



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Helium Evolution Incorporated ("HEVI" or the "Company") (formerly Duckhorn Ventures Ltd. ("Duckhorn")) is dated November 22, 2022 and should be read in conjunction with HEVI's condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2022, the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 (the "Q3 Financial Statements") and the MD&A and audited consolidated financial statements for the period ended December 31, 2021, each of which is available on SEDAR at www.sedar.com. 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 Q3 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the three and nine months ended September 30, 2022, and the comparative three months ended September 30, 2021 and period from incorporation on January 14, 2021 to September 30, 2021, and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 of Helium Evolution Private's (as defined herein) December 31, 2021 audited financial statements.

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 Q3 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. Duckhorn was incorporated under the British Columbia Business Corporations Act on March 25, 2019.

The Company was formed following the amalgamation of a private company of the same name being Helium Evolution Incorporated ("Helium Evolution Private") and Duckhorn (the "Amalgamation"). Helium Evolution Private was incorporated on January 14, 2021 under the Business Corporations Act (Alberta). On March 16, 2022, Helium Evolution Private and Duckhorn entered into a business combination agreement resulting in the reverse takeover of Duckhorn by Helium Evolution Private, including a change of control of Duckhorn. Following completion of the Amalgamation, Helium Evolution Private shareholders held approximately 96% of the outstanding shares of the Company and the Board of Directors and key management of the Company are substantially the same as Helium Evolution Private. As a result, the transaction has been accounted for as a reverse acquisition with Helium Evolution Private being the acquirer for accounting purposes. Helium Evolution Private is the continuing entity and accordingly, the presentation of the comparative period information is that of Helium Evolution Private.

The Company has significant land holdings in Saskatchewan's "helium fairway", having been granted helium permits by the Government of Saskatchewan covering 5.5 million acres of land. Helium permits in Saskatchewan have an initial three-year term, which can be extended for an additional two-year term and can be converted to 21-year leases at any time. At September 30, 2022, HEVI holds a 100% working interest in these permits, encumbered by a 4.25% government royalty and a 3.0% gross overriding royalty ("GORR").



Selected Financial Information

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Financial				
Net loss	3,847	238	6,843	1,023
Net loss per share, basic and diluted	(0.04)	(0.01)	(0.09)	(0.05)
Cash and cash equivalents	9,482	332	9,482	332
Working capital	9,271	320	9,271	320
Total assets	13,644	341	13,644	341
Total liabilities	625	21	625	21
Weighted average shares Basic and diluted ¹	96,033,974	31,102,449	72,453,538	22,596,717

¹The 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

Period ended	Total revenue	Net loss	Net loss per share
September 30, 2022	-	3,847	0.04
June 30, 2022	-	1,342	0.02
March 31, 2022	-	1,654	0.04
December 31, 2021	-	389	0.01
September 30, 2021	-	238	0.01
June 30, 2021	-	65	-
January 14, 2021 to March 31, 2021	-	720	0.05

Outlook

The Company continues to execute its strategy of acquiring a significant land base in Saskatchewan for helium exploration and production.

On June 28, 2022, the Company entered into a farmout agreement (the "Original Farmout Agreement") with North American Helium ("NAH") pursuant to which NAH will drill a total of five wells, incurring 100% of the drill expenditures, on three predetermined blocks of land in Saskatchewan comprising approximately 2.3 million acres located west of the third meridian (the "Blocks"). For each well drilled, NAH will earn an 80% operated interest in the section on which the well was drilled plus nine contiguous sections of land adjoining to the well, up to a maximum of 32,000 acres. The Original Farmout Agreement specifically excludes HEVI's current drilling focus in the McCord area. The Company will retain a 20% working interest in the earned lands and each successful well drilled by NAH (the "HEVI Working Interest"). NAH must notify HEVI of its five drilling targets before December 31, 2022, with a requirement to drill all five wells within 24 months. NAH must drill one well in each of the three Blocks, with no more than three wells drilled in any given Block.

