

VALOUR

(Formerly Defi Technologies Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022 and 2021

(expressed in Canadian dollars)

Valour Inc. (Formerly Defi Technologies Inc.)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Valour Inc. (Formerly DeFi Technologies Inc.)

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Valour Inc.
(Formerly Defi Technologies Inc.)
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2022 \$	December 31, 2021 \$
Assets			
Current			
Cash and cash equivalents	15	4,655,853	9,161,034
Amounts receivable	4,15	143,576	32,565
Public investments, at fair value through profit and loss	3,15,18	20,673	18,146
Prepaid expenses	5	1,467,537	1,407,697
Digital assets	6	105,400,671	177,616,891
Digital assets loaned and staked	6	41,210,231	191,123,879
Total current assets		152,898,541	379,360,212
Private investments, at fair value through profit and loss	3,15,18	42,054,176	10,257,760
Digital assets	6	152,094	1,312,970
Derivative asset	6,15	-	284,404
Equipment		26,700	33,569
Right of use assets		1,879,165	5,646
Intangible assets	7	19,956,119	21,723,987
Goodwill		46,712,027	46,712,027
Total assets		263,678,822	459,690,575
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8,11,15,18	5,428,335	4,412,171
Loan payable	9,15	54,507,171	-
ETP holders payable	10,15,19	146,544,849	363,491,362
Derivative liability	6, 15	637,966	-
Total current liabilities		207,118,321	367,903,533
Non-current liabilities			
Lease liabilities	11	1,681,358	5,646
Total liabilities		208,799,679	367,909,179
Shareholders' equity			
Common shares	13(b)(c)	163,631,919	163,265,466
Preferred shares		4,321,350	4,321,350
Share-based payments reserves	14	32,053,293	25,898,062
Accumulated other comprehensive income		(4,134,950)	241,064
Deficit		(140,992,470)	(101,944,546)
Total equity		54,879,142	91,781,396
Total liabilities and equity		263,678,822	459,690,575
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Approved on behalf of the Board of Directors:

"Tito Gandhi"

Director

"Russell Starr"

Director

Valour Inc.

(Formerly DeFi Technologies Inc.)

Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

	Note	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
		\$	\$	\$	\$
Revenues					
Realized and net change in unrealized gains and (losses) on digital assets		5,905,183	43,613,625	(280,297,199)	(5,864,006)
Realized and net change in unrealized (loss) and gains on ETP payables		(6,966,869)	(41,482,075)	275,281,221	10,845,887
Realized and unrealized gain (loss) on derivative assets		178,343	-	(419,791)	-
Staking and lending income		628,720	843,072	4,062,966	925,600
Management fees		268,901	333,070	1,232,302	333,070
Node revenue		20,288	545,601	333,847	545,601
Realized gain (loss) on investments, net		-	735,253	(12,077)	(1,179,787)
Unrealized gain (loss) on investments, net		234,322	4,036,002	(3,338,494)	4,355,749
Interest income		26,717	1,898	54,293	5,262
Total revenues		295,605	8,626,446	(3,102,932)	9,967,376
Expenses					
Operating, general and administration	12,18	4,842,936	4,175,260	11,733,020	8,269,694
Share based payments	14	(911)	4,817,306	15,697,391	13,065,978
Depreciation - property, plant and equipment		3,237	3,904	9,713	5,048
Depreciation - right of use assets		15,854	16,650	21,324	32,739
Amortization - intangibles	7	589,290	993,350	1,767,868	2,188,533
Finance costs		1,060,483	183,939	3,088,692	648,711
Transaction costs		145,917	462,221	925,669	823,898
Foreign exchange (gain) loss		(548,382)	384,954	(289,108)	342,337
Total expenses		6,108,424	11,037,584	32,954,569	25,376,938
(Loss) before other item		(5,812,819)	(2,411,138)	(36,057,501)	(15,409,562)
Excess purchase price over fair value of assets assumed (expensed)		-	-	-	(6,044,968)
Net (loss) for the period		(5,812,819)	(2,411,138)	(36,057,501)	(21,454,530)
Other comprehensive loss					
Foreign currency translation (loss) gain		(3,198,556)	333,714	(4,376,014)	202,934
Net (loss) and comprehensive (loss) for the period		(9,011,375)	(2,077,424)	(40,433,515)	(21,251,596)
(Loss) per share					
Basic		(0.04)	(0.01)	(0.19)	(0.11)
Diluted		(0.04)	(0.01)	(0.19)	(0.11)
Weighted average number of shares outstanding:					
Basic		208,896,136	209,908,536	209,108,153	189,037,949
Diluted		208,896,136	209,908,536	209,108,153	189,037,949

See accompanying notes to these condensed consolidated interim financial statements

Valour Inc.
(Formerly Defi Technologies Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	Nine months end September 30, 2022 \$	2021 \$
Cash (used in) provided by operations:			
Net (loss) income for the period		\$ (36,057,501)	\$ (21,454,530)
Adjustments to reconcile net (loss) income to cash (used in) operating activities:			
Share-based payments	14	15,697,391	13,065,978
Interest income		-	(5,262)
Amortizaion - Property, plant & equipment		9,713	5,048
Depreciation - Intangible asset	7	1,767,868	2,221,272
Realized loss on investments, net		12,077	1,179,787
Unrealized (gain) on investments, net		3,338,494	(4,355,749)
Realized and net change in unrealized gains and loss on digital assets		280,297,199	5,864,005
Realized and net change in unrealized gains and loss on ETP		(275,281,221)	(10,829,095)
Realized and unrealized loss on derivative asset		419,791	-
Staking and lending income		(4,062,966)	(633,156)
Node revenue		(333,847)	(545,601)
Management fees		(1,232,302)	6,044,968
Unrealized (gain) loss on foreign exchange		(5,621,102)	(4,829,092)
		(21,046,406)	(14,271,427)
Adjustment for:			
Purchase of digital assets		(228,021,507)	(369,291,579)
Disposal of digital assets		189,843,465	189,713,680
Purchase of investments		(34,649,658)	(75,787)
Disposal of investments		28,248	12,138,158
Loan provided		-	(121,560)
Change in amounts receivable		(111,011)	-
Change in prepaid expenses and deposits		440,160	(1,688,176)
Change in accounts payable and accrued liabilities		808,416	5,579,585
Net cash (used in) from operating activities		(92,708,293)	(178,017,106)
Investing activities			
Equipment purchased		-	(31,410)
Lease payment		-	(32,562)
Cash received from acquisition of subsidiary		-	3,859,430
Net cash provided from investing activities		-	3,795,458
Financing activities			
Proceeds from ETP holders		242,378,583	400,803,878
Payments to ETP holders		(196,516,517)	(219,682,047)
Loan Payable		54,803,331	-
Proceeds from issuance of units	13(b)	-	9,614,450
Share and warrant issuance costs	13(b)	-	(309,902)
Proceeds from exercise of warrants	13(b)	647,284	2,082,760
Proceeds from exercise of options	13(b)	45,000	205,290
Shares repurchased pursuant to NCIB		(13,154,570)	(8,125,935)
Net cash provided by financing activities		88,203,112	184,588,494
Effect of exchange rate changes on cash and cash equivalents		509,986	(39,852)
Change in cash and cash equivalents		(4,505,181)	10,326,994
Cash, beginning of period		9,161,034	332,075
Cash and cash equivalents, end of period		\$ 4,655,853	\$ 10,659,069
Supplemental information:			
Value of shares issued for DeFi Holdings Inc.		-	19,800,000
Value of shares issued for Valour Structured Products, Inc.		-	90,769,946
Value of shares issued for Hive Blockchain Technologies Ltd		-	16,000,000
Shares issued for SDK:meda, LLC		-	4,050,000

