

**VALHALLA METALS INC.**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2022 AND 2021  
(Expressed in US Dollars)**

# **VALHALLA METALS INC.**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditors.

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**VALHALLA METALS INC.****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2022**(Expressed in US Dollars)

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	<b>September 30, 2022 (unaudited)</b>	<b>December 31 2022 (audited)</b>
<b>ASSETS</b>		
Current		
Cash	\$ 7,479,149	\$ 261,065
GST receivable	22,299	-
Deferred transactions costs	-	62,190
Prepaid expenses	99,683	51,879
Total Current Assets	7,601,131	375,134
Exploration and evaluation assets (Note 4)	1,660,816	1,600,000
Equipment (Note 5)	156,868	-
	<b>\$ 9,418,815</b>	<b>\$ 1,975,134</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 1,103,088	\$ 110,576
Sponsorship agreement liability (Note 4)	140,376	219,487
	1,243,464	330,063
<b>EQUITY</b>		
Share capital (Note 6)	15,095,075	2,697,899
Subscriptions receivable	(188,175)	-
Deficit	(6,492,155)	(1,052,828)
Accumulated other comprehensive loss	(239,394)	-
	8,175,351	1,645,071
	<b>\$ 9,418,815</b>	<b>\$ 1,975,134</b>

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Notes 1 and 2(e))

CONTINGENCIES (Note 11)

SUBSEQUENT EVENTS (Note 12)

Approved by the Board of Directors on November 25, 2022

"Raj Chowdhry"

Raj Chowdhry, Director

"Rick Van Nieuwenhuysse"

Rick Van Nieuwenhuysse, Director

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

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**VALHALLA METALS INC.****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**(Expressed in US Dollars)

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	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>EXPENSES</b>				
Exploration (Note 4)	26,534	\$ 11,107	\$ 31,320	\$ 34,867
Office and miscellaneous	2,234	147	1,896	146
Management fees	1,850	-	1,850	-
Listing costs (Note 3)	5,345,576	-	5,345,576	-
Professional fees	12,424	5,037	58,899	18,209
Regulatory and transfer agent	4,463	-	4,463	-
Foreign exchange gain	(4,677)	-	(4,677)	-
Net loss for the period	(5,388,404)	(16,291)	(5,439,327)	(53,222)
<b>OTHER COMPREHENSIVE LOSS</b>				
Items that may be reclassified subsequently to income or loss:				
Currency translation difference of foreign operations	(239,394)	-	(239,394)	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(5,627,798)</b>	<b>\$ (16,291)</b>	<b>\$ (5,678,721)</b>	<b>\$ (53,222)</b>
<b>BASIC AND DILUTED LOSS PER SHARE (NOTE 10)</b>	<b>(1.01)</b>	<b>\$ (0.15)</b>	<b>\$ (4.03)</b>	<b>\$ (0.48)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
	5,358,610	111,974	1,350,663	111,974

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

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**VALHALLA METALS INC.****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**(Expressed in US Dollars)

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	<b>2022</b>	<b>2021</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss and comprehensive loss for the period	\$ (5,439,327)	\$ (53,222)
Items not involving cash		
Listing cost	5,137,835	-
Changes in non-cash working capital balances:		
GST receivable	(13,438)	-
Prepaid expenses	(47,072)	(47,977)
Sponsorship agreement liability	(79,111)	(242,020)
Accounts payable and accrued liabilities	301,686	95,291
<b>Cash from operating activities</b>	<b>(139,427)</b>	<b>(247,928)</b>
<b>INVESTING ACTIVITIES</b>		
Staking of new Smucker claims	(30,279)	-
Equipment	(156,868)	-
Cash acquired on RTO	217,640	-
<b>Cash from investing activities</b>	<b>30,493</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Sponsorship funds received	-	500,000
Proceeds from private placements	7,327,018	60,700
<b>Cash from financing activities</b>	<b>7,327,018</b>	<b>560,700</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>7,218,084</b>	<b>312,772</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>261,065</b>	<b>26,251</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 7,479,149</b>	<b>\$ 339,023</b>
<b>SUPPLEMENTAL CASH DISCLOSURES</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

