FIRST HELIUM INC.

Condensed Interim Consolidated Financial Statements
(Unaudited - Expressed in Canadian Dollars)
For the Nine Months Ended December 31, 2021 and 2020

Index

NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The attached condensed interim consolidated financial statements for the nine months ended December 31, 2021 have not been reviewed by the Company's auditors.

FIRST HELIUM INC.
Condensed Interim Consolidated Statements of Financial Position as at
(Unaudited - Expressed in Canadian Dollars)

	Note	**December 31, 2021**	**March 31, 2021**
Assets			
Current assets:			
Cash		$ 3,685,192	$ 3,469,367
Cash held in trust	8	-	7,064,412
Sales tax receivable		168,698	66,912
Prepaid expense		225,089	22,712
Deferred financing costs	8	-	1,126,277
		4,078,979	11,749,680
Property, plant and equipment	4	2,005,202	-
Exploration and evaluation assets	5	7,112,717	4,039,730
		$ 13,196,898	$ 15,789,410
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	$ 1,098,010	$ 1,282,130
Convertible debentures	6	-	2,494,827
		1,098,010	3,776,957
Asset retirement obligations	7	110,231	109,147
		$ 1,208,241	$ 3,886,104
Shareholders' equity:			
Share capital	8	14,982,162	4,503,166
Share subscriptions received in advance	8	-	8,940,600
Reserves	8	819,136	106,948
Deficit		(3,812,641)	(1,647,408)
		11,988,657	11,903,306
		$ 13,196,898	$ 15,789,410

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

"Edward Bereznicki" Director *"Todd Holmstrom"* Director

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

FIRST HELIUM INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Note	3 months ended December 31, 2021	3 months ended December 31, 2020	9 months ended December 31, 2021	9 months ended December 31, 2020
Expenses					
Accounting and compliance	9	$ 78,500	$ 28,650	$ 135,500	$ 85,650
Accretion expense	7	363	5,673	1,084	19,355
General and administration		10,276	10,152	37,948	22,187
Investor relations	9	409,560	-	798,099	44
Interest expense	6	-	42,997	59,879	128,990
Management fees	9	33,900	9,450	39,450	27,450
Professional fees		62,566	53,122	385,552	39,789
Property investigation		(70,938)	-	44,025	-
Rent expense	9	6,000	6,000	18,000	18,000
Share-based compensation	8	84,606	-	507,853	-
Transfer agent and filing fees		37,680	-	120,722	-
Travel and promotion		39,418	1,705	50,310	5,556
		(691,931)	(157,749)	(2,198,422)	(347,021)
Other items					
Interest income		11,425	853	33,189	928
Other income		-	3,000	-	3,000
		11,425	3,853	33,189	3,928
Loss and comprehensive loss for the period		$ (680,506)	$ (153,896)	$ (2,165,233)	$ (343,093)
Loss per share – basic and diluted		$ (0.01)	$ (0.01)	$ (0.05)	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted		64,811,370	10,991,816	43,829,300	14,850,850

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

FIRST HELIUM INC.
Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended December 31,
(Unaudited - Expressed in Canadian Dollars)

	Notes		**2021**		**2020**
OPERATING ACTIVITIES					
Loss for the period		$	(2,165,233)	$	(343,093)
Items not involving cash					
Interest expense	6		59,880		128,990
Accretion expense	7		1,084		19,355
Share based compensation	8		507,853		-
Shares issued for services			75,000		-
Change in non-cash working capital items:					
Prepaid expense			(202,377)		(5,871)
Sales tax receivable			(101,786)		(35,395)
Accounts payable and accrued liabilities			(1,165,178)		(249,033)
			(2,990,757)		(485,047)
INVESTING ACTIVITIES					
Property, plant and equipment	4		(2,005,202)		-
Exploration and evaluation assets	5		(2,091,928)		(640,469)
			(4,097,130)		(640,469)
FINANCING ACTIVITIES					
Proceeds from share issuance	8		12,297,746		1,670,755
Convertible debentures			(2,878,546)		-
Share subscriptions received in advance			(9,179,900)		-
			239,300		1,670,755
Increase (decrease) in cash			(6,848,587)		545,239
Cash, beginning of the period			10,533,779		1,917
Cash, end of the period		$	3,685,192	$	547,156