Valour Inc.
(Formerly Defi Technologies Inc.)
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Common Shares	Number of Preferred Shares	Preferred Shares	Share-based payments					Share-based Payments Reserve	Accumulated other comprehensive income	Deficit	Total
					Options	Deferred Shares Unit (DSU)	Treasury shares	Warrants					
Balance, December 31, 2021	211,102,552	\$ 163,265,466	4,500,000	\$ 4,321,350	\$ 18,232,675	\$ 7,051,948	\$ 27,453	\$ 585,986	\$ 25,898,062	241,064	(101,944,546)	91,781,396	
Private Placement	-	-	-	-	-	-	-	-	-	-	-	-	
Share issue costs	-	-	-	-	-	-	-	-	-	-	-	-	
Shares issued for acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	-	-	
Shares issued for debt settlement	138,767	296,160	-	-	-	-	-	-	-	-	-	296,160	
NCIB	(8,560,100)	(6,743,038)	-	-	-	-	-	-	-	-	(6,411,536)	13,154,574	
Warrants exercised	3,714,917	647,284	-	-	-	-	-	-	-	-	-	647,284	
Value of warrants exercised	-	136,447	-	-	-	-	-	(136,447)	(136,447)	-	-	-	
Warrants expired	-	-	-	-	-	-	-	(33,352)	(33,352)	-	33,352	-	
Option exercised	500,000	45,000	-	-	-	-	-	-	-	-	-	45,000	
Value of options exercised	-	39,600	-	-	(39,600)	-	-	-	(39,600)	-	-	-	
Options cancelled	-	-	-	-	(1,826,115)	-	-	-	(1,826,115)	-	1,826,115	-	
DSU exercised	2,000,000	2,410,000	-	-	-	(2,410,000)	-	-	(2,410,000)	-	-	-	
value of DSU exercised	-	3,535,000	-	-	-	(3,535,000)	-	-	(3,535,000)	-	-	-	
DSU cancelled	-	-	-	-	-	(1,561,646)	-	-	(1,561,646)	-	1,561,646	-	
Share-based payments	-	-	-	-	8,522,126	7,175,265	-	-	15,697,391	-	-	15,697,391	
Net (loss) and comprehensive (loss) for the period	-	-	-	-	-	-	-	-	-	(4,376,014)	(36,057,501)	40,433,515	
Balance, September 30, 2022	208,896,136	\$ 163,631,919	4,500,000	\$ 4,321,350	\$ 24,889,086	\$ 6,720,567	\$ 27,453	\$ 416,187	\$ 32,053,293	\$ (4,134,950)	\$ (140,992,470)	\$ 54,879,143	
Balance, December 31, 2020	103,405,361	\$ 23,357,691	4,500,000	\$ 4,321,350	\$ 276,407	\$ -	\$ -	\$ 914,588	1,190,995	\$ -	\$ (22,566,240)	\$ 6,303,796	
Private Placements	5,000,000	10,000,000	-	-	-	-	-	-	-	-	-	10,000,000	
Warrants issued	-	(309,902)	-	-	-	-	-	-	-	-	-	309,902	
Broker warrants issued	-	-	-	-	-	-	-	-	-	-	-	-	
Share and warrant issue costs	-	-	-	-	-	-	-	-	-	-	-	-	
Shares issued for acquisitions	77,934,316	103,209,946	-	-	-	-	-	-	-	-	-	103,209,946	
Shares issued for investments	13,000,000	20,050,000	-	-	-	-	-	-	-	-	-	20,050,000	
NCIB	(4,896,100)	(3,846,689)	-	-	-	-	27,453.00	-	27,453	-	(4,306,699)	8,125,935	
Warrants exercised	11,478,488	2,082,760.00	-	-	-	-	-	-	-	-	-	2,082,760	
Value of warrants exercised	-	305,988.00	-	-	-	-	-	(305,988)	(305,988)	-	-	-	
Option exercised	1,454,400	205,290.00	-	-	-	-	-	-	-	-	-	205,290	
Value of options exercised	-	135,218.00	-	-	(135,218)	-	-	-	(135,218)	-	-	-	
Options cancelled	-	-	-	-	(48,421)	-	-	-	(48,421)	-	48,421.00	-	
Share-based payments	-	-	-	-	12,811,232	254,746.00	-	-	13,065,978	-	-	13,065,978	
Net (loss) and comprehensive (loss) for the period	-	-	-	-	-	-	-	-	-	202,934	(21,454,530)	21,251,596	
Balance, September 30, 2021	207,376,465	\$ 155,190,302	4,500,000	\$ 4,321,350	\$ 12,904,000	\$ 254,746	\$ 27,453	\$ 608,600	\$ 13,794,799	\$ 202,934	\$ (48,279,048)	\$ 125,230,337	

See accompanying notes to these condensed consolidated interim financial statements

Valour Inc.
(Formerly Defi Technologies Inc.)
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Valour Inc. (the “Company” or “Valour”), (formerly DeFi Technologies Inc.) is a publicly listed company incorporated in the Province of British Columbia and continued under the laws of the Province of Ontario. On January 21, 2021, the Company up listed its shares to NEO Exchange (“NEO”) under the symbol of “DEFI”. Valour is a Canadian technology company bridging the gap between traditional capital markets and decentralized finance. The Company generates revenues through the issuance of exchange traded products that synthetically track the value of a single DeFi protocol, investments in various companies and leading protocols across the decentralized finance ecosystem to build a diversified portfolio of decentralized finance assets and offering node management of decentralized protocols to support governance, security and transaction validation. The Company’s head office is located at 198 Davenport Road, Toronto, Ontario, Canada, M5R 1J2.

These condensed consolidated interim financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. As at September 30, 2022, the Company has working capital deficiency of \$52,219,780 (December 31, 2021 - working capital of \$11,456,679), including cash of \$4,655,853 (December 31, 2021 - \$9,161,034) and for the nine months ended September 30, 2022 had a net loss and comprehensive loss of \$40,433,515 (for the nine months ended September 30, 2021 – net loss and comprehensive loss of \$21,251,596). The Company’s current source of operating cash flow is dependent on the success of its business model and operations and there can be no assurances that sufficient funding, including adequate financing, will be available to cover the general and administrative expenses necessary for the maintenance of a public company. The Company’s status as a going concern is contingent upon raising the necessary funds through the selling of investments, digital assets and issuance of equity or debt. Management believes its working capital will be sufficient to support activities for the next twelve months and expects to raise additional funds when required and available. There can be no assurance that funds will be available to the Company with acceptable terms or at all. These matters constitute material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. Significant accounting policies

(a) Statement of compliance

These condensed consolidated interim financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2021 and 2020, which was prepared in accordance with IFRS as issued by the IASB. These condensed consolidated interim financial statements of the Company were approved for issue by the Board of Directors on November 14, 2022.

(b) Basis of consolidation

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect these returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

These condensed consolidated interim financial statements of fiscal 2022 comprise the financial statements of the Company and its wholly owned subsidiaries Electrum Streaming Inc. (“ESI”), DeFi Capital Inc. (“DeFi Capital”), DeFi Holdings (Bermuda) Ltd. (“DeFi Bermuda”), Valour Inc., DeFi Europe AG, Crypto 21 AB and Valour Management Limited.

Valour Inc.
(Formerly Defi Technologies Inc.)
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

All material intercompany transactions and balances between the Company and its subsidiary have been eliminated on consolidation.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the condensed consolidated interim financial statements.

(c) Basis of preparation and functional currency

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments and investments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities in foreign currencies other than the functional currency are translated using the year end foreign exchange rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions and balances are included in the profit and loss. The functional currency for Valour Inc., DeFi Capital, and ESI is the Canadian dollar, and the functional currency for DeFi Bermuda, Valour Inc., DeFi Europe AG, Crypto 21 AB and Valour Management Limited is US Dollars.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of loss and comprehensive loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognized in other comprehensive loss. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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Notes to the condensed consolidated interim financial statements
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(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are continuously 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. Actual outcomes can differ from these estimates. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are as follows:

(i) Accounting for digital assets

Among its digital asset holdings, only USDC was classified by the Company as a financial asset. The rest of its digital assets was classified following the IFRS Interpretations Committee (the "Committee") published its agenda decision on Holdings of Cryptocurrencies in June 2019. The Committee concluded that IAS 2 – Inventories applies to cryptocurrencies when they are held for sale in the ordinary course of business, otherwise an entity should apply IAS 38 - Intangible Assets to holdings of cryptocurrencies. The Company has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2 - Inventories, in characterizing certain of its holdings as inventory, or more specifically, digital assets. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value less costs to sell are recognized in profit or loss. Digital currencies consist of cryptocurrency denominated assets (see Note 6) and are included in current and long-term assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The cost to sell digital assets is nominal. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. Fair Value for Bitcoin, Ethereum, Cardano, Polkadot, Solana, Uniswap, Avalanche, Terra Luna, Cosmos and Enjin determined by taking the price at 17:30 CET from Kraken, Bitstamp, Bitfinex, Binance and Coinbase exchanges consistent with the pricing of the Exchange Trade Products ("ETP"). Fair value for the other digital assets is determined by taking the last closing price for the day (UTC time) from www.coinmarketcap.com.

(ii) Fair value of financial derivatives

Investments in options and warrants which are not traded on a recognized securities exchange do not have a readily available market value. Valuation technique such as Black Scholes model is used to value these instruments. Refer to Notes 3 and 15 for further details.

(iii) Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Notes 3 and 15 for further details.

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Notes to the condensed consolidated interim financial statements
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2. Significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

(iv) Share-based payments

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price of the Company's shares at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense.

(v) Business combinations and goodwill

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets and liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Goodwill is assessed for impairment annually.

(vi) Contingencies (See Note 19 for details)

(vii) Estimated useful lives and impairment considerations

Amortization of intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

(viii) Impairment of non-financial assets

The Company's non-financial assets include prepaid expenses, digital assets excluding USDC, equipment and right of use assets, intangibles and goodwill. Impairment of these non-financial assets exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. See Note 6 for the discussion regarding impairment of the Company's non-financial assets.

(ix) Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. To date, COVID-19 has had minimal effect on the Company's operations or on the Company's ability to finance its operations.