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



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On October 21, 2022, the Company announced that it had expanded and accelerated the Original Farmout Agreement and entered into an amended and restated farm out agreement, a seismic option agreement and a seismic review option agreement (collectively, the "Amended Farmout Agreement") with NAH. As a result of the Amended Farmout Agreement, NAH will drill the first two test wells on HEVI lands in the fourth quarter of 2022 with a third test well to be drilled in the first half of 2023. The first test was drilled in November 2022. After reaching total depth, NAH abandoned the open hole portion, but elected to suspend the cased hole portion to afford optionality and the ability to re-enter it at a later date. Consistent with the Original Farmout Agreement, costs for the test wells will be funded 100% by NAH and HEVI will retain a 20% working interest. Based on the success of the test wells, NAH has committed to expeditiously drill development wells on the earned farmout blocks, subject to surface access and regulatory approvals. NAH will select a fourth and fifth test well location on each of the other two blocks by June 30, 2023, with both wells to be spud by the first quarter of 2024.

Additionally, the Company entered into a seismic option and seismic review option agreement which could expand the number of wells to be drilled by 60%, from five wells per the Original Farmout Agreement to up to eight wells. Finally, at no cost, HEVI will receive NAH's proprietary seismic recently used to drill three successful NAH wells in the Mankota area, giving HEVI greater insight and valuable data that can be used in identifying future drilling targets. The Amended Farmout offers HEVI near-term drilling catalysts that could accelerate cash flow generation without incurring up-front capital costs and allows the Company to retain 99% of its land base.

In addition to activities under the Amended Farmout Agreement, the Company is continuing to undertake extensive geological and geophysical modelling, including the acquisition of additional seismic, shooting of proprietary 2D seismic, seismic reprocessing and interpretation and well log integration. Subsequent to quarter end, the Company has purchased 359 km of existing 2D seismic lines and intends to purchase more 2D seismic in the next six to nine months.

Results of Operations

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Exploration and evaluation	3,553	5	4,391	725
Share based compensation	129	-	341	-
Listing expense	-	-	1,142	-
Transaction costs	-	-	96	-
Interest expense (income) (net)	(70)	-	(63)	-
Depletion and depreciation	13	-	38	-
General and administrative	222	233	898	298
Net loss	3,847	238	6,843	1,023

Capital Expenditures an Exploration and Evaluation ("E&E")

The following summarizes the Company's capital spending:

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Seismic	36	-	844	129
Geological and geophysical	75	-	288	-
Drilling	3,541	-	4,442	-
Facilities	124	-	124	-
Helium permits	34	-	111	16
Office equipment	-	-	5	-
Total capital spending	3,810	-	5,814	145



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Capital spending for the three and nine months ended September 30, 2022 totaled \$3,810,000 and \$5,814,000, respectively (three months and period ended September 30, 2021, \$nil and \$145,000, respectively).

The Company commenced drilling the 06-12-006-05W3M well in late June and the 06-02-006-06W3M well in mid July on its 100% owned and operated McCord property. Following casing and evaluation of these wells, initial results did not return sufficient quantities of helium to warrant production testing. Field operations on both wells were halted to conduct further analysis on the results and the Company's planned exploration program. Drilling costs totaling \$4,442,000 were capitalized to E&E assets and subsequently transferred to E&E expense. An additional \$34,000 was recorded to E&E expense in the quarter for future decommissioning obligations associated with the wells.

Pursuant to a royalty agreement, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors, officers and a consultant of the Company or to companies controlled by such individuals. As a result, the Company assigned a value of \$nil and \$5,000, respectively, to E&E expense for the three and nine months ended September 30, 2022.

During the three months and period ended September 30, 2021, the Company incurred \$5,000 and \$725,000, respectively, of E&E expense as settlement of intellectual property obligations and other rights through the issuance of 15,081,300 Class A common shares of Helium Evolution Private.

Share Based Compensation Expense

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Total share based compensation	225	-	552	-
Capitalized portion of share based compensation	(96)	-	(211)	-
Share based compensation	129	-	341	-

The amount recorded as share-based compensation expense for the three and nine months ended September 30, 2022 totaled \$129,000 and \$341,000, respectively (three months and period ended September 30, 2021 – \$nil). Additionally, \$96,000 and \$211,000, respectively, was capitalized to E&E assets (three months and period ended September 30, 2021 – \$nil).

