected to further delineate helium potential across the Company's acreage and identify additional exploration opportunities.



Recent geopolitical developments, including the reported disruption and shut-in of helium production capacity in Qatar, have contributed to tightening global helium supply and strengthening pricing fundamentals. While the duration and full impact of these disruptions remain uncertain, reduced supply from a key global producer is expected to support helium prices in the near to medium term. The Company believes this environment may enhance the economic attractiveness of its Saskatchewan-based helium assets as they progress toward stable production.

Looking ahead, the Company remains focused on transitioning to stable production, improving operational reliability, and scaling its helium business in a disciplined manner. While near-term uncertainties remain regarding production optimization and timing of the Soda Lake Facility reactivation, management believes the combination of a strengthened land position, enhanced subsurface understanding, and a strategic partnership with NAH positions the Company to achieve sustainable long-term growth and create shareholder value as an emerging participant in the North American helium market.

Results of Operations

	Three months ended		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Net operating income ¹	68	-	68	-
Expenses				
Exploration and evaluation	702	451	2,280	485
Share-based compensation	58	40	81	219
Impairment expense on tubing and casing	-	35	-	35
Transaction costs	2	-	162	-
Interest expense (income) (net)	12	(38)	10	(220)
Depletion and depreciation	38	5	54	22
Loss on foreign exchange	3	-	3	-
General and administrative	347	220	1,207	850
Net loss	1,094	713	3,729	1,391

¹ Net operating income is comprised of total revenue less operating expense and is considered a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measure presented by other entities. The most directly comparable GAAP measure for net operating income is cash used in operating activities. Refer to "Non-GAAP and Other Financial Measures" contained within this MD&A.

Capital Expenditures and Exploration and Evaluation

The following summarizes the Company's capital spending:

	Three months ended		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Seismic, geological & geophysical	439	114	773	427
Drilling and completions	66	971	2,297	1,378
Transfer from tubing and casing	-	(326)	(318)	(326)
Royalty assets	-	1	-	1
Facilities and equipping	(101)	-	4,955	-
Helium permits	118	121	599	454
Total capital spending- cash	524	881	8,308	1,934



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In the year ended December 31, 2025, the Company's capital spending was primarily directed toward the advancement of its helium development in the Mankota/Grasslands region. Key areas of investment include activity on four joint wells with NAH, construction and commissioning of the Soda Lake Facility and the acquisition, shooting and processing of seismic data in the Glenbain and Abbey regions.

- **5-30 Well (20% WI):** The 5-30-3-8W3 ("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. Additional delineation drilling will be required to determine reservoir size and commercial potential.
- **10-36 Well (20% WI):** 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 was subsequently tied-in to the Soda Lake Facility in the fourth quarter of 2025. A portion of the Company's share of drilling costs was offset through the in-kind contribution of pre-purchased tubing and casing.
- **12-29 Well (20% WI):** The 12-29-2-8W3 well was drilled in the first quarter of 2025 and encountered helium during drilling. Completion operations commenced but were suspended due to environmental restrictions in the area.
- **3-19 Well (20% WI):** The 3-19-3-8W3 well (the "3-19 Well") was spud in the first quarter of 2025; however, drilling operations were halted prior to reaching the target zone due to operational challenges and seasonal conditions. The well was subsequently abandoned, with the target expected to be re-evaluated in future drilling programs.

A significant portion of capital expenditures in 2025 was also directed toward the Soda Lake Facility and associated gathering system infrastructure. In the second quarter of 2025, the Company confirmed its 20% working interest in the Soda Lake Facility, which is designed to process 12 MMscf/d of raw gas. The Soda Lake Facility commenced operations on October 1, 2025, with initial tie-ins including the 10-36 Well, 10-1 Well and 9-35 Well. As of December 31, 2025, the Company's share of capital expenditures related to the Soda Lake Facility and associated pipeline infrastructure totaled \$4.6 million, net of \$0.7 million in Critical Minerals Processing Investment Incentive ("CMPII") credits from the Government of Saskatchewan. The CMPII program provides for reimbursement of 15% of eligible infrastructure expenditures, payable over a three-year period.

In the comparative year ended December 31, 2024, HEVI's capital spending was focused on stimulating the 20% WI well at 2-31-2-8W3 (the "2-31 Well"), completing the 20% WI well at 9-18-3-8W3 (the "9-18 Well") and completion and testing of the 9-35 Well, which was drilled by NAH in the first quarter of 2024 under a farmout agreement. Additionally, the Company purchased several 2D trade seismic lines considered key for determining future drilling targets in the Mankota/Grasslands and Gravelbourg core areas.

Overall, capital allocation in 2025 reflects a continued focus on advancing the Company's Mankota/Grasslands development strategy, while adapting to operational and environmental constraints.

Net Operating Income

	Three months ended		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Helium sales	187	-	187	-
Royalties	(20)	-	(20)	-
Other revenue	5	-	5	-
Operating expenses	(104)	-	(104)	-
Net operating income ¹	68	-	68	-

¹ Net operating income is a non-GAAP measure.



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The Company recorded its first net operating income in the fourth quarter of 2025 following the commencement of operations at the Soda Lake Facility on October 1, 2025, and the first sales of helium in mid-October. Net operating income for the period reflects a limited duration of test production and initial ramp-up activities associated with bringing the Soda Lake Facility online.

During the fourth quarter of 2025, production from the wells tied into the Soda Lake Facility fell below the levels required to support sustained operations. A workover program was carried out on the affected wells; however, further optimization will be required to achieve consistent production volumes. As a result, the Soda Lake Facility was subsequently placed on standby while the Company and NAH evaluate optimization initiatives, advance the 3D seismic program, and refine development plans, including the integration of future drilling opportunities to support reactivation of the Soda Lake Facility.

