



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 April 24, 2024 and should be read in conjunction with HEVI's audited financial statements and related notes as at and for the years ended December 31, 2023 and December 31, 2022 (the "**Financial Statements**"), which are available on SEDAR + at www.sedarplus.ca. All financial information is reported in Canadian dollars and all per share information is based on diluted weighted average common shares, unless otherwise noted. Tabular amounts in this MD&A are in thousands of Canadian dollars, except share and per share amounts.

The Financial Statements have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the expenses during the reporting period. Management reviews these estimates, including those related to accruals and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

Readers are cautioned that the MD&A should be read in conjunction with HEVI's disclosure elsewhere in this MD&A, including in the sections entitled "Use of Judgements and Key Sources of Estimation Uncertainty", "Business Risks and Uncertainties" and "Forward-looking Statements" included at the end of this MD&A.

About Helium Evolution Incorporated

HEVI is a public company trading on the TSX Venture Exchange ("**TSXV**") under the symbol HEVI.

The Company 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). Duckhorn was incorporated under the Business Corporations Act (British Columbia) on March 25, 2019. On March 16, 2022, Helium Evolution Private and Duckhorn completed a business combination 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 takeover with Helium Evolution Private being the acquirer for accounting purposes. Helium Evolution Private is the continuing entity and accordingly, the information presented for periods prior to March 16, 2022 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 5.6 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 December 31, 2023, HEVI holds a 99.5% net working interest in these permits, encumbered by a 4.25% government royalty and a 2.5% gross overriding royalty ("**GORR**").



Selected Financial Information

	Year ended		Period ended
	December 31, 2023	December 31, 2022	December 31, 2021
Financial			
Revenue	-	-	-
Net loss	2,953	7,363	1,412
Net loss per share, basic and diluted ¹	(0.03)	(0.09)	(0.06)
Cash and cash equivalents	6,330	9,128	171
Working capital	5,743	10,236	511
Total assets	11,639	13,022	13,666
Total liabilities	872	226	12,530
Weighted average shares			
Basic and diluted ¹	96,033,974	78,397,100	25,495,726

¹ The weighted average number of common shares outstanding is not increased for outstanding stock options and warrants when the effect is anti-dilutive.

Selected Quarterly Financial Information

Three months ended	Total revenue	Net loss	Net loss per share (basic and diluted)
December 31, 2023	-	1,719	0.02
September 30, 2023	-	592	0.01
June 30, 2023	-	331	0.00
March 31, 2023	-	311	0.00
December 31, 2022	-	520	0.01
September 30, 2022	-	3,847	0.04
June 30, 2022	-	1,342	0.02
March 31, 2022	-	1,654	0.04

Outlook

The Company continues to execute its strategy of acquiring and developing its significant land base in Saskatchewan with the ultimate goal of helium production.

On June 28, 2022, the Company entered into a farmout agreement (the “**Original Farmout Agreement**”) with North American Helium Inc. (“**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 test well drilled, NAH will earn an 80% operated interest in the section on which the well was drilled plus nine contiguous sections of land. HEVI will retain a 20% working interest in the earned lands and each successful well drilled by NAH. 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 Original 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 at any point until June 2024, 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 (the “**Amended Farmout Agreement**”) as well as a seismic option agreement (the “**Seismic Option Agreement**”) and a seismic review option agreement (the “**Seismic Review Option**”) and collectively with the Seismic Option Agreement, the “**Seismic Agreements**”) with NAH. Pursuant to the Seismic Agreements, the number of wells to be drilled by NAH could be expanded by 60%, from five wells per the Original Farmout Agreement to up to eight wells. NAH elected to drill two wells per the Seismic Option Agreement and elected to drop the Seismic Review Option well.

Finally, at no cost, HEVI received NAH’s proprietary seismic recently used to drill three successful NAH wells in the Mankota area plus all seismic shot on the Seismic Agreements land, estimated to be approximately 200km, giving HEVI greater insight and valuable data that can be used in identifying future drilling targets. The Amended Farmout Agreement and the Seismic Option Agreement offer 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.

