



VALHALLA METALS INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021
(Expressed in US Dollars)**

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Valhalla Metals Inc.

Opinion

We have audited the consolidated financial statements of Valhalla Metals Inc. and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The Financial Statements of the Company as of December 31, 2021 and for the year then ended, which are presented for comparative purposes, were audited by another auditor who expressed an unmodified opinion on those Financial Statements on May 18, 2022.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 12, 2023

VALHALLA METALS INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT DECEMBER 31, 2022 AND 2021**

(Expressed in US Dollars)

	December 31 2022	December 31 2021
ASSETS		
Current assets		
Cash	\$ 6,774,914	\$ 261,065
Amounts receivable	63,553	-
Deferred transaction costs	-	62,190
Prepaid expense	284,462	51,879
Total current assets	7,122,929	375,134
Equipment (Note 7)	36,121	-
Exploration and evaluation assets (Note 6)	1,650,615	1,600,000
	\$ 8,809,665	\$ 1,975,134
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	367,209	110,576
Sponsorship agreement liability (Note 6)	-	219,487
	367,209	330,063
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	15,154,548	2,697,899
Contributed surplus	988,446	-
Deficit	(7,616,760)	(1,052,828)
Accumulated other comprehensive loss	(83,778)	-
	8,442,456	1,645,071
	\$ 8,809,665	\$ 1,975,134

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

CONTINGENCIES (Note 11)

Approved by the Board of Directors on April 12, 2023:

"Raj Chowdhry"
Raj Chowdhry, Director

"Rick Van Nieuwenhuyse"
Rick Van Nieuwenhuyse, Director

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

VALHALLA METALS INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**(Expressed in US Dollars)

	2022	2021
Expenses		
Exploration and evaluation expenses (Note 6)	\$ 150,829	\$ 37,405
Foreign exchange	(852)	-
Gain on debt settlement (Note 8)	(45,160)	-
Interest income	(22,761)	-
Listing costs (Note 4)	5,378,548	-
Management fees (Note 9)	38,692	-
Office and miscellaneous	29,111	632
Professional fees	126,774	35,353
Regulatory and transfer agent	4,182	-
Stock based compensation (Notes 6, 9)	873,722	-
Write off mineral properties (Note 6)	30,846	-
Net loss for the year	6,563,932	73,390
Other comprehensive loss		
Items that may be reclassified subsequently to income or loss:		
Currency translation differences of foreign operations	83,778	-
Total comprehensive loss for the year	\$ 6,647,710	\$ 73,390
Basic and diluted loss per share	\$ (0.27)	\$ (0.65)
Weighted average number of shares outstanding (basic and diluted)	24,101,618	112,072

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

VALHALLA METALS INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in US Dollars)

	2022	2021
Cash provided by (used for):		
Operating activities		
Net loss for the year	\$ (6,563,932) \$	(73,390)
Items not involving cash:		
Listing costs	5,083,323	-
Share based compensation admin	873,722	-
Share based compensation exploration	114,724	-
Gain on debt settlement	(45,160)	-
Write off mineral properties	30,846	-
Change in non-cash working capital:		
Amounts receivable	(54,691)	-
Deferred transactions cost	-	(62,190)
Prepaid expenses	(233,313)	(20,199)
Sponsorship agreement liability	(219,487)	(280,513)
Accounts payable and accrued liabilities	(388,355)	110,406
	(1,402,322)	(325,886)
Investing activities		
Exploration acquisition costs	(50,615)	-
Equipment purchase	(36,121)	-
Cash acquired on RTO	217,338	-
	130,602	-
Financing activities		
Sponsorship funds received	-	500,000
Issuance of common shares	-	60,700
Proceeds from private placement	7,700,407	-
	7,700,407	560,700
Unrealized foreign exchange gain/loss cash	85,162	-
Change in cash during the year	6,513,849	234,814
Cash, beginning of the year	261,065	26,251
Cash, end of the year	\$ 6,774,914 \$	261,065
SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW		
Cash paid for:		
Interest	\$ - \$	-
Taxes	\$ - \$	-
Shares issued for debt	\$ 59,473 \$	-

