FIRST HELIUM INC.
Management Discussion and Analysis ("MDA")
Nine months ended December 31, 2022

The following Management Discussion and Analysis ("MD&A") is management's assessment of the financial and operating results of First Helium Inc. ("**First Helium**" or the "Company") for the nine months ended December 31, 2022. The comparative period presented in the financial statements is for the nine months ended December 31, 2021 have no operational results as operations began in January 2022. This MD&A is dated February 22, 2023 and should be read in conjunction with the Company's annual consolidated financial statements ("financial statements") as at and for the year ended March 31, 2022.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Except as otherwise noted, all dollar figures included herein and in this MD&A are quoted in Canadian dollars. This MD&A was prepared by management and the Board of Directors of First Helium approved this MD&A on February 22, 2023.

HIGHLIGHTS

The Company closed a non-broker private placement in December 2022 for gross proceeds of $2.4 million. The proceeds will be used to complete a seismic acquisition program and general capital purposes.

The Company has drilled and cased the 14-23 horizontal well for future completion as a potential gas well, with helium content, that would coincide with the planned installation of a helium processing facility at Worsley in 2023.

The water disposal well in Worsley was commissioned in January 2023, operating expense is expected to decrease to a range of $20 to $25 per barrel.

The Company has completed the design and layout of a 5,120 acre 3D seismic program. This covers a portion of the 25,600 acres of land acquired in August 2022. This program will tie into the existing purchased trade data and the 3D program shot by the Company in March 2021. Shooting of this program has commenced in February 2023 and will enable the Company to evaluate several high priority drilling targets for helium and potentially oil.

FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with helium and gas exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of the common share, price and volume and other reports and filings with the applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in the Company's documents filed from time to time via the Company's website along with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements. Additional risk factors can be found in the prospectus filed on June 2021 (www.sedar.com). This MD&A has been prepared in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*.

FUNDS FLOW AND NET INCOME

($ except as otherwise noted)	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Revenue	**1,239,801**	-	**7,503,911**	-
Royalty expense	**(166,354)**	-	**(2,218,882)**	-
Operating expense	**(397,773)**	-	**(965,060)**	-
Transportation expense	**(209,763)**	-	**(634,501)**	-
General and administrative	**(707,696)**	(606,962)	**(1,581,642)**	(1,629,606)
Interest income	**12,087**	11,425	**74,453**	(26,690)
Funds flow	**(229,698)**	(595,537)	**2,178,279**	(1,656,296)
Share-based compensation	**(96,891)**	(84,606)	**(367,932)**	(507,853)
Depletion	**(157,400)**	-	**(1,638,549)**	-
Accretion expense	**(8,918)**	(363)	**(25,839)**	(1,084)
Net income (loss)	**(492,907)**	(680,506)	**145,959**	(2,165,233)

Funds flow in the three months ended December 31, 2022 was an outflow of ($0.2) million, an increase of $0.4 million from the three months ended December 31, 2021. The increase in funds flow in the third quarter of 2022 compared to the third quarter of December 31, 2021 was mainly due to production brought on stream in the fiscal fourth quarter of 2021, offset by associated royalties and operating and transportation expenses.

Funds flow in the nine months ended December 31, 2022 of $2.2 million increased by $3.8 million over the nine months ended December 31, 2021. Operations began in January 2022 with the tie-in of the first well. The second well was brought onto production in April 2022. Since the inception of its initial two wells, the Company has generated over $11.1 million of revenue.

For the three months ended December 31, 2022, First Helium incurred a net loss of $0.5 million, compared to net loss of $0.7 million in the three months ended December 31, 2021. The reduction in net loss was primarily due to positive revenues of $1.2 million, offset by royalty expense of $0.2 million, and operating and transportation expenses of $0.6 million, and depletion expense of $0.2 million.

The change in net income from the nine months ended December 31, 2021 to the same period in 2022 was $2.3 million as a result from the same factors described above from production volumes.