As a result of the Amended Farmout Agreement and the Seismic Option Agreement, NAH has drilled seven earning wells (“**Farmout Wells**”, and each a “**Farmout Well**”) on HEVI lands since November 2022 and earned an interest in 70 sections of HEVI’s land base. Farmout Wells are funded 100% by NAH and HEVI retains a 20% working interest. In addition to the Farmout Wells, in the third and fourth quarters of 2023, NAH and HEVI drilled two joint wells (“**Joint Wells**”), with HEVI participating in the Joint Wells at its 20% working interest. The following Farmout Wells and Joint Wells, spud dates and status are as follows:

Area, Well ID	Spud Month	Status
Farmout Wells:		
Mankota 13-30-2-8W3	November 2022	Cased for further evaluation
Mankota 1-1-06-10W3	December 2022	To be abandoned
Mankota 12-11-05-10W3	July 2023	To be abandoned
Gravelbourg 12-13-10-8W3	July 2023	Cased for further evaluation
McCord 6-13-5-7W3	August 2023	To be abandoned
Fox 11-13-13-29W3	September 2023	Cased for further evaluation
Mankota 9-35-3-9W3	January 2024	Completed in Q1-2024
Joint wells:		
Mankota 2-31-2-8W3	September 2023	Completed in Q4-2023
Mankota 9-18-3-8W3	November 2023	Awaiting stimulation in Q2-2024

In the third quarter of 2023, NAH and HEVI drilled their first joint well at 2-31-2-8W3 (“**2-31 Well**”). The 2-31 Well encountered helium bearing gas and was completed, tested and evaluated in the fourth quarter of 2023 and was successfully stimulated subsequent to year end. The 2-31 Well underwent a series of tests to confirm flow rates, reservoir boundaries and gas composition, all of which represent important data points to help inform future development plans in the area. The 2-31 Well had helium concentrations of 0.95%, more than three times the 0.3% level deemed commercially viable, and 96% nitrogen, with the balance comprised of fractional percentages of minor component gases.

Subsequent to stimulation in the first quarter of 2024, the 2-31 Well demonstrated rates and pressures that remained steady throughout the three-day flow test period, indicating a stable and productive reservoir, and the well flow tested at 4.0 million standard cubic feet per day (“**MMscf/d**”) and 5,500 kiloPascals (“**kPa**”) flowing tubing pressure. Further, negligible water was produced by the well during the test period, which is favorable for helium recovery and processing.

In the fourth quarter of 2023, NAH and HEVI drilled a second joint well at 9-18-3-8W3 (“**9-18 Well**”). The 9-18 Well encountered helium and completion, perforation and initial production testing took place in



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the first quarter of 2024. After initial testing, the 9-18 Well had a preliminary helium concentration of 0.78% and no water. In an effort to enhance productivity, as was successfully done on the 2-31 Well, it is anticipated that the 9-18 Well will be stimulated in Q2-2024, subject to surface conditions.

Subsequent to year end, NAH drilled its seventh and final Farmout Well at 9-35-3-9W3 ("**9-35 Well**"). The 9-35 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2024. The 9-35 Well was producing approximately 7 MMscf/d at 9,000 kPa flowing tubing pressure at the end of a six-day extended flow period, with a helium concentration of 0.64% and no water. After the extended production flow period, the 9-35 Well was shut in for a 21-day period to collect reservoir pressure data to confirm flow rates and reservoir boundaries. A third-party post-flow pressure transient analysis indicated no reservoir pressure depletion or reservoir boundaries, highlighting a potentially expansive and productive reservoir.

HEVI continues to work with NAH to determine optimal next steps, which includes the drilling of six to nine development wells (the "**New Wells**") in the next year designed to further delineate the pools. With HEVI's 20% working interest in the New Wells, the Company is positioned to capitalize on this strategic expansion, building upon three existing helium discoveries at Mankota. The Company intends to work with NAH over the coming months to determine specific well locations and timelines. In addition, NAH has received approval of a facility license at 12-30-2-8W3, approximately 1,500 metres from the 2-31 Well, the construction of which would represent another significant milestone on HEVI's path to commercialization. It is anticipated that HEVI will fund the New Wells from existing working capital, however in order to ensure that the Company has sufficient liquidity, the Company may access debt or capital markets in the coming year.