Valour Inc.
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2. Significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

(xi) Functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and the currencies in which expenses are settled, by each entity, as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

(xii) Assessment of transaction as an asset purchase or business combination

Assessment of a transaction as an asset purchase or a business combination requires judgements to be made at the date of acquisition in relation to determining whether the acquiree meets the definition of a business. The three elements of a business include inputs, processes and outputs. When the acquiree does not have outputs, it may still meet the definition of a business if its processes are substantive which includes assessment of whether the process is critical and whether the inputs acquired include both an organized workforce and inputs that the organized workforce could convert into outputs.

(e) New and future accounting change

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2023 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following amendments were adopted by the Company on January 1, 2022. The adoption of these amendments had no significant impact on the Company's financial statements.

IAS 16, Property, Plant and Equipment - The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use.

IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract - i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract - e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract.

IFRS 3 - Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 - rather than the definition in the Conceptual Framework - to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date.

IFRS 9 - Financial Instruments -The IASB has issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

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2. Significant accounting policies (continued)

(e) New and future accounting change (continued)

New accounting standards issued but not effective:

IFRS 10 – Condensed consolidated interim financial statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however, early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

3. Investments, at fair value through profit and loss

At September 30, 2022, the Company’s investment portfolio consisted of one publicly traded investment and eight private investments for a total estimated fair value of \$42,074,849 (December 31, 2021 – one publicly traded investments and seven private investments at a total estimated fair value of \$10,275,906).

During the three and nine months ended September 30, 2022, the Company had a realized (loss) gain of (\$12,077) (three and nine months ended September 30, 2021 - \$735,253 and (\$1,179,787) respectively) on the disposition of private and public investments and had unrealized gain (loss) of \$234,322 and (\$3,338,494) (three and nine months ended September 30, 2021 - \$4,036,002 and \$4,355,749 respectively) on private and public investments.

At September 30 2022, the Company’s one public investment had a total fair value of \$20,673.

Public Issuer	Note	Security description	Cost	Value	of FV
Smart Valor AG		19,000 SDR	150,908	20,673	100.0%
Total public investments			\$ 150,908	\$ 20,673	100.0%

At December 31, 2021, the Company’s one public investment had a total fair value of \$18,146

Public Issuer	Note	Security description	Cost	Estimated Fair Value	% of FV
Silo Wellness Inc.**	(i)	403,250 common shares	40,325	18,146	100.0%
Total public investments			\$ 40,325	\$ 18,146	100.0%

**formerly known as Yukoterre Resources Inc

(i) Investments in related party entities (Note 18)

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3. Investments, at fair value through profit and loss (continued)

Private Investments

At September 30, 2022, the Company's eight private investments had a total fair value of \$42,054,176

Private Issuer	Note	Security description	Cost	Value	of FV
3iQ Corp.		187,007 common shares	\$ 1,122,042	\$ 3,740,140	8.8%
Brazil Potash Corp.	(i)	404,200 common shares	1,998,668	2,216,148	5.3%
Earnity Inc.		85,142 preferred shares	130,946	214,456	0.5%
Luxor Technology Corporation		201,633 preferred shares	630,505	685,418	1.6%
SDK:meta, LLC		1,000,000 units	3,420,000	-	0.0%
SEBA Bank AG		3,906,250 non-voting shares	34,498,750	34,965,000	83.1%
Skolem Technologies Ltd.		16,354 preferred shares	177,488	191,893	0.5%
VolMEX Labs Corporation		Rights to certain preferred shares and warrants	37,809	41,121	0.1%
Total private investments			\$ 42,016,208	\$ 42,054,176	100.0%

(i) Investments in related party entities (Note 18)

At December 31, 2021, the Company's seven private investments had a total fair value of \$10,257,760.

Private Issuer	Note	Security description	Cost	Fair Value	of FV
3iQ Corp.		187,007 common shares	\$ 1,122,042	\$ 3,740,140	36.6%
Brazil Potash Corp.	(i)	404,200 common shares	1,998,668	2,049,779	20.0%
Earnity Inc.		85,142 preferred shares	130,946	198,356	1.9%
Luxor Technology Corporation		201,633 preferred shares	630,505	633,963	6.2%
SDK:meta, LLC		1,000,000 units	3,420,000	3,420,000	33.3%
Skolem Technologies Ltd.		16,354 preferred shares	177,488	177,488	1.7%
VolMEX Labs Corporation		Rights to certain preferred shares and warrants	37,809	38,034	0.4%
Total private investments			\$ 7,517,458	\$ 10,257,760	100.1%

(i) Investments in related party entities (Note 18)

4. Amounts receivable

	30-Sep-22	31-Dec-21
Other receivable	\$ 143,576	\$ 32,565

5. Prepaid expenses

	30-Sep-22	31-Dec-21
Prepaid insurance	\$ 122,129	\$ -
Prepaid investment	644,300	950,850
Prepaid expenses	701,108	456,847
	\$ 1,467,537	\$ 1,407,697

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6. Digital Assets

As at September 30, 2022, the Company's digital assets consisted of the below digital currencies, with a fair value of \$146,762,996 (December 31, 2021 - \$370,053,740). Digital currencies are recorded at their fair value on the date they are acquired and are revalued to their current market value at each reporting date. Fair value for Bitcoin, Cardano, Ethereum, Polkadot, Solana, Uniswap, Avalanche, Luna Terra, Cosmos and Enjin is determined by taking the price at 17:30 CET from Kraken, Bitfinex, Binance and Coinbase exchanges consistent with the pricing of the ETP. Fair value for the other digital assets is determined by taking the last closing price for the day (UTC time) from www.coinmarketcap.com. The Company's holdings of digital assets consist of the following:

	September 30, 2022		December 31, 2021	
	Quantity	\$	Quantity	\$
Binance Coin	2.5475	1,006	0.3000	197
Bitcoin	2,181.4102	58,705,706	1,837.5692	112,052,901
Ethereum	20,942.2350	38,357,749	18,666.2358	89,582,049
Cardano	36,285,234.4025	21,340,005	34,447,996.7900	59,079,245
Polkadot	968,079.3180	8,472,293	1,133,717.2970	40,213,624
Solana	377,322.46	17,684,480	294,114.51	65,591,792
Mobilecoin	2,855.5045	3,447	2,854.9570	35,506
Shyft	2,898,155.6819	65,189	1,137,025.7440	616,106
Uniswap	145,751.2602	1,273,555	66,993.0000	1,557,232
USDC	(126,083.51)	(172,705)		4,063
USDT		15,049		8,055
Cosmos	1.9992	35.6793		-
Avalanche	36,379.8450	859,502.8219		-
Enjin	9,009.9920	5,587.1377		-
Terra Luna	199,016.2941	1.3707		
Current		146,610,902		368,740,770
Blocto	257,380.45	14,625	251,425	607,519
Maps	285,713.09	33,014	285,713	92,478
Oxygen	400,000.00	16,202	400,000	352,266
OMG Network	250,000.00	59,317	-	-
Saffron.finance	86.21	3,293	86	24,850
Clover	290,000.00	20,468	190,000	118,032
Sovryn	15,458.95	5,116	13,917	117,771
Volmex	2,925,878.00	59	2,925,878	54
Long-Term		152,094		1,312,970
Total Digital Assets		146,762,996		370,053,740

The Company has classified digital assets as long-term where the digital assets acquired via SAFT which have terms where the digital assets are be released over time. SAFT is a contractual investment agreement that involves the agreement of the authorized investors to finance the crypto developers' projects in exchange for crypto tokens at a future date. The SAFT contract is deemed a hybrid instrument where the host is a prepayment denominated in the Company's functional currency and the embedded derivative is crypto asset forward contract. The embedded derivative is measured at fair with fair value changes recorded within statement of income. As at September 30, 2022, the embedded derivative component aggregate to a \$637,966 liability (December 31, 2021: \$284,404 - asset).

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6. Digital Assets (continued)

The continuity of digital assets for the three months ended September 30, 2022 and year ended December 31, 2021:

	September 30, 2022	December 31, 2021
Opening balance	\$ 370,053,740	\$ 636,600
Digital assets acquired	228,021,507	729,666,919
Digital assets disposed	(189,843,465)	(331,176,366)
Realized gain on digital assets	(236,120,171)	2,291,313
Digital assets earned from staking, lending and fees	5,629,115	3,356,020
Net change in unrealized gains and losses on digital assets	(30,977,729)	(34,720,746)
	\$ 146,762,996	\$ 370,053,740

In the normal course of business, the Company enters into open-ended staking and lending arrangements with certain financial institutions, whereby the Company stakes and loans certain digital assets in exchange for interest income payable in the underlying digital asset loaned or staked. The Company can demand the repayment of the loans and accrued interest can be terminated within 5 days notices and staked coins can be returned on a 1 day notice. The digital assets staked and loaned are included in the balance above. As of September 30, 2022, the Company has staked or on loan select digital assets and fiat to borrowers at annual rates ranging from approximately 2.45% to 11.1% and accrue interest on a monthly basis. The digital assets and fiat on loan are measured at fair value through profit and loss.

