

**SOLSTICE GOLD CORP.**  
Condensed Interim Financial Statements

Nine Months Ended March 31, 2020  
(Unaudited -Expressed in Canadian Dollars)

## **NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The attached condensed interim consolidated financial statements for the nine months ended March 31, 2020 have not been reviewed by the Company's auditors.

**SOLSTICE GOLD CORP.**

## Statements of Financial Position

(Expressed in Canadian Dollars)

	<i>Notes</i>	<b>March 31, 2020</b>	June 30, 2019
<b>ASSETS</b>			
Cash		\$ 977,852	\$ 3,484,029
Amounts receivable		17,571	36,264
Prepaid expenses		3,975	21,765
		<b>999,398</b>	3,542,058
Exploration and Evaluation	5	<b>14,997,074</b>	12,865,867
<b>Total Assets</b>		<b>\$ 15,996,472</b>	\$ 16,407,925
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	8	\$ 149,207	\$ 234,253
		<b>149,207</b>	234,253
Deferred tax liability	6	<b>470,507</b>	470,507
Total liabilities		\$ 619,714	\$ 704,760
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4, 7	\$ 16,644,818	\$ 16,644,818
Reserves	4, 7	<b>2,082,212</b>	1,970,240
Deficit		<b>(3,350,272)</b>	(2,911,893)
Total shareholders' equity		<b>15,376,758</b>	15,703,165
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 15,996,472</b>	\$ 16,407,925

Approved and authorized by the Board on May 29, 2020

*"David Adamson"*

David Adamson

*"Michael Leskovec"*

Michael Leskovec

**SOLSTICE GOLD CORP.**

## Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Notes	<b>Three months ended March 31, 2020</b>	Three months ended March 31, 2019	<b>Nine months ended March 31, 2020</b>	Nine months ended March 31, 2019
<b>EXPENSES</b>				
Consulting fees	\$ 16,500	16,500	49,500	49,500
Insurance	6,530	7,388	19,589	22,163
Salaries	8 65,249	97,784	221,072	291,547
Marketing expenses	5,968	16,538	28,104	35,788
Office expenses	3,812	13,568	15,624	41,839
Professional fees	8,324	7,305	56,358	86,647
Share-based compensation	7d, 8a 10,714	49,267	56,250	205,231
Transfer agent and filing	2,179	6,550	11,102	26,398
Travel	5,612	5,015	9,392	27,837
	<b>(124,888)</b>	<b>(219,915)</b>	<b>(466,991)</b>	<b>(786,950)</b>
<b>OTHER INCOME (LOSS)</b>				
Interest income	5,712	21,766	28,612	86,680
Flow-through share premium income	-	-	-	45,677
<b>Loss before income taxes</b>	<b>(119,176)</b>	<b>(198,149)</b>	<b>(438,379)</b>	<b>(654,593)</b>
<b>Net loss and comprehensive loss for the period</b>				
	<b>\$ (119,176)</b>	<b>(198,149)</b>	<b>(438,379)</b>	<b>(654,593)</b>
<b>Basic and fully diluted loss per share</b>				
	<b>\$ (0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding - basic and fully diluted</b>				
	<b>69,534,906</b>	<b>69,534,906</b>	<b>69,534,906</b>	<b>68,410,085</b>

**SOLSTICE GOLD CORP.**  
 Statements of Cash Flows  
 (Expressed in Canadian Dollars)

	<i>Notes</i>	<b>Nine Months Ended March 31, 2020</b>	Nine Months Ended March 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (438,379) \$	(654,593)
Items not involving cash:			
Share-based compensation	<i>7d, 8a</i>	45,536	341,375
Flow-through share premium liability		-	(45,677)
Net changes in non-cash working capital items			
Amounts receivable		18,693	64,013
Prepaid expenses		17,790	36,050
Accounts payable and accrued liabilities		(85,046)	(1,200,299)
Net cash used in operating activities		(441,406)	(1,459,131)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Exploration and evaluation	<i>5</i>	(2,064,771)	(2,204,003)
Net cash used in investing activities		(2,064,771)	(2,204,003)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from warrants exercised		-	415,848
Net cash provided by financing activities		-	415,848
<b>Change in cash during the year</b>		<b>(2,506,177)</b>	<b>(3,247,286)</b>
<b>Cash, beginning of year</b>		<b>3,484,029</b>	<b>7,038,129</b>
<b>Cash, end of period</b>		<b>\$ 977,852 \$</b>	<b>3,790,843</b>

