

**FIRST HELIUM INC.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended June 30, 2021

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## INTRODUCTION

This management discussion and analysis ("**MD&A**") of financial condition and results of operations focuses upon the activities, results of operations, liquidity and capital resources of First Helium Inc. (the "**Company**" or "**First Helium**") for the three months ended June 30, 2021. In order to better understand the MD&A, it should be read in conjunction with the audited financial statements for the year ended March 31, 2021 as well as condensed interim consolidated financial statements for the three months ended June 30, 2021 and related notes.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") and filed with appropriate regulatory authorities in Canada. Except as otherwise disclosed, all dollar figures included therein and in this MD&A are quoted in Canadian dollars, unless otherwise stated.

The Company was not a reporting issuer until the period subsequent to December 31, 2020 and was not required to prepare interim financial statements. Therefore, quarterly results prior to the three months period ended December 31, 2020 are not available.

This MD&A is current to August 25, 2021.

## FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with helium exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of the Common Shares (as defined herein) price and volume and other reports and filings with the applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in the Company's documents filed from time to time via the Company's website along with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

This MD&A has been prepared in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*.

All Common Share amounts have been adjusted for a 10:1 Common Share consolidation which became effective on November 27, 2020.

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## **OVERVIEW**

First Helium is a helium exploration and development company incorporated under the laws of the Province of British Columbia on May 10, 2016. The Company's principal office is located at Suite 550, 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company's principal activity is the acquisition, exploration and development of helium property interests in Alberta, Canada.

## **HIGHLIGHTS & RECENT DEVELOPMENTS**

On May 19, 2021, the Company acquired an additional 1,216 hectares of land located on the Worsley Trend at a Crown land sale.

On May 27, 2021, the Company granted 5,800,000 incentive stock options to certain directors, officers and consultants of the Company. The exercise price of the options is \$0.35 per share and the expiry date is five years from the date of grant. 25% of the options will vest on the date of grant and the balance will vest equally over the next three years.

On May 27, 2021, the Company granted 250,000 incentive stock options to certain consultants of the Company. The exercise price of the options is \$0.35 per share and the expiry date is three years from the date of grant. The options will vest equally over 18 months.

On July 8, 2021, the Company issued 35,823,438 common shares and 22,709,291 warrants to convert the \$2,800,000 convertible debentures and \$78,546 in accrued interest, the \$1,700,020 non-brokered subscription receipts and the \$7,479,880 brokered subscription receipts. The 22,709,291 warrants are exercisable at a price of \$0.50 per common share and expire 24 months after their dates of issuances.

On July 8, 2021, the Company issued 214,285 common shares to a consultant for services rendered.

On July 12, 2021, the Company began trading on the Exchange under the symbol HELI.

On August 16, 2021, the Company launched a new corporate website at [www.firsthelium.com](http://www.firsthelium.com), wherein it contains all key information about the Company including an updated investor presentation.

On August 18, 2021, the Company announced that it has completed its assessment of the 8,064 hectares of strategic lands surrounding its discovery well at Worsley Well and has identified three offsetting drill locations on its Worsley Property.

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## PROPERTIES, CLAIMS AND EXPLORATION PROGRAMS

### Worsley Trend and Worsley Property

The Company's Worsley Property and other Worsley Trend assets are located in the Worsley Trend in Northern Alberta, Canada. The Worsley Trend lies along the northern flank of the geological structure called the Peace River Arch ("PRA"). There are numerous clastic and carbonate formations with structural, stratigraphic and hydrodynamic traps along the flanks of the PRA. Gas analyses in various wells performed over the decades have established economic helium concentrations in the vicinity of the PRA and most notably along the Worsley Trend. Wells along the Worsley Trend have historically produced significant amounts of helium along with the targeted hydrocarbons, however the helium was not recovered during production.

On September 11, 2017, the Company entered into a farmout option agreement with Cequence Energy Ltd. ("Cequence") whereby the Company could acquire a 100% interest in the Worsley Well and 256 hectares of associated P&NG rights by performing, at its sole cost and expense, a production test on the Worsley Well. The Worsley Well is a helium project located north of Grand Prairie, Alberta. In December of 2017 through to March of 2018 the Company performed an extended productivity and build-up test and subsequently elected to acquire Cequence's 100% undivided interest in the Worsley Well, subject to overriding royalties of 10% on natural gas, 5-10% on crude oil, and 2.5% on inert gases (including helium). Cequence is not a related party of the Company under International Accounting Standards 24.