In addition to the above-mentioned activities, 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.

Results of Operations

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Exploration and evaluation	1,076	87	1,474	4,478
Share based compensation	174	185	625	526
Impairment expense	121	8	121	8
Listing expense	-	-	-	1,142
Transaction costs	-	-	-	96
Interest expense (income) (net)	(87)	(92)	(389)	(155)
Depletion and depreciation	6	13	45	51
General and administrative	429	319	1,077	1,217
Net loss	1,719	520	2,953	7,363



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Capital Expenditures and Exploration and Evaluation

The following summarizes the Company's capital spending:

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Seismic, geological & geophysical	135	155	1,114	1,287
Drilling and completions	536	93	1,269	4,535
Royalty assets	-	-	119	-
Facilities	-	-	-	124
Helium permits	101	54	380	165
Office equipment	1	-	1	5
Total capital spending- cash	773	302	2,883	6,116

Capital spending for the three and twelve months ended December 31, 2023 totaled \$773,000 and \$2,883,000, respectively (three and twelve months ended December 31, 2022, \$302,000 and \$6,116,000, respectively). In the year ended December 31, 2023, the majority of the Company's capital spending was focused on building out its extensive seismic database, participating in the drilling, completion and testing of the 2-31 Well, participating in the drilling of the 9-18 Well and the completion of a previously drilled well on HEVI lands at 6-12-6-5W3. To date, the Company has acquired approximately 2,000 km of seismic and is in the process of interpreting the seismic to select future drilling targets. Additionally, in the second quarter of 2023, the Company re-purchased 0.5% of the 3% total GORR from a former officer of the Company. Comparatively, in 2022, HEVI acquired and shot seismic and drilled its first two wells in the second and third quarters of 2022.

Share-Based Compensation Expense

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

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Total share-based compensation	262	297	924	849
Capitalized portion of share-based compensation	(88)	(112)	(299)	(323)
Share-based compensation	174	185	625	526

The amount recorded as share-based compensation expense for the three and twelve months ended December 31, 2023 totaled \$174,000 and \$625,000, respectively (three and twelve months ended December 31, 2022, \$185,000 and \$526,000, respectively). Additionally, \$88,000 and \$299,000 of share-based compensation was capitalized to exploration and evaluation ("E&E") assets during the three and twelve months ended December 31, 2023, respectively (three and twelve months ended December 31, 2022 – \$112,000 and \$323,000, respectively).



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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	2.9
Issued	5,210,000	0.37	3.6
Forfeited	(1,002,710)	0.34	3.2
December 31, 2022	7,625,718	0.34	3.3
Issued	1,950,000	0.16	4.1
December 31, 2023	9,575,718	0.30	3.5

¹ Each option issued prior to the Amalgamation 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, 2022	1,866,287	0.33
December 31, 2023	5,306,574	0.32

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	0.160
Risk-free interest rate	2.93%
Expected life (years)	5
Expected volatility	97%
Forfeiture rate	9.0%
Expected dividends	Nil
Fair value	0.12

Interest Income (net)

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Interest income (net)	(87)	(92)	(389)	(155)

Net interest income recorded in the three and twelve months ended December 31, 2023 of \$87,000 and \$389,000, respectively (three and twelve months ended December 31, 2022, \$92,000 and \$155,000, respectively). Interest income in the three and twelve months ended December 31, 2023 was principally a result of investing excess cash balances into redeemable short-term guaranteed investment certificates with interest rates ranging from 4.85% to 5.60%. Interest income in the three and twelve



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months ended December 31, 2022 was principally a result of interest income on excess cash balances, offset by interest expense incurred on a short-term loan that was repaid during the first quarter of 2022.

