FIRST HELIUM INC.

Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2021 and 2020

Index

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Statements of Financial Position
Consolidated Statements of Loss and Comprehensive Loss
Consolidated Statements of Cash Flows
Consolidated Statements of Changes in Shareholders' Equity
Notes to the Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
First Helium Inc.

Opinion

We have audited the accompanying consolidated financial statements of First Helium Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

July 28, 2021

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

	Note	2021	2020
Assets			
Current assets:			
Cash		$ 3,469,367	$ 1,917
Cash held in trust	8	7,064,412	-
Sales tax receivable		66,912	3,176
Prepaid expense		22,712	19,823
Deferred financing costs	8	1,126,277	-
		11,749,680	24,916
Exploration and evaluation assets	5	4,039,730	2,130,325
		$ 15,789,410	$ 2,155,241
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	$ 1,282,130	$ 332,917
Convertible debentures	6,8	2,494,827	1,051,126
		3,776,957	1,384,043
Asset retirement obligations	7	109,147	107,718
		$ 3,886,104	$ 1,491,761
Shareholders' equity:			
Share capital	8	4,503,166	1,752,807
Share subscriptions received in advance	8	8,940,600	7,500
Reserves	8	106,948	26,905
Deficit		(1,647,408)	(1,123,732)
		11,903,306	663,480
		$ 15,789,410	$ 2,155,241

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)

On behalf of the Board:

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

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

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

	Note	2021	2020
Expenses			
Accounting and compliance	9	$ 114,150	$ 114,000
Management fees	9	64,000	158,000
Professional fees		114,179	109,059
Investor relations	9	891	30,786
Interest expense	6	147,656	61,541
Accretion expense	6,7	19,714	10,428
General and administration		37,262	29,155
Depreciation	4	-	759
Rent expense	9	24,000	24,000
Travel and promotion		8,891	23,098
		(530,743)	(560,826)
Other items			
Interest income		4,067	530
Other income		3,000	-
		7,067	530
Loss and comprehensive loss for the year		$ (523,676)	$ (560,296)
Loss per share – basic and diluted		$ (0.03)	$ (0.06)
Weighted average number of common shares outstanding – basic and diluted		18,487,156	10,136,867

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

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

	Notes		2021		2020
OPERATING ACTIVITIES					
Loss for the year		$	(523,676)	$	(560,296)
Item not involving cash					
Depreciation	4		-		759
Interest expense	6		147,656		61,541
Accretion expense	6,7		19,714		10,428
Change in non-cash working capital items:					
Prepaid expense			(2,889)		(12,069)
Sales tax receivable			(63,736)		(325)
Accounts payable and accrued liabilities			(27,182)		122,825
			(450,113)		(377,137)
INVESTING ACTIVITIES					
Exploration and evaluation assets	5		(1,545,898)		(492,008)
			(1,545,898)		(492,008)
FINANCING ACTIVITIES					
Bank indebtedness			-		(3)
Share subscriptions received in advance	8		8,940,600		-
Proceeds from share issuance, net of issuance costs	8		1,534,517		-
Convertible debentures, net of cash transaction costs	6		2,528,381		1,011,684
Deferred financing costs			(475,625)		-
Short-term loans			-		8,000
Loan repayment			-		(148,619)
			12,527,873		871,062
Increase in cash and cash held in trust			10,531,862		1,917
Cash and cash held in trust, beginning of the year			1,917		-
Cash and cash held in trust, end of the year		$	10,533,779	$	1,917

Supplemental information:

Non-cash investing and financing activities:				
Exploration and evaluation assets included in accounts payable and accrued liabilities	$	548,443	$	184,936
Cash paid for income taxes	$	-	$	-
Cash paid for interest	$	-	$	9,019
Shares issued for debt	$	-	$	72,682
Equity component of convertible debentures	$	-	$	26,905
Reallocation from reserves to share capital from conversion of convertible debentures	$	26,905	$	-
Shares issued for conversion of convertible debentures	$	1,198,401	$	-
Reclassification of subscriptions received in advance	$	7,500	$	-
Fair value of bonus warrants issued	$	9,464	$	-
Fair value of finders’ warrants issued included in deferred financing costs	$	45,264	$	-
Fair value of finders’ warrants issued in relation to convertible debentures transaction costs	$	52,220	$	-
Deferred financing costs included in accounts payable and accrued liabilities	$	605,388	$	-
Recognition of asset retirement obligations	$	-	$	106,308

