



Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the periods ended September 30, 2023 and 2022.

# Avanti Helium Corp.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Canadian dollars)

		<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<b>ASSETS</b>	Notes		
<b>Current</b>			
Cash and cash equivalents	3	\$ 263,083	\$ 2,831,293
Receivables		63,383	195,778
Prepaid expenses		49,772	84,981
		<u>376,238</u>	<u>3,112,052</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	28,598,953	27,155,853
Reclamation bonds		62,547	62,547
Property, plant and equipment	5	3,316,970	14,619
		<u>\$ 32,354,708</u>	<u>\$ 30,345,071</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 2,825,398	\$ 4,461,407
Current portion of lease liabilities		15,172	2,199
		<u>2,840,570</u>	<u>4,463,606</u>
<b>Non-current liabilities</b>			
Decommissioning obligation		154,063	171,752
Lease liabilities		151,359	-
		<u>\$ 3,145,992</u>	<u>\$ 4,635,358</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6 (b)	54,268,919	48,072,148
Equity reserves	6 (e)	11,858,788	10,269,431
Accumulated other comprehensive income		798,551	819,737
Deficit		<u>(37,717,542)</u>	<u>(33,451,603)</u>
		<u>29,208,716</u>	<u>25,709,713</u>
		<u>\$ 32,354,708</u>	<u>\$ 30,345,071</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Going Concern	2 (c)
Subsequent event - Share Capital	6 (b)

## Avanti Helium Corp.

### Condensed Consolidated Interim Statements of Changes in Shareholders Equity

(Unaudited)

(Canadian dollars)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Expenses</b>					
General and administration	11	\$ 995,199	\$ 1,050,997	\$ 2,913,006	\$ 3,065,834
Share-based compensation	6 (d)	191,805	409,227	757,142	2,248,398
Exploration		(211,566)	318,550	253,536	725,102
Marketing		16,092	38,415	48,610	382,093
Public company		15,023	60,693	44,616	127,971
Depreciation, and accretion		8,000	2,160	25,386	6,332
<b>OPERATING LOSS</b>		<b>(1,014,553)</b>	<b>(1,880,042)</b>	<b>(4,042,296)</b>	<b>(6,555,730)</b>
<b>OTHER INCOME (EXPENSES)</b>					
Interest income		10	2,942	6,784	8,284
Interest expense	11	(4,823)	(25)	(9,473)	(819)
Realized gain (loss) on investments		-	-	-	(78,200)
Foreign exchange gain (loss)		(1,084)	27,311	(12,176)	6,263
Loss on disposition of exploration and evaluation assets	5	-	-	(208,778)	-
<b>NET LOSS</b>		<b>(1,020,450)</b>	<b>(1,849,814)</b>	<b>(4,265,939)</b>	<b>(6,620,202)</b>
<b>OTHER COMPREHENSIVE INCOME GAIN (LOSS)</b>					
<b>Items that may be reclassified subsequent to net loss</b>					
Foreign currency translation adjustment		186,700	798,243	(21,186)	980,610
<b>COMPREHENSIVE LOSS</b>		<b>\$ (833,750)</b>	<b>\$ (1,051,571)</b>	<b>\$ (4,287,125)</b>	<b>\$ (5,639,592)</b>
<b>WEIGHT AVERAGE NUMBER OF SHARES</b>					
Basic and diluted		77,923,611	58,225,991	76,177,168	55,900,304
<b>LOSS PER COMMON SHARE</b>					
Basic and diluted		<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.12)</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements

## Avanti Helium Corp.

### Condensed Consolidated Interim Statements of Changes in Shareholders Equity

(Unaudited)

(Canadian dollars)

