

**SOLSTICE GOLD CORP.**  
**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Solstice Gold Corp.

### *Opinion*

We have audited the accompanying financial statements of Solstice Gold Corp. (the "Company"), which comprise the statement of financial position as at June 30, 2023, and the statements of comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that as of June 30, 2023, 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. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matters*

The financial statements of Solstice Gold Corp. for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2022.

As part of our audit of the financial statements of Solstice Gold Corp. for the year ended June 30, 2023, we also audited the adjustment described in Note 14 that was applied to restate the financial statements for the year ended June 30, 2022 and the statement of financial position as at July 1, 2021. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the financial statements of Solstice Gold Corp. for the year ended June 30, 2022, other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended June 30, 2022 taken as a whole.



### ***Key Audit Matters***

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

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

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

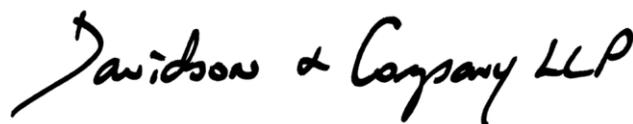
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zachary Faure.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 26, 2023

**SOLSTICE GOLD CORP.**

Statements of Financial Position  
(Expressed in Canadian Dollars)

	<i>Notes</i>	<b>June 30, 2023</b>	June 30, 2022 (Restated - Note 14)	July 1, 2021 (Restated - Note 14)
<b>ASSETS</b>				
Cash and cash equivalents		\$ 578,149	\$ 1,686,252	721,772
Amounts receivable		18,861	53,464	37,358
Prepaid expenses		35,988	165,948	27,429
Marketable securities	9	503,120	296,950	-
		<b>1,136,118</b>	2,202,614	786,559
<b>Total Assets</b>		<b>\$ 1,136,118</b>	<b>\$ 2,202,614</b>	<b>786,559</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities		96,601	281,406	166,241
Flow through share premium liability		-	87,538	-
CEBA loan	4	40,000	-	-
Current liabilities		<b>136,601</b>	368,944	166,241
CEBA loan		-	40,000	40,000
Total liabilities		\$ 136,601	\$ 408,944	206,241
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	6	\$ 26,095,903	\$ 24,357,881	17,854,089
Reserves		3,702,421	2,708,426	2,257,228
Accumulated other comprehensive (loss)		(185,914)	(176,688)	-
Deficit		(28,612,893)	(25,095,949)	(19,530,999)
Total shareholders' equity		999,517	1,793,670	580,318
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 1,136,118</b>	<b>\$ 2,202,614</b>	<b>786,559</b>

Nature of operations and going concern (Note 1)

Change in Accounting Policy and Restatement (Note 14)

Subsequent event (Note 15)

**Approved and authorized by the Board on October 26, 2023**

*"David Adamson"*

David Adamson

*"Blair Schultz"*

Blair Schultz

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>	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b> (Restated - Note 14)
<b>EXPENSES</b>			
Consulting fees		\$ 180,165	\$ 218,937
Insurance		33,536	28,334
Salaries	10	419,700	331,991
Marketing expenses		63,781	71,746
Office expenses		69,182	37,308
Professional fees		121,303	261,527
Property investigation		3,500	-
Share-based compensation	6d, 10a	309,184	416,454
Transfer agent and filing fees		60,970	37,618
Travel		15,876	7,564
Exploration Expenditures net of recoveries	5	2,708,218	4,233,109
		<b>(3,985,415)</b>	<b>(5,644,588)</b>
Income on renunciation of flow through premium	8	392,291	63,908
Interest income		76,180	15,730
		<b>468,471</b>	<b>79,638</b>
<b>Loss for the year</b>		<b>\$ (3,516,944)</b>	<b>\$ (5,564,950)</b>
<b>Other comprehensive loss</b>			
Change in value of marketable securities	9	(9,226)	(176,688)
<b>Comprehensive loss for the year</b>		<b>(3,526,170)</b>	<b>(5,741,638)</b>
<b>Basic and fully diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares outstanding - basic and fully diluted</b>		<b>182,873,790</b>	<b>144,125,576</b>