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

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

	Note	Share Capital		Share subscriptions received in advance	Reserves	Deficit	Total shareholders' equity
		Shares	Amount				
Balance at March 31, 2019		10,098,792	$ 1,680,125	$ 7,500	$ -	$ (563,436)	$ 1,124,189
Shares for debt	8	103,832	72,682	-	-	-	72,682
Equity component of convertible debentures	6,8	-	-	-	26,905	-	26,905
Loss for the year		-	-	-	-	(560,296)	(560,296)
Balance at March 31, 2020		10,202,624	$ 1,752,807	$ 7,500	$ 26,905	$ (1,123,732)	$ 663,480
Private placements	8	16,376,015	1,670,756	-	-	-	1,670,756
Shares issued for conversion of convertible debentures	6,8	2,995,008	1,225,306	-	(26,905)	-	1,198,401
Share issuance costs		-	(136,239)	-	-	-	(136,239)
Reclassification of subscriptions received in advance	8	-	-	(7,500)	-	-	(7,500)
Share subscriptions received in advance	8	-	-	8,940,600	-	-	8,940,600
Share issuance costs – bonus warrants	8	-	(9,464)	-	9,464	-	-
Finders' warrants issued in relation to convertible debentures transaction costs	6,8	-	-	-	52,220	-	52,220
Finders' warrants issued as finders' fees	8	-	-	-	45,264	-	45,264
Loss for the year		-	-	-	-	(523,676)	(523,676)
Balance at March 31, 2021		29,573,647	$ 4,503,166	$ 8,940,600	$ 106,948	$ (1,647,408)	$ 11,903,306

On November 27, 2020, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every ten (10) old pre-consolidated common shares. All shares and per share references in these consolidated financial statements have been retroactively restated accordingly unless noted otherwise.

1. Nature and continuance of operations

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

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

On November 27, 2020, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every ten (10) old pre-consolidated common shares. All shares and per share references in these consolidated financial statements have been retroactively restated accordingly unless noted otherwise.

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

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

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned any revenues and is considered to be in the exploration stage. During fiscal 2021, the Company incurred a net loss of $523,676 and, as at March 31, 2021, the Company had a working capital of $7,972,723 and an accumulated deficit of $1,647,408. Management anticipates that the Company will require additional financings to maintain essential levels of corporate and exploration expenditures. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

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

1. Nature and continuance of operations (continued)

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

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

The consolidated financial statements were approved by the Board of Directors on July 28, 2021.

2. Basis of presentation

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

3. Summary of Significant Accounting Policies

Principles of consolidation

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

Critical Judgments and Sources of Estimation Uncertainty

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

3. Summary of Significant Accounting Policies (continued)

Critical Judgments

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

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

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

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

Estimation Uncertainty

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

(i) The assessment of any impairment of exploration and evaluation assets, is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2021 and 2020, management concluded that there were no impairment indicators present with respect to exploration and evaluation assets and no impairment charge was required.

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

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. As at March 31, 2021 and 2020 the Company did not have any cash equivalents.

Cash Held in Trust

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

3. Summary of Significant Accounting Policies (continued)

Equipment

Equipment is carried at cost less accumulated depreciation and impairment losses. Depreciation is recognized using the declining balance method at the following annual rate:

Computer equipment 30%

Exploration and Evaluation Assets

Pre-exploration costs

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

Exploration and evaluation expenditures

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

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

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

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

Impairment of Long-lived Assets

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

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

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

3. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations

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

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss in the year the estimates change. The Company has an asset retirement obligation as at March 31, 2021 and 2020 (Note 7).

