



**SOLIDUS GOLD INC.**

**Management Discussion and Analysis**

**FOR THE YEAR ENDED MARCH 31, 2022**

# **SOLIDUSGOLD INC.**

## **Management Discussion and Analysis**

### **For the year ended March 31, 2022**

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#### ***Introduction***

This Management Discussion and Analysis (“MD&A”) of SolidusGold Inc. (the “Company”) has been prepared by management as of June 20, 2022 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended March 31, 2022. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Corporation are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Forward-looking Statements***

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking information”). In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations or the negative of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. The Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

During March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

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#### **1. Executive Summary**

SolidusGold Inc. (the “Company”) was incorporated on April 13, 2011 under the laws of British Columbia under the name “Mantra Capital Inc.”. On September 4, 2014, the Company changed its name to SolidusGold Inc. and commenced trading on the TSX Venture Exchange (“TSX-V”) under the new symbol of “SDC”.

The Company is focused on the exploration and development of precious and base metal assets. The Company currently holds an undivided 100% interest in the Honeymoon Property (“Honeymoon”), an early-stage gold-silver-copper property located in British Columbia. The Company remains focused on evaluating a number of opportunities with the objective to identify a high-quality precious metals property in the Americas where our proven exploration team can add value for shareholders.

**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. It was originally comprised of 43 mineral claims which totaled approximately 19,772 hectares. All mineral claims were in good standing until November 15, 2015. On November 12, 2015, the Company renewed 2 mineral claims. The claims were renewed by making a cash-in-lieu payment to remain in good standing with the Province of British Columbia. On November 15, 2015, the Company allowed the remaining 41 mineral claims to lapse. Of these claims, 2 claim groups (formerly 5 claims) were re-staked on November 16, 2015 and remain in good standing.

On May 27, 2015 the Company and the Optionor of the Honeymoon Property mutually cancelled the Option Agreement that was entered into on August 29, 2013 and concurrently entered into a purchase and sale agreement for an undivided 100% right, title and interest in and to the Honeymoon Property. Pursuant to the terms of the sale and purchase agreement the Company agreed to pay \$3,500 (paid) and issue 70,000 common shares (issued) as consideration for the property.

During 2021, the Company performed exploration work on two mineral claims (673988 and 838129) and allowed two mineral claims to lapse (1039985 and 1039990). On January 20, 2022 the Company selectively re-staked four claim groups (formerly two claims).

The Company wholly owns the Honeymoon property which consisted of six mineral claims covering an area of approximately 2,648 hectares. During year ended March 31, 2022, the Company completed an exploration program on the property which will keep two mineral claims in good standing with the Province of British Columbia (“the Province”) until April 15, 2023 and the newly staked mineral claims until January 20, 2023.

#### **2. Highlights for the year ended March 31, 2022**

The Company’s cash position at March 31, 2022 was \$352,100. The Company also held a \$5,350 short-term investment at March 31, 2022. During the year ended March 31, 2022 (“FY2022”), the Company incurred a comprehensive loss of \$649,156 as compared to a loss of \$134,969 during the year ended March 31, 2021 (“FY2021”), representing an increase in loss of \$514,187. The Company had an accumulated deficit of \$4,307,681 as at March 31, 2022 as compared to an accumulated deficit of \$3,658,525 as at March 31, 2021.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

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#### **2. Highlights for the year ended March 31, 2022 (continued)**

In addition to advancing the Honeymoon property, the Company continued to review and evaluate precious metals opportunities with the objective to acquire high quality assets to add value for shareholders.

On February 8, 2022, the Company entered into a definitive business combination agreement whereby the Company will acquire all the issued and outstanding securities of Valhalla Metals Inc. ("Valhalla") by way of a share exchange.

Upon successful completion of the acquisition of the securities of Valhalla (the "Transaction"), it is anticipated that the Company will maintain its listing as a Tier 2 Mining issuer on the TSX Venture Exchange ("TSX-V") and will carry on the combined business of Solidus and Valhalla (the "Resulting Issuer"). The Transaction would constitute a 'reverse takeover' of the Company. Following completion of the Transaction but prior to the completion of any concurrent private placement as discussed below, shareholders of Solidus would hold approximately 20% of the Resulting Issuer with shareholders of Valhalla holding the remaining 80%.

Pursuant to the Transaction, the Company expects to consolidate its common shares on a five old for one new basis prior to issuing approximately 50,000,000 post-consolidation common shares ("Solidus Shares") to the holders of common shares in the capital of Valhalla ("Valhalla Shares"), with such Solidus Shares being issued to the Valhalla shareholders on a pro rata basis. The Company also intends to change its name to Valhalla Metals Inc. and alter its articles to re-designate its common shares as subordinate voting shares ("Subordinate Voting Shares") and to create a new class of multiple voting shares.

No finder's fees are expected to be payable in connection with the Transaction.

The Transaction is subject to a number of terms and conditions (including warranties, conditions and covenants typical for a transaction of this nature), and the approval of the TSX-V and other applicable regulatory authorities.

