Solaris Resources Inc.

(Formerly Solaris Copper Inc.)

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Solaris Resources Inc. (formerly Solaris Copper Inc.)

Opinion

We have audited the consolidated financial statements of Solaris Resources Inc. ("the Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018;
- the consolidated statements of net loss and comprehensive loss for the years ended December 31, 2019 and December 31, 2018;
- the consolidated statements of cash flows for the years ended December 31, 2019 and December 31, 2018;
- the consolidated statements of changes in equity for the years ended December 31, 2019 and December 31, 2018; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and consolidated cash flows for the years ended December 31, 2019 and December 31, 2018 in accordance with International Financial Reporting Standards.

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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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 responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has incurred operating losses to date and has no current sources of revenues or cash inflows from operations.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Preparation

Without modifying our opinion, we draw attention to the fact that, as described in Note 6 in the financial statements, the Company did not operate as a separate entity prior to the execution of a Plan of Arrangement on August 3, 2018. The carve-out financial statements for the period up to August 3, 2018 are, therefore, not necessarily indicative of results that would have occurred if the Company had been a separate stand-alone entity during the years presented or of future results of the Company.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indication that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 International Financial Reporting Standards, 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is James Barron, CA, CPA.

Vancouver, Canada
April 24, 2020

Solaris Resources Inc.

(Formerly Solaris Copper Inc.)

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

(Expressed in thousands of United States dollars)

	Note		2019		2018
Assets					
Current assets					
Cash and cash equivalents		$	6,093	$	241
Prepaids and other			98		70
			6,191		311
Restricted cash	7		70		–
Exploration and evaluation assets	7		20,180		20,180
Property, plant and equipment	8		142		45
Derivative asset	10		5,765		1,673
Total assets		$	32,348	$	22,209
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities	20	$	379	$	155
Payable to Equinox Gold Corp.	20		45		–
Lease liability	9		32		–
			456		155
Long-term liabilities					
Derivative liability	10		1,510		–
Payable to Equinox Gold Corp.	20		–		1,274
Lease liability	9		65		–
Total liabilities			2,031		1,429
Shareholders' equity					
Common shares	11		43,104		32,704
Reserves			811		671
Deficit			(21,420)		(20,471)
Equity attributable to shareholders of the Company			22,495		12,904
Non-controlling interests	15		7,822		7,876
Total shareholders' equity			30,317		20,780
Total liabilities and equity		$	32,348	$	22,209

Going concern (Note 2)
Subsequent events (Note 22)

Approved on behalf of the Board:

"Ron Walsh"	*"Greg Smith"*
Ron Walsh – Director	Greg Smith – Director

April 24, 2020

The accompanying notes form an integral part of these consolidated financial statements.

Solaris Resources Inc.

(Formerly Solaris Copper Inc.)

Consolidated Statements of Net Loss and Comprehensive Loss

For the years ended December 31, 2019 and 2018

(Expressed in thousands of United States dollars, except share and per share amounts)

	Note		2019		2018
Exploration expenses	12	$	3,930	$	2,448
General and administration expenses	13		1,502		550
Loss from operations			5,432		2,998
Change in fair value of derivatives	10		(4,003)		(924)
Gain on settlement of debt	11		(191)		–
Other income			(197)		(11)
Finance income			(38)		–
Net loss and comprehensive loss		$	1,003	$	2,063
Net loss and comprehensive loss attributable to:					
Shareholders of the Company		$	949	$	2,020
Non-controlling interest	15		54		43
		$	1,003	$	2,063
Basic and diluted net loss per share attributable to shareholders of the Company		$	0.01	$	0.03
Weighted average number of shares outstanding			91,431,126		74,456,212

The accompanying notes form an integral part of these consolidated financial statements.

Solaris Resources Inc.

(Formerly Solaris Copper Inc.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed In thousands of United States dollars)

	Note	2019	2018
Cash provided by (used in):			
Operations			
Net loss for the year		$ (1,003)	$ (2,063)
Adjustments for:			
Change in fair value of derivatives	10	(4,003)	(924)
Gain on settlement of debt	11	(191)	–
Foreign exchange and other		(166)	–
Share-based compensation		212	49
Amortization		13	6
Net changes in non-cash working capital items:			
Prepaids and other		(28)	(32)
Accounts payable and accrued liabilities		224	59
Payable to Equinox Gold Corp.	20	392	–
		(4,550)	(2,905)
Financing			
Private placement equity financings	11	9,780	–
Share issue costs paid		(66)	–
Advances from Equinox Gold Corp.	20	720	1,226
Payment of lease liability		(6)	–
Capital contributions from Equinox Gold Corp.		–	1,837
		10,428	3,063
Investing			
Restricted cash contributions	7	(70)	–
Capital expenditures		(7)	(8)
		(77)	(8)
Effect of exchange rate changes on cash and cash equivalents		51	(1)
Increase in cash and cash equivalents		5,852	149
Cash and cash equivalents, beginning of year		241	92
Cash and cash equivalents, end of year		$ 6,093	$ 241

Supplementary cash flow information (Note 21)

The accompanying notes form an integral part of these consolidated financial statements.

Solaris Resources Inc.

(Formerly Solaris Copper Inc.)

Consolidated Statements of Changes in Equity

(Expressed in thousands of United States dollars, except number of shares)

		Share Capital						
	Note	Number of Shares	Amount	Reserves	Net Parent Investment	Deficit	Non-controlling interest	Total equity
Balance, December 31, 2017		–	$ –	$ –	$ 26,544	$ (14,255)	$ 7,919	$ 20,208
Cash contribution from Equinox Gold Corp. prior to the Arrangement	20	–	–	–	1,337	–	–	1,337
Cash contribution from Equinox Gold Corp. pursuant to the Arrangement	6	–	–	–	500	–	–	500
Shares issued upon incorporation	6	1	–	–	–	–	–	–
Shares issued pursuant to the Arrangement	6	74,438,615	32,676	–	(32,676)	–	–	–
Adjustments pursuant to the Arrangement	6	–	–	–	4,295	(4,295)	–	–
Adjustments pursuant to the Arrangement related to warrants	6	–	–	–	–	749	–	749
Shares issued on exercise of stock options and Restricted Share Units	11	64,843	28	(28)	–	–	–	–
Share-based compensation	11	–	–	699	–	(650)	–	49
Net loss and comprehensive loss		–	–	–	–	(2,020)	(43)	(2,063)
Balance, December 31, 2018		74,503,459	$ 32,704	$ 671	$ –	$ (20,471)	$ 7,876	$ 20,780
Private placement equity financing, net of $68 in share issue costs	11	39,213,000	8,566	–	–	–	–	8,566
Units issued for cancellation of debt payable to Equinox	11	6,875,000	1,705	–	–	–	–	1,705
Shares issued on vesting of RSUs	11	163,622	72	(72)	–	–	–	–
Shares issued on exercise of Equinox Warrants	11	94,117	57	–	–	–	–	57
Share-based compensation	11	–	–	212	–	–	–	212
Net loss and comprehensive loss		–	–	–	–	(949)	(54)	(1,003)
Balance, December 31, 2019		120,849,198	$ 43,104	$ 811	$ –	$ (21,420)	$ 7,822	$ 30,317