Subsequent to the testing of the Worsley Well, the Company acquired a 100% interest in additional hectares at the Alberta Crown P&NG auctions. In total, the Company now holds 32,055 hectares of Alberta P&NG rights. The Company continued detailed evaluation of the various productive formations along the Worsley Trend to target specific holdings for additional technical work and to identify prospective acquisition candidates. An existing 3D seismic program in the area around the Worsley Well and adjoining sections was acquired and reinterpreted. The Company also completed an additional 3D seismic program offsetting the Worsley Well and will be completed processing, merging, and interpreting the program in the second quarter of 2021.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data reported by the Company for the years ended March 31, 2021, 2020 and 2019. The information set forth should be read in conjunction with the consolidated audited financial statements, prepared in accordance with IFRS and the related notes thereon.

	<b>F2021</b>	<b>F2020</b>	<b>F2019</b>
Revenues	\$ Nil	\$ Nil	\$ Nil
Net income (loss)	\$ (523,676)	\$ (560,296)	\$ (271,806)
Earnings (loss) per Common Share	\$ (0.03)	\$ (0.06)	\$ (0.03)
Total assets	\$ 15,789,410	\$ 2,155,241	\$ 1,643,799
Total liabilities	\$ 3,886,104	\$ 1,491,761	\$ 519,610

During the fiscal year ended March 31, 2021, the Company undertook a 20.7 square km proprietary 3D seismic program. In addition, the company acquired 64 hectares of land at a crown land sale November 2020.

During the fiscal year ended March 31, 2020, the Company added to its management team and further advanced the development of its Worsley Property.

During the fiscal year ended March 31, 2019, the Company participated in Alberta Crown land auctions and successfully acquired a 100% interest in additional P&NG rights along the Worsley geological trend, located in Alberta, Canada.

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**DISCUSSION OF FINANCIAL AND OPERATING RESULTS**

Three months ended June 30, 2021 and 2020

During the three months ended June 30, 2021, the Company reported net loss of \$652,991. The primary contributors to the loss were:

- Share-based compensation was \$338,640 mainly from the fair value allocation of stock options granted during the three months ended. No stock options were granted in 2020.
- Investor relations were higher by \$60,856 due to higher corporate activities related to the Company's listing on the Exchange.
- Professional fees and transfer agent and filing fees were higher by \$134,465 due to financing activities and prospectus filing.
- Property investigation was \$32,719 mainly due to expenses incurred related to potential strategic property acquisitions.

Exploration and evaluation expenditures

	<b>Worsley Property</b>	<b>Worsley Trend</b>	<b>Total</b>
Balance, March 31, 2020	\$ 1,755,152	\$ 375,173	\$ 2,130,325
Acquisition	2,159	111,403	113,562
Exploration	313,006	1,482,837	1,795,843
Balance, March 31, 2021	\$ 2,070,317	\$ 1,969,413	\$ 4,039,730
Acquisition	366,678	5,108	371,786
Exploration	108,364	134,388	242,752
Balance, June 30, 2021	\$ 2,545,359	\$ 2,108,909	\$ 4,654,268

**SUMMARY OF QUARTERLY RESULTS**

The Company was not a reporting issuer until the period subsequent to December 31, 2020 and was not required to prepare interim financial statements. Therefore, quarterly results prior to December 31, 2020 are not available.

Quarter-end	Revenues	Net Income (Loss)	Total Assets	Shareholder' Equity	Number of Shares Outstanding
June 30, 2021	Nil	\$ (129,315)	\$ 15,143,179	\$ 11,828,255	37,194,397
March 31, 2021	Nil	\$ (180,583)	\$ 15,789,410	\$ 11,903,306	29,573,647
December 31, 2020	Nil	\$ (153,896)	\$ 3,449,595	\$ 3,182,043	29,573,647

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## LIQUIDITY AND CAPITAL RESOURCES

The Company was able to raise additional funds through the issuance of convertible debentures and private placements (brokered and non-brokered) last March 2021. Upon listing on the Exchange, the Company will have sufficient working capital to meet its operational growth plans and its general corporate activities for the next twelve months.

### For the three months ended June 30, 2021 and 2020

As at June 30, 2021, the Company had a working capital balance of \$7,283,494.

During the three months ended March 31, 2021, the Company generated:

- Cash flow deficit from operating activities totaling \$915,711 (surplus in 2020 - \$66,139).
- Cash flow deficit from investing activities totaling \$704,332 (2020 - \$65,674).
- Cash flow surplus from financing activities totaling \$239,300 (2020 - \$nil).

## OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

### Key management personnel compensation

Key management consists of the Company's directors and officers. Remuneration of key management includes the following:

	Three months ended June 30, 2021	Three months ended June 30, 2020
Accounting and compliance fees <sup>(i)</sup>	\$ 28,500	\$ 28,500
Exploration and evaluation expenditures (project management) <sup>(ii)</sup>	130,500	21,000
Management fees <sup>(iii)</sup>	4,425	9,000
Rent expense <sup>(iii)</sup>	6,000	6,000
Investor relations <sup>(iv)</sup>	30,000	-
<b>Total remuneration</b>	<b>\$ 199,425</b>	<b>\$ 64,500</b>

(i) Management, accounting and compliance fees paid to a company (FT Management Ltd.) with a former common director with the Company.

(ii) During the three months ended June 30, 2021, the Company paid or accrued \$130,500 (2020 - \$nil) to various officers and directors of the Company which was capitalized as exploration and evaluation assets. As at June 30, 2021, the Company paid or accrued directors fees of \$4,425 (2020 - \$nil), which were expensed as management fees. During the three months ended June 30, 2020, the Company paid or accrued project management fees of \$30,000 to a company owned by an officer of the Company, of which \$21,000 was capitalized as exploration and evaluation assets and \$9,000 was expensed as management fees.

(iii) During the three months ended June 30, 2021, the Company incurred rent expense of \$6,000 (2020 - \$6,000) as a result of a shared office space with Riverside Resources Inc., a company with a common officer with the Company.

(iv) During the three months ended June 30, 2021, the Company paid or accrued \$30,000 (2020 - \$nil) to a former officer of the Company for investor relations.

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The balance payable to related parties as at June 30, 2021 was \$71,051 (March 31, 2021 - \$234,720) and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

### **PROPOSED TRANSACTIONS**

There are no proposed transactions that have not been disclosed herein.

### **CRITICAL ACCOUNTING ESTIMATES**

The Company's accounting policies are described in Note 3 to the consolidated financial statements for the year ended March 31, 2021. The preparation of financial statements in accordance with IFRS requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. Areas where estimates were used for the period ended June 30, 2021 include the valuation of acquisition of mineral property transactions, valuation of share based payments and income taxes.

### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, cash held in trust, sales tax receivable, accounts payable and accrued liabilities, and convertible debentures. The fair values of the Company's financial instruments approximate their carrying value, which is the amount recorded on the consolidated statement of financial position due to their short-term nature. The fair value of the Company's convertible debentures approximate their carrying value due to the instruments measured at a market rate of interest.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, cash held in trust, and sales tax receivable. The Company's cash is held through a large Canadian financial institution. The Company's cash held in trust is held through trust companies. The Company's sales tax receivable consists of amounts due from the Government of Canada of \$29,179 (March 31, 2021 - \$66,912).

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 9 of these financial statements. As at June 30, 2021, the Company had a cash balance of \$596,534 (March 31, 2021 - \$3,469,367) and a cash held in trust balance of \$8,556,502 (March 31, 2021 - \$7,064,412) to settle current liabilities of \$3,205,417 (March 31, 2021 - \$3,776,957). The Company has sufficient funds to meet its obligations.

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*Price Risk*

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for helium are impacted not only by the relationship between the Canadian Dollars and United States Dollars, but also by market conditions for helium, natural gas, NGL's and condensate that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at June 30, 2021 to manage this risk.

*Interest and Foreign exchange risk*

The Company is not subject to interest rate or foreign exchange risk.

**COMMITMENTS**

There is no new commitment that has not been disclosed.

**OTHER MD&A REQUIREMENTS**

Additional information relating to the Company is available in the prospectus.

**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of Common Shares without par value. As at the date of this MD&A, the following Common Shares, options, and share purchase warrants were outstanding:

	<b>Number of shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Issued and outstanding common shares	65,611,370		
Warrants	2,218,023	\$0.35	November 3, 2022
Warrants	492,801	\$0.50	March 2, 2023
Warrants	427,155	\$0.50	March 15, 2023
Warrants	9,595,152	\$0.50	July 5, 2023
Warrants	13,114,139	\$0.50	July 8, 2023
Warrants	1,709,687	\$0.35	July 12, 2023
Warrants	854,844	\$0.50	July 15, 2023
Options	5,800,000	\$0.35	May 27, 2026
Options	250,000	\$0.35	May 27, 2024
<b>Fully diluted</b>	<b>100,073,171</b>		

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's Statement of Loss and Comprehensive Loss contained in its audited financial statement for the year ended March 31, 2021.