The following Management's Discussion and Analysis ("**MD&A**") as provided by the management of Helium Evolution Incorporated ("**HEVI**" or the "**Company**") is dated August 20, 2024 and should be read in conjunction with HEVI's unaudited interim condensed financial statements and related notes as at June 30, 2024 and for the three and six month periods ended June 30, 2024 and June 30, 2023 (the "**Financial Statements**") and the Company's audited financial statements and related notes as at and for the years ended December 31, 2023 and December 31, 2022, which are available on SEDAR + at www.sedarplus.ca. All financial information is reported in Canadian dollars and all per share information in based on diluted weighted average common shares, unless otherwise noted. Tabular amounts in this MD&A are in thousands of Canadian dollars, except share and per share amounts.

The Financial Statements have been prepared in accordance with IFRS Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the expenses during the reporting period. Management reviews these estimates, including those related to accruals and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

Readers are cautioned that the MD&A should be read in conjunction with HEVI's disclosure elsewhere in this MD&A, including in the sections entitled "Use of Judgements and Key Sources of Estimation Uncertainty", "Business Risks and Uncertainties" and "Forward-looking Statements" included at the end of this MD&A.

About Helium Evolution Incorporated

HEVI is a public company trading on the TSX Venture Exchange ("**TSXV**") under the symbol HEVI.

The Company has significant land holdings in Saskatchewan's "helium fairway", having been granted helium permits by the Government of Saskatchewan covering 5.6 million acres of land. Helium permits in Saskatchewan have an initial three-year term, which can be extended annually for an additional three years and can be converted to 21-year leases at any time. At June 30, 2024, HEVI holds a 99.5% net working interest in these permits, encumbered by a 4.25% government royalty and a 2.5% gross overriding royalty ("**GORR**").

Selected Financial Information

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Financial				
Net loss	254	331	493	642
Net loss per share, basic and diluted	0.00	0.00	0.01	0.01
Cash and cash equivalents	4,766	7,728	4,766	7,728
Working capital	4,708	8,781	4,708	8,781
Total assets	10,863	13,027	10,863	13,027
Total liabilities	374	375	374	375
Weighted average shares Basic and diluted[1]	96,033,974	96,033,974	96,033,974	96,033,974

[1] The weighted average number of common shares outstanding is not increased for outstanding stock options and warrants when the effect is anti-dilutive.

Selected Quarterly Financial Information

Three months ended	Total revenue	Net loss	Net loss per share (basic and diluted)
June 30, 2024	-	254	0.00
March 31, 2024	-	239	0.00
December 31, 2023	-	1,719	0.02
September 30, 2023	-	592	0.01
June 30, 2023	-	331	0.00
March 31, 2023	-	311	0.00
December 31, 2022	-	520	0.01
September 30, 2022	-	3,847	0.04

Outlook

The Company continues to execute its strategy of acquiring and developing its significant land base in Saskatchewan with the ultimate goal of helium production.

On June 28, 2022, the Company entered into a farmout agreement (the "**Original Farmout Agreement**") with North American Helium Inc. ("**NAH**"). On October 21, 2022, the Company announced that it had expanded and accelerated the Original Farmout Agreement and entered into an amended and restated farm out agreement (the "**Amended Farmout Agreement**") as well as a seismic option agreement (the "**Seismic Option Agreement**") and a seismic review option agreement (the "**Seismic Review Option**" and collectively with the Seismic Option Agreement, the "**Seismic Agreements**") with NAH. The Amended Farmout Agreement and the Seismic Option Agreement offered HEVI to explore its land base without incurring up-front capital costs and allowed the Company to retain 99% of its land base.

Pursuant to the Seismic Agreements, the number of wells to be drilled by NAH could be expanded by 60%, from five wells per the Original Farmout Agreement to up to eight wells. NAH elected to drill two wells per the Seismic Option Agreement and elected to drop the Seismic Review Option well, for a total of seven wells drilled with NAH incurring 100% of the drill expenditures. For each well drilled pursuant to the Amended Farmout Agreement and the Seismic Agreements, NAH will earn an 80% operated interest in the section on which the well was drilled plus nine contiguous sections of land. HEVI will retain a 20% working interest in the earned lands and each successful well drilled by NAH.

Concurrently with the Original Farmout Agreement, HEVI closed a strategic investor private placement whereby NAH subscribed for 8.75 million units comprised of 8.75 million common shares and 2.92 million warrants. In connection with the investment, HEVI and NAH entered into a standstill agreement (the "**Standstill Agreement**") pursuant to which NAH is subject to certain standstill restrictions relating to, among other things, the acquisition of HEVI securities for a 24-month period. In addition, HEVI and NAH entered into a pro-rata participation and board nomination agreement (the "**Participation Agreement**") pursuant to which NAH will be permitted to maintain its pro rata undiluted percentage of HEVI common shares. Furthermore, should NAH's ownership reach over 10% on an undiluted basis, NAH will have a right to appoint a nominee to the HEVI board of directors. The Standstill Agreement and the Participation Agreement expired on June 28, 2024.