Trading in the Solidus common shares are halted pending the satisfaction of all applicable requirements. There can be no assurance that trading of Solidus common shares will resume prior to the completion of the Transaction.

In connection with the Transaction, Marubeni Metals & Minerals (Canada), Inc., a wholly owned subsidiary of Marubeni Corporation ("Marubeni"), has agreed to make a strategic equity investment by way of private placement of up to \$10 million in Subordinate Voting Shares at a price of \$0.50 per share on a post-consolidated basis. Further to Marubeni's investment and as part of the Transaction, the Company intends to complete a private placement of approximately \$10 million at a price of \$0.50 per share on a post-consolidated basis.

#### **Honeymoon Property**

##### **Summary of 2021 exploration work**

During 2021, Dahrouge Geological Consulting Ltd. (Dahrouge) and Precision Geosurveys Inc. (Precision) were contracted by the Company to perform exploration on the Honeymoon Property (the "Property") which was completed in early- to mid-November 2021. The exploration program consisted of airborne magnetic – radiometric surveying and surface Geochem soil sampling to further test known showings and also generate new exploration targets on the Property.

On November 6, 2021, Precision, on behalf of the Company, conducted an airborne magnetic-radiometric survey on tenures 673988 and 838129 (Honey 10).

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**Honeymoon Property**

**Summary of 2021 exploration work (continued)**

Magnetometer readings were obtained over a series of flight lines on the Property. A total of 102 lines were flown at a bearing of 090°/270° at 50 m spacing and four tie lines were flown at a bearing of 000°/180° 500 m apart. A total of 220 line-km were surveyed. Precision utilized an Airbus AS350 helicopter (registration C-GSVY) equipped with a data acquisition system, GPS navigation system, pilot guidance unit (PGU), laser altimeter, cesium vapor magnetometer, fluxgate magnetometer, gamma ray spectrometer, barometer, and temperature/humidity probe. Magnetic readings were recorded with a Geometrics G-822A split beam cesium vapor magnetometer and a Billingsley TFM100G2 triaxial fluxgate magnetometer. Magnetic recordings were collected in nanoteslas (nT) along the flight lines. The magnetic readings were corrected for diurnal field magnetic variation using two stationary GEM GSM-19T proton precession magnetometer base stations. The base stations were located on abandoned logging roads to ensure minimal interference from active roads, railroads, powerlines, and hikers. Radiometric readings were taken with a Nuvia Dynamics AGRS-5 advanced gamma ray spectrometer in counts per second (CPS). An Opti-Logic RS800 Rangefinder laser altimeter was used to maintain an altitude 40 m above ground level. The data was processed and contoured by Precision.

From November 15 to 22, 2021, Dahrouge, on behalf of the Company, conducted a 2-person soil and rock sampling program on the northern portion of the Honeymoon Property. A total of 140 soil samples and 3 rock samples were collected over the course of the ground-based geochem program and then shipped to Activation Laboratories in Kamloops, BC for preparation and analyses by standard Fire Assay and ICP techniques. Dahrouge's personnel were based in accommodations in Barriere, BC. Access to and from the Property was by four-wheel-drive vehicle.

**3. Selected Annual Information**

The Company's fiscal year end is March 31. Selected annual information is presented as follows:

	<b>March 31, 2022</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Total revenues	\$Nil	\$Nil	\$Nil
Loss for the year	\$(649,156)	\$(134,969)	\$(163,864)
Loss per share	\$(0.01)	\$(0.00)	\$(0.00)
Total assets	\$416,502	\$573,524	\$73,864
Total long term liabilities	\$Nil	\$Nil	\$Nil

**4. Results of Operations**

The following table represents the total expenditures incurred on each property to date.

	<b>Wind Mountain</b>	<b>Honeymoon</b>	<b>Total</b>
Exploration and evaluation of assets	\$ 512,250	\$ 63,814	\$ 576,064
Accumulated exploration project costs	139,894	375,815	515,709
<b>Total expenditures at March 31, 2022</b>	<b>\$ 652,144</b>	<b>\$ 439,629</b>	<b>\$ 1,091,773</b>

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#### 4. Results of Operations (continued)

##### Wind Mountain Property

The Company terminated the Option Agreement on August 1, 2015 citing poor market conditions and continued erosion of the gold price.

##### Honeymoon Property

During the year ended March 31, 2022, the Company incurred \$36,472 of expenses on exploration work related to the Honeymoon Property.

##### Corporate Expenditure Summary

- Management fees of \$60,000 incurred during FY2022 equalled fees from FY2021 of \$60,000.
- Office, administration and miscellaneous costs of \$33,200 during FY2022 has increased from costs of \$25,820 during FY2021. This is mainly due to higher insurance costs during the period.
- Professional and consulting fees during FY2022 of \$47,479 were higher than fees of \$33,791 incurred during FY2021. This is mainly due to fees related to the pending transaction.
- Regulatory and transfer agent fees of \$27,169 incurred during FY2022 where higher than fees of \$14,890 incurred during FY2021. This is mainly due to fees related to the SGM for the pending transaction.
- Listing costs of \$444,816 and property investigation costs of \$19,860 were incurred during the period ended March 31, 2022. These costs relate to the pending transaction with Valhalla.

