FIRST HELIUM INC.

Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2022 and 2021

Index

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
First Helium Inc.

Opinion

We have audited the accompanying consolidated financial statements of First Helium Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Nathan.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

July 28, 2022

FIRST HELIUM INC.
Consolidated Statements of Financial Position as at March 31,
(Expressed in Canadian Dollars)

	Note		2022		2021
Assets					
Current assets:					
Cash		$	5,530,473	$	3,469,367
Cash held in trust	8		-		7,064,412
Accounts receivable	13		1,732,923		-
Sales tax receivable			37,609		66,912
Prepaid expense			106,650		22,712
Deferred financing costs	8		-		1,126,277
			7,407,655		11,749,680
Property, plant and equipment	4		5,221,307		-
Exploration and evaluation assets	5		7,426,488		4,039,730
Other long-term deposit			255,129		-
		$	20,310,579	$	15,789,410
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	9	$	2,645,348	$	1,282,130
Convertible debentures	6		-		2,494,827
			2,645,348		3,776,957
Asset retirement obligations	7		908,969		109,147
		$	3,554,317	$	3,886,104
Shareholders' equity:					
Share capital	8		17,411,527		4,503,166
Share subscriptions received in advance	8		-		8,940,600
Reserves	8		1,457,981		106,948
Deficit			(2,113,246)		(1,647,408)
			16,756,262		11,903,306
		$	20,310,579	$	15,789,410

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

On behalf of the Board:

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

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

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

	Note	2022	2021
Revenue			
Petroleum and natural gas sales		$ 3,568,808	$ -
Direct costs			
Accretion expense		4,900	-
Depletion expense		438,528	-
Royalty expense		164,028	-
Operating costs		407,444	-
		(1,014,900)	-
Gross profit		2,553,908	-
Expenses			
Accounting and compliance	9	178,218	114,150
Accretion expense	6,7	4,873	19,714
General and administration		59,205	37,262
Investor relations	9	1,159,234	891
Interest expense	6	59,880	147,656
Management fees	9	73,700	64,000
Professional fees		112,322	114,179
Property investigation		43,125	-
Rent expense	9	24,000	24,000
Share-based compensation		1,173,843	-
Transfer agent and filing fees		111,515	-
Travel and promotion		60,835	8,891
		(3,060,750)	(530,743)
Other items			
Interest income		41,004	4,067
Other income		-	3,000
		41,004	7,067
Loss and comprehensive loss for the year		$ (465,838)	$ (523,676)
Income (loss) per share – basic and diluted		$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		49,772,293	18,487,156

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

FIRST HELIUM INC.
Consolidated Statements of Cash Flows
For the Years Ended March 31,
(Expressed in Canadian Dollars)

	Notes		**2022**		**2021**
OPERATING ACTIVITIES					
Loss for the year		$	(465,838)	$	(523,676)
Items not involving cash					
Accretion expense	7		9,773		19,714
Depletion expense			438,528		-
Interest expense	6		59,880		147,656
Share based compensation	8		1,173,843		-
Shares issued for services			75,000		-
Change in non-cash working capital items:					
Prepaid expense			(83,938)		(2,889)
Sales tax receivable			29,303		(63,736)
Accounts payable and accrued liabilities			2,731		(27,182)
Accounts receivable			(1,732,923)		-
			(493,641)		(450,113)
INVESTING ACTIVITIES					
Property, plant and equipment	4		(2,548,115)		-
Exploration and evaluation assets	5		(3,742,554)		(1,545,898)
Other long-term deposit			(255,129)		-
			(6,545,798)		(1,545,898)
FINANCING ACTIVITIES					
Proceeds from share issuance, net of share issuance costs	8		(129,888)		1,534,517
Proceeds from warrants exercised			2,767,034		-
Proceeds from options exercised			4,375		-
Convertible debentures			-		2,528,381
Share subscriptions received in advance			-		8,940,600
Deferred financing costs			(605,388)		(475,625)
			2,036,133		12,527,873
Increase (decrease) in cash and cash held in trust			(5,003,306)		10,531,862
Cash and cash held in trust, beginning of the year			10,533,779		1,917
Cash and cash held in trust, end of the year		$	5,530,473	$	10,533,779

Supplemental information:

