

FIRST HELIUM INC.

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended September 30, 2022 and 2021

Index

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The attached condensed interim consolidated financial statements for the six months ended September 30, 2022 have not been reviewed by the Company's auditors.

FIRST HELIUM INC.

Condensed Interim Consolidated Statements of Financial Position as at
(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2022	March 31, 2022
Assets			
Current assets:			
Cash		\$ 2,413,128	\$ 5,530,473
Accounts receivable		383,410	1,770,532
Prepaid expense		101,982	106,650
Deposit		364,012	255,129
		3,262,532	7,662,784
Exploration and evaluation assets	4	12,535,559	7,426,488
Property, plant and equipment	5	7,592,461	5,221,307
		\$ 23,390,552	\$ 20,310,579
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	\$ 2,990,289	\$ 2,645,348
		2,990,289	2,645,348
Asset retirement obligations	7	1,116,012	908,969
		\$ 4,106,301	\$ 3,554,317
Shareholders' equity:			
Share capital	8	19,106,602	17,411,527
Reserves	8	1,652,029	1,457,981
Deficit		(1,474,380)	(2,113,246)
		19,284,251	16,756,262
		\$ 23,390,552	\$ 20,310,579

Nature and continuance of operations (Note 1)

Subsequent event (Note 12)

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

“Edward Bereznicki”

Director

“Todd Holmstrom”

Director

FIRST HELIUM INC.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited - Expressed in Canadian Dollars)

Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
Revenue				
	\$ 1,991,602	\$ -	\$ 6,264,110	\$ -
	(720,721)	-	(2,052,528)	-
	1,270,881	-	4,211,582	-
Expenses				
	316,930	-	992,025	-
	167,832	87,371	295,380	256,035
	148,683	327,639	324,414	388,539
	125,524	267,857	254,152	322,986
	-	82,244	-	114,963
	(38,201)	(18,343)	(62,366)	(21,764)
8	96,892	84,607	271,041	423,247
	770,000	-	1,481,149	-
7	9,509	361	16,921	721
	1,597,169	831,736	3,572,716	1,484,727
	\$ (326,288)	\$ (831,736)	\$ 638,866	\$ (1,484,727)
Income (loss) and comprehensive income (loss) for the period				
	\$ (0.004)	\$ (0.01)	\$ 0.009	\$ (0.03)
Income (loss) per share – basic and diluted				
Weighted average number of common shares outstanding				
	74,867,353	63,985,980	74,550,817	58,078,698
– basic and diluted				

See accompanying notes to the interim consolidated financial statements.

FIRST HELIUM INC.

Condensed Interim Consolidated Statements of Cash Flows

For the six months Ended September 30, 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	2022	2021
OPERATING ACTIVITIES			
Net income (loss) for the period		\$ 638,866	\$ (1,484,727)
Items not involving cash			
Accretion	7	16,921	721
Depletion		1,481,149	-
Interest expense	6	-	59,880
Share-based compensation	8	271,041	423,247
Shares issued for services		-	75,000
Change in non-cash working capital items:			
Prepaid expense		4,668	(301,781)
Deposit		(108,883)	-
Accounts payable and accrued liabilities		(804,344)	(1,198,134)
Accounts receivable		1,387,122	12,102
		2,886,540	(2,413,692)
INVESTING ACTIVITIES			
Exploration and evaluation assets	4	(5,767,956)	(944,979)
Property, plant and equipment	5	(1,854,011)	-
		(7,621,967)	(944,979)
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issuance costs	8	-	239,300
Proceeds from warrants exercised		1,609,332	-
Proceeds from options exercised		8,750	-
		1,618,082	239,300
Decrease in cash		(3,117,345)	(3,119,371)
Cash, beginning of the period		5,530,473	10,533,779
Cash, end of the period		\$ 2,413,128	\$ 7,414,408

Supplemental information:

Non-cash investing and financing activities:

Exploration and evaluation assets and property, plant and equipment included in accounts payable and accrued liabilities	\$	1,300,693	\$	151,408
Fair value of brokers warrants issued	\$	-	\$	204,334
Fair value transfer of finders warrants exercised	\$	69,445	\$	-
Fair value transfer of options exercised	\$	7,548	\$	-

See accompanying notes to the interim consolidated financial statements.

