



# Management Discussion & Analysis

Quarters Ending September 30, 2023 & 2022

## Avanti Helium Corp

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## MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Avanti Helium Corp.'s ("Avanti" or "AVN" or "the Company") financial results prepared in accordance with International Financial Reporting Standard ("IFRS"). The MD&A primarily compares the condensed consolidated interim financial results for the third quarter ended September 30, 2023, and 2022. Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the Company's IFRS financial records (also see the section titled "Controls and Procedures"). The financial information presented throughout this MD&A should be read in conjunction with the condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2023 and 2022, as well as the audited consolidated financial statements for the years ended December 31, 2022, and 2021 and the related notes.

Unless otherwise indicated, all amounts shown below are in Canadian dollars. Additional information regarding our Company is available on SEDAR, [www.sedar.com](http://www.sedar.com). Such additional information is not incorporated herein unless otherwise specified and should not be deemed to be made part of this MD&A.

The Audit Committee of the Board of Directors, the majority of members who are independent as defined in National Instrument 52-110; met to review the interim condensed consolidated interim financial statements with Management and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors approved the condensed consolidated interim financial statements on November 28, 2023.

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from the Company's expectations. The Company assumes no obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

Unless otherwise stated, all dollar amounts are in Canadian dollars. The notation "USD" represents United States dollars.

## NON-IFRS MEASURES

The Company uses IFRS, additional and non-IFRS (or non-generally accepted accounting principles or non-GAAP) measures to make strategic decisions, to set targets and use in operating activities, and facilitate management's assessment of historical operating results and strategic and operational decision-making, and may be used by others to evaluate the Company's performance.

Additional and non-IFRS measures are also viewed as key information by the chief decision maker, the Chief Executive Officer, who regularly reviews such measures in making strategic, expense, and capital investment decisions.

### Working Capital

Working capital is a measure used by the Company that may not have a standard meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Working capital is calculated by subtracting current liabilities from current assets. Working capital is a non-IFRS measure with no comparable IFRS measure.

## Operating Netback

The Company defines “operating netback” as helium revenue less royalty expense, operating expense and transportation and other expenses. Although the Company does not have helium sales, it is believed that operating netback will assist management and investors in assessing the Company’s operating profits after deducting the cash costs that are directly associated with the sale of its helium production, which can then be used to pay other corporate cash costs or satisfy other obligations.

## OVERVIEW OF BUSINESS

Avanti is focused on exploring, acquiring, and developing helium across western Canada and the United States. The Company aims to produce and sell helium towards late second quarter of 2024.

The Company operates with one reportable segment that covers all aspects of the Company’s business.

The Company considers the basis on which it is organized (including the current economic characteristics such as the nature of the product, government and non-governmental regulatory bodies, potential types of customers, operating segments served within the industry and similarity of segments with other helium companies, quantitative and qualitative thresholds, etc. and geographic areas) in identifying its reportable segment. The Company’s operating segment is defined as a component of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision-maker in allocating resources and assessing performance. The chief operating decision-maker of the Company is the Chief Executive Officer.

Within this MD&A, however, the Company provides additional asset-level information such as expenditures, land area or projects, and geography as it believes this additional supplemental information is helpful to stakeholders concerning the development of the business.

## AVANTI’S STRATEGY

The Company is a dedicated group of technical professionals with over 400 years of senior oil and gas experience with companies such as Orintiv (formerly EnCana), Husky, Shell and a number of junior to mid-tier companies. The professional team brings diverse execution experience in:

- **Subsurface Geological, Geophysical (G&G) and Land:** to evaluate high-grade prospective helium prospects in North America.
- **Subsurface Exploitation:** to execute drilling and completion operations.
- **Facilities Management:** to produce and process helium.
- **Midstream Marketing:** to bring in and work with mid-stream and off-take agreements.

As a pure play helium company, Avanti has employed the following approach in identifying, acquiring, and developing helium assets:

## Strategic Evaluation

- The decades of experience in the oil and gas sector and its use of proprietary mapping technology enable the Company to employ a targeted approach and selection methodology to evaluate and prioritize acquisition opportunities that:
  - possess multiple potential pay zones in the Cambrian and Devonian formations.
  - diversifying its helium assets, where each asset carries a different risk profile for helium exploration.
- The Company's targeted approach and use of proprietary mapping helps manage risk, land acquisition costs, and exploration costs (i.e., costs incurred to explore land assets to earn rights and to avoid impairment expense).

## Focused Acquisitions

- The Company is focused on high value prospect acquisitions, targeting geographic areas and land with a high probability of exploration success, which may increase production probability.
- The Company is focused on acquiring assets in areas with other proven helium production where it expects to find helium with higher expected net cubic feet per day and total estimated recoverable resource.
- The Company is focused on "hot spots" for nitrogen-rich helium, considered 'green' helium by Avanti and its peer companies, which have a smaller environmental footprint with lower or net zero emissions.
- The Company focuses on locations where helium may be processed in a processing facility near a cluster of its helium wells.

## Diversified Portfolio

- The Company has targeted assets with multiple subsurface targets for helium in the Cambrian and Devonian subsurface zones.
- The Company has approximately 170,000 acres of land, comprising holdings in Northern Montana and Alberta (approximately 71,000 acres), and Saskatchewan (approximately 91,000 acres).

Generally, all lands are subject to and governed by the applicable leases, licenses, or term assignment terms, which vary from property to property and by governing laws of each jurisdiction.

## Potential Helium Project Economics

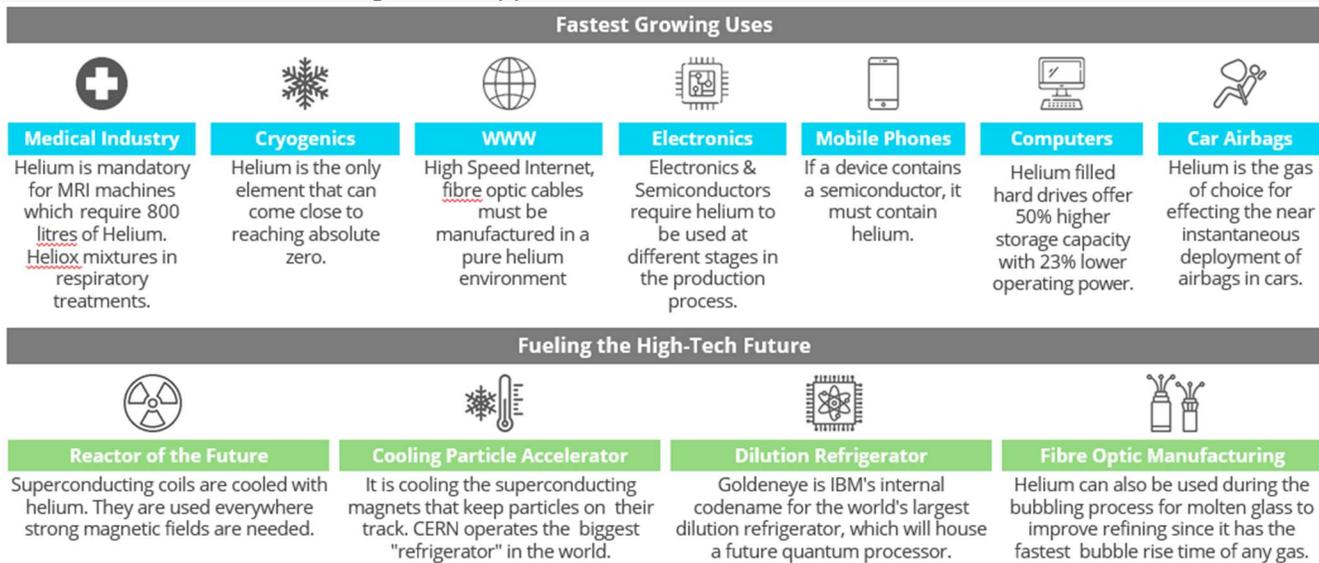
The Company is of the opinion that the three main drivers of helium for the economic viability of a helium play are helium pricing, helium production (Rate and Recoverable Gas in Place or "RGIP") and percentage of helium content in gas.

Pricing of helium varies greatly based on term of contract (i.e., spot versus long term contract) and if sold in gaseous and liquid form. However, it has also been determined that the following additional factors impact helium pricing: purity of helium; selling direct or close to end users, thereby eliminating conglomerate aggregators that do not own helium resources or molecules; term of sale or off-take

agreements; and ability to bulk deliver the helium. With the positive results of the WNG 10-21 and 11-22 wells, the RGIP and helium percentages are known factors. Thus, the Company's strategy is to control as much integration in the helium value chain as possible to maximize helium pricing and potential operating netback<sup>1</sup>.

## OUTLOOK

Helium's unique combination of physical and chemical characteristics make it a high-value commodity with numerous applications in crucial fields of industry and technology. The growing demand for helium is due to increased use in 'high-tech' applications as follows:



For several decades, the United States dominated the market for helium production, accounting for approximately 40% of the supply. Before 2021, the U.S. National Helium Reserve in Texas was the world's single largest source of helium. The Helium Stewardship Act expired in September 2021, and the U.S. Bureau of Land Management ("BLM") auctioned off all remaining public helium reserves, impacting national helium reserves and affecting both helium supplies and pricing.

Russia another leading supplier of helium, was anticipated to increase its presence globally with helium production from its Amur project but after coming on-stream in September 2021, the plant saw an outage due to a fire in October. The plant was repaired and brought on-stream again but this was followed by a major explosion in 2022. Although the Amur plant was repaired again in 2023, geopolitical sanctions has impacted Russia selling and / or supplying helium to the global markets. This instability of foreign supply, in addition to supply concerns has led to an increase in the spot prices and a strong interest in helium buyers securing North American sources of supply helium.