Finally, at no cost, HEVI received NAH's proprietary seismic recently used to drill three successful NAH wells in the Mankota area plus all seismic shot on the Seismic Agreements land, estimated to be approximately 200km, giving HEVI greater insight and valuable data that can be used in identifying future drilling targets.

As a result of the Amended Farmout Agreement and the Seismic Option Agreement, NAH drilled seven earning wells ("**Farmout Wells**", and each a "**Farmout Well**") on HEVI lands since November 2022 and earned an 80% interest in 70 sections of HEVI's land base. Farmout Wells were funded 100% by NAH and HEVI retained a 20% working interest. In addition to the Farmout Wells, in the third and fourth quarters of 2023, NAH and HEVI drilled two joint wells ("**Joint Wells**"), with HEVI participating in the Joint Wells at its 20% working interest. The following Farmout Wells and Joint Wells, spud dates and status are as follows:

Area, Well ID	Status
<u>Farmout Wells:</u>	
Mankota 13-30-2-8W3	Cased for further evaluation
Mankota 1-1-06-10W3	To be abandoned
Mankota 12-11-05-10W3	To be abandoned
Gravelbourg 12-13-10-8W3	Cased for further evaluation
McCord 6-13-5-7W3	To be abandoned
Fox 11-13-13-29W3	Cased for further evaluation
Mankota 9-35-3-9W3	Completed in Q1-2024
<u>Joint wells:</u>	
Mankota 2-31-2-8W3	Completed in Q4-2023
Mankota 9-18-3-8W3	Stimulation in July 2024

In the third quarter of 2023, NAH and HEVI drilled their first joint well at 2-31-2-8W3 ("**2-31 Well**"). The 2-31 Well encountered helium bearing gas and was completed, tested and evaluated in the fourth quarter of 2023 and was successfully stimulated in the first quarter of 2024. The 2-31 Well underwent a series of tests to confirm flow rates, reservoir boundaries and gas composition, all of which represent important data points to help inform future development plans in the area. The 2-31 Well had helium concentrations of 0.95%, more than three times the 0.3% level deemed commercially viable, and 96% nitrogen, with the balance comprised of fractional percentages of minor component gases.

Subsequent to stimulation in the first quarter of 2024, the 2-31 Well demonstrated rates and pressures that remained steady throughout the three-day flow test period, indicating a stable and productive reservoir, and the well flow tested at 4.0 million standard cubic feet per day ("**MMscf/d**") with 5,500 kiloPascals ("**kPa**") flowing tubing pressure. Further, negligible water was produced by the well during the test period, which is favorable for helium recovery and processing.

In the fourth quarter of 2023, NAH and HEVI drilled a second joint well at 9-18-3-8W3 ("**9-18 Well**"). The 9-18 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2024. In an effort to enhance productivity, as was successfully done on the 2-31 Well, the 9-18 Well was stimulated in July 2024. Following stimulation, the 9-18 Well achieved a last flowing rate of 685 thousand standard cubic feet per day ("**Mscf/d**") at 690 kPa flowing tubing pressure with a helium concentration of 0.87%, a 12% increase from the initially measured helium concentration of 0.78%. Preliminary results indicate no formation water, which suggests a positive outlook for the future productive potential of the well. Several positive strategic and geological advancements have been provided through the 9-18 Well results, including:

- Trap confirmation: The existence of a trap, or cap rock, has been proven, which helps to further derisk the Mankota land base and solidify the potential for future helium extraction;
- Multiple helium-bearing zones: Three distinct helium-bearing zones have been confirmed at Mankota, highlighting the rich helium potential across HEVI's land base in the area;
- Helium-charged fairway: A helium charged fairway, extending over 20 kilometers, has been identified, emphasizing the extensive nature of helium deposits in the Mankota area; and
- Validation of exploration strategies: the 9-18 Well was drilled on a structural high, mirroring other successful helium wells that have been delineated downdip into onlapping sands, which have proven to be productive and commercial reservoirs.

In the first quarter of 2024, NAH drilled its seventh and final Farmout Well at 9-35-3-9W3 ("**9-35 Well**"). The 9-35 Well encountered helium and completion, perforation and initial production testing took place in the first quarter of 2024. The 9-35 Well was producing approximately 7 MMscf/d at 9,000 kPa flowing tubing pressure at the end of a six-day extended flow period, with a helium concentration of 0.64% and no water. After the extended production flow period, the 9-35 Well was shut in for a 21-day period to collect reservoir pressure data to confirm flow rates and reservoir boundaries. A third-party post-flow pressure transient analysis indicated no reservoir pressure depletion or reservoir boundaries, highlighting a potentially expansive and productive reservoir.

HEVI continues to work with NAH to determine optimal next steps, which includes the drilling of up to nine development wells (the "**New Wells**") in the later half of 2024 to the first half of 2025, designed to further delineate the pools. To date, surface and environmental restrictions have prevented access to certain parts of the Mankota area outside of the winter months when restrictions are eased and access allowed. With HEVI's 20% working interest in the New Wells, the Company is positioned to capitalize on this strategic expansion, building upon three existing helium discoveries at Mankota. The Company has been working with NAH to determine specific well locations, timelines and to acquire requisite licenses. In addition, NAH has received approval of a facility license at 12-30-2-8W3, approximately 1,500 metres from the 2-31 Well, the construction of which would represent another significant milestone on HEVI's path to commercialization. It is anticipated that HEVI will fund the New Wells from existing working capital, however in order to ensure that the Company has sufficient liquidity, the Company may access debt or capital markets in the coming year.