		2022		2021
Non-cash investing and financing activities:				
Exploration and evaluation assets and property, plant and equipment included in accounts payable and accrued liabilities	$	2,517,202	$	548,443
Deferred financing costs included in accounts payable and accrued liabilities	$	-	$	605,388
Fair value of brokers warrants issued	$	411,868	$	-
Fair value of bonus warrants issued	$	-	$	9,464
Fair value transfer of finders warrants exercised	$	225,079	$	-
Fair value transfer of options exercised	$	9,599	$	-
Fair value of finders' warrants issued included in deferred financing costs	$	-	$	45,264
Fair value of finders' warrants issued in relation to convertible debentures transaction costs	$	-	$	52,220
Reallocation from reserves to share capital from conversion of convertible debentures	$	-	$	26,905
Reclassification of subscriptions received in advance	$	8,940,600	$	7,500
Recognition of asset retirement obligation	$	790,049	$	-
Deferred financing costs recognized as share issue costs	$	1,450,116	$	-
Shares issued for conversion of convertible debentures	$	2,878,546	$	1,198,401
Reclassification from E&E to PPE	$	524,839	$	-
Interest and taxes paid in cash	$	-	$	-

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

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

	Note	Share Capital Shares	Share Capital Amount	Share subscriptions received in advance	Reserves	Deficit	Total shareholders' equity
Balance at March 31, 2020		**10,202,624**	**$ 1,752,807**	**$ 7,500**	**$ 26,905**	**$ (1,123,732)**	**$ 663,480**
Private placements	8	16,376,015	1,670,756	-	-	-	1,670,756
Shares issued for conversion of convertible debentures	6,8	2,995,008	1,225,306	-	(26,905)	-	1,198,401
Share issuance cost		-	(136,239)	-	-	-	(136,239)
Share issuance cost – bonus warrants	8	-	(9,464)	-	9,464	-	-
Share subscriptions received in advance	8	-	-	8,940,600	-	-	8,940,600
Reclassification of subscriptions received in advance	8	-	-	(7,500)	-	-	(7,500)
Finders' warrants issued in relation to convertible debentures transaction costs	6,8	-	-	-	52,220	-	52,220
Finders' warrants issued as finders' fees	8	-	-	-	45,264	-	45,264
Loss for the year		-	-	-	-	(523,676)	(523,676)
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	(8,940,600)	-	-	239,300
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		-	(1,819,304)	-	-	-	(1,819,304)
Share issuance cost – brokers warrants	8	-	(411,868)	-	411,868	-	-
Warrants exercised		5,893,103	2,992,113	-	(225,079)	-	2,767,034
Options exercised		12,500	13,974	-	(9,599)	-	4,375
Share based compensation	8	-	-	-	1,173,843	-	1,173,843
Loss for the year		-	-	-	-	(465,838)	(465,838)
Balance at March 31, 2022		**71,516,973**	**$ 17,411,527**	**$ -**	**$ 1,457,981**	**$ (2,113,246)**	**$ 16,756,262**

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

1. Nature and continuance of operations

First Helium Inc. ("First Helium" or the "Company") is a helium, petroleum and natural gas exploration ("P&NG") 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, development, and production of helium and petroleum and natural gas property interests in Alberta, Canada. The underlying value of the property interests is entirely dependent on the existence of economically recoverable reserves and the ability of the Company to obtain the necessary financing to bring those reserves to 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 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. As at March 31, 2022, the Company earned $3,568,808 in revenue as a result of oil sales. During the fiscal year 2022, the Company incurred a net loss of $465,838 and, as at March 31, 2022, the Company had a working capital of $4,762,307 and an accumulated deficit of $2,113,246. 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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were approved by the Board of Directors on July 28, 2022.

2. Basis of presentation

The 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 consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Summary of Significant Accounting Policies

Principles of consolidation

These 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.

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expense during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax assets is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. See Note 10 for details.

3. Summary of Significant Accounting Policies (continued)

(ii) The Company's long-lived assets are aggregated into cash-generating units ("CGUs") for the purposes of assessing and calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of the Company's CGUs is subject to management's judgment.

(iii) The determination that the Company will continue as a going concern for the next year (Note 1).

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) The assessment of any impairment of exploration and evaluation assets and projects in the development or production phase classified as property, plant, and equipment, is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2022 and 2021, management concluded that there were no impairment indicators present and no impairment charge was required.

(ii) Upon retirement of the Company's exploration and evaluation assets and projects in the development or production phase classified as property, plant, and equipment, the Company will incur dismantling, decommissioning, and site restoration costs. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of such future activities. The liability, the related asset, and the expense, are impacted by estimates with respect to these uncertainties. See Note 7 for further details.