Supplemental information:
Non-cash investing and financing activities:

Exploration and evaluation assets included in accounts payable and accrued liabilities	$	1,062,416	$	81,357
Fair value of brokers warrants issued	$	204,334	$	-
Fair value of bonus warrants issued	$	-	$	9,464
Reallocation from reserves to share capital from conversion of convertible debentures	$	-	$	26,905
Shares issued for conversion of convertible debentures	$	-	$	1,198,401
Reclassification of subscriptions received in advance	$	-	$	7,500

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

FIRST HELIUM INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

		Share Capital		Share subscriptions received in			Total shareholders'
	Note	Shares	Amount	advance	Reserves	Deficit	equity
Balance at March 31, 2020		**10,202,624**	**$ 1,752,807**	**$ 7,500**	**$ 26,905**	**$ (1,123,732)**	**$ 663,480**
Private placements		16,376,015	1,670,755	-	-	-	1,670,755
Shares issued for conversion of convertible debentures		2,995,008	1,225,306	-	(26,905)	-	1,198,401
Share issuance cost – bonus warrants		-	(9,464)	-	9,464	-	-
Reclassification of subscriptions received in advance		-	-	(7,500)	-	-	(7,500)
Loss for the period		-	-	-	-	(343,093)	(343,093)
Balance at December 31, 2020		29,573,647	$ 4,639,404	$ -	$ 9,464	$ (1,466,825)	$ 3,182,043
Balance at March 31, 2021		**29,573,647**	**$ 4,503,166**	**$ 8,940,600**	**$ 106,948**	**$ (1,647,408)**	**$ 11,903,306**
Shares issued from private placement	8	26,228,286	9,179,900	(9,179,900)	-	-	-
Shares issued for conversion of convertible debentures	6,8	9,595,152	2,878,546	-	-	-	2,878,546
Shares issued for services	8	214,285	75,000	-	-	-	75,000
Share issuance cost			(1,450,116)	-	-	-	(1,450,116)
Share issuance cost – brokers warrants	8	-	(204,334)	-	204,334	-	-
Share subscriptions received in advance	8	-	-	239,300	-	-	239,300
Share based compensation	8	-	-	-	507,853	-	507,853
Loss for the period		-	-	-	-	(2,165,233)	(2,165,233)
Balance at December 31, 2021		65,611,370	$ 14,982,162	$ -	$ 819,136	$ (3,812,641)	$ 11,988,657

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

1. Nature and continuance of operations

First Helium Inc. ("First Helium" or the "Company") is a helium exploration and development company and was incorporated under the laws of the Province of British Columbia on May 10, 2016. The address of the Company's corporate head office and principal place of business is 550 - 800 West Pender Street, Vancouver, BC, V6C 2V6.

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

The Company's principal activity is the acquisition, exploration and development of helium property interests in Alberta, Canada. As at March 31, 2021, the Company had not yet determined whether these properties contained economically recoverable reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves and the ability of the Company to obtain the necessary financing to complete exploration, development and upon future profitable production.

The business of exploring for helium involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable helium operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and development properties, the discovery of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned any revenues and is considered to be in the exploration stage. During the nine months ended December 31, 2021, the Company incurred a net loss of $2,165,233 and, as at December 31, 2021, the Company had a working capital of $2,980,969 and an accumulated deficit of $3,812,641. Management anticipates that the Company will require additional financings to maintain essential levels of corporate and exploration expenditures. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

The Company's ability to continue as a going concern is dependent upon its ability to fund its exploration and development programs. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of business operations. Such adjustments could be material.

1. Nature and continuance of operations (continued)

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. The Company continues to closely monitor developments in the COVID-19 pandemic, including the potential impact on the Company's operations. The impact of COVID-19 is uncertain and the pandemic could have a significant impact on the Company if it or its suppliers are not able to maintain operations.