**SOLSTICE GOLD CORP.**

## Statements of Changes in Shareholders' Equity

*(Expressed in Canadian Dollars)*

		Share Capital					
	Notes	Number	Amount	Reserves	Deficit	Total	
<b>Balance at June 30, 2018</b>		66,762,584	\$ 16,228,970	\$ 1,505,632	\$ (2,178,732)	\$ 15,555,870	
Warrant Exercises	7c	2,772,322	415,848	-	-	415,848	
Share-based compensation	7d	-	-	400,659	-	400,659	
Net loss for the period		-	-	-	(654,593)	(654,593)	
<b>Balance at March 31, 2019</b>		69,534,906	\$ 16,644,818	\$ 1,906,291	\$ (2,833,325)	\$ 15,717,784	
<b>Balance at June 30, 2019</b>		69,534,906	\$ 16,644,818	\$ 1,970,240	\$ (2,911,893)	\$ 15,703,165	
Share-based compensation	7d	-	-	111,972	-	111,972	
Net loss for the period		-	-	-	(438,379)	(438,379)	
<b>Balance at March 31, 2020</b>		69,534,906	\$ 16,644,818	\$ 2,082,212	\$ (3,350,272)	\$ 15,376,758	

## **SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

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### **1. NATURE AND GOING CONCERN**

Solstice Gold Corp, formerly Dunnedin Gold Inc., (“Solstice” or the “Company”) was incorporated in the Province of British Columbia on June 8, 2017. The Company’s registered and records office is located at Suite 1600 925 West Georgia Street Vancouver BC V6C 3L2. On September 18, 2017, the Company changed its name to Solstice Gold Corp. The Company is carrying out exploration of mineral resource properties in Nunavut, Canada.

The Company entered into a plan of arrangement (the “Arrangement”) with Dunnedin Ventures Inc. (“DVI”), completed January 31, 2018. As part of the Arrangement, certain mineral claims and rights to all minerals, including metalloids, but excluding diamonds, gemstones and all minerals found within kimberlitic rocks on the Kahuna property were transferred to the Company from DVI, together with \$1,300,000 in cash, in exchange for the Company’s shares, which DVI in turn distributed to its shareholders.

On May 14, 2018, Solstice began trading on the TSX Venture Exchange under the symbol “SGC”.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to meet its obligations. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2020, the Company had no source of operating revenues, had not yet achieved profitable operations, and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern (see Note 2).

During the period, there was a global outbreak of COVID-19 (“Coronavirus”), which has had a significant impact on businesses through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, and staff shortages, all of which may negatively impact the Company’s business and financial condition.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

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**2. BASIS OF PREPARATION****Statement of compliance**

These consolidated financial statements for the nine months ended March 31, 2020 were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations (“IFRIC”) in effect at March 31, 2020. The Company has elected to present the statements of operations and comprehensive loss in a single statement.

The condensed interim financial statements of the Company for the nine months ended March 31, 2020 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 29, 2020.

**Basis of measurement**

These unaudited condensed interim financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value and have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim statement of cash flows shows the changes in cash arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net loss is therefore adjusted by non-cash items, such as deferred tax expenses (recoveries), stock-based compensation, write-down of exploration and evaluation assets, flow-through share premium, as well as changes from amounts receivable, prepaid expenses, and accounts payable and accrued liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. The cash flows from investing and financing activities are determined by using the direct method.

**Critical judgments in applying accounting policies**

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the year. Actual results could differ from these estimates.

These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



## **SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

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### **2. BASIS OF PREPARATION** *(continued)*

#### *Critical judgments*

The preparation of these condensed interim financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended June 30, 2019.

#### ***New standards, interpretations and amendments***

The following new standards, interpretations and amendments, have been applied in these financial statements:

#### IFRS 16 Leases

The new standard replaced IAS 17 Leases and eliminates the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee requires capitalization of all leases resulting accounting treatment similar to finance leases under IAS 17 Leases. The new standard results in an increase in lease assets and liabilities for the lessee. Under the new standard, the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17 Leases. IFRS 16 is applied prospectively for annual periods beginning on January 1, 2019. The adoption of this standard did not have significant financial reporting implications for the Company.

### **4. KAHUNA PROPERTY LAND TRANSFER AND RIGHTS AGREEMENT**

#### **Letter Agreement between Dunnedin Ventures Inc. and Solstice Gold Corp.**

Pursuant to the Arrangement (Note 1), DVI and Solstice entered into the Kahuna Property Land Transfer and Rights Agreement (the "Agreement") which set out the terms to which DVI transferred mineral claims located in Nunavut, Canada (approximately 26 kilometres northeast of Rankin Inlet) to Solstice.