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

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

	Number of Options	Weighted Average Exercise Price (\$/share)	Weighted Average Remaining Life (years)
December 31, 2021 ¹	3,418,428	0.30	4.1
Issued	4,400,000	0.38	4.8
Forfeited	(902,168)	0.35	4.4
September 30, 2022	6,916,260	0.34	4.5

¹ Each option reflects the 1.00542 exchange ratio in accordance with the terms of the Amalgamation.

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

	Exercisable Options	Weighted Average Exercise Price (\$/share)
December 31, 2021	-	0.30
September 30, 2022	683,686	0.30

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

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

Share price	0.377
Risk-free interest rate	3.12%
Expected life (years)	5
Expected volatility	103%
Forfeiture rate	9.0%
Expected dividends	Nil
Fair value	0.28

Listing Expense and RTO

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Listing expense	-	-	1,142	-

The Company incurred listing expenses of \$nil and \$1,142,000 in the three and nine months ended September 30, 2022, respectively (three months and period ended September 30, 2021 - \$nil), in connection with the Amalgamation.

The Amalgamation was treated as a reverse takeover ("RTO") for accounting purposes based on the terms of the Amalgamation. In accordance with IFRS, Duckhorn did not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination but a capital transaction of Duckhorn in substance with Helium Evolution Private being the continuing entity from an accounting perspective. As a result of the excess of the purchase price being greater than the net liabilities, the Company has recorded \$1,142,000 of listing expense in the profit and loss.

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

Fair value of the common shares of Duckhorn (3,333,333 common shares)	1,000
Total consideration	1,000
Cash	-
Accounts receivable	7
Accounts payable and accrued	(149)
Net assets (liabilities) acquired	(142)
Excess of purchase price consideration over net liabilities acquired (listing expense)	1,142

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Transaction Costs

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Transaction costs	-	-	96	-

Acquisition costs incurred by the Company in the amount of \$96,000 have been excluded from consideration paid in the Amalgamation and were recognized as transaction costs in the nine months ended September 30, 2022.

Interest Income (net)

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest income (net)	(70)	-	(63)	-

Net interest income recorded in the three and nine months ended September 30, 2022 of \$70,000 and \$63,000, respectively (three months and period ended September 30, 2021, \$nil). Interest expense was incurred on a short-term loan that was repaid during in the first quarter of 2022 and the Company's lease obligations, offset as a result of investing excess cash balances into redeemable short-term guaranteed investment certificates with interest rates ranging from 0.8% to 3.0%, depending on the term.

Depletion and Depreciation Expense

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Depletion and depreciation expense	13	-	38	-

Depletion and depreciation expense in the amount of \$13,000 and \$38,000 was recorded in the three and nine months ended September 30, 2022, respectively, and is related to the Company's office equipment and right-of-use assets (three months and period ended September 30, 2021, \$nil). Office equipment is depreciated on a straight-line basis over a period of two years and the Company's right-of-use assets are depreciated over the term of the Company's office and office equipment leases.

General and Administrative Expense

	Three months ended		Nine months ended	Period ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
General and administrative expense	262	233	946	298
Overheard recoveries	(40)	-	(48)	-
General and administrative expense	222	233	898	298

General and administrative expenses for the three and nine months ended September 30, 2022 totaled \$222,000 and \$898,000, respectively (three months and period ended September 30, 2021, \$233,000 and \$298,000, respectively). The Company has incurred costs associated with startup of a new entity including management salaries, consulting fees, software fees, office related expenses, legal and regulatory fees, and marketing and investor relations.



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Share Capital

The following table details the number of common shares issued and outstanding as at September 30, 2022:

Common Shares	Number of Shares	Share Equity
December 31, 2021 ¹	34,184,280	1,915
Shares issued in exchange for subscription receipts	41,220,861	12,300
Shares issued as part of Duckhorn reverse takeover ²	3,333,333	1,000
Shares issued as part of June 28, 2022 private placement	17,295,500	6,074
Share issuance costs	-	(2,073)
September 30, 2022	96,033,974	19,216

¹ Each common share reflects the 1.00542 exchange ratio in accordance with the Amalgamation.