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>	<b>Year Ended June 30, 2023</b>	<b>Year Ended June 30, 2022</b> (Restated - Note 14)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year		\$ (3,516,944)	\$ (5,564,950)
Items not involving cash:			
Share-based compensation	<i>6d</i>	309,184	437,779
Flow through premium liability		(392,291)	(63,908)
Marketable securities received		(253,400)	(473,638)
Shares issued for mineral property		56,250	257,000
Net changes in non-cash working capital items			
Amounts receivable		34,603	(16,106)
Prepaid expenses		129,960	(138,519)
Accounts payable and accrued liabilities		(184,805)	115,165
Net cash used in operating activities		(3,817,443)	(5,447,177)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Proceeds from sale of marketable securities		38,004	-
Net cash provided by investing activities		38,004	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common shares		2,707,474	4,822,181
Share issuance costs		(51,138)	(117,504)
Proceeds from warrants exercised		15,000	1,700,680
Proceeds from options exercised		-	6,300
Net cash provided by financing activities		2,671,336	6,411,657
<b>Change in cash and cash equivalents during the year</b>		<b>(1,108,103)</b>	<b>964,480</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>1,686,252</b>	<b>721,772</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 578,149</b>	<b>\$ 1,686,252</b>
<b><i>Supplemental Information</i></b>			
Flow through premium liability		\$ 304,753	\$ 157,446
Transfer of reserves on exercise of option		\$ -	\$ 6,570
Fair value of broker warrants		\$ -	\$ 19,989
Residual value of warrants		\$ 684,811	\$ -
Change in fair value of marketable securities		\$ 9,226	\$ 176,688

The accompanying notes are an integral part of these financial statements

**SOLSTICE GOLD CORP.**

## Statements of Changes in Shareholders' Equity

*(Expressed in Canadian Dollars)*

	Share Capital		Reserves	AOCI	Deficit	Total
	Number	Amount				
<b>Balance at June 30, 2021 (Restated - Note 14)</b>	99,804,572	\$ 17,854,089	\$ 2,257,228	\$ -	\$ (19,530,999)	\$ 580,318
Shares issued in private placement	25,000,000	2,500,000	-	-	-	2,500,000
Share issued for royalty agreement	400,000	68,000	-	-	-	68,000
Flow through shares issued in private placement	10,096,441	2,322,181	-	-	-	2,322,181
Flow through shares premium	-	(151,446)	-	-	-	(151,446)
Share issue costs	-	(137,493)	19,989	-	-	(117,504)
Shares issued for mineral property	1,050,000	189,000	-	-	-	189,000
Warrants exercised	28,344,666	1,700,680	-	-	-	1,700,680
Options exercised	30,000	12,870	(6,570)	-	-	6,300
Share-based compensation	-	-	437,779	-	-	437,779
Fair value adjustment on marketable securities	-	-	-	(176,688)	-	(176,688)
Loss for the year	-	-	-	-	(5,564,950)	(5,564,950)
<b>Balance at June 30, 2022 (Restated - Note 14)</b>	164,725,679	\$ 24,357,881	\$ 2,708,426	\$ (176,688)	\$ (25,095,949)	\$ 1,793,670
Shares issued in private placement	12,766,667	1,021,333	510,667	-	-	1,532,000
Shares issued for mineral property	750,000	56,250	-	-	-	56,250
Flow through shares issued in private placement	8,707,216	1,001,330	174,144	-	-	1,175,474
Flow through shares premium	-	(304,753)	-	-	-	(304,753)
Share issue costs	-	(51,138)	-	-	-	(51,138)
Share based compensation	-	-	309,184	-	-	309,184
Warrants exercised	250,000	15,000	-	-	-	15,000
Fair value adjustment on marketable securities	-	-	-	(9,226)	-	(9,226)
Loss for the year	-	-	-	-	(3,516,944)	(3,516,944)
<b>Balance at June 30, 2023</b>	187,199,562	26,095,903	3,702,421	(185,914)	(28,612,893)	999,517

## **SOLSTICE GOLD CORP.**

Notes to the Financial Statements

June 30, 2023

(Expressed in Canadian Dollars)

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

Solstice Gold Corp, (“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. The Company is carrying out exploration of mineral resource properties in Ontario and Nunavut, Canada. In addition the Company acquired a portfolio of optioned property in fiscal 2022 that the Company receives periodic payments on and maintains a number of existing and future net smelter royalties on these properties.

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 June 30, 2023, 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 these matters indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

### **2. BASIS OF PREPARATION**

#### **Statement of compliance**

The financial statements of the Company for the year ended June 30, 2023 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS interpretations committee (“IFRIC”) by management, reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors on October 26, 2023.

#### **Basis of measurement**

These audited financial statements have been prepared on a going concern basis, under the historical cost convention, and have been prepared using the accrual basis of accounting except for cash flow information. The 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. Loss is therefore adjusted by non-cash items, such as share-based compensation, flow-through share premium, as well as changes from amounts receivable, prepaid expenses, and accounts payable and accrued liabilities. 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 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 financial statements and reported amounts of expenses during the year. Actual results could differ from these estimates.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

June 30, 2023

(Expressed in Canadian Dollars)

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

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

***Title to Mineral Property Interests***

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

***Share-based compensation***

The Company determines the fair value of share options granted using the Black-Scholes option pricing model, interest rate, expected price volatility and expected life of the option. Changes in these inputs and the underlying assumption used to develop them can materially affect the fair value estimate.