FIRST HELIUM INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

		Share Capital		Share subscriptions received in advance	Reserves	Deficit	Total shareholders' equity
	Note	Shares	Amount				
Balance at March 31, 2021		29,573,647	\$ 4,503,166	\$ 8,940,600	\$ 106,948	\$ (1,647,408)	\$ 11,903,306
Shares issued from private placement	8	26,228,286	9,179,900	(9,179,900)	-	-	-
Shares issued for conversion of convertible debentures	6,8	9,595,152	2,878,546	-	-	-	2,878,546
Shares issued for services	8	214,285	75,000	-	-	-	75,000
Share issuance cost			(1,450,116)	-	-	-	(1,450,116)
Share issuance cost – brokers warrants	8	-	(204,334)	-	204,334	-	-
Share subscriptions received in advance	8	-	-	239,300	-	-	239,300
Share based compensation	8	-	-	-	423,247	-	423,247
Loss for the period		-	-	-	-	(1,484,727)	(1,484,727)
Balance at September 30, 2021		65,611,370	\$ 14,982,162	\$ -	\$ 734,529	\$ (3,132,135)	\$ 12,584,556
Balance at March 31, 2022		71,516,973	\$ 17,411,527	\$ -	\$ 1,457,981	\$ (2,113,246)	\$ 16,756,262
Warrants exercised	8	3,325,380	1,678,777	-	(69,445)	-	1,609,332
Options exercised	8	25,000	16,298	-	(7,548)	-	8,750
Share based compensation	8	-	-	-	271,041	-	271,041
Income for the period		-	-	-	-	638,866	638,866
Balance at September 30, 2022		74,867,353	\$ 19,106,602	\$ -	\$ 1,652,029	\$ (1,474,380)	\$ 19,284,251

See accompanying notes to the interim consolidated financial statements.

FIRST HELIUM INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations

First Helium Inc. (“First Helium” or the “Company”) is a Canadian company focused on the exploration, development and production of helium across western Canada to meet growing demand in the high-tech global market. Petroleum and natural gas are produced as part of its operations. It was incorporated under the laws of the Province of British Columbia on May 10, 2016. Operations are conducted by First Helium’s wholly-owned subsidiary, 2060547 Alberta Ltd. The address of the Company’s corporate head office and principal place of business is 550 - 800 West Pender Street, Vancouver, BC, V6C 2V6. On July 12, 2021, the Company began trading on the TSXV Exchange under the symbol HELI.

The business of exploring for helium and petroleum and natural gas involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable helium operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and development properties, the discovery of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company’s assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. As at September 30, 2022, the Company earned \$6,264,110 in revenue as a result of oil sales. During the six months ended September 30, 2022, the Company earned a net income of \$638,866 and, as at September 30, 2022, the Company had a working capital of \$272,243 and an accumulated deficit of \$1,474,380. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its exploration and development programs. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of business operations. Such adjustments could be material.

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. The impact of COVID-19 is uncertain, and the pandemic could have a significant impact on the Company if it or its suppliers are not able to maintain operations.

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for interim information, specifically International Accounting Standards (“IAS”) 34 – *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2022. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected of the year ended March 31, 2023.

The condensed interim consolidated financial statements were approved by the Board of Directors on November 29, 2022.

FIRST HELIUM INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

2. Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Summary of Significant Accounting Policies

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2022.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 2060547 Alberta Ltd ("AB"). All inter-company transactions and balances have been eliminated upon consolidation.