² Issued to former Duckhorn shareholders in accordance with the Amalgamation.

The following table details the number of warrants issued and outstanding as at September 30, 2022:

	Number of Warrants	Warrant Equity
December 31, 2021 ¹	4,846,124	552
Warrants issued as part of June 28, 2022 private placement ²	5,765,152	845
Warrants issued as part of June 28, 2022 private placement ^{2,3}	175,000	28
September 30, 2022	10,786,276	1,425

¹ Each warrant reflects the 1.00542 exchange ratio in accordance with the Amalgamation.

² In connection with the June 2022 Offerings, the warrants were valued using the Black-Scholes model and the following inputs: exercise price of \$0.70 per share, expected term of 24 months, annualized volatility based on publicly traded peer companies of 103%, a risk-free rate of 3.1%, and zero expected dividends.

³ Issued to a finder in connection with the strategic investor private placement.

On November 10, 2021, the Company closed a non-brokered private placement (the "November 2021 Offering") of subscription receipts (the "Subscription Receipts") for total gross proceeds of \$12.3 million. In connection with the November 2021 Offering, Helium Evolution Private issued 40,998,636 Subscription Receipts at a price of \$0.30 per Subscription Receipt, with each Subscription Receipt automatically converting into one common share for no additional consideration or action on the part of the holder. Each common share was subsequently exchanged for 1.00542 common shares in the capital of Duckhorn in accordance with the terms of the Agreement. As at December 31, 2021, the Subscription Receipts were included in restricted cash and subscription receipts payable.

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

At the date of this MD&A, there are 96,033,974 common shares, 7,726,260 options and 10,786,276 warrants issued and outstanding.



Liquidity, Financing and Capital Resources

	September 30, 2022
Opening cash position	171
Inflow of funds	
Proceeds from share issuance (net of share issuance costs)	17,639
	17,639
Outflow of funds	
Capital expenditures	(5,814)
Tubing and casing	(1,505)
Lease payments	(16)
Cash flow used in operations, before changes in non-cash working capital	(931)
Changes in working capital ¹	(62)
	(8,328)
Closing cash position	9,482

¹ The December 31, 2021 deposits and prepaid expenses balance included a non-cash amount of \$467,000, associated with the Black-Scholes value of the broker warrants issued as part of the Subscription Receipts financing that closed on November 21, 2021. This amount was transferred out of deposits and prepaid expenses upon release of the escrowed funds and recorded to warrant equity and is excluded from changes in working capital.

Capital Funding and Resources

As at September 30, 2022, the Company's working capital balance was \$9,271,000 (December 31, 2021 - \$44,000), including cash of \$9,482,000. Additionally, at September 30, 2022, the Company holds inventory consisting of tubing and casing of \$1,505,000 which was pre-purchased for a multi-well drilling program, of which \$507,000 was sold subsequent to September 30, 2022. The inventory is highly liquid, given the supply chain issues facing the oil and gas industry.

The working capital balance, including the inventory, is expected to be sufficient to fund the Company's capital program in 2022. The Company has considerable flexibility in managing capital given the terms of helium permits granted by the Government of Saskatchewan. Any commitments related to the lease and permit terms are incorporated into the capital budget.

Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

HEVI is exposed to normal market risks inherent in the helium business, including, but not limited to, commodity price risk, foreign currency rate risk, credit risk, liquidity risk and interest rate risk. The Company seeks to mitigate these risks through various business processes and management controls and from time to time by using various derivative financial instruments and physical delivery sales contracts.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable.

The carrying amount of cash and cash equivalents and accounts receivable represents the maximum credit exposure. As at September 30, 2022, the Company's receivables consisted of sales taxes paid on general and administrative and capital expenditures.



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Cash and cash equivalents are held by a level 1 financial institution.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any significant interest rate exposure as at September 30, 2022.