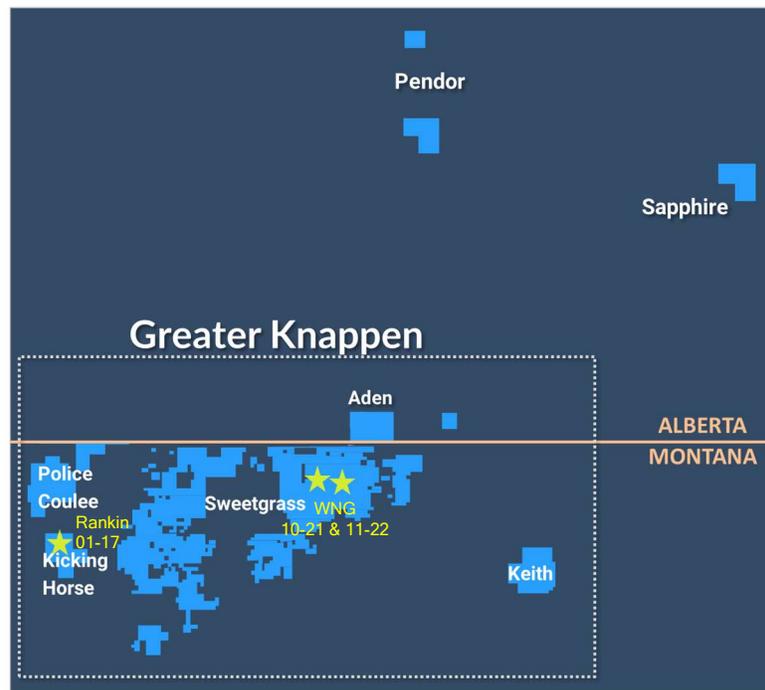
With the United States passing of the creating incentives to Produce Semiconductors ("CHIPS") Act the U.S. federal government has allocated \$50 billion to help drive the repatriation of semiconductor manufacturing to the U.S. As semiconductor manufacturing is not possible without helium, relying on foreign supply carry's significant risk to companies setting up new semiconductor manufacturing plants in the U.S.

<sup>1</sup> Operating netback is defined as helium revenue less royalty expense, operating expense, transportation, and other expenses. Operating netback is a non-IFRS term. Operating netback is defined as helium revenue less royalty expense, operating expense and transportation and other expenses. Operating netback is a non-IFRS term.

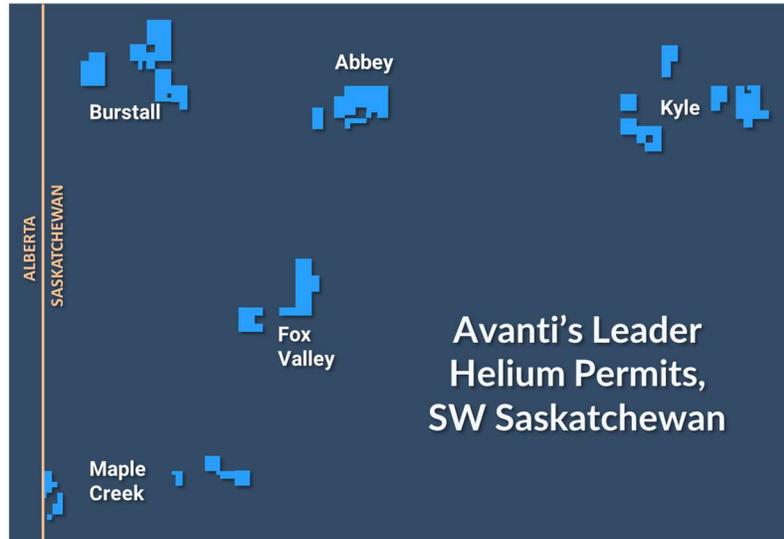
The Company expects to see continued growth in demand associated with 'fast growth uses' due to helium's unique properties, the rapid expansion and growth of types of uses, and computer chip shortages. With growing demand and limited extraction, the Company anticipates helium prices will continue to have a general upward trend.

## EXPLORATION & EVALUATION ASSET OVERVIEW

The Company has approximately 79,000 acres of leased / licenses in northwestern Montana and southern Alberta. Two exploration wells and one appraisal well have been drilled and cased in Greater Knappen, the Rankin 01-17, the WNG 11-22 and the WNG 10-21 (the larger area known as the "Greater Knappen"). The two wells in Sweetgrass have been completed and are capable of a total gas production of approximate 18 MMcf/d (million cubic feet per day) with an approximate 1.1% helium.



The Company also has a 100% interest in approximately 91,000 acres of several helium permits in southwestern Saskatchewan. The permit acreages were selectively targeted rather than acquiring large scale blanket land postings. The Company has acquired trade 2D seismic data over a known helium pool to use as a template for successful helium explorations in this region. The next step for this area is to acquire trade seismic data over our permits to advance the prospects and select future drilling locations.



## EXPLORATION & EVALUATION ASSET ACTIVITIES

During fiscal 2022, the Company drilled and completed the Rankin 01-17 and WNG 11-22 wells in the Greater Knappen area.

The Rankin 01-17 well was drilled to a depth of 5,860 feet and encountered all the targeted zones for helium potential. Open-hole logging indicated three zones with reservoir characteristics, suggesting further testing is warranted. DST was performed on the well to high-grade zones for completion. The Cambrian sandstone in the well had an excellent reservoir but was wet. The Souris River zones had good porosity and low water saturation, including an average helium percentage of up to 0.4%. The completion in the Souris River zones will be conducted later.

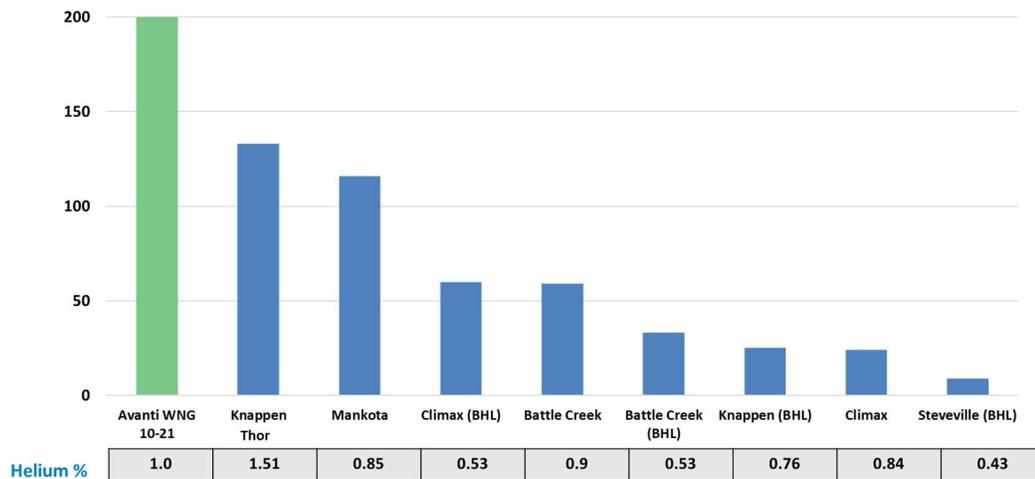
The WNG 11-22 was drilled to a total depth of 5,390 feet. Open hole logging of WNG 11-22 confirmed excellent reservoir quality in all the target zones. The Cambrian sandstone exhibits 35 feet of net pay with up to 16% porosity. The Souris River has two intervals totaling 42 feet net pay with up to 18% porosity. DST results on the WNG 11-22 well indicated all three zones showed potential commercially viable helium concentrations, including an average helium percentage of up to 1.1%.

The Company also completed an acidization and clean-up process of the Flathead Cambrian zone in the WNG 11-22 well, after which the well peaked at over 4 MMscf/d for six days on a choke at a flowing pressure of 300 psig (pound-force per square inch gauge). Preliminary lab results show the gas composition of the Cambrian zone to be 97.5 % Nitrogen, 1.1 % Helium, 1.1% Methane, 0.3% CO<sub>2</sub>, with trace amounts of hydrocarbons.

In the fourth quarter of 2022, the Company spudded appraisal well WNG 10-21. While entering productive zones, the Company saw gas and pressure at the surface with helium shows. Shortly after that, the Company started encountering mud losses. After several attempts to abate mud losses, the Company re-established drilling but re-encountered additional mud losses. A plug was set to heal the well, then the plug was drilled out and circulation was re-established. The Company continued drilling to the basement but, upon pulling out and due to the tightness of the hole, lost a portion of the drill string. A cement plug was set, and the Company kicked off (deviated) and continued drilling 150' north of the original bottom hole location. Additional mud losses were incurred again in the new bottom hole. To mitigate further operational risks, the Company decided to plug and case the well and return to finish drilling without using mud, utilizing a coil tubing drilling unit.

During the first quarter of 2023, the Company brought in a coiled tubing drilling unit and successfully finished drilling to a total depth of 5,368'. A flow test was conducted on the well up casing initially and up production tubing., The helium rate (flow) up the casing was one of the highest rate compared to other known Canadian producing helium pools in the past twenty (20) years.

**Helium Rates Tested After Completion (mcf/d)**



The Company received an updated contingent resource estimate from McDaniel & Associates Consultants Ltd. ("McDaniels") dated January 31, 2023. The updated total unrisks P50 contingent resource estimate for the Sweetgrass Pool in Greater Knappen has increased by 22% to 221MMcf of net recoverable helium as detailed in the table below. This volume represents the best estimate of the unrisks contingent resource and best estimate of the unrisks prospective resource.