Financial Instruments

Financial assets

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

Financial liabilities

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

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

Impairment of financial assets

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

Share Capital

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

Equity Financing

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

3. Summary of Significant Accounting Policies (continued)

Current and Deferred Income Taxes

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

Current Income Tax

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

Deferred Income Tax

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

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

Loss per Share

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

(Expressed in Canadian Dollars)

4. Equipment

		Computer Equipment
Cost		
March 31, 2019, 2020, and 2021	**$**	**2,277**
Accumulated Amortization		
March 31, 2019	$	1,518
Amortization		759
March 31, 2020 and 2021	**$**	**2,277**
Carrying Value		
March 31, 2020 and 2021	**$**	**-**

5. Exploration and Evaluation Assets

Worsley Property

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

During the year ended March 31, 2019, the Company also acquired additional P&NG rights for the Worsley Property from Alberta Crown land auctions.

Worsley Property:		Acquisition Costs		Exploration Costs		Asset Retirement Obligations		Total
Balance, March 31, 2019	$	306,161	$	1,078,886	$	-	$	1,385,047
Land acquisition		11,491		-		-		11,491
Engineering support		-		2,500		-		2,500
General and administration		-		5,380		-		5,380
Geological and geophysical		-		136,330		-		136,330
Project management		-		85,724		-		85,724
Travel and support		-		22,372		-		22,372
Additions and change in asset retirement obligations (Note 7)		-		-		106,308		106,308
Balance, March 31, 2020	$	317,652	$	1,331,192	$	106,308	$	1,755,152
Balance, March 31, 2020	$	317,652	$	1,331,192	$	106,308	$	1,755,152
Land acquisition		2,159		-		-		2,159
General and administration		-		504		-		504
Geological and geophysical		-		214,669		-		214,669
Project management		-		84,000		-		84,000
Travel and support		-		13,833		-		13,833
Balance, March 31, 2021	$	319,811	$	1,644,198	$	106,308	$	2,070,317

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Worsley Trend

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

Worsley Trend:		Acquisition Costs		Exploration Costs		Total
Balance, March 31, 2019	$	215,652	$	31,736	$	247,388
Land acquisition		106,856		-		106,856
General and administration		-		487		487
Geological and geophysical		-		6,878		6,878
Travel and support		-		13,564		13,564
Balance, March 31, 2020	$	322,508	$	52,665	$	375,173
Balance, March 31, 2020	$	322,508	$	52,665	$	375,173
Land acquisition		111,403		-		111,403
Engineering support		-		5,960		5,960
General and administration		-		120,104		120,104
Geological and geophysical		-		370,694		370,694
Seismic data		-		982,652		982,652
Travel and support		-		3,427		3,427
Balance, March 31, 2021	$	433,911	$	1,535,502	$	1,969,413

6. Convertible Debentures

On November 30, 2019, the Company closed a secured convertible debentures (“CD1”) financing in the amount of $1,011,684. The CD1 are secured by a general security interest, mature on November 30, 2020, bear an interest rate of 15% per annum, commitment fee of 2%, and is payable in cash upon maturity or, at the option of the subscriber, in common shares of the Company subject to certain conditions. The CD1 are convertible into common shares at $0.70 per share. For accounting purposes, the CD1 are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of $984,779, was calculated as the discounted cash flows for the CD1 assuming a 20% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the CD1 and the fair value of the liability component, being $26,905. The liability component will be accreted over the life of the CD1. During the year ended March 31, 2021, interest expense was $128,990 (2020 - $57,329), while accretion expense was $18,285 (2020 - $9,018).

On September 14, 2020, CD1 with a principal balance of $1,011,684 and interest and commitment fee payable of $186,319 were converted into 2,995,008 common shares of the Company at a price of $0.40 per share (Note 8). The $0.40 per share conversion price was based on debenture settlement agreements entered into during the year ended March 31, 2021. In addition, the total reserves of $26,905 was also reallocated to share capital upon conversion of the convertible debentures.

(Expressed in Canadian Dollars)

6. Convertible Debentures (continued)

On March 2, 2021, the Company closed an unsecured convertible debentures ("CD2") financing in the amount of $2,800,000. The CD2 are unsecured, mature on March 2, 2022, bear an interest rate of 8% per annum, and are payable in cash upon maturity. The CD2 are automatically convertible into units at $0.30 per unit immediately prior to the listing of common shares on the TSX Venture Exchange (the "Exchange"). Each unit will consist of one common share and one non-transferable whole common share purchase warrant ("CD2 Warrant"). Each CD2 Warrant will entitle the subscriber to purchase one additional common share of the Company at a price of $0.50 per share for a period of 24 months from listing of the Company's common shares on the Exchange. The Company incurred cash transaction costs totalling $271,619 and issued 492,801 finders' warrants, exercisable at $0.50 per common share for 24 months. The fair value of the finders' warrants was $52,220 and was recorded as transaction costs. During the year ended March 31, 2021, interest expense was $18,666 (2020 - $Nil). The CD2 were converted subsequent to the year ended March 31, 2021 (Note 13).