In addition to the above-mentioned activities, the Company is continuing to undertake extensive geological and geophysical modelling, including the acquisition of additional seismic, shooting of proprietary 2D seismic, seismic reprocessing and interpretation and well log integration.

Results of Operations

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Exploration and evaluation	5	12	24	23
Share-based compensation	78	167	146	338
Interest income (net)	(61)	(98)	(133)	(198)
Depletion and depreciation	5	13	11	26
General and administrative	227	237	445	453
Net loss	254	331	493	642

Capital Expenditures and Exploration and Evaluation

The following summarizes the Company's capital spending:

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Seismic, geological & geophysical	65	143	268	904
Drilling and completions	14	2	289	6
Royalty assets	-	119	-	119
Helium permits	34	36	162	165
Total capital spending- cash	113	300	719	1,194

Capital spending for the three and six months ended June 30, 2024 totaled $113,000 and $719,000, respectively (three and six months ended June 30, 2023, $300,000 and $1,194,000, respectively). In the six months ended June 30, 2024, the majority of the Company's capital spending was focused on completing and testing both the 9-35 Well and the 9-18 Well, stimulating the 2-31 Well, as well as purchasing a number of 2D trade seismic lines considered key for determining future drilling targets in the Mankota and Gravelbourg core areas. Comparatively, in the same periods of 2023, the majority of HEVI's capital spending was focused on building out its extensive seismic database. To date, the Company has acquired over 2,000 km of seismic.

Share-Based Compensation Expense

The Company has an incentive Stock Option Plan (the "**Option Plan**") for directors, officers, employees, and consultants, under which the Company may issue stock options to purchase common shares of the Company provided that the amount of incentive stock options which may be granted and outstanding under the Option Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Total share-based compensation	118	245	215	498
Capitalized portion of share-based compensation	(40)	(78)	(69)	(160)
Share-based compensation	78	167	146	338

The amount recorded as share-based compensation expense for the three and six months ended June 30, 2024 totaled $78,000 and $146,000, respectively (three and six months ended June 30, 2023, $167,000 and $338,000, respectively). Additionally, $40,000 and $69,000 of share-based compensation was capitalized to exploration and evaluation ("**E&E**") assets during the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 – $78,000 and $160,000, respectively). The decrease in overall share-based compensation period over period is due to a significant number of options vesting over the past year, at which point the associated share-based compensation is fully recognized.

The number of share options issued and outstanding, weighted average exercise price and weighted average remaining life is as follows:

	Number of Options	Weighted Average Exercise Price ($/share)	Weighted Average Remaining Life (years)
December 31, 2022	7,625,718	0.34	2.8
Issued	1,950,000	0.16	3.6
December 31, 2023	9,575,718	0.30	3.0
June 30, 2024	**9,575,718**	**0.29**	**3.0**

The number of share options exercisable and the weighted average exercise price is as follows:

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2023	5,306,574	0.32
June 30, 2024	7,221,718	0.30

The fair value of options granted is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility based on publicly available information for similar companies, weighted average expected life, estimated forfeiture rate, expected dividends, and the risk-free interest rate. The fair value is amortized to share-based compensation expense or capitalized to E&E assets over the option vesting period with a corresponding offset to contributed surplus.

No share options were issued in the six months ended June 30, 2024. In June 2024, the Company amended an aggregate of 700,000 incentive stock options, of which 420,000 incentive stock options had vested (the "**Amended Options**"), previously granted to certain consultants, and investor relations service providers of the Company under the Company's 2021 stock option plan (the "**Option Amendments**"). The Amended Options were originally granted on June 30, 2022 at an exercise price of $0.385 per share, and are exercisable until June 30, 2027. Pursuant to the Option Amendments, the exercise price of the Amended Options was amended to $0.15 per share and there was no change to the expiry date. None of the Amended Options were held by insiders of the Company.

Interest Income (net)

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest income (net)	(61)	(98)	(133)	(198)

Net interest income recorded in the three and six months ended June 30, 2024 was $61,000 and $133,000, respectively (three and six months ended June 30, 2023, $98,000 and $198,000, respectively). Interest income in the six months ended June 30, 2024 was principally a result of investing excess cash balances into redeemable short-term guaranteed investment certificates with an interest rate between 5.0% and 5.25%. Interest income in the six months ended June 30, 2023 was principally a result of interest income on higher excess cash balances, offset by lower interest rates ranging from 4.85% to 5.10%.

Depletion and Depreciation Expense

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Depletion and depreciation	5	13	11	26

Depletion and depreciation expense in the amount of $5,000 and $11,000 was recorded in the three and six months ended June 30, 2024, respectively, and is related to the Company's office equipment and right-of-use assets (three and six months ended June 30, 2023, $13,000 and $26,000, respectively). Office equipment is depreciated on a straight-line basis over a period of two years and the Company's right-of-use assets are depreciated over the term of the Company's office and office equipment leases.