**VALHALLA METALS INC.**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

(Expressed in Canadian Dollars)

	Common Shares		Share Subscription receivable	Deficit	Accumulated other comprehensive loss	Total
	Number of Shares	Share Capital				
Balances at January 1, 2021	111,961	\$ 2,637,199	\$ -	\$ (979,438)	\$ -	\$ 1,657,761
Shares issued for private placements	401	60,700	-	-	-	60,700
Loss and comprehensive loss	-	-	-	(53,222)	-	(53,222)
<b>Balances as at September 30, 2021</b>	<b>112,362</b>	<b>\$ 2,697,899</b>	<b>\$ -</b>	<b>\$ (1,032,660)</b>	<b>\$ -</b>	<b>\$ 1,665,239</b>
Balances at January 1, 2022	112,362	\$ 2,697,899	\$ -	\$ (1,052,828)	\$ -	\$ 1,645,071
Shares returns to treasury	(112,362)	-	-	-	-	-
Shares issued for private placements	20,460,761	7,700,407	(188,175)	-	-	7,512,232
Shares issued for RTO	12,479,790	4,696,769	-	-	-	4,696,769
Multiple voting shares issued	482,087	-	-	-	-	-
Subordinate voting shares issued	1,791,085	-	-	-	-	-
Loss and comprehensive loss	-	-	-	(5,439,327)	-	(5,439,327)
Currency translation for foreign operation	-	-	-	-	(239,394)	(239,394)
<b>Balances as at September 30, 2022</b>	<b>35,213,723</b>	<b>\$ 15,095,075</b>	<b>\$ (188,175)</b>	<b>\$ (6,492,155)</b>	<b>\$ (239,394)</b>	<b>\$ (8,175,351)</b>

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

(Expressed in US Dollars)

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**1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS**

Valhalla Metals Inc. (the “Company” or “Valhalla”), formerly SolidusGold Inc. (“Solidus”) was incorporated on April 13, 2011 under the laws of British Columbia under the name of “Mantra Capital Inc.” On September 4, 2014 the Company changed its name to SolidusGold Inc. (“Solidus”) and commenced trading on the TSX Venture Exchange (“TSX-V”). On September 16, 2022, the Company completed a share exchange agreement with Valhalla Metals Inc. (US) (“Valhalla US”) giving effect to the acquisition of Valhalla US’s outstanding common shares by way of a reverse acquisition transaction (Note 5). These consolidated financial statements include the historical operations of Valhalla US, assets and liabilities of Valhalla US, which is deemed to be the continuing entity for financial reporting purposes. Valhalla US was incorporated in the state of Alaska, United States of America on May 13, 2018.

The principal business activity of the Company acquiring and exploring mineral properties. The Company is currently trading on TSX-V under the symbol VMXX. The Company intends to raise additional equity, as needed in order to pursue. The address of the Company’s corporate office and its principal place of business is 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7, Canada.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and the related adverse public health developments have adversely affected workforces, economies, and financial markets, leading to a global economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID- 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. This may impact the Company’s ability to obtain additional financing to support exploration activities.

**2. SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including IAS 34 – *Interim Financial Reporting*. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board (“IASB”).

The accounting policies applied in these interim condensed financial statements are consistent with those applied in the preparation of, and disclosed in, the Company’s audited annual financial statements for the year ended December 31, 2021.

**b) Basis of consolidation**

These condensed consolidated interim financial statements include the assets and operations of the Company and its wholly owned subsidiaries, Solidus Holdings Inc. (“Solidus Holdings”), SolidusGold US Inc. (“Solidus US”) and Valhalla US. Solidus Holdings was incorporated on October 30, 2014 under the British Columbia Business Corporations Act. Solidus US was incorporated on July 15, 2014 in Nevada, USA. All significant inter-company balances and transactions have been eliminated upon consolidation.