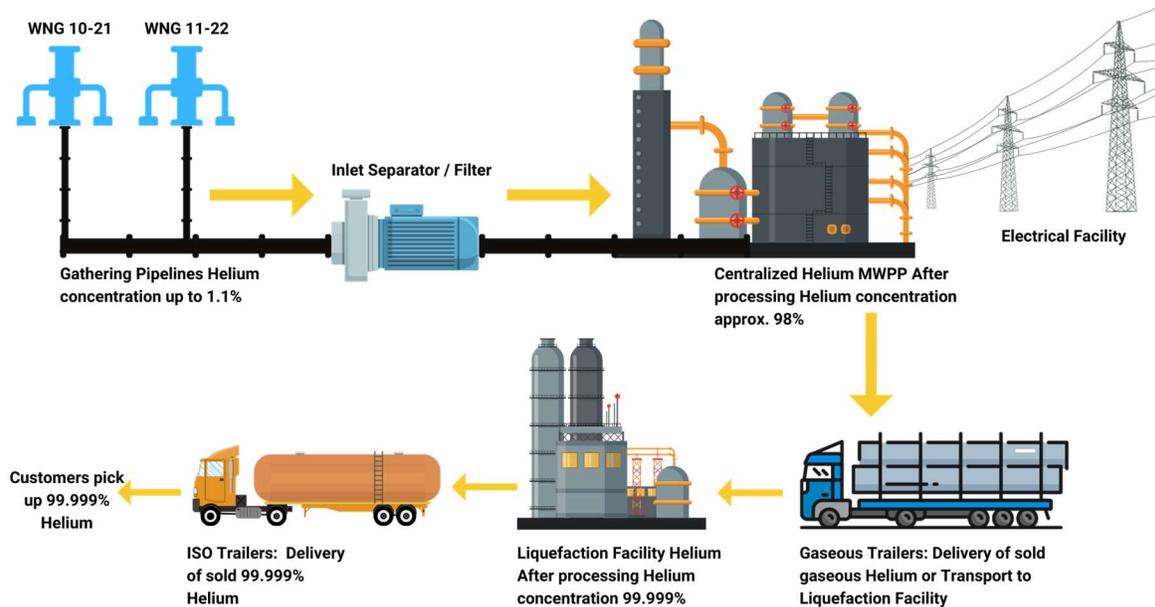
	Sweetgrass Pool Contingent Helium Resources				Greater Knappen Prospective Resource		
	Net Unrisks	Helium	WI	Percentage Change	Net Unrisks	Helium	WI
	Total Gas		AVG		Total Gas		AVG
	Bcf	MMcf	%	+/-	Bcf	MMcf	%
Low (P90)	14.3	153	91.0%	+138%	47	503	87.2%
Medium (P50 Best Estimate)	20.7	221	91.0%	+22%	108	1,152	87.2%
High (P10)	37.8	402	91.0%	+11.1%	241	2,563	87.2%

**Notes:**

- (1) Disclosure of helium in place volumes is not included in NI 51-101 guidelines.
- (2) There is uncertainty that it will be commercially viable to produce any portion of the contingent resources.
- (3) There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

**Production Facilities**

After to completions of WNG 10-21, the Company has been focused on constructing the Sweetgrass Multi-Well Processing Plant ("MWPP") and ancillary facilities, i.e., securing easements and surface lease for the MWPP, constructing the gathering pipelines, well site skid construction, electrical facilities to power the MWPP, and inlet separator construction. The total additions to property, plant and equipment for the ancillary facilities approximates \$3,314,265. Other than the surface lease, the ancillary facilities are not being amortized as they are classified as assets under construction. The Company has also secured all necessary permits to construct and operate the MWPP facility.



The following is an update as to the Sweetgrass MWPP and ancillary facilities.

### Sweetgrass Multi-Well Processing Plant

During the reporting quarter, the Company entered into a seven-year (7) take or pay agreement with IACX Resources Montana LLC, a subsidiary of industry leader IACX Energy ("IACX"). Under the agreement, IACX will build and operate the Multi-Well Processing Plant (a helium processing plant) to process the raw gas from the Company's Sweetgrass helium pool.

The agreement is subject to customary termination conditions and an acceptable offtake agreement. The initial capacity fixed payment is US \$215,000 per month, commencing once the helium processing plant is operational. Till all conditions are met and the contract commences, this commitment has not been recorded in the Company's financial statements.

IACX has years of operating experience and has operated (or has under development) 12 MWPPs in six states and one province. Leveraging IACX for the Company's first facility allows the Company to better manage its capital structure, while minimizing construction risk and operating risk.

The IACX MWPP is modular and does not require extensive site preparation, and thus, can be placed into production much faster (implying that the Company may be able to generate cash inflows sooner) than if the Company constructed its own facilities. The modular nature of the IACX MWPP also allows the Company, at its option, to expand or reduce its production capacity based on needs.



Illustrative image of an IACX MWPP facility

The Company also entered into a 25-year surface lease on 40 acres of land in Liberty County, Montana, for the Company's Sweetgrass MWPP that will process raw gas from the WNG 10-21 and WNG 11-22 wells. The surface lease is sufficient for the Company to maintain a pipe laydown yard for future exploration activities. The surface lease has been capitalized and reported in the interim financial statements as a right-of-use asset and lease liability.

### Gathering Pipelines

During the reporting quarter, the Company entered into easements for the gas collection gas pipelines and commenced construction of the gathering pipelines. The Company also commenced and has completed the stringing, girth welds, ditching, back fill, pipeline crossings, and hydro testing. The pipeline assets, construction, engineering, and easements have been recorded as a component of the Company's property, plant and equipment in the interim financial statements.



Image of Sweetgrass gathering pipeline stringing in October 2023

## Power / Electrical Facilities

During the reporting quarter, the Company entered into easements for the electrical lines and facilities and entered into an agreement for electrical service ("Service Agreement") from the local electrical cooperative. The Service Agreement also provides that the cooperative will construct the electrical facilities at cost to Avanti. The Company has acquired certain transformers and instrumentation and incurred some engineering costs as the cooperative commences construction. These costs have been recorded as a component of the Company's property, plant and equipment in the interim financial statements.

Currently, the Company does not foresee a need for natural gas electrical generation, as temporary backup options are readily available.

## Well Site Skid and Inlet Separator Construction

At the well head, and during the reporting quarter, the Company commenced fabrication of the well site skids (pictured below, contains the well flow measurement and well control equipment), which was subsequently completed and is currently in transit to the WNG 10-21 and WNG 11-22 wells. The fabrication of the control package has also been subsequently completed and shipped to the well site. The assets and engineering relating to the well site skids and control package have been recorded as a component of the Company's property, plant and equipment in the interim financial statements. Construction at the well will commence once all components are on site.



Images of Well Site Skid packages at fabricators yard prior to shipment to site.

The fabrication of the inlet separator and coalescing filter (designed to ensure there no free liquids go to the MWPP) has commenced and is expected to be completed by the end of the current fiscal year.

## Gaseous Trailers

The Company entered into an amendment to the agreement to rent or acquire six high-pressure gaseous trailers, to a purchase agreement only of the gaseous trailers. The initial invoice for the six gaseous trailers is recorded in the Company's property plant and equipment in the interim financial statements.

The high-pressure trailers will permit the Company to transport processed gaseous helium to the below-noted liquefaction facility, which can then be sold at a higher premium, or to sell gaseous helium to customer that have no means of transporting bulk helium. The initial gaseous trailers are anticipated to start being delivered in the later part of the second quarter of 2024.



Illustrative image of lightweight tube trailer designed for compressed gas

### Liquefaction Partner

The Company entered into a helium liquefaction tolling agreement for 150 Mcf/d (thousand cubic feet per day) of helium gas to be liquified at a gas plant located in Southern Utah. The liquefaction tolling agreement will commence upon completion of the Sweetgrass MWPP. The Company maintains termination rights before contract commencement.

### RECONCILIATION OF PROSPECTUS' ANTICIPATED EXPENDITURES

The following table sets out the reconciliation of the disclosed use of proceeds as disclosed in the Short Form Prospectus of February 2023.

Business Objective	February 2022 Offering	Second Quarter, Ended June 30, 2023 Expenditures <sup>(1)</sup>
Development of Greater Knappen Property and general corporate purposes	\$ 5,715,468	\$ 8,508,064 <sup>(2)</sup>
	\$ 5,715,468	\$ 8,508,064
Net Proceeds Raised	\$ 5,754,060	

#### Notes:

- (1) Proceeds from the February prospectus was fully disbursed by end of second quarter 2023 as disclosed in the second quarter Management Discussions and Analysis.
- (2) Principally includes \$5,949,516 of cash used in operations, net additions of \$977,623 to exploration and evaluation assets (i.e., Great Knappen); and additions of \$940,966 related to the Sweetgrass MWPP ancillary facility.

The Company's appraisal well, WNG 10-21 in the Greater Knappen, was spudded on November 1, 2022, and saw gas and pressure at the surface with helium shows. Shortly thereafter, the Company started encountering mud losses. The decision was to continue to the basement, set a plug and kick-off (deviate) 150' north of the original bottom hole location. During the current reporting quarter, the Company brought in a coiled tubing drilling unit and successfully finished drilling to a total depth of 5,368'. The well complexities resulted in expenditures higher than initially budgeted. This fundamentally meant the Company drilled two wells in one location (which is also reflected in the additions to the US asset segment and well costs).

The business objective for general corporate purposes included cash used in operations of \$5,949,516. Cash used in operations included reducing accounts payable and accrued liabilities by \$2,715,202 from the fiscal 2022 year-end. Within the changes in accounts payable and accrued liabilities from fiscal 2022 year-end were decreases in liabilities associated with the WNG 10-21 well in the Greater Knappen, which have been partially offset by increases in investment related to the Sweetgrass MWPP.