General and Administrative Expense

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
General and administrative	227	237	445	453

General and administrative expenses ("**G&A**") for the three and six months ended June 30, 2024 totaled $227,000 and $445,000, respectively, virtually unchanged as compared to $237,000 and $453,000 in the three and six months ended June 30, 2023, respectively. The Company has incurred costs associated with being a public company including management salaries, consulting fees, software fees, office related expenses, legal and regulatory fees, marketing and investor relations.

Share Capital

The following table details the number of common shares issued and outstanding:

Common Shares	Number of Shares	Share Equity
December 31, 2022, December 31, 2023 and June 30, 2024	96,033,974	19,216

The following table details the number of warrants issued and outstanding as at June 30, 2024:

	Number of Warrants	Warrant Equity
December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
June 30, 2024	-	-

At the date of this MD&A, there are 96,033,974 common shares and 9,575,718 options issued and outstanding.

Liquidity, Financing and Capital Resources

	June 30, 2024
Opening cash position	6,330
Inflow of funds	
Changes in non-cash working capital	(528)
Total inflow of funds	(528)
Outflow of funds	
Capital expenditures	(719)
Lease payments	(7)
Cash flow used in operations, before changes in non-cash working capital	(310)
Total outflow of funds	(1,036)
Closing cash position	4,766

Capital Funding and Resources

As at June 30, 2024, the Company's working capital balance was $4,708,000 (December 31, 2023 - $5,743,000), including cash and cash equivalents of $4,766,000.

The working capital balance is expected to be sufficient to fund the Company's capital program for 2024. The Company has considerable flexibility in managing capital given the current terms of helium permits granted by the Government of Saskatchewan. Any commitments related to the lease and permit terms are incorporated into the capital budget.

Financial Risk Management

HEVI is exposed to a variety of financial and non-financial risks inherent in the helium business, including, but not limited to: equity price risk, commodity price risk, foreign exchange, credit availability and liquidity risk. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

(a) Credit risk

Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss.

The Company's maximum exposure to credit risk is the sum of the carrying values of its cash and cash equivalents and accounts receivable. As at June 30, 2024, the Company's accounts receivables consisted of sales taxes paid on G&A and capital expenditures and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents balance with a major Canadian chartered bank.

(b) Market risk
Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any significant interest rate exposure as at June 30, 2024.

Foreign exchange risk:
Helium prices are based on US dollar denominated commodity prices. As a result, the Canadian dollar price received by the Company will be affected by the Canadian and US dollar exchange rates once helium revenues are realized.

(c) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable consists of invoices payable to trade suppliers for G&A activities and E&E expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

HEVI anticipates having adequate cash on hand to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access debt or capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cash flows from operations.

Capital Management
The Company's capital structure includes shareholders' equity and working capital. HEVI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

HEVI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt or obtain alternative financing. To date, the Company's main source of funding has been the issuance of equity and warrant securities for cash, through private placements.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. The Company's continuing operations and underlying value and recoverability of the amounts shown for E&E assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests. These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

Commitments

The Company holds helium exploration permits in Saskatchewan with an initial three-year term. To keep the Company's current leases in good standing, the Company has annual lease expenditure commitments as follows: remainder of 2024 – $297,000, 2025 – $564,000 and 2026 – $565,000 and annual permit expenditure commitments as follows: 2024 – $45,000, 2025 – $60,000 and 2026 – $60,000. Permit expenditures can be grouped and carried forward to future years if the expenditure amount is greater than the minimum expenditure required. If the above commitments are not satisfied, the Company will relinquish the associated helium permits.

The Company entered into an initial two-year office lease agreement, commencing November 1, 2021 and ending October 31, 2023. The office lease was renewed in June 2023 for an additional two years, beginning November 1, 2023 and ending October 31, 2025. Additionally, the Company has entered into office equipment leases. The lease commitments as at June 30, 2024 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	20	13	1	-	34

Related Party Transactions

Pursuant to a royalty agreement, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors, officers and a consultant of the Company or to companies controlled by such individuals. On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for $119,000, inclusive of transaction costs.

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at June 30, 2024.

Financial Instruments

Financial instruments of the Company include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity.

Use of Judgements and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Identification of cash generating units

The Company's assets are aggregated into cash generating units ("**CGUs**") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment regarding shared infrastructure, geographical proximity, and similar exposure to market risk and materiality.

(ii) Exploration and evaluation

The application of the Company's accounting policy for E&E requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

The Company assesses its E&E assets to determine whether any indication of impairment exists at the end of each reporting period. Significant judgment is required in determining whether indicators of impairment exist, including factors and considerations such as the remaining period for which the Company has the right to explore, whether expenditures on further exploration and evaluation of helium properties are planned, whether commercially viable quantities of helium mineral resources have been discovered or whether data exists to suggest the carrying amount is unlikely to be recovered.

(iii) Deferred income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets, if any, are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable income. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in earnings or loss in the period in which the change occurs.

(iv) Climate reporting regulations

Climate change and the transition to a lower-carbon economy from carbon-based sources to alternative energy were considered in preparing the financial statements. These may have significant impacts on the currently reported amounts of the Company's assets and liabilities and on similar assets and liabilities that may be recognized in the future.