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 – *Interim Financial Reporting*. In addition, the condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2021. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected of the year ended March 31, 2022.

The condensed interim consolidated financial statements were approved by the Board of Directors on February 25, 2022.

2. Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Summary of Significant Accounting Policies

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended March 31, 2021.

New standards, interpretations and amendments adopted during the period

Property, plant and equipment ("PP&E")

(i) Recognition and measurement

Items of PP&E, which include natural gas, oil properties and equipment, furniture and fixtures are measured at cost less accumulated depletion and depreciation and accumulated impairment losses.

The initial cost of an asset comprises its acquisition or construction cost, which are directly attributable to the acquisition of the assets, including preparation, installation and testing charges incurred with respect to PP&E, bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, license acquisition costs, borrowing costs incurred to acquire qualifying assets and administrative and other general costs. The acquisition or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

3. Summary of Significant Accounting Policies (continued)

Property, plant and equipment ("PP&E") (continued)

(i) Recognition and measurement

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E. Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditures.

Gains and losses on disposal of an item of PP&E, including natural gas, oil properties, and equipment, furniture and fixtures, are determined by comparing the net proceeds from disposal with the carrying amount and are recognized in profit or loss.

Natural gas and oil properties are grouped into CGUs for impairment testing, except for exploration and evaluation stage assets which are subject to impairment considerations under IFRS 6 "Exploration and Evaluation of Mineral Resources."

(ii) Subsequent costs

Natural gas and oil property costs incurred subsequent to reaching the stage of technical feasibility and commercial viability, as well as the costs of replacing parts of the PP&E, are recognized as PP&E when the cost increases the future economic benefits embodied in the specific asset to which the costs relate. Such capitalized items generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. All other expenditures are recognized in profit or loss as incurred. The costs of the day-to-day servicing and maintenance and repairs of PP&E are recognized in profit or loss as incurred.

(iii) Depletion, depreciation and amortization

Natural gas and oil properties are depleted on a unit-of-production basis by ratio of production in the period, over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The unit-of-production rate for the depletion of field development costs takes into account estimated future development costs necessary to bring those reserves into production. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Such reserves are considered commercially producible if management has the intention of developing and producing them and such intention is based upon a reasonable assessment of future economics of such production, a reasonable expectation that there is a market for all or substantially all the expected natural gas production, and evidence that the necessary production, transmission and transportation facilities are available or can be made available.

For other assets, depreciation or amortization is recognized in profit or loss on a straight-line method over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation or amortization methods, useful lives and residual values are reviewed at each reporting date.

Revenue recognition

Revenue from oil and gas operations is recognized when oil and natural gas is shipped, title passes and collection is reasonably assured.

Management fees are recognized when the services have been performed and collection of the amount is reasonably assured.

(Unaudited - Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 2060547 Alberta Ltd ("AB"). All inter-company transactions and balances have been eliminated upon consolidation.

4. Property, Plant and Equipment

During the period ended December 31, 2021, the Company recorded $2,005,202 in capital expenditures in connection with the drilling and completion of the 1-30 oil well.

The Company expects to depreciate the property using the unit of production method based on the useful estimated hours for the property's life. No depreciation was recorded during the period ended December 31, 2021 as the property just completed the flow-testing and produced the first sale of light oil by receiving $88,973 as cost recovery on January 25, 2022. As a result, the carrying value of the property was $2,005,202 as at December 31, 2021.

5. Exploration and Evaluation Assets

Worsley Property

On September 11, 2017, the Company executed a farmout option agreement (the "Farmout Agreement") with Cequence Energy Ltd. ("Cequence") whereby the Company could acquire a 100% interest in the Worsley Property, a helium project located in Alberta, Canada consisting of a well license and Alberta Crown Petroleum and Natural Gas ("P&NG") lease. During the year ended March 31, 2019, the Company elected to acquire Cequence's 100% undivided interest in the farmout lands and farmout well, subject to overriding royalties of 10% on natural gas, 5-10% on crude oil, and 2.5% on inert gases (including helium). The Company also acquired additional P&NG rights for the Worsley Property from Alberta Crown land auctions.