	Notes	Share capital	Equity reserves	Accumulated other comprehensive income	Deficit	Total
<b>Balance, December 31, 2021</b>		\$ 34,388,141	\$ 6,203,990	\$ 540	\$ (25,157,517)	\$ 15,435,154
Share issuance: offerings - placements	6 (b)	8,903,869	-	-	-	8,903,869
Unit warrants issued	6 (b), (c)	(504,873)	504,873	-	-	-
Broker warrants issued	6 (b), (c)	(457,827)	457,827	-	-	-
Warrants exercised	6 (b), (c)	667,469	(434,339)	-	-	233,130
Share-based compensation	6 (d)	-	2,248,398	-	-	2,248,398
Net loss		-	-	-	(6,620,203)	(6,620,203)
Translation gain (loss) on foreign operations		-	-	980,610	-	980,610
<b>Balance, September 30, 2022</b>		\$ 42,996,779	\$ 8,980,749	\$ 981,150	\$ (31,777,720)	\$ 21,180,958
Share issuance: offerings - placements	6 (b)	6,098,181	-	-	-	6,098,181
Unit warrants issued	6 (b), (c)	(1,064,812)	1,064,812	-	-	-
Broker warrants issued	6 (b), (c)	-	-	-	-	-
Warrants exercised	6 (b), (c)	42,000	-	-	-	42,000
Share-based compensation	6 (d)	-	223,870	-	-	223,870
Net loss		-	-	-	(1,673,883)	(1,673,883)
Translation gain (loss) on foreign operations		-	-	(161,413)	-	(161,413)
<b>Balance, December 31, 2022</b>		\$ 48,072,148	\$ 10,269,431	\$ 819,737	\$ (33,451,603)	\$ 25,709,713
Share issuance: offerings - placements	6 (b)	6,752,061	(55,075)	-	-	6,696,986
Unit warrants issued	6 (b), (c)	(509,294)	509,294	-	-	-
Broker warrants issued	6 (b), (c)	(178,730)	178,730	-	-	-
Reclassification of issuance costs		(243,575)	243,575	-	-	-
Warrants exercised	6 (b), (c)	376,309	(44,309)	-	-	332,000
Share-based compensation	6 (d)	-	757,142	-	-	757,142
Net loss		-	-	-	(4,265,939)	(4,265,939)
Translation gain (loss) on foreign operations		-	-	(21,186)	-	(21,186)
<b>Balance, September 30, 2023</b>		\$ 54,268,919	\$ 11,858,788	\$ 798,551	\$ (37,717,542)	\$ 29,208,716

The accompanying notes form an integral part of these condensed consolidated interim financial statements

## Avanti Helium Corp.

### Condensed Consolidated Interim Statements of Cashflows

(Unaudited)

(Canadian dollars)

		September 30, 2023	September 30, 2022
<b>OPERATING ACTIVITIES</b>	<b>Notes</b>		
Net loss		\$ (4,265,939)	\$ (6,620,203)
Items not affecting cash:			
Depreciation and accretion	5	25,386	6,333
Share-based compensation	6 (d)	757,142	2,248,398
Loss on disposition of exploration and evaluation assets	4	208,778	-
Foreign exchange gain		6,344	-
Interest expense		9,473	819
Changes in non-cash working capital items:			
Changes in receivables and prepaid expenses		167,604	116,458
Changes in accounts payable and accrued liabilities		(1,636,009)	525,462
<b>Cash used in operating activities</b>		<b>(4,727,222)</b>	<b>(3,722,733)</b>
<b>FINANCING ACTIVITIES</b>			
Net proceeds from private placements	6 (b)	6,696,986	9,408,740
Warrants exercised	6 (b), (c)	332,000	233,131
Lease payments		(77,366)	(3,531)
<b>Cash provided by financing activities</b>		<b>6,951,620</b>	<b>9,638,340</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation asset expenditures	4	(1,954,584)	(9,466,971)
Proceeds on disposal of exploration and evaluation assets	4	275,087	-
Property, plant and equipment purchases	5	(3,082,077)	(8,088)
Decommissioning obligation settlement		(30,941)	-
Redemption of investments		-	4,041,315
<b>Cash used in investing activities</b>		<b>(4,792,514)</b>	<b>(5,433,744)</b>
<b>Effect of foreign exchange on cashflows</b>		<b>(93)</b>	<b>15,072</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,568,210)</b>	<b>496,935</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<b>2,831,293</b>	<b>1,338,611</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>\$ 263,083</b>	<b>\$ 1,835,546</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements

## 1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Avanti Helium Corp. (formerly Avanti Energy Inc.) (the "Company" or "AVN") is a focused exploration and development company of helium resources across Western Canada and the United States.

The Company was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on March 7, 2011, and on August 17, 2022 changed its name from Avanti Energy Inc. The Company'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".

The Company's office is located at 400, 750 – 11 Street SW, Calgary, AB, V7P 3N4, with its registered office address is 704, 595 Howe Street, Vancouver, BC, T2P 2T5.