Business Risks and Uncertainties

The Company's business of exploring for resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations, and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's common shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development.

The Company's property interests are located in Canada. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labour and deficiencies in infrastructure may negatively influence costs of exploration and development.

Without limiting the generality of the foregoing, on November 10, 2023 the Ministry of Energy and Resources of the Government of Saskatchewan released a discussion paper entitled *Establish a Modernized Helium and Brine Mineral Tenure System* (the "**Discussion Paper**"). The Discussion Paper proposes several changes to the current regulatory framework in Saskatchewan which may have a negative effect on the Company and its business, if adopted. At this time no changes proposed in the Discussion Paper have been enacted.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfil its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to conduct exploration and development work at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any resources discovered. The marketability and price of helium which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include but are not limited to: delivery uncertainties related to the proximity of its resources to processing facilities; and extensive government regulation relating to price, taxes, royalties, allowable production, land tenure, the import and export of minerals and many other aspects of the mineral extraction business. Declines in resource prices may have a negative effect on the Company.

The resource industry is intensely competitive, and the Company must compete in all aspects of its operations with a substantial number of other corporations which may have greater technical or financial resources. The Company may be unable to acquire drilling rigs, service rigs, materials, additional attractive resource properties, employees and contractors, service providers and other items on terms it considers to be acceptable.

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mineral extraction industry operations, which could result in environmental pollution. Failure to comply with such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

An inability to manage costs could have a material adverse effect on the Company. The Company'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. The Company'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 flow.

Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favour of the Company. If any of such conflicts are not resolved in favour of the Company, the Company may be adversely affected.

The Company's business, financial condition and results of operations may be affected by a number of factors, including, but not limited to, the factors described within the Forward-looking Statements section of this MD&A, the Company's annual information form dated September 6, 2023 and the Company's other disclosure documents filed with Canadian securities regulatory authorities.

Environmental Reporting Regulations

In March 2024, the Canadian Sustainability Standards Board proposed Canadian-specific modifications to IFRS S1: *General Sustainability-related Disclosures* and IFRS S2: *Climate-related disclosures*, which were issued by the International Sustainability Standards Board in June 2023. The new standards add sustainability and climate disclosure requirements for annual reporting purposes. The Canadian-specific versions of IFRS S1 and S2 are expected to be available for voluntary adoption starting January 1, 2025; however, the Canadian Securities Administrators have not yet confirmed whether the new standards will be mandated for Canadian reporting issuers. The Company is actively reviewing the new standards and has not yet determined the impact on future financial statements, nor has HEVI quantified the costs to comply with such standards.

Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, or developments in the industry to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "plans," "anticipates," "believes," "intends," "estimates," "projects," "potential" and similar expressions, or that events or conditions "will," "would," "may," "could" or "should" occur.

Forward-looking statements in this document include statements regarding the Company's ability to identify future exploration and drilling targets, timeline of drilling, increasing shareholder value, the Company's ability to preserve capital, the Company's expectations regarding scalable helium production from its land generally, productivity of the 9-18 Well and the Company's interpretation of the results, the Company's expectations regarding recoverability of helium, the Company and/or NAH's ability to identify future exploration and drilling targets, the Company and/or NAH's plans regarding future exploration and development including the New Wells, the productivity of the 2-31 Well, the productivity of the 9-35 Well, the Company and/or NAH's plans regarding building a facility at 12-30-2-8W3, the Company's ability to achieve commercial production, the sale of tubing and casing and other statements that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our 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 and risks include, among others: HEVI may require additional financing from time to time in order to continue its operations; the Company and/or NAH may be unsuccessful in drilling commercially productive wells; NAH may defer the drilling, completion and stimulation of wells including the New Wells; the Company and/or NAH may determine not to bring the 2-31 Well, the 9-18 Well and/or the 9-35 Well onto production; NAH may abandon any plans to build a facility at the 12-30-2-8W3 site; the Company may choose to defer, accelerate or abandon its drilling plans; financing may not be available when needed or on terms and conditions acceptable to the Company; new laws or regulations could adversely affect the Company's business and results of operations; stock markets have experienced volatility that has often been unrelated to the performance of companies which may adversely affect the price of the Company's securities regardless of its operating performance; and the granting of additional permits is subject to a competitive process over which the Company has no control.

When relying on forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and risks and other uncertainties and potential events. The Company has assumed that the material factors referred to in the previous paragraphs will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

Helium Evolution Incorporated

Condensed Interim Financial Statements

As at June 30, 2024 and for the three and six month periods ended June 30, 2024 and June 30, 2023

Helium Evolution Incorporated

Condensed Interim Statements of Financial Position
(unaudited)

(thousands of Canadian Dollars)	As at June 30, 2024	As at December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	4,766	6,330
Accounts receivable *(note 10)*	65	76
Deposits and prepaid expenses	95	66
Total Current Assets	4,926	6,472
Non-Current Assets		
Property, plant and equipment *(note 3)*	30	41
Tubing and casing	783	783
Exploration and evaluation assets *(note 4)*	5,124	4,343
Total Non-Current Assets	5,937	5,167
Total Assets	10,863	11,639
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 10)*	198	708
Lease obligations *(note 5)*	20	21
Total Current Liabilities	218	729
Non-Current Liabilities		
Lease obligations *(note 5)*	14	22
Decommissioning obligations *(note 6)*	142	121
Total Non-Current Liabilities	156	143
Total Liabilities	374	872
Shareholders' Equity		
Share capital *(note 7)*	19,216	19,216
Warrants *(note 7)*	-	873
Contributed surplus	3,494	2,406
Deficit	(12,221)	(11,728)
Total Shareholders' Equity	10,489	10,767
Total Liabilities and Shareholders' Equity	10,863	11,639

See accompanying notes to the condensed interim financial statements.

