



TRISTAR GOLD, INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

Reader's Note: These condensed consolidated interim financial statements for the three and six month periods ended June 30, 2018 and 2017 of TriStar Gold, Inc. have been prepared by management and have not been subject to review by the Company's auditor.

TriStar Gold, Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

(Expressed in United States Dollars)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents (Note 7)	\$ 631,094	\$ 960,281
Accounts receivable	2,694	12,268
Prepaid expenses	49,236	41,661
Total current assets	683,024	1,014,210
Non-current assets:		
Mineral properties and deferred expenditures (Note 8)	18,630,559	17,440,667
Plant and equipment, net (Note 9)	41,783	3,353
Total non-current assets	18,672,342	17,444,020
Total assets	\$ 19,355,366	\$ 18,458,230
 Liabilities and Shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 135,898	\$ 487,363
Total current liabilities	135,898	487,363
Non-current liabilities:		
Provisions (Note 10)	285,413	322,713
Warrants liability (Note 11)	322,537	253,944
Total non-current liabilities	607,950	576,657
Total liabilities	743,848	1,064,020
 Shareholders' equity:		
Share capital (Note 12)	42,686,471	41,432,191
Capital reserve (Note 12, Note 13 and Note 15)	4,473,383	4,445,316
Accumulated deficit	(28,548,336)	(28,483,297)
Total shareholders' equity	18,611,518	17,394,210
Total liabilities and shareholders' equity	\$ 19,355,366	\$ 18,458,230

Nature of Operations and Going Concern (Note 2)

Commitments and Contingencies (Note 19)

Approved on behalf of the Board of Directors.

Director: "Mark E. Jones, III"

Director: "Nicholas Appleyard"

See accompanying notes which are an integral part of these condensed consolidated interim financial statements.

TriStar Gold, Inc.
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Unaudited)

(Expressed in United States Dollars)

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Expenses:				
General and administrative (Note 16 and Note 18)	\$ 421,333	\$ 502,460	\$ 926,792	\$ 980,232
Foreign exchange (gain) losses	(44,145)	(151,589)	1,883	(143,934)
	377,188	350,871	928,675	836,298
Other income (expenses):				
Warrants liability fair value change (Note 11)	300,694	(150,827)	862,570	79,706
Bank charges	(1,506)	(1,259)	(3,246)	(2,535)
Loss on equipment disposal (Note 9)	(257)	-	(257)	-
Interest income	2,512	5,698	4,569	7,980
	301,443	(146,388)	863,636	85,151
Net loss and comprehensive loss for the period	\$ (75,745)	\$ (497,259)	\$ (65,039)	\$ (751,147)
Basic and Diluted loss per share (Note 17)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Basic and Diluted weighted-average number of shares outstanding (Note 17)	168,504,440	150,385,564	166,783,296	144,354,438

See accompanying notes which are an integral part of these condensed consolidated interim financial statements.

TriStar Gold, Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited)

(Expressed in United States Dollars)

	Common Shares		Capital Reserve	Deficit and Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number	Amount			
Balance at December 31, 2017	155,524,143	\$ 41,432,191	\$ 4,445,316	\$ (28,483,297)	\$ 17,394,210
Shares issued on financing, net of share issued cost (Note 12)	12,980,297	1,254,280	-	-	1,254,280
Stock-based compensation (Note 12 and Note 14)	-	-	28,067	-	28,067
Net loss and comprehensive loss for the period	-	-	-	(65,039)	(65,039)
Balance at June 30, 2018	168,504,440	\$ 42,686,471	\$ 4,473,383	\$ (28,548,336)	\$ 18,611,518

	Common Shares		Capital Reserve	Deficit and Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number	Amount			
Balance at December 31, 2016	135,523,769	\$38,389,642	\$ 3,791,752	\$ (27,663,223)	\$ 14,518,171
Shares issued on exercise of warrants (Note 11 and Note 12)	2,829,607	522,232	-	-	522,232
Shares issued on financing, net of share issued cost (Note 12)	17,108,267	2,501,871	-	-	2,501,871
Stock-based compensation (Note 12 and Note 14)	-	-	138,322	-	138,322
Net loss and comprehensive loss for the period	-	-	-	(751,147)	(751,147)
Balance at June 30, 2017	155,461,643	\$41,413,745	\$ 3,930,074	\$ (28,414,370)	\$ 16,929,449

See accompanying notes which are an integral part of these condensed consolidated interim financial statements.