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

### *a) Basis of Preparation*

These condensed interim consolidated financial statements are in compliance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Company's consolidated financial statements as at and for the year ended December 31, 2022. These condensed consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2023 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2022.

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

These Financial Statements were authorized for issuance by the Company's Board of Directors' on November 28, 2023.

### *b) Principles of consolidation*

These Financial Statements incorporate the financial statements of the Company and the entity controlled by the Company, its wholly owned subsidiary, Avanti Helium US, Inc. (formerly Avanti Energy Montana Inc.). Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The financial statements of the subsidiary are included in the Financial Statements from the date that control commences until the date that control ceases.

All subsidiary companies are wholly owned and inter-company transactions, balances, revenues and expenses, and unrealized gains and losses have been eliminated on consolidation.

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**Avanti Helium Corp.****Notes to the Condensed Consolidated Interim Financial Statements**

(Unaudited)

(Canadian dollars)

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*c) Going concern*

These Financial Statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitment in the normal course of business.

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).

The Company is currently classified as a helium exploration company. Although the Company has entered into a helium processing plant agreement to produce for the eventual sale of the Company's helium, till production occurs its cash inflows are limited. As such, the Company's ability to continue as a going concern is dependent on obtaining additional capital investment or financing(s). Note 7 provides a more detailed description of the liquidity risk.

These Financial Statements do not reflect the adjustments that might be necessary to the carrying amount of the reported assets, liabilities, expenses, and statement of financial position classifications used if the Company was unable to continue operation in accordance with this assumption. Such adjustments may be material.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	September 30, 2023	December 31, 2022
Cash	\$ 257,953	\$ 2,415,561
Short-term deposits	5,130	415,732
	<u>\$ 263,083</u>	<u>\$ 2,831,293</u>

## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

Short-term deposits include a high interest savings account with an annualized interest rate of approximately 2% (December 31, 2022 - approximately 2.6%).

#### 4. EXPLORATION AND EVALUATION ASSETS

	Canadian Projects	United States Projects	Total
<b>For year ended December 31, 2022</b>			
<b>Balance December 31, 2021</b>	\$ 566,828	\$ 10,788,908	\$ 11,355,736
Additions	177,933	14,533,243	14,711,176
Changes in decommissioning obligation	-	22,420	22,420
Exploration and evaluation impairment	(224,065)	-	(224,065)
Foreign exchange impacts	-	94,320	94,320
<b>Balance, December 31, 2022</b>	\$ 520,696	\$ 25,438,891	\$ 25,959,587
<b>For period ended September 30, 2023</b>			
Additions	21,920	1,826,168	1,848,088
Foreign exchange impacts	-	(26,366)	(26,366)
<b>Balance, September 30, 2023</b>	\$ 542,616	\$ 27,238,693	\$ 27,781,309

In addition, the Company has long-lead drilling and completion materials with a recorded value of \$817,644 (December 31, 2022 - \$ 1,196,266) within the consolidated statement of financial position that have not been allocated to an exploration and evaluation asset segment. During the reporting period the Company sold certain drilling and completion materials for net proceeds of \$275,087 and recognized a corresponding net loss upon disposal of \$208,778 (December 31, 2022 - \$nil). The balance of these long-lead materials will be consumed in future helium well drilling and completion programs.

## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

## 5. PROPERTY, PLANT, AND EQUIPMENT

Year ended December 30, 2022	Computer equipment	Helium recovery facilities and equipment	Right-of-use asset	Total
<b>Cost</b>				
Balance at December 31, 2021	\$ 11,771	\$ -	\$ 7,298	\$ 19,069
Additions	8,088	-	-	8,088
Balance at December 31, 2022	19,859	-	7,298	27,157
<b>Accumulated depreciation</b>				
Balance at December 31, 2021	2,198	-	1,460	3,658
Depreciation	5,377	-	3,503	8,880
Balance at December 31, 2022	7,575	-	4,963	12,538
<b>Net book value</b>				
<b>Balance at December 31, 2022</b>	<b>\$ 12,284</b>	<b>\$ -</b>	<b>\$ 2,335</b>	<b>\$ 14,619</b>