Depletion and Depreciation Expense

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Depletion and depreciation expense	6	13	45	51

Depletion and depreciation expense in the amount of \$6,000 and \$45,000 was recorded in the three and twelve months ended December 31, 2023, respectively, and is related to the Company's office equipment and right-of-use assets (three and twelve months ended December 31, 2022, \$13,000 and \$51,000, respectively). 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		Year ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
General and administrative expense	435	322	1,083	1,268
Overhead recoveries	(6)	(3)	(6)	(51)
General and administrative expense	429	319	1,077	1,217

General and administrative expenses ("**G&A**") for the three and twelve months ended December 31, 2023 totaled \$429,000 and \$1,077,000, respectively (three and twelve months ended December 31, 2022, \$319,000 and \$1,217,000, respectively). The Company has incurred costs associated with being a public company including management salaries, consulting fees, software fees, office related expenses, legal and regulatory fees, marketing and investor relations. The decrease in G&A year over year is mainly due to non-recurring marketing activities undertaken in 2022.

Share Capital

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

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)
December 31, 2022 and December 31, 2023	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 December 31, 2023:



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	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
December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
December 31, 2023	5,940,152	873

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 business combination agreement entered into between Helium Evolution Private and Duckhorn dated September 19, 2021 and as amended October 22, 2021 and February 8, 2022.

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.

During the year ended December 31, 2023, warrants totaling 4,846,124 expired. At the date of this MD&A, there are 96,033,974 common shares, 9,575,718 options and 5,940,152 warrants issued and outstanding.

Liquidity, Financing and Capital Resources

	December 31, 2023
Opening cash position	9,128
Inflow of funds	
Changes in non-cash working capital	703
Tubing and casing	871
Total inflow of funds	1,574
Outflow of funds	
Capital expenditures	(2,883)
Lease payments	(20)
Cash flow used in operations, before changes in non-cash working capital	(686)
Total outflow of funds	(4,372)
Closing cash position	6,330

Capital Funding and Resources

As at December 31, 2023, the Company's working capital balance was \$5,743,000 (December 31, 2022 - \$10,236,000), including cash and cash equivalents of \$6,330,000. The working capital balance at December 31, 2023 excludes casing inventory of \$783,000 which was pre-purchased for a multi-well



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drilling program. The casing inventory is considered liquid, given the supply chain issues facing the oil and gas industry.

The working capital balance, including the casing inventory, is expected to be sufficient to fund the Company's capital program for 2024. The Company has considerable flexibility in managing capital given the current terms of helium permits granted by the Government of Saskatchewan. Any commitments related to the lease and permit terms are incorporated into the capital budget.

Financial Risk Management

HEVI is exposed to a variety of financial and non-financial risks inherent in the helium business, including, but not limited to: equity price risk, commodity price risk, foreign exchange, credit availability and liquidity risk. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

(a) Credit risk

Credit risk is the risk that a third party will not complete its contractual obligations under 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 December 31, 2023, the Company's accounts receivables consisted of sales taxes paid on G&A 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.

(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 December 31, 2023.

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 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 for G&A 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 cash on hand 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



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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.

Commitments

The Company holds helium exploration permits in Saskatchewan with an initial three-year term. To keep the Company's current leases in good standing, the Company has annual lease expenditure commitments as follows: 2024 – \$452,000, 2025 – \$565,000 and 2026 – \$565,000 and annual permit expenditure commitments as follows: 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.

The Company entered into an initial 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 office equipment leases. The lease commitments as at December 31, 2023 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	21	20	2	-	43

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 to companies controlled by such individuals. As a result, the Company assigned a value of \$nil to E&E expense for the year ended December 31, 2023 (year ended December 31, 2022 - \$5,000). 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.

On January 12, 2022, the Company entered into a Secured Promissory Note (the "**Promissory Note**") with a current director of the Company in the amount of \$1,500,000 with an annualized interest rate of 10%. The Promissory Note was secured by a general security agreement between the parties providing



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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 December 31, 2023.

Financial Instruments

Financial instruments of the Company include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity.

Use of Judgements and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Identification of cash generating units

The Company's assets are aggregated into cash generating units ("**CGUs**") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment regarding shared infrastructure, geographical proximity, and similar exposure to market risk and materiality.