(iii) Estimating reserves requires significant judgement based on geological, geophysical, engineering and economic data. Estimated changes in expected future cash flows in reported reserves can impact the impairment of assets, decommissioning obligations, the economic feasibility of exploration and evaluation assets and depletion and depreciation of property, plant, and equipment. As information becomes available, these estimates may change which could have a material impact on earnings. Further, determining the carrying amount of projects in the development and production phase under property, plant, and equipment requires significant estimates and judgements in identifying and allocating pre-development costs from exploration and evaluation assets.

(iv) The cost of stock options granted to employees, directors and consultants for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' equity.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. As at March 31, 2022 and 2021 the Company did not have any cash equivalents.

Cash Held in Trust

Cash held in trust includes amounts held through trust companies pursuant to the Company's brokered private placement (Note 8).

3. Summary of Significant Accounting Policies (continued)

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of the properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development and is classified as helium development assets. Exploration and evaluation assets are also tested for impairment before assets are transferred to development properties.

Impairment of Long-lived Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of helium, petroleum and natural gas interests (exploration and evaluation assets and property, plant and equipment). The net present value of future reclamation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The Company's estimates of reclamation costs underlying its asset retirement obligations could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets (exploration and evaluation assets and property, plant and equipment), with a corresponding entry to the reclamation provision (asset retirement obligations). The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss in the year the estimates change. The Company has an asset retirement obligation as at March 31, 2022 and 2021 (Note 7).

Financial Instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

a) Fair value through profit or loss ("FVTPL") – financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit or loss.

b) Amortized cost – financial assets are classified and measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

c) Fair value through other comprehensive income ("FVTOCI") – financial assets are measured at fair value. Changes in fair value are recognized initially in other comprehensive income ("OCI"). When the asset is derecognized or reclassified, changes in fair value previously recognized in OCI and accumulated in equity remain in OCI.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Current and Deferred Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3. Summary of Significant Accounting Policies (continued)

Loss per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by the treasury stock method.

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 petroleum and natural gas properties in production, and pipeline equipment 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.

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 are determined by comparing the net proceeds from disposal with the carrying amount and are recognized in profit or loss.

P&NG 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

Helium, petroleum and natural gas 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.

3. Summary of Significant Accounting Policies (continued)

(iii) Depletion, depreciation and amortization

Helium, petroleum and natural gas 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 helium, petroleum, and 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 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 the sale of helium, petroleum and natural gas products is recognized when control of the product passes to the customer and it is probable that the Company will collect the consideration to which it is entitled. The Company considers the completion of its performance obligation to be the point in time when the product is delivered to a location specified in a contract. The Company assesses customer creditworthiness throughout the revenue recognition process.

Sales of the Company's helium, petroleum and natural gas products to customers are made pursuant to contracts based on prevailing commodity pricing at or near the time of delivery. Revenues are typically recorded in the month following delivery and accordingly, the Company has elected to apply the practical expedient to not adjust consideration for the effects of a financing component.

Standards issued but not yet effective

IAS 16, Property, Plant and Equipment - Proceeds before Intended Use

Effective for periods beginning on or after January 1, 2022, the amendment to IAS 16 prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

Effective for periods beginning on or after January 1, 2022, the changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

(Expressed in Canadian Dollars)

4. Property, Plant and Equipment

	Oil Wells	Pipelines	TOTAL
Cost			
Balance at March 31, 2021	$ -	$ -	$ -
Additions	4,878,646	51,410	4,930,056
Transfer from exploration and evaluation assets	494,043	30,796	524,839
Change in estimate of decommissioning provision	204,940	-	204,940
Balance at March 31, 2022	**$ 5,577,629**	**$ 82,206**	**$ 5,659,835**
Accumulated depreciation			
Balance at March 31, 2021	$ -	$ -	$ -
Depletion	(438,528)	-	(438,528)
Balance at March 31, 2022	**$ (438,528)**	**$ -**	**$ (438,528)**
Net book value			
Balance at March 31, 2021	$ -	$ -	$ -
Balance at March 31, 2022	**$ 5,139,101**	**$ 82,206**	**$ 5,221,307**

