



Helium Evolution Incorporated

Condensed Interim Financial Statements

As at September 30, 2024 and for the three and nine month periods ended September 30, 2024 and September 30, 2023

Helium Evolution Incorporated

Condensed Interim Statements of Financial Position

(unaudited)

(thousands of Canadian Dollars)	As at	As at
	September 30, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	4,432	6,330
Accounts receivable (note 10)	66	76
Deposits and prepaid expenses	50	66
Total Current Assets	4,548	6,472
Non-Current Assets		
Property, plant and equipment (note 3)	24	41
Tubing and casing	783	783
Exploration and evaluation assets (note 4)	5,461	4,343
Total Non-Current Assets	6,268	5,167
Total Assets	10,816	11,639
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (note 10)	297	708
Lease obligations (note 5)	20	21
Total Current Liabilities	317	729
Non-Current Liabilities		
Lease obligations (note 5)	5	22
Decommissioning obligations (note 6)	144	121
Total Non-Current Liabilities	149	143
Total Liabilities	466	872
Shareholders' Equity		
Share capital (note 7)	19,216	19,216
Warrants (note 7)	-	873
Contributed surplus	3,540	2,406
Deficit	(12,406)	(11,728)
Total Shareholders' Equity	10,350	10,767
Total Liabilities and Shareholders' Equity	10,816	11,639

See accompanying notes to the condensed interim financial statements.

Commitments (notes 4 and 11)

Helium Evolution Incorporated

Condensed Interim Statements of Loss and Comprehensive Loss

(unaudited)

(thousands of Canadian Dollars, except number of shares and per share amounts)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Expenses				
Exploration and evaluation (<i>note 4</i>)	10	375	34	398
Share-based compensation (<i>note 8</i>)	33	113	179	451
Interest income (net)	(49)	(104)	(182)	(302)
Depletion and depreciation (<i>note 3</i>)	6	13	17	39
General and administrative	185	195	630	648
Total expenses	185	592	678	1,234
Net loss and comprehensive loss	(185)	(592)	(678)	(1,234)
Weighted average number of shares outstanding - basic and diluted	96,033,974	96,033,974	96,033,974	96,033,974
Net loss per common share - basic and diluted	(0.00)	(0.01)	(0.01)	(0.01)

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Condensed Interim Statements of Cash Flows

(unaudited)

(thousands of Canadian Dollars)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in):				
Operating activities:				
Net loss for the period	(185)	(592)	(678)	(1,234)
Exploration and evaluation (<i>note 4</i>)	10	375	34	398
Share-based compensation (<i>note 8</i>)	33	113	179	451
Depletion and depreciation (<i>note 3</i>)	6	13	17	39
Accretion (<i>note 6</i>)	2	2	4	2
Change in non-cash working capital (<i>note 9</i>)	41	310	(189)	140
Cash provided by (used in) operating activities	(93)	221	(633)	(204)
Financing activities:				
Lease obligations (<i>note 5</i>)	(9)	(7)	(16)	(15)
Cash used in financing activities	(9)	(7)	(16)	(15)
Investing activities:				
Exploration and evaluation assets (<i>note 4</i>)	(334)	(916)	(1,053)	(2,110)
Tubing and casing, net	-	-	-	89
Change in non-cash working capital (<i>note 9</i>)	102	46	(196)	184
Cash used in investing activities	(232)	(870)	(1,249)	(1,837)
Net change in cash and cash equivalents	(334)	(656)	(1,898)	(2,056)
Cash and cash equivalents, beginning of period	4,766	7,728	6,330	9,128
Cash and cash equivalents, end of period	4,432	7,072	4,432	7,072
Cash and cash equivalents is comprised of:				
Cash	22	53	22	53
Cancellable guaranteed investment certificates	4,410	7,019	4,410	7,019

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Condensed Interim Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2024	96,033,974	19,216	873	2,406	(11,728)	10,767
Expiry of warrants (<i>note 7</i>)	-	-	(873)	873	-	-
Share-based compensation (<i>note 8</i>)	-	-	-	261	-	261
Net loss for the period	-	-	-	-	(678)	(678)
Balance, September 30, 2024	96,033,974	19,216	-	3,540	(12,406)	10,350

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2023	96,033,974	19,216	1,425	930	(8,775)	12,796
Expiry of warrants (<i>note 7</i>)	-	-	(85)	85	-	-
Share-based compensation (<i>note 8</i>)	-	-	-	662	-	662
Net loss for the period	-	-	-	-	(1,234)	(1,234)
Balance, September 30, 2023	96,033,974	19,216	1,340	1,677	(10,009)	12,224

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Notes to the Condensed Interim Financial Statements (unaudited)

As at September 30, 2024 and for the three and nine month periods ended September 30, 2024 and September 30, 2023

1. Organization and Nature of the Business

Helium Evolution Incorporated (“HEVI” or the “Company”) is a public company trading on the TSX Venture Exchange (“TSXV”) under the symbol HEVI. The Company was initially incorporated under the *Business Corporations Act* (British Columbia) on March 25, 2019. The Company is in the early stages of exploration for helium as a resource and has not yet determined whether its helium properties contain deposits that are economically recoverable.