**c) Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

(Expressed in US Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

These consolidated financial statements are presented in United States dollars. The functional currency of each entity in the consolidated group is determined with reference to the currency of the primary economic environment in which that entity operates. Accordingly, the functional currency of entities operating principally in the United States will be the United States dollar, while the functional currency of entities operating principally in Canada will be the Canadian dollar.

**d) Adoption of new or amended accounting standards**

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

**e) Going Concern**

The condensed interim financial statements were prepared on a going concern basis with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred operating losses since inception, resulting in a deficit of \$6,492,155 (December 31, 2021 – \$1,052,828). While the Company has been successful in obtaining funding in the past through the issuance of additional equity, there is no assurance that such funding will be available in the future. An inability to raise additional funds would adversely impact the future assessment of the Company as a going concern. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company is dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of additional equity securities or possibly debt in the future. The recoverability of the carrying value exploration and evaluation assets and, ultimately, the Company's ability to continue as a going concern, is dependent upon the Company's ability to raise financing, the realization of which is uncertain. The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

**3. REVERSE ACQUISITION TRANSACTION**

On September 16, 2022, the Company closed a share exchange agreement with Valhalla US, whereby the Company acquired all the issued and outstanding securities in the capital of Valhalla US in exchange for the common shares of the Company. The acquisition of Valhalla US by Valhalla is accounted for as a reverse takeover, whereby, Valhalla US is deemed to be the acquirer and Valhalla is deemed to be the acquiree. The acquisition constitutes an asset acquisition as Valhalla did not meet the definition of a business as defined in IFRS 3, *Business Combinations*. As a result, the acquisition is accounted for in accordance with IFRS 2, *Share-based Payments* whereby Valhalla US is deemed to have issued shares in exchange for the net assets of Valhalla together with its listing status at the fair value of the consideration deemed received by Valhalla US. The share capital of Valhalla is eliminated as a result of the acquisition. The consolidated financial statements on the combined entity are issued under the legal parent, Valhalla, but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, Valhalla US.

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**VALHALLA METALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

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**3. REVERSE ACQUISITION TRANSACTION (continued)**

Pursuant to the share exchange agreement:

- Valhalla consolidated its issued and outstanding capital at a 5 to 1 ratio that resulted in 12,479,790 Valhalla common shares outstanding. The Valhalla common shares issued in connection with the transaction were then issued on a post-consolidation basis.
- Valhalla and Valhalla US completed a three-cornered merger (the “Merger”) whereby a wholly owned subsidiary of Valhalla, Valhalla Mergerco, an Alaska corporation, merged with Valhalla US. Upon completion of the merger:
  - (i) Former 4,025 Valhalla US Common Shares held by non-U.S. Residents were exchanged for 1,791,085 Valhalla Subordinate Voting Shares; and
  - (ii) Former 108,337 Valhalla US Common Shares held by U.S. Residents were exchanged for 482,087 Valhalla Multiple Voting Shares (multiplier factor of 100);
- At the closing of the Transaction, the shareholders of Valhalla US became, in aggregate, the controlling shareholders of the Company. Accordingly, Valhalla US is considered to have acquired Valhalla with the transaction being accounted for as a reverse takeover of Solidus by Valhalla.
- In connection with the reverse acquisition and pursuant to a strategic investment agreement between Marubeni Metals & Minerals (Canada) Inc. (“Marubeni”) and the Company, Marubeni subscribed for 16,580,000 subordinate voting shares of Valhalla for gross proceeds of CAD\$8,290,000 (CAD\$0.50 per share).
- Concurrent with the Marubeni financing and reverse acquisition the Company undertook a non-brokered private placement and issued 3,880,761 subordinate voting shares at CAD\$0.50 per share, for total gross proceeds of CAD\$1,940,380.50.