## **CONSOLIDATED OPERATING RESULTS - NINE-MONTHS ENDED SEPTEMBER 30, 2023**

During the nine-month period ended September 30, 2023, the Company's operations reflect the continued strategy of utilizing its subsurface team to evaluate land projects for future acquisition and prospect exploration efforts; progressing towards the completion of the construction of the Company's helium Sweetgrass MWPP and related infrastructure; and securing offtake sales.

Total expenses were \$4,402,296 for the nine-month period ended September 30, 2023, a decrease of \$2,513,434 or 38.3% from that recorded for the comparative period of \$6,555,730. Of the recorded expenses, the Company notes:

### **General and administrative expenses**

General and administrative expenses totaled \$2,913,006 (2022 - \$3,065,834), a decrease of \$152,828 or 5.0%. Changes within the general administrative expenses include a decrease of \$223,969 in administrative expenses to \$382,249; a decrease in professional fees of \$151,275 to \$294,485, an increase of \$223,228 to \$946,682 in salary and benefits while management expenses of \$135,000 and consulting expenses of \$1,154,590 remained relatively flat.

Wage and wage benefits increased due to the almost doubling of staff size and the accrual of certain benefits that were not included in the prior reporting periods. The increase in staff is in support of the commencement of building the related Sweetgrass MWPP infrastructure and entering into various agreements, further helium exploration and subsurface evaluation work, and assessment, negotiating of off-takes and anticipated further exploration activities. Salary and benefits in the current reporting period were also impacted by vacation, workers' compensation, and other payroll accruals. The Company has elected to employ independent contractors instead of hiring employees to access the skilled subsurface and engineering teams necessary to execute its selective exploration strategy and the potential development of Sweetgrass MWPP in the Sweetgrass area. It is believed that the decision to engage independent contractors will also provide the Company with flexibility as it moves into its next stage of evolution.

The general and administrative expenses included: \$112,243 in rent and parking; \$89,349 in office supplies and administration expenses; \$87,716 in insurance; and \$42,246 in information technology and website related expenses.

Despite the reduction in professional expenses, in the current period professional expenses, due to the complexity in cross border transaction, include tax planning and preparation and transfer pricing that was not previously undertaken. Professional fees also included accrual audit and first and second quarter review fees, legal and listing fees. Professional fees are expected to increase in the near term due to the growth of Avanti, which will necessitate greater governance, planning, and assessment of various commercial agreements.

### **Share-based compensation**

The recorded share-based compensation totaled \$757,142, a decrease of \$1,491,256 from that recorded in the comparative period ended September 30, 2022, of \$2,248,398. The current period's stock option expense is related to the issuances of an aggregate of 2,300,000 incentive stock options issued on March 1, 2023, and 75,000 issued on September 27, 2023 (fiscal 2022 included the issuance of 935,000 stock options). The current period's lower share-based expense is a function of the number of incentive options issued, the inclusion of a forfeiture rate (i.e., 19.98% and 19.18%, respectively, versus nil), a lower volatility rate for the current options issued (i.e., 80.17% and 78.08%, respectively, versus 138.72%), and lower expected life (i.e., 3.5 years and 4.4 years respectively, versus 5 years). Although the Company has been fortunate to attract a highly skilled team of employees and consultants, it recognizes it cannot compete solely on a cash compensation basis with large exploration and production companies and, thus, uses incentive options to attract and retain high-quality staff and consultants. The current future share-based compensation expense will include the current unamortized share-based compensation expense of \$146,896.

### **Exploration expenses**

Exploration expenses totaled \$235,536, a decrease of \$471,566 from that recorded in the comparative period of \$725,102. The exploration expenses in the current reporting period relate to technical and risk assessment and geological follow-up technical work on geological mapping and geophysical data, the analysis of other helium well data and geophysical data related to the Greater Knappen prospect area. Exploration expenses were impacted by Avanti's focus and resource allocation towards the completion of the construction of its Sweetgrass MWPP and related infrastructure.

During the reported period, the Company determined that prior expenses were directly attributable to professional fees for the well site skid construction and inlet separator facilities, i.e., non-current assets related to the Sweetgrass MWPP, and capitalized those expenses. Also, during the reporting quarter, the Company had an exploration expense credit of approximately \$64,575 related to a prior period accrual.

### **Marketing expenses**

Marketing expenses totaled \$48,610, a decrease of \$333,483 from that recorded in the comparative period ended September 30, 2022, of \$382,093. In the comparative period, the Company believed that helium is an emerging sector and that prospective investors have limited or no knowledge of helium as a high-priority commodity and critical element. The Company's Management and Board of Directors believe that investor education is necessary to increase shareholder value and attract the requisite capital to advance the Company's exploration projects. To reach and educate the broadest audience possible, the Company engaged various consultants and media marketing companies to provide marketing, presentation materials, industry educational tools, media assets, graphic and website design, helium market assessment and analysis and other deliverables. The Company chose to engage independent contractors instead of hiring employees to provide flexibility and reduce costs.

The current period costs include expenses related to advertising totaled \$31,758, for the sourcing out and preliminary contact with helium end users and potential clients and digital advertising. As it progresses towards production and off-take, the Company believes it will incur additional sales and marketing expenses but currently does not see its marketing expenses approaching the levels reported in prior reporting periods.

#### **Public company expenses**

Public company expenses include transfer agent and filing fees, which totaled \$44,616, a decrease of \$83,355 from that reported in the comparative period ended September 30, 2022 of \$127,971.

#### **Depreciation and accretion expense**

Depreciation expense totaled \$11,893 (2022 - \$6,322) and relates to the Company's copier (which is now fully depreciated) computer hardware, and recently added surface lease for the Sweetgrass MWPP. The accretion expense of \$13,493 relates to the decommissioning obligations in Montana.

#### **Loss and comprehensive loss**

Despite increasing the size of the Avanti team, finishing the drilling and the completion of appraisal well WNG 10-21, and moving closer towards the establishment of gaseous production facilities and helium off-takes, the Company was able to reduce the nine-month recorded net loss by \$2,354,263 or 35.6% for the reporting period ended September 30, 2023, recording a net loss of \$4,265,939, over the comparative period's recorded net loss of \$6,620,202.

The comprehensive loss of \$4,287,125 (2022 - loss of \$5,639,592) for the period ended September 30, 2023, was impacted by a foreign translation adjustment of \$21,186 on its foreign, wholly owned subsidiary, Avanti Helium US, Inc.

### **CONSOLIDATED OPERATING RESULTS - THREE-MONTHS ENDED SEPTEMBER 30, 2023**

During the third quarter ended September 30, 2023, the Company's operations reflect the continued strategy of utilizing its subsurface team to evaluate land projects for future acquisition and prospect exploration efforts and the continued construction of the Company's Sweetgrass MWPP and related infrastructure. With the execution of the IACX agreement, the Company was also working towards helium sales (off-takes).

Total expenses were \$1,014,553, a decrease of \$865,489 or 46.0% from the expenses recorded for the comparative quarter of \$1,880,042. The current quarter's expenses of \$1,014,553 were also a reduction of \$678,961 or 40.1% for that of the second quarter 2023 that reported total expenses of \$1,693,514. Of the recorded expenses, the Company notes:

## General and administrative expenses

General and administrative expenses totaled \$995,199 (2022 - \$1,050,997) a decrease of \$55,798. The third quarter general and administrative expenses remained relatively flat decreasing \$562 from that recorded in the second quarter 2023. The composition of the current reporting period general and administrative expenses includes salary and benefits of \$379,467 (2022 - \$306,247), consulting fees of \$359,132 (2022 - \$422,093), management fees \$45,000 (2022 - \$45,000), administrative expense of \$114,567 (2022 - \$165,055), and professional fees of \$97,033 (2022 - \$112,602). The Company increased the number of employees in the later part of the comparative quarter, thereby increasing the salary and benefits expense by \$73,220. Conversely the Company engaged additional consultants in the comparative quarter to support the indirect work done to support the helium exploration efforts, subsurface work, and entering into various contractual agreements. Similarly, administrative expenses decreased by \$50,488 as the comparative quarter had greater activity.

Professional expenses decreased by \$15,569. In the current reporting period, professional expenses include accrual audit, quarterly review fees, annual tax planning and preparation and transfer pricing accruals, and legal and listing fees. Professional fees decreased as the Company handled certain work with internal staff. Professional expenses are expected to increase in the near term due to the growth of Avanti, which will necessitate greater governance, planning, and assessment of various agreements.

## Share-based compensation

The recorded share-based compensation totaled \$191,805, a decrease of \$217,422 from that recorded in the comparative second quarter of 2022 of \$409,227. The current reporting quarter's lower share-based expense is a function of the difference in input variables (i.e., the number of incentive options issued, the inclusion of a forfeiture rate, a lower volatility rate, and lower expected option life).

## Exploration expenses

Exploration expenses had a recorded credit balance of \$211,566 compared to \$318,550 for that recorded in the comparative quarter in 2022. The credit balance is a result of the Company determined that prior expenses were directly attributable professional fees for the well site skid construction and inlet separator facilities, i.e., non-current assets related to the Sweetgrass MWPP and capitalized those expenses. Also, during the reporting quarter, the Company had an exploration expense credit of approximately \$64,575 related to a prior period accrual.

## Marketing expenses

Marketing expenses totaled \$16,092, decreasing by \$22,323 from that recorded in the comparative quarter 2022 of \$38,415. The current period cost also includes digital marketing and expenses related to sourcing out and preliminary contact with helium end users and potential clients. The Company believes it will incur additional sales and marketing expenses as it progresses towards production and off-take.