***Going Concern***

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuring year involves significant judgement based on historical experience 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

June 30, 2023

(Expressed in Canadian Dollars)

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**2. BASIS OF PREPARATION** *(continued)****Deferred tax assets and liabilities***

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, The Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Foreign currencies**

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company are both Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are measured at historical cost are translated by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in the statement of operations or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

All gains and losses on translation of foreign currency transactions are charged to the statement of comprehensive loss.

## SOLSTICE GOLD CORP.

Notes to the Financial Statements

June 30, 2023

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### b. Financial instruments

##### (i) Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Equity instruments that are held for trading and all equity derivative instruments are classified as FVTPL. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss in the period in which they arise.

##### (ii) Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss. The Company treats the Marketable Securities it holds as a result of its Option Property Portfolio as FVTOCI.

##### (iii) Amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's amounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

#### Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

#### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve months expected credit losses. For amounts receivable, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

June 30, 2023

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

**Financial liabilities**

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has opted to measure at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities and CEBA loan which are classified at amortized cost.

**c. Cash**

Cash includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. As at June 30, 2023, the cash and cash equivalents consist of \$578,149 (2022 –\$1,686,252 ). \$17,250 (2022 – \$17,250) of the cash balance relates to restricted cash to support a letter of credit that the company has filed with the Kivalliq Inuit Association.

**d. Exploration and Evaluation** (See note 14)

Acquisition, Pre-exploration and exploration costs are expensed in the period in which they are incurred.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as mineral property expenses when the payments are made and the share issuances are recorded using the fair market value of the Company's common shares.

When a project has been established as commercially viable and technically feasible, related development costs are capitalized into development costs. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

e. Impairment of non-financial assets

At each date of the statement of financial position, the Company's carrying amounts of its assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f. Restoration and environmental rehabilitation provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the statement of comprehensive loss.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation or expected environmental liabilities to date

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

June 30, 2023

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

## g. Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized in other comprehensive income(loss) or directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for

taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, no deferred tax asset is recognized.

## h. Share capital

Share capital represents the amount received on the issue of shares, less issuance costs. Deficit includes all current and prior year losses. The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the quoted market price on the issuance date. The balance, if any, was allocated to the attached warrants. Any value attributed to the warrants is recorded in reserves.

*Flow-through common shares*

Canadian tax legislation permits a company to issue flow-through common shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

Upon issuance of flow-through common shares, the fair value of the common shares is recorded as an increase in share capital. Any difference (premium) between the amounts recognized in share capital and the amount paid by the investor is recognized as a flow-through share premium liability and is reversed into earnings at the time the flow-through expenditures have been incurred, net of share issuance costs.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

## i. Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## j. Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## **SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### **k. Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

#### **l. Application of new and revised standards**

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

The Company monitors guidance for new standards, interpretations and amendments, which have been applied in these financial statements.

There were no new material standards adopted by the Company in the current year.

##### ***Future standards not yet adopted***

##### **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024.

## **SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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### **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, 2023, 33% 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 January 01, 2024 it has recorded the 33% forgiveness on the \$60,000 borrowed, as government assistance as at June 30, 2023 and 2022.

### **5. EXPLORATION AND EVALUATION EXPENSES**

#### **Qaiqtuq Gold Project (Qaiqtuq, formerly KGP or Kahuna)**

Pursuant to a Plan of Arrangement, Kodiak Copper Corp. (“Kodiak”) and the Company entered into the Kahuna Property (“KGP”) Land Transfer and Rights Agreement which set out the terms to which Kodiak transferred mineral claims located in Nunavut, Canada to the Company.

Solstice has exclusive Secondary Rights on an additional land held as primary development rights by Kodiak. Primary Rights include all mineral rights for non-diamond and gemstones excluding any minerals found in kimberlite.

#### **Red Lake Extension Project**

On February 2, 2021 the Company announced that it had entered into an option agreement to acquire a 100% interest in the Red Lake Extension project (“RLX”, or the “Project”) consisting of various claims located in the northern part of the Red Lake Gold District.

The terms of the original transaction were cash payments totaling \$106,000 over three years and 600,000 common shares of the Company that are to be issued in two stages. The vendor maintained a 1.5% net smelter returns royalty (“NSR”) that could be reduced to 0.5% for combined payments of \$1,500,000 at any time prior to commercial production. The Company made the first installment under this agreement by issuing 300,000 common shares and paying \$22,000 on execution of the agreement. The remaining obligations as well as the NSR were cancelled as part of the Property and Royalty Portfolio Acquisition disclosed below. No future option payments are required.