Commitments *(notes 4 and 11)*

Helium Evolution Incorporated

Condensed Interim Statements of Loss and Comprehensive Loss
(unaudited)

(thousands of Canadian Dollars, except number of shares and per share amounts)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Expenses				
Exploration and evaluation *(note 4)*	5	12	24	23
Share-based compensation *(note 8)*	78	167	146	338
Interest income (net)	(61)	(98)	(133)	(198)
Depletion and depreciation *(note 3)*	5	13	11	26
General and administrative	227	237	445	453
Total expenses	254	331	493	642
Net loss and comprehensive loss	(254)	(331)	(493)	(642)
Weighted average number of shares outstanding - basic and diluted	96,033,974	96,033,974	96,033,974	96,033,974
Net loss per common share - basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Condensed Interim Statements of Cash Flows
(unaudited)

(thousands of Canadian Dollars)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash provided by (used in):				
Operating activities:				
Net loss for the period	(254)	(331)	(493)	(642)
Exploration and evaluation *(note 4)*	5	12	24	23
Share-based compensation *(note 8)*	78	167	146	338
Depletion and depreciation *(note 3)*	5	13	11	26
Accretion *(note 6)*	1	-	2	-
Change in non-cash working capital *(note 9)*	(44)	(42)	(230)	(170)
Cash used in operating activities	(209)	(181)	(540)	(425)
Financing activities:				
Lease obligations *(note 5)*	(6)	(8)	(7)	(8)
Cash used in financing activities	(6)	(8)	(7)	(8)
Investing activities:				
Exploration and evaluation assets *(note 4)*	(113)	(300)	(719)	(1,194)
Tubing and casing, net	-	-	-	89
Change in non-cash working capital *(note 9)*	(210)	(12)	(298)	138
Cash used in investing activities	(323)	(312)	(1,017)	(967)
Net change in cash and cash equivalents	(538)	(501)	(1,564)	(1,400)
Cash and cash equivalents, beginning of period	5,304	8,229	6,330	9,128
Cash and cash equivalents, end of period	4,766	7,728	4,766	7,728
Cash and cash equivalents is comprised of:				
Cash	17	134	17	134
Cancellable guaranteed investment certificates	4,749	7,594	4,749	7,594

See accompanying notes to the condensed interim financial statements.

Helium Evolution Incorporated

Condensed Interim Statements of Changes in Shareholders' Equity
(unaudited)

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2024	96,033,974	19,216	873	2,406	(11,728)	10,767
Expiry of warrants *(note 7)*	-	-	(873)	873	-	-
Share-based compensation *(note 8)*	-	-	-	215	-	215
Net loss for the period	-	-	-	-	(493)	(493)
Balance, June 30, 2024	96,033,974	19,216	-	3,494	(12,221)	10,489

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2023	96,033,974	19,216	1,425	930	(8,775)	12,796
Share-based compensation *(note 8)*	-	-	-	498	-	498
Net loss for the period	-	-	-	-	(642)	(642)
Balance, June 30, 2023	96,033,974	19,216	1,425	1,428	(9,417)	12,652

See accompanying notes to the condensed interim financial statements.

1. Organization and Nature of the Business

Helium Evolution Incorporated ("**HEVI**" or the "**Company**") is a public company trading on the TSX Venture Exchange ("**TSXV**") under the symbol HEVI. The Company was initially incorporated under the *Business Corporations Act* (British Columbia) on March 25, 2019. The Company is in the early stages of exploration for helium as a resource and has not yet determined whether its helium properties contain deposits that are economically recoverable.

The Company's principal office address and address of records is 400, 505 – 3 Street SW, Calgary, Alberta, Canada, T2P 3B6.

2. Basis of Preparation

The unaudited condensed interim financial statements (the "**financial statements**") have been prepared in accordance with IFRS Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board, and were prepared following the same material accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2023 (the "**Annual Financial Statements**") These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's Annual Financial Statements.

The Company's financial statements are expressed in thousands of Canadian dollars, unless otherwise stated. The presentation currency is Canadian dollars.

These financial statements have been prepared using the historical cost convention on an accrual basis except for, when outstanding, certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments, including accruals, considered necessary for a fair presentation have been included.

The financial statements were authorized for issue by the board of directors of the Company on August 20, 2024.