As of September 30, 2022, digital assets and fiat staked and on loan consisted of the following:

	Number of coins on loan	Fair Value	Fair Value Share
Digital and fiat currencies on loan:			
Polkdot	917,875.0000	8,032,922	19%
Cardano	32,903,495.9250	19,351,143	47%
Solana	295,000.0500	13,826,165	34%
Total	34,116,370.9750	\$ 41,210,231	100%

As of September 30, 2022, the digital assets staked or on loan by significant borrowing counterparty is as follow:

	Interest rates	Number of coins on loan	Fair Value	Fair Value Share
Digital and fiat currencies on loan:				
Counterparty A	2.45% - 11.1%	8,921,353	24,309,972	59%
Counterparty B	2.8% - 3.2%	25,150,018	14,791,182	36%
Counterparty C	7%-8%	45,000	2,109,078	5%
Total		34,116,371	\$ 41,210,231	100%

As of September, 2022, digital assets staked or on loan were concentrated with counterparties as follows:

	Geography	September 30, 2022
Digital and fiat currencies on loan:		
Counterparty A	London, UK	59%
Counterparty B	Cayman Islands	36%
Counterparty C	United States	5%
Total		100%

The Company's digital assets on loan or staked are exposed to credit risk. The Company limits its credit risk by placing its digital assets on loan or staked with high credit quality financial institutions that are believed to have sufficient capital to meet their obligations as they come due and on which the Company has performed internal due diligence procedures. The Company's due diligence procedures may include, but are not limited to, review of the financial position of the borrower, review of the internal control practices and procedures of the borrower, review of market information, and monitoring the Company's risk exposure thresholds. As of September 30, 2022, the Company does not expect a material loss on any of its digital assets on loan or staked. While the Company intends to only transact with counterparties that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

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7. Intangibles

The components of intangible assets as of September 30, 2022 and December 31, 2021 are as follows:

Cost		Brand Name	Total
Balance, December 31, 2021 and September 30, 2022	\$	42,789,968	\$ 42,789,968
Accumulated Amortization		Brand Name	Total
Balance, December 31, 2021	\$	21,065,981	\$ 21,065,981
Amortization		1,767,868	1,767,868
Balance, September 30, 2022	\$	22,833,849	\$ 22,833,849
Balance, December 31, 2021	\$	21,723,987	\$ 21,723,987
Balance, September 30, 2022	\$	19,956,119	\$ 19,956,119

8. Accounts payable and accrued liabilities

		30-Sep-22	31-Dec-21
Corporate payables	\$	5,353,107	\$ 4,377,352
Related party payable (Note 18)		75,228	34,819
	\$	5,428,335	\$ 4,412,171

9. Loan payable

On January 14, 2022 and January 17, 2022, the Company entered into various loans with a digital asset liquidity provider totaling \$46,235,200 (US\$37,000,000). Interest is accrued and calculated at rates between 8.15% to 8.27% per annum. Principal plus accrued interest are due and payable on April 14, 2022 and April 17, 2022. The loans were secured with 315 BTC and 7,330 ETH. The loans were extended with new maturity dates between May 14, 2022 and July 14, 2022 with interest rates ranging from 6.9% to 8.7%. The extended loans was secured with 415 BTC and 8,130 ETH. on April 4, 2022 the Company entered into a loan with a second digital asset provider for US\$5,500,000. This second loan matures of June 4, 2022. The interest accrued interest at 7% annually and is payable monthly. The second loan was secured with 143 BTC. The Company partially repaid of one of the loans of \$3,500,000 in April 2022, while the remainder of these loans have since been rolled and continue to be outstanding. The Company has spread the loans among 3 different digital asset liquidity providers to reduce single entity concentration and be able to obtain more competitive rates. Subsequent to September, 2022, the loans were extended with new maturity dates varying between open term, September 14, 2022 and October 14, 2022 with interest rates ranging from 7.6% to 8.65%. The extended loans were secured with 1895 BTC and 18216 ETH.

As of September 30, 2022, the loan principal of \$54,507,171 (US\$39,765,938) was outstanding.

Subsequent to September 30, 2022, the loans were extended with new maturity dates varying between Open Term, December 2, 2022, December 14, 2022 and January 31, 2023 with interest rates ranging from 5.7% to 7.25%. The extended loans were secured with 1542 BTC and 18586 ETH.

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10. ETP Holders payable

The fair market value of the Company's ETPs as at September 30, 2022 and December 31, 2021 were as follows:

	September 30, 2022	December 31, 2021
	\$	\$
BTC Zero EUR	3,341,810	6,968,354
BTC Zero SEK	55,337,671	104,249,502
ETH Zero EUR	127,673	318,280
ETH Zero SEK	38,209,547	88,712,236
Polkadot SEK	8,358,390	38,985,823
Polkadot EUR	86	-
Cardano SEK	21,192,015	57,873,343
Cardano EUR	2,408	-
UNI SEK	1,126,622	1,581,079
UNI EUR	125,135	-
Solana SEK	17,853,154	64,802,745
Solana EUR	19,537	-
Avalanche EUR	1,102	-
Avalanche SEK	844,451	-
Enjin EUR	5,246	-
	146,544,849	363,491,362

The Company's ETP certificates are unsecured and trade on the Nordic Growth Market "(NGM)" and / or Germany Borse Frankfurt Zertifikate AG. ETPs issued by the Company referencing the performance of digital assets are measured at fair value through profit or loss. Their fair value is a function of the unadjusted quoted price of the digital asset underlying the ETP, less any accumulated management fees. The fair value basis is consistent with the measurement of the underlying digital assets which are measured at fair value. The Company's policy is always to hedge 100% of the market risk in the underlying asset. Hedging is done continuously and in direct correspondence to the issuance of certificates to investors.

11. Lease liabilities

As at September 30, 2022 and December 31, 2021 the Company has lease liabilities associated with its right-of-use assets in the following amount.

	30-Sep-22	31-Dec-21
Lease liabilities		
Current	\$ 197,807	\$ -
Non-Current	1,681,358	5,646
Total Lease liabilities	\$ 1,879,165	\$ 5,646

Current balances have been included in accounts payable and accrued liabilities.

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12. Expense by nature

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Management and consulting fees	\$ 1,924,238	\$ 2,355,095	\$ 5,418,247	\$ 4,640,412
Travel and promotion	530,640	923,052	2,036,323	1,489,298
Office and rent	65,314	632,666	747,388	1,243,879
Accounting and legal	2,403,802	255,214	3,495,910	543,457
Regulatory and transfer agent	(81,191)	9,233	34,812	352,648
Current income tax recovery	134	-	340	-
	<u>\$ 4,842,936</u>	<u>\$ 4,175,260</u>	<u>\$ 11,733,020</u>	<u>\$ 8,269,694</u>

13. Share Capital

- a) As at September 30, 2022, the Company is authorized to issue:
- I. Unlimited number of common shares with no par value;
 - II. 20,000,000 preferred shares, 9% cumulative dividends, non-voting, non-participating, non-redeemable, non-retractable, and non-convertible by the holder. The preferred shares are redeemable by the Company in certain circumstances.

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13. Share Capital (continued)

b) Issued and outstanding shares

	Number of Common Shares	Amount
Balance, December 31, 2020	103,405,361	\$ 23,357,691
Private placement financing	5,000,000	10,000,000
Share issuance costs allocated to shares	-	(309,901)
Acquisition of Defi Capital Inc. (Note 10)	20,000,000	19,800,000
Acquisition of Valour Inc. (Note 11)	57,934,316	84,121,769
Treasury shares acquired		(7,360,000)
Share exchange with Hive Blockchain Technologies Ltd	10,000,000	16,000,000
Share exchange with SDK:meta 10% equity acquisition	3,000,000	3,420,000
Warrants exercised	12,826,675	2,219,806
Grant date fair value on warrants exercised	-	328,602
Options exercised	1,514,400	238,940
Grant date fair value on options exercised	-	166,120
DSU exercised	4,500,000	15,830,000
Grant date fair value on DSU exercised		1,005,000
NCIB	(7,078,200)	(5,552,561)
Balance, December 31, 2021	211,102,552	\$ 163,265,466
Shares issued for debt settlement	138,767	296,160
Warrants exercised	3,714,917	647,284
Grant date fair value on warrants exercised		136,447
Options exercised	500,000	45,000
Grant date fair value on options exercised	-	39,600
DSU exercised	2,000,000	2,410,000
Grant date fair value on DSU exercised		3,535,000
NCIB	(8,560,100)	(6,743,037)
Balance, September 30, 2022	208,896,136	\$ 163,631,919

c) Normal Course Issuer Bid ("NCIB")

On April 13, 2021, the Company commenced a NCIB to buy back common shares of the Company through the facilities of Neo Exchange Inc. and/or other Canadian alternative trading platforms. Under the terms of the NCIB, the Company may, if considered advisable, purchase its Common Shares in open market transactions through the facilities of the Exchange and/or other Canadian alternative trading platforms not to exceed up to 9.7% of the public float for the Common Shares as of April 9, 2021, or 18,162,177 Common Shares, purchased in aggregate. The price that the Company will pay for the Common Shares shall be the prevailing market price at the time of purchase and all purchased Common Shares will be cancelled by the Company. In accordance with Exchange rules, daily purchases (other than pursuant to a block purchase exception) on the Exchange under the NCIB cannot exceed 25% of the average daily trading volume on the Exchange as measured from November 9, 2020 to April 8, 2021.