FINANCIAL INFORMATION

$ except otherwise noted	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Production – oil (bbl/d)	**125**	-	**217**	-
Petroleum revenue ($/boe)	**107.40**	-	**125.90**	-
Royalties ($/boe)	**(14.41)**	-	**(37.23)**	-
Operating expense ($/boe)	**(34.46)**	-	**(16.19)**	-
Transportation ($/boe)	**(18.17)**	-	**(10.65)**	-
Operating netback ($/boe)	**40.36**	-	**61.83**	-
Funds flow (used in) from operations [(1)]	**(229,698)**	(595,537)	**2,178,279**	(1,656,296)
Capital expenditures	**1,158,913**	4,012,761	**9,939,965**	5,078,189
Working capital	**1,261,131**	2,980,969	**1,261,131**	2,980,969

(1) Funds flow from (used in) operations is a non-GAAP measure and is the result of cash flow from operating activities excluding asset retirement costs, transaction costs, and changes in non-cash working capital.

(2) Working capital (deficit) is calculated as current assets less current liabilities, excluding the current portion of financial lease and asset retirement obligations.

REVENUE $ except otherwise noted	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Revenue	**1,239,801**	-	**7,503,911**	-
Royalties	**(166,354)**	-	**(2,218,882)**	-
Operating expense	**(397,773)**	-	**(965,060)**	-
Transportation	**(209,763)**	-	**(634,501)**	-
Operating netback	**465,911**	-	**3,685,468**	-

In the Worsley area, two wells were completed and brought on production in the fiscal fourth quarter of 2021. Production averaged 125 boe/d for the three months ended December 31, 2022 and 217 boe/d for the nine months ended December 31, 2022. Volumes have decreased in the third quarter or three months ended December 31, 2022 due natural declines and higher water cut. As the first well came on production in January 2022, there are no comparative quantitative analysis for the prior fiscal year.

Revenue was $1.2 million in the three months ended and $7.5 million in the nine months ended December 31, 2022. Realized oil price of $125.90/boe for the nine months ended December 31, 2022 mirrored the stronger commodity price environment in the first half of the calendar period compared to the latter part of fiscal 2022.

ROYALTIES $ except otherwise noted	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Royalties	**166,354**	-	**2,218,882**	-
Royalties % of revenue	**13.4%**	-	**29.6%**	-

For the three months ended December 31, 2022, royalty expense was $0.2 million or 13.4% of revenues. For the nine months ended December 31, 2022, royalty expense was $2.2 million or 29.6% of revenue. As the first well came on production in January 2022, there are no comparative quantitative analyses for the prior fiscal year.

The royalty percentage decreased in the third quarter of 2022 as the crown royalty well that has not reached cost recovery status had higher production. As crown royalty wells reach cost recovery status at which point the 5% initial royalty transitions to an increasing sliding scale, and therefore it is expected that average royalty percentage will be higher in the fourth quarter of 2022.

OPERATING & TRANSPORTATION EXPENSES

Costs incurred to move saleable product to the custody transfer point are considered transportation expenses and are typically driven by a throughput rate.

Transportation expense for the three months and nine months ended December 31, 2022 was $0.2 million and $0.6 million respectively. On a per barrel basis, transportation expense was $18.17 for the three months ended December 31, 2022, compared to $7.78 for the prior quarter three months ended September 30, 2022. The increase was due to underestimates in the second quarter of 2022. Over the nine months ended December 31, 2022, transportation averaged $10.65/boe. Transportation expense is expected to range from $9 to $10 per barrel.

Operating expense for the three months and nine months ended December 31, 2022 was $0.4 million and $1.0 million respectively. On a per barrel basis, operating expense increased to $34.46 in the three months ended December 31, 2022, a 143% increase from $14.17/boe in the second quarter of 2022. The increase is attributable higher water volumes leading to trucking and disposal costs in the third quarter of 2022. Second, the production base decrease of 20% impacts the expense on a per barrel basis. With the water disposal well commissioned in January 2023, operating expense is expected to decrease to a range of $20 to $25 per barrel.