## Public company expenses

Public company expenses include transfer agent and filing fees, which totaled \$15,023, a decrease of \$45,670 from that reported in the comparative quarter for 2022 of \$60,693.

## Depreciation and accretion expense

Depreciation expense totaled \$4,552 (2022 - \$2,160) and relates to the Company's copier (which is now fully amortized) computer hardware, and recently added surface lease for the Sweetgrass MWPP. The accretion expense of \$3,448 relates to the decommissioning obligations in Montana.

## Loss and comprehensive loss

The Company was able to reduce the recorded net loss by \$829,364 or 44.8% for the third quarter ended September 30, 2023, recording a net loss of \$1,020,450, over the comparative quarter's recorded net loss of \$1,849,814.

The comprehensive loss of \$833,750 for the third quarter ended September 30, 2023 (2022 - loss of \$1,051,571), was impacted by a foreign translation adjustment of \$186,700 on its foreign, wholly owned subsidiary, Avanti Helium US, Inc.

## CAPITAL EXPENDITURES

The Company recorded an investment in exploration and evaluation assets of \$1,954,584, and \$3,082,077 related to the construction of the Sweetgrass MWPP ancillary facilities. Included in the Sweetgrass MWPP ancillary facilities, are additions of \$232,187 related to the surface lease for the MWPP, and \$189,049 related to easements for gathering pipelines and electrical facilities.

## LIQUIDITY AND CAPITAL RESOURCES

### ASSETS

Total assets increased by \$2,009,637 from the prior year-end to \$32,354,708. The reporting period saw cash and cash equivalents decrease by \$2,568,210. The changes in cash resources principally relate to February 6, 2023, public offering of 9,035,655 units for gross proceeds of \$6,324,966, which funded general working capital, and the conclusion of the drilling and completions of WNG 10-21 and the initial capital expenditures related to the Sweetgrass MWPP. Net additions to exploration and evaluation assets for the reporting totaled \$1,848,088.

The reporting period's statement of financial position reflects the Company's progress from a helium exploration company to a helium exploration and production company. As such the Company recorded net additions to property, plant and equipment of \$3,314,265, which pertains to \$189,049 (US \$139,829) for land easements for gathering pipelines and electrical facilities, \$2,357,637 (US \$1,743,815) for Sweetgrass MWPP ancillary facilities, \$535,392 (US \$396,000) for gaseous trailers, and the recognition of a right-of-use asset and lease liability of \$232,187 (US \$171,736).

The Company anticipates further increases in its property, plant and equipment as the Sweetgrass MWPP and ancillary facilities are being constructed.

### LIABILITIES

Total liabilities decreased by \$1,489,366 from the prior year-end to \$3,145,992. Of the changes in liabilities, during the reporting period, accounts payable accrued liabilities were reduced by \$1,636,009 to \$2,825,398 as the Company remitted payments in relation to the drilling and completions activities principally related to the appraisal well, WNG 10-21. As the Company has been focused on constructing the Sweetgrass MWPP and ancillary facilities, there was an increase of \$1,079,193 since the end of the second quarter ended June 30, 2023.

In addition, during the reporting period, the Company entered into a surface lease agreement for the Sweetgrass MWPP. The recognition of the surface lease resulted in the Company recognizing a right-of-use asset and lease liability of \$232,187 (US \$171,736) to which payments and amortization have been recorded against.

The Company's decommissioning obligation increased by \$13,493, related to the recorded accretion expense for the reporting period. The majority of the decommissioning obligations are not expected to be paid for approximately 14 years in the future and will be funded from general Company resources at that time. As well, the Company incurred costs of \$30,941 (US \$22,885) in relation to the partial settlement of a decommissioning obligation, thereby decreasing the total recorded obligation.

## LIQUIDITY

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The majority of the Company's liabilities are classified as current, the bulk of which relates to payables related to general operations and acquired assets and the construction of the Sweetgrass MWPP. The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As of September 30, 2023, the Company had negative working capital of \$2,464,332 (December 31, 2022 - negative working capital of \$1,351,554). The Company's liquidity position was buoyed by the subsequent financing notes below.

As of November 29, 2023, Avanti had \$1,171,367 in cash and cash equivalents on hand.

## WORKING CAPITAL

The following table presents working capital information as at September 30, 2023 and December 31, 2022:

	As at September 30, 2023	As at December 31, 2022	Change
Current assets	\$ 376,238	\$ 3,112,052	\$ (2,735,814)
Current liabilities	(2,840,570)	(4,463,606)	1,623,036
Working Capital, Balance	\$ (2,464,332)	\$ (1,351,554)	\$ (1,112,778)

Note 1: Working capital is calculated by subtracting current liabilities from current assets, and is further discussed in Non-IFRS Measures

Changes in working capital relate to the decreases in current assets of: cash and cash equivalents of \$2,568,210, receivables of \$132,395 and prepaid expenses of \$35,209. Working capital was also impacted by a decrease in accounts payable of \$1,636,009, which was offset by an increase in current lease liability of \$12,973. The changes in cash and cash equivalents and accounts payables are related to the timing of work and payment related to the appraisal well, WNG 10-21, and construction of the Sweetgrass MWPP and ancillary production facilities. Changes in receivables related to outstanding goods and services tax refunds ("GST") refunds, whereas the decrease in prepaid relates to the expensing of prepaid insurance. During the reporting period the Company also recognized a new lease liability, which relates to the surface lease for the Sweetgrass MWPP.

Until the Company produces and sells its helium, Avanti believes that its working capital position will continue to fluctuate.

## FINANCINGS

The Company's activities have been funded to date through the issuance of common shares. Please refer to the financial risk section in this MD&A.

- i) Effective February 6, 2023, the Company closed a public offering of 9,035,665 units of the Company ("Offering Unit") at a price of \$0.70 for aggregate gross proceeds of \$6,324,966. Each Offering Unit consisted of one common share and one transferable share purchase warrant ("Unit Warrant"). Each Unit Warrant entitles the holder to purchase one common share at a price of \$1.00 until February 6, 2025. Directors and officers subscribed for a total of 545,000 Offering Units of the public offering for aggregate gross proceeds of \$359,700.

In connection with the Offering, the Company issued to the Agents 516,079 Broker Warrants options. Each Broker Warrant entitles the holder to purchase one common share at a price of \$0.70 until February 6, 2025.

- ii) The Company closed a non-brokered Short Form Prospectus offering of 1,667,033 units of the Company ("Offering Unit") in two tranches at a price of \$0.60 for aggregate gross proceeds of \$1,00,220. Each Offering Unit consisted of one common share and one transferable share purchase warrant ("Unit Warrant"). The first tranche closing 1,517,033 Offering Units on August 31, 2023, and the second tranche closing 150,000 Offering Units on September 11, 2023. Each Unit Warrant entitles the holder to purchase one common share, at a price of \$0.70. Of the Unit Warrants 1,517,033 Unit Warrants expire August 31, 2024, and 150,000 Unit Warrants expire September 11, 2024. The Company allocated \$942,709 to share capital and \$57,511 to warrants. The Company incurred share issuance costs of \$64,932, of which \$60,516 was allocated to common shares and \$4,416 to warrants. A Director and officer of the Company subscribed for a total of 417,000 Offering Units of the public offering for aggregate gross proceeds of \$250,200.

In connection with the Offering, the Company issued 87,501 Broker Warrants options. Each Broker Warrant entitles the holder to purchase one common share at a price of \$0.70. Of the Unit Warrants 72,501 Unit Warrants expire August 31, 2024, and 15,000 Unit Warrants expire September 11, 2024. The weighted fair value of the Broker Warrants was determined to be \$11,286 and estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions: dividend yield of \$nil, risk free interest rate of 4.60%, expected life of 1 years and expected volatility of 74.13%.

- iii) During the reporting period ended September 30, 2023, 415,000 share purchase warrants were exercised at \$0.80 per warrant for gross proceeds of \$332,000. As a result, a value of \$44,309 was transferred from equity reserve to share capital. Of the share purchase warrants that were exercised, 378,000 were exercised by a director and officer of the Company.
- iv) Subsequent to the reporting period ended September 30, 2023, the Company closed Overnight Market Best Efforts Prospectus Offering ("Offering") on November 10, 2023 of 6,667,000 units of the Company ("Offering Unit") at a price of \$0.45 for aggregate gross proceeds of \$3,000,150. Each Offering Unit consisted of one common share and one half of one transferable share purchase warrant ("Unit Warrant"). Each whole Unit Warrant entitles the holder to purchase one common share, at a price of \$0.60 until November 10, 2025. Directors and officers of the Company subscribed for a total of 1,577,800 Offering Units of the public offering for aggregate gross proceeds of \$710,010.

In connection with the Offering, the Company issued to the agents an aggregate of 325,756 Compensation Option Warrants (the "Compensation Option Warrants"). Each Compensation Option Warrant entitles the holder to purchase one common share and one half of one share purchase warrant (each whole warrant, a "Broker Warrant") at a price of \$0.45 until November 10, 2025. Each Broker Warrant entitles the holder to purchase one common share at a price of \$0.60 until November 10, 2025.

During the fiscal year ended December 31, 2022, the Company issued shares as follows:

- i) Effective March 15, 2022, the Company closed a bought Short Form Prospectus offering issuing 8,414,550 units ("Unit") at a price of \$1.23 per unit. Gross proceeds of \$10,349,897 were received by the Company. Each Unit consisted of one common share and one half of one share purchase warrant ("Unit Warrants"). Each whole Unit Warrants entitles the holder to purchase one common share at a price of \$1.60 per share until the Unit Warrant expiry date of March 15, 2024. Within the Unit, a value of \$1.17 was attributed to common share and \$0.06 to the warrants using the residual value method. The Company allocated \$9,845,024 to share capital and \$504,873 to warrants. The Company incurred share issuance costs of \$1,067,615, of which \$968,311 was allocated to common shares and \$99,305 to warrants.