Oil Production Wells

During the year ended March 31, 2022, the Company successfully drilled, completed and brought on production the 1-30 and 4-29 oil wells. The Company incurred and reclassified a total of $5,139,101 in expenditures in connection with the exploration, drilling, completion, and facility construction for the oil wells. Upon moving these wells from exploration and evaluation to production, they were tested for impairment. Factors considered in the impairment test included reserves, future commodity prices, construction and sustaining capital costs, operating costs, and relevant taxes. Other factors considered included discount rates incorporating the time value of money and the risks specific to the 1-30 and 4-29 oil wells. The Company concluded no impairment was necessary. In addition, the Company recognized $204,940 in total as an estimated discounted, inflated asset retirement obligation at March 31, 2022 (Note 7). There was $438,528 in depletion was recorded during the year ended March 31, 2022, using the unit of production method based on the estimated units to be produced for this oil wells. These wells are subject to the royalty framework of the province of Alberta, whereby a flat royalty of 5% is payable on early production, with higher royalty rates thereafter depending on the resource and market prices up to a maximum of 40%.

Pipelines

During the year ended March 31, 2022, the Company incurred $82,206 in connection with acquiring 100% ownership of various pipeline assets. Effective January 1, 2022, this project was removed from exploration and evaluation assets and $30,796 was reclassified to property, plant, and equipment. These pipeline assets were not available for use in the manner and condition as intended by management at March 31, 2022.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

For the year ended March 31, 2022

	Worsley Property	Worsley Trend	Warner-Jenson	Total
Acquisition costs	$ 420,805	$ 168,251	$ 679,552	$ 1,268,608
Exploration costs:				
Assay and survey	47,386	15,921	-	63,307
Drilling	358,948	-	-	358,948
Engineering support	8,018	224,083	-	232,101
Equipment rental	14,110	10,800	-	24,910
Field work	-	9,000	-	9,000
General and administration	2,242	13,058	-	15,300
Geological and geophysical	266,222	241,390	248,296	755,908
Seismic data	-	244,330	166,148	410,478
Travel and support	1,375	11,054	-	12,429
Total current exploration costs	698,301	769,636	414,444	1,882,381
Professional & other fees:				
Project management	87,749	87,750	-	175,499
Total current professional & other fees	87,749	87,750	-	175,499
Total costs incurred during the year	1,206,855	1,025,637	1,093,996	3,326,488
Balance, Opening	2,070,317	1,969,413	-	4,039,730
Asset retirement obligation	262,187	322,922	-	585,109
Transfer out to PPE	(210,390)	(314,449)	-	(524,839)
Balance, End of the year	**$ 3,328,969**	**$ 3,003,523**	**$ 1,093,996**	**$ 7,426,488**

Cumulative costs:				
Acquisition	$ 740,616	$ 602,162	$ 679,552	$ 2,022,330
Exploration	1,729,015	1,982,952	414,444	4,126,411
Professional & other fees	490,843	95,487	-	586,330
Asset retirement obligation	368,495	322,922	-	691,417
	$ 3,328,969	$ 3,003,523	$ 1,093,996	$ 7,426,488

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

For the year ended March 31, 2021

	Worsley Property	Worsley Trend	Total
Acquisition costs	$ 2,159	$ 111,403	$ 113,562
Exploration costs:			
Engineering support	-	5,960	5,960
General and administration	504	120,104	120,608
Geological and geophysical	214,669	370,694	585,363
Seismic data	-	982,652	982,652
Travel and support	13,833	3,427	17,260
Total current exploration costs	229,006	1,482,837	1,711,843
Professional & other fees:			
Project management	84,000	-	84,000
Total current professional & other fees	84,000	-	84,000
Total costs incurred during the year	315,165	1,594,240	1,909,405
Balance, Opening	1,755,152	375,173	2,130,325
Asset retirement obligation	-	-	-
Balance, End of the year	**$ 2,070,317**	**$ 1,969,413**	**$ 4,039,730**

Cumulative costs:			
Acquisition	$ 319,811	$ 433,911	$ 753,722
Exploration	1,241,104	1,527,765	2,768,869
Professional & other fees	403,094	7,737	410,831
Asset retirement obligation	106,308	-	106,308
	$ 2,070,317	$ 1,969,413	$ 4,039,730

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 an 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.

During the year ended March 31, 2022, the Company has a 100% exploration interest in the following wells: the 15-25 well and the 13-20 well located on the Worsley Property.