Worsley Property:	Acquisition Costs	Exploration Costs	Asset Retirement Obligations	Total
Balance, March 31, 2020	$ 317,652	$ 1,331,192	$ 106,308	$ 1,755,152
Land acquisition	2,159	-	-	2,159
General and administration	-	504	-	504
Geological and geophysical	-	214,669	-	214,669
Project management	-	84,000	-	84,000
Travel and support	-	13,833	-	13,833
Balance, March 31, 2021	$ 319,811	$ 1,644,198	$ 106,308	$ 2,070,317
Land acquisition	639,024	-	-	639,024
Assay and survey	-	47,386	-	47,386
Drilling and production	-	238,106	-	238,106
Engineering support	-	7,020	-	7,020
Equipment rental	-	11,610	-	11,610
General and administration	-	1,641	-	1,641
Geological and geophysical	-	225,002	-	225,002
Project management	-	65,250	-	65,250
Travel and support	-	1,375	-	1,375
Balance, December 31, 2021	$ 958,835	$ 2,241,588	$ 106,308	$ 3,306,731

(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Worsley Trend

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

Worsley Trend:		Acquisition Costs		Exploration Costs		Total
Balance, March 31, 2020	$	322,508	$	52,665	$	375,173
Land acquisition		111,403		-		111,403
Engineering support		-		5,960		5,960
General and administration		-		120,104		120,104
Geological and geophysical		-		370,694		370,694
Seismic data		-		982,652		982,652
Travel and support		-		3,427		3,427
Balance, March 31, 2021	$	433,911	$	1,535,502	$	1,969,413
Land acquisition		174,920		-		174,920
Assay and survey		-		17,121		17,121
Engineering support		-		215,341		215,341
Equipment rental		-		5,400		5,400
General and administration		-		5,599		5,599
Geological and geophysical		-		195,283		195,283
Project management		-		65,250		65,250
Seismic data		-		146,207		146,207
Travel and support		-		11,054		11,054
Balance, December 31, 2021	$	608,831	$	2,196,757	$	2,805,588

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. During the period ended December 31, 2021, the Company elected to extend the option on 112,034 hectares of land for a further two 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.

Warner-Jenson Property:		Acquisition Costs		Exploration Costs		Total
Balance, March 31, 2020 and 2021	$	-	$	-	$	-
Land acquisition		672,652		-		672,652
Geological and geophysical		-		177,746		177,746
Seismic data		-		150,000		150,000
Balance, December 31, 2021	$	672,652	$	327,746	$	1,000,398

(Unaudited - Expressed in Canadian Dollars)

6. Convertible Debentures

On March 2, 2021, the Company closed an unsecured convertible debentures ("CD") financing in the amount of $2,800,000. The CD were unsecured, mature on March 2, 2022, had an interest rate of 8% per annum, and are payable in cash upon maturity. The CD are automatically convertible into units at $0.30 per unit immediately prior to the listing of common shares on the TSX Venture Exchange (the "Exchange"). Each unit consisted of one common share and one non-transferable whole common share purchase warrant ("CD Warrant"). Each CD Warrant entitled the subscriber to purchase one additional common share of the Company at a price of $0.50 per share for a period of 24 months from listing of the Company's common shares on the Exchange. The Company incurred cash transaction costs totalling $271,619 and issued 492,801 finders' warrants, exercisable at $0.50 per common share for 24 months. The fair value of the finders' warrants was $52,220 and was recorded as transaction costs. As of July 8, 2021, interest expense was $59,880 (March 31, 2021 - $18,666).

On July 8, 2021, CDs with a principal balance of $2,800,000 and interest payable of $78,546 were converted into 9,595,152 common shares of the Company at a price of $0.30 per share (Note 8).

7. Asset Retirement Obligations

The Company's asset retirement obligations are based on the Company's net ownership in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of these costs.