#### 5. Summary of Quarterly Results

The following is a summary of certain financial information concerning the Company for the last eight reported quarters:

Quarter Ended	Total Revenues	Net Loss	Net Loss Per share
June 30, 2020	\$Nil	\$ (27,694)	\$ (0.00)
September 30, 2020	\$Nil	\$ (29,463)	\$ (0.00)
December 31, 2020	\$Nil	\$ (42,583)	\$ (0.00)
March 31, 2021	\$Nil	\$ (35,229)	\$ (0.00)
June 30, 2021	\$Nil	\$ (29,929)	\$ (0.00)
September 30, 2021	\$Nil	\$ (30,019)	\$ (0.00)
December 31, 2021	\$Nil	\$ (155,896)	\$ (0.00)
March 31, 2022	\$Nil	\$ (433,312)	\$ (0.00)

#### 6. Liquidity and Capital Resources

As at March 31, 2022, the Company reported a working capital deficit of \$396,896. Net decrease in cash for YTD2022 was \$164,420, leaving cash on hand in the amount of \$352,100.

Current assets excluding cash at March 31, 2022 consisted of a short-term investment of \$5,350, amounts receivable of \$7,600 and prepaid expenses of \$9,598.

Current liabilities as at March 31, 2022 consisted of accounts payable and accrued liabilities of \$771,544.

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**7. Off-Balance Sheet Arrangements and Commitments**

At the date of this MD&A, the Company had no off-balance sheet obligations. Commitments to incur exploration and evaluation costs are detailed in Note 3 of the consolidated financial statements for the year ended March 31, 2022.

**8. Transactions with Related Parties**

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.

The Company had the following related party balances at March 31:

	<b>2022</b>	<b>2021</b>
Due to MA2 Capital Inc.	\$ 255,000	\$ 195,000
Due to Sandfire Resources America Inc.	-	19,153
Due to Chief Financial Officer (“CFO”)	50,413	29,288
Due to former Chief Executive Officer (“CEO”)	15,000	15,000
<b>Total due to related parties</b>	<b>\$ 320,413</b>	<b>\$ 258,441</b>

MA2 Capital Inc. is controlled by the current CEO. Sandfire was formerly related by common directors.

The amounts due to related parties were incurred in the normal course of business and have been included in accounts payable. The balances are non-interest bearing, unsecured and are due on demand.

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>
Management fees	\$ 60,000	\$ 60,000
Consulting fees	16,775	13,575
<b>Total remuneration</b>	<b>\$ 76,775</b>	<b>\$ 73,575</b>

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**9. Significant Accounting Estimates and Judgments**

The preparation of these audited consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the audited consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax assets, assessment of decommissioning provision, valuation of share-based payments and assessment of impairment of exploration and evaluation assets.

(i) Impairment

At the end of each reporting period 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. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next year.

(ii) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements.

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**10. 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.

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>March 31, 2022:</b>				
Cash	352,100	\$ –	\$ –	352,100
Short-term investment	5,350	–	–	5,350
<b>March 31, 2021:</b>				
Cash and cash equivalents		\$	\$	516,52
	516,520	–	–	
Short-term investment	5,300	–	–	5,300

**Fair value**

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

**Financial risk management objectives and policies**

The Company's financial instruments include cash, short-term investment and accounts payable. The risks associated with these 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) Currency risk**

The Company has operations in the United States which are transacted into U.S. dollars. Accordingly, the Company is exposed to foreign exchange risk with respect to these transactions. The Company has not undertaken hedging activities to mitigate this risk.

The Company does not have any significant foreign currency denominated monetary liabilities.

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**10. Financial Instruments and Financial Risk (continued)**

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *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 credit risk on cash is limited because the cash are composed of financial instruments issued by Canadian banks and companies with high credit ratings as assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

As at March 31, 2022, the Company had a working capital deficit of \$396,896. As at March 31, 2022, the Company had cash and short-term investment of \$357,450 to settle accounts payable and accrued liabilities of \$771,544 which falls due for payment within twelve months of the financial position date.

**11. Outstanding Share Data**

Summary of Outstanding Share Data at June 20, 2022

- a. Authorized:  
Unlimited common shares without par value  
  
Issued and outstanding:  
62,398,974 common shares
- b. Stock options:  
Options outstanding: 2,355,000
- c. Warrants:  
Warrants outstanding: 6,667,109

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**12. Disclosure Controls**

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the audited consolidated financial statements for the year ended March 31, 2022, in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at March 31, 2022. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these controls and procedures were effective.

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com). The shareholders will be kept informed of any material changes.