Given the early-stage nature of operations, intermittent production, and limited sales volumes during the period, net operating income is not yet indicative of normalized or sustainable operating performance. The Company expects that future net operating income will be dependent on achieving stable production rates, the Soda Lake Facility reactivation, and continued development of its helium resource base.

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, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Total share-based compensation	67	58	97	319
Capitalized portion of share-based compensation	(9)	(18)	(16)	(100)
Share-based compensation	58	40	81	219

The amount recorded as share-based compensation expense for the three and twelve months ended December 31, 2025 totaled \$58,000 and \$81,000, respectively (three and twelve months ended December 31, 2024, \$40,000 and \$219,000, respectively). Additionally, \$9,000 and \$16,000 of share-based compensation was capitalized to exploration and evaluation ("**E&E**") assets during the three and twelve months ended December 31, 2025, respectively (three and twelve months ended December 31, 2024, \$18,000 and \$100,000, 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:



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	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
Issued	2,520,000	0.20	4.8
Forfeited	(1,152,168)	0.31	1.4
December 31, 2025	10,943,550	0.27	2.2

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
December 31, 2025	8,623,550	0.28

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

The following weighted average assumptions were used for the fair value of the stock options granted in the year ended December 31, 2025:

Share price	0.210
Risk-free interest rate	2.71%
Expected life (years)	5
Expected volatility	93%
Forfeiture rate	8%
Expected dividends	Nil
Fair value	0.15

Interest Expense (Income) (net)

	Three months ended		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Interest income	(34)	(38)	(98)	(220)
Non-cash interest expense	46	-	108	-
Interest expense (income) (net)	12	(38)	10	(220)

For the three and twelve months ended December 31, 2025, the Company recorded net interest expense of \$12,000 and \$10,000, respectively, compared to net interest income of \$38,000 and \$220,000 for the three and twelve months ended December 31, 2024.

Net interest expense in the 2025 periods is primarily attributable to non-cash interest incurred on the Convertible Note, as defined herein, issued on August 29, 2025. Non-cash interest expense was partially offset by interest income earned on excess cash balances invested in redeemable short-term guaranteed investment certificates with interest rates ranging from 1.75% to 3.25%.



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In contrast, net interest income in the comparable 2024 periods was higher due to greater average excess cash balances available for investment and higher prevailing interest rates during that period.

Depletion and Depreciation Expense

	Three months ended		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Depletion and depreciation	38	5	54	22

Depletion and depreciation expense in the amount of \$38,000 and \$54,000 was recorded in the three and twelve months ended December 31, 2025, respectively, and is related to the Soda Lake Facility, the Company's office equipment, and right-of-use assets (three and twelve months ended December 31, 2024, \$5,000 and \$22,000, respectively). Office equipment is depreciated on a straight-line basis over a period of two years while the Soda Lake Facility is depreciated on a straight-line basis over 25 years. 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, 2025	December 31, 2024	December 31, 2025	December 31, 2024
General and administrative	347	220	1,207	850

General and administrative expenses ("**G&A**") for the three and twelve months ended December 31, 2025 totaled \$347,000 and \$1,207,000, respectively, as compared to \$220,000 and \$850,000 in the three and twelve months ended December 31, 2024, respectively. The \$357,000 increase year over year is primarily attributable to discretionary employee bonuses and raises, a retiring allowance for the Company's former President and Chief Executive Officer and revised office lease terms, partially offset by lower investor relations costs in 2025. The reduction in investor relations spending reflects the Company's continued focus on managing expenditures and preserving cash resources.

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.

Convertible Note

On August 25, 2025, the Company entered into a definitive agreement to raise gross proceeds of \$8.3 million by way of an unsecured convertible note (the "**Convertible Note**") to the same investor (the "**Holder**") as the First Private Placement and the Second Private Placement (see Share Capital). On August 29, 2025, the Convertible Note was issued and gross proceeds of \$8.3 million (\$8.2 million, net of cash issuance costs). The Convertible Note had a maturity date of August 29, 2027 (the "**Maturity Date**") and accrued interest at a rate of 8.5% per annum, payable in arrears on the Maturity Date. Unless the Convertible Note has been previously converted or prepaid, the outstanding balance of the Convertible Note shall be due and payable on the Maturity Date.

The Convertible Note was automatically convertible into common shares of the Company upon achievement of first helium sales (the "**Milestone**"). The Convertible Note was convertible at the higher of \$0.205 per common share and the 11-day volume weighted average trading price of the Company's common shares before and after the Milestone was achieved. If the Milestone had not been achieved by August 29, 2026, the Holder would have the right, at any time thereafter, to convert the Convertible Note into common shares at a minimum price of \$0.205 per common share.



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The Company also granted a gross overriding royalty ("**GORR**") to the Holder at the time of the Convertible Note issuance on three existing wells. The sliding scale GORR is variable in nature and will be calculated based on 5% of HEVI's working interest gross sales ("**gross sales**") in the first year of production, 4% of the gross sales in the second year of production, 3% of the gross sales in the third year of production and 2% of the gross sales thereafter. In the year ended December 31, 2025, the Company paid the Holder \$9,000 (2024 – nil) in respect of the GORR.

Additionally, the Holder will be issued a 3% GORR on gross sales on one of the next three wells drilled by the Company, over the life of the well, to be selected by the Holder within 90 days of receiving drilling and testing results, subject to certain conditions. The funds raised through the Convertible Note are restricted to the Soda Lake Facility and development expenditures in the Mankota area of Saskatchewan, unless approved by the Holder.