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expense during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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

	Worsley	Southern Alberta	Total
Balance at March 31, 2021	4,039,730	-	4,039,730
Additions	2,232,492	1,093,996	3,326,488
Change in estimate of decommissioning provision	585,109	-	585,109
Transfer to PP&E	(524,839)	-	(524,839)
Balance at March 31, 2022	6,332,492	1,093,996	7,426,488
Additions	5,584,768	183,188	5,767,956
Transfer to PP&E	(658,885)	-	(658,885)
Balance at September 30, 2022	11,258,375	1,277,184	12,535,559

On May 26, 2021, the Company entered into a Seismic Review and Option Agreement with a large land holder in southern Alberta. During the year ended March 31, 2022, the Company elected to extend the option on for a further two years until November 26, 2023, under pre negotiated terms. The Company's technical team is now engaged in a more detailed geological and geophysical evaluation of the extended lands. In connection with the acquisition of Warner-Jenson Property, the Company is subject to a non-convertible overriding royalty of 5% for all substances excluding helium and 2% for helium.

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects which are pending the determination of technical feasibility and commercial viability. Additions of \$5.8 million represent costs incurred on E&E assets during the period including costs of leasing or optioning undeveloped land and the drilling and completion cost on the first well in these lands. There were no indicators of impairment for the Company's exploration and evaluation assets.

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5. Property, Plant and Equipment

	Worsley	Southern Alberta	Total
Cost			
Balance at March 31, 2021	-	-	-
Transfer in from E&E	524,839	-	524,839
Additions	4,930,056	-	4,930,056
Change in estimate of decommissioning provision	204,940	-	204,940
Balance at March 31, 2022	5,659,835	-	5,659,835
Additions	3,013,096	-	3,013,096
Transfer in from E&E	658,885	-	658,885
Change in estimate of decommissioning provision	180,322	-	180,322
Balance at September 30, 2022	9,512,138	-	9,512,138
Accumulated depreciation			
Balance at March 31, 2021	-	-	-
Depletion	(438,528)	-	(438,528)
Balance at March 31, 2022	(438,528)	-	(438,528)
Depletion	(1,481,149)	-	(1,481,149)
Balance at September 30, 2022	(1,919,677)	-	(1,919,677)
Net book value			
Balance at March 31, 2021	-	-	-
Balance at March 31, 2022	5,221,307	-	5,221,307
Balance at September 30, 2022	7,592,461	-	7,592,461

Acquisition of assets

In October 2021, the Company acquired interests in certain oil and gas properties located near Worsley, Alberta for initial consideration of \$10. The estimated fair value of oil and gas properties and asset retirement obligations are as follows. There is no deferred tax liability recorded as asset basis approximates its tax basis.

Cash consideration	\$	27,287
Allocated as follows:		
Property, plant & equipment	\$	260,262
Asset retirement obligations		(232,975)
Net assets acquired	\$	27,287

Acquisition of pipeline assets

In December 2021, the Company acquired interests in certain oil and gas properties located near Worsley, Alberta for initial consideration of \$1. The estimated fair value of oil and gas properties and asset retirement obligations are as follows. There is no deferred tax liability recorded as asset basis approximates its tax basis.

Cash consideration	\$	25,022
Allocated as follows:		
Property, plant & equipment	\$	114,969
Asset retirement obligations		(89,947)
Net assets acquired	\$	25,022

FIRST HELIUM INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

6. Convertible Debentures

On March 2, 2021, the Company closed an unsecured convertible debentures (“CD”) financing in the amount of \$2,800,000. The CD were unsecured, mature on March 2, 2022, had an interest rate of 8% per annum, and are payable in cash upon maturity. The CD are automatically convertible into units at \$0.30 per unit immediately prior to the listing of common shares on the TSX Venture Exchange (the “Exchange”). Each unit consisted of one common share and one non-transferable whole common share purchase warrant (“CD Warrant”). Each CD Warrant entitled the subscriber to purchase one additional common share of the Company at a price of \$0.50 per share for a period of 24 months from listing of the Company’s common shares on the Exchange. The Company incurred cash transaction costs totalling \$271,619 and issued 492,801 finders’ warrants, exercisable at \$0.50 per common share for 24 months. The fair value of the finders’ warrants was \$52,220 and was recorded as transaction costs. For the year ended March 31, 2022, interest expense was \$59,880 incurred up to the date of conversion.