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

2. Basis of Preparation

The unaudited condensed interim financial statements (the “financial statements”) have been prepared in accordance with IFRS Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board, and were prepared following the same material accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2023 (the “Annual Financial Statements”). These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s Annual Financial Statements.

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

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

The financial statements were authorized for issue by the board of directors of the Company on November 19, 2024.

3. Property, Plant and Equipment Assets

Cost	Total
Balance, December 31, 2022	112
Additions	1
Right-of-use asset additions	34
Balance, December 31, 2023	147
Balance, September 30, 2024	147
Accumulated depletion and depreciation	Total
Balance, December 31, 2022	61
Depletion and depreciation	45
Balance, December 31, 2023	106
Depletion and depreciation	17
Balance, September 30, 2024	123
Net book value	Total
Balance, December 31, 2023	41
Balance, September 30, 2024	24

Helium Evolution Incorporated

As at September 30, 2024, property, plant and equipment is comprised of office equipment with a net book value of \$1,000 (December 31, 2023 – \$1,000) and right-of-use assets with a net book value of \$23,000 (December 31, 2023 – \$40,000).

4. Exploration and Evaluation Assets

Cost	Total
Balance, December 31, 2022	2,552
Additions	3,265
E&E expense	(1,474)
Balance, December 31, 2023	4,343
Additions	1,152
E&E expense	(34)
Balance, September 30, 2024	5,461

The Company holds helium exploration permits in Saskatchewan with an initial three-year term. The September 30, 2024 additions include \$82,000 of non-cash share-based compensation (December 31, 2023 – \$299,000) and \$19,000 of non-cash decommissioning obligations (December 31, 2023 – \$85,000). During the nine months ended September 30, 2024, \$34,000 of exploration and evaluation (“E&E”) assets were recognized in E&E expense based on historic costs incurred (year ended December 31, 2023 – \$1,474,000), due to unfavourable well results in the McCord core area. On May 26, 2023, the Company repurchased 0.5% of the gross overriding royalty (“GORR”) from a former officer of the Company (see note 13).

To keep the Company’s leases in good standing, the Company has annual lease expenditure commitments as follows: remainder of 2024 – \$122,000, 2025 – \$564,000, 2026 - \$565,000 and annual permit expenditure commitments as follows: remainder of 2024 – \$45,000, 2025 – \$60,000 and 2026 - \$60,000. Permit expenditures can be grouped and carried forward to future years if the expenditure amount is greater than the minimum expenditure required. If the above commitments are not satisfied, the Company will relinquish the associated helium permits.

At September 30, 2024, the Company has E&E assets of \$5,461,000. There were no impairment indicators for the exploration and evaluation assets as of September 30, 2024.

5. Lease Obligations

	Total
Balance, December 31, 2022	29
Additions	36
Lease payments	(22)
Balance, December 31, 2023	43
Lease payments	(18)
Balance, September 30, 2024	25
Current portion of lease obligations	20
Non-current portion of lease obligations	5

	September 30, 2024	December 31, 2023
Lease payments	18	22
Interest payments	(2)	(2)
Total cash outflow	16	20

Helium Evolution Incorporated

The Company has lease liabilities for contracts related to office space and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The discount rate applied during the period ended September 30, 2024 was 10.0% (December 31, 2023 – 10.0%).

6. Decommissioning Obligations

	September 30, 2024	December 31, 2023
Decommissioning obligations, beginning of period	121	34
Additions	13	28
Change in estimates	6	57
Accretion	4	2
Decommissioning obligations, end of period	144	121

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, 2024	December 31, 2023
Undiscounted, uninflated cash flows	141	115
Risk free rate	3.23%	3.30%
Inflation rate	2.70%	3.46%
Timing of cash flows	9.2 years	8.7 years

7. Share Capital

The authorized capital of HEVI consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series with no par value.