On March 16, 2021, the Company acquired additional claims through staking.

On April 13, 2021, the Company announced that it had acquired through staking additional claims comprising three new projects; Taillon, Moreau and Berens (the New Projects), in proximity to the RLX project.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**5. EXPLORATION AND EVALUATION EXPENSES (continued)****Property and Royalty Portfolio****Property Portfolio Acquisition**

On October 5, 2021, the Company completed the acquisition of a portfolio of royalty and property interests from a group of arm's length vendors, for a cash purchase price of \$3.8 million and issuance of 400,000 common shares of the Company valued at \$68,000.

Key highlights are summarized below:

**Acquisition Details**

- The portfolio consists of royalty and property interests in 86 projects, including:
- 45 projects were under option to third parties as at the acquisition date, of which 42 include provision for NSR interests (subject to exercise of the options)
- 10 stand-alone NSR royalty interests
- 30 additional 100% owned properties available for option or sale
- Buyout of our RLX project option agreement including its NSR royalty.

During the year ended June 30, 2023 the Company recognized recoveries of \$951,745 (2022-\$1,425,538) from payments in cash and shares from optionees on these properties.

**Atikokan Gold Project**

On January 7, 2022, the Company closed the acquisition and option of certain properties in the Hammond Gold Camp of Ontario. The project will be known as our Atikokan Gold Project.

The acquisitions consist of (i) a Property Sale Agreement dated December 10, 2021 (the "Property Purchase Agreement") to purchase a 50% interest in certain mining claims known as the Jackpine Project ("Jackpine"); and (ii) an Option Agreement dated December 10, 2021 (the "Option Agreement" and collectively with the Property Purchase Agreement, the "Agreements") to purchase an option to acquire a 100% interest in certain mining claims contiguous to Jackpine known as the Nights Sky Project ("Nights Sky" and collectively with Jackpine, the "Claims").

Pursuant to the Property Purchase Agreement, in consideration for Jackpine, Solstice has issued 400,000 common shares (the "Jackpine Payment Shares") and agreed to grant a 1.25% NSR royalty on Jackpine of 0.75% of which may be repurchased by Solstice for \$500,000 at any time prior to the commencement of commercial production on Jackpine.

Upon acquisition, Solstice will own a 100% interest in Jackpine.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

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**5. EXPLORATION AND EVALUATION EXPENSES (continued)**

On September 13, 2022 the Company terminated the Nights Sky Option agreement.

**Raven -Furniss Project**

On May 31, 2022 the Company entered into an option agreement to acquire a 100% interest in certain mining claims known as the Raven-Furniss project.

In consideration for the grant of the option, Solstice agreed to pay the Optionors \$24,200 in cash (paid) and issue 450,000 common shares (issued). During the year ended June 30, 2023, the property was returned to the vendor.

**Stewart Lake Property**

On February 22, 2023 the Company entered into an option agreement to acquire a 100% interest in various mineral claims in the Stewart Lake area of Ontario.

In consideration for the grant of the option, the Company has paid \$15,000 in cash and issued 750,000 common shares with a fair value of \$56,250. To fully exercise the option, the Company must conduct exploration expenditures on the claims and make payments according to the following: (i) a minimum of \$25,000 in exploration spending by the first anniversary of the option agreement; (ii) a minimum of \$50,000 in exploration spending by the second anniversary of the option agreement; and (iii) a minimum of \$75,000 in exploration spending by the third anniversary of the option agreement. Upon exercise of the option, the Company must make a final payment of \$75,000 cash and will grant a 1% net smelter returns royalty on the claims.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**5. EXPLORATION AND EVALUATION EXPENSES (continued)**

Summary of the mineral project exploration expenses for the year ended as at June 30, 2023:

<b>For the year-ended June 30, 2023</b>	Quatquq Gold Project	Red Lake Extension Property	Property Portfolio Acquisition	Atikokan Project	Raven Furniss Project	Stewart Lake Project	Total
Acquisition Costs	\$ -	\$ 51,900	\$ 7,350	\$ -	\$ -	\$ 73,001	\$ 132,251
Geological expense, salaries, and project management	10,750	-	-	-	-	-	10,750
Staking and property maintenance costs	-	250	-	-	-	-	250
Geological consulting and assays	-	406,123	90,000	218,397	11,000	19,800	745,320
Drilling	-	2,451,742	-	-	-	-	2,451,742
Exploration support	1,600	182,658	-	11,372	4,066	749	200,445
Fuel	6,000	8,202	-	536	-	184	14,922
Travel	15,997	53,670	-	19,515	9,614	2,987	101,783
Community consultation	-	2,500	-	-	-	-	2,500
<b>Total Expenditures</b>	<b>34,347</b>	<b>3,157,045</b>	<b>97,350</b>	<b>249,820</b>	<b>24,680</b>	<b>81,721</b>	<b>3,659,963</b>
Recoveries	-	-	(951,745)	-	-	-	(951,745)
<b>Net Exploration Expenditures</b>	<b>\$ 34,347</b>	<b>\$3,157,045</b>	<b>\$ (854,395)</b>	<b>\$249,820</b>	<b>\$ 24,680</b>	<b>\$ 96,721</b>	<b>\$ 2,708,218</b>