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Solaris Resources Inc. (formerly Solaris Copper Inc., the "Company" or "Solaris") was incorporated under the Business Corporations Act of British Columbia on June 18, 2018 as a wholly owned subsidiary of Equinox Gold Corp. ("Equinox"). Equinox subsequently distributed 60% of the outstanding shares of the Company to its shareholders as described in Note 6.

The Company is engaged in the acquisition, exploration and development of mineral property interests. The Company's assets consist primarily of the Warintza copper-molybdenum-gold exploration property ("Warintza") in Ecuador, the 60%-owned La Verde copper exploration property ("La Verde") in Mexico, the Ricardo copper-molybdenum exploration property ("Ricardo") in Chile and the Tamarugo copper-molybdenum property ("Tamarugo") in Chile. The Company has not yet determined whether the properties contain mineral reserves where extraction is both technically feasible and commercially viable. The business of mining and the exploration for minerals involves a high degree of risk and there can be no assurance that such activities will result in profitable mining operations.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred operating losses to date and has no current sources of revenue or cash inflows from operations. The Company's ability to continue as a going concern is dependent upon successful execution of its business plan, raising additional capital or evaluating strategic alternatives for its mineral property interests. In November and December 2019, the Company raised $4,272 (C$5,648) and $2,099 (C$2,762), respectively, in private placements. Based on anticipated cash flows, further funds will be required to fund future obligations and exploration plans in the next year. The Company expects to continue to raise the necessary funds primarily through the issuance of common shares. Subsequent to December 31, 2019, the novel coronavirus outbreak ("COVID-19") was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company's business are not known at this time. These impacts could include an impact on the Company's ability to obtain equity financing to fund ongoing exploration activities as well as the Company's ability to explore and conduct business. There can be no guarantees that future equity financing will be available in which case the Company will need to reduce its planned exploration activities. These conditions indicate the existence of a material uncertainty that may cast significant doubt on Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying amounts of the assets and liabilities and the statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") issued and outstanding as of December 31, 2019. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 24, 2020.

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements are presented in United States dollars ("US dollars").

The consolidated financial statements for the year ended December 31, 2018 have been prepared on a continuity of interest basis of accounting following the completion of the Plan of Arrangement (the "Arrangement") (Note 6), which requires that prior to the August 3, 2018 effective date thereof, the assets, liabilities, results of operations and cash flows of the Company be on a "carve out" basis from the consolidated financial statements and accounting records of

(Expressed in thousands of United States dollars, unless otherwise noted)

Equinox, in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*, for carve-out financial statements. As Equinox's consolidated financial statements had been prepared in accordance with IFRS, no adjustments were made on recognition of its balances and transactions in these consolidated financial statements.

The significant accounting policies are presented in Note 4 and have been applied consistently in each of the periods presented. The critical judgements in applying accounting policies and sources of estimates are presented in Note 5.

c) Basis of consolidations

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company and its subsidiaries as described below:

Company	Location	Ownership interest
Lowell Copper Holdings Inc.	Canada	100%
Lowell Copper Holdings (US) Inc.	Canada	100%
Lowell Mineral Exploration Ecuador S.A.	Ecuador	100%
Mineral Ricardo Resources Inc. S.A.	Chile	100%
Solaris Copper SpA	Chile	100%
Lowell Copper S.A.C.	Peru	100%
Minera Gabriella S.A. de C.V.	Mexico	100%
Ascenso Inversionaes S.A.	Guatemala	100%
Catalyst Copper Corp.	Canada	100%
Minera Hill 29, S.A. de C.V.	Mexico	100%
Minera Torre de Oro, S.A. de C.V.	Mexico	60%

d) Functional and presentation currency

Except as otherwise noted, these financial statements are presented in US dollars, the functional currency of the Company and its subsidiaries.

Transactions in foreign currencies are initially recorded into the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined. Resulting foreign exchange gains and losses are recognized in income or loss. Foreign currency gains and losses are reported on a net basis.

e) Changes in accounting standards

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16") which sets out principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there is a single, on-balance sheet, accounting model that requires the recognition of a right of use asset and corresponding lease liability for all arrangements that meet the definition of a lease. IFRS 16 was adopted on January 1, 2019 using the modified retrospective approach under which the cumulative effect of initial application is recognized in deficit with no restatement of comparative figures. However, as the Company did not have any arrangement that met the definition of a lease on the adoption date, adoption of IFRS 16 did not have any impact on the consolidated financial statements on adoption.

IFRIC 23, *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 ("IFRIC 23") – *Uncertainty over Income Tax Treatments*. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 was adopted on January 1, 2019. The adoption of this standard had no impact on the financial statements.

New accounting standards and pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after December 31, 2019. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a significant impact on the consolidated financial statements of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents and restricted cash

Cash and cash equivalents consist of cash on hand with banks and highly liquid investments with a maturity date at purchase of less than 90 days.

Restricted cash consists of a term deposit held in a foreign financial institution, restricted through an agreement with a third party. The funds are being used to collateralize a guarantee issued to support environmental bonding requirements.

b) Exploration and evaluation expenditures

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes permitting, community engagement, exploratory drilling and sampling, surveying transportation and infrastructure requirements, and gathering exploration data through geophysical studies.

The Company capitalizes significant direct costs of acquiring resource property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Subsequent to the acquisition of a mineral interest, exploration, evaluation and property maintenance costs incurred are expensed as incurred up to the date of establishing that property costs are economically recoverable, that the project is technically feasible and upon receipt of project development approval from the Board of Directors. The approval from the Board of Directors will be dependent upon the Company obtaining necessary permits and licenses to develop the mineral property. If no economically viable ore body is discovered, previously capitalized acquisition costs are expensed in the period that the property is determined to be uneconomical or abandoned. Value-added taxes are included in exploration and evaluation costs when the recoverability of these amounts is uncertain.

