

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 year ended March 31, 2023. The comparative period presented in the financial statements is for the year ended March 31, 2022 have minimal operational results as operations began in January 2022. This MD&A is dated July 31, 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, 2023.

The Company’s 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 July 31, 2023.

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 28, 2021 (www.sedar.com). This MD&A has been prepared in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*.

HIGHLIGHTS

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 to 2024.

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 was completed in April 2023 and will enable the Company to evaluate several high priority drilling targets for helium and potentially oil.

First Helium has entered into a long-term “take-or-pay” helium supply agreement with a major global industrial gas supplier (the “Purchaser”) to sell helium gas production from its Worsley Property. The Company has agreed to sell to the Purchaser 80% with an ability to potentially sell up to 100% of its produced helium volumes, subject to monthly and annual volume quantities, in accordance with a specified per unit volume pricing.

FUNDS FLOW AND NET INCOME

(\$ except as otherwise noted)	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
Revenue	712,982	3,568,808	8,216,893	3,568,808
Royalty expense	(248,139)	(164,028)	(2,467,021)	(164,028)
Operating expense	(117,876)	(274,924)	(1,082,935)	(274,924)
Transportation expense	(90,225)	(132,520)	(724,726)	(132,520)
Operating netback	256,742	2,997,336	3,942,211	2,997,336
General and administrative	(624,605)	(192,548)	(2,206,247)	(1,822,154)
Interest income (expense)	5,638	7,814	80,091	(18,876)
Funds flow	(362,225)	2,812,602	1,816,055	1,156,306
Share-based compensation	(93,694)	(665,990)	(461,626)	(1,173,843)
Depletion	(2,383,451)	(438,528)	(4,022,000)	(438,528)
Impairment	(4,230,000)	-	(4,230,000)	-
Accretion expense	(9,498)	(8,689)	(35,337)	(9,773)
Net income (loss)	(7,078,868)	1,699,395	(6,932,908)	(465,838)

Funds flow in the three months ended March 31, 2023 was an outflow of (\$0.4) million, a decrease of \$3.2 million from the three months ended March 31, 2022 prior fiscal year. Production was 332 barrels of oil in the three months ended March 31, 2022 of \$3.6 million, contributing to the decrease in the comparative period in fiscal 2023, of 81 barrels produced.

Funds flow in the year ended March 31, 2023 of \$3.9 million was higher than the year ended March 31, 2022 of \$3.0 million. Operations began in January 2022 with the tie-in of the first well. The second well was brought onto production in April 2022. The wells had initial royalty rates of 5% until payout, increasing to 30% in fiscal 2023. Since the inception of its initial two wells, the Company has generated over \$12 million of oil revenue.

For the three months ended March 31, 2023, First Helium incurred a net loss of \$7.1 million, compared to net income of \$1.7 million in the three months ended March 31, 2022. The reduction in net income was primarily due to the higher depletion in the three months ended March 31, 2023 by \$1.9 million, impairment expense of \$4.2 million and lower revenues, net of royalties and operating expenses of \$2.6 million. Depletion expense was higher in the three months ended March 31, 2023 due to reduction of its oil reserves at fiscal year end and higher depletion asset base in the current fiscal year end March 31, 2023.

The change in net income from the fiscal year ended March 31, 2023 to the same period in 2022 was a decrease of \$6.4 million as a result from the same factors described above from production volumes.

FINANCIAL INFORMATION

\$ except otherwise noted	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
Production – oil (bbl/d)	80	332	183	82
Petroleum revenue (\$/boe)	98.42	119.41	122.92	119.41
Royalties (\$/boe)	(34.25)	(5.49)	(36.91)	(5.49)
Operating expense (\$/boe)	(16.27)	(9.20)	(16.20)	(9.20)
Transportation (\$/boe)	(12.46)	(4.43)	(10.84)	(4.43)
Operating netback (\$/boe)	35.44	100.29	58.97	100.29
Funds flow (used in) from operations ⁽¹⁾	(362,224)	2,812,602	1,816,055	1,291,186
Capital expenditures	1,467,276	3,209,151	11,407,238	8,287,340
Working capital	(971,706)	4,762,307	(971,706)	4,762,307