Year to date ended September 30, 2023	Computer equipment	Helium recovery facilities and equipment	Right-of-use asset	Total
<b>Cost</b>				
Balance at December 31, 2022	\$ 19,859	\$ -	\$ 7,298	\$ 27,157
Additions	-	3,082,078	232,187	3,314,265
Balance at September 30, 2023	19,859	3,082,078	239,485	3,341,422
<b>Accumulated depreciation</b>				
Balance at December 31, 2022	7,574	-	4,963	12,537
Depreciation	4,951	-	6,942	11,893
Foreign exchange impact	-	-	22	22
Balance at September 30, 2023	12,525	-	11,927	24,452
<b>Net book value</b>				
<b>Balance at September 30, 2023</b>	<b>\$ 7,334</b>	<b>\$ 3,082,078</b>	<b>\$ 227,558</b>	<b>\$ 3,316,970</b>

The Company recorded an amortization expense for the three and nine months ended September 30, 2023 of \$4,552 and \$11,893, respectively (three and nine months ended September 30, 2022 of \$2,160 and \$6,333, respectively).

The \$3,082,078 in helium recovery unit facilities and equipment are currently not being depreciated as they are classified as assets under construction.

**6. SHARE CAPITAL**

The Company's authorized and issued share capital is as follows:

*a) Authorized share capital*

Unlimited common shares without par value.

*b) Issued common shares*

The Company's issued share capital is as follows:

The changes in the Company's outstanding share capital is as follows:

	September 30, 2023		December 31, 2022	
	Number	Stated capital	Number	Stated capital
<b>Balance, beginning of period</b>	68,050,957	\$ 48,072,148	49,563,702	\$ 34,388,141
Private placements	10,702,698	6,064,037	18,172,125	12,974,538
Exercise of warrants	415,000	376,309	315,130	709,469
Reclassification of issuance costs	-	(243,575)	-	-
<b>Balance, end of period</b>	<b>79,168,655</b>	<b>\$ 54,268,919</b>	<b>68,050,957</b>	<b>\$ 48,072,148</b>

During the report period ended September 30, 2023, the Company had the following share transactions:

- 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 consisted of one common share and one half of one transferable share purchase warrant ("Unit Warrants"). Each whole Unit Warrant entitles the holder to purchase one common share, at a price of \$1.00 until February 6, 2025. The Company allocated \$5,705,738 to share capital and \$451,783 to warrants. The Company incurred share issuance costs of \$570,905, of which \$515,013 was allocated to common shares and \$55,893 to warrants. Directors and officers of the Company subscribed for a total of 734,000 Offering Units of the public offering for aggregate gross proceeds of \$513,800.

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. The fair value of the Broker Warrants was determined to be \$167,444 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 3.81%, expected life of 2 years and expected volatility of 82.9%.

- 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%.

- v) 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%.

- vi) 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.

## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

#### c) Share purchase warrants

	September 30, 2023		December 31, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
<b>Balance, beginning of period</b>	15,236,898	\$ 1.04	686,008	\$ 0.81
Issuances - Private Placement	6,184,865	0.92	13,964,850	1.04
Issuance - Broker Warrants	603,580	0.70	1,272,048	0.92
Exercises	(415,000)	0.80	(315,130)	0.51
Expiry	-	-	(370,878)	0.75
<b>Balance, end of period</b>	<b>21,610,343</b>	<b>\$ 0.96</b>	<b>15,236,898</b>	<b>\$ 1.04</b>

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

Warrants Outstanding	Exercise Price	Remaining Life (years)	Expiry Date
4,207,275	\$ 1.60	0.46	March 15, 2024
589,018	\$ 1.23	0.46	March 15, 2024
9,342,575	\$ 0.80	1.07	October 24, 2024
683,030	\$ 0.66	1.07	October 24, 2024
4,517,832	\$ 1.00	1.35	February 6, 2025
516,079	\$ 0.70	1.35	February 6, 2025
1,589,534	\$ 0.70	0.92	August 31, 2024
165,000	\$ 0.70	0.95	September 11, 2024
<b>21,610,343</b>			

#### d) Stock-based compensation plan

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, with vesting at the discretion of the Board of Directors.

## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

#### Movements in stock options during the period

A summary of the status of the Company's Stock Option Plan is presented below:

	September 30, 2023		December 31, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
<b>Outstanding, beginning of period</b>	5,365,000	\$ 1.33	4,955,000	\$ 1.34
Issued	2,375,000	0.80	935,000	1.36
Forfeited	-	-	(525,000)	1.49
<b>Outstanding, end of period</b>	<b>7,740,000</b>	<b>\$ 1.08</b>	<b>5,365,000</b>	<b>\$ 1.33</b>

During the report period ended September 30, 2023, the Company had the following stock option issuance:

- i) 2,300,000 stock options issued on March 1, 2023, with an exercise price of \$0.80, of which 1,010,000 stock options were issued to Directors and Officers of the Company.
- ii) 75,000 stock options issued on September 27, 2023, with an exercise price of \$0.75, were to a consultant of the Company.

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

Number of Options	Number of Options Exercisable	Exercise Price	Remaining Life (years)	Expiry Date
1,350,000	1,350,000	\$ 0.30	2.17	November 30, 2025
1,045,000	1,045,000	\$ 1.45	2.45	March 11, 2026
450,000	450,000	\$ 1.30	2.67	May 31, 2026 <sup>(i)</sup>
150,000	150,000	\$ 2.45	2.78	July 12, 2026
1,200,000	1,200,000	\$ 1.64	2.90	August 23, 2026
75,000	75,000	\$ 1.64	3.10	November 5, 2026
210,000	210,000	\$ 1.53	3.25	December 29, 2026
885,000	885,000	\$ 1.36	3.50	March 29, 2027
2,300,000	1,150,000	\$ 0.80	4.42	March 1, 2028
75,000	-	\$ 0.70	4.99	September 27, 2028
<b>7,740,000</b>	<b>6,515,000</b>			

- (i) During the year ended December 31, 2022, the exercise price of these options was modified from \$2.70 to \$1.30.

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**Avanti Helium Corp.****Notes to the Condensed Consolidated Interim Financial Statements**

(Unaudited)

(Canadian dollars)

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Fair value of stock options granted during the period

The fair value for the compensation costs of stock options issued to both employees and non-employees were calculated using the Black-Scholes option pricing model resulting in an additional charge to general stock-based compensation expense with a corresponding increase in equity reserve.

During the three and nine months ended September 30, 2023, the Company incurred \$191,805 and \$757,142, respectively (three and nine months ended September 30, 2022 - \$409,227 and \$2,248,398, respectively) in compensation expense relating to options granted, vested and modified.

The fair value of the options granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions during the period ended September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Forfeiture rate	19.98% to 19.18%	0.00%
Risk-free	3.78% to 4.40%	2.45%
Expected volatility	80.17% to 78.08%	138.72%
Dividend rate	Nil	Nil
Expected life	3.5 to 4.4 years	5 years
Weighted average value of options granted during period	\$ 0.37	\$ 1.21

*e) Equity Reserve*

	September 30, 2023	December 31, 2022
<b>Balance, beginning of period</b>	\$ 10,269,431	\$ 6,203,990
Share-based payment	757,142	2,472,268
Issuance costs	(55,075)	-
Reclassification of issuance costs	243,575	-
Warrant issuance	688,024	2,027,512
Warrant exercise	(44,309)	(434,339)
<b>Balance, end of period</b>	\$ 11,858,788	\$ 10,269,431

**7. FINANCIAL INSTRUMENTS***a) Categories of financial instruments*

The Company has classified its financial instruments as follows:

	September 30, 2023	December 31, 2022
Financial assets		
Cash and cash equivalents	\$ 263,083	\$ 2,831,293
Receivables	63,383	195,778
Reclamation bonds	62,547	62,547
Financial liabilities		
Accounts payable and accrued liabilities	\$ 2,825,398	\$ 4,461,407

*b) Financial risk management*

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, foreign currency risk, and liquidity risk. An analysis of these risks as at September 30, 2023 and December 31, 2022, is provided below.

*i) Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company conducts a significant portion of its business activities in the United States, in U.S. dollars. Cash and cash equivalents, trade and other receivables, trade accounts payables and accrued liabilities that are denominated in foreign currencies will be affected by the changes in the exchange rates between the Canadian dollar and U.S. dollar. The Company currently does not enter into any derivative financial instruments to reduce its exposure to foreign currency risk.

The analysis is based on financial assets and liabilities denominated in U.S. dollars at the statement of financial position date (“statement of financial position exposure”), and U.S. dollar denominated operating expenses during the year (“operating exposure”).