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

June 30, 2023

(Expressed in Canadian Dollars)

**5. EXPLORATION AND EVALUATION EXPENSES (continued)**

Summary of the mineral project exploration expenses for the year ended as at June 30, 2022:

For the year-ended June 30, 2022	Quatquq Gold Project	Red Lake Extension Property	Property Portfolio Acquisition	Atikokan Project	Raven Furniss Project	Stewart Lake Project	Total
Acquisition Costs	\$ -	\$ 14,848	\$ 4,116,177	\$144,000	\$ 69,200	\$ -	\$ 4,344,225
Aircraft charter	6,166	205,434	-	382,229	-	-	593,829
Staking and property maintenance costs	-	66,209	-	-	-	-	66,209
Geological consulting and assays	-	203,695	45,000	86,873	-	-	335,568
Drilling	-	173,716	-	-	-	-	173,716
Share-based compensation	-	21,325	-	-	-	-	21,325
Exploration support	13,000	54,377	-	7,221	-	-	74,598
Fuel	-	2,744	-	496	-	-	3,240
Travel	8,615	27,811	-	9,511	-	-	45,937
Total Expenditures	27,781	770,159	4,161,177	630,330	69,200	-	5,658,647
Recoveries	-	-	(1,425,538)	-	-	-	(1,425,538)
<b>Net Exploration Expenditures</b>	<b>\$ 27,781</b>	<b>\$ 770,159</b>	<b>\$ 2,735,639</b>	<b>\$630,330</b>	<b>\$ 69,200</b>	<b>\$ -</b>	<b>\$ 4,233,109</b>

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

The Company is authorized to issue an unlimited number of common shares. At June 30, 2023, there are 187,199,562 common shares outstanding (2022- 164,725,679 common shares outstanding).

**b. Share issuances**

On August 30, 2022 the Company closed a private placement financing, for gross proceeds of \$2,707,474 through the issuance of: (i) 12,766,667 units (each, a "HD Unit") at a price of \$0.12 per HD Unit, each comprised of one common share of the Company and one warrant exercisable for one common share at \$0.17 for 18 months from the closing date; and (ii) 8,707,216 units (each, a "FT Unit") at a price of \$0.135 per FT Unit, each comprised of one common share qualifying as a flow-through share (each, a "FT Share") and a half warrant on the same terms as the warrants in the HD Units.

The warrants attached to the HD units and NFT units were ascribed a value of \$510,667 and \$174,144 respectively using the residual value method. In connection with the financing the Company incurred \$51,138 in share issuance cost. The Company also recognized a flow through premium of \$304,753 on the FT units.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**6. SHARE CAPITAL (continued)**

On February 28, 2023, the Company issued 750,000 common shares of the Company at a price of \$0.075 per common share with a fair value of \$56,250 in connection with the Stewart Lake property.

During the year ended June 30, 2023, the Company issued 250,000 common shares of the Company for gross proceeds of \$15,000 upon the exercise of warrants.

On December 31, 2021, the Company announced the closing of a previously announced private placement financing for gross proceeds of approximately \$2,322,181. The Company issued 10,096,441 flow-through shares, priced at \$0.23 per share. In connection with the offering, the Company paid finders fees in the amount of \$42,986 and 186,896 non-transferable finders warrants, each exercisable for one common share of the Company at \$0.23 for 18 months from the closing date to Leede Jones Gable Inc. and \$1,840 and 8,000 finders warrants to Laurentian Bank Securities Inc. The fair value of the 194,896 total warrants issued was \$19,989. The total cash share issuance costs related to the raise was \$105,004.

On October 5, 2021, the Company announced it had completed a non-brokered private placement financing by issuing 25,000,000 shares at \$0.10 each for proceeds of \$2,500,000. There were \$12,500 in cash share issuance costs related to the offering.