The following table details the number of common shares issued and outstanding as at September 30, 2024:

	Number of Class A Common Shares	Share Equity
Balance, December 31, 2022, December 31, 2023 and September 30, 2024	96,033,974	19,216

As of September 30, 2024, all warrants had expired and the balance of warrant equity was moved to contributed surplus. The following table details the number of warrants issued and outstanding as at September 30, 2024:

	Number of Warrants	Warrant Equity
Balance, December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
Balance, December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
Balance, September 30, 2024	-	-

Helium Evolution Incorporated

The number of warrants issued and outstanding, weighted average exercise price and weighted average remaining life are as follows:

	Number of Warrants	Weighted Average Exercise Price (\$/share)	Weighted Average Remaining Life (years)
Balance, December 31, 2022	10,786,276	0.52	-
Expired	(4,846,124)	0.30	-
Balance, December 31, 2023	5,940,152	0.70	-
Expired	(5,940,152)	0.70	-
Balance, September 30, 2024	-	-	-

8. Share Option Plan

The Company has an incentive Share Option Plan (the “**Option Plan**”) for directors, officers, employees, and consultants, under which the Company may issue share options to purchase common shares of the Company provided that the amount of incentive share options which may be granted and outstanding under the Option Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

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

	Number of Options	Weighted Average Exercise Price (\$/share)	Weighted Average Remaining Life (years)
Balance, December 31, 2022	7,625,718	0.34	2.6
Issued	1,950,000	0.16	3.4
December 31, 2023	9,575,718	0.30	2.7
Balance, September 30, 2024	9,575,718	0.29	2.7

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

	Exercisable Options	Weighted Average Exercise Price (\$/share)
December 31, 2023	5,306,574	0.32
September 30, 2024	7,691,718	0.29

On June 12, 2024, the Company amended the exercise price from \$0.385 per share to \$0.15 per share (the “**Amendment**”) on 700,000 stock options (the “**Amended Options**”), of which 420,000 stock options were vested. The Amended Options were previously granted to certain consultants and investor relations service providers of the Company under the Option Plan. The Amendment did not impact any stock options held by insiders or directors. In the three and nine months ended September 30, 2024, the Company recorded a non-cash share-based compensation expense of \$1,000 and \$3,000, respectively (net, nil and \$3,000 of capitalization in the three and nine months ended September 30, 2024, respectively), relating to the Amended Options. This amount represents the fair value of the Amendment determined by the difference between the fair value of the outstanding share option with the share price of \$0.385 per share and the fair value of the outstanding share option with the share price of \$0.15 per share. The fair value in each case was estimated as at June 12, 2024 using the Black-Scholes pricing model that takes into account: share price on the measurement date, exercise price of the instrument, expected volatility based on either the Company’s publicly available information, weighted average expected life, estimated forfeiture rate, expected dividends and the risk-free interest rate.

Helium Evolution Incorporated

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

	Original	Amended
Share price	0.150	0.15
Exercise price	0.385	0.15
Risk-free interest rate	3.70%	3.70%
Expected life (years)	3	3
Expected volatility	188%	188%
Forfeiture rate	9.0%	9.0%
Expected dividends	Nil	Nil
Fair value	0.13	0.14

9. Supplemental Cash Flow Information

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Accounts receivable	(1)	247	10	184
Deposits and prepaid expenses	45	40	16	(52)
Accounts payable and accrued liabilities	99	69	(411)	192
Change in non-cash working capital	143	356	(385)	324
Allocated to:				
Operating	41	310	(189)	140
Investing	102	46	(196)	184
Change in non-cash working capital	143	356	(385)	324

10. Risk and Capital Management

The Company's activities expose it to a variety of financial and non-financial risks inherent in the business. Financial risks include: equity price, commodity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

Credit risk

Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss.

The Company's maximum exposure to credit risk is the sum of the carrying values of its cash and cash equivalents and accounts receivable. As at September 30, 2024, the Company's accounts receivables consisted of sales taxes paid on general and administrative and capital expenditures and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents balance with a major Canadian chartered bank.

Market risk

Market risk is the risk that the fair value or future cash flow from operating activities of the Company's financial instruments will fluctuate because of changes in market prices. This could include changes in market conditions, such as commodity prices, foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Helium Evolution Incorporated

Liquidity risk

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

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

The timing of undiscounted cash outflows relating to the financial liabilities outstanding at September 30, 2024 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	297	-	-	-	297
Lease obligations	20	4	1	-	25
Total	317	4	1	-	322

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 debt or capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cash flows from operations.

Capital management

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

HEVI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt or obtain alternative financing. To date, the Company's main source of funding has been the issuance of equity and warrant securities for cash, through private placements.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. 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 ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests. These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

As at September 30, 2024, the Company had a positive working capital balance of \$4.2 million (December 31, 2023 - \$5.7 million).

11. Commitments

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

The Company entered into a two-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023. The office lease was renewed in June 2023 for an additional two years, beginning November 1, 2023 and ending October 31, 2025. Additionally, the Company has entered into certain office equipment leases. The lease commitments as at September 30, 2024 are as follows:

Helium Evolution Incorporated

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	20	4	1	-	25

12. Financial Instruments

At September 30, 2024, the Company's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities.

The Company's cash and cash equivalents are classified as Level 1 measurements. The Company has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The carrying value of the Company's accounts receivable and accounts payable and accrued liabilities at September 30, 2024 approximate their respective fair values due to the short-term nature of these instruments.

13. Related Party Transactions

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. On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for \$119,000 inclusive of transaction costs.