On January 31, 2018, upon execution of the Agreement, DVI transferred to Solstice:

- a) 100% title and rights to the Transferred Claims (715 km<sup>2</sup>)(specifically identified in the Agreement);
- b) A 50% undivided interest in and to certain Border Claims (Solstice Portion: 91 km<sup>2</sup>) (specifically identified in the Agreement); and
- c) Ownership of all technical, economic, geological, and other information and data concerning the Transferred Claims, and the portion of each of the Border Claims over which Solstice has Primary Development Rights ("PDR") (as defined in the Agreement).

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

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**4. KAHUNA PROPERTY LAND TRANSFER AND RIGHTS AGREEMENT** *(continued)*

**Letter Agreement between Dunnedin Ventures Inc. and Solstice Gold Corp.** *(continued)*

In each case, the Agreement is free and clear of any and all mortgages, charges, pledges, liens, licences, privileges, security interests, royalties, encumbrances, claims or rights or interest attaching to or affecting property, whether recorded or unrecorded, and whether arising by agreement, statute or otherwise under applicable laws (each an "Encumbrance"), apart from the gross overriding royalties ("GORs") and the net smelter return royalties ("NSRs") which are held by the original property vendors.

In consideration for the Transferred Claims and \$1,300,000 in cash, Solstice issued 34,418,850 common shares, 6,536,359 warrants and 2,361,659 stock options to DVI.

Upon execution of the Agreement, DVI granted to Solstice PDR in respect of the Transferred Claims (806 km<sup>2</sup>) and Secondary Development Rights ("SDR") in respect of the Remaining Claims (858 km<sup>2</sup>) (other than Transferred or Border Claims) and Solstice granted PDR's in respect of the Remaining Claims and SDR's in respect of the Transferred Claims. Border claims are also split into PDR and SDR depending on geographic location.

PDR means the rights of the holder of a mineral claim or other mining right, to amongst other things, conduct exploration, development, and mining on such mineral claims. SDR means having the right to access the mineral claims for the purpose of inspecting the mineral claims and existing work being undertaken on the claims and to propose work to the PDR holder which work may proceed only with the consent of the PDR holder. SDR's terminate on a claim or claims when a PDR holder commences a feasibility study, completes a feasibility study or commences commercial production on the claim or claims.

In all cases of the Agreement, mining rights of DVI shall be limited to diamonds, gemstones and all minerals found within kimberlitic rocks and mining rights of the Company shall exclude all other minerals and metalloids. Mineral claims & rights under the Agreement may be transferred to third parties provided they are bound by the Agreement.

84% of claims are subject to a 4% NSR. This can be reduced to 2% by a \$4 million payment at anytime up until production.

The arrangement between DVI and the Company was deemed to be a purchase of an asset. As such IFRS 2 -Share Based Payments was used to determine fair value of the asset acquired. As the fair value of the assets given up to acquire the asset was more readily available, the Company valued the acquisition using the fair value of shares issued of \$0.25 a share.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

**4. KAHUNA PROPERTY LAND TRANSFER AND RIGHTS AGREEMENT (continued)****Letter Agreement between Dunnedin Ventures Inc. and Solstice Gold Corp. (continued)**

On January 31, 2018, the Arrangement was executed, the fair value of the assets acquired, and liabilities assumed from DVI are as follows:

	Amount
Fair value of Solstice common shares issued	\$ 8,604,713
Fair value of options issued to DVI option holders	485,445
Cash transferred from DVI	(1,300,000)
Exploration and evaluation costs paid by DVI on behalf of Solstice	544,780
Accounts payable	8,295
<b>Fair value of Kahuna Properties Acquired</b>	<b>\$ 8,343,233</b>

Net assets acquired	
Cash	\$ 1,300,000
Mineral property interests	8,343,233
Accounts payable	(8,295)
Exploration and evaluation costs paid by DVI on behalf of Solstice	(544,780)
<b>Net Assets Acquired</b>	<b>\$ 9,090,158</b>

Consideration provided	
Fair value of 34,418,850 common shares at \$0.25 per share	\$ 8,604,713
Fair value of options issued (1)	485,445
<b>Consideration provided</b>	<b>\$ 9,090,158</b>

(1) The fair value of the 2,361,659 options issued (Note 7d)

