

FIRST HELIUM INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the six months ended September 30, 2021

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 six months ended September 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 six months ended September 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 December 31, 2020 are not available.

This MD&A is current to November 29, 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 DURING AND SUBSEQUENT TO THE SIX MONTHS ENDED SEPTEMBER 30, 2021

Exploration

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 August 16, 2021, the Company launched a new corporate website at 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 had 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.

On August 24, 2021, the Company announced that it had completed a preliminary engineering study of the infrastructure requirements to bring its Worsley discovery well into production. The study also provides the Company with a range of modular and operationally flexible processing designs to bring the Worsley Well, along with future expansion wells, on-stream.

On September 14, 2021, the Company highlighted the continued progress on its evaluation of highly prospective helium exploration lands in Southern Alberta. The Company secured the option agreement with a large independent royalty company in May 2021 specifically to review the Optionor's seismic database within the 357,220 net hectares (approximately 880,000 acres) of optioned lands for targets prospective for helium.

On October 20, 2021, the Company announced that it had received the required licensing from the Alberta Energy Regulator to begin drilling its first exploratory well on its core Worsley Property. The Company expects to commence its helium-focused drilling operations in early November 2021.

On October 28, 2021, the Company announced that it had made significant progress in evaluating approximately 880,000 acres of prospective helium lands currently held under a seismic review and option agreement with a large landholder in southern Alberta. It announced that in the fourth quarter of 2021, a minimum 125,000 acres, all with significant 2D and 3D seismic data coverage, will be continued under the terms of the Option Agreement for a further, more detailed seismic evaluation in anticipation of drilling.

On November 8, 2021, the Company announce that it had commenced drilling its first exploratory well on its core Worsley Property. The First Well is located near the Company's discovery well, which was previously tested to contain 1.3% helium content based on a 10-day flow period at 2 million cubic feet per day of raw gas.

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On November 15, 2021, the Company announced that it had closed on two separate transactions with private, third-party companies to acquire an aggregate of 40 kilometers of natural gas gathering pipeline assets. The acquisition was made for total consideration of \$25,000 in cash and the assumption of future abandonment and reclamation liabilities of up to \$200,000.

On November 29, 2021, the Company announced that it had completed its evaluation of approximately 880,000 acres of prospective helium lands in Southern Alberta and elected to continue on over 276,000 acres of land, which includes over 176,000 acres of corresponding 3D seismic and 512 kilometres of 2D seismic, for a further period of two years. The Company exercised its option pursuant to a seismic review and option agreement with a large landholder for total consideration of \$661,000, or approximately \$2.39 per acre.

Corporate and Financing

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 TSXV Exchange under the symbol HELI.

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.

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Subsequent to the testing of the Worsley Well, the Company acquired a 100% interest in additional hectares at the Alberta Crown P&NG auctions, including 1280 hectares in July and October 2021. In total, the Company now holds 34,010 hectares of Alberta P&NG rights in the general Peace River arch area.

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. This interpretation and evaluation allowed the Company to select a drilling location on the Worsley Property, acquire the surface location in Q2 and begin drilling of the well in early November 2021. Drilling and other operations to evaluate the well will continue in November and December 2021.

In addition to the ongoing geological formation evaluation and drilling operations, subsequent to the end of Q2 the Company has acquired an extensive pipeline system in the Worsley area. 2 separate transactions resulted in the acquisition of 100% working interest in 40 kilometers of pipelines. The lines are designed for gathering natural gas either containing helium for transport to a central helium extraction facility, or to transport natural gas that has had the helium extracted. This gives the Company flexibility to locate a central facility at various locations along the pipeline system. The acquisition also included 1,920 acres (1,690 acres net) of land and 2 suspended wells, one of which is being evaluated for re-activation based on 0.83% of helium content in historical testing. Both wells are tied into and have previously produced gas into the newly acquired pipeline system.

Warner-Jenson Property

On May 26, 2021, the Company entered into a Seismic Review and Option Agreement with a large land holder in southern Alberta. The agreement granted the Company exclusive access to 357,220 hectares of helium rights, 932 square kilometers of 3D seismic and 500 kilometers of 2D seismic. Under the terms of the agreement the Company had six months to evaluate the holdings with the objective of extending certain lands for an additional period under further option. As of November 26th, the Company elected to extend 112,034 hectares of land for a further 2 years under pre negotiated terms. The Company's technical team is now engaged in a more detailed geological and geophysical evaluation of the extended lands. It's anticipated that drilling locations within the optioned lands will be ready for spudding in the first quarter of 2022.