3. Property, Plant and Equipment Assets

Cost	Total
Balance, December 31, 2022	112
Additions	1
Right-of-use asset additions	34
Balance, December 31, 2023	147
Balance, June 30, 2024	**147**

Accumulated depletion and depreciation	Total
Balance, December 31, 2022	61
Depletion and depreciation	45
Balance, December 31, 2023	106
Depletion and depreciation	11
Balance, June 30, 2024	**117**

Net book value	Total
Balance, December 31, 2023	41
Balance, June 30, 2024	**30**

As at June 30, 2024, property, plant and equipment is comprised of office equipment with a net book value of $1,000 (December 31, 2023 – $1,000) and right-of-use assets with a net book value of $29,000 (December 31, 2023 – $40,000).

4. Exploration and Evaluation Assets

Cost	Total
Balance, December 31, 2022	2,552
Additions	3,265
E&E expense	(1,474)
Balance, December 31, 2023	4,343
Additions	805
E&E expense	(24)
Balance, June 30, 2024	**5,124**

The Company holds helium exploration permits in Saskatchewan with an initial three-year term. The June 30, 2024 additions include $69,000 of non-cash share-based compensation (December 31, 2023 – $299,000) and $19,000 of non-cash decommissioning obligations (December 31, 2023 – $85,000). During the six months ended June 30, 2024, $24,000 of exploration and evaluation ("**E&E**") assets were recognized in E&E expense based on historic costs incurred (year ended December 31, 2023 - $1,474,000), due to unfavourable well results in the McCord core area. On May 26, 2023, the Company re-purchased 0.5% of the gross overriding royalty ("**GORR**") from a former officer of the Company (see note 13).

To keep the Company's leases in good standing, the Company has annual lease expenditure commitments as follows: remainder of 2024 – $297,000, 2025 – $564,000, 2026 - $565,000 and annual permit expenditure commitments as follows: remainder of 2024 – $45,000, 2025 – $60,000 and 2026 - $60,000. Permit expenditures can be grouped and carried forward to future years if the expenditure amount is greater than the minimum expenditure required. If the above commitments are not satisfied, the Company will relinquish the associated helium permits.

At June 30, 2024, the Company has E&E assets of $5,124,000. There were no impairment indicators for the exploration and evaluation assets as of June 30, 2024.

5. Lease Obligations

	Total
Balance, December 31, 2022	29
Additions	36
Lease payments	(22)
Balance, December 31, 2023	43
Lease payments	(9)
Balance, June 30, 2024	**34**
Current portion of lease obligations	**20**
Non-current portion of lease obligations	**14**

	June 30, 2024	December 31, 2023
Lease payments	9	22
Interest payments	(2)	(2)
Total cash outflow	**7**	**20**

The Company has lease liabilities for contracts related to office space and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The discount rate applied during the period ended June 30, 2024 was 10.0% (December 31, 2023 – 10.0%).

6. Decommissioning Obligations

	June 30, 2024	December 31, 2023
Decommissioning obligations, beginning of period	**121**	34
Additions	**13**	28
Change in estimates	**6**	57
Accretion	**2**	2
Decommissioning obligations, end of period	**142**	**121**

The Company's decommissioning obligations result from its ownership interest in helium assets currently comprised of well sites. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years.

The following significant assumptions were used to estimate the decommissioning obligations:

	June 30, 2024	December 31, 2023
Undiscounted, uninflated cash flows	**141**	115
Risk free rate	**3.58%**	3.30%
Inflation rate	**2.72%**	3.46%
Timing of cash flows	**9.0 years**	8.7 years

7. Share Capital

The authorized capital of HEVI consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series with no par value.

The following table details the number of common shares issued and outstanding as at June 30, 2024:

	Number of Class A Common Shares	Share Equity
Balance, December 31, 2022, December 31, 2023 and June 30, 2024	**96,033,974**	**19,216**

As of June 30, 2024, all warrants had expired and the balance of warrant equity was moved to contributed surplus. The following table details the number of warrants issued and outstanding as at June 30, 2024:

	Number of Warrants	Warrant Equity
Balance, December 31, 2022	10,786,276	1,425
Expired	(4,846,124)	(552)
Balance, December 31, 2023	5,940,152	873
Expired	(5,940,152)	(873)
Balance, June 30, 2024	-	-

The number of warrants issued and outstanding, weighted average exercise price and weighted average remaining life are as follows:

	Number of Warrants	Weighted Average Exercise Price ($/share)	Weighted Average Remaining Life (years)
Balance, December 31, 2022	10,786,276	0.52	-
Expired	(4,846,124)	0.30	-
Balance, December 31, 2023	5,940,152	0.70	-
Expired	(5,940,152)	0.70	-
Balance, June 30, 2024	-	-	-

8. Share Option Plan

The Company has an incentive Share Option Plan (the "**Option Plan**") for directors, officers, employees, and consultants, under which the Company may issue share options to purchase common shares of the Company provided that the amount of incentive share options which may be granted and outstanding under the Option Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

The number of share options issued and outstanding, weighted average exercise price and weighted average remaining life is as follows:

	Number of Options	Weighted Average Exercise Price ($/share)	Weighted Average Remaining Life (years)
Balance, December 31, 2022	7,625,718	0.34	2.8
Issued	1,950,000	0.16	3.6
December 31, 2023	9,575,718	0.30	3.0
Balance, June 30, 2024	**9,575,718**	**0.29**	**3.0**