**KGP Property Expansion**

In June 2018 Solstice acquired Primary Rights on 3,512Ha of additional highly prospective gold claims on the Kahuna Property from Dunnedin for \$300,000. Dunnedin Ventures retains Secondary Rights on the acquired claims. The claims are adjacent to the Essos block.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

**5. EXPLORATION AND EVALUATION ASSETS**

Summary of the mineral project costs for the nine months ended as at March 31, 2020:

**Kahuna Property**

	<i>Note</i>	<b>As at June 30, 2019</b>	<b>Additions</b>	<b>As at March 31, 2020</b>
Acquisition Costs -Plan of Arrangement	4	\$ 8,343,233	\$ -	\$ 8,343,233
Geological expense, salaries, and project management	8	2,538,473	1,496,713	4,035,186
Aircraft charter		473,014	393,359	866,373
Exploration support		621,976	106,620	728,596
Fuel		179,259	19,261	198,520
Travel		219,830	85,252	305,082
Property acquisition and maintenance		437,059	25,521	462,580
Other		53,023	4,481	57,504
<b>Acquisition &amp; Exploration costs</b>		<b>\$ 12,865,867</b>	<b>\$ 2,131,207</b>	<b>\$ 14,997,074</b>

**6. FLOW THROUGH SHARE OFFERING**

Flow through share premium liability includes the liability portion of the flow through shares issued. The following is a continuity schedule of the liability portion of the flow through shares issuances.

<b>Balance at June 30, 2018</b>	\$ 45,677
Settlement of flow through share liability during the year	(45,677)
<b>Balance at June 30, 2019</b>	\$ -
Settlement of flow through share liability during the year	-
<b>Balance at March 31, 2020</b>	\$ -

On January 31, 2018, the Company completed a non-brokered private placement of 5,809,333 flow-through common shares at a price of \$0.30 per share for gross proceeds of \$1,742,800. A premium of \$0.05 per share was received for the flow through shares and accordingly the Company recorded the \$290,467 flow through share premium liability.

A deferred tax liability of \$470,507 has been recognized for the forgone tax deductions that the Company has renounced in connection with its flow through share offering.

As at March 31, 2020, the Company has fulfilled 100% of its commitment to incur expenditures in relation to flow through share financing.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

**7. SHARE CAPITAL****a. Authorized and outstanding**

The Company is authorized to issue an unlimited number of common shares. At March 31, 2020, there are 69,534,906 common shares outstanding for a share capital amount of \$16,644,818.

**b. Share issuances**

On January 31, 2018, concurrent with completion of the Arrangement, Solstice issued 34,418,850 common shares, 6,536,359 warrants and 2,361,659 options to DVI shareholders as part of the consideration for the Transferred Claims.

On January 31, 2018, concurrent with completion of the Arrangement, Solstice completed a non-brokered private placement financing consisting of both Non-Flow Through Units and Flow-Through Shares (the "Flow-Through Shares") for a gross amount of \$8,376,400. In connection with the private placement, 636,722 finders' warrants were issued with an exercise price of \$0.30 with an expiry of thirty months. The fair-value of finders' warrants related to this private place amounted to \$102,512 using the following inputs into a black-scholes valuation model - expected life of 2.33 years, volatility of 127%, and a risk-free rate of 1.84%.

Other share issue costs include \$339,914 in broker commissions and \$19,251 in legal fees.

On January 31, 2018, Solstice issued a total of 26,534,400 Units at a price of \$0.25 per Unit. Each "Unit" consists of one common share and one-half-of-one warrant. Each whole warrant entitles the holder to purchase a further common share of Solstice at a price of \$0.35 for a period of thirty months.

On January 31, 2018, Solstice also issued 5,809,333 Flow-Through Shares at a price of \$0.30 per Flow-Through Share.

**c. Warrants**

	Number of Warrants	Weighted Average Exercise Price
Issued on Plan of Arrangement	6,536,359	\$0.25
Issued on private placement	13,267,200	\$0.35
Issued to finders on private placement	636,722	\$0.30
Exercised	(2,772,322)	\$0.15
Expired	(3,764,037)	\$0.32
Balance as at March 31, 2020	13,903,922	\$0.35

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

**7. SHARE CAPITAL (continued)****c. Warrants - (continued)**

Expiry Date	Number of Warrants	Exercise Price	Weighted Average Remaining Life in Years
July 31, 2020	636,722	\$0.30	0.33
January 31, 2021	13,267,200 <sup>1</sup>	\$0.35	0.84
	13,903,922	\$0.35	0.82

All warrants were exercisable as at March 31, 2020

<sup>1</sup> On July 2, 2019 the Company announced that it would extend the exercise period of these share purchase warrants by six months. Each of the warrants is exercisable for one common share of the Company at price of \$0.35. The exercise price of the Warrants remains unchanged with this extension. These warrants were originally issued pursuant to a private placement completed by Solstice on January 31, 2018.