As a result of the Convertible Note being convertible into a variable number of the Company's common shares, based on a formula linked to the market price of the shares at the time of conversion, the conversion feature did not meet the "fixed-for-fixed" criterion under IAS 32 and was therefore initially classified as a derivative liability.

In accordance with IFRS 9, the entire instrument has been designated at fair value through profit or loss on initial recognition. The fair value of the Convertible Note at issuance was \$8.3 million, which was determined using a valuation model incorporating observable market inputs.

As a result of the Convertible Note having been designated at fair value through profit or loss on initial recognition, the cash transaction costs of \$0.1 million and the value ascribed to the GORR granted to the Holder of \$0.1 million have been expensed.

The Milestone was achieved on October 16, 2025 and the Convertible Note plus accrued interest of \$0.1 million was converted into 40,039,243 common shares at \$0.21 per share on October 24, 2025. As of the date of this MD&A, the Holder of the Convertible Note owns approximately 39% of the issued and outstanding common shares of the Company and is considered a related party. As at December 31, 2025 there have been no further transactions with the related party other than as described above and in the Share Capital section of this MD&A.

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 for 7,040,000 Units, with the second closing taking place on April 4, 2025 for 8,900,000 Units.

On April 4, 2025, the Company closed a private placement (the "**April 4 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.

Of the gross proceeds for the First Private Placement and the April 4 Private Placement, \$2.4 million (\$2.3 million, net of share issuance costs) was allocated to share capital and \$0.4 million (\$0.38 million, net of warrant issuance costs) was allocated to warrant capital.



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On May 30, 2025, the Company closed 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 May 30, 2025, the Company closed a private placement of 1,261,579 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.

Of the gross proceeds for the Second Private Placement and the Insider Private Placement, \$1.8 million (\$1.7 million, net of share issuance costs) was allocated to share capital and \$0.25 million (\$0.23 million, net of warrant issuance costs) was allocated to warrant capital.

On October 24, 2025, the Convertible Note, as described in the section Convertible Note, plus accrued interest was converted into 40,039,243 common shares of the Company.

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
Shares issued as part of April 4, 2025 private placement	9,217,000	1,343
Shares issued as part of May 30, 2025 private placement	10,683,579	1,783
Shares issued upon conversion of Convertible Note	40,039,243	8,408
Share issuance costs	-	(196)
December 31, 2025	163,013,796	31,578

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	13,470,290	644
Warrant issuance costs	-	(30)
December 31, 2025	13,470,290	614

At the date of this MD&A, there are 163,013,796 common shares 5,341,790 warrants and 12,343,550 stock options issued and outstanding.



Liquidity, Financing and Capital Resources

	December 31, 2025
Opening cash position	3,829
Inflow of funds	
Changes in non-cash working capital	
Shares issued, net of share issuance costs	4,568
Convertible Note issued	8,300
Total inflow of funds	12,868
Outflow of funds	
Capital expenditures	(8,308)
Other long-term assets	(343)
Lease payments	(19)
Cash flow used in operations, before changes in non-cash working capital	(1,128)
Changes in working capital	(12)
Total outflow of funds	(9,810)
Closing cash position	6,887

Capital Funding and Resources

As at December 31, 2025, the Company had a working capital balance of \$6,233,000 (December 31, 2024 - \$3,166,000), including cash and cash equivalents of \$4,226,000 and restricted cash of \$2,661,000.

The working capital balance, inclusive of the restricted cash, is expected to be sufficient to fund the Company's capital program for 2026. The restricted cash is limited to the Mankota area and was fully used for the Company's 3D seismic shoot in the Mankota area, subsequent to December 31, 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 restricted cash, accounts receivable and other assets. As at December 31, 2025, the Company's accounts receivables consisted of sales tax credits receivable, critical minerals processing investment incentive credits to be received and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents and restricted cash balance with a major Canadian chartered bank.



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(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 and lease obligations.

Accounts payable consists of invoices payable to trade suppliers and/or joint venture partners for G&A activities, E&E expenditures and Soda Lake Facility 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, including restricted cash, to meet its contractual obligations and commitments and discharge its liabilities as they come due. Restricted cash is restricted to development in the Mankota area which represents the Company's near-term area of operations. 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, the Convertible Note, when outstanding, 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 the Convertible Note that has been converted and equity and warrant securities for cash.

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. In the third quarter of 2025, the Company undertook a review of its helium permit portfolio. As a result of this review, the Company intends to relinquish certain permits that are not considered prospective for helium back to the Government of Saskatchewan as they come due for renewal. This



MANAGEMENT'S DISCUSSION AND ANALYSIS

action will significantly reduce the Company's lease commitments in future periods and has not been reflected in the following commitment schedule. To maintain the Company's current leases in good standing, including the leases the Company intends to relinquish, the Company has annual lease expenditure commitments as follows: 2026 – \$555,000, 2027 - \$4,362,000 and 2028 - \$6,792,000. Permit expenditures can be grouped and carried forward to future years if the expenditure amount is greater than the minimum expenditure required. If the above commitments are not satisfied, the Company will relinquish the associated helium permits.

The Company entered into a two-year office lease agreement, commencing November 1, 2023 and ending October 31, 2025. The office lease was renewed in June 2025 for an additional two years, beginning November 1, 2025 and ending October 31, 2027. Additionally, the Company has entered into office equipment leases. The lease commitments as at December 31, 2025 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	23	13	-	-	36

Related Party Transactions

Related parties include key management personnel, directors, officers and entities controlled by such individuals, as well as significant shareholders with the ability to exercise significant influence over the Company.