The Company also issued 589,018 broker warrants ("Broker Warrant"). Each Broker Warrant entitles the holder to purchase one common share at a price of \$1.23 per share until the warrant expiry date of March 15, 2024. The fair value of the Broker Warrants was determined to be \$457,827 and estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions: dividend yield of \$nil, risk free interest rate of 1.80%, expected life of 2 years and expected volatility of 137%.

- i) Effective October 24, 2022, the Company closed an Overnight Market Best Efforts Prospectus Offering issuing 9,757,575 units ("Unit") at a price of \$0.66 per unit. Gross proceeds of \$6,440,000 were received by the Company. Each Unit consisted of one common share and one transferable share purchase warrant ("Unit Warrants"). Each whole Unit Warrant entitles the holder to purchase one common share at a price of \$0.80 per share until the Unit Warrant expiry date of October 24, 2024. Within the Unit, a value of \$0.54 was attributed to common share and \$0.12 to the warrants using the residual value method. The Company allocated \$5,269,010 to share capital and \$1,170,909 to warrants. The Company incurred share issuance costs of \$710,114. of which \$565,843 was allocated to common shares and \$144,271 to warrants. Directors and Officers subscribed to 544,600 Units for gross proceeds of \$359,436.

The Company also issued 683,030 broker warrants ("Broker Warrants"). Each Broker Warrant entitles the holder to purchase one common share at a price of \$0.66 per share until the warrant expiry date of October 24, 2024. The fair value of the Broker Warrants was determined to be \$137,479 and estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions: dividend yield of \$nil, risk free interest rate of 3.87%, expected life of 2 years and expected volatility of 89.5%.

- ii) During the year ended December 31, 2022, the Company issued 245,130 common shares upon the exercise of existing share purchase warrants for proceeds of \$233,131. As a result, a value of \$434,339 was transferred from equity reserve to share capital.

The Company has not defaulted on any contractual commitments or leases and is not subject to any penalties related to delayed payments.



## CAPITAL MANAGEMENT

Currently, and in addition to the Contractual Commitments (noted below), and in accordance with Avanti's strategic plan, cash resources will be judiciously managed, however, it will generally be used for the following:

- To safeguard the Company's ability to continue as a going concern and ensure its solvency;
- To maintain flexibility in order to preserve the Company's ability to meet financial obligations with a long-term view of maximizing shareholder value; and,
- To maintain sufficient cash and cash equivalents and short-term investments to fund its business plan, inclusive of:
  - Progress toward the development of the Sweetgrass MWPP
  - Progress toward the sale (offtake) of the Company's helium and resources;
  - Continued evaluation and acquisition of land assets; and
  - Continued drilling and completion of helium wells in the Greater Knappen prospect area.

There are currently no known trends or restrictions in Avanti's capital resources.

Given the Company's stage of development, Avanti has tried to limit its contractual commitments (see below). As a result, the Company has fairly wide discretion regarding what expenses are incurred and when such expenses may be incurred. Thus, expenditures and budgets are based on exploration opportunities and plans, and available resources at the time. Should the Company have liquidity concerns, it may postpone and / or terminate expenditures or activities. Based on financings and the aforementioned capital management objectives, the Company expects working capital to continue to fluctuate.

Credit risk of any deposits is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of Scotia Bank.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As at September 30, 2023, the Company had yet to achieve profitable operations, had an accumulated deficit of \$37,717,542 (December 31, 2022 - \$33,451,603), and for the nine months ended September 30, 2023 had a net loss of \$4,265,939 (September 30, 2022 - \$6,620,202) with cash used in operating activities of \$4,727,224 (September 30, 2022 - \$3,722,733). It is unclear whether and when the Company can obtain profitability and positive cash flows from operations. These events and conditions form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern.

The Company currently has a working capital deficit of negative working capital deficit of \$2,464,332 (December 31, 2022 - working capital deficit of \$1,351,554). See Financing section above.

The Company is currently classified as a helium exploration company. Although the Company has entered into an agreement for the Sweetgrass MWPP to process the raw helium gas, an agreement for the acquisition of six gaseous trailers and a take or pay liquefaction agreement, till production occurs, and the Company collects on its offtake sales, cash inflows from operations are limited. As such, the Company's ability to continue as a going concern is dependent on obtaining additional capital or debt investment. The Company is in the process of seeking additional financing(s) to fund the Sweetgrass MWPP and associated facilities and to fund the Company's near-term operations. The Company, given the WNG 10-12 and WNG 11-22 well results, is optimistic that it will be able to source funding needs. The desire to obtaining debt financing is to minimize dilution. Any such financing(s) will be dependent on Avanti's credit ratings, general market conditions, the quality of the independent reserve report, etc. and other relevant factors.

## CONTRACTUAL COMMITMENTS

The following table details the Company's remaining contractual maturity for its financial liabilities as at September 30, 2023. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Year 1	Year 2	Years 3 to 5	After 5 years
Contractual commitments	\$ 5,975,524	\$ 39,280	\$ 53,393	\$ -
Accounts payable and accrued liabilities	2,825,398	-	-	-
Lease liabilities	45,618	12,500	77,475	394,688
	<u>\$ 8,846,540</u>	<u>\$ 51,780</u>	<u>\$ 130,868</u>	<u>\$ 394,688</u>

During the reporting period, the Company amended the agreement to rent or acquire six high-pressure gaseous trailers, to a purchase agreement only of the gaseous trailers. The purchase commitment is included in the above table.

During the reporting period, the Company entered into a seven-year (7) take or pay agreement for a helium processing plant. The agreement is subject to customary termination conditions and an acceptable offtake agreement. The initial capacity fixed payment is US \$215,000 per month, commencing once the helium processing plant is operational. The fixed rental payment is subject to inflation adjustments. Till certain conditions are met and the agreement commences, this commitment is not included in the above table.

During the reporting period, the Company entered into an agreement for electrical service and the construction of electrical facilities. The future commitment(s), will only be known when incurred, will be included in accounts payable and accrued liabilities, and as such is not included in the above table.

Subsequent to the reporting period, the Company entered into a five-year (5) office lease agreement, commencing October 2024, with earlier occupancy of the new premises. The agreement will be accounted for as a right-of-use asset and lease liability. The Company is committed to certain leasehold improvements, which are not included in the above table. As a result of the leasehold improvements, the Company will be relieved from fixed lease payments excluding the periods of March 2028 to September 2028 and from March 2029 to September 2029. The non-discounted fixed lease payments are included in the above table. Operating costs for the office lease are unknown and not included in the above table.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2023 and 2022, the Company had the following related party expense transactions:

Related Party	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Hatchette Holdings Ltd.	\$ 45,000	\$ 45,000	\$ 135,000	\$ 135,000
Malaspina Consultants Inc.	-	15,291	-	72,076
	\$ 45,000	\$ 60,291	\$ 135,000	\$ 207,076

Share-based payments for Mr. Rob Gamley are included in the compensation of key management in note 6 (d) to the interim condensed consolidated financial statements. The Company identified the following related party transactions.

Related Party	Nature of Transaction
Hatchette Holdings Ltd. ("Hatchette")	Consulting fees for the services of Mr. Rob Gamley, President, Director and Audit Committee Chair of the Company. The agreement was effective September 1, 2019, and was amended effective April 1, 2021, on a month-to-month basis. The contracted amounts were \$1,000 per month to April 2021, and \$15,000 thereafter.
Malaspina Consultants Inc.	Consulting services for the service of Ms. Natasha Tsai, the former Chief Financial Officer and Corporate Secretary of the Company. The agreement commenced April 1, 2021, on a month-to-month basis and was terminated September 15, 2022. The contracted amounts ranged from \$50 to \$185 per hour.

## PROPOSED TRANSACTIONS

Avanti has engaged a third party to provide and operate the Sweetgrass MWPP (or mid-stream facilities), the Company, in the normal course of business, will be engaged in a number of transactions to construct the associated Sweetgrass MWPP and ancillary facilities (i.e., construction of electrical facilities, construction of gathering gas pipelines, well site skid and inlet separator construction, and acquisition of helium gaseous trailers, etc.).

Other than the noted transaction to move toward helium production, at the date of this interim filing, the Company has no undisclosed or proposed transactions.

## RISK AND UNCERTAINTIES

The Company remains confident in its abilities to achieve its long-term corporate objectives; however, like our competitors and other companies at a similar stage of development, it is exposed to risks and uncertainties.

Avanti's exploration activities are concentrated in the Western Canada and Montana, where activity is highly competitive, albeit most competitors are at a similar stage of development but include a variety of different-sized companies. Avanti is subject to a number of risks that are also common to other organizations involved in the helium, or gas, industries. Such risks include finding and developing helium reserves at economic costs, estimating amounts of recoverable reserves, the eventual production of helium in commercial quantities, marketability of helium, fluctuations in commodity prices, stock market volatility, debt service which may limit timing or amount of commercialization as well as market price of shares, financial and liquidity risks and environmental and safety risks.

In order to reduce exploration risk, Avanti employs or contracts highly qualified and motivated professionals who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. Avanti has retained independent specialized consultants that assist the Company in evaluating recoverable amounts of helium reserves. Such estimates will vary from actual results and such variations may be material.

