FIRST HELIUM INC.

Condensed Interim Consolidated Financial Statements
For the Nine Months Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

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FIRST HELIUM INC.
Condensed Interim Consolidated Statements of Financial Position as at
(Expressed in Canadian Dollars)

	Note	December 31, 2020	March 31, 2020
Assets			
Current assets:			
Cash		$ 547,156	$ 1,917
Sales tax receivable		38,571	3,176
Prepaid expense		25,694	19,823
		611,421	24,916
Exploration and evaluation assets	5	2,838,174	2,130,325
		$ 3,449,595	$ 2,155,241
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 158,764	$ 332,917
Convertible debentures	6,8	-	1,051,126
		158,764	1,384,043
Asset retirement obligations	7	108,788	107,718
		$ 267,552	$ 1,491,761
Shareholders' equity:			
Share capital	8	4,639,404	1,752,807
Share subscriptions received in advance	8	-	7,500
Reserves	8	9,464	26,905
Deficit		(1,466,825)	(1,123,732)
		3,182,043	663,480
		$ 3,449,595	$ 2,155,241

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

"Edward Bereznicki" Director *"Rob Scott"* Director

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

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

	Note		Three Months Ended December 31, 2020		Three Months Ended December 31, 2019		Nine Months Ended December 31, 2020		Nine Months Ended December 31, 2019
Expenses									
Accounting and compliance	9	$	28,650	$	28,500	$	85,650	$	85,500
Management fees	9		9.450		9,000		27,450		125,000
Professional fees			53,122		2,164		39,789		74,226
Investor relations	9		-		27,415		44		27,786
Interest expense	6		42,997		14,332		128,990		18,544
Accretion expense	6,7		5,673		2,247		19,355		2,247
General and administration			10,152		7,044		22,187		17,914
Depreciation	4		-		-		-		759
Rent expense	9		6,000		6,000		18,000		18,000
Travel and promotion			1,705		12,464		5,556		17,982
			(157,749)		(109,166)		(347,021)		(387,958)
Other items									
Interest income			853		374		928		481
Other income			3,000		-		3,000		-
			3,853		374		3,928		481
Loss and comprehensive loss for the period		$	(153,896)	$	(108,792)	$	(343,093)	$	(387,477)
Loss per share – basic and diluted		$	(0.01)	$	(0.01)	$	(0.02)	$	(0.04)
Weighted average number of common shares outstanding – basic and diluted			10,991,816		10,147,561		14,850,850		10,115,107

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

FIRST HELIUM INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes		Nine Months Ended December 31, 2020		Nine Months Ended December 31, 2019
OPERATING ACTIVITIES					
Loss for the period		$	(343,093)	$	(387,477)
Item not involving cash					
Depreciation	4		-		759
Interest expense	6		128,990		18,544
Accretion expense	6,7		19,355		2,247
Change in non-cash working capital items:					
Prepaid expense			(5,871)		(16,667)
Sales tax receivable			(35,395)		486
Accounts payable and accrued liabilities			(249,033)		(266,791)
			(485,047)		(648,899)
INVESTING ACTIVITIES					
Exploration and evaluation assets	5		(640,469)		(203,473)
			(640,469)		(203,473)
FINANCING ACTIVITIES					
Bank indebtedness			-		(3)
Proceeds from share issuance	8		1,670,755		-
Convertible debentures	6		-		1,011,684
Short-term loans			-		8,000
Loan repayment			-		(148,619)
			1,670,755		871,062
Increase in cash			545,239		18,690
Cash, beginning of the period			1,917		-
Cash, end of the period		$	547,156	$	18,690

Supplemental information:
Non-cash investing and financing activities:

Exploration and evaluation assets included in accounts payable	$	81,357	$	13,978
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	$	9,464	$	-

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

FIRST HELIUM INC.
Condensed Interim 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 period		-	-	-	-	(387,477)	(387,477)
Balance at December 31, 2019		10,202,624	1,752,807	7,500	26,905	$ (950,913)	$ 836,299

	Note	Shares	Amount	Share subscriptions received in advance	Reserves	Deficit	Total shareholders' equity
Balance at March 31, 2020		10,202,624	$ 1,752,807	$ 7,500	$ 26,905	$ (1,123,732)	$ 663,480
Private placements	8	16,376,015	1,670,755	-	-	-	1,670,755
Shares issued for conversion of convertible debentures	6,8	2,995,008	1,225,306	-	(26,905)	-	1,198,401
Share issuance cost - bonus warrants	8	-	(9,464)		9,464	-	-
Reclassification of subscriptions received in advance	8	-	-	(7,500)	-	-	(7,500)
Loss for the period		-	-	-	-	(343,093)	(343,093)
Balance at December 31, 2020		29,573,647	$ 4,639,404	$ -	$ 9,464	(1,466,825)	$ 3,182,043

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 condensed interim consolidated financial statements have been retroactively restated accordingly unless noted otherwise.

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

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 December 31, 2020, 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 condensed interim 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 condensed interim 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 the nine months ended December 31, 2020, the Company incurred a net loss of $343,093 and, as at December 31, 2020, the Company had a working capital of $452,657 and an accumulated deficit of $1,466,825. 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. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. These condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 - Interim Financial Reporting. In addition, these condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect at December 31, 2020 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2020.

In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended March 31, 2021.

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

2. Basis of presentation

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

3. Summary of Significant Accounting Policies

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended March 31, 2020.

Principles of consolidation

These condensed interim 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.

3. Summary of Significant Accounting Policies (continued)

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim 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.

(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. During the nine months ended December 31, 2020 and 2019, 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.