A listing expense of \$5,345,576 is comprised of the fair value of the common shares of Valhalla retained by the former shareholders of Valhalla and other direct expenses of the transaction less the fair value of the net assets of the Company that were acquired and is summarized as follows:

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Common shares issued (12,479,790@CAD\$0.50 at USD FX rate 0.7527)	\$	4,696,769
Legal and other transaction costs		216,718
		<hr/> 4,913,487
Net liabilities of the Company		
Cash		(217,640)
Receivables		(8,862)
Prepays expenses		(730)
Mineral properties		(31,504)
Accounts payable and accrued liabilities		690,825
Total net liabilities		<hr/> 432,089
Listing expense	\$	<hr/> 5,345,576

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

(Expressed in US Dollars)

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**4. EXPLORATION AND EVALUATION ASSETS**

**a) Sun Property**

On May 15, 2018, Valhalla Mining Inc, a company controlled by a former director of the Company, transferred its 100% interest in certain mineral rights to the Company in exchange of common shares with a fair value of \$800,000. The mineral rights (“Sun Property”) are located in the Ambler Mining District of Alaska.

On July 16, 2021, the Company entered into a sponsorship agreement with Marubeni to obtain funding for the exploration and development of the Sun project.

The business arrangement provides that Marubeni will fund \$500,000 for the 2021 Sun project exploration program. The funds (\$500,000) were advanced to the Company on July 21, 2021.

As of September 30, 2022, the Company spent the \$500,000 funding on expenditures eligible under the sponsorship agreement. There is still an amount of \$140,376 recorded as “Sponsorship agreement liability” in the Condensed Interim Statement of Financial Position of the Company because, for accounting purposes, some of the sponsorship funds used to pay for camp equipment for the Sun property will be amortized/expensed over the useful life of the equipment.

**b) Smucker Property**

On May 15, 2018, Valhalla Mining, LLC, a company controlled by a former director of the Company, transferred its 100% interest in certain mineral rights to the Company in exchange of common shares with a fair value of \$800,000. The mineral rights (“Smucker Property”) are located in the Ambler Mining District of Alaska.

During the nine-month period ended September 30, 2022, the Company spent \$30,279 on staking additional State of Alaska mining claims immediately adjacent to the original Smucker claim block.

**b) Honeymoon Property**

The Honeymoon property is an early-stage gold-silver-copper property located on the west side of Adams Lake, British Columbia, approximately 85 km northeast of Kamloops, British Columbia. The Company wholly owns the Honeymoon property which consists of six mineral claims covering an area of approximately 2,648 hectares. The Honeymoon property was transferred to the Company as part of the reverse transaction. On the transaction date (September 16, 2022), the cost value of the property on Solidus’ books was \$30,537 (CAD\$41,854).

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**VALHALLA METALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**(Expressed in US Dollars)

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**4. EXPLORATION AND EVALUATION ASSETS (continued)**

The following tables present a summary of the exploration and evaluation assets as of September 30, 2022 as well as exploration expenses incurred during the nine months ended September 30, 2022 and September 30, 2021:

**Exploration and evaluation assets:**

	Sun	Smucker	Honeymoon	Total
	\$	\$	\$	\$
Acquisition costs:				
Balance, December 31, 2020 and December 31, 2021	800,000	800,000	-	1,600,000
Acquisition of property	-	30,279	-	30,279
Acquisition related to reverse takeover	-	-	30,537	30,537
Balance, September 30, 2022	800,000	830,279	30,537	1,660,816

**Exploration and evaluation  
costs:**

September 30, 2022				
Mineral claims rents	52,938	7,975	-	60,913
Geology	26,173	23,345	-	49,518
Recovery of costs under the sponsorship agreement	(79,111)	-	-	(79,111)
Balance, September 30, 2022	-	31,320	-	31,320

**Exploration and evaluation costs:**

September 30, 2021				
Mineral claims rents	30,987	7,178	-	38,165
Geology	238,722	-	-	238,722
Recovery of costs under the sponsorship agreement	(242,020)	-	-	(242,020)
Balance, September 30, 2021	27,689	7,178	-	34,867

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

(Expressed in US Dollars)

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**5. EQUIPMENT**

During the first nine months of September 2022, the Company paid \$156,868 to acquire camp equipment that was delivered to the Sun project exploration site. It is expected that the Sun mining camp will be fully installed and ready to use for the exploration projects of the Company in 2023. The expected useful life of the camp is estimated to be between 10-15 years.