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.

	F2021	F2020	F2019
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 September 30, 2021

During the three months ended September 30, 2021, the Company reported net loss of \$831,736. The primary contributors to the loss were:

- Investor relations was \$327,639 due to higher corporate activities related to the Company's listing on the Exchange.
- Professional fees were \$267,857 due to financing activities and prospectus filing.
- Share-based compensation was \$84,607 mainly from the fair value allocation of stock options granted.
- Property investigation was \$82,244 mainly due to expenses incurred related to potential strategic property acquisitions.

Six months ended September 30, 2021

During the six months ended September 30, 2021, the Company reported net loss of \$1,484,727. The primary contributors to the loss were:

- Share-based compensation was \$423,247 mainly from the fair value allocation of stock options granted during the six months ended. No stock options were granted in 2020.
- Investor relations were \$388,539 due to higher corporate activities related to the Company's listing on the Exchange.
- Professional fees and transfer agent and filing fees were \$406,028 due to financing activities and prospectus filing.
- Property investigation was \$114,963 mainly due to expenses incurred related to potential strategic property acquisitions.

Exploration and evaluation expenditures

	Worsley Property	Worsley Trend	Total
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	417,626	117,522	535,148
Exploration	214,422	322,914	537,336
Balance, September 30, 2021	\$ 2,702,365	\$ 2,409,849	\$ 5,112,214

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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
September 30, 2021	Nil	\$ (831,736)	\$ 12,905,925	\$ 12,584,556	63,985,980
June 30, 2021	Nil	\$ (652,991)	\$ 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

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. 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 six months ended September 30, 2021 and 2020

As at September 30, 2021, the Company had a working capital balance of \$7,582,210.

During the six months ended September 30, 2021, the Company generated:

- Cash flow deficit from operating activities totaling \$2,413,692 (2020 - \$325,220).
- Cash flow deficit from investing activities totaling \$944,979 (2020 - \$439,730).
- Cash flow surplus from financing activities totaling \$239,300 (2020 - \$775,588).

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:

	Six months ended September 30, 2021	Six months ended September 30, 2020
Accounting and compliance fees ⁽ⁱ⁾	\$ 57,000	\$ 57,000
Exploration and evaluation expenditures (project management) ⁽ⁱⁱ⁾	259,500	192,000
Management fees ⁽ⁱⁱ⁾	5,550	18,000
Rent expense ⁽ⁱⁱⁱ⁾	6,000	12,000
Investor relations ^(iv)	60,000	-
Total remuneration	\$ 388,050	\$ 129,000

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

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(ii) During the six months ended September 30, 2021, the Company paid or accrued \$259,500 to various officers and directors of the Company which was capitalized as exploration and evaluation assets. As at September 30, 2021, the Company paid or accrued directors fees of \$5,550, which were expensed as management fees.

During the six months ended September 30, 2020, the Company paid or accrued project management fees of \$60,000 to a company owned by an officer of the Company, of which \$42,000 was capitalized as exploration and evaluation assets and \$18,000 was expensed as management fees.

(iii) During the six months ended September 30, 2021, the Company incurred rent expense of \$6,000 (2020 - \$12,000) as a result of a shared office space with Riverside Resources Inc., a company with a common officer with the Company.

(iv) During the six months ended September 30, 2021, the Company paid or accrued \$60,000 (2020 - \$nil) to a former officer of the Company for investor relations. The balance payable to related parties as at September 30, 2021 was \$60,638 (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 September 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.

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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 \$54,810 (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 September 30, 2021, the Company had a cash balance of \$7,414,408 (March 31, 2021 – cash \$3,469,367 and cash held in trust \$7,064,412) to settle current liabilities of \$211,501 (March 31, 2021 - \$3,776,957). The Company has sufficient funds to meet its obligations.

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 September 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.

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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:

	Number of shares	Exercise Price	Expiry Date
Issued and outstanding common shares	65,611,370		
Warrants	2,218,024	\$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	13,114,138	\$0.50	July 8, 2023
Warrants	1,709,687	\$0.35	July 12, 2023
Warrants	854,844	\$0.50	July 15, 2023
Options	250,000	\$0.35	May 27, 2024
Options	5,800,000	\$0.35	May 27, 2026
Fully diluted	100,073,171		

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.