(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	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
\$ except otherwise noted				
Revenue	712,982	3,568,808	8,216,893	3,568,808
Royalties	(248,139)	(164,028)	(2,467,021)	(164,028)
Operating expense	(117,876)	(274,924)	(1,082,935)	(274,924)
Transportation	(90,225)	(132,520)	(724,726)	(132,520)
Operating netback	256,742	2,997,336	3,942,211	2,997,336

In the Worsley area, two wells were completed in the fourth quarter of 2022, resulting in an average 332 boe/d. Production in the year ended March 31, 2022 averaged to 82 boe/d based on an annual average. Production averaged 80 boe/d for the three months ended March 31, 2023.

As the first well came on production in January 2022, there are no comparative quantitative analyses for the prior fiscal year 2022. The three months ended March 31, 2022 contain production from the Company's initial well on stream. Volumes have decreased in the year ended March 31, 2023 due to natural declines and higher water cut, resulting in an average of 183 boe/d.

Revenue was \$0.7 million in the three months ended March 31, 2023 compared to the initial quarter ended March 31, 2022 when production was 332 barrels in the quarter compared to 81 barrels in the quarter ended March 31, 2023. Realized oil price decreased by 18% from \$119.41 in the quarter ended March 31, 2022 compared to \$98.42 in the current quarter ended March 31, 2023, reflective of a stronger commodity price environment in the first half of the calendar period compared to the latter part of fiscal 2022.

ROYALTIES	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
\$ except otherwise noted				
Royalties	248,139	164,028	2,467,021	164,028
Royalties % of revenue	34.8%	4.6%	30.0%	4.6%

For the three months ended March 31, 2023, royalty expense was \$0.2 million or 35% of revenues. For the year ended March 31, 2023, royalty expense was \$2.5 million or 30% of revenue, all crown based. As the first well came on production in January 2022, the lower royalties stemmed from the first well brought on production which has a initial royalty rate of 5% under the Modernized Royalty Framework in Alberta.

The royalty percentage was 30% in the year ended March 31, 2023 for the current production base and based on realized oil prices over \$100 in the year. The average royalty percentage will be approximately 25 to 30% as commodity prices continue to fluctuate in fiscal 2024.

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 year ended March 31, 2023 was \$0.1 million and \$0.7 million respectively. On a per barrel basis, transportation expense was \$12.46 for the three months ended March 31, 2023. Over the year ended March 31, 2023, transportation averaged \$10.84/boe, consistent with prior periods.

Operating expense for the three months and year ended March 31, 2023 was \$0.1 million and \$1.1 million respectively. On a per barrel basis, operating expense decreased to \$16.27 compared to \$34.46 for the three months ended December 31, 2022, a 53% decrease. The decrease is primarily attributable to the water disposal well commissioned in January 2023, offset by 30-40% decrease in production in the period. Operating expense is expected to decrease to a range of \$20 to \$25 per barrel in the fiscal 2024.

OPERATING & TRANSPORTATION EXPENSES	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
\$ except otherwise noted				
Operating expense	117,876	274,924	1,082,935	274,924
Transportation expense	90,225	132,520	724,726	132,520
Operating & transportation	208,101	407,444	1,807,661	407,444
Operating expense (\$/boe)	16.27	9.20	16.20	9.20
Transportation (\$/boe)	12.46	4.43	10.84	4.43
Operating & transportation (\$/boe)	28.73	13.63	27.04	13.63

G&A EXPENSE

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
\$ except otherwise noted				
Personnel	383,871	77,386	1,328,312	467,393
Professional fees	91,584	-	222,416	385,552
Investor relations and marketing	213,784	87,905	787,205	886,004
Software and office operations	104,532	27,257	292,380	83,205
General and administrative-gross	793,771	192,548	2,630,313	1,822,154
Overhead recoveries	(169,166)	-	(424,066)	-
G&A expense	624,605	192,548	2,206,247	1,822,154

G&A expense for the three months and year ended March 31, 2023 was \$0.6 million and \$2.2 million, respectively. Personnel and software were higher in the current fiscal year ended March 31, 2023 due to higher activity levels with its first year of operations. Personnel costs are shown in the current fiscal year ended March 31, 2023 on a gross basis with capitalized G&A presented in overhead recoveries. On a go forward basis in 2024, G&A expense is expected to be reflective of the current quarter.