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13. Share Capital (continued)

c) Normal Course Issuer Bid ("NCIB") (continued)

On April 9, 2022, the Company extended its NCIB to buy back common shares of the Company through the facilities of Neo Exchange Inc. and/or other Canadian alternative trading platform. The NCIB was originally launched on April 13, 2021 and was set to expire on April 8, 2022. Under the terms of the NCIB, the company may, if considered advisable, purchase its common shares in open-market transactions through the facilities of the exchange and/or other Canadian alternative trading platforms not to exceed up to 10 per cent of the public float for the common shares as of April 8, 2022, or 20,359,513 common shares, purchased in aggregate. The price that the company will pay for the common shares shall be the prevailing market price at the time of purchase and all purchased common shares will be cancelled by the company. In accordance with exchange rules, daily purchases (other than pursuant to a block purchase exception) on the exchange under the NCIB cannot exceed 25 per cent of the average daily trading volume on the exchange as measured from Nov. 8, 2021, to April 8, 2022. The NCIB will be extended until April 7, 2023, or to such earlier date as the NCIB is complete.

During the nine months ended September 30, 2022, the Company purchased and cancelled 8,560,100 shares at an average price of \$1.54 per share (2021 - \$1.90).

14. Share-based payments reserves

Stock option plan

Stock options, DSUs and Warrants

	Options			DSU		Warrants			Total Value
	Number of Options	Weighted average exercise prices	Value of options	Number of DSU	Value of DSU	Number of warrants	Weighted average exercise prices	Value of warrants	
December 31, 2020	5,465,000	\$ 0.21	\$ 276,407	\$ -	\$ -	32,259,485	\$ 0.19	\$ 914,588	\$ 1,190,995
Granted	21,420,000	1.54	21,898,191	13,125,000	23,886,948	-	-	-	45,785,139
Exercised	(1,514,400)	0.16	(166,121)	(4,500,000)	(16,835,000)	(12,826,675)	0.13	(328,602)	(17,329,723)
Expired / cancelled	(5,062,500)	1.36	(3,775,802)	-	-	-	-	-	(3,775,802)
Treasury shares	-	-	27,453	-	-	-	-	-	27,453
December 31, 2021	20,308,100	\$ 1.27	\$ 18,260,128	8,625,000	\$ 7,051,948	19,432,810	\$ 0.20	\$ 585,986	\$ 25,898,062
Granted	3,800,000	1.35	8,522,126	4,000,000	7,175,265	-	-	-	15,697,391
Exercised	(500,000)	0.09	(39,600)	(2,000,000)	(5,945,000)	(3,714,917)	0.17	(136,447)	(6,121,047)
Expired / cancelled	(3,260,000)	0.50	(1,826,115)	(4,315,000)	(1,561,646)	(3,033,333)	0	(33,352)	(3,421,113)
Treasury shares	-	-	-	-	-	-	-	-	-
September 30, 2022	20,348,100	\$ 1.27	\$ 24,916,539	6,310,000	\$ 6,720,567	12,684,560	\$ 0.25	\$ 416,187	\$ 32,053,293

The Company has an ownership-based compensation scheme for executives and employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, officers, directors and consultants of the Company may be granted options to purchase common shares with the exercise prices determined at the time of grant. The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent of up to 10% of the issued and outstanding shares of the Company from time to time.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company recorded \$8,522,126 (nine months ended September 30, 2021 - \$12,811,232) of share-based payments during the nine months ended September 30, 2022.

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14. Share-based payments reserves (continued)

Stock Options (continued)

The following share-based payment arrangements were in existence at September 30, 2022:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
370,600	370,600	18-Dec-17	18-Dec-22	\$ 0.35	\$ 80,309	\$ 0.35	75.63%	5	0%	1.70%
542,500	542,500	16-Nov-20	16-Nov-25	\$ 0.09	42,966	\$ 0.09	138.70%	5	0%	0.46%
500,000	500,000	24-Feb-21	24-Feb-26	\$ 1.58	1,149,500	\$ 2.55	147.00%	5	0%	0.73%
1,000,000	1,000,000	22-Mar-21	22-Mar-26	\$ 1.58	1,906,500	\$ 2.12	145.70%	5	0%	0.99%
3,910,000	3,910,000	09-Apr-21	09-Apr-26	\$ 1.58	6,250,526	\$ 1.78	145.20%	5	0%	0.95%
4,200,000	4,200,000	18-May-21	18-May-26	\$ 1.22	4,725,840	\$ 1.25	145.60%	5	0%	0.95%
1,000,000	500,000	18-May-21	18-May-26	\$ 1.22	1,125,200	\$ 1.25	145.60%	5	0%	0.95%
750,000	750,000	25-May-21	25-May-26	\$ 1.11	747,900	\$ 1.11	145.50%	5	0%	0.86%
1,200,000	1,200,000	25-May-21	25-May-26	\$ 1.11	1,196,640	\$ 1.11	145.50%	5	0%	0.86%
1,150,000	1,150,000	13-Aug-21	13-Aug-26	\$ 1.58	1,461,305	\$ 1.43	143.70%	5	0%	0.84%
750,000	750,000	21-Sep-21	21-Sep-26	\$ 1.70	1,141,125	\$ 1.70	144.00%	5	0%	0.85%
250,000	250,000	13-Oct-21	13-Oct-26	\$ 2.10	470,375	\$ 2.10	144.00%	5	0%	1.27%
500,000	250,000	09-Nov-21	09-Nov-26	\$ 3.92	1,758,050	\$ 3.92	144.30%	5	0%	1.37%
425,000	425,000	31-Dec-21	31-Dec-26	\$ 3.11	1,187,493	\$ 3.11	145.00%	5	0%	1.25%
500,000	375,000	26-Jan-22	26-Jan-27	\$ 1.98	687,350	\$ 4.05	145.20%	5	0%	1.67%
700,000	525,000	31-Mar-22	31-Mar-27	\$ 1.43	903,840	\$ 4.56	145.80%	5	0%	2.39%
500,000	250,000	09-May-22	09-May-27	\$ 2.00	591,950	\$ 1.34	146.00%	5	0%	2.76%
1,200,000	1,200,000	09-May-22	09-May-27	\$ 1.11	1,468,560	\$ 1.34	146.00%	5	0%	2.76%
500,000	250,000	20-May-22	20-May-27	\$ 1.00	334,300	\$ 0.75	146.80%	5	0%	2.70%
400,000	100,000	21-Jul-22	21-Jul-27	\$ 0.80	195,640	\$ 0.50	147.50%	5	0%	3.00%
20,348,100	18,148,100				27,425,369					

The weighted average remaining contractual life of the options exercisable at September 30, 2022 was 3.78 years (December 31, 2021 – 3.8 years).

On January 26, 2022, the Company granted 500,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$1.98 for a period of five years from the date of grant. The options shall vest in four equal instalments every three months such that all options shall fully vests on the date that is 12 months from the date of grant. These options have an estimated grant date fair value of \$687,350 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 145.2%; risk-free interest rate of 1.67%; and an expected average life of 5 years.

On March 31, 2022, the Company granted 700,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$1.43 for a period of five years from the date of grant. The options shall vest in four equal instalments every three months such that all options shall fully vests on the date that is 12 months from the date of grant. These options have an estimated grant date fair value of \$903,840 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 145.8%; risk-free interest rate of 2.39%; and an expected average life of 5 years.

On May 5, 2022, the Company granted 500,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$2 for a period of five years from the date of grant. The options shall vest 50% at the grant date and 50% six months from the date of grant. These options have an estimated grant date fair value of \$591,950 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146%; risk-free interest rate of 2.76%; and an expected average life of 5 years.

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14. Share-based payments reserves (continued)

Stock Options (continued)

On May 5, 2022, the Company granted 1,200,000 stock options to an officer of Company to purchase common shares of the Company for the price of \$1.11 for a period of five years from the date of grant. The options shall vest immediately. These options have an estimated grant date fair value of \$1,468,560 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146%; risk-free interest rate of 2.76%; and an expected average life of 5 years.

On May 20, 2022, the Company granted 500,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$1 for a period of five years from the date of grant. The options shall vest in four equal installments every three months. These options have an estimated grant date fair value of \$334,300 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146.8%; risk-free interest rate of 2.70%; and an expected average life of 5 years.

On July 21, 2022, the Company granted 400,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$0.80 for a period of five years from the date of grant. The options shall vest in four equal installments every three months. These options have an estimated grant date fair value of \$195,640 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 147.5%; risk-free interest rate of 3.00%; and an expected average life of 5 years.