**c. Warrants**

A continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at June 30, 2021	29,969,666	\$0.06
Issued	194,896	\$0.23
Exercised	(28,344,666)	\$0.06
Balance as at June 30, 2022	1,819,896	\$0.08
Issued	17,120,274	\$0.17
Exercised	(250,000)	\$0.06
Expired	(1,569,896)	\$0.08
Balance as at June 30, 2023	17,120,274	\$0.17

Expiry Date	Number of Warrants	Exercise Price	Weighted Average Remaining Life in Years
February 29, 2024 <sup>1</sup>	17,120,274	\$0.17	0.67
	17,120,274	\$0.17	0.67

All warrants were exercisable as at June 30, 2023

<sup>1</sup> On September 27, 2023 subsequent to year end, the Company announced it has amended the exercise price of 15,411,930 of these warrants to \$0.08. These warrants now have an accelerated expiry clause that will reduce the expiry period of the warrants to 30 days if for any ten consecutive trading days of common shares the closing price exceeds the exercise price of the warrants by 25% or more.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**6. SHARE CAPITAL (continued)**

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

	Fiscal 2022
Expected dividend yield	0%
Weighted average risk-free interest rate	0.95%
Weighted average expected life	1.5 year
Weighted average expected volatility	108%
Weighted average fair value of options granted	\$0.10256

**d. Options**

On January 7, 2022, the Company received final approval from the TSX Venture Exchange for the amendment and restatement of the Company's stock option plan, which was approved by a majority of its shareholders at its annual general and special meeting of shareholders held on December 14, 2021.

The amended and restated Plan is a 10% rolling stock option plan meaning that the maximum number of listed shares issuable under the plan is 10% of the issued and outstanding shares of the Company at the time of the grant of options. As there are currently 187,199,562 common shares of the Company issued and outstanding, a maximum of 18,719,956 shares are currently issuable under the Amended and Restated Plan. The maximum term is seven years, minimum price is \$0.05, and the vesting occurs over 24 months. One third on grant date, one third one year after grant date, and one third two years after grant date.

The amount of share-based compensation related to employee stock options for the year ended June 30, 2023 was \$309,184 (2022 -\$437,779).

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

	Fiscal 2023	Fiscal 2022
Expected dividend yield	0%	0%
Weighted average risk-free interest rate	3.34%-3.46%	0.86%-2.46%
Weighted average expected life	5 year	5 year
Weighted average expected volatility	133%-134%	132%-137%
Weighted average fair value of options granted	\$0.039-0.06	\$0.12-0.14

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

**6. SHARE CAPITAL (continued)**

A continuity of options is as follows:

	<i>Number of Options</i>	<i>Weighted Average Exercise Price</i>
Balance as at June 30, 2021	10,393,329	\$ 0.19
Granted	5,250,000	\$ 0.16
Exercised	(30,000)	\$ 0.21
Expired	(1,673,329)	\$ 0.19
Balance as at June 30, 2022	13,940,000	\$ 0.18
Granted	3,600,000	\$ 0.07
Balance as at June 30, 2023	17,540,000	\$ 0.155

Expiry Date	Number of Outstanding Options	Exercisable	Exercise Price	Weighted Average Remaining Life in Years
January 15, 2025	4,290,000	4,290,000	\$0.25	1.55
June 10, 2025	2,650,000	2,650,000	\$0.06	1.95
June 19, 2025	400,000	400,000	\$0.25	1.97
July 10, 2025	250,000	250,000	\$0.09	2.03
September 1, 2025	1,100,000	1,100,000	\$0.25	2.18
September 16, 2026	2,450,000	1,633,333	\$0.16	3.21
October 19, 2026	1,200,000	800,000	\$0.155	3.31
February 25, 2027	1,000,000	666,667	\$0.18	3.66
April 1, 2027	600,000	400,000	\$0.16	3.76
January 3, 2028	2,700,000	900,000	\$0.07	4.52
May 24, 2028	900,000	300,000	\$0.05	4.90
	17,540,000	13,390,000	\$0.155	2.84

**SOLSTICE GOLD CORP.**

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**7. INCOME TAX**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2023</b>	<b>2022</b>
	<b>(3,516,944)</b>	<b>(Restated - Note 14)</b>
Loss for the year	\$ (3,516,944)	\$ (5,564,950)
Expected income tax (recovery)	\$ (950,000)	\$ (1,503,000)
Change in statutory rates and other	-	(25,000)
Permanent differences	(22,000)	95,000
Impact of flow through share	680,000	265,000
Share issue cost	(14,000)	(32,000)
Change in unrecognized deductible temporary differences	306,000	1,200,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Current income tax</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	<b>2023</b>	<b>2022</b>
	<b>(6,188,000)</b>	<b>(Restated - Note 14)</b>
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 4,777,000	\$ 4,726,000
Property and equipment	4,000	4,000
Share issue costs	49,000	64,000
Marketable securities	25,000	24,000
Allowable capital losses	-	-
Non-capital losses	1,333,000	1,064,000
	6,188,000	5,882,000
Unrecognized deferred tax assets	(6,188,000)	(5,882,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**7. INCOME TAX (continued)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2023	Expiry Date Range	2022	Expiry Date Range
<b>Temporary Differences</b>				
Share issue costs	183,000	2044 to 2047	238,000	2043 to 2046
Property and equipment	15,000	No expiry date	15,000	No expiry date
Exploration and evaluation assets	17,693,000	No expiry date	17,502,000	No expiry date
Marketable securities	186,000	No expiry date	177,000	No expiry date
Non-Capital losses	4,936,000	2037 to 2043	3,941,000	2037 to 2042

