

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Valhalla Metals Inc. (formerly SolidusGold Inc.)		None	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Sorin Posescu	+1 (778) 558-6746	invest@valhallametals.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
Suite 2800, 666 Burrard Street		Vancouver, BC V6C 2Z7	
8 Date of action		9 Classification and description	
September 16, 2022		Subordinate Voting Shares; Multiple Voting Shares	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
91914U107	N/A	TSVX: VMXX	N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► [See Attachment.](#)

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► [See Attachment.](#)

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► [See Attachment.](#)

Part II **Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See Attachment.](#)

18 Can any resulting loss be recognized? ▶ [See Attachment.](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See Attachment.](#)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ /s/ Sorin Posescu Date ▶ October 31, 2022

Paid Preparer Use Only	Print your name ▶ <u>Sorin Posescu</u>		Title ▶ <u>President and CEO</u>		
	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<u>Kendall R. Fisher</u>	<u>/s/ Kendall R. Fisher</u>	<u>10/27/22</u>		<u>P01980923</u>
	Firm's name ▶ <u>Dorsey & Whitney LLP</u>	Firm's address ▶ <u>Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, WA 98104</u>		Firm's EIN ▶	<u>41-0223337</u>
			Phone no.	<u>(206) 903-8793</u>	

Valhalla Metals Inc. (formerly SolidusGold Inc.)

Attachment to Form 8937-Part II

Report of Organizational Actions Affecting Basis of Securities (RTO Arrangement)

Consult your tax advisor: The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “**Code**”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the RTO Arrangement (as defined below) on the tax basis of shares in Valhalla Metals Inc. (formerly known as SolidusGold Inc.) (“**Pubco**”), in the hands of Pubco shareholders which are U.S. taxpayers and which received such shares pursuant to the RTO Arrangement (“**U.S. Shareholders**”). This discussion does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Pubco does not provide tax advice to its shareholders. You are urged to consult with your own tax advisors regarding the particular consequences of the RTO Arrangement to you, including the applicability and effect of all U.S. federal, state and local tax laws and foreign tax laws.

For additional information, please read the Management Information Circular of Pubco dated as of May 13, 2022 (the “**Pubco Circular**”), which is available at www.sedar.com.

Part II Item 14. Description of organizational action

The “**RTO Arrangement**” was effected pursuant to the following mutually interdependent steps (certain steps of the RTO Arrangement which are not relevant to the discussion herein are omitted, but are described in greater detail in the Pubco Circular):

Step 1: Pursuant to the terms and conditions of the business combination agreement (the “**Agreement**”) dated as of February 7, 2022, as amended, to which Valhalla Metals, Inc., an Alaska corporation (“**Valhalla**”), Pubco, Solidus Mergerco Inc., an Alaska corporation wholly-owned by Pubco and newly-formed prior to the effective time of the RTO Arrangement (“**Subco**”), 1346167 B.C. Ltd., a British Columbia, Canada corporation wholly-owned by Pubco and newly-formed prior to the effective time of the RTO Arrangement (“**Finco**”), and 1346163 B.C. Ltd. a British Columbia, Canada corporation wholly-owned by Pubco and newly-formed prior to the effective time of the RTO Arrangement (“**Finance Subco**”) were party, Pubco: (i) consolidated its currently outstanding shares of common stock on the basis of one (1) Pubco share for each five (5) outstanding Pubco shares (the “**Pubco Consolidation**”); (ii) changed its common shares to subordinate voting shares (“**Subordinate Voting Shares**”) and authorized the issuance of a new class of shares, multiple voting shares (“**Multiple Voting Shares**”) (the “**Pubco Recapitalization**”); (iii) completed any other necessary changes to the constating documents of Pubco to effect the RTO Arrangement; (iv) changed its name from “SolidusGold Inc.” to “Valhalla Metals Inc.”; and (v) cancelled all outstanding options to acquire Pubco shares for no consideration.

Step 2: Finco issued 3,880,761 subordinate voting subscription receipts (the “**Subordinate Voting Finco Subscription Receipts**”, and, the holders thereof, the “**Finco Investors**”) at a subscription price of approximately CAD\$0.50 per Subordinate Voting Finco Subscription Receipt to non-U.S. investors in exchange for gross cash proceeds of CAD\$1,940,380.50 (the “**Subscription Receipt Financing**”).

Step 3: The outstanding Subordinate Voting Finco Subscription Receipts were converted into Finco common shares (“**Finco Shares**”) pursuant to which each holder of one (1) Subordinate Voting Finco Subscription Receipt received one (1) Finco Share in exchange therefor (the holders thereof, the “**Finco Shareholders**”) (the foregoing, collectively, the “**Finco Subscription Receipt Conversion**”).