On July 8, 2021, CD with a principal balance of \$2,800,000 and interest payable of \$78,546 were converted into 9,595,152 common shares of the Company at a price of \$0.30 per share (Note 8).

7. Asset Retirement Obligations

	September 30, 2022	March 31, 2022
Opening balance	\$ 908,969	\$ 109,147
Addition	413,286	790,049
Accretion expense	16,921	9,773
Change in estimate	(223,164)	-
Ending balance	\$ 1,116,012	\$ 908,969

The Company’s asset retirement obligations are based on its net ownership in wells and facilities. Abandonments are expected to occur between 2030 and 2035 and related costs will be funded mainly from the Company’s cash provided by operating activities. The undiscounted amount required to settle the asset retirement obligations at September 30, 2022 is estimated to be \$1.1 million (March 31, 2022 – \$0.9 million). The liability for the expected cash flows, as reflected in the financial statements, has been inflated at 2.80% and discounted using a risk-free rate of 3.08% (March 31, 2022 – 2.50% and 2.37% respectively).

8. Share Capital

The authorized capital stock of First Helium consists of an unlimited number of common shares with no par value.

As at September 30, 2022, there were 8,890,134 (March 31, 2022 – 14,741,045) common shares with 579,103 (March 31, 2022 – 723,877) attached warrants held in escrow.

Transactions during the six months ended September 30, 2022 were as follows:

Warrants exercised

During the six months ended September 30, 2022, 3,325,380 shares were issued upon exercise of warrants for net proceeds of \$1,609,332. In connection with the issuance, a total of \$69,445 was reallocated from reserves to share capital.

Options exercised

During the six months ended September 30, 2022, 25,000 shares were issued upon exercise of options for net proceeds of \$8,750. In connection with the issuance, a total of \$7,548 was reallocated from reserves to share capital.

FIRST HELIUM INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

Transactions for the year ended March 31, 2022 were as follows:

Shares issued from private placement

On July 8, 2021, the Company completed the conversion of March 15, 2021 non-brokered subscription receipts and March 18, 2021 brokered subscription receipts by issuing 26,228,286 common shares and 13,114,138 warrants to convert the \$1,700,020 non-brokered subscription receipts and \$7,479,880 brokered subscription receipts. The 13,114,138 warrants are exercisable at a price of \$0.50 per common share and will expire on July 8, 2023. In addition, the Company recognized \$1,819,304 share issuance cost and issued brokers warrants (see Warrants section of this note) in relation to this financing.

Shares issued for conversion of convertible debentures

On July 5, 2021, Convertible Debentures with a principal balance of \$2,800,000 and interest payable of \$78,546 were converted into 9,595,152 common shares of the Company at a price of \$0.30 per share. The Common Shares are being issued pursuant to the automatic conversion of convertible debentures issued by the Company pursuant to a non-brokered private placement of convertible debentures completed on March 2, 2021 at a conversion price of \$0.30 per convertible debenture plus accrued interest (Note 6). In addition, 9,595,152 warrants were also issued exercisable at a price of \$0.50 per common share and will expire on July 5, 2023.

Shares issued for services

On July 8, 2021, the Company issued 214,285 common shares at a price of \$0.35 per share to a consultant for services rendered in the amount of \$75,000.

Warrants exercised

During the year ended March 31, 2022, 5,893,103 shares were issued upon exercise of warrants for net proceeds of \$2,767,034. In connection with the issuance, a total of \$225,079 was reallocated from reserves to share capital.