SHARE-BASED COMPENSATION

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
\$ except otherwise noted				
Share-based compensation	93,694	665,990	461,626	1,173,843

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 year ended March 31, 2023 of \$0.5 million was lower than prior fiscal year March 31, 2022 of \$1.2 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)
2026-May-27	5,675,000	2,837,500	\$ 0.35	3.2
2024-May-27	150,000	150,000	\$ 0.35	1.2
2026-May-27	100,000	50,000	\$ 0.35	3.2
	5,925,000	3,037,500	\$ 0.35	3.1

Warrants by expiry date	Number of Warrants	Weighted average remaining (year)	Exercise Price per Warrant
2023-Jul-05	6,853,646	0.3	\$ 0.50
2023-Jul-08	8,529,609	0.3	\$ 0.50
2023-Jul-12	512,906	0.3	\$ 0.35
2023-Jul-15	854,844	0.3	\$ 0.50
2024-Dec-22	12,486,700	1.7	\$ 0.30
	29,237,705	0.9	\$ 0.41

DEPLETION

Depletion expense was \$2.4 million and \$4.0 million for the three and twelve months ended March 31, 2023. Depletion was based on property, plant and equipment and estimated future development costs of \$2.5 million associated with proved and probable reserves in the Worsley area (\$1.7 million at March 31, 2022). Depletion expense was higher in the three months ended March 31, 2023 due to reduction of its oil reserves at fiscal year end. The Company has cash generating units that are aligned to its core development areas.

As at March 31, 2023, indicators of impairment reversal were identified as a result of the reduction in its oil reserves since the last impairment test performed as at March 31, 2022. An impairment test was carried out at March 31, 2023 on its Worsley Oil cash-generating unit ("CGU"). Recoverable value was estimated based on value in use from proved and probable oil reserves. It was determined that the estimated recoverable value of \$3.6 million of the Worsley Oil CGU was below its carrying value of \$7.8 million. The before tax discount rates applied in the calculation as at March 31, 2023 were 20 percent.

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 at March 31, 2023, the Company has not recognized a deferred income tax asset. Non-capital losses of \$12.3 million expire in the years 2037 to 2043.

Tax Pools As at	March 31, 2023	March 31, 2022
Canadian development expense	8,156,754	4,418,541
Canadian exploration expense	1,936,705	588,969
Undepreciated capital cost	2,453,334	83,231
Non-capital losses	12,258,433	8,186,481
Total tax pools	24,805,226	13,277,222

CAPITAL EXPENDITURES

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
Land and lease cost	360	(198,904)	1,033,904	473,748
Drilling	437,632	1,720,186	5,594,767	3,725,388
Completions and recompletions	11,441	850,243	2,158,644	850,243
Exploration	933,806	67,548	1,351,668	2,467,883
Facilities	69,184	698,672	1,241,541	698,672
Total capital expenditures	1,452,423	3,137,745	11,380,524	8,215,934
Property acquisition	14,853	71,406	26,714	71,406
Total with property acquisition	1,467,276	3,209,151	11,407,238	8,287,340

Capital expenditures for the year ended March 31, 2023 of \$11.4 million were comprised of the drilling and completion costs of the second and third wells, recompletion of the Company's first well in Worsley, construction of an operated oil facility, additional lands acquired in the year of \$1 million and seismic acquisition and exploration analysis of \$1.4 million. A total of two wells (net 2.0) were drilled and completed in the calendar year 2022. The helium well drilled in the summer of 2022 is pending completion. The Company completed the construction of a 100% owned central oil battery in Worsley along with water disposal well to optimize operating cost in fiscal 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 in fiscal 2022.

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 the current portion of financial lease and asset retirement obligations.