Step 4: Pubco, Finco and Finance Subco were parties to a three-cornered amalgamation pursuant to which Finco and Finance Subco amalgamated (the entity formed upon the amalgamation of Finco and Subco being “**Finco Amalco**”) (the “**Finco Amalgamation**”). Pursuant to the Finco Amalgamation, the Finco Shareholders received one Subordinate Voting Share in exchange for each Finco Share held immediately prior to the Finco Amalgamation.

Step 5: Finco Amalco wound up its affairs and liquidated, distributing its assets to Pubco (the “**Finco Amalco Liquidation**”, and, collectively with the Subscription Receipt Financing, the Finco Subscription Receipt Conversion and the Finco Amalgamation, the “**Finco Steps**”).

Step 6: Subco merged with and into Valhalla, whereupon the separate existence of Subco ceased and Valhalla continued as the surviving entity (the “**Merger**”). Pursuant to the Merger, (i) Valhalla shareholders (the “**Valhalla Shareholders**”) that were non-U.S. residents received 444.9903 Subordinate Voting Shares for each Valhalla common share (the “**Valhalla Shares**”) exchanged therefor pursuant to the Merger; and (ii) Valhalla Shareholders that were U.S. residents received 4.4499 Multiple Voting Shares for each Valhalla Share exchanged therefor pursuant to the Merger. No fractional Subordinate Voting Shares or Multiple Voting Shares were issued pursuant to the Merger, with each fractional share rounded down to the next nearest whole share.

Pubco believes that Pubco as a result of, and after, the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b), but provides no assurances in this regard. The following discussion in this Attachment assumes that Pubco as a result of, and after, the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b).

Pubco believes that (i) each of the Pubco Consolidation and the Pubco Recapitalization should be treated as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization within the meaning of Code Section 368(a)(1)(E); (ii) the Finco Steps should constitute a single integrated transitory series of steps with Finco Investors treated as subscribing directly for Subordinate Voting Shares for U.S. federal income tax purposes; and (iii) the Merger should constitute a tax-deferred reorganization within the meaning of Code Section 368(a). The

following summary assumes that the foregoing components are treated in such manner for U.S. federal income tax purposes.

U.S. Shareholders should review the Pubco Circular and consult with their own tax advisors regarding the tax consequences of the RTO Arrangement to them in light of their particular circumstances.

Part II Item 15. Description of the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer

Pursuant to the Pubco Consolidation, former shareholders in Pubco were deemed to exchange their common shares for consolidated common shares of Pubco. Provided the Pubco Consolidation qualifies as a tax-deferred reorganization under Section 368(a)(1)(E) of the Code and/or a tax-deferred exchange under Section 1036 of the Code and Pubco is classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to Code Section 7874(b) immediately after the Pubco Consolidation and RTO Arrangement, the tax basis of the consolidated shares of Pubco received by a U.S. Shareholder of Pubco pursuant to the Pubco Recapitalization should be the same as that shareholder's tax basis in the Pubco shares held immediately prior to the Pubco Consolidation. If Pubco was a passive foreign investment Company ("PFIC"), as defined under Code Section 1297, for any tax year during which a U.S. Shareholder held its Pubco Shares, certain special PFIC rules may apply to the Pubco Consolidation. U.S. Shareholders should review the Pubco Circular and consult with their own tax advisors regarding the potential application of the PFIC rules.

Pursuant to the Pubco Recapitalization, former shareholders in Pubco were deemed to exchange their consolidated common shares for Subordinate Voting Shares. Provided the Pubco Recapitalization qualifies as a tax-deferred reorganization under Section 368(a)(1)(E) of the Code and/or a tax-deferred exchange under Section 1036 of the Code and Pubco is classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to Code Section 7874(b) immediately after the Pubco Recapitalization and RTO Arrangement, the tax basis of the Subordinate Voting Shares received by a U.S. Shareholder of Pubco pursuant to the Pubco Recapitalization should be the same as that shareholder's tax basis in the Pubco shares held immediately prior to the Pubco Recapitalization. If Pubco was a PFIC for any tax year during which a U.S. Shareholder held its Pubco Shares, certain special PFIC rules may apply to the Pubco Recapitalization. U.S. Shareholders should review the Pubco Circular and consult with their own tax advisors regarding the potential application of the PFIC rules.

Pubco intends that Finco be disregarded as a transitory entity and the Finco Investors be treated, pursuant to the Finco Steps, as making a cash contribution to Pubco in exchange for Subordinate Voting Shares, but provides no assurances in this regard. Provided the Finco Steps constitute a single integrated transaction for U.S. federal income tax purposes and the separate existence of Finco is disregarded as a transitory entity for U.S. federal income tax purposes, each Finco Investor should have a tax basis in each Subordinate Voting Share received pursuant to the Finco Steps equal to the cash contributed in exchange therefor.