**6. SHARE CAPITAL**

a) **Authorized:**

The Company is authorized to issue an unlimited number of subordinate voting shares without nominal or par value and unlimited number of multiple voting shares without nominal or par value.

The Company has issued 482,087 multiple voting shares a part of the reverse acquisition transaction. These shares are restricted and held in escrow and will be released over the 36-month period ending September 16, 2025 and convert to subordinate voting shares with a multiplying factor of 100 when the following conditions are met: (1) vesting from escrow (2) US investors (multiple voting share holders) cumulative ownership of the Company cannot exceed 40% of the issued and outstanding subordinate voting shares.

(b) **Reconciliation of changes in share capital**

In September 2021, the Company issued 401 common shares for gross proceeds of \$60,700.

On September 16, 2022, the Company closed a share exchange agreement with Valhalla US as described in Note 3. Valhalla US exchanged 112,362 shares and converted 4,025 shares held by non-U.S. residents to 1,791,085 Valhalla Subordinate Voting Shares and 108,337 shares held by U.S. residents for 482,087 Multiple Voting Shares. The Multiple Voting Shares have a multiplier factor of 100.

On September 16, 2022, the Company issued the holders of Solidus common shares 12,479,790 subordinate voting shares with par value of CAD\$0.50 (USD\$0.3764) on a post 5:1 consolidation basis.

On September 16, 2022, the Company closed the Marubeni private placement and issued 16,580,000 subordinate voting shares of Valhalla for gross proceeds of CAD\$8,290,000 (CAD\$0.50 per share) and concurrently closed a non-brokered private placement and issued 3,880,761 subordinate voting shares at CAD\$0.50 per share, for total gross proceeds of CAD\$1,940,380.50.

**Escrow**

In connection with the Transaction, certain principals of the Company have entered into a Tier 2 Value Escrow Agreement with Computershare Investor Services, Inc. as escrow agent, in respect of 4,586,539 Subordinate Voting Shares and 367,299.20 Multiple Voting Shares. Under the terms of the Escrow Agreements, 10% of such escrowed securities will be released upon the date of the exchange bulletin from the TSXV, with the balance to be released in six tranches of 15% every six months thereafter. As at September 30, 2022, 100% of the Multiple Voting Shares remain in escrow.

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**VALHALLA METALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**(Expressed in US Dollars)

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**6. SHARE CAPITAL (continued)****Warrants**

The following table summarizes the continuity of the Company's warrants:

<b>Exercise Price</b>	<b>January 1, 2022</b>	<b>Transferred on RTO</b>	<b>Expired</b>	<b>September 30, 2022</b>	<b>Expiry Date</b>
CAD\$0.60	-	1,333,422	-	1,333,422	October 8, 2024
		1,333,422	-	1,333,422	

As at September 30, 2022, the Company had 1,333,422 outstanding warrants. These are warrants issued initially by Valhalla, formerly Solidus in October 2020 and transferred on a 5:1 basis to the Company as part of the reverse acquisition transaction. The warrants expiry date has been extended to October 8, 2024.

**Stock Option Plan**

On July 8, 2011, the Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V regulations, grant to directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of the grant. Such options will be exercisable for a period of up to ten years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

**7. RELATED PARTY BALANCES AND TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. (See Note 12 for further details).

The Company had the following related party balances at September 30:

	<b>2022</b>	<b>2021</b>
Due to MA2 Capital Inc.	\$ 207,936	\$ -
Due to Chief Financial Officer	39,116	-
Due to Directors of Valhalla US	23,719	12,140
Due to former Chief Executive Officer of Solidus	10,944	-
Total due to related parties	\$ 281,715	\$ 12,140

MA2 Capital Inc. is controlled by the current CEO.