$ except otherwise noted	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Operating expense	**397,773**	-	**965,060**	-
Transportation expense	**209,763**	-	**634,501**	-
Operating & transportation	**607,536**	-	**1,599,561**	-
Operating expense ($/boe)	**34.46**	-	**16.19**	-
Transportation ($/boe)	**18.17**	-	**10.65**	-
Operating & transportation ($/boe)	**52.63**	-	**26.84**	-

G&A EXPENSE

$ except otherwise noted	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Personnel	**680,185**	91,156	**944,441**	307,233
Professional fees	**30,877**	62,566	**130,832**	385,552
Investor relations and marketing	**181,715**	409,560	**573,421**	798,099
Software and office operations	**69,819**	43,680	**187,848**	138,722
General and administrative-gross	**962,596**	606,962	**1,836,542**	1,629,606
Overhead recoveries	**(254,900)**	-	**(254,900)**	-
G&A expense	**707,696**	606,962	**1,581,642**	1,629,606

G&A expense for the three months and nine months ended December 31, 2022 was $0.7 million and $1.6 million, respectively. Personnel and software were higher in the current fiscal period due to higher activity levels with its first year of operations. Personnel costs are shown in the current fiscal period on a gross basis with capitalized G&A presented in overhead recoveries. On a go forward basis in 2023, G&A expense is expected to be reflective of the current quarter.

SHARE-BASED COMPENSATION

$ except otherwise noted	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Share-based compensation	**96,891**	84,606	**367,932**	507,853

The Company estimates the fair value of incentive awards based on a Black-Scholes model for the determination of non-cash related share-based compensation and the expense is recorded over the expected life of the option based on vesting. The share-based compensation expense in the nine months ended December 31, 2022 was lower by $0.1 million as most of the expense related to the pre-existing options was recognized through the first three years of the issuance date.

SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at the date of this MD&A, the number of common shares outstanding was 87,059,353. The following are options and warrants outstanding:

Options by expiry date	**Options outstanding**	**Options exercisable**	**Exercise price**	**Weighted average remaining (year)**
2023-Mar-02	5,762,500	2,881,250	$ 0.35	3.41
2023-Mar-15	150,000	100,000	$ 0.35	1.41
2023-Jul-05	100,000	50,000	$ 0.35	3.41
	6,012,500	3,031,250	$ 0.35	3.36

Warrants by expiry date	**Number of Warrants**	**Weighted average remaining (year)**	**Exercise Price per Warrant**
2023-Mar-02	242,135	0.17	$ 0.50
2023-Mar-15	337,868	0.20	$ 0.50
2023-Jul-05	6,853,646	0.51	$ 0.50
2023-Jul-08	8,529,609	0.52	$ 0.50
2023-Jul-12	512,906	0.53	$ 0.35
2023-Jul-15	598,391	0.54	$ 0.50
2024-Dec-22	12,486,700	1.98	$ 0.30
	29,561,255	1.11	$ 0.41

DEPLETION

The calculation of depletion expense was $0.2 million and $1.6 million for the three and nine months ended December 31, 2022. Depletion was based on property, plant and equipment and estimated future development costs of $1.7 million associated with proved and probable reserves in the Worsley area. The Company has cash generating units that are aligned to its core development areas.

TAXES

Under IFRS, deferred income tax assets may only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilized. As of December 31, 2022 the Company has not recognized a deferred income tax asset.

CAPITAL EXPENDITURES

	Three months ended December 31, 2022	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Land and lease cost	**22,624**	137,504	**1,033,544**	672,652
Drilling	**1,029,174**	2,005,202	**5,157,135**	2,005,202
Completions and recompletions	**29,685**	-	**2,147,203**	-
Exploration	**26,082**	1,870,055	**417,865**	2,400,335
Facilities	**57,145**	-	**1,172,357**	-
Total capital expenditures	**1,164,710**	4,012,761	**9,928,104**	5,078,189
Property acquisition	**(5,797)**	-	**11,861**	-
Total with property acquisition	**1,158,913**	4,012,761	**9,939,965**	5,078,189

Capital expenditures for the nine months ended December 31, 2022 of $9.9 million were comprised of the drilling and completion costs of the second well, recompletion of the first well, construction of an operated oil facility and land acquisition costs. A total of two wells (net 2.0) were drilled and completed in the calendar year 2022. The 14-23 helium well is pending completion. The Company completed the construction of a 100% owned central oil battery in Worsley. The water disposal well to optimize operating cost was completed by January 2023.