TriStar Gold, Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

(Expressed in United States Dollars)

	For the three months ended		For the six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Operating activities				
Net loss for the period	\$ (75,745)	\$ (497,259)	\$ (65,039)	\$ (751,147)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation (Note 9)	449	334	836	639
Stock-based compensation (Note 12 and Note 14)	-	73,099	17,658	73,099
Warrants liability fair value change (Note 11)	(300,694)	150,827	(862,570)	(79,706)
Disposal of equipment net value (Note 9)	257	-	257	-
Changes in non-cash operating working capital:				
Accounts receivable	2,951	(6,982)	9,575	(3,944)
Prepaid expenses	52,944	(5,663)	(7,575)	5,763
Accounts payable and accrued liabilities	(83,383)	147,019	(351,465)	121,982
Provisions (Note 10)	(43,286)	(11,696)	(37,300)	6,187
Net cash used in operating activities	(446,507)	(150,321)	(1,295,623)	(627,127)
Investing activities				
Mineral properties acquisition and exploration (Note 8)	(796,326)	(791,089)	(1,184,805)	(1,165,263)
Purchase of equipment (Note 9)	(4,791)	(1,857)	(44,610)	(1,857)
Net cash used in investing activities	(801,117)	(792,946)	(1,229,415)	(1,167,120)
Financing activities				
Net proceeds from financing (Note 12)	-	3,411,799	2,195,851	3,411,799
Proceeds from exercise of warrants (Note 12)	-	-	-	425,438
Net cash provided by financing activities	-	3,411,799	2,195,851	3,837,237
Net increase (decrease) in cash and cash equivalents	(1,247,624)	2,468,532	(329,187)	2,042,990
Cash and cash equivalents, beginning of period	1,878,718	1,248,721	960,281	1,674,263
Cash and cash equivalents, end of period	\$ 631,094	\$ 3,717,253	\$ 631,094	\$ 3,717,253

See accompanying notes which are an integral part of these condensed consolidated interim financial statements.

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

1. Corporate Information

TriStar Gold, Inc. (“TriStar” or the “Company”) was incorporated on May 21, 2010, in British Columbia, Canada. The Company is listed on the TSX Venture Exchange (“TSX”), under the symbol TSG.V. The address of the Company’s corporate office and principal place of business is 7950 E Acoma Drive, Suite 209, Scottsdale, Arizona, United States, 85260.

TriStar was created to hold certain assets of Brazauro Resources Corporation (“Brazauro”) as a result of an Arrangement Agreement (the “Arrangement”) between Brazauro and Eldorado Gold Corporation (“Eldorado”). The completion of the Arrangement occurred on July 20, 2010.

2. Nature of Operations and Going Concern

TriStar’s primary business focus is the acquisition, exploration and development of precious metal prospects in the Americas, including advancing the exploration of Castelo de Sonhos (“CDS”) located in the Tapajós Gold District of Brazil’s northerly Pará State. The Company is concentrating its exploration activities on the CDS property because the Company believes CDS has the potential to host several million ounces of gold.

The Company’s current properties are in the exploration stage and have not yet been proven to be commercially developable. The continued operations of the Company and the recoverability of the amounts shown for mineral property are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of such properties, and the future profitable production from or disposition of such properties.

The Company has no source of revenue. Its ability to continue as a going concern and meet its commitments as they become due, including completion of the exploration and development of its mineral property interests and to meet its general and administrative expenses, is dependent on the Company’s ability to obtain the necessary financing. The Company relies on the sale of its treasury securities to fund its operations and the Company’s cash position is currently insufficient to maintain its planned operations for a full year. Management is planning to raise additional capital to finance operations and expected growth. Although the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company.

For the three month period ended June 30, 2018, the Company reported a net loss of \$75,745 (June 30, 2017: net loss of \$497,259). The Company’s accumulated deficit at June 30, 2018, was \$28,548,336 (December 31, 2017: \$28,483,297). The unaudited condensed consolidated interim financial statements (“consolidated financial statements”) have been prepared by management 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 and continue its operations for its next fiscal year, adverse financial conditions may cast substantial doubt upon the validity of this assumption.

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the Consolidated Statements of Comprehensive Income (Loss) that may be necessary if the Company was unable to continue as a going concern.

3. Basis of Presentation

Statement of Compliance

The consolidated financial statements for the three and six month periods ended June 30, 2018 and 2017 have been prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) in effect at June 30, 2018, have been omitted or condensed.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 27, 2018.

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

3. Basis of Presentation (continued)

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss. These financial statements are presented in United States dollars (“U.S. dollars”), unless otherwise noted.

4. Significant Accounting Policies

These consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2017, audited annual consolidated financial statements. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017.