Pubco intends that the Merger qualify as a tax-deferred reorganization within the meaning of Code Section 368(a), but provides no assurances in this regard. Provided the Merger qualifies as a tax-deferred reorganization under Code Section 368(a), each U.S. Shareholder should have a tax basis in the Subordinate Voting Shares or Multiple Voting Shares received pursuant to the Merger equal to such U.S. Shareholder's adjusted tax basis in his, her, or its Valhalla Shares surrendered in exchange therefor.

If a U.S. Shareholder held different blocks of Valhalla Shares (i.e., shares acquired at different times or different prices) at the time of the Merger, such shareholder should consult its own tax advisor with respect to the determination of the tax bases of particular shares of Pubco stock received in the Merger.

Part II Item 16. Description of the calculation of the change in basis

In the event the RTO Arrangement, or any component thereof, is taxable for U.S. federal income tax purposes, for purposes of calculating fair market value, the fair market value of a Subordinate Voting Share on September 16, 2022 is estimated at U.S.\$0.24, which was the closing price for a Subordinate Voting Share on the TSX Venture Exchange on September 28, 2022, the first day such shares traded on the TSX Venture Exchange following completion of the RTO Arrangement, as converted to U.S. dollars.

Each U.S. Shareholder should consult with his, her or its own tax advisors to determine whether they are required to recognize gain in connection with the RTO Arrangement and what measure of fair market value is appropriate.

Part II Item 17. (list of applicable Code sections)

Pubco believes that Pubco as a result of, and after, the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b), but provides no assurances in this regard. The following discussion in this Attachment assumes that Pubco as a result of, and after, the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b).

Pubco believes that each of the Pubco Consolidation and the Pubco Recapitalization should be treated as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization within the meaning of Code Section 368(a)(1)(E), but provides no assurances in this regard. Provided each of the Pubco Consolidation and the Pubco Recapitalization are treated as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization within the meaning of Code Section 368(a)(1)(E) and provided Pubco after the Pubco Consolidation, Pubco Recapitalization and RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to Code Section 7874(b), the U.S. federal income tax consequences for U.S. Shareholders which participated in each of the Pubco Consolidation and Pubco Recapitalization should be determined under Code Sections 354, 358, 368, 1223, and 7874. In addition, if Pubco was a PFIC at any time during the period that a U.S. Shareholder held Pubco Shares, then Code Sections 1291-1297 would be applicable.

Pubco believes that Finco should be disregarded as a transitory entity and the Finco Investors be treated, pursuant to the Finco Steps, as making a cash contribution to Pubco in exchange for Subordinate Voting Shares, but provides no assurances in this regard. Provided the Finco Steps constitute a single integrated transaction for U.S. federal income tax purposes, the U.S. federal income tax consequences for Finco Investors should be determined under Code Section 1001.

Pubco believes that Pubco as a result of, and after, the Merger and the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b), but provides no assurances in this regard. Pubco further believes that the Merger qualifies as a tax-deferred reorganization within the meaning of Code Section 368(a), but provides no assurances in this regard.

Provided Pubco as a result of, and after, the Merger and the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b) and the Merger constitutes a tax-deferred reorganization under Code Section 368(a), the U.S. federal income tax consequences for Valhalla Shareholders should be determined under Code Sections 354, 358, 368, 1223, and 7874.

Part II Item 18. (recognition of loss)

Pubco believes that Pubco as a result of, and after, the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b), but provides no assurances in this regard. The following discussion in this Attachment assumes that Pubco as a result of, and after, the RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b).

Pubco believes that each of the Pubco Consolidation and the Pubco Recapitalization should be treated as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization within the meaning of Code Section 368(a)(1)(E), but provides no assurances in this regard. Provided each of the Pubco Consolidation and the Pubco Recapitalization are treated as a tax-deferred exchange under Code Section 1036 and/or a tax-deferred recapitalization within the meaning of Code Section 368(a)(1)(E) and provided Pubco after the Pubco Consolidation, Pubco Recapitalization and RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to Code Section 7874(b), each U.S. Shareholder which received Subordinate Voting Shares pursuant to the Pubco Consolidation and the Pubco Recapitalization should not recognize any loss.

Each Finco Investor should not recognize any loss.

Pubco believes that Pubco as a result of, and after, the Merger and RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b), but provides no assurances in this regard. Pubco further believes that the Merger qualifies as a tax-deferred reorganization within the meaning of Code Section 368(a), but provides no assurances in this regard.

Provided Pubco as a result of, and after, the Merger and RTO Arrangement was classified as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to the application of Code Section 7874(b) and the Merger qualifies as a tax-deferred reorganization under Code Section 368(a), each Valhalla Shareholder which received Subordinate Voting Shares and/or Multiple Voting Shares pursuant to the RTO Arrangement should not recognize any loss.

Part II Item 19. (other information)

The RTO Arrangement was effective on September 16, 2022. For a Finco Investor or Valhalla Shareholder which participated in the RTO Arrangement whose taxable year is a calendar year, the reportable tax year is 2022.