**8. FLOW THROUGH SHARE PREMIUM LIABILITY**

On December 31, 2021, the Company completed a non-brokered private placement of 10,096,441 flow-through common shares at a price of \$0.23 per share for gross proceeds of \$2,322,181.

A flow-through share premium liability of \$151,446 was recorded to include the liability portion of the flow-through shares issued. As eligible exploration expenditures are incurred the liability will be amortized to income (loss). During the year ended June 30, 2023 the Company recognized \$392,291 (2022 \$63,908) as income on renunciation of the flow-through premium liability.

On August 30, 2022, the Company completed a non-brokered private placement of 8,707,216 flow-through common shares at a price of \$0.135 per share for gross proceeds of \$1,175,474.

A flow-through share premium liability of \$304,753 was recorded to include the liability portion of the flow-through shares issued. As eligible exploration expenditures are incurred the liability will be amortized to income (loss). During the year ended June 30, 2023 a total of \$392,291 was recognized as income on renunciation of the flow through premium liability.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**9. MARKETABLE SECURITIES AND INVESTMENTS**

As a result of its Property and Royalty Portfolio Acquisition (note 5), the Company periodically receives shares in optionee companies. These shares are valued using publicly available market quotes on receipt and adjusted at period end dates to fair value at that date.

	<b>Year Ended June 30, 2023</b>	Year Ended June 30, 2022
Opening Balance	\$ 296,950	\$ -
Common shares received	\$ 253,400	\$ 473,638
Disposals	\$ (38,004)	\$ -
Fair value adjustment through Other Comprehensive loss	\$ (9,226)	\$ (176,688)
Closing balance	<u>\$ 503,120</u>	<u>\$ 296,950</u>

Included in marketable securities and investments are 2,000,000 common shares (2022 – nil) in a private company with a fair value of \$100,000 (2022 - \$nil).

**10. RELATED PARTY TRANSACTIONS**

Related parties include key management, which includes 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****a. Directors and Executive Management Compensation was as follows:**

	<b>Year ended June 30, 2023</b>	Year ended June 30, 2022
Salary related compensation	\$ 377,500	\$ 413,978
Project related fees and compensation	-	11,352
Share-based compensation	173,410	365,391
	<u>\$ 550,910</u>	<u>\$ 790,721</u>

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**11. 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. There were no changes to management's approach to capital management during the year ended June 30, 2023.

**12. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, CEBA loan, 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 June 30, 2023 marketable securities and investments were recorded at fair value using level 1 and 2 inputs. 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.

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**12. 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, commodity and equity prices as they relate to marketable securities held 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.

*Interest rate 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, 2023, there will be loan forgiveness of 25% or \$10,000. As management intends to repay this loan before December 31, 2023 it has recorded the 25% forgiveness on the initial \$40,000 borrowed, as government assistance as at June 30, 2020. In January of 2021, the Company borrowed and additional \$20,000 under the same government program. If \$40,000 of the total \$60,000 borrowed is repaid by December 31, 2023 the Company will be eligible for an additional \$10,000 in loan forgiveness. As management intends to repay the additional \$20,000 before January 18, 2024 it has recorded the \$10,000 forgiveness on the additional \$20,000 borrowed, as government assistance as at June 30, 2021. All receivable and payable balances as at June 30, 2023 are current and as such, are not subject to interest.

**13. 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.

**SOLSTICE GOLD CORP.**

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**14. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT**

The Company's previous accounting policy was to capitalize exploration and evaluation expenditures. The new policy is to expense such expenditures as incurred.

We believe that the information provided by this policy change will be more useful to readers because it provides better comparability of our financial position, changes in financial position, and results of operations with those of our current and future peer groups. Consequently, the revised treatment results in more relevant and no less reliable information than was previously presented. We have applied this change in accounting policy retrospectively, in accordance with *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*.

Due to the change in accounting policy, the Company has restated the comparative financial information on the statements of financial position as at June 30, 2022 and July 1, 2021 and the comparative financial information on the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the year ended June 30, 2022.