5. Critical Accounting Judgments and Key sources of estimation uncertainty

The preparation of the Company’s condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amount of assets and liabilities and disclosures of contingent assets or liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported periods.

The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Material areas that require estimates and assumptions as the basis for determining the reported amounts include, but are not limited to, the following:

Going concern. Management considers whether there exists any events or conditions that may cast doubt on the Company’s ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company’s working capital balance and future cash commitments.

Functional currency. The functional currency of each of the Company’s entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities within the group is the U.S. dollar. Functional currency of each of the entities was determined based on the currency that mainly influences sales prices for goods and services, labor, material and other costs and the currency in which funds from financing activities are generated.

Impairment of assets. Management assesses each CGU at each reporting period to determine whether any indication of impairment exists. In addition, management assesses a CGU for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and its value in use. These assessments require the use of estimates and assumptions such as future capital requirements and assessments of preliminary assay results. Fair value is determined as the amount that could be obtained from the sale of the asset in an arm’s-length transaction between knowledgeable and willing parties.

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Fair value of derivative financial instruments (Warrants Liability). Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policy stated in Note 4 to the consolidated audited financial statements. Fair values of warrants have been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates and expected life could have significant impact on the fair valuation attributed to the Company's financial derivatives. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values in the period in which they change or become known.

Fair value of stock options and stock based compensation. Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 4 to the consolidated audited financial statements. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. Changes in assumptions concerning volatilities, interest rates and expected life could have significant impact on the fair valuation attributed to the Company's stock options.

Mineral resources. The Company estimates its measured and indicated and inferred mineral resources and the exploration target range for Castelo de Sonhos based upon information compiled by Qualified Persons, as defined in National Instrument 43-101. Information relative to geological data on the size, depth, grade and shape of the mineralized body requires complex geological and geo-statistical judgements to interpret data, which judgements themselves contain significant estimates and assumptions. Changes in the measured and indicated and inferred mineral resources may impact the carrying value of mineral properties and deferred expenditures.

Provisions. Provisions recognized in the consolidated financial statements involve judgments on the occurrence of future events which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

6. Recent and Future Changes in Accounting Pronouncements

The following IFRS standards became effective for the Company beginning on January 1, 2018:

a) IFRS 9- *Financial Instruments* ("IFRS 9 ") replaced IAS 39. It provides a revised model for the recognition and measurement of financial instruments and a single, forward-looking expected loss impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The adoption of IFRS 9 did not materially affect the financial reports of the Company because there were no adjustments to the classification of financial assets and liabilities, the expected credit loss impairment model did not impact the Company and the reformed approach to hedge accounting had no impact because the Company is not required to apply hedge accounting.

b) IFRS 15, "*Revenue from Contracts with Customers*" replaced IAS 18, *Revenue*, IAS 11, *Construction Contracts* and a number of related interpretations. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This standard was adopted by the Company on January 1, 2018, and because the Company has no product or service revenue from other parties, this standard did not impact the financial reports of the Company.

The IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods nor has the Company applied any of these standards.

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

6. Recent and Future Changes in Accounting Pronouncements (continued)

IFRS 16, *Leases* was published in January 2016 and supersedes IAS 17- *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements, but because the Company does not have any material lease agreements, its impact should be immaterial.

7. Cash and Cash Equivalents

Cash and cash equivalents include:

	Balance at June 30, 2018	Balance at December 31, 2017
<i>Cash:</i>		
Cash at bank	\$ 48,543	\$ 60,448
Investment accounts	582,551	899,833
Total	\$ 631,094	\$ 960,281

As at June 30, 2018 the investment accounts include Canadian Guaranteed Investment Certificates (GIC) for a total balance of \$564,564 (December 31, 2017: nil) with an annual interest rate of 0.08% and maturity dates of less than a year and saving accounts for a balance of \$17,987 (December 31, 2017: \$899,833).

8. Mineral Properties and Deferred Expenditures

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures cannot guarantee the Company's title to all of its properties. Such properties may be subject to prior mineral rights applications with priority, prior unregistered agreements or transfers or indigenous land claims, and title may be affected by undetected defects. Certain of the mineral rights held by the Company are held under applications for mineral rights or renewal of mineral rights and, until final approval of such applications is received, the Company's rights to such mineral rights may not materialize and the exact boundaries of the Company's properties may be subject to adjustment. The Company does not maintain title insurance on its properties.