Foreign exchange risk:

Helium prices are based on US dollar denominated commodity prices. As a result, the Canadian dollar price received by the Company will be affected by the Canadian and US dollar exchange rates once helium revenues are realized.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities and subscription receipts payable.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and E&E expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

HEVI anticipates having adequate funds flow to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access 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 cashflow from operations.

Capital Management

The Company's capital structure includes shareholders' equity and working capital. HEVI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

HEVI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt, or obtain alternative financing.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. As the Company does not yet have cash flow from operations, it must rely on future debt and/or equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity and warrant securities for cash through private placements.

The Company's continuing operations and underlying value and recoverability of the amounts shown for E&E assets are entirely dependent upon the existence of economically recoverable reserves, the

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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. The Company has annual lease expenditure commitments as follows: 2022 (remaining)– \$24,000, 2023 – \$210,000, 2024 – \$450,000 and annual permit expenditure commitments as follows: 2022 (remaining) – \$53,000, 2023 – \$178,000, and 2024 – \$225,000. 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 2-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023, and has entered into office equipment leases. The lease commitments as at September 30, 2022 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	20	7	3	2	32

Related Party Transactions

The following table summarizes transactions with related parties:

	Nine months ended September 30, 2022	Period ended September 30, 2021
Exploration and evaluation expense – management	5	720

Under the terms of the January 14, 2021 share issuance to the founders of Helium Evolution Private, the Company recorded \$720,000 as pre-exploration expenditure under E&E expense.

Pursuant to a royalty agreement, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors, officers and a consultant of the Company or companies controlled by such individuals. As a result, the Company assigned a value of \$5,000 to E&E expense.

On January 12, 2022, the Company entered into a Secured Promissory Note (the "Promissory Note") with a director of the Company in the amount of \$1,500,000 with an annualized interest rate of 10%. The note was secured by a General Security Agreement between the parties providing the lending party with security over the assets of the Company. The Promissory Note was repaid in full on March 18, 2022, along with total interest of \$38,000, and the security was subsequently discharged.

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at September 30, 2022.



Financial Instruments

Financial instruments of the Company include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and subscription receipts payable. 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.

Critical Judgments

(i) *Identification of cash generating units ("CGUs")*

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

(ii) *E&E 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 reserves have been found in assessing economic and technical feasibility.

(iii) *Deferred income taxes*

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) *Lease accounting regarding incremental borrowing rate and lease term*

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Key Sources of Estimation Uncertainty

(i) *Taxation*

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.

(ii) *Warrants*

The estimated fair value of the warrants and share options as part of the share and warrant issuance and share option grants uses the Black-Scholes pricing model incorporating assumptions on volatility, risk-free interest rate and the expected term.



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Business Risks and Uncertainties

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have 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 results of operations at this time.

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 was only recently incorporated, has not commenced commercial operations, and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's common shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development.

The Company's property interests are located in Canada. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labour and deficiencies in infrastructure may negatively influence costs of exploration and development.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfil its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to conduct exploration and development work at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any resources discovered. The marketability and price of helium which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include 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 have greater technical or financial resources. The Company may be unable to acquire additional attractive resource properties 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,



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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 a 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 and the Company's other disclosure documents filed with Canadian securities regulatory authorities.

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 granting of additional permits over lands under application, the Company's ability to identify future exploration and drilling targets, including the purchase of 2D seismic and activities related to the Amended Farmout Agreement, increasing shareholder value, the Company's ability to preserve capital, conclusion date and preliminary results of the NAH drills, drilling timeline of the subsequent NAH drills, the Company's ability to achieve commercial production, the purchase of additional seismic and the sale of tubing and casing and other statements that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors and risks include, among others: HEVI may require additional financing from time to time in order to continue its operations; NAH may be unsuccessful in drilling commercially productive wells, NAH may defer the drilling of wells; the Company may choose to defer, accelerate or abandon its drilling plans; financing may not be available when needed or on terms and conditions acceptable to the Company; new laws or regulations could adversely affect the Company's business and results of operations; stock markets have experienced volatility that has often been unrelated to the performance of companies



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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.