



Helium Evolution Incorporated

(formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Financial Statements

As at September 30, 2022, 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

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

As at

(thousands of Canadian Dollars)	September 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	9,482	171
Restricted cash (note 8)	-	12,300
Accounts receivable (note 11)	265	46
Tubing and casing	1,505	-
Deposits and prepaid expenses	103	507
Total Current Assets	11,355	13,024
Non-Current Assets		
Property, plant and equipment (note 4)	64	80
Exploration and evaluation assets (note 5)	2,225	562
Total Non-Current Assets	2,289	642
Total Assets	13,644	13,666
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (note 11)	559	197
Subscription receipts payable (note 8)	-	12,300
Lease obligations (note 6)	20	16
Total Current Liabilities	579	12,513
Non-Current Liabilities		
Lease obligations (note 6)	12	17
Decommissioning obligations (note 7)	34	-
Total Non-Current Liabilities	46	17
Total Liabilities	625	12,530
Shareholders' Equity		
Share capital (note 8)	19,216	1,915
Warrants (note 8)	1,425	552
Contributed surplus	633	81
Deficit	(8,255)	(1,412)
Total Shareholders' Equity	13,019	1,136
Total Liabilities and Shareholders' Equity	13,644	13,666

See accompanying notes to the condensed interim consolidated financial statements.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

(thousands of Canadian Dollars, except number of shares and per share amounts)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Period ended September 30, 2021
Expenses				
Exploration and evaluation (<i>notes 5 and 13</i>)	3,553	5	4,391	725
Share-based compensation (<i>note 9</i>)	129	-	341	-
Listing expense (<i>note 3</i>)	-	-	1,142	-
Transaction costs (<i>note 3</i>)	-	-	96	-
Interest income (net)	(70)	-	(63)	-
Depletion and depreciation (<i>note 4</i>)	13	-	38	-
General and administrative	222	233	898	298
Total expenses	3,847	238	6,843	1,023
Net loss and comprehensive loss	(3,847)	(238)	(6,843)	(1,023)
Weighted average number of shares outstanding - basic and diluted	96,033,974	31,102,449	72,453,538	22,596,717
Net loss per common share - basic and diluted	(0.04)	(0.01)	(0.09)	(0.05)

See accompanying notes to the condensed interim consolidated financial statements.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(thousands of Canadian Dollars)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Period ended September 30, 2021
Cash provided by (used in):				
Operating activities:				
Net loss for the period	(3,847)	(238)	(6,843)	(1,023)
Exploration and evaluation (<i>notes 5 and 13</i>)	3,553	-	4,391	720
Share-based compensation (<i>note 9</i>)	129	-	341	-
Listing expense (<i>note 3</i>)	-	-	1,142	-
Depletion and depreciation (<i>note 4</i>)	13	10	38	10
Change in non-cash working capital (<i>note 10</i>)	(257)	101	(434)	101
Cash used in operating activities	(409)	(127)	(1,365)	(192)
Financing activities:				
Shares issued, net of share issuance costs (<i>note 8</i>)	(58)	740	17,639	1,270
Lease obligations (<i>note 6</i>)	(7)	-	(16)	-
Proceeds from promissory (<i>note 13</i>)	-	-	1,500	-
Payment of promissory (<i>note 13</i>)	-	-	(1,500)	-
Change in non-cash working capital (<i>note 10</i>)	(31)	(5)	(142)	-
Cash provided by (used in) financing activities	(96)	735	17,481	1,270
Investing activities:				
Property, plant and equipment (<i>note 4</i>)	-	-	(5)	-
Exploration and evaluation assets (<i>note 5</i>)	(3,810)	(283)	(5,809)	(428)
Tubing and casing, net	(1,505)	-	(1,505)	-
Change in non-cash working capital (<i>note 10</i>)	1,086	21	514	28
Cash used in investing activities	(4,229)	(262)	(6,805)	(400)
Net change in cash and cash equivalents	(4,734)	346	9,311	678
Cash and cash equivalents, beginning of period	14,216	332	171	-
Cash and cash equivalents, end of period	9,482	678	9,482	678

See accompanying notes to the condensed interim consolidated financial statements.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2022	34,184,280	1,915	552	81	(1,412)	1,136
Shares issued, net of share issuance costs (<i>note 8</i>)	61,849,694	17,301	873	-	-	18,174
Share-based compensation (<i>note 9</i>)	-	-	-	552	-	552
Net loss for the period	-	-	-	-	(6,843)	(6,843)
September 30, 2022	96,033,974	19,216	1,425	633	(8,255)	13,019

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 14, 2021	-	-	-	-	-	-
Shares issued	34,184,280	1,915	85	-	-	2,000
Net loss for the period	-	-	-	-	(1,023)	(1,023)
September 30, 2021	34,184,280	1,915	85	-	(1,023)	977

See accompanying notes to the condensed interim consolidated financial statements.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

As at September 30, 2022, 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

1. Organization and Nature of the Business

Helium Evolution Incorporated (“HEVI” or the “Company”), formerly Duckhorn Ventures Ltd. (“Duckhorn”), 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 (the “Board”) 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 (see note 3).

