

SOLSTICE GOLD CORP.
Condensed Interim Financial Statements

Three Months Ended September 30, 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 three months ended September 30, 2020 have not been reviewed by the Company's auditors.

SOLSTICE GOLD CORP.

Statements of Financial Position
(Expressed in Canadian Dollars)

	<i>Notes</i>	September 30, 2020	June 30, 2020
ASSETS			
Cash		\$ 1,535,564	\$ 1,820,423
Amounts receivable		21,119	30,916
Prepaid expenses		16,759	22,625
		1,573,442	1,873,964
Exploration and Evaluation	5	15,391,237	15,201,951
Total Assets		\$ 16,964,679	\$ 17,075,915
LIABILITIES			
Accounts payable and accrued liabilities	7	\$ 100,379	\$ 117,509
		100,379	117,509
CEBA Loan	4	30,000	30,000
Deferred tax liability		470,507	470,507
Total liabilities		\$ 600,886	\$ 618,016
SHAREHOLDERS' EQUITY			
Share capital	6	\$ 17,816,589	\$ 17,816,589
Reserves	6	2,252,413	2,233,985
Deficit		(3,705,209)	(3,592,675)
Total shareholders' equity		16,363,793	16,457,899
Total Liabilities and Shareholders' Equity		\$ 16,964,679	\$ 17,075,915

Approved and authorized by the Board on November 30, 2020

"David Adamson"

David Adamson

"Michael Leskovec"

Michael Leskovec

The accompanying notes are an integral part of these financial statements

SOLSTICE GOLD CORP.

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	<i>Notes</i>	Three Months ended September 30, 2020	Three Months ended September 30, 2019
EXPENSES			
Consulting fees		\$ 16,000	\$ 16,500
Insurance		6,450	6,530
Salaries	7	42,542	86,826
Marketing expenses		882	21,318
Office expenses		3,341	4,001
Professional fees		32,493	19,561
Property Investigation		10,050	-
Share-based compensation		-	25,781
Transfer agent and filing fees		1,480	2,650
Travel		2,455	3,226
		(115,693)	(186,393)
OTHER INCOME (LOSS)			
Interest income		3,159	15,625
Loss before income taxes		(112,534)	(170,768)
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Net loss and comprehensive loss for the period		\$ (112,534)	\$ (170,768)
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Basic and fully diluted loss per share		\$ (0.00)	\$ (0.00)
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Weighted average number of shares outstanding			
- basic and fully diluted		99,504,572	69,534,906

The accompanying notes are an integral part of these financial statements

SOLSTICE GOLD CORP.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	<i>Notes</i>	Year Months Ended September 30, 2020	Three Months Ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		\$ (112,534)	\$ (170,768)
Items not involving cash:			
Share-based compensation	<i>7d</i>	-	25,781
Net changes in non-cash working capital items			
Amounts receivable		9,797	(68,955)
Prepaid expenses		5,866	(138,471)
Accounts payable and accrued liabilities		(17,130)	377,674
Net cash used in operating activities		(114,001)	25,261
CASH FLOWS FROM INVESTING ACTIVITY			
Exploration and evaluation	<i>5</i>	(170,858)	(1,676,244)
Net cash used in investing activities		(170,858)	(1,676,244)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by financing activities		-	-
Change in cash during the period		(284,859)	(1,650,983)
Cash, beginning of year		1,820,423	3,484,029
Cash, end of period		\$ 1,535,564	\$ 1,833,046

Supplemental Information

Stock based compensation capitalized to mineral properties

\$ 18,428 21,352

The accompanying notes are an integral part of these financial statements

SOLSTICE GOLD CORP.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	<i>Notes</i>	Share Capital		Reserves	Deficit	Total
		Number	Amount			
Balance at June 30, 2019		69,534,906	\$ 16,644,818	\$ 1,970,240	\$ (2,911,893)	\$ 15,703,165
Share-based compensation	<i>7d</i>	-	-	47,133	-	47,133
Net loss for the period		-	-	-	(170,768)	(170,768)
Balance at September 30, 2019		69,534,906	16,644,818	2,017,373	(3,082,661)	15,579,530
Balance at June 30, 2020		99,504,572	\$ 17,816,589	\$ 2,233,985	\$ (3,592,675)	\$ 16,457,899
Share-based compensation	<i>7d</i>	-	-	18,428	-	18,428
Net loss for the period		-	-	-	(112,534)	(112,534)
Balance at September 30, 2020		99,504,572	\$ 17,816,589	\$ 2,252,413	\$ (3,705,209)	\$ 16,363,793

The accompanying notes are an integral part of these financial statements

SOLSTICE GOLD CORP.

Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

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.

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 September 30, 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. In addition, the COVID-19 pandemic could have a material adverse impact on the Company’s results of operations, cash flows and liquidity. All of these matters cast significant doubt about the Company’s ability to continue as a going concern.

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

These consolidated financial statements for the three months ended September 30, 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 September 30, 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 three months ended September 30, 2020 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 30, 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.

SOLSTICE GOLD CORP.

Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION *(continued)*

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.

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, 2020.

New standards, interpretations and amendments

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

IFRS 3 – Business Combinations

Effective for annual periods beginning on or after January 1, 2020, the IASB has amended the definition of a business to confirm that a business must include inputs and a process and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs. Furthermore, the amendment narrows the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than providing dividends or other economic benefits directly to investors or lowering costs. The Company has considered the amendment and assessed that it will have no material impact on adoption.

SOLSTICE GOLD CORP.

Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

4. CEBA LOAN

The Canada Emergency Business Account (“CEBA”) Loan is an interest free loan to assist with cash flow needs and is provided by the Government of Canada. If this loan is repaid in full by December 31, 2022, 25% of the amount loaned under CEBA is forgiven. The CEBA loan is non-interest bearing and is unsecured. As management intends to repay this loan before December 31, 2022 it has recorded the 25% forgiveness as government assistance as at June 30, 2020.

5. EXPLORATION AND EVALUATION ASSETS

Summary of the mineral project costs for the three months ended as at September 30, 2020:

Kahuna Property

	<i>Note</i>	As at June 30, 2020	Additions	As at September 30, 2020
Acquisition Costs -Plan of Arrangement	4	\$ 8,343,233	\$ -	8,343,233
Geological expense, salaries, and project management	9	4,211,285	105,438	4,316,723
Aircraft charter		866,376	48,110	914,486
Exploration support		743,604	30,015	773,619
Fuel		200,021	-	200,021
Travel		305,082	-	305,082
Property acquisition and maintenance		474,048	5,723	479,771
Other		58,302	-	58,302
Acquisition & Exploration costs	\$	15,201,951	\$189,286	\$ 15,391,237

SOLSTICE GOLD CORP.

Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

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

The Company is authorized to issue an unlimited number of common shares. At September 30, 2020, there are 99,504,572 common shares outstanding for a share capital amount of \$17,816,589.

b. Share issuances

On June 10, 2020 the company closed a private placement for gross proceeds of \$1,198,787. The Company issued a total of 29,969,666 units at a price of \$0.04 per unit. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.06 for a period of 36 months from the closing of the private placement.

c. Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance as at June 30, 2019	17,308,957	\$0.35
Issued	29,969,666	\$0.06
Expired	(3,405,035)	\$0.34
Balance at as at June 30, 2020	43,873,588	\$0.15
Expired	(636,722)	\$0.30
Balance as at September 30, 2020	43,236,866	\$0.15

Expiry Date	Number of Warrants	Exercise Price	Weighted Average Remaining Life in Years
January 31, 2021	13,267,200 ¹	\$0.35	0.34
June 10, 2023	29,969,666	\$0.06	2.69
	43,236,866	\$0.15	1.97

All warrants were exercisable as at September 30, 2020

¹ 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 July 10, 2020 the Company's board of directors approved the issuance of 250,000 employee stock options to a member of management exercisable at \$0.09 per share. The options have a five year term and vest over a period of eighteen months.

SOLSTICE GOLD CORP.

Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

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

On the 10th June, 2020 1,500,000 stock options were granted to the Chairman of the Board, these options are exercisable at \$0.06 per share for a period of five years from the date of grant. Also on the 10th June, 2020 1,150,000 options were granted to the President of the Company, these options are also exercisable at \$0.06 per share for a period of five years from the date of grant. All of the options granted on the 10th June, 2020 vest immediately.