**d. Options**

On January 31, 2018, concurrent with the completion of the Arrangement, an aggregate of 4,890,000 stock options were granted to management, directors and consultants of the Company, exercisable at \$0.25 per share for a period of seven years. 50% of the stock options vested on issuance, with the balance vesting in equal six month tranches over a two year period.

On the 19<sup>th</sup> June, 2018, an aggregate of 400,000 stock options were granted to the newly appointed Chief Financial Officer, exercisable at \$0.25 per share for a period of seven years. 50% of the stock options vested on issuance, with the balance vesting in equal six-month tranches over a two year period.

On September 1<sup>st</sup>, 2018 a further 1,100,000 stock options were granted to the newly appointed Vice President Exploration, exercisable at \$0.25 per share for a period of seven years. 50% of the stock options vested on issuance, with the balance vesting in equal six-month tranches over a two year period.

Amount of share-based compensation incurred for the nine months ended March 31, 2020 was \$111,972 (2019 - \$400,659). \$56,250 (2019 - \$205,231) was charged to the Statement of Operations and \$55,722 (2019 - \$195,428) was charged to Exploration and Evaluation Assets.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

**7. SHARE CAPITAL** *(continued)***d. Options** - *(continued)*

The fair value of the options was estimated at the grant date based on the Black-Scholes option pricing model, using the following assumptions:

	January 31, 2018
Expected dividend yield	0%
Weighted average risk-free interest rate	2.19%
Weighted average expected life	7 year
Weighted average expected volatility	194%
Weighted average fair value of options granted	\$0.2476

  

	June 19, 2018
Expected dividend yield	0%
Weighted average risk-free interest rate	2.08%
Weighted average expected life	7 year
Weighted average expected volatility	195%
Weighted average fair value of options granted	\$0.2477

  

	September 1, 2018
Expected dividend yield	0%
Weighted average risk-free interest rate	2.17%
Weighted average expected life	7 year
Weighted average expected volatility	196%
Weighted average fair value of options granted	\$0.1980

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of options granted. This estimate requires determining the most appropriate inputs for the Black-Scholes model including the expected life of the share option, volatility and dividend yield. As there was insufficient historical share price data of the Company from which to estimate expected future share price volatility, the Company estimated expected share price volatility based on the historical share price volatility of comparable entities. The expected life of the share option was based on the full term of the instrument as at the time of issuance there was not sufficient historical data to suggest a more appropriate term. The risk free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock in the foreseeable future; therefore, the expected dividend yield is assumed to be zero.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

March 31, 2020

(Expressed in Canadian Dollars)

**7. SHARE CAPITAL** (continued)**d. Options** - (continued)

	<i>Number of Options</i>	<i>Weighted Average Exercise Price</i>
Balance as at June 30, 2018	7,651,659	\$ 0.225
Granted	1,100,000	\$ 0.25
Exercised	-	-
Expired	(50,000)	\$ 0.19
Balance as at June 30, 2019	8,701,659	\$ 0.23
Granted	-	-
Exercised	-	-
Expired	(433,331)	\$ 0.11
Balance as at March 31, 2020	8,268,328	\$ 0.235

Expiry Date	Number of Options	Exercise Price	Weighted Average Remaining Life in Years
May 7, 2020	174,999 **	\$0.11	0.10
June 18, 2020	400,000	\$0.25	0.22
August 4, 2021	66,666 **	\$0.15	1.35
September 6, 2021	1,166,663 **	\$0.19	1.44
October 4, 2021	50,000 **	\$0.19	1.51
January 18, 2022	420,000 **	\$0.21	1.80
January 15, 2025	4,490,000	\$0.25	4.80
June 19, 2025	400,000	\$0.25	5.22
September 1, 2025	1,100,000	\$0.25	5.42
	8,268,328	\$0.23	3.91

\*\* Options transferred from DVI as per Plan of Arrangement.

At March 31, 2020 8,080,828 (2019 – 7,748,638) options were exercisable.