(Expressed in Canadian Dollars)

4. Equipment

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

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 a 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 an additional 7,808 hectares of 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		-		503		-		503
Geological and geophysical		-		164,170		-		164,170
Project management		-		63,000		-		63,000
Travel and support		-		11,659		-		11,659
Balance, December 31, 2020	$	319,811	$	1,570,524	$	106,308	$	1,996,643

(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 covering approximately 22,967 hectares 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		103,339		-		103,339
General and administration		-		120,104		120,104
Geological and geophysical		-		239,489		239,489
Travel and support		-		3,426		3,426
Balance, December 31, 2020	$	425,847	$	415,684	$	841,531

6. Convertible Debentures

On November 30, 2019, the Company closed a secured convertible debentures (“Convertible Debentures”) financing in the amount of $1,011,684. The Convertible Debentures 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 Convertible Debentures are convertible into common shares at $0.70 per share.

For accounting purposes, the Convertible Debentures 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 Convertible Debentures 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 Convertible Debentures and the fair value of the liability component, being $26,905. The liability component will be accreted over the life of the Convertible Debentures. Interest expense for the nine month period ended December 31, 2020 was $128,990 (2019 - $14,332), while accretion expense for the nine month period ended December 31, 2020 was $18,285 (2019 - $2,247).

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

(Expressed in Canadian Dollars)

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.

		December 31, 2020		March 31, 2020
Opening balance	$	107,718	$	-
Additions		-		106,308
Accretion expense		1,070		1,410
Ending balance	$	108,788	$	107,718

The Company has estimated the net present value of its total asset retirement obligations to be $108,788 at December 31, 2020 (March 31, 2020 - $107,718). The estimated undiscounted, uninflated obligations at December 31, 2020 and March 31, 2020, are $96,270. Payments to settle the asset retirement obligations occur over the operating lives of the underlying assets, are estimated to be 16 years (2035). As at December 31, 2020, a pre-tax risk-free rate of 1.21% (March 31, 2020 – 1.32%) and an inflation rate of 1.95% (March 31, 2020 – 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 nine-month period ended December 31, 2020 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 $635,677.

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.

<u>Shares issued for convertible debentures</u>

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

<u>Reclassification of subscriptions received in advance</u>

During the period ended December 31, 2020, 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 period ended December 31, 2020.

(Expressed in Canadian Dollars)

8. **Share Capital** (continued)

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).

Warrants

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

On November 3, 2020, the Company issued 2,218,023 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. The fair value of $9,464 of the bonus warrants was calculated using the Black Scholes pricing model, based on the following assumptions:

	December 31, 2020
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 period ended December 31, 2020 and year ended March 31, 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:

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Accounting and compliance fees (i)	$ 85,500	$ 85,500
Exploration and evaluation expenditures (project management) (ii)	378,750	63,000
Management fees (ii)	27,000	125,000
Rent expense (iii)	18,000	18,000
Investor relations (iv)	-	27,200
Total remuneration	$ 509,250	$ 318,700

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

(ii) During the nine-month period ended December 31, 2020, the Company paid or accrued project management fees of $90,000 (2019 - $90,000) to a company owned by an officer of the Company, of which $63,000 (2019 - $63,000) was capitalized as exploration and evaluation assets and $27,000 (2019 - $27,000) was expensed as management fees. During the nine-month period ended December 31, 2020, the Company paid the officer a one-time bonus of $nil (2019 - $98,000) which was expensed as management fees. During the nine-month period ended December 31, 2020, a total of $315,750 (2019 - $nil) of project management fees was paid or accrued to various officers and directors of the Company which was capitalized as exploration and evaluation assets.

(iii) During the nine-month period ended December 31, 2020, the Company incurred rent expense of $18,000 (2019 - $18,000) 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 nine-month period ended December 31, 2020, the Company paid or accrued $nil (2019 - $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 December 31, 2020 was $77,706 (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 period ended December 31, 2019, the Company entered into non-interest bearing loan agreements totalling $8,000 with two related companies, and all related party loans payable were repaid.

10. 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, 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 condensed interim 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 and sales tax receivable. The Company's cash is held through a large Canadian financial institution. The Company's sales tax receivable consists of amounts due from the Government of Canada of $38,571 (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 11 of these financial statements. As at December 31, 2020, the Company had a cash balance of $547,156 (March 31, 2020 - $1,917) to settle current liabilities of $158,764 (March 31, 2020 - $1,384,043). The Company will need to raise 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 December 31, 2020, to manage this risk.

Interest and Foreign exchange risk

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

11. 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 nine-month period ended December 31, 2020. 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.

12. Subsequent events

Subsequent to the nine months ended December 31, 2020, the following events took place:

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 finders’ fees totalling $241,784, cash broker’s fees of $84,000, and issued 492,801 finder’s warrants, exercisable at $0.50 for 24 months.

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 $1,700,020. Of this amount, $1,577,520 was received in cash while $122,500 was presented as part of subscription receivable. 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 $129,181, cash broker’s fees of $51,000, and issued 427,155 finder’s warrants, exercisable at $0.50 for 24 months.

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. The brokered private placement was led by Echelon Wealth Partners Inc., as lead agent, and included Cormark Securities Inc. and Canaccord Genuity Corp. (collectively, the “Agents”). 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’ shares on the Exchange. The Company incurred cash commission totalling $598,390, corporate finance fees of $45,199, legal fees of $282,323, 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 for 24 months. Each broker warrant unit will be comprised of one common share and one-half of one broker broker underlying warrant. Each broker underlying warrant will entitle the holder to acquire one common share at an exercise price of $0.50 for 24 months.

12. **Subsequent events** (continued)

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.