Helium Evolution Incorporated commenced trading on the TSXV on March 30, 2022.

The Company’s principal and office address and address of its records is 400, 505 – 3 Street SW, Calgary, Alberta, Canada, T2P 3B6.

The Company is in the early stages of exploration for helium as a resource and has not yet determined whether its helium properties contain deposits that are economically recoverable. The condensed interim consolidated financial statements of the Company and comprised of the accounts of Helium Evolution Incorporated and its wholly owned subsidiary 2416227 Alberta Ltd. (formerly Helium Evolution Private).

2. Basis of Preparation

The unaudited condensed interim consolidated financial statements (the “financial statements”) have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with Helium Evolution Private’s annual financial statements for the period ended December 31, 2021.

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 and its subsidiary.

These financial statements have been prepared using the historical cost convention on an accrual basis except for, when outstanding, certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments, including accruals, considered necessary for a fair presentation have been included.

The financial statements were authorized for issue by the Board on November 22, 2022.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Climate Reporting Regulations

Climate and emission related reporting standards are constantly evolving. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal to develop sustainability disclosure standards that are globally consistent, comparable, and reliable. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters* which details the additional reporting requirements for Canadian public companies. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to: attract and retain skilled employees; obtain regulatory permits licenses, registrations, approvals and authorizations from various governmental authorities; and raise capital may be adversely affected. The Company continues to monitor progress on these reporting requirements and have not yet quantified the cost to comply with these standards.

3. Reverse Takeover (“RTO”) Transaction

On March 16, 2022, Duckhorn acquired all the issued and outstanding class A common shares of Helium Evolution Private through a wholly owned subsidiary of the Company that amalgamated with Helium Evolution Private, which resulted in a reverse takeover of the Company by the former shareholders of Helium Evolution Private.

In connection with the Amalgamation and pursuant to the terms of the Amalgamation, Duckhorn changed its name to Helium Evolution Incorporated and issued 75,405,141 common shares to the shareholders of Helium Evolution Private. Immediately following the Amalgamation, there were 78,738,474 common shares issued and outstanding, with the former Helium Evolution Private shareholders holding approximately 96% of the issued and outstanding common shares, and the Board and key management of the Company being substantially the same as Helium Evolution Private.

The Amalgamation was treated as an 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.

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

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

Acquisition costs of \$96,000 were incurred by the Company and have been excluded from the above consideration paid. These costs have been recorded as transaction costs in the Company's condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2022.

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

4. Property, Plant and Equipment (“PP&E”) Assets

Cost	Total
Balance, January 14, 2021	-
Additions	58
Right-of-use asset additions	32
Balance, December 31, 2021	90
Additions	5
Right-of-use asset additions	17
Balance, September 30, 2022	112
Accumulated depletion and depreciation	Total
Balance, January 14, 2021	-
Depletion and depreciation	10
Balance, December 31, 2021	10
Depletion and depreciation	38
Balance, September 30, 2022	48
Net book value	Total
Balance, December 31, 2021	80
Balance, September 30, 2022	64

As at September 30, 2022, PP&E is comprised of office equipment with a net book value of \$32,000 (December 31, 2021 – \$51,000) and right-of-use assets with a net book value of \$32,000 (December 31, 2021 – \$29,000).

5. Exploration and Evaluation (“E&E”) Assets

Cost	Total
Balance, January 14, 2021	-
Additions	562
Balance, December 31, 2021	562
Additions	6,054
Transferred to E&E expense	(4,391)
Balance, September 30, 2022	2,225

The Company holds helium exploration permits in Saskatchewan with an initial 3-year term. The September 30, 2022 additions include \$211,000 of non-cash share-based compensation (December 31, 2021 – \$29,000) and \$34,000 of non-cash decommissioning obligations (December 31, 2021 – \$nil). During the nine months ended September 30, 2022, \$4,391,000 of E&E assets were transferred to E&E expense, due to the overall results of the drilling program.

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.