Pursuant to a royalty agreement, a GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors and officers of the Company or companies controlled by such individuals. During the year ended December 31, 2025, the Company paid \$3,000 (2024 – nil) to these related parties in respect of the GORR.

In addition, following a series of investments in the Company and the conversion of a convertible note, a shareholder (the "**Related Party Shareholder**") holds approximately 39% of the Company's common shares on a fully diluted basis as at the date of this MD&A and is considered a related party. The Related Party Shareholder also holds a GORR as described in the "Convertible Note" section of this MD&A. During the year ended December 31, 2025, the Company paid \$9,000 (2024 – nil) to the Related Party Shareholder in respect of this GORR.

All related party transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Subsequent Events

On February 1, 2026, the Company granted 1,400,000 stock options under the Company Option Plan to an officer and director of the Company (the "**Option Recipient**"). Each Option entitles the Option Recipient to receive one common share of the Company upon vesting, exercisable at a price of \$0.125 per share. The stock options will vest as to 20% on each of the 6-month, 12-month, 18 month, 24-month and 30-month anniversaries of the date of grant and will expire on February 1, 2031.

On March 17, 2026 and April 4, 2026, 3,520,000 and 4,608,500 warrants expired, respectively. The warrants entitled the holder thereof to acquire one common share of the Company at a price of \$0.27.

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at December 31, 2025.

Financial Instruments

Financial instruments of the Company include cash and cash equivalents, accounts receivable, other current assets and accounts payable and accrued liabilities. The Company's cash and cash equivalents



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 commercial viability 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) Convertible Note

The liability component of the Convertible Note is initially recorded at the fair value of a similar liability that does not have a conversion option. If the conversion feature is determined to be a derivative liability (for example, when the conversion price is variable, the entire instrument is classified as a



MANAGEMENT'S DISCUSSION AND ANALYSIS

financial liability. The derivative component is measured at fair value through profit or loss, with changes in fair value recognized in the statement of loss. Management makes a variety of assumptions in calculating the fair value based on the interest rates similar liability that do not have a conversion option would be and the value of the variable conversion option.

(v) Geopolitical events

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, including trade tensions and tariffs between Canada and the United States, the war in the Middle East and other regional conflicts, especially in helium producing areas, can materially impact helium markets, interest and inflation rates, and global supply chains. 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.

(vi) Climate reporting regulations

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

Business Risks and Uncertainties

The Company's business of exploring for resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company commenced helium production operations in the fourth quarter of 2025, however, 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



MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Non-GAAP and Other Financial Measures

Non-GAAP and Other Financial Measures Certain financial measures in this MD&A – namely net operating income – are not prescribed by GAAP. Non-GAAP financial measures are included because management uses the information to analyze business performance and it may be useful to investors



MANAGEMENT'S DISCUSSION AND ANALYSIS

on the same basis. These non-GAAP financial measures do not have any standardized meaning and, therefore, are unlikely to be comparable to similar measures presented by other companies. Therefore, these non-GAAP financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Except as otherwise indicated, these non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period.

Future Accounting Pronouncements

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 assessing the impact on the Company's 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 exploration and development in Mankota/Grasslands, timeline of drilling, seismic and other development plans including restarting the Soda Lake Facility, increasing shareholder value, the Company's ability to preserve capital, the Company's intention to relinquish helium permits, 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, 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, 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 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 may choose to not relinquish helium permits; NAH may defer the drilling and completion of wells; the Company and/or NAH may determine



MANAGEMENT'S DISCUSSION AND ANALYSIS

not to bring the wells mentioned in this MD&A onto production; the wells may not perform as expected; NAH may abandon any plans to build and/or license a facility; the Company and/or NAH may determine not to restart the Soda Lake Facility; the Company may choose to defer, accelerate or abandon its drilling and other development 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, 2025 and December 31, 2024



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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, 2025 and December 31, 2024
- 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, 2025 and December 31, 2024, 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, 2025. 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, 2025, the Company has exploration and evaluation assets of \$8.0 million. There were no impairment indicators for the exploration and evaluation assets as of December 31, 2025.

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.

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 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.

KPMG LLP

Chartered Professional Accountants

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

Calgary, Canada

April 28, 2026

Helium Evolution Incorporated

Statements of Financial Position

(thousands of Canadian Dollars)	As at	As at
	December 31, 2025	December 31, 2024
Assets		
Current Assets		
Cash, cash equivalents and restricted cash (<i>note 20</i>)	6,887	3,829
Accounts receivable (<i>note 15</i>)	136	57
Deposits and prepaid expenses	120	34
Other current assets	337	-
Total Current Assets	7,480	3,920
Non-Current Assets		
Property, plant and equipment (<i>note 6</i>)	4,826	19
Other long-term assets	343	-
Tubing and casing	104	422
Exploration and evaluation assets (<i>note 7</i>)	8,024	6,240
Total Non-Current Assets	13,297	6,681
Total Assets	20,777	10,601
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (<i>note 15</i>)	1,224	734
Lease obligations (<i>note 8</i>)	23	20
Total Current Liabilities	1,247	754
Non-Current Liabilities		
Lease obligations (<i>note 8</i>)	13	2
Decommissioning obligations (<i>note 9</i>)	478	150
Total Non-Current Liabilities	491	152
Total Liabilities	1,738	906
Shareholders' Equity		
Share capital (<i>note 10</i>)	31,578	19,216
Warrants (<i>note 10</i>)	614	-
Contributed surplus	3,695	3,598
Deficit	(16,848)	(13,119)
Total Shareholders' Equity	19,039	9,695
Total Liabilities and Shareholders' Equity	20,777	10,601

See accompanying notes to the financial statements.