Avanti is exposed to market risk to the extent that the demand for helium within Canada and the United States and abroad. External factors beyond the Company's control may affect the marketability of helium produced. These factors include helium prices and contract terms, and foreign currency exchange rate which, in turn, responds to economic and political circumstances throughout the world. In directly, oil and gas prices and economics impact North American supply and demand fundamentals for resources required for helium exploration and eventual production.

Exploration, and in the future production of helium, is capital intensive. In addition to funds flow, the Company accesses the equity markets as a source of new capital. Funds flow also fluctuates with changing helium prices. Equity and debt capital are subject to market conditions, and availability may increase or decrease from time to time.

The Company's business and operations were impacted by COVID-19. Actions taken to reduce the spread of COVID-19 resulted in volatility and disruptions in regular business operations, supply chains and financial markets, as well as declining trade and market sentiment. The extent to which Avanti's operational and financial results continue to be affected by COVID-19 will depend on whether, and to what extent, actions are taken by businesses and governments in response to any resurgence of the pandemic and the speed and effectiveness of responses to combat any such resurgence of the virus.

Additional information regarding risk factors including, but not limited to, business risks is available in our **Annual Information Form** for the year ended December 31, 2022, a copy of which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## ENVIRONMENTAL RISK

The Company is committed to ensuring that all stakeholders are aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to Avanti's business. These risks are managed by executing policies and standards that are designed to comply with or exceed government regulations and industry best practices. In addition, Avanti maintains a system, in respect of our operations, that identifies, assesses, and controls safety, security, and environmental risk and requires regular reporting to Senior Management and the Board of Directors. The Safety, Health and Environmental Affairs Operational Committee of the Company provides

recommended environmental policies for approval by our Board and oversees compliance with government laws and regulations. Monitoring and reporting programs for environmental, health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event.

## **CLIMATE GOVERNANCE AND RISK MANAGEMENT**

Aspects of Avanti's business strategy may be impacted by future regulatory changes and associated compliance costs, commodity prices, access to markets and capital, social preferences, general capital investment declines in the energy sector, and reputational and Environmental, Social and Governance ("ESG") risk (related to climate change, human rights and ethical and sustainable business practices), and technology development.

The Company currently has a Safety, Health and Environmental policy as part of its Corporate policy manual. The Safety, Health and Environmental policy assists the Board in fulfilling its obligations relating to safety, health and environmental matters concerning Avanti. Safety and protection of the environment have always been top priorities in Avanti's business operations. Avanti believes dedication to safety and environmental protection go beyond implementing the right policies and having the right equipment or department; but ensuring that everyone at Avanti is aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to the Company's business.

Avanti is in the process of augmenting its Safety, Health and Environmental policy to include a multi-disciplinary risk management process, which considers ESG and climate change risks and opportunities as part of Avanti's business evaluation. Processes for identifying, assessing, and managing climate-related issues will be integrated into the Company's enterprise risk management ("ERM") framework.

## **FINANCIAL AND OTHER INSTRUMENTS**

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's critical accounting policies and estimates are disclosed in Note 3, "Significant Accounting Policies" and Note 5, "Critical Accounting Estimates and Judgments" of the Consolidated Financial Statements for the year ended December 31, 2022.

### **CHANGES IN ACCOUNTING POLICIES**

The changes in accounting policies are disclosed in Note 4, "Changes In Accounting Policies And New Standards Issued But Not Yet Adopted", of the Consolidated Financial Statements for the year ended December 31, 2022.

### **CREDIT RISK**

Credit risk is the risk of an unexpected loss of a third party to a financial instrument which fails to meet its contractual obligations.

The Company's cash and investments are held at a large Canadian financial institution. As a result, the Company does not believe it is exposed to significant credit risk, however, the Company's maximum exposure is equal to the carrying value of these balances.

### **MARKET RISK**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

## **FOREIGN CURRENCY RISK**

Avanti is exposed to currency risks as currently some exploration, drilling and completion expenses are in the United States of America. Therefore, the Company is exposed to fluctuations in exchange rates to the extent that a strengthening Canadian dollar environment will result in a negative impact and a weakening Canadian dollar environment will result in positive impact on our income from operations.

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. The Company's net working capital balances denominated in USD was a deficit of \$1,528,710 (December 30, 2022 - deficit of \$2,923,009). With other variables unchanged, a 10% change in the Canadian dollar against the US dollar as at September 30, 2023 would have impacted on comprehensive net loss by \$206,682 (December 31, 2022 - \$400,034).

Avanti does not use derivative instruments to reduce its exposure to foreign currency risk.

## **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, investments, reclamation bonds, and accounts payable and accrued liabilities. The carrying value of receivables, accounts payable and accrued liabilities, approximate fair value due to their short terms to maturity. The carrying value of the reclamation bond approximates its fair value. Cash and investments are measured at fair value using level 1 inputs.

## **INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk to the extent that the cash and investments maintained at the financial institutions are subject to a floating rate of interest. The interest rate risk on cash and investments is not considered significant, as the investments are minimal, are short term and have fixed interest rates.

## **SUPPLEMENTARY INFORMATION**

### **SUMMARY OF QUARTERLY RESULTS**

The following tables set forth selected data derived from our interim condensed consolidated interim financial statements for each of the eight most recently completed quarters. The Company did not realize any revenue during the eight most recently completed quarters. This information should be read in conjunction with the applicable interim and annual audited financial statements and related notes thereto.

	2nd Qtr 2023 Jun 30'23	2nd Qtr 2023 Jun 30'23	1st Qtr 2023 Mar 31'23	4th Qtr 2022 Dec 31 '22
Net Loss	\$ (1,020,450)	\$ (1,906,796)	\$ (1,338,693)	\$ (1,663,463)
Basic & diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.03)
Common shares outstanding				
Weighted average shares outstanding	77,923,611	68,050,957	73,472,356	65,571,237
Exploration and evaluation assets	\$ 28,598,953	\$ 28,133,476	\$ 28,909,719	\$ 27,155,853
Total Assets	\$ 32,354,708	\$ 30,371,310	\$ 31,031,750	\$ 30,345,071
Net Assets	\$ 29,208,716	\$ 28,317,024	\$ 30,073,435	\$ 25,709,714
	3rd Qtr 2022 Sept 31 '22	2nd Qtr 2022 Jun 30'22	1st Qtr 2022 Mar 31'22	4th Qtr 2021 Dec 31'21
Net Loss	\$ (1,849,814)	\$ (2,020,257)	\$ (2,822,957)	\$ (3,223,768)
Basic & diluted loss per share	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ 0.07
Common shares outstanding				
Weighted average shares outstanding	53,189,176	58,201,852	51,120,280	49,246,319
Exploration and evaluation assets	\$ 21,036,826	\$ 19,048,099	\$ 16,852,597	\$ 11,355,736
Total Assets	\$ 23,085,179	\$ 23,054,946	\$ 24,625,547	\$ 17,060,963
Net Assets	\$ 21,685,830	\$ 22,316,176	\$ 23,098,725	\$ 15,435,154

The Company's quarterly results have and will vary in relation to the underlying activities related to the execution of the Company's strategy. The increased losses commencing in the fiscal 2021 are mainly the result of the increased corporate activities as the Company continued to become more active in the exploration helium, which necessitated the hiring of employees, engaging specialized consultants, and began a marketing campaign to raise the Avanti's corporate profile. As the Company moves towards helium production, it is anticipated that assets and net assets will continue to grow. Prior to the current reporting quarter, the significant portion of the expenses incurred are as follows:

### **Second Quarter 2023 - Three months ended June 30, 2023**

During the second quarter 2023, the Company entered into surface lease agreement and easements for its Sweetgrass MWPP and ancillary facilities. The Company also commenced the engineering related to the Sweetgrass MWPP and ancillary facilities, in which fabrication and asset acquisition were subsequently undertaken. For the second quarter of 2023, the Company recorded a net loss of \$1,906,796. The net loss principally included: exploration expenses of \$272,873 (a decrease of \$133,679 from the comparative quarter); general and administrative expenses of \$994,637 (an increase of \$72,833 from the comparative quarter); and share-based compensation of \$409,361 (a decrease of \$561,154 from the comparative quarter).

### **First Quarter 2023 - Three months ended March 30, 2023**

The first quarter 2023 included the concluding of the drilling and the completions of appraisal well WNG 10-21 and progressing Avanti closer towards the establishment of the Sweetgrass MWPP and ancillary facilities, and helium off-takes. During the first quarter, the Company entered into a helium liquefaction tolling agreement. For the first quarter 2023, the Company recorded a net loss of \$1,338,693. The net loss included: exploration expenses of \$192,229 (a decrease of \$114,582 from the comparative quarter); general and administrative expenses of \$923,170 (a decrease of \$170,657 from the comparative quarter); share-based compensation of \$155,976 (a decrease of \$706,680 from the comparative quarter); and marketing expenses of \$18,355 (a decrease of \$307,112 from the comparative quarter).

#### **Fourth Quarter 2022 - Three months ended December 31, 2022**

The recorded loss of \$1,663,463 was impacted by \$658,906 in wage, wage benefits and contractor expenses, \$604,281 in exploration expenses, and \$223,870 in share-based compensation expenses.

During the fourth quarter 2022, the Company undertook additional exploration work, planned for and commenced drilling of its third exploration well WNG 10-21. Additionally, the Company completed a preliminary front-end engineering and design process to determine the technology to use in a production facility based on its well WNG 11-22 well gas composition.

#### **Third Quarter 2022 - Three months ended September 31, 2022**

The recorded loss of \$1,849,814 was impacted by \$773,340 in wage, wage benefits and contractor expenses, \$318,550 in exploration expenses, and \$409,227 in share-based compensation expenses.

