



Valhalla Metals, Inc.
Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Expressed in US dollars)

Notice of No Auditor Review

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.

Valhalla Metals, Inc.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022:

(Expressed in US Dollars)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,924,588	\$ 6,774,914
Amounts receivable	30,490	63,553
Prepaid expense	157,980	284,462
Total current assets	2,113,058	7,122,929
Equipment (Note 4)	1,073,634	36,121
Exploration and evaluation assets (Note 3)	1,501,591	1,650,615
	\$ 4,688,283	\$ 8,809,665
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	266,921	367,209
	266,921	367,209
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	15,154,548	15,154,548
Contributed surplus	988,446	988,446
Deficit	(11,587,322)	(7,616,760)
Accumulated other comprehensive loss	(134,310)	(83,778)
	4,421,362	8,442,456
	\$ 4,688,283	\$ 8,809,665

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

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

CONTINGENCIES (Note 9)

These financial statements were approved for issue by the Board of Directors on November 26, 2023 and are signed on its behalf by:

"Raj Chowdhry"
Raj Chowdhry, Director

"Rick Van Nieuwenhuysse"
Rick Van Nieuwenhuysse, Director

Valhalla Metals, Inc.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 and 2022

(Expressed in US Dollars)

		For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Expenses					
Corporate development	\$	18,270	-	\$ 38,866	-
Depreciation	(Note 4)	9,022		9,022	-
Exploration and evaluation expenses	(Note 3)	2,284,316	26,534	3,619,520	31,320
Interest income		(17,163)	-	(155,711)	-
Listing costs		4,100	5,345,576	31,244	5,345,576
Management fees	(Note 6)	37,270	1,850	111,480	1,850
Office and miscellaneous		2,553	(2,443)	31,573	(2,781)
Professional fees		22,683	12,424	87,292	58,899
Regulatory and transfer agent		1,075	4,463	8,721	4,463
Shareholder communications and investor relations		30,972	-	36,831	-
Impairment of exploration assets	(Note 3)	-	-	151,724	-
Net loss for the period		2,393,098	5,388,404	3,970,562	5,439,327
Other comprehensive loss					
Items that may be reclassified subsequently to income or loss:					
Currency translation differences of foreign operations		90,027	239,394	50,532	239,394
Total comprehensive loss for the period	\$	2,483,125	\$ 5,627,798	\$ 4,021,094	\$ 5,678,721
Basic and diluted loss per share	\$	(0.03)	\$ (1.01)	\$ (0.05)	\$ (4.03)
Weighted average number of shares outstanding (basic and diluted)		83,225,336	5,358,610	83,225,336	1,350,663

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in US Dollars)

	Number of Subordinate Voting Shares	Number of Multiple Voting Shares	Share Capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total Shareholders' Equity
Balance, January 1, 2022	112,362	-	\$ 2,697,899	\$ -	\$ (1,052,828)	\$ -	\$ 1,645,071
Shares returned to treasury	(112,362)	-	-	-	-	-	-
Subordinate voting shares issued	1,791,085	-	-	-	-	-	-
Multiple voting shares issued	-	482,087	-	-	-	-	-
Shares issued for private placement	20,460,761	-	7,512,233	-	-	-	7,512,233
Shares issued for RTO	12,479,790	-	4,696,769	-	-	-	4,696,769
Net loss for the period	-	-	-	-	(5,439,327)	-	(5,439,327)
Currency translation differences for foreign operations	-	-	-	-	-	(239,394)	(239,394)
Balance, September 30, 2022	34,731,636	482,087	\$ 14,906,901	\$ -	\$ (6,492,155)	\$ (239,394)	\$ 8,175,351
Balance, January 1, 2023	35,016,636	482,087	\$ 15,154,548	\$ 988,446	\$ (7,616,760)	\$ (83,778)	\$ 8,442,456
Net loss for the period	-	-	-	-	(3,970,562)	-	(3,970,562)
Currency translation differences for foreign operations	-	-	-	-	-	(50,532)	(50,532)
Balance, September 30, 2023	35,016,636	482,087	\$ 15,154,548	\$ 988,446	\$ (11,587,322)	\$ (134,310)	\$ 4,421,362

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

Valhalla Metals, Inc.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in US Dollars)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Cash provided by (used for):		
Operating activities		
Net loss for the period	\$ (3,970,562)	\$ (5,439,327)
Items not affecting cash		
Impairment of exploration assets	151,724	-
Listing costs	-	5,137,835
Depreciation	9,022	-
Change in non-cash working capital:		
Amounts receivable	33,063	(13,438)
Prepaid expenses	126,483	(47,072)
Sponsorship agreement liability	-	(79,111)
Accounts payable and accrued liabilities	(100,288)	301,686
	(3,750,558)	(139,427)
Investing activities		
Exploration acquisition costs	(2,700)	(30,279)
Equipment purchase	(1,046,535)	(156,868)
Cash acquired on RTO	-	217,640
	(1,049,235)	30,493
Financing activities		
Proceeds from private placement	-	7,327,018
	-	7,327,018
Unrealized foreign exchange gain/loss cash	(50,533)	-
Change in cash during the period	(4,799,793)	7,218,084
Cash, beginning of the period	6,774,914	261,065
Cash, end of the period	\$ 1,924,588	\$ 7,479,149