Commitments (*notes 7 and 16*)

Subsequent Events (*note 21*)

Original "signed" by

James Baker, Director

Original "signed" by

Malcolm Adams, 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, 2025	Year ended December 31, 2024
Revenue		
Helium sales	187	-
Royalties	(20)	-
Other	5	-
Total revenue	172	-
Expenses		
Operating	104	-
Exploration and evaluation (<i>note 7</i>)	2,280	485
Impairment expense on tubing and casing	-	35
Share-based compensation (<i>note 13</i>)	81	219
Transaction costs and gross overriding royalty (<i>note 19</i>)	162	-
Interest expense (income) (net)	10	(220)
Depletion and depreciation (<i>note 6</i>)	54	22
Loss on foreign exchange	3	-
General and administrative (<i>note 12</i>)	1,207	850
Total expenses	3,901	1,391
Net loss and comprehensive loss	(3,729)	(1,391)
Weighted average number of shares outstanding - basic and diluted	122,203,851	96,033,974
Net loss per common share - basic and diluted	(0.03)	(0.01)

See accompanying notes to the financial statements.

Helium Evolution Incorporated

Statements of Cash Flows

(thousands of Canadian Dollars)	Year ended December 31, 2025	Year ended December 31, 2024
Cash provided by (used in):		
Operating activities:		
Net loss	(3,729)	(1,391)
Exploration and evaluation (note 7)	2,280	485
Impairment expense	-	35
Non-cash interest expense (note 19)	108	-
Share-based compensation (note 13)	81	219
Non-cash transaction costs (note 19)	69	-
Depletion and depreciation (note 6)	54	22
Accretion (note 9)	9	5
Change in non-cash working capital (note 14)	(104)	(104)
Cash used in operating activities	(1,232)	(729)
Financing activities:		
Units issued, net of share issuance costs (note 10)	4,568	-
Lease obligations (note 8)	(19)	(19)
Convertible note issued (note 19)	8,300	-
Change in non-cash working capital (note 14)	12	(12)
Cash provided by (used in) financing	12,861	(31)
Investing activities:		
Property, plant and equipment (note 6)	(4,577)	-
Exploration and evaluation assets (note 7)	(3,731)	(1,934)
Other long-term assets	(343)	-
Change in non-cash working capital (note 14)	80	193
Cash used in investing activities	(8,571)	(1,741)
Net change in cash and cash equivalents	3,058	(2,501)
Cash and cash equivalents, beginning of year	3,829	6,330
Cash and cash equivalents, end of year	6,887	3,829
Cash and cash equivalents is comprised of:		
Cash	99	16
Restricted cash (note 20)	2,661	-
Cancellable guaranteed investment certificates	4,127	3,813

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, 2025	96,033,974	19,216	-	3,598	(13,119)	9,695
Units issued, net of share issue costs (note 10)	26,940,579	3,954	614	-	-	4,568
Shares issued upon conversion of Convertible Note (note 10)	40,039,243	8,408	-	-	-	8,408
Share-based compensation (note 13)	-	-	-	97	-	97
Net loss for the year	-	-	-	-	(3,729)	(3,729)
Balance, December 31, 2025	163,013,796	31,578	614	3,695	(16,848)	19,039

(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 for the year	-	-	-	-	(1,391)	(1,391)
Balance, December 31, 2024	96,033,974	19,216	-	3,598	(13,119)	9,695

See accompanying notes to the financial statements.

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Notes to the Financial Statements

As at and for the years ended December 31, 2025 and December 31, 2024

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 and production of helium as a resource.

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 of directors of the Company on April 28, 2026.

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. Convertible debt instruments are classified as financial liabilities and measured accordingly (see note 3j) Convertible Note).

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. Non-producing assets classified as E&E are not depleted.

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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.

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f) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation 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 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.

j) Convertible note

Convertible debt instruments that may be converted into equity at the option of the holder are assessed on initial recognition to determine whether they contain both a liability and an equity component, or whether they should be classified entirely as a financial liability or as a derivative liability.

When a convertible instrument contains both liability and equity components, the liability component is initially recognized at the fair value of a similar liability that does not have an associated conversion feature. The equity component is recognized as the residual amount after deducting the fair value of the liability component from the total proceeds of the instrument. No gain or loss is recognized on the initial recognition of the equity component.

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Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest rate method. The equity component is not remeasured.

If the conversion feature is determined to be a derivative liability (for example, when the conversion or share price are variable) the derivative component is measured at FVTPL, with changes in fair value recognized in the statement of loss. Upon election, the entire instrument can be classified as a financial liability and measured at FVTPL.

Transaction costs directly attributable to the issuance of the convertible debt have been expensed through the statement of loss.

k) Plant, property and equipment

Items of PP&E, which include corporate assets and helium development and production assets, are measured at cost less accumulated depletion, depreciation and amortization (“**DD&A**”) and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing.

l) Depletion, Depreciation and Amortization

PP&E and, where applicable, E&E are organized into groups of assets with similar useful lives for the purposes of performing DD&A calculations. Depletion expense is measured using the unit-of-production method based on: total estimated proved plus probable reserves; total capitalized costs plus estimated future development costs of proved plus probable reserves, including future estimated decommissioning costs, and net of estimated salvage values; and relative volumes of reserves and production, before royalties.

Depreciation and amortization of helium production facilities is recognized on a straight-line basis over the estimated useful lives of the asset, which is estimated to be 25 years. Depreciation and amortization of corporate assets is recognized on a straight-line basis over the estimated useful lives of the assets, which are two years.

m) Revenue

Revenue from the sale of helium is measured based on the consideration specified in contracts with customers and is recognized as revenue when the Company transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer.