Warrants

As at September 30, 2022 the Company had share purchase warrants outstanding as follows:

	Number outstanding & exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
Warrants	12,684,560	16-Nov-20	13-Feb-23	\$ 0.25	423,265	\$ 0.09	151.0%	2	0%	0.27%
Warrant issue costs					(7,076)					
	12,684,560				416,189					

As at December 31, 2021 the Company had share purchase warrants outstanding as follows:

	Number outstanding & exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
Warrants	3,076,923	12-Jun-17	12-Jun-22	\$ 0.20	129,432	\$ 0.12	79.9%	5	0%	1.04%
Warrants	3,671,327	26-Jun-20	26-Jun-22	\$ 0.05	40,367	\$ 0.03	118.1%	2	0%	0.29%
Warrants	12,684,560	16-Nov-20	16-Nov-22	\$ 0.25	423,262	\$ 0.09	151.0%	2	0%	0.27%
Warrant issue costs					(7,075)					
	19,432,810				585,986					

Deferred Share Units Plan (DSUs)

On August 15, 2021, the Company has adopted the DSUs plan of the Corporation. Eligible participants of the DSU Plan include any director, officer, employee or consultant of the Corporation. The Board fixes the vesting terms it deems appropriate when granting DSUs. The number of DSUs that may be granted under the DSU Plan may not exceed 5% of the total issued and outstanding Common Shares at the time of grant. The DSUs fair value is based on the Company's share price on the date the DSUs are granted.

On January 26, 2022, the Company granted 500,000 DSUs to a consultant of the Company. These DSUs have a grant day fair value of \$990,000 and vest in four equal installments every six months, with the first instalment vesting on the date that is six months from the grant day.

On March 31, 2022, the Company granted 600,000 DSUs to a consultant of the Company. These DSUs have a grant day fair value of \$858,000 and vest in four equal installments every six months, with the first instalment vesting on the date that is six months from the grant day.

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14. Share-based payments reserves (continued)

Deferred Share Units Plan (DSUs) (continued)

On May 3, 2022, the Company granted 500,000 DSUs to a consultant of the Company. These DSUs have a grant day fair value of \$555,000 and vest immediately.

On July 21, 2022, the Company granted 2,400,000 DSUs to a consultant of the Company. These DSUs have a grant day fair value of \$1,200,000 and vest in four equal instalments every six months, with the first instalment vesting on the date that is six-months from the grant date.

The Company recorded \$7,175,265 in share-based compensation during the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$254,746).

15. Financial instruments

Financial assets and financial liabilities as at September 30, 2022 and December 31, 2021 are as follows:

	Asset / (liabilities) at amortized cost	Assets /(liabilities) at fair value through profit/(loss)	Total
<u>December 31, 2021</u>			
Cash	\$ 9,161,034	\$ -	\$ 9,161,034
Amounts receivable	32,565	-	32,565
Public investments	-	18,146	18,146
Private investments	-	10,257,760	10,257,760
Derivative asset	-	284,404	284,404
USDC	-	4,063	4,063
Accounts payable and accrued liabilities	(4,412,171)	-	(4,412,171)
ETP holders payable	-	(363,491,362)	(363,491,362)
<u>September 30, 2022</u>			
Cash	\$ 4,655,853	\$ -	\$ 4,655,853
Amounts receivable	143,576	-	143,576
Public investments	-	20,673	20,673
Private investments	-	42,054,176	42,054,176
USDC	-	(172,705)	172,705
Accounts payable and accrued liabilities	(5,428,335)	-	(5,428,335)
Loan payable	(54,507,171)	-	(54,507,171)
ETP holders payable	-	(146,544,849)	(146,544,849)
Derivative liability	-	(637,966)	(637,966)

The Company's financial instruments are exposed to several risks, including market, liquidity, credit and currency risks. There have been no significant changes in the risks, objectives, policies and procedures from the previous year. A discussion of the Company's use of financial instruments and their associated risks is provided below:

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15. Financial instruments (continued)

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparty related to its cash carries an investment grade rating as assessed by external rating agencies. The Company maintains all or substantially all of its cash with a major financial institution domiciled in Canada. Deposits held with this institution may exceed the amount of insurance provided on such deposits

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. In addition, some of the investments the Company holds are lightly traded public corporations or not publicly traded and may not be easily liquidated. The Company generates cash flow from proceeds from the disposition of its investments and digital assets. There can be no assurances that sufficient funding, including adequate financing, will be available to cover the general and administrative expenses necessary for the maintenance of a public company. All of the Company's assets, liabilities and obligations are due within one to three years.

The Company manages liquidity risk by maintaining adequate cash balances and liquid investments and digital assets. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial and non-financial assets and liabilities. As at September 30, 2022, the Company had current assets of \$152,898,541 (December 31, 2021 - \$379,360,212) to settle current liabilities of \$207,118,321 (December 31, 2021 - \$367,903,533).

The following table shows the Company's source of liquidity by assets as at September 30, 2022 and December 31, 2021.

		December 31, 2021		
		Total	Less than 1 year	1-3 years
Cash	\$	9,161,034	\$ 9,161,034	\$ -
Amounts receivable		32,565	32,565	-
Public investments		18,146	18,146	-
Prepaid expenses		1,407,697	800,962	606,735
Digital assets		370,053,740	368,740,770	1,312,970
Private investments		10,257,760	-	10,257,760
Derivative asset		284,404	-	284,404
Total assets - December 31, 2021	\$	391,215,345	\$ 378,753,477	\$ 12,461,869
		September 30, 2022		
		Total	Less than 1 year	1-3 years
Cash	\$	4,655,853	\$ 4,655,853	\$ -
Amounts receivable		143,576	143,576	-
Public investments		20,673	20,673	-
Prepaid expenses		1,467,537	1,467,537	-
Digital assets		146,762,996	146,610,902	152,094
Private investments		42,054,176	-	42,054,176
Total assets - September 30, 2022	\$	195,104,811	\$ 152,898,541	\$ 42,206,270

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15. Financial instruments (continued)

Liquidity risk (continued)

Digital assets included in the table above are non-financial assets except USDC. For the purposes of liquidity risk analysis, these non-financial assets were included as they are mainly utilized to pay off any redemptions related to ETP holders payable, a financial liability. The lent and staked digital assets fall under the "less than 1 year" bucket in 2022.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices.

(a) Price and concentration risk

The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favorable prices. In addition, most of the Company's investments are in the technology and resource sector. At September 30, 2022, two investments made up approximately 14.7% (December 31, 2021 – two investments of 1.6%) of the total assets of the Company. For the nine months ended September 30, 2022, a 10% decrease (increase) in the closing price of these two positions would result in an estimated increase (decrease) in net loss of \$3,870,514 or \$0.02 per share.

For the nine months ended September 30, 2022, a 10% decrease (increase) in the closing prices of its portfolio investments would result in an estimated increase (decrease) in net loss of \$4,207,485 or \$0.02 per share.

(b) Interest rate risk

The Company's cash is subject to interest rate cash flow risk as it carries variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on cash balances on hand at September 30, 2022, a 1% change in interest rates could result in \$46,559 change in net loss.

(c) Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its results of operations from time to time. The Company's foreign currency risk arises primarily with respect to United States dollar, Euro and British Pound. Fluctuations in the exchange rates between this currency and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk. The Company reduces its currency risk by maintaining minimal cash balances held in foreign currency.

As at September 30, 2022 and December 31, 2021, the Company had the following financial and non-financial assets and liabilities, (amounts posted in Canadian dollars) denominated in foreign currencies:

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15. Financial instruments (continued)

Currency risk (continued)

	September 30, 2022			
	United States Dollars	British Pound	Swiss Franc	European Euro
Cash	\$ 4,655,641	\$ -	\$ -	\$ -
Receivables	143,577	-	-	-
Private investments	7,089,176	-	34,965,000	-
Prepaid investment	1,275,661	-	-	178,513
Accounts payable and accrued liabilities	(2,463,568)	(66,775)	-	(20,075)
ETP holders payable	(146,544,849)	-	-	-
Net assets (liabilities)	\$ (135,844,362)	\$ (66,775)	\$ 34,965,000	\$ 158,438

	December 31, 2021		
	United States Dollars	British Pound	European Euro
Cash	\$ 8,928,642	\$ -	\$ -
Receivables	32,065	-	-
Private investments	10,257,760	-	-
Prepaid investment	34,436	-	2,409,710
Accounts payable and accrued liabilities	(3,363,109)	80,782	-
ETP holders payable	(363,491,362)	-	-
Net assets (liabilities)	\$ (347,601,568)	\$ 80,782	\$ 2,409,710

A 10% increase (decrease) in the value of the Canadian dollar against all foreign currencies in which the Company held financial instruments as of September 30, 2022 would result in an estimated increase (decrease) in net income of approximately \$10,078,100.

(d) Digital currency risk factors: Perception, Evolution, Validation and Valuation

A digital currency does not represent an intrinsic value or a form of credit. Its value is a function of the perspective of the participants within the marketplace for that digital currency. The price of the digital currency fluctuates as a result of supply and demand pressures that accumulate in the market for it.

Having a finite supply (in the case of many but not all digital currencies), the more people who want to own that digital currency, the more the market price increases and vice-versa.

The most common means of determining the value of a digital currency is through one or more cryptocurrency exchanges where that digital currency is traded. Such exchanges publicly disclose the "times and sales" of the various listed pairs. As the marketplace for digital currencies evolves, the process for assessing value will become increasingly sophisticated.