On August 10, 2022, the Company was successful in acquiring additional 25,600 acres at the Crown land sale. These rights are contiguous with the Company's existing holdings in the Worsley area and solidify its dominant position on the trend for Devonian prospects.

The Company plans to further develop its exploration prospects in this area and proceed with the construction of a scalable modular processing facility to produce helium. The Company acquired over 46 km of natural gas gathering lines from private third-party companies to facilitate development across its core area.

WORKING CAPITAL

Working capital surplus (deficit) is used to assess efficiency, liquidity, and general financial strength. Working capital is calculated as current assets less current liabilities, excluding financial instruments marked to market and the current portion of financial lease and asset retirement obligations.

As at:	March 31, 2022	September 30, 2022	**December 31, 2022**
Cash	5,530,473	2,413,128	**1,674,675**
Accounts receivable	1,770,532	383,410	**1,622,765**
Prepaids and deposits	361,779	465,994	**506,459**
Accounts payable and accrued liabilities	(2,645,348)	(2,990,289)	**(2,542,768)**
Working capital surplus	5,017,436	272,243	**1,261,131**

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital surplus of $1.3 million on December 31, 2022 (March 31, 2022 - $5.0 million). The 2022 capital program was funded by cash flows from operations. The Company is working to secure facility financing to begin the installation of a modular processing facility to produce helium gas. Future liquidity will be dependent on funds generation from development wells and the ability to access equity markets to drive future expansion from its portfolio of exploration lands. First Helium continues to look at farm-in or joint venture opportunities to development of its prospective drilling inventory.

On December 29, 2022, the Company closed the non-brokered private placement of 12,192,000 units at a price of $0.20 per share for gross proceeds of $2,438,400. Each unit consists of one common share and one common share purchase warrant ("Warrant"). The 12,192,000 Warrants issued are exercisable at a price of $0.30 per common share and will expire on December 22, 2024. The Warrants will be subject to acceleration at the Company's election in the event that the common shares trade on the TSX Venture Exchange at a volume weighted-average price of $0.40 or more per common share for any period of at least ten consecutive trading days.

CONTRACTUAL OBLIGATIONS

First Helium has various indemnifications in place in the ordinary course of business, none of which, as assessed by management, are expected to have a significant impact on the Company's financial statements. First Helium has contractual obligations in the normal course of operations including operating agreements, royalty obligations and lease rental obligations. These obligations are of a recurring, consistent nature and impact the Company's cash flows in an ongoing manner. The Company has an office lease agreement with a term ending November 30, 2024.The office lease has been recorded as a financial liability and a right of use asset in the consolidated balance sheet of $153,253 as at December 31, 2022.

RELATED PARTY TRANSACTIONS

Key management consists of the Company's directors and officers. The Company also provides compensation through participation in the stock option plan. Remuneration of key management includes the following:

	Three months ended December 31, 2022	Three months ended December 31, 2021	**Nine months ended December 31, 2022**	Nine months ended December 31, 2021
Accounting and compliance (i)	**46,500**	84,500	**103,500**	153,500
Management fees (ii)	**278,000**	166,650	**614,000**	431,700
Investor relations (iii)	**30,000**	30,000	**90,000**	90,000
Share-based compensation	**83,065**	-	**315,500**	-
Total	**437,565**	281,150	**1,123,000**	675,200

(i) Management, accounting and compliance fees paid to a company controlled by a spouse of an officer of the Company in the amount of $103,500 for nine months ended December 31, 2022 (nine months ended December 31, 2021 - $153,500 included a one-time fee of $50,000 in relation to the services received for various financing and listing).

(ii) For the nine months ended December 31, 2022, the Company incurred $614,000 (nine months ended December 31 2021 - $431,700) to various officers and directors of the Company which was capitalized as exploration and evaluation assets.