7. Asset Retirement Obligations

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

		March 31, 2021		March 31, 2020
Opening balance	$	107,718	$	-
Additions		-		106,308
Accretion expense		1,429		1,410
Ending balance	$	109,147	$	107,718

The Company has estimated the net present value of its total asset retirement obligations to be $109,147 at March 31, 2021 (March 31, 2020 - $107,718). The estimated undiscounted, uninflated obligations at March 31, 2021 and 2020, are $96,270. Payments to settle the asset retirement obligations occur over the operating lives of the underlying assets, are estimated to be in 2035. As at March 31, 2021 and 2020, a pre-tax risk-free rate of 1.32% and an inflation rate of 1.95% were used to calculate the net present value of the asset retirement obligations. Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditures differing from the amount currently recorded.

8. Share Capital

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

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

<u>Private placements</u>

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

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

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

8. Share Capital (continued)

Shares issued for convertible debentures

On September 14, 2020, CD1 with a principal balance of $1,011,684 and interest and commitment fee payable of $186,319 were converted into 2,995,008 common shares of the Company at a price of $0.40 per share (Note 6). The $0.40 per share conversion price was based on debenture settlement agreements entered into during the year ended March 31, 2021.

Reclassification of subscriptions received in advance

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

Share subscriptions received in advance

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

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

During the year ended March 31, 2021, the total gross proceeds received of $8,940,600 was presented under share subscriptions received in advance and will be transferred to share capital when the shares are issued (Note 13).

Transactions for the year ended March 31, 2020 were as follows:

Shares for debt

In November 2019, the Company issued 103,832 common shares at a value of $0.70 per share to settle $72,682 in accounts payable. $21,000 of this settlement related to amounts owed to Riverside Resources Inc., a company with a common officer with the Company (Note 9).

(Expressed in Canadian Dollars)

8. Share Capital (continued)

Warrants

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

	Number of warrants	Weighted average exercise price
Outstanding warrants, March 31, 2019 and 2020	-	-
Granted	3,137,980	$0.39
Outstanding warrants, March 31, 2021	3,137,980	$0.39

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

Expiry date (mm/dd/yyyy)	Number of warrants	Weighted average remaining life in years	Weighted average exercise price
11/03/2022	2,218,024	1.59	$0.35
03/02/2023	492,801	1.92	$0.50
03/15/2023	427,155	1.96	$0.50
	3,137,980	1.69	$0.39

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

On March 2, 2021 and March 15, 2021, the Company issued 492,801 and 427,155 finders' warrants to various agents related to the CD2 financing (Note 6) and non-brokered private placement, respectively.

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

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

No warrants were issued and outstanding during the year ended March 31, 2020.

Stock Options

No stock options were granted and outstanding during the years ended March 31, 2021 and 2020.

(Expressed in Canadian Dollars)

9. Related Party Transactions

Key management personnel compensation

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

		Year ended March 31, 2021		Year ended March 31, 2020
Accounting and compliance fees (i)	$	114,150	$	114,000
Exploration and evaluation expenditures (project management) (ii)		529,500		84,000
Management fees (ii)		64,000		158,000
Rent expense (iii)		24,000		24,000
Investor relations (iv)		-		27,200
Total remuneration	$	731,650	$	407,200

(i) Management, accounting and compliance fees paid to a company (FT Management Ltd.) with a former common director with the Company.