The amounts due to related parties were incurred in the normal course of business and have been included in accounts payable. Other than the amounts due to the directors of Valhalla US, the outstanding amounts on September 30, 2022 are amounts owed by Valhalla prior to the reverse acquisition transaction and that are now assumed by the Company. The balances are non-interest bearing, unsecured and are due on demand.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**(Expressed in US Dollars)

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**7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

		<b>2022</b>		<b>2021</b>
Consulting fees	\$	12,609	\$	-
Management fees		1,850		-
Total remuneration	\$	14,459	\$	-

**8. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in large financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

**9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair Value of Financial Instruments**

The Company's financial assets include cash and short-term investment and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

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**VALHALLA METALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Expressed in US Dollars)

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**9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position are as follows:

	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>September 30, 2022:</b>					
Cash	\$ 7,479,149	\$ -	\$ -	\$ -	\$ 7,479,149
<b>December 31, 2021:</b>					
Cash	\$ 261,065	\$ -	\$ -	\$ -	\$ 261,065
Short-term investment	-	-	-	-	-

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at September 30, 2022 and December 31, 2021 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's risk associated with its financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Foreign Exchange Risk*

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company is exposed to foreign exchange risk with respect to these transactions. The Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	September 30, 2022 \$ CAD	December 31, 2021 \$CAD
Cash	10,222,243	-
Accounts payable	(854,690)	-

At September 30, 2022, Canadian dollar amounts were converted at a rate of CAD 1.00 to USD 0.7296. A 10% increase or decrease in the Canadian dollar relative to the US dollar would result in a change of approximately \$937,000 (December 31, 2021 \$Nil) in the Company's comprehensive loss for the year to date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in US Dollars)

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**9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**

(ii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk in the total of our financial assets, including cash.

(iii) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. As at September 30, 2022, the Company had working capital surplus of \$6,357,667. As at September 30, 2022, the Company had cash and short-term investment of \$7,479,149 to settle accounts payable of \$1,103,088 which fall due for payment within twelve months of the financial position date.

**10. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the nine-month period ended September 30, 2022 and 2021 was based on the loss attributable to common shareholders of \$5,439,327 (2021 – \$53,222) and the weighted average number of common shares outstanding of 1,350,663 (2021 – 111,974).

**11. CONTINGENCIES**

The Company's interest in the Smucker Property is subject to an ongoing dispute between Teck Resources ("Teck"), Valhalla Mining Inc ("Valhalla Mining") (a company owned by a former director of the Company), and the State of Alaska Department of Natural Resources ("DNR"). In November 2018, DNR notified Valhalla Mining that 11 of the 58 mineral claims comprising the Smucker property were invalid to the extent of those claims over-lapped the old Teck claims block at Smucker.

Valhalla Mining succeeded in its claims to quiet title to the disputed mining claims in April 2021 at the Alaska Superior Court, however the Court's decision was appealed to the Alaska Supreme Court by Teck and DNR on April 27, 2021. The Company expects a final resolution of the appeal in late 2022 or early 2023.

If Teck and DNR are successful in their appeal, Valhalla Mining, and therefore, the Company, will lose its right and title to the 11 mineral claims subject to dispute.

Upon final resolution of the dispute, Valhalla Mining will transfer to the Company, by quitclaim deed, all rights to any mining claims it holds in the Smucker Property.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in US Dollars)

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**12. SUBSEQUENT EVENTS**

On November 7, 2022, the Company issued to certain directors, officers, employees, and consultants stock options that would allow them to acquire a total of 4,375,000 subordinate voting shares in the capital of the Company at an exercise price of CAD\$0.50. All Options were granted pursuant to the Company's 10% rolling stock option plan and are subject to the terms of the Plan, the applicable grant agreements, and the requirements of the TSX-V. The Options are exercisable for a five-year term expiring November 7, 2027.

In November 2022, the Board has approved the settlement of \$142,500 of debt owed to MA2 Capital Inc., a company controlled by Sorin Posescu, the Company's CEO, through the issuance of subordinate voting shares of the Company (the "**Debt Settlement**"). Pursuant to the Debt Settlement, the Company will issue 285,000 subordinate voting shares of the Company (the "**Shares**") at a deemed price of CAD\$0.50 per Share. The issuance of the Shares to MA2 Capital Inc. is subject to the approval of the TSX-V. All securities issued will be subject to a four month hold period which will expire on the date that is four months and one day from the date of issue.