Although the Company has taken steps to verify title to exploration and evaluation 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, non-compliance with regulatory requirements or title may be affected by undetected defects.

c) Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consist of purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, initial estimates of the costs of dismantling and removing an item and restoring the site on which it is located, and, where applicable, borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment, including major components, are depreciated using the straight-line method over their estimated useful lives, typically ranging from 5 to 10 years.

Right-of-use assets are depreciated using the straight-line method from the date the asset is available for use by the Company to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property, plant and equipment and any changes arising from the assessment are applied by the Company prospectively.

d) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset that is physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then no right of use asset is identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Payments related to short-term leases and leases of low-value assets are recognized as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

This policy is applied to contracts entered, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-to-use asset and a corresponding lease liability on the date the leased asset is available for use by the Company.

The right of use asset and corresponding lease liability are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The cost of the right of use asset also includes any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

e) Financial instruments

Financial instruments are recognized initially at fair value. Subsequent to initial recognition, financial instruments are classified and measured as described below.

Transaction costs associated with financial instruments carried at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

(i) Amortized cost

Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'.

The Company's cash and cash equivalents, amounts receivable and restricted cash are recorded at amortized cost as they meet the required criteria.

(ii) Financial assets recorded at fair value through income (loss)

Financial assets are classified at fair value if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in net income (loss). Other than derivatives, the Company does not have financial assets recorded at fair value through profit or loss.

(iii) Financial liabilities

Accounts payable and accrued liabilities, lease liability and payable to Equinox are accounted for at amortized cost using the effective interest rate method. The amortization of debt issue costs is calculated using the effective interest rate method.

(iv) Derivatives

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. The Company's derivatives are subsequently re-measured at their fair value at each statement of financial position date with changes in fair value recognized in net income or loss.

As the exercise price of certain of the Equinox Warrants is fixed in Canadian dollars, and the functional currency of the Company is the US dollar, the obligation of the Company to issue shares on exercise of these warrants is considered a derivative as a variable amount of cash in the Company's functional currency will be received from Equinox on exercise. Accordingly, the Company's obligation to issue shares is recognized as a derivative asset or liability, as applicable. Measurement of the Company's obligation to issue shares upon exercise of Equinox Warrants is based on a Monte Carlo pricing model at the period-end date.

As the exercise price of certain of the Company's share purchase warrants is fixed in Canadian dollars, and the functional currency of the Company is the US dollar, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. The fair value of the warrants is determined using the Black-Scholes option pricing model at the period-end date.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

f) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. Proceeds related to the issuance of units are allocated between the common shares and warrants on a relative fair value basis where warrants are classified as equity instruments. For warrants classified as derivative liabilities, the fair value of the warrants is determined with the residual amount allocated to the common shares.

g) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those at market. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). This generally results in the Company evaluating its non-financial assets on a property-by-property basis.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income or loss. 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. An impairment charge is reversed through net income or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

Financial assets

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 credit risk on 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 month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. 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.

h) Share-based payments

Stock options

The Company grants stock options to acquire common shares to directors, officers, employees and consultants. The Board of Directors determines the specific grant terms within the limits set by the Company's stock option plan.

The fair value of the estimated number of stock options that will eventually vest, determined as of the date of the grant, is recognized as share-based compensation expense over the vesting period of the stock options, with a corresponding increase in shareholders' equity (in other reserves). The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date.

The cost of the stock options is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of the options granted is determined based on historical data on the average hold period before exercise, cancellation or expiry. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment.

Restricted share units

The Company grants to employees, officers, directors and consultants, restricted share units ("RSUs") in such numbers and for such terms as may be determined by the Board of Directors. RSUs granted under the RSU Plan are exercisable into common shares for no additional consideration after the vesting conditions, as specified by the Board of Directors, are met. The Company intends to settle each RSU with one common share of the Company and therefore RSUs are accounted for as equity-settled instruments.

RSUs are measured at fair value on the date of grant and the corresponding share-based compensation is recognized over the vesting period in exploration or general and administration expenses, as applicable.

In addition to service conditions, RSUs may have performance-based vesting conditions ("pRSU). Share-based compensation for these pRSUs is measured on the grant date but is recognized only when it is more likely than not that the performance vesting conditions will be met.

i) Income tax

Income tax on income or loss comprises current and deferred tax. Income tax is recognized in net income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable or receivable related to previous years.

Deferred tax is recognized for differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recorded for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, temporary differences arising on the initial recognition of goodwill and temporary differences relating to the investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse based on laws that have been enacted or substantively enacted at period end.

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.

Tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they are related to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Earnings per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential common shares, which comprise the Company's obligation to issue shares on exercise of Equinox Warrants, the Company's own warrants, stock options, RSUs and pRSUs. The dilutive effect of these instruments assumes that the proceeds to be received on exercise are applied to repurchase common shares. Dilutive instruments are only included in the dilutive calculations to the extent exercise prices are below the average market price of the common shares. Shares issuable on the exercise of options, RSUs, pRSUs, warrants issued by the Company and Equinox Warrants totaling 34,046,704 were not included in the computation of diluted EPS because they are anti-dilutive.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements and estimates that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Judgements

a) Determination of functional currencies

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity is the US dollar. Assessment of functional currency involves certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

b) Going concern assessment

The Company's assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained in the near term. See Note 2.

Key sources of estimation uncertainty

a) Valuation of mineral properties

The Company carries the acquisition costs of its mineral properties at cost less any provisions for impairment. The Company undertakes periodic reviews of the carrying values of mineral properties and whenever events or changes in the circumstances indicate that their varying values may exceed their fair value. In undertaking these reviews, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures. These include risks and uncertainties related to reserves and resource estimation, title to mineral properties, future commodity prices, estimated costs of construction of a mine and production costs, changes to government regulation and regulations and other factors.

b) Valuation of derivative and other financial instruments

The valuation of the Company's derivative financial instruments requires the use of option pricing models or other valuation techniques. Measurement of the Company's obligation to issue shares upon exercise of Equinox Warrants classified as a derivative is based on a Monte Carlo pricing model which uses assumptions with respect to share price, expected life, share price volatility, correlation assumptions and discount rates. The fair value of warrants issued by the Company and classified as derivative liabilities is determined using the Black-Scholes option pricing model. The use of the Black-Scholes option pricing model requires management to make various estimates and assumptions that impact the value assigned to the warrants including the expected volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the warrant. Changes in these assumptions and estimates result in changes in the fair value of these instruments and a corresponding change in the amount recognized in profit or loss. Significant assumptions related to derivatives are disclosed in Note 10.

c) Share-based compensation

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of stock options granted to directors, officers, employees and consultants of the Company. The use of the Black-Scholes option pricing model requires management to make various estimates and assumptions that impact the value assigned to the stock options including the expected volatility of the stock price, the risk-free interest rate, dividend yield, the expected life of the stock options and the number of options expected to vest. Any changes in these assumptions could change the amount of share-based compensation recognized. Significant assumptions related to share-based payments are disclosed in Note 11.