(iii)During the nine months ended December 31, 2022, the Company paid or accrued $90,000 (nine months ended December 31, 2021 - $90,000) to a former officer of the Company for investor relations and corporate development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") INITIATIVES IMPACTING FIRST HELIUM

First Helium operates in jurisdictions that have regulated or have proposed to regulate carbon dioxide and other emissions. While some regulations are in effect, others are at various stages of review, discussion, and implementation. There is uncertainty around how any future legislation will harmonize with provincial regulation, as well as the timing and effects of regulations. Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the crude oil and natural gas business in Canada. Such changes could impose certain costs and risks on the industry; however, First Helium is unable to predict the impact of future legislation or amendments. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flows. First Helium is actively involved with an association of helium explorers and producers and will continue to monitor developments in this area.

Environmental stewardship is a core value at First Helium and abandonment and reclamation investments continue to be made in a prudent and responsible manner with oversight by its Board of Directors. Furthermore, the Company's Board has formed a Governance, ESG, and Occupational Health and Safety Committee to oversee related matters.

Safety of the Company's workforce, including contractors, is paramount. First Helium conducts periodic safety meetings for its field staff to review safety protocols and related issues. During fiscal 2022, First Helium had zero lost time injuries and zero recordable injuries. First Helium is compliant with government guidelines pertaining to COVID-19.

RISK FACTORS AND RISK MANAGEMENT

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. A number of risk factors will apply due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are primarily early-stage exploration properties with no known resources or reserves). Refer to the Company's annual consolidated financial statements and management discussion and analysis for the year ended March 31, 2022 for more details.

Prices and markets

The Company's operational results and financial condition, and therefore the amount of funds available for capital expenditures, are dependent on the prices received for its petroleum production. Prices for oil, natural gas, and helium are subject to large fluctuations in response to relatively minor changes in the supply of, and demand, for oil, natural gas and helium, market uncertainty and a variety of additional factors beyond the control of the Company. A material decline in prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or helium and a reduction in the volumes of First Helium's reserves. Management might also elect not to produce from certain wells at lower prices.

The ability of First Helium to market its oil, natural gas, and helium may depend upon its ability to acquire space on pipelines or rail cars that deliver oil and natural gas to commercial markets and off-take arrangements. Deliverability uncertainties related to the distance that First Helium's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and helium and many other aspects of the exploration business may also affect the Company.

These factors could result in a material decrease in First Helium's expected net production revenue and a reduction in its oil, gas and helium acquisition, development and exploration activities. Any substantial and extended decline in the price of oil, natural gas, and helium would have an adverse effect on the Company's carrying value of its assets and its access to capital markets, borrowing capacity, revenues, profitability, and funds from operations.

Inflation and cost management

First Helium's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. First Helium's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows. The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

Reserve estimates

The reserves and recovery information contained in First Helium's independent reserves evaluation is only an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves report was prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas and NGLs are realized by First Helium's and substituted for the price assumptions utilized in those reserves reports, the present value of estimated future net cash flows as well as the amount of the reserves would be reduced and the reduction could be significant.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Although First Helium believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on First Helium's business, financial condition, results of operations and prospects.

Credit risk

Credit risk is the potential financial loss to the Company if customers or counterparties to a financial instrument are unable to meet their contractual obligations. Most of the credit exposure on accounts receivable pertains to revenues and commodity tax receivable. The collection of accounts receivable may be affected by counterparty-specific issues or industry factors such as commodity price fluctuations and other economic conditions. Management believes the risk is mitigated by entering into transactions with reputable counterparties and partners when possible.

As at:	**December 31, 2022**	March 31, 2022
Revenue receivable	**360,628**	1,732,923
GST and other receivable	**272,137**	37,609
Subscription receivable	**990,000**	-
Accounts receivable	**1,622,765**	1,770,532

At December 31, 2022, 57% of the total outstanding accounts receivable (excluding subscription receivable) pertain to receivables from petroleum purchasers (March 31, 2022 – 98%). As at December 31, 2022, $0.1 million of the accounts receivable balance have been outstanding greater than 90 days (March 31, 2022 - $nil) with all amounts estimated to be collectable. Subscription receivable of $1.0 million relate to the equity financing which closed on December 29, 2022. Funds were received in January 2023.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 3 to the consolidated financial statements for the year ended March 31, 2022. The preparation of financial statements in accordance with IFRS requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. Areas where estimates were used for the nine months ended December 31, 2022 include the valuation of exploration and evaluation assets, property, plant and equipment, and the valuation of share-based payments.