	December 31, 2021		March 31, 2021	
Opening balance	$	109,147	$	107,718
Accretion expense		1,084		1,429
Ending balance	$	110,231	$	109,147

The Company has estimated the net present value of its total asset retirement obligations to be $110,231 at December 31, 2021 (March 31, 2021 - $109,147). The estimated undiscounted, uninflated obligations at December 31 and March 31, 2021, are $96,270. Payments to settle the asset retirement obligations occur over the operating lives of the underlying assets, are estimated to be in 2035. As at December 31and March 31, 2021, a pre-tax risk-free rate of 1.32% and an inflation rate of 1.95% were used to calculate the net present value of the asset retirement obligations. Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditures differing from the amount currently recorded.

8. Share Capital

The authorized capital stock of First Helium consists of an unlimited number of common shares with no par value.

As at December 31, 2021, there were 18,777,753 common shares with 868,651 attached warrants held in escrow (March 31, 2021 – 14,335,926).

Transactions for the nine months ended December 31, 2021 were as follows:

Shares issued from private placement

On July 8, 2021, the Company completed the conversion of March 15, 2021 non-brokered subscription receipts and March 18, 2021 brokered subscription receipts by issuing 26,228,286 common shares and 13,114,138 warrants to convert the $1,700,020 non-brokered subscription receipts and $7,479,880 brokered subscription receipts. The 13,114,138 warrants are exercisable at a price of $0.50 per common share and will expire on July 8, 2023. In addition, the Company recognized $1,450,116 share issuance cost in relation to this financing.

Shares issued for conversion of convertible debentures

On July 5, 2021, Convertible Debentures with a principal balance of $2,800,000 and interest payable of $78,546 were converted into 9,595,152 common shares of the Company at a price of $0.30 per share. The Common Shares are being issued pursuant to the automatic conversion of convertible debentures issued by the Company pursuant to a non-brokered private placement of convertible debentures completed on March 2, 2021 at a deemed conversion price of $0.30 per convertible debenture plus accrued interest (Note 6). In addition, 9,595,152 warrants were also issued exercisable at a price of $0.50 per common share and will expire on July 5, 2023.

Shares issued for services

On July 8, 2021, the Company issued 214,285 common shares at a price of $0.35 per share to a consultant for services rendered in the amount of $75,000.

Transactions for the year ended March 31, 2021 were as follows:

Shares issued from private placements

On September 17, 2020, the Company completed a non-brokered private placement and issued 1,589,192 common shares at a price of $0.40 per share for gross proceeds of $635,678.

On November 16, 2020, the Company completed a non-brokered private placement and issued 14,786,823 common shares at a price of $0.07 per share for gross proceeds of $1,035,078.

The Company incurred $136,239 in cash share issuance costs in relation to these private placements.

Shares issued for the conversion of convertible debentures

On September 14, 2020, convertible debentures with a principal balance of $1,011,684 and interest and commitment fee payable of $186,319 were converted into 2,995,008 common shares of the Company at a price of $0.40 per share. The $0.40 per share conversion price was based on debenture settlement agreements entered during the year ended March 31, 2021.

(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

Reclassification of subscriptions received in advance

During the year ended March 31, 2021, the Company reclassified a total of $7,500 subscriptions received in advance in connection with a non-brokered private placement. The $7,500 was reclassified to accounts payable and accrued liabilities during the year ended March 31, 2021.

Share subscriptions received in advance

On March 15, 2021, the Company completed a non-brokered private placement and issued 4,857,200 subscription receipts ("NBSR") at a price of $0.35 per subscription receipt for gross proceeds of $1,460,720. Each NBSR issued will be automatically exchanged for one common share and one-half of one common share purchase warrant (each whole warrant, a "NBPP Warrant"). Each NBPP Warrant entitles the holder thereof to purchase one common share at a price of $0.50 per share for a period of 24 months from the date of listing of the Company's common shares on the Exchange. The Company incurred cash finders' fees totalling $129,180 and issued 427,155 finders' warrants, exercisable at $0.50 per common share for 24 months. The fair value of the finders' warrants was $45,264. The Company recorded the finders' fees and finders' warrants totalling $174,444 as deferred financing costs as at March 31, 2021.