Options exercised

During the year ended March 31, 2022, 12,500 shares were issued upon exercise of options for net proceeds of \$4,375. In connection with the issuance, a total of \$9,599 was reallocated from reserves to share capital.

FIRST HELIUM INC.

Notes to the Condensed Interim Consolidated Financial Statements
 For the Six Months Ended September 30, 2022 and 2021
 (Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)**Warrants**

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

The number and weighted average exercise prices of warrants are as follows:

	Number of warrants	Weighted average exercise price
Outstanding warrants, March 31, 2021	3,137,980	\$0.39
Granted	25,273,821	\$0.49
Exercised	(5,893,103)	\$0.47
Outstanding warrants, March 31, 2022	22,518,698	\$0.48
Exercised	(3,325,380)	\$0.46
Outstanding warrants, September 30, 2022	19,193,318	\$0.48

As at September 30, 2022, warrants enabling the holders to acquire common shares are as follows:

Expiry date (mm/dd/yyyy)	Number of warrants	Weighted average remaining life in years	Weighted average exercise price
11/03/2022	1,862,310	0.09	\$0.35
03/02/2023	242,135	0.42	\$0.50
03/15/2023	337,868	0.45	\$0.50
07/05/2023	6,853,646	0.76	\$0.50
07/08/2023	8,529,609	0.77	\$0.50
07/12/2023	512,906	0.78	\$0.35
07/15/2023	854,844	0.79	\$0.35
	19,193,318	0.71	\$0.48

On November 3, 2020, the Company issued 2,218,024 bonus warrants to shareholders as standby guarantors during the November 16, 2020 non-brokered private placement. Each bonus warrant entitles the holder to purchase one common share at an exercise price of \$0.35 for a period of 24 months after the closing date.

On March 2, 2021 and March 15, 2021, the Company issued 492,801 and 427,155 finders' warrants to various agents related to the CD financing (Note 6) and non-brokered private placement, respectively.

On July 12, 2021 and July 15, 2021, the Company issued 1,709,687 and 854,844 broker's warrants to various agents pursuant to private placements. In connection, the Company recognized \$411,868 share issuance cost in relation to this financing.

During the six months ended September 30, 2022, there were \$nil fair value recognized in relation to warrants. However, as of March 31, 2022, warrants issued had a fair value of \$411,868, and was calculated using the Black-Scholes pricing model, based on the following weighted average assumptions:

	F2023	F2022
Forfeiture rate	N/A	0.00%
Estimated risk-free rate	N/A	0.45%
Expected volatility	N/A	132%
Estimated annual dividend yield	N/A	0.00%
Expected life of warrants	N/A	2 years

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8. Share Capital (continued)**Stocks Options**

On April 15, 2021, the Company adopted an incentive stock option plan to allow the Company to grant stock options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares in the capital of the Company. All options are subject to vesting terms as determined by the Board of Directors. The expiry date for each option shall be set by the Company at the time of granting and shall not be more than ten years after the grant date.

On May 27, 2021, the Company granted 5,800,000 incentive stock options to certain directors, officers and consultants of the Company. The exercise price of the options is \$0.35 per share and the expiry date is five years from the date of grant. Optioned shares will vest with 25% released on the grant date and 25% vesting every year for the next three years. On May 27, 2021, the Company granted 250,000 incentive stock options to certain consultants of the Company. The exercise price of the options is \$0.35 per share and the expiry date is three years from the date of grant. The options will vest equally in three tranches every six months over the next 18 months.

On January 31, 2022, the Company granted 100,000 stock options to a consultant with an exercise price of \$0.35 per share expiring on May 27, 2026. Optioned shares will vest with 25% released on the grant date and 25% vesting every year for the next three years starting May 27, 2022.