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW

Cash paid for:

Interest	\$	-	\$	-
Taxes	\$	-	\$	-

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

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US Dollars)

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. (a US Company) (“Valhalla US”) giving effect to the acquisition of Valhalla US’s outstanding common shares by way of a reverse acquisition transaction (RTO). These interim condensed 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 Venture Exchange (“TSXV”) under the symbol “VMXX” and OTCQB under the symbol “VMXXF”. The address of the Company’s corporate office and its principal place of business is 2700 - 1133 Melville Street, Vancouver, BC, V6E 4E5, 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 condensed consolidated interim 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, 2022.

b. Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Valhalla US. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

c. Basis of measurement

These 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.

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Functional currency and presentation currency

These condensed consolidated interim 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.

e. 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.

f. Going Concern

These condensed consolidated 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 \$11,587,322 (December 31, 2022 – \$7,616,760). 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. These condensed consolidated 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. 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.

As of September 30, 2023, the Company has ownership of 392 mineral claims at the Sun Property.

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US Dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

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. As a result of this transaction, the Company acquired 58 mining claims.

During the year ended December 31, 2022, the Company spent \$50,615 on staking an additional 76 State of Alaska mining claims immediately adjacent to the original Smucker claim block. During the first nine months of 2023, the Company spent an additional of \$2,700 on staking work.

In a decision dated April 21, 2023, the Alaska Supreme Court ruled that 11 of the initial 58 mineral claims staked by Valhalla Mining LLC at the Smucker Property were invalid due to the extent of those claims over-lapping the old Teck Resources claims block at Smucker (see note 9 for additional details). The Company wrote off as an impairment loss the book value associated with these 11 claims (\$151,724 loss recorded on the September, 2023 Statement of Comprehensive loss). As of September 30, 2023, the Company has 123 mineral claims at Smucker.

The following tables present a summary of the exploration and evaluation assets as of September 30, 2023 as well as exploration expenses incurred during the nine months ended September, 2023 and 2022:

Exploration and evaluation assets:

	Sun	Smucker	Total
	\$	\$	\$
Acquisition costs:			
Balance, January 1, 2022	800,000	800,000	1,600,000
Acquisition of claims in 2022	-	50,615	50,615
Balance, December 31, 2022	800,000	850,615	1,650,615
Impairment loss	-	(151,724)	(151,724)
Additional staking work	-	2,700	
Balance, September 30, 2023	800,000	701,591	1,501,591

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited - Expressed in US Dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

Exploration and evaluation expenses

September 30, 2023	Sun	Smucker	Total
Air transportation	\$ 1,306,737	\$ -	1,306,737
Assays	45,422	-	45,422
Drilling	1,014,293	-	1,014,293
Geology	258,377	-	258,377
Fuel	591,092	-	591,092
Labour	145,492	-	145,492
Mineral claims rents	68,063	14,575	82,638
Other	138,119	-	138,119
Supplies	37,351	-	37,351
Total for the nine months ended September 30, 2023	\$ 3,604,945	\$ 14,575	\$ 3,619,520

September 30, 2022	Sun	Smucker	Total
Mineral claims rents	\$ 52,938	\$ 7,975	60,913
Geology	26,173	23,345	49,518
Recovery of costs under the Marubeni sponsorship agreement	(79,111)	-	(79,111)
Total for the nine months ended September 30, 2022	\$ -	\$ 31,320	\$ 31,320

4. EQUIPMENT

During the year ending December 31, 2022, the Company paid \$36,121 to acquire camp equipment for the Sun project exploration site. During the nine months period ended September 30, 2023, the Company incurred an additional \$1,059,410 in costs for the setup of the Sun mining camp. At the end of August 2023, the Sun mining camp was fully installed and ready to use for the exploration projects of the Company. The Company accounted for a depreciation expense of \$9,022 in Q3 2023.

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in US Dollars)

5. 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 issued 482,087 multiple voting shares as part of the RTO. These shares are restricted and held in escrow and will be released over the 36-month period ending September 16, 2025 and converted to subordinate voting shares with a multiplying factor of 100 (resulting in 48,208,700 subordinate voting shares) 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

On September 16, 2022, the Company closed a share exchange agreement with Valhalla US as part of the RTO. 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.

On December 12 2022, the Company settled CAD\$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 issued 285,000 subordinate voting shares of the Company at a deemed price of CAD\$0.50 per share and recorded a gain on debt settlement of CAD\$61,275.

Escrow

In connection with the reverse takeover 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 5,586,538 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, 2023, 220,382 of the Multiple Voting Shares remain in escrow and none of the Subordinate Voting Shares have been released.