6. PLAN OF ARRANGEMENT

On August 3, 2018, Equinox re-organized certain subsidiaries holding all of its copper assets under its wholly owned subsidiary Lowell Copper Holdings Inc. (“Lowell Copper”), transferred all of the issued and outstanding shares of Lowell Copper and $500 in cash to Solaris, and distributed shares of Solaris to the shareholders of Equinox, as a return of capital by way of a plan of arrangement (“the Arrangement”).

Under the Arrangement, existing shareholders of Equinox received one-tenth of a Solaris common share for each Equinox common share held. A total of 44,663,102 Solaris common shares were distributed to Equinox shareholders and Equinox retained 29,775,514 shares. Equinox holds 36,650,514 shares of Solaris, representing a 30% interest in Solaris at December 31, 2019.

In addition, holders of Equinox options received options of Solaris which were proportionate to, and reflective of the terms of, their existing options of Equinox. A total of 14,722,000 options were issued to acquire 1,472,220 shares. Holders of Equinox Restricted Share Units (“RSUs”) and Performance Restricted Share Units (“pRSUs”) received RSUs or pRSUs of Solaris which were proportionate to, and reflect the terms of, their existing RSUs / pRSUs of Equinox. A total of 8,970,155 RSUs and pRSUs were issued to acquire 897,009 shares in conjunction with the Arrangement. Pursuant to the Arrangement, Equinox warrant holders will receive, upon exercise of any Equinox warrant (the “Equinox Warrants”), for the original exercise price, one common share of Equinox and one-tenth of a Solaris share. Equinox will pay to Solaris an amount equal to one-tenth of the proceeds received by Equinox on exercise of the warrants. A total of 123,587,166 Equinox Warrants were outstanding at the time of the Arrangement which, if all exercised, would require Solaris to issue 12,358,717 common shares for proceeds of C$28,188.

As the shareholders of Equinox continued to hold their respective interests in Solaris, there was no resultant change of control in either Company, or the underlying assets acquired on the effective date of the Arrangement. As such, the Arrangement was considered a capital reorganization and was excluded from the scope of IFRS 3, *Business Combinations*.

Under the continuity of interest basis of accounting, the assets and liabilities transferred were recorded at their pre-arrangement carrying values, which had been measured in accordance with IFRS. The statements of net loss and comprehensive loss include the allocated expenditures from the operations related to the net assets acquired. Prior to August 3, 2018, the carve-out entity did not operate as a separate legal entity and, as such, the consolidated financial statements may not be indicative of the financial performance of the carve-out entity on a standalone basis and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the carve-out entity operated as an independent entity during the periods presented.

(Expressed in thousands of United States dollars, unless otherwise noted)

The carrying value of the net assets received pursuant to the Arrangement at August 3, 2018 are as follows:

Cash (including $500 contributed by Equinox on closing)	$	618
Accounts receivable and other assets		32
Exploration and evaluation assets		20,180
Property, plant and equipment		48
Derivative asset		749
Accounts payable and accrued liabilities		(124)
Due to Equinox		(518)
Non-controlling interest		(7,903)
Carrying value of net assets		13,082
Accumulated losses, net of contributions		15,299
Subtotal		28,381
Shares issued pursuant to the Arrangement		(32,676)
Adjustment pursuant to the Arrangement	$	(4,295)

An adjustment of $4,295 was made through Deficit to reconcile: i) the carrying values of the net assets contributed and recorded under the continuity of interest basis of accounting, to the fair value of the common shares issued upon closing of the Arrangement; and ii) the allocated Equinox accumulated losses up to the close of the Arrangement less Equinox's earlier contributions. Equinox`s earlier capital contributions prior to the periods presented are included in Deficit.

In the consolidated statement of net loss and comprehensive loss for the year ended December 31, 2018, net loss reflects transactions aggregating $1,754 that occurred prior to August 3, 2018 and $309 for transactions that occurred between August 3, 2018 to December 31, 2018. The net loss that occurred between August 3 to December 31, 2018 includes a gain on the fair value of the derivative asset of $924.

The consolidated statements of changes in equity for the year ended December 31, 2018 includes $500 of cash that was transferred by Equinox to the Company pursuant to the Arrangement. Other assets have been reflected in these consolidated financial statements at earlier dates in accordance with the continuity of interest basis of accounting.

7. EXPLORATION AND EVALUATION ASSETS

As at December 31,	Note		2019		2018
La Verde (Mexico)	a)	$	19,741	$	19,741
Warintza (Ecuador)	b)		188		188
Ricardo (Chile)	c)		251		251
		$	20,180	$	20,180

a) La Verde

La Verde is situated in the Sierra Madre del Sur west of Mexico City in Michoacán State, Mexico and consists of the Unificación Santa Maria claim. The project is held 60% by the Company and 40% by Teck Resources Ltd. The joint venture agreement governing the operation and funding of La Verde was formalized effective February 28, 2015. The Agreement provides that Solaris will be the operator of the project. The Agreement further provides for dilution of either parties' ownership should funding not be provided in accordance with their respective participating interests. La Verde is subject to a 0.5% net smelter royalty held by Minera CIMA, S.A. de C.V.

b) Warintza

Warintza is located in south eastern Ecuador in the province of Morona Santiago, Canton Limon Indanza. It consists of eight mining concessions (the "Concessions") covering a total of 26,777 hectares. The Concessions expire between September 2031 and May 2032 and are subject to a 2% net smelter royalty held by Billiton Ecuador B.V. The Concessions can be renewed for an additional period of 25 years.

Restricted cash consists of a bank guarantee issued to the regulatory authorities for compliance in the event of an environmental impact from exploration activities on certain Warintza mining concessions.

c) Ricardo

The Company owns a 100% interest in Ricardo, an early stage exploration porphyry copper prospect located near Calama, Chile in the Calama Mining District. The Ricardo claim block covers approximately 16,000 hectares.

In October 2018, the Company entered into a definitive earn-in option agreement (the "Ricardo Option Agreement") with Minera Freeport-McMoRan South America Limitada ("Freeport") with respect to Ricardo.