The number of share options exercisable and the weighted average exercise price is as follows:

	Exercisable Options	Weighted Average Exercise Price ($/share)
December 31, 2023	5,306,574	0.32
June 30, 2024	**7,221,718**	**0.30**

On June 12, 2024, the Company amended the exercise price from $0.385 per share to $0.15 per share (the "**Amendment**") on 700,000 stock options (the "**Amended Options**"), of which 420,000 stock options were vested. The Amended Options were previously granted to certain consultants and investor relations service providers of the Company under the Option Plan. The Amendment did not impact any stock options held by insiders or directors. In the three and six months ended June 30, 2024, the Company recorded a non-cash share-based compensation expense of $3,000 (net, $3,000 of capitalization), relating to the Amended Options. This amount represents the fair value of the Amendment determined by the difference between the fair value of the outstanding share option with the share price of $0.385 per share and the fair value of the outstanding share option with the share price of $0.15 per share. The fair value in each case was estimated as at June 12, 2024 using the Black-Scholes pricing model that takes into account: share price on the measurement date, exercise price of the instrument, expected volatility based on either the Company's publicly available information, weighted average expected life, estimated forfeiture rate, expected dividends and the risk-free interest rate.

The fair value of the options on the date of the Amendment was determined using the following weighted average Black-Scholes pricing model inputs:

	Original	Amended
Share price	0.150	0.15
Exercise price	0.385	0.15
Risk-free interest rate	3.70%	3.70%
Expected life (years)	3	3
Expected volatility	188%	188%
Forfeiture rate	9.0%	9.0%
Expected dividends	Nil	Nil
Fair value	0.13	0.14

9. Supplemental Cash Flow Information

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Accounts receivable	11	(17)	11	(61)
Deposits and prepaid expenses	24	(30)	(29)	(94)
Accounts payable and accrued liabilities	(289)	(7)	(510)	123
Change in non-cash working capital	**(254)**	**(54)**	**(528)**	**(32)**
Allocated to:				
Operating	(44)	(42)	(230)	(170)
Investing	(210)	(12)	(298)	138
Change in non-cash working capital	**(254)**	**(54)**	**(528)**	**(32)**

10. Risk and Capital Management

The Company's activities expose it to a variety of financial and non-financial risks inherent in the business. Financial risks include: equity price, commodity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

Credit risk

Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss.

The Company's maximum exposure to credit risk is the sum of the carrying values of its cash and cash equivalents and accounts receivable. As at June 30, 2024, the Company's accounts receivables consisted of sales taxes paid on general and administrative and capital expenditures and an amount expected to be returned by the Government of Saskatchewan due to the overpayment of unfulfilled work commitments. To mitigate the credit risk on its cash and cash equivalents, the Company maintains its cash and cash equivalents balance with a major Canadian chartered bank.

Market risk

Market risk is the risk that the fair value or future cash flow from operating activities of the Company's financial instruments will fluctuate because of changes in market prices. This could include changes in market conditions, such as commodity prices, foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and E&E expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

The timing of undiscounted cash outflows relating to the financial liabilities outstanding at June 30, 2024 are outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	198	-	-	-	198
Lease obligations	20	13	1	-	34
Total	218	13	1	-	232

HEVI anticipates having adequate cash on hand and funds flow to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access debt or capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cash flows from operations.

Capital management
The Company's capital structure includes shareholders' equity and working capital. HEVI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

HEVI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt or obtain alternative financing. To date, the Company's main source of funding has been the issuance of equity and warrant securities for cash, through private placements.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. The Company's continuing operations and underlying value and recoverability of the amounts shown for E&E assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests. These and other factors may adversely affect the Company's liquidity and ability to generate income and future cash flows.

As at June 30, 2024, the Company had a positive working capital balance of $4.7 million (December 31, 2023 - $5.7 million).

11. Commitments
The Company holds helium permits that require minimum expenditures on an annual basis (see note 4).

The Company entered into a two-year office lease agreement, commencing November 1, 2021, and ending October 31, 2023. The office lease was renewed in June 2023 for an additional two years, beginning November 1, 2023 and ending October 31, 2025. Additionally, the Company has entered into certain office equipment leases. The lease commitments as at June 30, 2024 are as follows:

	1 year	2 years	3 years	> 3 years	Total
Lease obligations	20	13	1	-	34

12. Financial Instruments

At June 30, 2024, the Company's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities.

The Company's cash and cash equivalents are classified as Level 1 measurements. The Company has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The carrying value of the Company's accounts receivable and accounts payable and accrued liabilities at June 30, 2024 approximate their respective fair values due to the short-term nature of these instruments.

13. Related Party Transactions

Pursuant to a royalty agreement, a 3.0% GORR on the Company's Saskatchewan helium permits applied for prior to March 30, 2022 was granted to certain directors, officers and a consultant of the Company or companies controlled by such individuals. On May 26, 2023, the Company re-purchased 0.5% of the GORR from a former officer of the Company for $119,000 inclusive of transaction costs.