**8. RELATED PARTY TRANSACTIONS**

Related parties include key management, the Board of Directors, close family members, and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

**Key Management and Consulting Agreements**

On October 1, 2017, June 18, 2018, and September 1, 2018 the Company entered into employment and consulting agreements with key management and consultants. Pursuant to which, in the event of a change of control, each of the key managers and consultants would be entitled to up to twenty-four months' worth of compensation plus applicable bonuses and benefits, if such employee/consultant is terminated without just cause (as defined therein) or resigns for Good Reason (as defined therein).



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March 31, 2020

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**8. RELATED PARTY TRANSACTIONS (continued)****a. Directors and Executive Management Compensation was as follows:**

	Nine months ended March 31, 2020	Nine months ended March 31, 2019
Salary related compensation	\$ 187,438	\$ 252,085
Project related fees and compensation	137,062	160,548
Share-based compensation	111,972	400,659
	<b>\$ 436,472</b>	<b>\$ 813,292</b>

\$55,722 of share-based compensation costs (2019- \$ 195,428) relates to geological evaluation expense and has been coded to evaluation and exploration assets.

**b. Directors and Executive Management Transactions**

The aggregate value of transactions and outstanding balances relating to entities over which directors and executive management have control or significant influence for the nine months ended March 31, 2020 were as follows:

Payee	Nature of Transactions	Related Party	Amount	Owing as at March 31, 2020
Rimini Exploration & Consulting Ltd	Exploration Services	Vice President Exploration	\$ 255,798	\$ 18,754
Rimini Exploration & Consulting Ltd*	Consulting Services	Vice President Exploration	\$ 122,500	-
			<b>\$ 378,298</b>	<b>\$ 18,754</b>

\*Rimini Exploration and Consulting Ltd. ("Rimini") is a Company that Solstice's former Vice President Exploration has a significant interest in. Rimini is contracted with Solstice to carry out part of the Company's programs.

The aggregate value of transactions and outstanding balances relating to entities over which directors and executive management have control or significant influence for the period ended March 31, 2019 were as follows:

Payee	Nature of Transactions	Related Party	Amount	Owing as at March 31, 2019
Rimini Exploration & Consulting Ltd	Exploration Services	Vice President Exploration	\$ 311,141	\$ 28,344
Rimini Exploration & Consulting Ltd	Consulting Services	Vice President Exploration	\$ 122,500	\$ 17,500
North Face Software Ltd.	Exploration Services	Former Vice President Exploration	\$ 24,500	-
			<b>\$ 458,141</b>	<b>\$ 45,844</b>

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**9. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The capital structure of the Company consists of equity, comprising issued capital, and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not exposed to externally imposed capital requirements.

**10. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, deposits, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following summarizes fair value hierarchy under which the Company's financial instruments are valued:

- Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at March 31, 2020 and 2019 no financial instruments were measured at fair value. No transfer occurred between the levels during the year.

As at the reporting date the Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, and liquidity risk.

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations to the Company. The Company's cash is held with Canadian Chartered Banks. The Company believes it has no significant credit risk.

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**10. FINANCIAL INSTRUMENTS (continued)***Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans to have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

*Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. As at March 31, 2020, the Company is exposed to minimum market risk.

*Interest rate risk*

Is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2020, the Company does not have any interest-bearing loans or liabilities outstanding. All receivable and payable balances as at March 31, 2020 are current and as such, are not subject to interest.

**11. SEGMENTED INFORMATION**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mineral exploration sector in Canada. The Company operates in a single reportable operating segment.

**12. SUBSEQUENT EVENTS***Private Placement*

On May 25, 2020, the Company announced a non-brokered private placement pursuant to which the Company will raise \$1,200,000 through the issue of 30,000,000 units ("Units") at \$0.04 per Unit ("Private Placement"). Completion of the Private Placement subject to the approval of the TSX Venture Exchange ("TSXV").

Each Unit will be comprised of one common share and one common share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company at a price of \$0.06 for a period of 36 months from the closing date of the financing. The common shares and warrants comprising the Units will be subject to a hold period expiring four months from the date of issuance of the securities.

The proceeds from the Private Placement will be used to fund exploration and related activities and for general working capital purposes.

See the Company news release dated May 25<sup>th</sup>, 2020 for further details.

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**12. SUBSEQUENT EVENTS *(continued)***

***Stock Options***

Also on May 25, 2020 the board of directors of the Company conditionally granted stock options under the Company's stock option plan in respect of an aggregate of 2,650,000 common shares to management at an exercise price of \$0.06 exercisable for a period of five years from the date of grant.