On March 18, 2021, the Company completed a brokered private placement and issued 21,371,086 subscription receipts ("BSR") at a price of $0.35 per subscription receipt for gross proceeds of $7,479,880. Each BSR issued was automatically exchanged for one common share and one-half of one common share purchase warrant (each whole warrant, a "BPP Warrant") upon satisfaction of certain conditions. Each BPP Warrant entitles the holder thereof to purchase one common share at a price of $0.50 per share for a period of 24 months from the date of listing of the Company's shares on the Exchange. The Company incurred cash commission totalling $733,391, corporate finance fees of $45,199, legal fees of $153,660, agent fees of $19,583, and issued 1,709,687 broker warrants. Each broker warrant entitles the holder to acquire one broker warrant unit at an exercise price of $0.35 per common share for 24 months. Each broker warrant unit is comprised of one common share and one-half of one broker underlying warrant. Each broker underlying warrant entitles the holder to acquire one common share at an exercise price of $0.50 per common share for 24 months. The Company recorded the fees totalling $951,833 as deferred financing costs as at March 31, 2021. As at March 31, 2021, $7,064,412 of the proceeds received from the brokered private placement was presented under cash held in trust.

During the year ended March 31, 2021, the total gross proceeds received of $8,940,600 was presented under share subscriptions received in advance and had all been transferred to share capital during the period ended December 31, 2021.

Warrants

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

The number and weighted average exercise prices of warrants are as follows:

	Number of warrants	Weighted average exercise price
Outstanding warrants, March 31, 2020	-	-
Granted	3,137,980	$0.39
Outstanding warrants, March 31, 2021	3,137,980	$0.39
Granted	25,273,821	$0.49
Outstanding warrants, December 31, 2021	28,411,801	$0.48

(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

Warrants (continued)

As at December 31, 2021, warrants enabling the holders to acquire common shares are as follows:

Expiry date (mm/dd/yyyy)	Number of warrants	Weighted average remaining life in years	Weighted average exercise price
11/03/2022	2,218,024	0.84	$0.35
03/02/2023	492,801	1.17	$0.50
03/15/2023	427,155	1.20	$0.50
07/05/2023	9,595,152	1.51	$0.50
07/08/2023	13,114,138	1.52	$0.50
07/12/2023	1,709,687	1.53	$0.35
07/15/2023	854,844	1.54	$0.50
	28,411,801	1.47	$0.48

On November 3, 2020, the Company issued 2,218,024 bonus warrants to shareholders as standby guarantors during the November 16, 2020 non-brokered private placement. Each bonus warrant entitles the holder to purchase one common share at an exercise price of $0.35 for a period of 24 months after the closing date.

On March 2, 2021 and March 15, 2021, the Company issued 492,801 and 427,155 finders' warrants to various agents related to the CD financing (Note 6) and non-brokered private placement, respectively.

On July 12, 2021 and July 15, 2021, the Company issued 1,709,687 and 854,844 broker's warrants to various agents pursuant to the Agency Agreement. In addition, the Company recognized $204,334 share issuance cost in relation to this financing.

During the period ended December 31, 2021 and year ended March 31, 2021, warrants issued had a fair value of $204,334 and $106,948, respectively, was calculated using the Black-Scholes pricing model, based on the following weighted average assumptions:

	December 31, 2021	March 31, 2021
Forfeiture rate	0.00%	0.00%
Estimated risk-free rate	0.45%	0.30%
Expected volatility	75%	75%
Estimated annual dividend yield	0.00%	0.00%
Expected life of warrants	2 years	2 years

Stock Options

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. Optioned shares will vest with 25% released on the grant date and 25% vesting every year for 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 April 15, 2021, the Company adopted an incentive stock option plan to allow the Company to grant stock options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares in the capital of the Company. All options are subject to vesting terms as determined by the Board of Directors. The expiry date for each option shall be set by the Company at the time of granting and shall not be more than ten years after the grant date.

(Unaudited - Expressed in Canadian Dollars)

8. Share Capital (continued)

Stocks Options (continued)

No stock options were granted and outstanding during the year ended March 31, 2021.