SELECTED QUARTERLY INFORMATION

Additional information relating to the Company is available in the prospectus dated June 28, 2021 on www.sedar.com. The comparative period presented in the financial statements is for the nine months ended December 31, 2021 have no operational results as operations began in January 2022.

Quarter Ended ($ except as otherwise noted)	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022
Production volumes (boe/d)	125	157	369	332
Averaged realized price ($/boe)	$ 107.40	$ 137.97	$ 127.07	$ 119.41
Revenue	1,239,801	1,991,602	4,272,508	3,568,808
Funds flow (used in) from operations (1)	(229,698)	550,113	1,857,864	1,156,306
Cash flow provided by operating activities	309,035	2,911,051	2,497,116	(493,641)
Capital expenditures	1,158,913	8,781,052	1,045,359	3,209,151
Total assets	25,119,922	23,390,552	21,883,856	20,310,579
Net working capital (deficit) (2)	1,261,131	272,243	7,448,022	5,017,436

(1) Funds flow from (used in) operations is a non-GAAP measure and is the result of cash flow from operating activities excluding asset retirement costs, transaction costs, and changes in non-cash working capital.
(2) Working capital (deficit) is calculated as current assets less current liabilities, excluding the current portion of financial lease and asset retirement obligations.

Non-GAAP Measures

In this MD&A, we refer to financial measures that do not have any standardized meaning as prescribed by Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures are line items, headings, or subtotals in addition to those required under GAAP, and financial measures disclosed in the notes to the most recent financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that non-GAAP financial measures presented by the Company may not be comparable with measures provided by other entities. Below are the non-GAAP measures that First Helium uses in these MD&A.

"Funds flow" is calculated by taking "cash flow provided by operating activities" from the financial statements and removing changes in non-cash working capital, transaction costs, and abandonment expenditures. Because funds flow is not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of performance than cash from operating activities. In addition, First Helium excludes transaction costs from the calculation of funds flow as these expenses are generally in respect of capital acquisition transactions. The Company considers funds flow as a key performance measure as it demonstrates the Company's ability to generate funds necessary to settle liabilities and to fund future growth through capital investment. The determination of funds flow by First Helium may not be comparable to that reported by other companies. The reconciliation between cash flow provided by operating activities on the financial statements, and funds flow can be found in the table above. First Helium may present funds flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS.

This MD&A uses the term "operating netback(s)". The Company uses operating netbacks to help evaluate its performance, leverage, liquidity, and comparisons with peers as well as to assess potential acquisitions and divestitures. Management considers netbacks as a key performance measure as it demonstrates the Company's profitability relative to current commodity prices. They are also used by management in operational and capital allocation decisions. Operating netback is calculated as the average sales price of the Company's commodities (excluding financial derivative gains and losses) less royalties, transportation costs and operating expenses. Funds flow from operations starts with the operating netback and deducts general and administrative, interest expense, and then adds or deducts any realized gains or losses on financial derivative contracts. There is no GAAP measure that is reasonably comparable to netbacks.

ABBREVIATIONS AND BOE ADVISORY

bbl	Barrel	mmbtu	Million British thermal units
bbls	Barrels	NGLs	Natural gas liquids
bbl/d	Barrels per day	mcf	Thousand cubic feet
boe	Barrels of oil equivalent	mcf/d	Thousand cubic feet per day
boe/d	Barrels of oil equivalent per day	mboe	Thousand boe
GJ	Gigajoules	WCS	Western Canada Select
mbbls	Thousand barrels	WTI	West Texas Intermediate

Where amounts are expressed as a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet ("mcf") to one (1) barrel. Use of the term "boe" may be misleading particularly if used in isolation. The boe conversion ratio of 6 mcf to 1 barrel ("bbl") of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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