*Effects on Statements of Financial Position*

Assets	As at June 30, 2022			As at July 1, 2021		
	Previously stated	Adjustments	As restated	Previously stated	Adjustments	As restated
Exploration and evaluation assets	\$19,879,287	(\$19,879,287)	\$ -	\$15,992,015	(\$15,992,015)	\$ -
<b>Total assets</b>	<b>\$22,081,901</b>	<b>(\$19,879,287)</b>	<b>\$2,202,614</b>	<b>\$16,778,574</b>	<b>(\$15,992,015)</b>	<b>\$ 786,559</b>
<b>Liabilities</b>						
Deferred income tax liability	\$735,087	(\$735,087)	-	\$470,507	(\$470,507)	-
<b>Total liabilities</b>	<b>\$1,144,031</b>	<b>(\$735,087)</b>	<b>\$408,944</b>	<b>\$676,748</b>	<b>(\$470,507)</b>	<b>\$ 206,241</b>
<b>Shareholders' equity</b>						
Deficit	(\$5,951,749)	(\$19,144,200)	(\$25,095,949)	(\$4,009,491)	(\$15,521,508)	(\$19,530,999)
<b>Total shareholder's equity (deficit)</b>	<b>\$20,937,870</b>	<b>(\$19,144,200)</b>	<b>\$1,793,670</b>	<b>\$16,101,826</b>	<b>(\$15,521,508)</b>	<b>\$580,318</b>

*Effects on Statements of Comprehensive Loss*

Expenses	For the year ended June 30, 2022		
	Previously stated	Adjustments	As restated
Mineral property impairment	\$345,837	\$(345,837)	\$ -
Exploration and evaluation expenditures	-	\$4,233,109	\$4,233,109
	\$(1,741,586)	\$(3,887,272)	\$(5,628,858)
Deferred income tax expense	\$200,672	\$(200,672)	-
Income on renunciation of flow through premium	-	\$63,908	63,908
<b>Loss for the year</b>	<b>\$(1,942,258)</b>	<b>\$(3,622,692)</b>	<b>\$(5,564,950)</b>
Weighted number of shares O/S	144,125,576	-	144,125,576
<b>Basic and diluted loss per year</b>	<b>(\$0.01)</b>		<b>(\$0.04)</b>

**SOLSTICE GOLD CORP.**

Notes to the Financial Statements

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**14. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT (continued)***Effects on Statements of Cash Flows*

	For the year ended June 30, 2022		
	Previously stated	Adjustments	As restated
<b>Operating activities</b>			
Loss for the year	\$(1,942,258)	\$(3,622,692)	\$(5,564,950)
Share-based compensation	416,454	-	416,454
Deferred income tax (expense) recovery	200,672	(200,672)	\$ -
Mineral property impairment	345,837	(345,837)	\$ -
Share based compensation	416,454	21,325	\$437,779
Income on renunciation of flow through	-	(63,908)	(\$63,908)
Marketable securities received	-	(473,638)	(\$473,638)
Shares issued for mineral property	-	257,000	\$ 257,000
Changes in non-cash working capital items	(39,460)	-	(39,460)
<b>Total</b>	<b>\$(1,018,755)</b>	<b>(\$4,428,422)</b>	<b>(\$5,447,177)</b>
<b>Investing activities</b>			
Purchase of property and royalty portfolio	\$(4,048,177)	\$4,048,177	\$ -
Inflows related to portfolio	951,900	(\$951,900)	\$ -
Exploration and evaluation	(1,332,145)	\$ 1,332,145	\$ -
<b>Total</b>	<b>\$(4,428,422)</b>	<b>\$ 4,428,422</b>	<b>\$ -</b>

There was no impact on cash flows from financing activities due to the change in policy.

**15. SUBSEQUENT EVENTS**

On August 10, 2023, the Company closed a private placement financing for gross proceeds of \$563,325. The Company issued (i) 1,625,000 National Units at \$0.04 per Unit, each National Unit comprised of one common share of the Company qualifying as a flow-through share (each, a "FT Share") for purposes of the Income Tax Act (Canada) (the "ITA") and one half warrant where one full warrant is exercisable for one common share of the Company at \$0.06 for 12 months from the Closing Date; (ii) 7,846,500 units of the Company ("Ontario Units") to residents in Ontario at \$0.05 per Ontario Unit, each Ontario Unit comprised of one FT Share and one half Warrant; and (iii) 3,028,500 units of the Company ("Units") at \$0.035 per Unit, each Unit comprised of one common share of the Company (each, a "Common Share") and one half Warrant.

On August 21, 2023, the company entered into an option agreement to acquire a 100% interest in various mining claims located in Ontario which comprise the Purdom project. To earn the 100% interest, the Company paid \$21,000 and issued 300,000 common shares and must make additional staged payments totaling \$84,000 over the next three years and perform a minimum of \$30,000 in exploration work before the first anniversary of the agreement.