The number and weighted average exercise prices of options are as follows:

	Number of options	Weighted average exercise price
Outstanding options, March 31, 2021 and 2020	-	-
Granted	6,050,000	$0.35
Forfeited	(100,000)	$0.35
Outstanding options, December 31, 2021	5,950,000	$0.35

As at December 31, 2021, options enabling the holders to acquire common shares are as follows:

Expiry date (mm/dd/yyyy)	Number of options	Weighted average remaining life in years	Weighted average exercise price
05/27/2024	150,000	2.41	$0.35
05/27/2026	5,800,000	4.41	$0.35
	5,950,000	4.32	$0.35

Share-based compensation relating to options vested during the period ended December 31, 2021 using the Black-Scholes option pricing model was $507,853 (March 31, 2021 - $nil), which was recorded as reserves on the statements of financial position and as stock option issuances expense on the statement of operations and comprehensive loss. The associated stock option issuances expense for the options granted was calculated based on the following assumptions:

	December 31, 2021	March 31, 2021
Forfeiture rate	0.00%	n/a
Estimated risk-free rate	0.74%	n/a
Expected volatility	75%	n/a
Estimated annual dividend yield	0.00%	n/a
Expected life of options	5 years	n/a

(Unaudited - Expressed in Canadian Dollars)

9. Related Party Transactions

Key management personnel compensation

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

		Nine months ended December 31, 2021		Nine months ended December 31, 2020
Accounting and compliance fees (i)	$	135,500	$	85,500
Exploration and evaluation expenditures (ii)		392,250		378,750
Management fees (ii)		39,450		27,000
Rent expense (iii)		18,000		18,000
Investor relations (iv)		90,000		-
Total remuneration	$	675,200	$	509,250

(i) Management, accounting and compliance fees paid to a company (FT Management Ltd.) with a former common director with the Company. During the period ended December 31, 2021, the Company paid a one-time fee of $50,000 in relation to the services received for various financing and listing on the Exchange.

(ii) During the nine months ended December 31, 2021, the Company paid or accrued $392,250 (2020- $378,750) to various officers and directors of the Company which was capitalized as exploration and evaluation assets. As at December 31, 2021, the Company paid or accrued management and directors fees of $39,450 (2020-$ 27,000), which were expensed as management fees.

(iii) During the nine months ended December 31, 2021, the Company incurred rent expense of $18,000 (2020- $18,000), of which $12,000 was paid to FT Management Ltd. and $6,000 as a result of a shared office space with Riverside Resources Inc., a company with a common officer with the Company. In 2020, total rent expense of $18,000 was paid to Riverside Resources Inc.

(iv) During the nine months ended December 31, 2021, the Company paid or accrued $90,000 (2020 - $nil) to a former officer of the Company for investor relations.

The balance payable to related parties as at December 31, 2021 was $46,693 (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.

10. Nature and Extent of Risks Arising from Financial Instruments

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 condensed interim consolidated statement of financial position due to their short-term nature. The fair value of the Company’s convertible debentures approximates 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, sales tax receivable, and other 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 $168,698 (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 11 of these financial statements. As at December 31, 2021, the Company had a cash balance of $3,685,192 (March 31, 2021 – cash $3,469,367 and cash held in trust $7,064,412) to settle current liabilities of $1,098,010 (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 December 31, 2021 to manage this risk.

Interest and Foreign exchange risk

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

11. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and evaluation of helium properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of equity. In order to carry out the planned exploration and evaluation activities on its helium properties and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the nine months ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements.

12. Subsequent events

Subsequent to the period ended December 31, 2021, the following events took place:

- On January 13, 2022, the Company granted 100,000 stock options to a consultant with an exercise price of $0.35 per share expiring on May 27, 2026. Optioned shares will vest with 25% released on the grant date and 25% vesting every year for the next three years starting May 27, 2022.

- On January 23, 2022, the Company completed the construction of 1-30 oil battery and had commenced the production of oil. The well had delivered an average production rate of 435 barrels per day over its first eight days of operation.

- On January 25, 2022, the Company received $88,973 from the sale of oil obtained during the testing and completion stage of oil production. The total amount received during this period was recorded as cost recovery under Property, Plant and Equipment.