The Ricardo Option Agreement provides for a three-staged process by which Freeport can earn up to an 80% interest in the Ricardo property as follows:

To earn an initial 60% interest in the Ricardo Property, Freeport must complete both Stage 1 and Stage 2:

- Stage 1: Upon receipt of the relevant exploration permits (the "Effective Date"), Freeport is required to spend $4.2 million in exploration expenditures over the two years following the Effective Date.

- Stage 2: Upon completion of Stage 1, Freeport can elect to spend $4.8 million in the third year following the Effective Date, $8.0 million in the fourth year following the Effective Date and $13.0 million in the fifth year following the Effective Date.

Upon completion of both Stage 1 and Stage 2, Freeport can elect to complete Stage 3 to earn an additional 20% interest in the Ricardo Property whereby Freeport is required to complete the first of (i) funding a feasibility study for a mine at Ricardo and (ii) spending an additional $100 million in exploration expenditures. Should Stage 3 not be completed within ten years, Freeport can maintain the option by paying to the Company $1 million annually until Stage 3 is complete.

In October 2019, the Ricardo Option Agreement was amended to extend the Stage 1 exploration expenditure period up to fifteen additional months in the case that Freeport determines the need for additional exploration permits. In addition, the Stage 2 third, fourth and fifth year exploration periods were amended to follow the end of the Stage 1.

d) Tamarugo

Tamarugo is a grass-roots copper porphyry target consisting of approximately 5,100 hectares strategically located in northern Chile. The Company entered into a definitive earn-in option agreement with Freeport with respect to Tamarugo in July 2019.

Pursuant to the option agreement, the Company can earn up to a 75% interest in Tamarugo as follows:

- To earn an initial 51% interest in Tamarugo, the Company is required to spend $4.0 million in exploration expenditures over four years with $0.25 million to be spent in year one, $0.35 million in year two, $1.9 million in year three and $1.5 million in year four.

- Within 60 days of the Company earning the initial 51% interest in Tamarugo, Freeport may exercise a back-in right to reacquire 11% of Tamarugo by paying to the Company $12 million (the "Back-in Right"). Freeport will then be required to fund all exploration expenditures until either completing a pre-feasibility study for a mine at Tamarugo or spending a total of $50 million within 10 years of exercise of the Back-in Right. Should Freeport not complete either the pre-feasibility study or spend a total of $50 million within 10 years of exercise of the Back-in Right, Freeport can maintain its 11% interest by paying to the Company $1 million annually until it completes either one of these obligations.

- Should Freeport elect not to exercise the Back-in Right, the Company can elect to earn an additional 24% interest in Tamarugo by spending an additional $1.5 million in exploration expenditures in year five and delivering a pre-feasibility study for a mine at Tamarugo by the end of year seven.

The Company paid a fee in connection with the option agreement consisting of an initial 1,000,000 warrants (Note 8(b)) exercisable for three years into common share of Solaris at an exercise price of C$0.35. The share-based compensation of $71 associated with these warrants has been recorded as exploration expenditures. Upon discovery of potentially economic mineralization at Tamarugo the Company will pay an additional 1,000,000 common shares. No amount has been recognized for these common shares as there is currently insufficient evidence that this non-market performance condition will be met.

(Expressed in thousands of United States dollars, unless otherwise noted)

e) Other projects

Solaris has earn-in agreements on certain other projects including the Capricho and Paco Orco projects in Peru. The Capricho project is a 4,600-hectare property in Peru prospective for near-surface copper-molybdenum-gold mineralization. The Paco Orco project is a 4,400-hectare property in Peru prospective for lead, zinc and silver.

8. PROPERTY, PLANT AND EQUIPMENT

		Field equipment		Office equipment & furniture		Right-of-use asset (Note 9)		Total
Cost								
As at December 31, 2018	$	115	$	22	$	–	$	137
Additions		–		7		103		110
As at December 31, 2019	$	115	$	29	$	103	$	247
Accumulated amortization								
As at December 31, 2018	$	91	$	1	$	–	$	92
Amortization		3		4		6		13
As at December 31, 2019	$	94	$	5	$	6	$	105
Net book value								
As at December 31, 2018	$	24	$	21	$	–	$	45
As at December 31, 2019	$	21	$	24	$	97	$	142

9. LEASES

Right-of-use asset

		Office and warehouse space
Balance, December 31, 2018	$	–
Addition		102
Amortization recognized in net loss		(6)
Balance, December 31, 2019	$	96

Lease liability

		Office and warehouse space
Balance, December 31, 2018	$	–
Addition		102
Interest on lease liability recognized in net loss		1
Lease payments for the period		(6)
Balance, December 31, 2019	$	97
Less current portion		32
Non-current lease liability	$	65

(Expressed in thousands of United States dollars, unless otherwise noted)

10. DERIVATIVES

As the functional currency of the Company is the US dollar and the exercise price of the warrants discussed below is fixed in Canadian dollars, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received. Accordingly, the following warrants are classified and accounted for as a derivative asset at fair value through net income or loss.

a) Derivative asset

As at December 31, 2019, the Company is obligated to issue 12,025,553 common shares (December 31, 2018 – 12,195,391) on exercise of Equinox Warrants which have a weighted average exercise price per one whole Equinox common share and one-half Solaris common share issuable of C$12.00 (December 31, 2018 – C$11.97) and a weighted average contractual life of 1.58 years (December 31, 2018 – 2.57 years).

At December 31, 2019, the fair value of the Company's obligation to issue shares on exercise of Equinox Warrants classified as a derivative was determined using the Monte Carlo Simulation approach to simulate future share prices of Equinox and Solaris.

The following assumptions were considered in the simulation for the years ended December 31, 2019 and 2018:

		2019		2018
Risk-free rate		1.69% - 1.74%		2.1%
Correlation of Solaris share to Equinox share		50%		75%
Expected term (years)		1.58		2.57
Expected volatility – Equinox and Solaris[1]		50% and 90%		60%
Expected dividend		Nil		Nil
Solaris share price (C$) per whole share	$	0.40	$	0.25
Equinox share price (C$) per whole share	$	9.99	$	5.10

[1] The expected volatility of Solaris is based on the historical volatility of the shares of a comparative peer group of companies.