5. Exploration and Evaluation Assets (continued)

Worsley Property (continued)

With respect to the acquisition of 15-25 well, 13-20 well and surrounding petroleum and natural gas rights under the Worsley Property, the Company recognized $262,187 as an estimated discounted, inflated asset retirement obligation during the year ended March 31, 2022. Please see Note 7 for the detailed assumptions and calculation of the asset retirement obligation.

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.

During the year ended March 31, 2022, the Company acquired 100% exploration interest in the following wells: 9-15 well, 14-15 well, 7-21 well and 7-28 well located on the Worsley Trend property.

With respect to the acquisition of the 9-15 well, the 14-15 well, the 7-21 well and the 7-28 well and the surrounding petroleum and natural gas rights under Worsley Trend, the Company recognized $322,922 as an estimated discounted, inflated asset retirement obligation during the year ended March 31, 2022. Please see Note 7 for the detailed assumptions and calculation of the asset retirement obligation.

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 year ended March 31, 2022, the Company elected to extend the option on for a further two years until November 26, 2023, under pre negotiated terms. The Company's technical team is now engaged in a more detailed geological and geophysical evaluation of the extended lands.

In connection with the acquisition of Warner-Jenson Property, the Company is subject to a non-convertible overriding royalty of 5% for all substances excluding helium and 2% for helium.

(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. For the year ended March 31, 2022, interest expense was $59,880 incurred up to the date of conversion (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.

		March 31, 2022		March 31, 2021
Opening balance	$	109,147	$	107,718
Addition		790,049		-
Accretion expense		9,773		1,429
Ending balance	$	908,969	$	109,147

The Company has estimated the net present value of its total asset retirement obligation to be $109,147 at March 31, 2021. The estimated undiscounted, uninflated obligations at March 31, 2021 is $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 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.

The Company has estimated the net present value of its total asset retirement obligation to be $908,969 at March 31, 2022. The estimated undiscounted, uninflated obligations at March 31, 2022 is $876,830. Payments to settle the asset retirement obligations occur over the operating lives of the underlying assets, are estimated to be by 2035. As at March 31, 2022, a pre-tax risk-free rate of 2.37% and an inflation rate of 2.5% 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 March 31, 2022, there were 14,741,045 common shares with 723,877 attached warrants held in escrow (2021 – 14,335,926).

Transactions for the year ended March 31, 2022 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 $1,819,304 share issuance cost and issued brokers warrants (see Warrants section of this note) in relation to this financing.

Shares issued for conversion of convertible debentures

On July 8, 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 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.

Warrants exercised

During the year ended March 31, 2022, 5,893,103 shares were issued upon exercise of warrants for proceeds of $2,767,034. In connection with the issuance, a total of $225,079 was reallocated from reserves to share capital.

Options exercised

During the year ended March 31, 2022, 12,500 shares were issued upon exercise of options for proceeds of $4,375. In connection with the issuance, a total of $9,599 was reallocated from reserves to share capital.

8. Share Capital (continued)

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.

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 totaling $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 year ended March 31, 2022.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

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
Exercised	(5,893,103)	$0.47
Outstanding warrants, March 31, 2022	22,518,698	$0.48

As at March 31, 2022, 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	0.59	$0.35
03/02/2023	342,135	0.92	$0.50
03/15/2023	341,435	0.96	$0.50
07/05/2023	8,497,098	1.26	$0.50
07/08/2023	9,752,256	1.27	$0.50
07/12/2023	512,906	1.28	$0.35
07/15/2023	854,844	1.29	$0.50
	22,518,698	1.21	$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 private placements. In connection, the Company recognized $411,868 share issuance cost in relation to this financing.

During the year ended March 31, 2022 and 2021, warrants issued had a fair value of $411,868 and $106,948, respectively, was calculated using the Black-Scholes pricing model, based on the following weighted average assumptions:

	2022	2021
Forfeiture rate	0.00%	0.00%
Estimated risk-free rate	0.45%	0.30%
Expected volatility	132%	75%
Estimated annual dividend yield	0.00%	0.00%
Expected life of warrants	2 years	2 years

(Expressed in Canadian Dollars)

8. Share Capital (continued)

Stocks Options

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.

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 in three tranches every six months over the next 18 months.

On January 31, 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.