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).

*ii) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities as they become due. The Company’s financial liabilities comprise accounts payable and accrued liabilities, which are normally due within 30 days.

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## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

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The Company mitigates liquidity risk by planning its expenditures in advance of the underlying significant commitments. The Company anticipates that it will continue to have adequate liquidity to fund its financial liabilities through Its future cash flows, inclusive of Its financings.

The Company manages liquidity risk through cash management and by monitoring forecast cash flows.

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>

- i) 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.
  - ii) 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, this commitment is not included in the above table.
  - iii) 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.
- c) *Fair values*

The carrying amounts in the consolidated statement of financial position for cash and cash equivalents, trade and other receivables and trade accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of these instruments.

The Company has no financial assets recorded at fair value at September 30, 2023 or 2022.

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**Avanti Helium Corp.****Notes to the Condensed Consolidated Interim Financial Statements**

(Unaudited)

(Canadian dollars)

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**8. COMMITMENTS AND GUARANTEES***Operating leases*

Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:

	Property	Other	Total
Next year	\$ 45,618	\$ -	\$ 45,618
Within two to five years	89,975	-	89,975
Thereafter	394,688	-	394,688
	\$ 530,281	\$ -	\$ 530,281

- i) The fixed lease payments for the new office lease disclosed in 7 (b) (ii) are included in the above table.

**9. SEGMENTED INFORMATION**

The Company operates in the acquisition, exploration and evaluation of helium properties.

The Company considers the basis on which it is organized, including the economic characteristics and geographic areas, in identifying its reportable segment. The operating segment of the Company is defined as components 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.

*Geographic information*

The Company's non-current assets other than financial instruments are allocated to geographical segments as at September 30, 2023 and December 31, 2022 are as follows:

<b>Non-current assets</b>	September 30, 2023	December 31, 2022
Canada	\$ 549,945	\$ 1,024,127
United States	31,428,525	26,208,894
	\$ 31,978,471	\$ 27,233,021

**10. RELATED PARTY DISCLOSURES***Related party transactions*

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

## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Related Party</b>				
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 is included in the compensation of key management below. 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 was \$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.

#### *Compensation of key management personnel of the Company*

The Company has identified the President, Chief Executive Officer, current and former Chief Financial Officer, Vice President Operations, Vice President Subsurface, and the Company’s directors as its key management personnel during all or part of the periods presented below. The Vice President Operations and Vice President Subsurface were not included in comparative reporting period. The following outlines their fully built-up compensation and benefits for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Salaries, short-term benefits and consulting fees	\$ 237,481	\$ 120,856	\$ 681,301	\$ 241,619
Share-based payments	84,021	192,934	347,068	417,058
	\$ 321,502	\$ 313,790	\$ 1,028,369	\$ 658,677

Share-based payments are the fair value of stock options granted to key personnel are as disclosed in Note 6 (d).

## Avanti Helium Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Canadian dollars)

## 11. RECLASSIFICATIONS

The Company's presentation and classification of expense items in its condensed consolidated interim statement of loss and comprehensive loss has been by function. The reclassification of expenses is to improve investors' ability to compare the Company's financial results with other similar publicly traded businesses in the natural resource sector. Prior to the reclassification of expenses in the condensed consolidated interim statement of loss and comprehensive loss, the expenses were presented as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2022 Reclassified	September 30, 2022	September 30, 2022 Reclassified	September 30, 2022
Notes				
Exploration	\$ 318,550	\$ 318,550	\$ 725,102	\$ 725,102
Depreciation and accretion	2,160	2,160	6,332	6,332
General and administrative	1,050,997		3,065,834	
Administration		165,080		607,037
Consulting		422,093		1,155,402
Management fees		45,000		135,000
Professional fees		112,602		445,760
Salary and benefits		306,247		723,454
Marketing	38,415	38,415	382,093	382,093
Share-based compensation	9 (d) 409,227	409,227	2,248,398	2,248,398
Public company	60,693		127,971	
Transfer agent and filing fees		60,693		127,971
	\$ (1,880,042)	\$ (1,880,067)	\$ (6,555,730)	\$ (6,556,549)
<b>OTHER INCOME (EXPENSES)</b>				
Interest expense	(25)	-	(819)	-