(ii) During the year ended March 31, 2021, the Company paid or accrued project management fees of $120,000 (2020 - $120,000) to a company owned by an officer of the Company, of which $84,000 (2020 - $84,000) was capitalized as exploration and evaluation assets and $36,000 (2020 - $36,000) was expensed as management fees. During the year ended March 31, 2021, a total of $445,500 (2020 - $Nil) was paid or accrued to various officers and directors of the Company which was capitalized as exploration and evaluation assets. The Company also paid or accrued $28,000 during the year ended March 31, 2021 (2020 - $24,000) to various directors and a one-time bonus of $Nil (2020 - $98,000) to an officer of a Company which were expensed as management fees.

(iii) During the year ended March 31, 2021, the Company incurred rent expense of $24,000 (2020 - $24,000) as a result of a shared office space with Riverside Resources Inc., a company with a common officer with the Company. In November 2019, the Company issued 30,000 common shares at a value of $0.70 per share to settle $21,000 in accounts payable owed to Riverside Resources Inc (Note 8).

(iv) During the year ended March 31, 2021, the Company paid or accrued $Nil (2020 - $27,200) to a director of the Company for investor relations.

Related party balances are as follows:

- The balance payable to related parties as at March 31, 2021 was $234,720 (March 31, 2020 - $121,716) and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

- During the year ended March 31, 2020, the Company entered into non-interest bearing loan agreements totalling $8,000 with two related companies, and all related party loans payable were repaid.

(Expressed in Canadian Dollars)

10. Income Taxes

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

		2021		2020
Net loss for the year	$	(523,676)	$	(560,296)
Expected income tax (recovery)	$	(141,000)	$	(151,000)
Change in statutory, foreign tax, foreign exchange rates and other		89,000		(1,000)
Permanent differences		1,000		1,000
Share issue costs		(37,000)		-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		17,000		3,000
Change in unrecognized deductible temporary differences		71,000		148,000
Total income tax expense (recovery)	$	-	$	-

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

	2021	Expiry date range	2020	Expiry date range
Temporary differences				
Equipment	1,000	No expiry date	3,000	No expiry date
Share issue costs/financing costs	-	No expiry date	5,000	2041 to 2043
Convertible debentures	-	No expiry date	9,000	No expiry date
Non-capital losses available for future periods	1,388,000	2037 to 2041	1,095,000	2037 to 2040

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

11. Nature and Extent of Risks Arising from Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3: Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, cash held in trust, sales tax receivable, accounts payable and accrued liabilities, and convertible debentures. The fair values of the Company's financial instruments approximate their carrying value, which is the amount recorded on the consolidated statement of financial position due to their short-term nature. The fair value of the Company's convertible debentures approximate their carrying value due to the instruments measured at a market rate of interest.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, cash held in trust, and sales tax receivable. The Company's cash is held through a large Canadian financial institution. The Company's cash held in trust is held through trust companies. The Company's sales tax receivable consists of amounts due from the Government of Canada of $66,912 (March 31, 2020 - $3,176).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 12 of these financial statements. As at March 31, 2021, the Company had a cash balance of $3,469,367 (March 31, 2020 - $1,917) and a cash held in trust balance of $7,064,412 (March 31, 2020 - $Nil) to settle current liabilities of $3,776,957 (March 31, 2020 - $1,384,043). The Company has sufficient funds to meet its obligations.

Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for helium are impacted not only by the relationship between the Canadian Dollars and United States Dollars, but also by helium market conditions that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at March 31, 2021 to manage this risk.

Interest and Foreign exchange risk

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

12. Capital management

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

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

13. Subsequent events

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

On May 27, 2021, the Company granted 5,800,000 incentive stock options to certain directors, officers and consultants of the Company. The exercise price of the options is $0.35 per share and the expiry date is five years from the date of grant. 25% of the options will vest on the date of grant and the balance will vest equally over the next three years.

On May 27, 2021, the Company granted 250,000 incentive stock options to certain consultants of the Company. The exercise price of the options is $0.35 per share and the expiry date is three years from the date of grant. The options will vest equally over 18 months.

In July 2021, the Company issued 35,823,438 common shares and 22,709,291 warrants to convert the $2,800,000 CD2 and $78,546 in accrued interest, the $1,700,020 NBSR, and the $7,479,880 BSR. The 22,709,291 warrants are exercisable at a price of $0.50 per common share and expire 24 months after their dates of issuances.

On July 8, 2021, the Company issued 214,285 common shares to a consultant for services rendered.

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