As at:	March 31, 2022	December 31, 2022	March 31, 2023
Cash	5,530,473	1,674,675	165,274
Accounts receivable	1,770,532	1,622,765	177,668
Prepays and deposits	106,650	251,330	88,068
Accounts payable and accrued liabilities	(2,645,348)	(2,542,768)	(1,402,716)
Working capital (deficit)	4,762,307	1,006,002	(971,706)

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficit of \$1.0 million on March 31, 2023 (March 31, 2022 - \$4.8 million). The 2022-2023 capital program was funded by cash flows from operations and equity financing. 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 22, 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 \$0.1 million as at March 31, 2023.

First Helium has entered into a long-term "take-or-pay" helium supply agreement with a major global industrial gas supplier (the "Purchaser") to sell helium gas production from its Worsley helium property. The Company has agreed to sell to the Purchaser 80% with an ability to potentially sell up to 100% of its produced helium volumes, subject to monthly and annual volume quantities, in accordance with a specified per unit volume pricing. This will serve to mitigate risk on helium pricing for the first five years of production.

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 March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
Accounting and compliance ⁽ⁱ⁾	34,500	34,500	138,000	188,000
Management fees ⁽ⁱⁱ⁾	201,000	169,250	815,000	600,950
Investor relations ⁽ⁱⁱⁱ⁾	30,000	30,000	120,000	120,000
Share-based compensation	80,400	1,027,099	395,900	1,027,099
Total	345,900	1,260,849	1,468,900	1,936,049

(i) Management, accounting and compliance fees paid to a company controlled by a spouse of an officer of the Company in the amount of \$138,000 for year ended March 31, 2023 (year ended March 31, 2022 - \$188,000 included a one-time fee of \$50,000 in relation to the services received for various financing and listing).

(ii) For the year ended March 31, 2023, the Company incurred \$815,000 (year ended March 31, 2022 - \$600,950) to various officers and directors of the Company which was capitalized as exploration and evaluation assets.

(iii) During the year ended March 31, 2023, the Company paid or accrued \$120,000 (year ended March 31, 2022 - \$120,000) 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. During fiscal 2023 and 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).

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:	March 31, 2023	March 31, 2022
Revenue receivable	115,650	1,732,923
GST and other receivable	62,018	37,609
Accounts receivable	177,668	1,770,532

At March 31, 2023, 65% of the total outstanding accounts receivable pertain to receivables from petroleum purchasers (March 31, 2022 – 98%). As of March 31, 2023, \$5,741 of the accounts receivable balance has been outstanding greater than 90 days (March 31, 2022 - \$nil) with all amounts estimated to be collectable.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 3 to the consolidated financial statements for the year ended March 31, 2023. 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 year ended March 31, 2023 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 year ended March 31, 2023. The quarters in fiscal 2022 have no operational results as operations began in January 2022.

Quarter Ended (\$ except as otherwise noted)	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022
Production volumes (boe/d)	80	125	157	369
Averaged realized price (\$/boe)	\$ 98.42	\$ 107.40	\$ 137.97	\$ 127.07
Revenue	712,982	1,239,801	1,991,602	4,272,508
Funds flow (used in) from operations ⁽¹⁾	(362,224)	(229,698)	550,113	1,857,864
Cash flow (used in) provided by operating activities	(371,954)	309,035	2,911,051	2,497,116
Capital expenditures	1,467,276	1,158,913	8,781,052	1,045,359
Total assets	17,066,125	25,119,922	23,390,552	21,883,856
Net working capital (deficit) ⁽²⁾	(971,706)	1,006,002	17,114	7,448,022

⁽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.

Quarter Ended (\$ except as otherwise noted)	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021
Production volumes (boe/d)	332	-	-	-
Averaged realized price (\$/boe)	\$ 119.41	-	-	-
Revenue	3,568,808	-	-	-
Funds flow (used in) from operations ⁽¹⁾	2,812,602	(595,537)	(667,888)	(257,991)
Cash flow (used in) provided by operating activities	2,497,116	(577,065)	(1,497,981)	(915,711)
Capital expenditures	3,209,151	3,152,151	240,647	704,332
Total assets	20,310,579	13,196,898	12,905,925	15,143,179
Net working capital (deficit) ⁽²⁾	4,762,307	2,980,969	7,582,210	7,283,494

⁽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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