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

VALHALLA METALS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(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, December 31, 2020	111,960.53	-	\$ 2,637,199	\$ -	\$ (979,438)	\$ -	\$ 1,657,761
Issuance of common shares	401.47	-	60,700	-	-	-	60,700
Loss and comprehensive loss for the year	-	-	-	-	(73,390)	-	(73,390)
Balance, December 31, 2021	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	-	7,700,407	-	-	-	7,700,407
Shares issued for RTO	12,479,790	-	4,696,769	-	-	-	4,696,769
Shares issued for debt	285,000	-	59,473	-	-	-	59,473
Stock options compensation	-	-	-	988,446	-	-	988,446
Net loss for the year	-	-	-	-	(6,563,932)	-	(6,563,932)
Currency translation differences for foreign operations	-	-	-	-	-	(83,778)	(83,778)
Balance, December 31, 2022	35,016,636	482,087	\$ 15,154,548	\$ 988,446	\$ (7,616,760)	\$ (83,778)	\$ 8,442,456

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

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(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 (Note 4). These consolidated financial statements include the historical operations of Valhalla US, and the 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 is acquiring and exploring mineral properties. The Company is currently trading on TSX-V under the symbol VMXX. 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.

The consolidated 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 significant operating losses since inception, including \$6,563,932 in the current year, resulting in a deficit of \$7,616,760 as at December 31, 2022. The Company will require additional financing to continue operations and pursue its projects. 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 debt or equity securities. The recoverability of the carrying value of 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 to complete exploration on a mineral property, the outcome of which is uncertain. The 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. Such adjustments could be material.

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. BASIS OF PRESENTATION

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 12, 2023.

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional currency is the Canadian dollar for the Canadian operations and US dollar for the US operations. The presentation currency of the Company and its subsidiaries is the US dollar, and accounts denominated in currencies other than the US dollar have been translated as follows:

1. Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
2. Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
3. Shareholders' equity items at historical exchange rates; and
4. Revenue and expense items at the rate of exchange on the transaction date.

Exchange gains and losses arising from translation of the Canadian operations to the Company's US dollar presentation currency are recorded as a cumulative translation adjustment in other comprehensive income (loss), which is included in accumulated other comprehensive loss.

(e) Critical accounting estimates and judgements:

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2. BASIS OF PRESENTATION (continued)

(e) Critical accounting estimates and judgements: (continued)

In particular, the Company has identified a number of areas where significant judgements, estimates and assumptions are required. These areas include, but are not limited to, the following:

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

- Share-based payments:

The Company utilizes the Black-Scholes Option Pricing Model (“Black-Scholes”) to estimate the fair value of stock options granted to directors, officers and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however, the most significant estimate is the volatility.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- Going concern

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned project-acquisitions, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. (Note 1)

- Exploration and evaluation expenditures

The application of the Company’s accounting policy for Exploration and Evaluation (“E&E”) expenditures requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s exploration and evaluation assets.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company’s E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions.

- Recovery of deferred tax assets:

Judgement is required to determine whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require the Company to assess the likelihood that it will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Judgement is also required in respect of the application of existing tax laws in each jurisdiction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**(Expressed in US Dollars)

2. BASIS OF PRESENTATION (continued)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The determination of a resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalized amount is written off to the statement of loss and comprehensive loss in the period when the new information becomes available.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Currency

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.

(b) Basis of consolidation

These consolidated 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) Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the income tax is recognized in equity or other comprehensive loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less or are fully redeemable without penalty when acquired.

(e) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTOCI are included in other comprehensive income or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)*(iii) Impairment of Financial Assets at Amortized Cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowances for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit loss (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

(f) Share capital

The Company records the proceeds received net of direct issuance costs from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants are allocated between the common share and warrant component. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

(g) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed using the treasury stock method, under which the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(h) Exploration and evaluation assets

Exploration and evaluation assets include the purchase price of mineral properties and any costs incurred for mineral properties not classified as exploration and evaluation expenses. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the capitalized mineral property interests for that project are reclassified as mining properties, a component of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- Researching and analysing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves.

Development expenditures capitalized as mining properties are net of the proceeds of the sale of ore extracted during the development phase. Interest on borrowings related to the construction and development of assets is capitalized until substantially all the activities required to make the asset ready for its intended use are complete. The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as mining properties.