During the third quarter 2022, the Company undertook additional exploration work, planned for the drilling of its third exploration well WNG 10-21. Additionally, the Company completed a preliminary front-end engineering and design process to determine the technology to use in a production facility based on its well WNG 11-22 well gas composition.

#### **Second Quarter 2022 - Three months ended June 30, 2022**

The recorded loss of \$2,020,257 was impacted by \$976,514 in share-based compensation expense, \$99,741 in exploration expense, and \$3621,867 in consulting expense.

WNG 11-22, spudded in the first quarter 2022, was drilled to a total depth of 5,390 feet. Open hole logging confirmed excellent reservoir quality in all three target zones. The Cambrian sandstone exhibits 35 feet of net pay with porosity up to 16%. The Souris River has two intervals totaling 42 feet of net pay with porosity up to 18%. DST results on the WNG 11-22 well indicated all three zones showed potentially commercially viable helium concentrations, including an average helium percentage of up to 1.1%.

The Company completed an acidization and clean-up process of the Flathead Cambrian zone, after which the well peaked at over 4 MMscf/d for six days on a choke at a flowing pressure of 300 psig (pound-force per square inch gauge). Preliminary lab results show the gas composition of the Cambrian zone to be, 97.5 % Nitrogen, 1.1 % Helium, 1.1% Methane, 0.3% CO<sub>2</sub>, and trace amounts of other hydrocarbons.

#### **First Quarter 2022 - Three months ended March 31, 2022**

The recorded loss of \$2,822,957 was impacted by \$862,656 in share-based compensation expense, \$306,811 in exploration expense, \$307,442 in consulting expense, and \$325,467 in marketing expenses.

The exploration and consulting expenses for the first quarter 2022 and prior quarters relate to the pre-selection of prospect properties, geological and geophysical assessment of properties leading towards drilling, and hiring of consultants over employees to gain access to certain levels of expertise and to maintain flexibility. Whereas the marketing expenses were in an effort to improve necessary investor education to increase shareholder value and attract the requisite capital to advance the Company's exploration projects.

During the first quarter 2022 the Company also spudded the Rankin 01-17 well drilling to a depth of 5,860 feet. The Souris River zones had good porosity and low water saturation including an average helium percentage of up to 0.4%. Additionally, the Company spudded its second exploration well, WNG 11-22.

#### **Fourth Quarter 2021 - Three months ended December 31, 2021**

The recorded loss of \$3,223,768 for the three months ended December 31, 2021, was impacted by \$1,488,260 in share-based compensation expense, \$555,151 in exploration expense, \$209,833 in consulting expense, and \$568,524 in marketing expenses.

## **DESCRIPTION OF SHARE CAPITAL**

As at September 30, 2023, Avanti's share capital consisted of the following:

<u>Common shares</u>	
Authorized:	unlimited
Issued and outstanding:	79,168,655
Convertible into common shares	
Share purchase warrants	21,610,343
Incentive stock options	<u>7,740,000</u>
	<u>29,350,343</u>
Fully diluted share capital:	<u>108,518,998</u>

As at November 28, 2023, Avanti's number of issued and outstanding shares is 86,161,411, fully diluted 119,117,011.

## **MARKET FOR SECURITIES**

Avanti Helium Corp.'s common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "AVN" and are listed for trading on the OTC, a U.S. based securities trading system, under the symbol "ARGYF".

## **WARRANTS GRANTED DURING THE PERIOD**

During the reporting period ended September 30, 2023, the Company issued the following warrants:

Date of Grant	Number of Warrants	Warrant Holder	Exercise Price	Expiry Date
06-Feb-23	4,517,832	Unit Placees	\$ 1.00	06-Feb-25
06-Feb-23	516,079	Agent Underwriter	\$ 0.70	06-Feb-25
31-Aug-23	1,517,033	Unit Placees	\$ 0.70	31-Aug-24
31-Aug-23	72,501	Finders	\$ 0.70	31-Aug-24
11-Sep-23	150,000	Unit Placee	\$ 0.70	11-Sep-24
11-Sep-23	<u>15,000</u>	Finder	\$ 0.70	11-Sep-24
	<u>6,788,445</u>			

Subsequent to the reporting period, the Company issued 3,333,500 to unit placeses and 162,878 broker warrants with an exercise price of \$0.60 and expiring November 10, 2025.

## WARRANTS OUTSTANDING

As at September 30, 2023, the following warrants were issued and outstanding:

Date of Grant	Expiry Date	Number of Warrants	Exercise Price
15-Mar-22	15-Mar-24	4,207,275	\$ 1.60
15-Mar-22	15-Mar-24	589,018	\$ 1.23
24-Oct-22	24-Oct-24	9,342,575	\$ 0.80
24-Oct-22	24-Oct-24	683,030	\$ 0.66
06-Feb-23	06-Feb-25	4,517,832	\$ 1.00
06-Feb-23	06-Feb-25	516,079	\$ 0.70
31-Aug-23	31-Aug-24	1,517,033	\$ 0.70
31-Aug-23	31-Aug-24	72,501	\$ 0.70
11-Sep-23	11-Sep-25	150,000	\$ 0.70
11-Sep-23	11-Sep-25	15,000	\$ 0.70
		21,610,343	

Subsequent to the reporting period, the Company issued 3,333,500 to unit placeses and 162,878 broker warrants with an exercise price of \$0.60 and expiring November 10, 2025.

## OPTIONS GRANTED DURING THE PERIOD

The Company maintains a Stock Option Plan under which the Company is authorized to grant executive officers and directors, employees and consultants incentive stock options for up to 10% of the issued and outstanding common stock of the Company. Under the Stock Option Plan, the exercise price of each option may equal the market price of the Company's common stock, less than the "Discounted Market Price" (as defined in the policies of the TSX Venture Exchange) at the date of grant, provided that the exercise price shall not be less than \$0.05 per share. All stock options awarded are exercisable for a period of up to ten years, and vest at the discretion of the Board of Directors.

The following incentive stock options were issued during the reporting period.

Date of Grant	Number of Options	Option Holder	Exercise Price	Epiry Date
01-Mar-23	1,010,000	Director & Officers	\$ 0.80	01-Mar-28
01-Mar-23	1,290,000	Employees & Consultants	\$ 0.80	01-Mar-28
27-Sep-23	75,000	Consultant	\$ 0.70	27-Sep-28
	2,375,000			

## OPTIONS OUTSTANDING

As at September 30, 2023, the following options were outstanding:

Date of Grant	Expiry Date	Number of Options	Exercise Price
30-Nov-20	30-Nov-20	1,350,000	\$ 0.30
11-Mar-21	11-Mar-21	1,045,000	\$ 1.45
31-May-21	31-May-21	450,000 <sup>(i)</sup>	\$ 1.30
12-Jul-21	12-Jul-21	150,000	\$ 2.45
23-Aug-21	23-Aug-21	1,200,000	\$ 1.64
05-Nov-21	05-Nov-21	75,000	\$ 0.64
29-Dec-21	29-Dec-21	210,000	\$ 1.53
29-Mar-22	29-Mar-22	885,000	\$ 1.36
01-Mar-23	01-Mar-28	2,300,000	\$ 0.80
27-Sep-23	27-Sep-28	75,000	\$ 0.70
		<u>7,740,000</u>	

Note: during the fiscal year ended December 31, 2022, the exercise price of the noted options was modified from \$2.70 to \$1.30.

## CONTROLS AND PROCEDURES

Under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company, as a "Venture Issuer" files on an annual basis Form 52-109FV1, the "Certificate of Annual Filings - Venture Issuer Basic Certificate" (the "Annual Form") which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the Annual Form are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

However, the Company's Management, and its certifying officers on the Certificates are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in those Certificates. The Certificates do contain representations which confirms that Management has established processes, which are in place to provide the certifying officers with sufficient knowledge to support their written representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that (ii) the financial statements fairly present in all material

respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Company's certifying officers of the Certificates are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in those Certificates. However, the reader should be aware that inherent limitations on the ability of the certifying officers to design and implement, on a cost-effective basis, DC&P and ICFR for the Company as defined in NI 52-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation, including this Management Discussion & Analysis.

## FORWARD LOOKING STATEMENTS

*Certain statements contained herein regarding Avanti and its operations constitute "forward-looking statements" within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. Such statements and assumptions also include those relating to guidance, results of operations and financial condition, capital spending and financing sources. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results.*

*The financial risks the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in interest rates. The Company is subject to regulatory legislation; compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions.*

*We provide this forward-looking information for Avanti's business in order to describe the Management expectations and targets by which Avanti measures its success and to assist Avanti shareholders in understanding Avanti's financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes. **We caution that such "forward-looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** For a more detailed description of these risks, and of other risks to which Avanti is subject, please see the "Risks and Uncertainties", "Environmental Risk" and "Financial and Other Instruments" sections in this Management Discussion and Analysis. In determining Avanti's forward-looking statements, Avanti considers material factors including assumptions and expectations regarding customer demand and adoption rates for helium; helium prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology, third party and competitive risk. Many of these factors are beyond Avanti's control and have effects which are difficult to predict. These material risk factors and material assumptions are not intended to represent a complete list of the factors that could affect Avanti; please see other factors that are described in further detail in Avanti's continuous disclosure filings, from time to time, and available on SEDAR at [www.sedar.com](http://www.sedar.com). Investors and the public should carefully consider these factors, other uncertainties and potential events, and the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to Avanti.*

*The forward-looking statements contained herein represent Avanti's expectations at November 28, 2023, and, accordingly, are subject to change after such date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

## **ADDITIONAL INFORMATION**

Additional information regarding Avanti Helium Corp. can be found on System for the Electronic Document Analysis and Retrieval ("SEDAR" at [www.sedar.com](http://www.sedar.com)).