A continuity of the derivative asset since the Arrangement is as follows:

Value of the derivative asset on August 3, 2018, pursuant to the Arrangement with Equinox	$	749
Change in fair value		924
Balance, December 31, 2018	$	1,673
Exercise of warrants		(14)
Change in fair value		3,968
Change related to foreign exchange		138
Balance, December 31, 2019	$	5,765

b) Derivative liability

The fair value of the warrants issued in connection with common share placements and classified as derivative liabilities was determined separately using the Black-Scholes option pricing model with the residual allocated to the common shares. The assumptions used in the Black-Scholes option pricing model to calculate the fair value of the warrants issued during the year ended December 31, 2019 was as follows:

Weighted average		December 31, 2019		On issuance
Exercise price per share issuable	C$	0.60	C$	0.60
Expected term (years)		2.89		3.00
Volatility[1]		70%		70%
Expected dividend yield		Nil		Nil
Risk-free interest rate		1.68%		1.59%

(Expressed in thousands of United States dollars, unless otherwise noted)

A continuity of the derivative liability is as follows:

Balance, December 31, 2018	$	–
Issuance of warrants		1,518
Change in fair value		(35)
Change related to foreign exchange		27
Balance, December 31, 2019	$	1,510

11. SHARE CAPITAL

a) Common shares

Authorized: Unlimited common shares, with no par value

Issued and fully paid: 120,849,198 (December 31, 2018 – 74,503,459)

b) Private placements

On March 18, 2019, the Company closed a non-brokered private placement financing for 15,736,000 common shares at C$0.25 per share for gross proceeds of C$3,934 ($2,951), less share issue costs of $27.

On June 20, 2019, the Company closed a non-brokered private placement financing for 2,452,000 common shares at C$0.25 per share for gross proceeds of C$613 ($458). There were no fees paid on the financing.

On November 8, 2019, the Company closed a non-brokered private placement financing for 14,121,000 units at C$0.40 per unit for gross proceeds of C$5,648 ($4,272), less share issue costs of $37. Each unit is comprised of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C$0.60 per common share until November 8, 2022. The Company determined that the fair value of the warrants issued on November 8, 2019 was $767 (Note 10).

On November 15, 2019 Equinox subscribed for 6,875,000 units of the Company in exchange for the cancellation of debt payable by the Company to Equinox totaling C$2,750 ($2,078). Each unit is comprised of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C$0.60 per common share until November 15, 2022 (Note 10, 20 and 21). The Company determined that the fair value of the warrants issued on November 15, 2019 was $373 (Note 10). The Company recorded a gain on settlement of debt of $191 in net loss as the fair value of the units issued was less than the advances settled.

On December 24, 2019, the Company closed a non-brokered private placement financing for 6,904,000 units at C$0.40 per unit for gross proceeds of C$2,762 ($2,099), less share issue costs of $4. Each unit is comprised of one common share and one-half commons share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C$0.60 per common share until December 24, 2022. The Company determined that the fair value of the warrants issued on December 24, 2019 was $378 (Note 10).

(Expressed in thousands of United States dollars, unless otherwise noted)

c) Share purchase options

For the year ended December 31, 2019, the Company recognized a share-based compensation expense included in general and administrative expenditures of $142 (December 31, 2018 – $22).

A continuity of the shares issuable for stock options is as follows:

As at December 31,	2019	2018
Balance, start of year	1,423,057	–
Issued as a result of the Arrangement	–	1,472,220
Granted	5,025,000	–
Exercised	–	(1,105)
Forfeited	(102,480)	(48,058)
Balance, end of year	6,345,577	1,423,057

The weighted average exercise price per share issuable of options granted and forfeited was C$0.33 and C$1.16, respectively. The weighted average exercise price per share issuable of options exercised and forfeited during the year ended December 31, 2018 was C$0.20 and C$0.65, respectively.

The assumptions used in the Black-Scholes option pricing model for the options granted or issued as a result of the Arrangement during the years ended December 31, 2019 and 2018 were as follows:

Weighted average		2019		2018
Exercise price per share issuable	C$	$0.33	C$	$0.57
Expected term (years)		5.00		3.15
Volatility[1]		90%		63%
Expected dividend yield		–		–
Risk-free interest rate		1.37%		2.1%

[1] The expected volatility of Solaris is based on the historical volatility of the shares of a comparative peer group of companies.

Arrangement options

Pursuant to the Arrangement, option holders of Equinox received options of Solaris which were proportionate to, and reflective of the terms of, their existing options of Equinox ("Arrangement options"). As at December 31, 2019, a total of 13,205,970 (December 31, 2018 – 14,230,570) Arrangement options are outstanding with each option entitling the holder to one-tenth of a Solaris share. As at December 31, 2019, a total of 1,320,597 (December 31, 2018 – 1,423,057) shares are issuable by Solaris upon exercise of the Arrangement options.

Outstanding						Exercisable		
Range of exercise price per Arrangement option (C$)[2]	Number of Arrangement options outstanding	Number of shares issuable		Weighted average exercise price per option (C$)	Weighted average remaining contractual life (years)	Number of shares issuable		Weighted average exercise price per option (C$)
$0.01 - $0.05	6,127,300	612,727	$	0.03	1.33	611,977	$	0.03
$0.06 - $0.10	5,180,385	518,027		0.06	2.79	423,939		0.06
$0.11 - $0.52	1,898,285	189,823		0.16	1.30	189,823		0.16
	13,205,970	1,320,577	$	0.06	1.90	1,225,739	$	0.06

[2] Range of exercise price per option for 1/10th of a Solaris share.

The weighted average exercise price of the Arrangement options exercisable at December 31, 2019, attributable to the issuance of a whole Solaris share was C$0.60 (December 31, 2018 – C$0.70).

(Expressed in thousands of United States dollars, unless otherwise noted)

Solaris options

	Outstanding				Exercisable	
Grant date		Exercise price (C$)	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
August 9, 2019	$	0.25	2,500,000	4.61	–	–
November 18, 2019		0.40	2,000,000	4.89	–	–
November 21, 2019		0.40	525,000	4.89	–	–
	$	0.33	5,025,000	4.75	–	–

d) Restricted share units

Pursuant to the Arrangement, holders of Equinox RSUs or pRSUs received RSUs or pRSUs of Solaris ("Arrangement RSUs"), which were proportionate to, and reflective of the terms of, their existing RSUs or pRSUs of Equinox. The holder of the Arrangement RSUs acquires one-tenth of a Solaris share upon vesting.