(i) Impairment of exploration and evaluation assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 less costs to sell is determined as the amount that would be obtained from the sale of the asset price received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset 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 flows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(j) Restoration and environmental obligations

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. A pre-tax discount rate that reflects the time value of money is used to calculate the net present value. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations as at and for the years presented.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(k) Shared based compensation**

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded. When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

4. 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 consolidated 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.

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 the Company by Valhalla US.

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in US Dollars)

4. REVERSE ACQUISITION TRANSACTION (continued)

- 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.

A listing expense of \$5,378,548 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:

Common shares issued (12,479,790@CAD\$0.50 at USD FX rate 0.7527)	\$	4,696,769
Legal and other transaction costs		295,225
		<hr/> 4,991,994
Net liabilities of the Company		
Cash		(217,388)
Receivables		(8,862)
Prepays expenses		(730)
Mineral properties		(31,504)
Accounts payable and accrued liabilities		644,988
Total net liabilities		<hr/> 386,554
Listing expense	\$	<hr/> 5,378,548

5. 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 and sponsorship liability, 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.

5. 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 years ended December 31, 2022 and 2021. 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 and sponsorship agreement liability 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 December 31, 2022, 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.

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**(Expressed in US Dollars)

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2022.

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:

	December 31, 2022	December 31, 2021
Cash	\$ 6,774,914	\$ -
Accounts payable	\$ (367,209)	\$ -

At December 31, 2022, Canadian dollar amounts were converted at a rate of CAD 1.00 to USD 0.7383. A 10% increase or decrease in the Canadian dollar relative to the US dollar would result in a change of approximately \$640,770 (December 31, 2021 \$Nil) in the Company's comprehensive loss for the year 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	December 31, 2022	December 31, 2021
Cash	FVPTL	\$ 6,774,914	\$ 261,065
Accounts payable	Amortized cost	\$ 367,209	\$ 110,576
Sponsorship agreement liability	Amortized Cost	\$ -	\$ 219,487

6. 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 for 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 sponsorship agreement 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 December 31, 2022, the Company had spent the \$500,000 funding on expenditures eligible under the sponsorship agreement.

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 for 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 year ended December 31, 2022, the Company spent \$50,615 on staking additional State of Alaska mining claims immediately adjacent to the original Smucker claim block.

c) 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. In Q4 2022, the Company decided not to further pursue this project. As such, the carrying value of the property was written off and the Company recorded a write-off of \$30,846.

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**(Expressed in US Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

The following tables present a summary of the exploration and evaluation assets as of December 31, 2022 as well as exploration expenses incurred during the year ended December 31, 2022 and December 31, 2021:

Acquisition costs:

	Sun	Smucker	Total
	\$	\$	\$
Acquisition costs:			
Balance, December 31, 2021 and 2020	800,000	800,000	1,600,000
Acquisition of property	-	50,615	50,615
Balance, December 31, 2022	800,000	850,615	1,650,615

Exploration and evaluation costs

December 31, 2022

Mineral claims rents	75,254	12,760	88,014
Geology	29,569	23,345	52,914
Stock based compensation	57,362	57,362	114,724
Recovery of costs under the sponsorship agreement	(104,823)	-	(104,823)
Balance, December 31, 2022	57,362	93,467	150,829

December 31, 2021

Mineral claims rents	48,050	9,570	57,620
Geology	257,763	2,535	260,298
Recovery of costs under the sponsorship agreement	(280,513)	-	(280,513)
Balance, December 31, 2021	25,300	12,105	37,405

7. EQUIPMENT

During the year ending December 31, 2022, the Company paid \$36,121 to acquire camp equipment that was delivered to the Sun Property exploration site. It is expected that the Sun camp equipment will be fully installed and ready to use for the exploration projects of the Company in 2023. The expected useful life of the camp equipment is estimated to be 10 years.

8. 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 4. 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.

On December 12, 2022, the Company issued 285,000 subordinate voting shares of the Company to settle CAD\$142,500 of debt owed to MA2 Capital Inc., a company controlled by Sorin Posescu, the Company's CEO 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 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 330,570 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 December 31, 2022, 5,917,108 shares of the Company remain in escrow.