Warrants

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

Exercise Price	January 1, 2022	Transferred on RTO	Expired	September 30, 2023	Expiry Date
CAD\$0.60	-	1,333,422	-	1,333,422	October 8, 2024
		1,333,422	-	1,333,422	

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US Dollars)

5. SHARE CAPITAL (continued)

As at September 30, 2023, 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 RTO. The warrants expiry date was extended to October 8, 2024.

Stock Option Plan

The Share Compensation Plan is a “rolling up to 10%” omnibus plan pursuant to which the total number of Subordinate Voting Shares which may be issued pursuant to RSUs and Options granted under the Share Compensation Plan, in the aggregate, is equal to up to a maximum of 10% of the issued and outstanding Subordinate Voting Shares, assuming the conversion of all Multiple Voting Shares (1 multiple voting share to 100 to Subordinate Voting Shares), at the time of the grant or award.

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. The Options are exercisable for a five-year term expiring November 7, 2027. In addition, on RTO date, 55,000 stock options were transferred from Solidus. These RTO stock options have an expiry date of August 15, 2024 and can be exercised for CAD\$1.25.

The following table summarizes the continuity of the Company’s stock options:

Exercise Price	January 1, 2022	Issued in 2022	Balance December 31, 2022 and September 30, 2023	Expiry Date	Weighted average exercise price
CAD\$0.50	-	4,375,000	4,375,000	November 7, 2027	CAD\$0.50
CAD\$1.25	-	55,000	55,000	August 15, 2024	CAD\$1.25
		4,430,000	4,430,000		CAD\$0.51

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US Dollars)

6. 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.

The Company had the following related party balances at:

	September 30, 2023	December 31, 2022
Due to Directors and Officer	33,727	9,298
Total due to related parties	\$ 33,727	\$ 9,298

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, VP of Exploration, and directors of the Company. The remuneration of key management for the nine month periods ended September 30, 2023 and 2022 was as follows:

	September 30, 2023	September 30, 2022
Management and consulting fees	222,624	14,459
Total remuneration	\$ 222,624	\$ 14,459

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company classifies its financial instruments as follows: cash is classified as fair value through profit or loss ("FVTPL"); and accounts payable and accrued liabilities as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

Capital management

The Company does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to advance its E&E properties while safeguarding the Company's ability to continue as a going concern.

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in US Dollars)

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. There were no changes to the Company's capital management approach during the nine-month period ended September 30, 2023. The Company is not subject to any externally imposed capital requirements.

Management of financial risk

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 classified as level 1 in the fair value hierarchy are cash. Accounts payable and accrued liabilities approximate fair value due to the short-term nature of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other price risk. As at September 30, 2023 the Company is not exposed to significant market risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to attempt to ensure that it will have sufficient cash or credit available to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

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. All of the Company's cash is held in reputable financial institutions and as such, the Company believes credit risk is negligible.

All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of September 30, 2023.

Valhalla Metals, Inc.

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(Unaudited - Expressed in US Dollars)

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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, 2023	December 31, 2022
Cash and cash equivalents	1,900,472	6,774,914
Accounts payable	(86,147)	(367,209)

At September 30, 2023, Canadian dollar amounts were converted at a rate of CAD 1.00 to USD 0.7396. A 10% increase or decrease in the Canadian dollar relative to the US dollar would result in a change of approximately \$181,433 (December 31, 2022- \$640,770) in the Company's comprehensive loss for the period to date.

Categories of financial assets and financial liabilities

The carrying values of the Company's financial instruments are classified into the following categories:

Financial instrument	Category	September 30, 2023	December 31, 2022
Cash and cash equivalents	FVPTL	\$ 1,924,588	\$ 6,774,914
Accounts payable	Amortized cost	\$ 266,921	\$ 367,209

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share for the nine month period ended September 30, 2023 was \$0.05 (September 30, 2022 - \$4.03 per share) based on a loss attributable to common shareholders of \$ 3,970,562 (September 30, 2022 - \$ 5,439,327) and the weighted average number of common shares outstanding of 83,225,336 (September 30, 2022 - 1,350,663).

Valhalla Metals, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in US Dollars)

9. CONTINGENCIES

The Company's interest in the Smucker Property was subject to an ongoing dispute between Teck Resources ("Teck"), Valhalla Mining LLC ("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 (the "Teck Litigation Claims").

Valhalla Mining succeeded in its claims to quiet title to the disputed mining claims in April 2021 at the Alaska Superior Court (Valhalla Mining, LLC v. State of Alaska, Department of Natural Resources and Teck American Incorporated, Case No. 3AN-19-10673CI, 3rd Judicial District at Anchorage, Alaska Superior Court), however the Court's decision was appealed to the Alaska Supreme Court by Teck and DNR on April 27, 2021.

In a decision dated April 21, 2023, the Alaska Supreme Court, decided to reverse the Alaska Superior Court's decision and affirm DNR's decision that 11 of the 58 mineral claims staked by Valhalla Mining at the Smucker Property were invalid due to the extent of those claims over-lapping the old Teck claims block at Smucker (Valhalla Mining, LLC v. State of Alaska, Department of Natural Resources and Teck American Incorporated, Case No. S-18082/18101, Alaska Supreme Court).