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15. Financial instruments (continued)

(e) Fair value of financial instruments

The Company has determined the carrying values of its financial instruments as follows:

- i. The carrying values of cash, amounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.
- ii. Public and private investments are carried at amounts in accordance with the Company's accounting policies as set out in Note 2.
- iii. Digital assets classified as financial assets relate to USDC which is measured at fair value.

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at September 30, 2022 and December 31, 2021.

	Level 1	Level 2	Level 3	
	<i>(Quoted Market price)</i>	<i>(Valuation technique -observable market Inputs)</i>	<i>(Valuation technique - non-observable market inputs)</i>	Total
<i>Investments, fair value</i>				
Publicly traded investments	\$ 20,673	\$ -	\$ -	\$ 20,673
Privately traded invesments	-	-	42,054,176	42,054,176
Digital assets	-	(172,705)	-	(172,705)
September 30, 2022	\$ 20,673	\$ (172,705)	\$ 42,054,176	\$ 41,902,144
Publicly traded investments	\$ 18,146	\$ -	\$ -	\$ 18,146
Privately traded invesments	-	-	10,257,760	10,257,760
Digital assets	-	4,063	-	4,063
December 31, 2021	\$ 18,146	\$ 4,063	\$ 10,257,760	\$ 10,279,969

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15. Financial instruments (continued)

Level 2 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 2 during the periods ended September 30, 2022 and December 31, 2021. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the statements of loss

<i>Investments, fair value for the period ended</i>	<i>September 30,</i> <i>2022</i>	<i>December 31,</i> <i>2021</i>
Balance, beginning of period	\$ 4,063	\$ 636,600
Purchases	-	-
Disposal	(176,768)	(632,537)
Balance, end of period	\$ (172,705)	\$ 4,063

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 during the periods ended September 30, 2022 and December 31, 2021. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the statements of loss.

<i>Investments, fair value for the period ended</i>	<i>September 30,</i> <i>2022</i>	<i>December 31,</i> <i>2021</i>
Balance, beginning of period	\$ 10,257,760	\$ 3,018,493
Purchases	34,498,750	4,710,797
Transferred to Level 2	-	(1,051,233)
Realized and unrealized gain/(loss) net	(2,702,334)	3,579,703
Balance, end of period	\$ 42,054,176	\$ 10,257,760

Within Level 3, the Company includes private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the size of the private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

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15. Financial instruments (continued)

Fair value of financial instruments (continued)

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at September 30, 2022 and December 31, 2021.

<i>Description</i>	<i>Fair value</i>	<i>Valuation technique</i>	<i>Significant unobservable input(s)</i>	<i>Range of significant unobservable input(s)</i>
3iQ Corp.	\$ 3,740,140	Recent financing	Marketability of shares	0% discount
Brazil Potash Corp.	2,216,148	Recent financing	Marketability of shares	0% discount
Earnity	214,456	Recent financing	Marketability of shares	0% discount
Luxor Technology Corporation	685,418	Recent financing	Marketability of shares	0% discount
SEBA Bank AG	34,965,000	Recent financing	Marketability of shares	0% discount
SDK:meta, LLC	-	Recent financing	Marketability of shares	0% discount
Skolem Technologies Ltd.	191,893	Recent financing	Marketability of shares	0% discount
VolMEX Labs Corporation	41,121	Recent financing	Marketability of shares	0% discount
September 30, 2022	\$ 42,054,176			
3iQ Corp.	\$ 3,740,140	Recent financing	Marketability of shares	0% discount
Brazil Potash Corp.	2,049,779	Recent financing	Marketability of shares	0% discount
Earnity	198,356	Recent financing	Marketability of shares	0% discount
Luxor Technology Corporation	633,963	Recent financing	Marketability of shares	0% discount
SDK:meta, LLC	3,420,000	Recent financing	Marketability of shares	0% discount
Skolem Technologies Ltd.	177,488	Recent financing	Marketability of shares	0% discount
VolMEX Labs Corporation	38,034	Recent financing	Marketability of shares	0% discount
December 31, 2021	\$ 10,257,760			

3iQ Corp. ("3iQ")

On September 30, 2020, the Company acquired 187,007 common shares of 3iQ as part of the Company's acquisition of Valour (see Note 3 and 11). As at September 30 2022, the valuation of 3iQ was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022. As at September 30, 2022, a +/- 10% change in the fair value of 3iQ will result in a corresponding +/- \$374,014 change in the carrying amount.

Brazil Potash Corp. ("BPC")

On September 11, 2020, the Company received 404,200 common shares of BPC as consideration of selling the Company's Royalties to a non-arms length party of the Company. As at September 30, 2022, the valuation of BPC was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022. As at September 30, 2022, a +/- 10% change in the fair value of BPC will result in a corresponding +/- \$221,615 change in the carrying amount.

Earnity Inc. ("Earnity")

On April 13, 2021, the Company subscribed US\$40,000 (\$50,076) to acquire certain rights to certain future equity of Earnity (see Note 3). As at September 30 2022, the valuation of Earnity was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022, a +/- 10% change in the fair value of Clove will result in a corresponding +/- \$21,446 change in the carrying amount.

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15. Financial instruments (continued)

Fair value of financial instruments (continued)

Luxor Technology Corporation ("LTC")

On December 29, 2020, the Company subscribed US\$100,000 (\$128,060) to acquire certain rights to the preferred shares of LTC. The transaction was closed on February 15, 2021. On May 11, 2021, the Company subscribed additional rights of US\$62,500 (\$75,787). As at September 30, 2022, the valuation of LTC was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022. As at September 30, 2022, a +/- 10% change in the fair value of LTC will result in a corresponding +/- \$68,542 change in the carrying amount.

SEBA Bank AG ("SEBA")

On January 14, 2022, the Company invested \$34,498,750 to acquire 3,906,250 non-votes shares of SEBA. As at September 30, 2022, the valuation of SEBA was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022. As at September 30, 2022, a +/- 10% change in the fair value of SEBA will result in a corresponding +/- \$3,496,500 change in the carrying amount.

Skolem Technologies Ltd. ("STL")

On December 29, 2020, the Company invested US\$20,000 (\$25,612) to acquire certain rights to the preferred shares of STL. On October 29, 2021, the Company rights were converted into 16,354 series A preferred shares. As at September 30, 2022, the valuation of STL was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022. As at September 30, 2022, a +/- 10% change in the fair value of STL will result in a corresponding +/- \$19,189 change in the carrying amount.

VolMEX Labs Corporation ("VLC")

On February 23, 2021, the Company invested US\$30,000 (\$37,809) to acquire certain rights to the preferred shares of VLC. As at September 30, 2022, the valuation of VLC was based on the most recent financing which is indicative of being the fair market value. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at September 30, 2022. As at September 30, 2022, a +/- 10% change in the fair value of VLC will result in a corresponding +/- \$4,112 change in the carrying amount.

16. Digital asset risk

(a) Digital currency risk factors: Risks due to the technical design of cryptocurrencies

The source code of many digital currencies, such as Bitcoin, is public and may be downloaded and viewed by anyone. As with all code, there may be a bug in the respective code which is yet to be found and repaired and can ultimately jeopardize the integrity and security of one or more of these networks.

Should miners for reasons yet unknown cease to register completed transactions within blocks which have been detached from the block chain, the confidence in the protocol and network will be reduced, which will reduce the value of the digital currency associated with that protocol, and the ETP payable balances that are valued with reference to the respective digital asset.

Protocols for most digital assets or cryptocurrencies are public open source software, they could be particularly vulnerable to hacker attacks, which could be damaging for the digital currency market and may be the cause for investors to choose other currencies or assets to invest in.

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16. Digital asset risk (continued)

(b) Digital currency risk factors: Ownership, Wallets

Rather than the actual cryptocurrency (which are “stored” on the blockchain), a cryptocurrency wallet stores the information necessary to transact the cryptocurrency. Those digital credentials are needed so one can access and spend the underlying digital assets. Some use public-key cryptography in which two cryptographic keys, one public and one private, are generated and stored in a wallet. There are several types of wallets:

- Hardware wallets are USB-like hardware devices with a small screen built specifically for handling private keys and public keys/addresses.
 - Paper wallets are simply paper printouts of private and public addresses.
- Desktop wallets are installable software programs/apps downloaded from the internet that hold your private and public keys/addresses.
- Mobile wallets are wallets installed on a mobile device and are thus always available and connected to the internet.
- Web wallets are hot wallets that are always connected to the internet that can be stored in a browser or can be “hosted” by third party providers such as an exchange.

Digital currency risk factors: Political, regulatory risk in the market of digital currencies

The legal status of digital currencies, inter alia Bitcoin varies between different countries. The lack of consensus concerning the regulation of digital currencies and how such currencies shall be handled tax wise causes insecurity regarding their legal status. As all digital currencies remain largely unregulated assets, there is a risk that politics and future regulations may negatively impact the market of digital currencies and companies operating in such market. It is impossible to estimate how politics and future regulations may affect the market. However, future regulations and changes in the legal status of the digital currencies is a political risk which may affect the price development of the tracked digital currencies.

The perception (and the extent to which it is held) that there is significant usage of the digital assets in connection with criminal or other illicit purposes, could materially influence the development and regulation of digital assets (potentially by curtailing the same).