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in US Dollars)

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

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

Exercise Price	January 1, 2021	Transferred on RTO	Balance December 31, 2022	Expiry Date	Weighted average exercise price
CAD\$0.60	-	1,333,422	1,333,422	October 8, 2024	CAD\$0.60
		1,333,422	1,333,422		

As at December 31, 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 was extended to October 8, 2024 and the Company recorded \$151,917 of share-based compensation in connection with the extension.

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 deemed issued. 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	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 CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in US Dollars)

8. SHARE CAPITAL (continued)

In connection to the November 7, 2022 issuance of stock options, the Company recognized a stock based compensation expense of \$836,528 (\$721,804 recorded as a stock based compensation expense and \$114,724 as part of the exploration and evaluation expenses of the Company). The Company used the following assumptions in the Black Scholes calculation:

- Exercise price: CAD\$0.50
- Stock price: CAD\$0.34
- Interest rate: 3.77%
- Volatility: 110%
- Expected life: 5 years

9. 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 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 December 31:

	2022		2021	
Due to Directors and Officer	\$	9,298	\$	10,000
Total due to related parties	\$	9,298	\$	10,000

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 in 2021 and 2022 was as follows:

	2022		2021	
Stock based compensation	\$	831,748	\$	-
Management and consulting fees		90,386		10,000
Total remuneration	\$	922,134	\$	10,000

On December 12, 2022, the Company issued 285,000 subordinate voting shares of the Company to settle CAD\$142,500 of debt owed to MA2 Capital Inc., a company controlled by Sorin Posescu, the Company's CEO at a deemed price of CAD\$0.50 per share and recorded a gain on debt settlement of CAD\$61,275.

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2022 and 2021 was based on the loss attributable to common shareholders of \$6,563,932 (2021 – \$ 73,390) and the weighted average number of common shares outstanding of 24,101,618 (2021 – 112,072).

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 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.

12. SEGMENTED INFORMATION

The Company's operations are conducted in two reportable segments: mineral exploration in US and Corporate operations in Canada. Neither segment generates revenue. As the operations are in different countries, this equates to allocating resources by geographical area.

Total assets by geographical area:

	December 31, 2022		December 31, 2021	
Canada	\$	6,847,765	\$	-
US		1,961,900		1,975,134
Total	\$	8,809,665	\$	1,975,134

Cash amounting to \$6,772,019 was held in Canada, and \$2,894 was held in US (2021 - \$261,065 in US).

Total mineral properties by geographical area:

	December 31, 2022		December 31, 2021	
Canada	\$	-	\$	-
US		1,650,615		1,600,000
Total	\$	1,650,615	\$	1,600,000

VALHALLA METALS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in US Dollars)

12. SEGMENTED INFORMATION (continued)

Net loss by geographical area:

	December 31, 2022	December 31, 2021
Canada	\$ 6,033,429	\$ -
US	530,503	73,390
Total	\$ 6,563,932	\$ 73,390

Exploration expenses by geographical area:

	December 31, 2022	December 31, 2021
Canada	\$ -	\$ -
US	150,829	37,405
Total	\$ 150,829	\$ 37,405

13. INCOME TAX

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2022	2021
Combined statutory income tax rate	27.00%	27.00%
Expected income tax recovery at statutory rates	\$ (1,772,000)	\$ (20,000)
Permanent and other differences	882,000	(25,000)
Change in tax benefits not recognized	890,000	45,000
Provision for income tax expense	\$ -	\$ -

The significant components of deferred income tax assets not recognized are presented below:

	2022	2021
Non-capital loss carry-forwards	\$ 932,000	\$ 4,000
Capital loss carry-forwards	42,000	-
Exploration and evaluation assets	108,000	190,000
Share issuance costs	2,000	-
Unrecognized deferred tax assets	1,084,000	194,000
	(1,084,000)	(194,000)
	\$ -	\$ -

As at December 31, 2022, the Company had non-capital losses carried forward of approximately \$2,567,000 in Canada which expire between 2032 and 2042 and \$960,000 in the United States which have no expiry date available to reduce income taxes in future years. The Company also has capital losses carried forward of approximately \$308,000 available to reduce taxable income in future years and which have no expiry date.