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Tariffs, tolls and other fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

4. New accounting standards and interpretations not yet adopted

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.

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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 assessing the impact on the 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 commercial viability 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.

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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.

Geopolitical events

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, including trade tensions and tariffs between Canada and the United States, the war in the Middle East, and other regional conflicts, particularly in helium-producing regions, may materially affect helium markets, interest and inflation rates, and global supply chains. 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, 2023 and December 31, 2024	147
Other additions	2
Soda Lake Facility additions	4,825
Right-of-use asset additions	34
Balance, December 31, 2025	5,008
Accumulated depletion and depreciation	Total
Balance, December 31, 2023	106
Depletion and depreciation	22
Balance, December 31, 2024	128
Depletion and depreciation	54
Balance, December 31, 2025	182
Net book value	Total
Balance, December 31, 2024	19
Balance, December 31, 2025	4,826

As at December 31, 2025, PP&E is comprised of the Soda Lake helium processing facility ("**Soda Lake Facility**") with a net book value of \$4,789,000 (December 31, 2024 – nil), office equipment with a net book value of \$1,000 (December 31, 2024 – \$1,000) and right-of-use assets with a net book value of \$36,000 (December 31, 2024 – \$18,000).

In the fourth quarter of 2025, the Soda Lake Facility was completed which included the fabrication and installation of the modular components of the Soda Lake Facility. The December 31, 2025 additions include \$250,000 of non-cash decommissioning obligations (December 31, 2024 – nil). There were no impairment indicators for the property, plant and equipment as of December 31, 2025 or December 31, 2024.

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7. Exploration and Evaluation

Cost	Total
Balance, December 31, 2023	4,343
Additions	2,056
Transfer from tubing and casing	326
E&E expense	(485)
Balance, December 31, 2023 and December 31, 2024	6,240
Additions	3,815
Non-cash gross overriding royalty (note 19)	(69)
Transfer from tubing and casing	318
E&E expense	(2,280)
Balance, December 31, 2025	8,024

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.

As at December 31, 2025, E&E assets included costs related to seismic and drilling and completion of wells. The December 31, 2025 additions include \$16,000 of non-cash share-based compensation (December 31, 2024 – \$100,000) and \$68,000 of non-cash decommissioning obligations (December 31, 2024 – \$24,000). During the year ended December 31, 2025, \$2,280,000 of E&E assets were recognized in E&E expense, respectively, based on historic costs incurred (December 31, 2024 - \$485,000), due to unfavourable well results in the Mankota core area and the Company's intention to relinquish a portion of its land base in the coming months.

To keep the Company's leases in good standing, including the leases the Company plans to relinquish, the Company has annual lease expenditure commitments as follows: 2026 – \$555,000, 2027 - \$4,362,000 and 2028 - \$6,792,000. 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, 2025 or December 31, 2024.

8. Lease Obligations

Balance, December 31, 2023	43
Lease payments	(21)
Balance, December 31, 2023 and December 31, 2024	22
Additions	34
Lease payments	(20)
Balance, December 31, 2025	36
Current portion of lease obligations	23
Non-current portion of lease obligations	13

	December 31, 2025	December 31, 2024
Lease payments	20	21
Interest payments	(1)	(2)
Total cash outflow	19	19

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

9. Decommissioning Obligations

	December 31, 2025	December 31, 2024
Decommissioning obligations, beginning of year	150	121
Additions	338	19
Change in estimates	(19)	5
Accretion	9	5
Decommissioning obligations, end of year	478	150

The Company's decommissioning obligations result from its ownership interest in helium assets currently comprised of well sites, gathering lines and a helium facility. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, gathering facilities and helium facility, estimated costs to reclaim and abandon these wells and facilities 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, 2025	December 31, 2024
Undiscounted, uninflated cash flows	574	148
Undiscounted, inflated cash flows	1,087	188
Risk free rate	3.50%	3.21%
Inflation rate	2.69%	2.62%
Timing of cash flows	13.4 years	9.7 years

10. Share Capital

The authorized capital of HEVI consists of an unlimited number of common shares 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 (see note 21). The first closing of the First Private Placement was on March 17, 2025 for 7,040,000 Units, with the second closing taking place on April 4, 2025 for 8,900,000 Units.

On April 4, 2025, the Company closed a private placement (the "**April 4 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.

Of the gross proceeds for the First Private Placement and the April 4 Private Placement, \$2.4 million (\$2.3 million, net of share issuance costs) was allocated to share capital and \$0.4 million (\$0.38 million, net of warrant issuance costs) was allocated to warrant capital.

On May 30, 2025, the Company closed 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

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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 May 30, 2025, the Company closed a private placement of 1,261,579 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.

Of the gross proceeds for the Second Private Placement and the Insider Private Placement, \$1.8 million (\$1.7 million, net of share issuance costs) was allocated to share capital and \$0.25 million (\$0.23 million, net of warrant issuance costs) was allocated to warrant capital.