The number and weighted average exercise prices of options are as follows:

	Number of options	Weighted average exercise price
Outstanding options, March 31, 2021	-	-
Granted	6,150,000	\$0.35
Exercised	(12,500)	\$0.35
Forfeited	(100,000)	\$0.35
Outstanding options, March 31, 2022	6,037,500	\$0.35
Exercised	(25,000)	\$0.35
Outstanding options, September 30, 2022	6,012,500	\$0.35

As at September 30, 2022, options enabling the holders to acquire common shares are as follows:

Expiry date (mm/dd/yyyy)	Number of Options outstanding	Number of Options exercisable	Weighted average remaining life in years	Weighted average exercise price
05/27/2024	150,000	100,000	1.66	\$0.35
05/27/2026	5,762,500	2,862,500	3.66	\$0.35
05/27/2026	100,000	50,000	3.66	\$0.35
	6,012,500	3,012,500	3.61	\$0.35

Share-based compensation relating to options vested during the six months ended September 30, 2022 using the Black-Scholes option pricing model was \$271,041 (March 31, 2022 - \$1,173,843), which was recorded as reserves on the statements of financial position and as share based compensation expense on the statement of income (loss) and comprehensive income (loss). The associated share-based compensation expense for the options granted was calculated based on the following assumptions:

	F2023	F2022
Forfeiture rate	N/A	0.00%
Estimated risk-free rate	N/A	0.74%
Expected volatility	N/A	132%
Estimated annual dividend yield	N/A	0.00%
Expected life of options	N/A	5 years

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Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian Dollars)

9. Related Party Transactions

Key management consists of the Company's directors and officers. Remuneration of key management includes the following:

	Six months ended September 30, 2022	Six months ended September 30, 2021
Accounting and compliance fees ⁽ⁱ⁾	\$ 57,000	\$ 57,000
Management fees ⁽ⁱⁱ⁾	336,000	265,050
Investor relations ⁽ⁱⁱⁱ⁾	60,000	60,000
Share-based compensation	232,435	-
Total	\$ 685,435	\$ 382,050

- (i) Management, accounting and compliance fees paid to a company controlled by a spouse of an officer of the Company in the amount of \$57,000 (2021 - \$57,000).
- (ii) During the six months ended September 30, 2022, the Company paid or accrued \$270,000 (2021 - \$259,500) to various officers and directors of the Company which was capitalized as exploration and evaluation assets. As at September 30, 2022, the Company paid or accrued management and directors' fees of \$66,000 (2021 - \$5,550), which were expensed as management fees.
- (iii) During the six months ended September 30, 2022, the Company paid or accrued \$60,000 (2021 - \$60,000) to a former officer of the Company for investor relations.
- (iv) The balance payable to related parties as at September 30, 2022 was \$56,799 (March 31, 2022 - \$59,104) and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

10. Nature and Extent of Risks Arising from Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, cash held in trust, accounts receivable, sales tax receivable, accounts payable and accrued liabilities, and convertible debentures. The fair values of the Company's financial instruments approximate their carrying value, which is the amount recorded on the consolidated statement of financial position due to their short-term nature. The fair value of the Company's convertible debentures approximates their carrying value due to the instruments measured at a market rate of interest.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, accounts receivable, and deposits. The carrying amount of these accounts at September 30, 2022 on the statement of financial position comprises the maximum exposure to credit risk. The Company's cash is held through a large Canadian financial institution. The Company's accounts receivable was collected in full subsequent to year end in accordance with its trade terms.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 11 of these financial statements. The Company has sufficient funds to meet its obligations.

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Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for helium, oil and gas are impacted not only by the relationship between the Canadian Dollars and United States Dollars, but also by market conditions for helium, natural gas, NGL's and condensate that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at September 30, 2022 to manage this risk.

Interest and Foreign exchange risk

The Company is not subject to interest rate or foreign exchange risk.

11. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the capital program. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of equity. In order to carry out the planned exploration and evaluation activities on its helium developments, the Company use a combination of cash flow from operations and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the six months ended September 30, 2022. The Company is not subject to externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements.

12. Subsequent event

Subsequent to the six months ended September 30, 2022, 1,862,310 warrants expired unexercised.