	RSUs and pRSUs outstanding	Shares issuable
Balance, December 31, 2018	8,317,768	831,771
Vested and issued for shares	(1,636,216)	(163,622)
Forfeited	(225,750)	(22,575)
Additional shares issuable for pRSU which vested based on market performance conditions	–	80,000
Balance, December 31, 2019	6,455,802	725,574

Total net share-based compensation expense with respect to RSUs for the year ended December 31, 2019 was a gain of $1 (December 31, 2018 – expense of $27). Compensation costs of $360 related to employees of Equinox who received RSUs and pRSUs as part of the Arrangement were treated as a distribution to Equinox and recognized directly in deficit in 2018. The number of shares issuable pursuant to certain pRSU's vary depending on achievement of certain market performance conditions. In 2019, certain of the pRSU's vested and the shares expected to be issued were increased based on the achievement of the market condition. These shares have not yet been issued.

e) Shares issuable for Equinox Warrants

Pursuant to the Arrangement, warrant holders will receive, upon exercise of any Equinox Warrant, one common share of Equinox and one-half of a Solaris share. Equinox will pay to Solaris an amount equal to one-tenth of the proceeds received by Equinox on exercise of the warrants.

A continuity of the Company's shares issuable for Equinox Warrants is as follows:

	Note	Shares issuable on exercise of warrants		Weighted average price per Solaris share issuable (C$)		Equinox weighted average exercise price[3] (C$)
Outstanding, December 31, 2017		–	$	–	$	–
Issued pursuant to the Arrangement with Equinox		12,358,717		2.42		12.12
Expired		(163,326)		4.64		23.20
Outstanding, December 31, 2018		12,195,391	$	2.39	$	11.97
Exercised	21	(94,117)		1.01		5.05
Expired		(75,721)		2.92		14.58
Outstanding, December 31, 2019		12,025,553	$	2.40	$	12.00

(Expressed in thousands of United States dollars, unless otherwise noted)

Range of exercise price per Solaris share issuable (C$)	Shares issuable on exercise of warrants		Weighted average price per Solaris share issuable (C$)		Equinox weighted average exercise price[3] (C$)	Expiry dates
$0.73 - $0.99	1,816,227	$	0.89	$	4.43	June 2020 – May 2023
$1.00 - $1.99	1,679,503		1.12		5.61	June 2020 – May 2023
$2.00 - $2.99	415,229		2.31		11.53	December 2020 – August 2021
$3.00 - $3.99	8,046,691		3.00		15.00	October 2021
$4.00 - $4.17	67,903		4.17		20.83	June 2020 – July 2020
	12,025,553	$	2.40	$	12.00	

[3] Equinox Warrants weighted average exercise price per one whole Equinox common and one-half Solaris common share issuable.

f) Warrants issued to consultant

During the year ended December 31, 2019, the Company issued 1,000,000 share purchase warrants exercisable at C$0.35 per share for a period of 3 years for consulting services performed.

The Company determined that the fair value of the warrants issued was $71. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: share price of C$0.25, exercise price of C$0.35, an expected life of 3 years; annualized volatility of 68%, a risk-free rate of 1.43%; and zero expected dividend yield. The expected volatility is based on the historical volatility of the shares of a comparative peer group of companies.

g) Share purchase warrants

During the year ended December 31, 2019, the Company issued 14,950,000 share purchase warrants including the 13,950,000 warrants issued with private placements (Note 11(b)) and 1,000,000 warrants issued to a consultant (Note 11(f)), with a weighted average exercise price of C$0.58.

As at December 31, 2019, 14,950,000 share purchase warrants remain outstanding, with a weighted average exercise price of C$0.58. The share purchase warrants expire between July 2022 and December 2022.

12. EXPLORATION EXPENDITURES

The Company's exploration expenditures by activity is as follows:

For the year ended December 31,		2019		2018
Salaries, consulting and travel	$	1,916	$	880
Community and permitting		910		760
Concession fees		309		442
Field, general and other		783		360
Depreciation		12		6
	$	3,930	$	2,448

The Company's exploration expenditures by project and jurisdiction is as follows:

For the year ended December 31,	Note		2019		2018
Warintza (Ecuador)	7b)	$	3,018	$	1,702
Ricardo (Chile)	7c)		140		214
La Verde (Mexico)	7a)		118		108
Tamarugo (Chile)	7d)		158		–
Other (Peru, Guatemala)	7e)		496		424
		$	3,930	$	2,448

(Expressed in thousands of United States dollars, unless otherwise noted)

13. GENERAL AND ADMINISTRATIVE EXPENDITURES

For the year ended December 31,	Note		2019		2018
Professional fees		$	471	$	304
Management fees	20		426		48
Office and other			250		102
Marketing and travel			214		47
Share-based compensation			141		49
		$	1,502	$	550

14. SEGMENTED INFORMATION

The Company has determined that it has one operating segment, being the exploration of mineral properties.

Information about the Company's non-current assets by jurisdiction is detailed below:

As at December 31,		2019		2018
Mexico	$	19,765	$	19,768
Canada		5,765		1,673
Ecuador		366		195
Chile		261		262
Peru		–		–
	$	26,157	$	21,898

Information about the Company's exploration expenditures by jurisdiction is detailed in Note 12.

15. NON-CONTROLLING INTEREST

The Company, through it 60% ownership of Minera Torre de Oro, S.A. de C.V., controls the La Verde project, with a non-controlling interest accounting for the 40% owned by Teck Resources Ltd.

Summarized financial information for the La Verde project is as follows:

As at December 31,		2019		2018
Current assets	$	5	$	50
Non-current assets		19,765		19,768
Current liabilities		10		38

For the year ended December 31,		2019		2018
Net loss	$	135	$	108
Attributable to Shareholders of the Company		81		65
Attributable to Non-controlling interest		54		43

(Expressed in thousands of United States dollars, unless otherwise noted)

16. INCOME TAX

Income tax recovery differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items:

For the year ended December 31,		2019		2018
Loss before income taxes	$	(1,003)	$	(2,063)
Combined federal and provincial income tax rates		27%		27%
Expected income tax recovery	$	(271)	$	(557)
Non-deductible expenses		260		59
Change in fair value of derivatives		(1,081)		(250)
Difference in tax rates in foreign jurisdictions		48		21
Tax effect of temporary differences for which no tax benefit has been recognized		967		384
Foreign exchange and other		77		343
Income tax recovery	$	–	$	–

Unused tax losses and other deductible temporary differences for which deferred tax assets have not been recognized are as follows:

As at December 31,		2019		2018
Non-capital losses (see below for expiry)	$	14,196	$	18,630
Exploration and evaluation expenditures		18,009		15,930
Other		643		590
	$	32,848	$	35,150

In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has not recognized deferred tax assets for any temporary differences as their utilization is not considered probable at this time.