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

	Number of Class A Common Shares	Share Equity
Balance, 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
Shares issued as part of April 4, 2025 private placement	9,217,000	1,343
Shares issued as part of May 30, 2025 private placement	10,683,579	1,783
Shares issued upon conversion of Convertible Note	40,039,243	8,408
Share issuance costs	-	(196)
Balance, December 31, 2025	163,013,796	31,578

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

	Number of Warrants	Warrant Equity
Balance, December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
Balance, December 31, 2023 and December 31, 2024	-	-
Issued	13,470,290	644
Warrant issuance costs	-	(30)
Balance, December 31, 2025	13,470,290	614

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, 2023 and December	-	-	-
Issued	13,470,290	0.28	0.31
Balance, December 31, 2025	13,470,290	0.28	0.31

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

	December 31, 2025
Share price	0.18
Risk-free interest rate	2.50%
Expected life (years)	1
Expected volatility	114%
Forfeiture rate	0.0%
Expected dividends	Nil
Fair value	0.06

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, 2025	December 31, 2024
Loss before taxes	(3,729)	(1,391)
Combined federal and provincial tax rate	23%	23%
Expected income tax recovery	(858)	(320)
Change in unrecognized deferred tax assets	1,201	270
Share-based compensation	19	50
Non-deductible listing costs and other	(362)	-
Deferred income tax expense	-	-

The Company has non-capital loss carry forward balances of \$26.5 million. The Company has not recognized deductible temporary differences of \$14.9 million in respect of non-capital loss carry forwards. Until such time as helium production is determined to be commercial, it is not considered probable that sufficient future taxable profits will be generated to utilize these amounts. The components of the deferred income tax asset and liabilities as at December 31, 2025 and December 31, 2024 are as follows:

	December 31, 2025	December 31, 2024
Deferred tax liabilities:		
E&E and PP&E in excess of tax basis	(2,955)	(1,438)
Other	-	(242)
Deferred tax assets:		
Lease obligations	8	5
Decommissioning obligations	110	34
Non-capital losses	6,092	3,808
Other	179	66
Less: unrecognized deferred income tax	(3,434)	(2,233)
Deferred income tax asset	-	-

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

	December 31, 2024	Recognized in profit or loss	December 31, 2025
E&E and PP&E	(1,438)	(1,517)	(2,955)
Other	(242)	242	-
Lease obligations	5	3	8
Decommissioning obligations	34	76	110
Non-capital losses	3,808	2,284	6,092
Other	66	113	179
Unrecognized deferred income tax	(2,233)	(1,201)	(3,434)
Deferred income tax asset (liability)	-	-	-

	December 31, 2023	Recognized in profit or loss	December 31, 2024
E&E and PP&E	(1,008)	(430)	(1,438)
Other	(143)	(99)	(242)
Lease obligations	10	(5)	5
Decommissioning 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)	-	-	-

The Company has tax pools of \$27.3 million available for deduction against future taxable income at December 31, 2025 (\$17.6 million at December 31, 2024). Non-capital losses of \$26.5 million (\$16.6 million at December 31, 2024) expire between 2041 and 2045.

12. General and Administrative Expense

Details of the Company's general and administrative expenditures for the years ended December 31, 2025 and December 31, 2024 are as follows:

	December 31, 2025	December 31, 2024
Consulting	18	6
Legal	66	31
Office	320	295
Investor relations	103	128
Salaries and benefits	744	400
Professional fees	130	115
Capitalized general and administrative	(174)	(125)
General and administrative expense	1,207	850

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:

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	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
Issued	2,520,000	0.20	4.8
Forfeited	(1,152,168)	0.31	1.4
Balance, December 31, 2025	10,943,550	0.27	2.2

The range of exercise prices and remaining life outstanding of the share options are as follows:

Exercise Price	Stock options outstanding			Stock options exercisable		
	Number outstanding	Weighted average exercise price	Weighted average life remaining (years)	Number exercisable	Weighted average exercise price	Weighted average life remaining (years)
\$0.15 - \$0.16	2,400,000	\$0.16	1.9	2,400,000	0.16	1.9
\$0.20	2,520,000	\$0.20	4.5	200,000	0.2	0.8
\$0.30 - \$ 0.385	6,023,550	\$0.33	1.3	6,023,550	0.33	1.3
	10,943,550	\$0.27	2.2	8,623,550	0.28	1.5

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

	Exercisable Options	Weighted Average Exercise Price (\$/share)
December 31, 2024	8,553,718	0.30
December 31, 2025	8,623,550	0.28

For the year ended December 31, 2025, 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, 2025
Share price	0.21
Risk-free interest rate	2.71%
Expected life (years)	5
Expected volatility	93%
Forfeiture rate	8.0%
Expected dividends	Nil
Fair value	0.15

There were no stock options granted in the year ended December 31, 2024.

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

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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

14. Supplemental Cash Flow Information

	Year ended	
	December 31, 2025	December 31, 2024
Accounts receivable	(79)	19
Deposits and prepaid expenses	(86)	32
Other current assets	(337)	-
Accounts payable and accrued liabilities	490	26
Change in non-cash working capital	(12)	77
Allocated to:		
Operating	(104)	(104)
Financing	12	(12)
Investing	80	193
Change in non-cash working capital	(12)	77

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 restricted cash, accounts receivable and other assets. As at December 31, 2025, the Company's accounts receivable consisted of sales tax credits receivable, critical minerals processing investment incentive credits receivable and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents and restricted cash balance with a major Canadian chartered bank.

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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 and lease obligations.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and E&E and PP&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, 2025 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	1,224	-	-	-	1,224
Lease obligations	23	13	-	-	36
Total	1,247	13	-	-	1,260

HEVI anticipates having adequate cash on hand, including restricted cash, to meet its contractual obligations and commitments and discharge its liabilities as they come due. Restricted cash is restricted to the Mankota area (see note 20), which represents the Company's primary area of operations. 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, the Convertible Note, as defined herein, when outstanding 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 the Convertible Note that has been converted and equity and warrant securities for cash.

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, 2025, the Company had a positive working capital balance of \$6.2 million (December 31, 2024 - \$3.2 million) which included restricted cash of \$2.7 million (see note 20).