The amount of share-based compensation related to employee stock options for the year ended June 30, 2020 was \$263,745 (2019 -\$464,408). \$124,940 (2019 -\$102,900) was charged to the Statement of Operations and \$138,805 (2019 -\$361,708) was charged to Exploration and Evaluation Assets.

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

	July 10, 2020
Expected dividend yield	0%
Weighted average risk-free interest rate	0.36%
Weighted average expected life	5 year
Weighted average expected volatility	151%
Weighted average fair value of options granted	\$0.07703

	June 10, 2020
Expected dividend yield	0%
Weighted average risk-free interest rate	0.38%
Weighted average expected life	5 year
Weighted average expected volatility	151%
Weighted average fair value of options granted	\$0.04980

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.

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.

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Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

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

	<i>Number of Options</i>	<i>Weighted Average Exercise Price</i>
Balance as at June 30, 2019	8,701,659	\$ 0.23
Granted	2,615,000	\$ 0.06
Expired	(1,008,330)	\$ 0.17
Balance as at June 30, 2020	10,308,329	\$ 0.19
Granted	250,000	\$ 0.09
Balance as at September 30, 2020	10,558,329	\$ 0.19

Expiry Date	Number of Options	Exercise Price	Weighted Average Remaining Life in Years
August 4, 2021	66,666 **	\$0.15	0.84
September 6, 2021	1,166,663 **	\$0.19	0.93
October 4, 2021	50,000 **	\$0.19	1.01
January 18, 2022	420,000 **	\$0.21	1.30
January 15, 2025	4,490,000	\$0.25	4.30
June 10, 2025	2,615,000	\$0.06	4.70
June 19, 2025	400,000	\$0.25	4.72
July 10, 2025	250,000	\$0.09	4.78
September 1, 2025	1,100,000	\$0.25	4.92
	10,558,329	\$0.19	3.96

** Options transferred from Kodiak Copper Corp. as per Plan of Arrangement.

At September 30, 2020 10,370,829 (2019 – 8,224,784) options were exercisable.

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Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

7. 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 June 10, 2020 the Company entered into amended employment and consulting agreements with key management and consultants that materially reduced or eliminated any potential future change in control payments.

a. Directors and Executive Management Compensation was as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019
Salary related compensation	\$ 15,075	\$ 75,917
Project related fees and compensation	-	61,583
Share-based compensation	-	47,133
	\$ 15,075	\$ 184,633

\$Nil of share-based compensation costs (2019 - \$ 21,352) 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 three months ended September 30, 2020 were as follows:

Payee	Nature of Transactions	Related Party	Amount	Owing as at September 30, 2020
NPT Resources	Consulting Services	President	\$ 30,000	\$ 10,000
			\$ 30,000	\$ 10,000

*NPT Resources is a company controlled by Marty Tunney, the President of the Company

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Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (continued)

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 September 30, 2019 were as follows:

Payee	Nature of Transactions	Related Party	Amount		Owing as at September 30, 2019
Rimini Exploration & Consulting Ltd	Consulting Services	Former Vice President Exploration	\$	52,500	\$ -
Rimini Exploration & Consulting Ltd*	Exploration Costs	Former Vice President Exploration	\$	228,324	\$ 134,835
			\$	280,824	\$ 134,835

*Rimini Exploration & Consulting Ltd. ("Rimini") is a Company that Solstice's former Vice President Exploration has a significant interest in. Rimini was contracted with Solstice to staff and carry out part of our exploration programs prior to the Company's former Vice President Exploration joining the Company. Non-Rimini management reviewed the market-competitiveness of Rimini on an annual basis.

8. 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, (See Note 9. Financial Instruments – Interest Rate Risk) 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.

9. 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;

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Notes to the Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS *(continued)*

- 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 September 30, 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.

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 September 30, 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. In May of 2020 the Company received the \$40,000 interest free Canada Emergency Business Account (CEBA) loan. The program is operated by the Government of Canada. If the loan balance is paid on or before December 31, 2022, there will be loan forgiveness of 25% or \$10,000. All receivable and payable balances as at September 30, 2020 are current and as such, are not subject to interest.

10. 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.