17. Capital management

The Company considers its capital to consist of share capital, share based payments reserves and deficit. The Company’s objectives when managing capital are:

- a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company’s ability to purchase new investments;
- b) to give shareholders sustained growth in value by increasing shareholders’ equity; while
- c) taking a conservative approach towards financial leverage and management of financial risks.

The Company’s management reviews its capital structure on an on-going basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company’s current capital is composed of its shareholders’ equity and, to-date, has adjusted or maintained its level of capital by:

- a) raising capital through equity financings; and
- b) realizing proceeds from the disposition of its investments

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than the NEO Exchange which requires one of the following to be met: (i) shareholders equity of at least \$2.5 million, (ii) net income from continuing operations of at least \$375,000, (iii) market value of listed securities of at least \$25 million, or (iv) assets and revenues of at least \$25 million. There were no changes to the Company’s capital management during the three and nine months ended September 30, 2022.

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18. Related party disclosures

a) The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries and its respective ownership listed below:

	Country of incorporation	% equity interest
DeFi Capital Inc.	Canada	100
DeFi Holdings (Bermuda) Ltd.	Bermuda	100
Electrum Streaming Inc.	Canada	100
Valour Inc.	Cayman Islands	100
DeFi Europe AG	Switzerland	100
Crypto 21 AB	Sweden	100
Valour Management Limited	UK	100

b) Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Short-term benefits	\$ 286,323	\$ 208,258	\$ 1,456,867	\$ 607,043
Shared-based payments	(1,483,192)	2,819,783	4,055,390	5,026,797
	\$ (1,196,868)	\$ 3,028,041	\$ 5,512,257	\$ 5,633,840

As September 30, 2022, the Company had \$41,632 (December 31, 2021 - \$11,124) owing to its current key management, and \$356,340 (December 31, 2021 - \$655,296) owing to its former key management. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment or "due on demand".

c) During the nine months ended September 30, 2022 and 2021, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

- During the three and nine months ended September 30, 2022 the Company incurred of expenses for its proportionate share of shared office costs with other corporations that may have common directors and officers. The costs associated with this space are administered by 2227929 Ontario Inc. As at September 30, 2022, the Company had a payable balance of \$56,500 (December 31, 2021 - \$nil) with 2227929 Ontario Inc. to cover shared expenses. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and due on demand. Fred Leigh, a former officer and former director of the Company, is also a director of 2227929 Ontario Inc. The expenses incurred for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,		Nine months ended Septmeber 30,	
	2022		2022	
	2022	2021	2022	2021
2227929 Ontario Inc.	\$ 30,000	\$ 30,000	\$ 90,000	\$ 90,000
	\$ 30,000	\$ 30,000	\$ 90,000	\$ 90,000

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18. Related party disclosures (continued)

- During the three and nine months ended September 30, 2022 The Company incurred \$12,503 and \$41,086 respectively (2021 - \$nil) in legal fees to a firm in which a director of the Company is a partner. Included in accounts payable and accrued liabilities were legal expenses of \$12,503 (December 31, 2021 – \$8,550) incurred in the ordinary course of business at a law firm where a director of the company is a Partner.

Included in accounts payable and accrued liabilities were expenses of GBP 44,228 (\$66,775) (December 31, 2021 - \$75,731) expenses owed to Vik Pathak, a former director and officer of the Company.

See Notes 19.

- d) The Company's directors, officers and insiders may have investments in and hold management and/or director and officer positions in some of the investments that the Company holds. The following is a list of total investments and the nature of the relationship of the Company's directors, officers and insiders with the investment as of September 30, 2022 and December 31, 2021.

Investment	Nature of relationship to investment	Estimated Fair value
Brazil Potash Corp.*	Director (Stan Bharti), officer (Ryan Ptolemy) of Investee	\$ 2,216,148
Total investment - September 30, 2022		\$ 2,216,148

* Private companies

Investment	Nature of relationship to investment	Estimated Fair value
Brazil Potash Corp.*	Director (Stan Bharti), officer (Ryan Ptolemy) of Investee	\$ 2,049,779
Silo Wellness Inc.***	Former Director and Officer (Fred Leigh), Former Officer (Kenny Choi, Ryan Ptolemy) and common shareholders of investee	18,146
Total investment - December 31, 2021		\$ 2,067,925

The Company has a diversified base of investors. To the Company's knowledge, no investor holds more than 10% of the Company's shares on a basic share and partially diluted share basis as at September 30, 2022.

Valour Inc. holds 4,000,000 common shares of the Company.

19. Commitments and contingencies

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$2,214,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed consolidated interim financial statements. Minimum commitments remaining under these contracts were approximately \$1,029,000, all due within one year.

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any ending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

In November 2021, the Company received a notice of application from two individuals seeking the enforceability of certain incentive stock option agreements between the respective individual and the Company and an additional \$500,000 in punitive damages per individual. On November 8, 2022, the Superior Court of Justice (the "Court") issued a ruling that the incentive stock option agreement between the respective individual and Company was enforceable. The Court ruled against any punitive damages. The Company is currently reviewing its options with regards to this ruling, including grounds for appeal.

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20. Operating segments

Geographical information

The Company operates in Canada where its head office is located and in Bermuda and Cayman Islands where its operating business are located. Cayman Islands operates the Company's ETPs business line which involves issuing ETPs, hedging against the underlying digital asset, lending and staking of digital assets and management fees earned on the ETPs. Bermuda operates the Company's Venture portfolio and node business lines. Information about the Company's assets by geographical location is detailed below.

September 30, 2022	Canada	Bermuda	Cayman Islands	Total
Cash	123,054	-	4,532,799	4,655,853
Amounts receivable	100,121	-	43,455	143,576
Public investments	-	-	20,673	20,673
Prepaid expenses	516,278	646,685	304,574	1,467,537
Digital Assets	-	220,846	146,542,150	146,762,996
Property, plant and equipment	-	18,160	8,540	26,700
Other non-current assets	104,941,061	41,121	5,619,305	110,601,487
Total assets	105,680,514	926,812	157,071,496	263,678,822

Information about the Company's revenues and expenses by subsidiary are detailed below:

For the nine months ended September 30, 2022	Valour Inc. (Canada)	DeFi Bermuda	Valour Inc. (Cayman Islands)	Total
Realized and net change in unrealized gains and (losses) on digital assets	-	(2,932,931)	(277,364,268)	(280,297,199)
Realized and net change in unrealized gains and (losses) on ETP payables	-	-	275,281,221	275,281,221
Realized (loss) of derivative asset	-	(419,791)	-	(419,791)
Staking and lending income	-	5,114	4,057,852	4,062,966
Management fees	-	-	1,232,302	1,232,302
Node revenue	-	333,847	-	333,847
Realized (loss) on investments, net	(12,077)	-	-	(12,077)
Unrealized (loss) on investments, net	(2,683,242)	-	(655,252)	(3,338,494)
Interest income	2,442	-	51,851	54,293
Total revenue	(2,692,877)	(3,013,761)	2,603,706	(3,102,932)
Expenses				
Operating, general and administration	8,038,225	31,101	3,663,694	11,733,020
Share based payments	15,697,391	-	-	15,697,391
Depreciation - property, plant and equipment	-	7,852	1,861	9,713
Depreciation - right of use assets	-	-	21,324	21,324
Amortization - intangibles	1,767,868	-	-	1,767,868
Finance costs	-	-	3,088,692	3,088,692
Transaction costs	140,886	-	784,783	925,669
Foreign exchange (gain) loss	167,953	-	(457,061)	(289,108)
Total expenses	25,812,323	38,953	7,103,293	32,954,569
(Loss) income before other item	(28,505,200)	(3,052,714)	(4,499,588)	(36,057,501)
Other comprehensive loss				
Foreign currency translation (loss) gain	(1,780)	44,125	(4,418,359)	(4,376,014)
Net (loss) income and comprehensive (loss) income for the period	(28,506,979)	(3,008,589)	(8,917,947)	(40,433,515)

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21. Subsequent events

On October 6, 2022, the Company granted 2,000,000 to a consultant of the Company. These DSUs have a grant day fair value of \$330,000 and vest immediately.

On October 17, 2022, the Company granted 500,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$0.165 for a period of five years from the date of grant. and vest in four equal installments every three months, with the first instalment vesting on the date that is three months from the grant day. These options have an estimated grant date fair value of \$75,350 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 149.4%; risk-free interest rate of 3.60%; and an expected average life of 5 years.

On October 19, 2022, the Company granted 500,000 to consultants of the Company. These DSUs have a grant day fair value of \$75,000 and vest in four equal installments every three months, with the first instalment vesting on the date that is three months from the grant day.

On October 19, 2022, the Company granted 1,000,000 stock options to a consultant of Company to purchase common shares of the Company for the price of \$0.165 for a period of five years from the date of grant. and vest in four equal installments every three months, with the first instalment vesting on the date that is three months from the grant day. These options have an estimated grant date fair value of \$150,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 149.4%; risk-free interest rate of 3.71%; and an expected average life of 5 years.