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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, 2023 and ending October 31, 2025. The office lease was renewed in June 2025 for an additional two years, beginning November 1, 2025 and ending October 31, 2027. Additionally, the Company has entered into certain office equipment leases. The lease commitments as at December 31, 2025 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	23	13	-	-	36

17. Financial Instruments

At December 31, 2025, the Company's financial instruments include cash and cash equivalents and restricted cash, accounts receivable, other assets and accounts payable and accrued liabilities.

The Company's cash and cash equivalents and restricted cash 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, other assets and accounts payable and accrued liabilities at December 31, 2025 approximate their respective fair values due to the short-term nature of these instruments.

18. Related Party Transactions

Pursuant to a royalty agreement, a gross overriding royalty ("**GORR**") on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors and officers of the Company or companies controlled by such individuals. In the year ended December 31, 2025, the Company paid \$3,000 (2024 – nil) to these related parties in respect of the GORR.

Pursuant to a GORR described in note 19, the Company paid \$9,000 (2024 – nil) to its largest shareholder, the Holder, as defined herein, of the GORR. As of the date of these financial statements, the Holder of the Convertible Note owns 39% of the Company's common shares on a fully diluted basis and is considered a related party.

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, 2025	December 31, 2024
Salaries and benefits	559	381
Retirement allowance	149	-
Share-based compensation	68	251
Key management compensation	776	632

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. Convertible Note

On August 25, 2025, the Company entered into a definitive agreement to raise gross proceeds of \$8.3 million by way of an unsecured convertible note (the "**Convertible Note**") to the same investor (the "**Holder**") as the First Private Placement and the Second Private Placement (see note 10). On August 29, 2025, the Convertible Note was issued and gross proceeds of \$8.3 million (\$8.2 million, net of cash issuance

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costs) were received. The Convertible Note had a maturity date of August 29, 2027 (the “**Maturity Date**”) and accrued interest at a rate of 8.5% per annum, payable in arrears on the Maturity Date. Unless the Convertible Note had not been previously converted or prepaid, the outstanding balance of the Convertible Note would have been due and payable on the Maturity Date.

The Convertible Note was automatically convertible into common shares of the Company upon achievement of first helium sales (the “**Milestone**”). The Convertible Note was convertible at the higher of \$0.205 per common share and the 11-day volume weighted average trading price of the Company's common shares before and after the Milestone was achieved. If the Milestone had not been achieved by August 29, 2026, the Holder would have had the right, at any time thereafter, to convert the Convertible Note into common shares at a minimum price of \$0.205 per common share.

The Company also granted a GORR to the Holder at the time of the Convertible Note issuance on three existing wells. The sliding scale GORR is variable in nature and will be calculated based on 5% of HEVI's working interest gross sales (“**gross sales**”) in the first year of production, 4% of the gross sales in the second year of production, 3% of the gross sales in the third year of production and 2% of the gross sales thereafter. In the year ended December 31, 2025, the Company paid the Holder \$9,000 (2024 – nil) in respect of the GORR.

Additionally, the Holder will be issued a 3% GORR on gross sales on one of the next three wells drilled by the Company, over the life of the well, to be selected by the Holder within 90 days of receiving drilling and testing results, subject to certain conditions. The funds raised through the Convertible Note are restricted to the Soda Lake Facility and development expenditures in the Mankota area of Saskatchewan, unless approved by the Holder (see note 20).

As a result of the Convertible Note being convertible into a variable number of the Company's common shares, based on a formula linked to the market price of the shares at the time of conversion, the conversion feature did not meet the “fixed-for-fixed” criterion under IAS 32 and was therefore initially classified as a derivative liability.

In accordance with IFRS 9, the entire instrument was designated at fair value through profit or loss on initial recognition. The fair value of the Convertible Note at issuance was \$8.3 million, which was determined using a valuation model incorporating observable market inputs.

As a result of the Convertible Note being designated at fair value through profit or loss on initial recognition, the cash transaction costs of \$0.1 million and the value ascribed to the GORR granted to the Holder of \$0.1 million were expensed.

On October 16, 2025, the Milestone was achieved and on October, 24, 2025 the Convertible Note, plus accrued interest of \$108,000, was converted into 40,039,243 common shares at \$0.21 per share. As of December 31, 2025, the Holder of the Convertible Note owned 42% of the Company's common shares on a fully diluted basis and was considered a related party. As at December 31, 2025, there have been no further transactions with the related party other than previously described in note 10 and the Convertible Note above.

	Liability Component	
	Face Value	Carrying Value
Balance, December 31, 2023 and December 31, 2024	-	-
Issuance of Convertible Note	8,300	8,300
Interest expense		108
Conversion to common shares	(8,300)	(8,408)
Balance, December 31, 2025	-	-

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20. Restricted Cash

The funds raised through the Convertible Note (see note 19) are restricted to the Soda Lake Facility and development expenditures in the Mankota area of Saskatchewan, unless approved by the Holder of the Convertible Note.

The Company had the following balance of restricted cash:

	Restricted Cash
Balance, December 31, 2023 and December 31, 2024	-
Additions - Convertible Note	8,300
Soda Lake Facility and Mankota development projects	(5,639)
Balance, December 31, 2025	2,661

21. Subsequent Events

On February 1, 2026, the Company granted 1,400,000 Options under the Company Option Plan to an officer and director of the Company (the "**Option Recipient**"). Each Option entitles the Option Recipient to receive one common share of the Company upon vesting, exercisable at a price of \$0.125 per share. The Options will vest as to 20% on each of the 6-month, 12-month, 18 month, 24-month and 30-month anniversaries of the date of grant and will expire on February 1, 2031.

On March 17, 2026 and April 4, 2026, 3,520,000 and 4,608,500 warrants expired, respectively. The warrants entitled the holder thereof to acquire one common share of the Company at a price of \$0.27.