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	6,150,000	$0.35
Exercised	(12,500)	$0.35
Forfeited	(100,000)	$0.35
Outstanding options, March 31, 2022	6,037,500	$0.35

As at March 31, 2022, options enabling the holders to acquire common shares are as follows:

Expiry date (mm/dd/yyyy)	Number of Options outstanding	Number of Options exercisable	Weighted average remaining life in years	Weighted average exercise price
05/27/2024	150,000	50,000	2.16	$0.35
05/27/2026	5,787,500	1,438,500	4.16	$0.35
05/27/2026	100,000	25,000	4.16	$0.35
	6,037,500	1,513,500	4.11	$0.35

Share-based compensation relating to options vested during the year ended March 31, 2022 using the Black-Scholes option pricing model was $1,173,843 (2021 - $nil), which was recorded as reserves on the statements of financial position and as share based compensation expense on the statement of loss and comprehensive loss. The associated share based compensation expense for the options granted was calculated based on the following assumptions:

	2022	2021
Forfeiture rate	0.00%	n/a
Estimated risk-free rate	0.74%	n/a
Expected volatility	132%	n/a
Estimated annual dividend yield	0.00%	n/a
Expected life of options	5 years	n/a

(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:

		Year ended March 31, 2022		Year ended March 31, 2021
Accounting and compliance fees (i)	$	164,000	$	114,150
Exploration and evaluation expenditures (ii)		527,250		529,500
Management fees (ii)		73,700		64,000
Rent expense (iii)		24,000		24,000
Investor relations (iv)		120,000		-
Share-based compensation		1,027,099		-
Total remuneration	$	1,936,049	$	731,650

(i) Management, accounting and compliance fees paid to a company controlled by a spouse of an officer of the Company in the amount of $164,000 (2021 - $114,150).

(ii) During the year ended March 31, 2022, the Company paid or accrued $527,250 (2021 - $529,500) to various officers and directors of the Company which was capitalized as exploration and evaluation assets. As at March 31, 2022, the Company paid or accrued management and directors fees of $73,700 (2021 - $64,000), which were expensed as management fees.

(iii) During the year ended March 31, 2022, the Company incurred rent expense paid to a company controlled by a spouse of an officer of the Company in the amount of $24,000 (2021 - $24,000).

(iv) During the year ended March 31, 2022, the Company paid or accrued $120,000 (2021 - $nil) to a former officer of the Company for investor relations.

The balance payable to related parties as at March 31, 2022 was $59,104 (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.

(Expressed in Canadian Dollars)

10. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2022		2021
Net loss for the year	$	(465,838)	$	(523,676)
Expected income tax (recovery)	$	(126,000)	$	(141,000)
Change in statutory, foreign tax, foreign exchange rates and other		(71,000)		89,000
Permanent differences		343,000		1,000
Share issue costs		(465,000)		(37,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(11,000)		17,000
Change in unrecognized deductible temporary differences		330,000		71,000
Total income tax expense (recovery)	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry date range	2021	Expiry date range
Temporary differences				
Equipment	-	No expiry date	1,000	No expiry date
Share issue costs/financing costs	1,190,000	2043 to 2046	-	N/A
Asset retirement obligation	780,000	No expiry date	-	N/A
Non-capital losses available for future periods	673,000	2037 to 2042	1,388,000	2037 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. 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, accounts receivable, 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 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, accounts receivable, and sales tax receivable. The carrying amount of these accounts at March 31, 2022 on the statement of financial position comprises the maximum exposure to credit risk. The Company's cash is held through a large Canadian financial institution. The Company's accounts receivable was collected in full subsequent to year end in accordance with its trade terms. The Company's sales tax receivable consists of amounts due from the Government of Canada of $37,609 (2021 - $66,912). Management believes that the exposure to credit risk is low.

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 12 of these financial statements. As at March 31, 2022, the Company had a cash balance of $5,530,473 (2021 – cash $3,469,367 and cash held in trust $7,064,412) to settle current liabilities of $2,645,348 (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, oil and gas 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 March 31, 2022 to manage this risk.

Interest and Foreign exchange risk

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

12. 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, and P&NG 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, oil and gas 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 year ended March 31, 2022. 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.

13. Segmented information

The Company operates in one reportable segment, being the acquisition, exploration, development and production of helium, petroleum and natural gas projects. All of the Company's non-current assets and operations are located in Canada.

14. Subsequent events

Subsequent to the year ended March 31, 2022, the Company:

- Issued 3,325,380 shares for the exercise of warrants for proceeds of $1,609,333.
- Issued 25,000 shares for the exercise of options for proceeds of $8,750.
- Received the account receivable of $1,732,923 in connection with the oil sales in March 2022.