The non-capital losses may be applied to reduce future taxable income. The loss carryforwards are in respect of Canadian, Peruvian, Chilean and Mexican operations and expire as follows:

As at December 31,		2019	Expiry		2018	Expiry
Canada	$	1,401	2033-2039	$	420	2033-2038
Peru		1,546	2020-2023		1,544	2019-2022
Chile		862	No expiry		659	No expiry
Mexico		10,387	2020-2029		16,007	2019-2028
	$	14,196		$	18,630	

17. CAPITAL MANAGEMENT

The Company’s primary objective when managing capital is to ensure that it will be able to continue as a going concern and that it has the ability to satisfy its capital obligations and ongoing operational expenses, as well as having sufficient liquidity to fund suitable business opportunities as they arise.

(Expressed in thousands of United States dollars, unless otherwise noted)

The capital of the Company includes the components of equity and long-term payable to Equinox net of cash and cash equivalents. Capital is summarized in the following table:

As at December 31,		2019		2018
Equity	$	22,495	$	12,904
Payable to Equinox		–		1,274
		22,495		14,178
Cash and cash equivalents		(6,093)		(241)
	$	16,402	$	13,937

The Company manages its capital structure and makes adjustments to it as necessary in light of economic conditions. In order to maintain the capital structure, the Company may, from time to time, issue or buy back equity, repay debt, or sell assets. The Company, upon approval from its Board of Directors, intends to balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

18. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's financial assets.

The Company is primarily exposed to credit risk on its cash and cash equivalents and amounts receivable. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions. The carrying value of these financial assets of $6,110 represents the maximum exposure to credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's holdings of cash. The accounts payable and accrued liabilities of $379 and amounts payable to Equinox of $45 are due within the next year. The Company's obligation to make lease payments is disclosed in Note 9.

c) Foreign currency risk

The Company's functional currency is the US dollar. The Company is exposed to currency risk on transactions and balances in currencies other than the functional currency, primarily the Canadian dollar. At December 31, 2019 and 2018, the Company had not entered into any contracts to manage foreign exchange risk.

At December 31, 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in Canadian dollars:

As at December 31,		2019		2018
Cash and cash equivalents	$	5,777	$	6
Amounts receivable		22		–
Accounts payable and accrued liabilities		(116)		(1)
	$	5,683	$	5

At December 31, 2019, with other variables unchanged, based on the above net exposure a 10% change in the US-Canadian dollar exchange rate would impact the Company's earnings by approximately $517. The Company is also exposed to currency risk on financial assets and liabilities denominated in Peruvian Sols, Chilean pesos, Mexican pesos and Guatemalan quetzals. However, the impact on such exposure is not currently material.

(Expressed in thousands of United States dollars, unless otherwise noted)

19. FAIR VALUE MEASUREMENTS

As at December 31, 2019, the Company's derivative assets and liabilities are measured at fair value using Level 2 inputs. The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate fair value due to their short terms to maturity. The fair value of amounts payable to Equinox are difficult to determine as they are amounts owed to a significant shareholder.

There were no transfers between fair value levels during the periods presented.

The following table provides the fair value of each classification of financial instrument:

As at December 31,		2019		2018
Financial assets				
Financial assets at amortized cost:				
Cash and cash equivalents	$	6,093	$	241
Amounts receivable		17		20
Restricted cash		70		–
Financial assets at FVTPL:				
Derivative asset related to obligation to issue shares on exercise of Equinox Warrants		5,765		1,673
Total financial assets	$	11,945	$	1,934
Financial liabilities				
Accounts payable and accrued liabilities	$	379	$	155
Payable to Equinox (current and long-term)		45		1,274
Derivative liabilities		1,510		–
Total financial liabilities	$	1,934	$	1,429

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and comprises the Company's President and Chief Executive Officer, Chief Financial Officer, Senior Vice President Corporate Affairs and Corporate Secretary and Directors. Key management compensation for the years ended December 31, 2019 and 2018 comprised:

For the year ended December 31,		2019		2018
Salaries and benefits included in management fees charged by Equinox Gold Corp.	$	104	$	–
Salaries and benefits		96		–
Share-based compensation		59		49
	$	259	$	49

Related party transactions

As at December 31, 2019, Equinox holds 30% (December 31, 2018 – 40%) of the outstanding shares of the Company. During the year ended December 31, 2019, the Company received $720 (December 31, 2018 – $3,063) in funding from Equinox.

On November 15, 2019 Equinox subscribed for 6,875,000 units of the Company in exchange for the cancellation of the debt payable as of that date (Note 11).

(Expressed in thousands of United States dollars, unless otherwise noted)

Equinox services agreement

Upon closing of the Arrangement, the Company entered into a management services agreement with Equinox to provide office and other services to the Company. Under this agreement, the Company incurred expenses of $392 for the year ended December 31, 2019 (December 31, 2018 – $48).

As of November 15, 2019, the management services agreement with Equinox was terminated (Note 22).

At December 31, 2019, $45 (December 31, 2018 – $1,274) remains payable to Equinox, representing remaining amounts payable under the management services agreement. These amounts are non-interest bearing and unsecured.

21. SUPPLEMENTAL CASH INFORMATION

For the year ended December 31,	Note		2019		2018
Non-cash items:					
Units issued for cancellation of debt payable to Equinox	11	$	2,078	$	–
Proceeds on exercise of Equinox Warrants offset against amounts payable to Equinox			71		–
Shares issued on vesting of RSUs			72		–
Right of use asset acquired			103		–

22. SUBSEQUENT EVENTS

On January 2, 2020, the Company entered into an arrangement to share office space, equipment, personnel, consultants and various administrative services with other companies related by virtue of certain directors and management in common. These services have been provided through a management company equally owned by each company party to the arrangement. Costs incurred by the management company are allocated and funded by the shareholders of the management company based on time incurred and use of services. In connection with the arrangement, the Company became obligated to make payments for the rent of the shared office space. If the Company's participation in the arrangement is terminated, the Company will be obligated to pay its share of the rent payments for the remaining term of the office space rental agreement. The Company's obligation for future rental payments on January 2, 2020 was approximately $257.

On April 24, 2020, the Company's Board of Directors approved the consolidation (the "Consolidation") of the Company's issued and outstanding common shares on the basis of one post-Consolidation share for every two pre-Consolidation common shares. The exercise price and the number of common shares issuable under any of the Company's outstanding stock options, restricted share units and warrants, as applicable, will be proportionately adjusted upon completion of the Consolidation.