(ii) Exploration and evaluation

The application of the Company's accounting policy for E&E requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

The Company assesses its E&E assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of helium properties are planned, whether commercially viable quantities of helium mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered.

(iii) Deferred income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets, if any, are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable income. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in earnings or loss in the period in which the change occurs.



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(iv) Climate reporting regulations

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

Business Risks and Uncertainties

The Company's business of exploring for resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company 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.

Without limiting the generality of the foregoing, on November 10, 2023 the Ministry of Energy and Resources of the Government of Saskatchewan released a discussion paper entitled *Establish a Modernized Helium and Brine Mineral Tenure System* (the "**Discussion Paper**"). The Discussion Paper proposes several changes to the current regulatory framework in Saskatchewan which may have a negative effect on the Company and its business, if adopted. At this time no changes proposed in the Discussion Paper have been enacted.

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

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

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any resources discovered. The marketability and price of helium which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include but are not limited to: delivery uncertainties related to the proximity of its resources to processing facilities; and extensive government regulation relating to price, taxes, royalties, allowable production, land tenure, the import and export of minerals and many other aspects of the mineral extraction business. Declines in resource prices may have a negative effect on the Company.



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The resource industry is intensely competitive, and the Company must compete in all aspects of its operations with a substantial number of other corporations which may have greater technical or financial resources. The Company may be unable to acquire drilling rigs, service rigs, materials, additional attractive resource properties, employees and contractors, service providers and other items on terms it considers to be acceptable.

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mineral extraction industry operations, which could result in environmental pollution. Failure to comply with such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

An inability to manage costs could have a material adverse effect on the Company. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flow.

Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favour of the Company. If any of such conflicts are not resolved in favour of the Company, the Company may be adversely affected.

The Company's business, financial condition and results of operations may be affected by a number of factors, including, but not limited to, the factors described within the Forward-looking Statements section of this MD&A, the Company's annual information form dated September 6, 2023 and the Company's other disclosure documents filed with Canadian securities regulatory authorities.

Environmental Reporting Regulations

In March 2024, the Canadian Sustainability Standards Board proposed Canadian-specific modifications to IFRS S1: *General Sustainability-related Disclosures* and IFRS S2: *Climate-related disclosures*, which were issued by the International Sustainability Standards Board (ISSB) in June 2023. The new standards add sustainability and climate disclosure requirements for annual reporting purposes. The Canadian-specific versions of IFRS S1 and S2 are expected to be available for voluntary adoption starting January 1, 2025; however, the Canadian Securities Administrators have not yet confirmed whether the new standards will be mandated for Canadian reporting issuers. The Company is actively reviewing the new standards and has not yet determined the impact on future financial statements, nor has HEVI quantified the costs to comply with such standards.

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,"



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"believes," "intends," "estimates," "projects," "potential" and similar expressions, or that events or conditions "will," "would," "may," "could" or "should" occur.

Forward-looking statements in this document include statements regarding the Company's ability to identify future exploration and drilling targets, timeline of drilling, increasing shareholder value, the Company's ability to preserve capital, the Company's expectations regarding scalable helium production from its land generally, the Company and/or NAH's plans with respect to stimulation of the 9-18 Well, the Company's expectations regarding recoverability of helium, the Company and/or NAH's ability to identify future exploration and drilling targets, the Company and/or NAH's plans regarding future exploration and development including the New Wells, the productivity of the 2-31 Well, the productivity of the 9-35 Well, the Company and/or NAH's plans regarding building a facility at 12-30-2-8W3, the Company's ability to achieve commercial production, 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; the Company and/or NAH may be unsuccessful in drilling commercially productive wells; NAH may defer the drilling, completion and stimulation of wells including the New Wells; the Company and/or NAH may determine not to bring the 2-31 Well and/or the 9-35 Well onto production; NAH may abandon any plans to build a facility at the 12-30-2-8W3 site; 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 which may adversely affect the price of the Company's securities regardless of its operating performance; and the granting of additional permits is subject to a competitive process over which the Company has no control.

When relying on forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and risks and other uncertainties and potential events. The Company has assumed that the material factors referred to in the previous paragraphs will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.