Pursuant to a Royalty Agreement, a 3.0% gross overriding royalty (“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 \$nil and \$5,000, respectively, to E&E expense for the three and nine months ended September 30, 2022 (three months and period ended September 30, 2021 – \$nil and \$720,000, respectively).

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

6. Lease Obligations

	Total
Balance, January 14, 2021	-
Additions	32
Interest expense	1
Balance, December 31, 2021	33
Additions	17
Lease payments	(18)
Balance, September 30, 2022	32
Current portion of lease obligations	20
Non-current portion of lease obligations	12

	September 30, 2022
Lease payments	18
Interest payments	(2)
Total cash outflow	16

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 nine months ended September 30, 2022 was 10.0%.

7. Decommissioning Obligations

	September 30, 2022	December 31, 2021
Decommissioning obligations, beginning of period	-	-
Additions	33	-
Change in estimates	1	-
Accretion	-	-
Decommissioning obligations, end of period	34	-

The Company's decommissioning obligations result from its ownership interest in helium assets currently comprised of well sites. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years.

The following significant assumptions were used to estimate the decommissioning obligations:

	September 30, 2022	December 31, 2021
Undiscounted, uninflated cash flows	36	-
Risk free rate	3.56%	-
Inflation rate	3.18%	-
Timing of cash flows	2.3 years	-

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8. Share Capital

The authorized capital of HEVI consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series, without par value.

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

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

¹ In conjunction with the closing of the Amalgamation as detailed in note 3, each common share, option and warrant in Helium Evolution Private were subsequently exchanged for 1.00542 common shares in the capital of the Company. The number of common shares have been restated to reflect the exchange ratio.

² On November 10, 2021, Helium Evolution Private 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 Amalgamation. As at December 31, 2021, the Subscription Receipts were included in restricted cash and subscription receipts payable.

³ 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). Of the gross proceeds, \$6.1 million (\$5.5 million, net of share issuance costs) was allocated to share capital and \$0.8 million was allocated to warrant capital. In connection with the June 2022 Offerings, HEVI issued 17,295,500 units comprised of one common share and one-third of a warrant.

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

	Number of Warrants	Warrant Equity
Balance, 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
Balance, September 30, 2022	10,786,276	1,425

¹ Each warrant reflects the 1.00542 exchange ratio in accordance with the terms of 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. The weighted average Black-Scholes fair value is \$0.16 per warrant with a relative fair value ascribed to the warrants.

³ On June 28, 2022, HEVI issued 175,000 warrants to a finder in connection with the strategic investor private placement.

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9. Share Option Plan

The Company has an incentive Share Option Plan (the “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 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
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.

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 and/or capitalized over the option vesting period with a corresponding offset to contributed surplus. The options vest equally every six months for a period of thirty months from the grant date.

The fair value of the options on the date of issuance was determined using the following weighted average 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

Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

10. Supplemental Cash Flow Information

	September 30, 2022
Change in non-cash working capital:	
Accounts receivable	(212)
Deposits and prepaid expenses ¹	(63)
Accounts payable and accrued liabilities	213
	(62)
Allocated to:	
Operating	(434)
Financing	(142)
Investing	514
	(62)

¹The 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 November 2021 Offering. 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 the supplemental cash flow calculation.

11. 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

This note presents information about the Company's exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout the financial statements.

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 on hand, 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.

Cash on hand is held by a level 1 financial institution and restricted cash was held with the transfer agent.

(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.

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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.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and exploration and evaluation 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 and 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 cash flows from operations.

The timing of undiscounted cash outflows relating to the financial liabilities outstanding at September 30, 2022 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	559	-	-	-	559
Lease obligations	20	7	3	2	32
Total	579	7	3	2	591

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 cash on hand and 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 exploration and evaluation assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the

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exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests.

As at September 30, 2022, the Company had a positive working capital balance of \$9.3 million. Additionally, at September 30, 2022, the Company holds tubing and casing of \$1.5 million which was pre-purchased and not utilized.

These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

12. Commitments

The Company holds helium permits that require minimum expenditures on an annual basis (see note 5).

The Company entered into a two-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023, and has entered into certain 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

13. Related Party Transactions

The following table summarizes transactions with related parties:

	September 30, 2022
Exploration and evaluation expense – management	5

Under the terms of the January 14, 2021 share issuance to certain management and directors, 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 in the nine months ended September 30, 2022.

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 \$1.5 million 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.

14. Subsequent Events

Subsequent to September 30, 2022, the Company issued 810,000 stock options, including 400,000 stock options to officers of the Company.

Subsequent to September 30, 2022, the Company sold \$507,000 of tubing and casing that it held as a short-term asset at September 30, 2022.