Castelo de Sonhos Property (Brazil)

On November 9, 2010, the Company entered into an agreement with a third party vendor to acquire 100% of the mineral rights to the Castelo de Sonhos property in Brazil. Pursuant to this agreement and subsequent amendments (three such amendments were agreed to), the Company has made the following payments resulting in its ownership of 100% of the mineral rights in the CDS property:

- \$50,000 was paid upon execution of a commitment letter on April 29, 2010.
- \$250,000 was paid on February 23, 2011 after the mineral rights were transferred to a subsidiary of the Company.
- Installment payments of \$100,000 each were made on September 15, 2011 and March 5, 2012.
- Installment payments were also made on September 3, 2012 in the amount of \$125,000 and on March 6, 2013 in the amount of \$150,000.
- Pursuant to the first amendment, the Company paid the vendors \$50,000 on November 19, 2013 and issued the vendors 1,000,000 common shares on December 23, 2013.
- Pursuant to the second amendment the Company made two installment payments in the amount of \$100,000 each in March and September of 2014. A further \$100,000 was paid in December 2014. In addition, with this amendment an additional 1,000,000 common shares were issued to the vendors on February 28, 2014.
- Pursuant to the third amendment a payment of \$500,000 was made in July 2015, \$300,000 in January 2016, and \$800,000 in July 2016. Also 1,000,000 common shares were issued to the vendors in July 2016.

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

8. Mineral Properties and Deferred Expenditures (continued)

Castelo de Sonhos Property (Brazil) (continued)

Thus, all agreed fixed price payments have been made. However, under the Second Amending Agreement, the Company agreed to pay the vendor \$3,600,000 out of production from the property over and above its royalty. At its option, TriStar may pay to the vendor \$1,500,000 on or prior to the making of a construction decision in lieu of the payment out of production.

Under the original agreement, the vendors had the right to receive a payment equal to \$1.0 per ounce should a gold deposit with proven and probable reserves in excess of 1 million troy ounces be identified and the property owner will retain a 2% Net Smelter Return royalty, half of which can be purchased by TriStar at any time and which amount will be calculated based on the indicated and measured reserves identified by a feasibility study.

Mineral properties and deferred expenditures were as follows:

	Balance at December 31, 2017	Additions	Impairments/ Write-Offs	Balance at June 30, 2018
<i>Castelo de Sonhos Properties:</i>				
Acquisition costs	\$ 3,303,945	\$ -	\$ -	\$ 3,303,945
Exploration costs	14,136,722	1,189,892	-	15,326,614
Total Carrying Amount	\$ 17,440,667	\$ 1,189,892	\$ -	\$ 18,630,559

	Balance at December 31, 2016	Additions	Impairments/ Write-Offs	Balance at June 30, 2017
<i>Castelo de Sonhos Properties:</i>				
Acquisition costs	\$ 3,303,945	\$ -	\$ -	\$ 3,303,945
Exploration costs	10,744,617	1,165,263	-	11,909,880
Total Carrying Amount	\$ 14,048,562	\$ 1,165,263	\$ -	\$ 15,213,825

During the periods ended June 30, 2018 and 2017, the additions to exploration costs include the following:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<i>Castelo de Sonhos Properties:</i>				
Camp costs	\$ 81,269	\$ 139,424	\$ 158,482	\$ 245,138
Wages, salaries and benefits costs (Note 18)	166,838	193,117	303,973	320,718
Geological analysis costs	83,687	77,218	89,087	104,725
Drilling costs	406,156	296,375	530,695	397,654
Other costs	63,462	84,955	107,655	97,028
Total Exploration Costs	\$ 801,412	\$ 791,089	\$ 1,189,892	\$ 1,165,263

9. Plant and Equipment

During the period ended June 30, 2018, depreciation expenses in the amount of \$5,087 were reported in Mineral properties and deferred expenditures (Note 8) under exploration cost of the Castelo de Sonhos project June 30, 2017: nil).

Plant and equipment were as follows:

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

9. Plant and Equipment (continued)

	Balance at December 31, 2017	Additions	Disposals	Balance at June 30, 2018
<i>Cost:</i>				
Furniture	\$ 2,464	\$ -	\$ -	\$ 2,464
Office equipment	15,356	3,485	(1,026)	17,815
Vehicles	188,088	40,486	-	228,574
Field equipment	55,268	639	-	55,907
Total costs	<u>261,176</u>	<u>44,610</u>	<u>(1,026)</u>	<u>304,760</u>
<i>Accumulated Depreciation:</i>				
Furniture	(2,464)	-	-	(2,464)
Office equipment	(12,003)	(835)	769	(12,069)
Vehicles	(188,088)	(5,061)	-	(193,149)
Field equipment	(55,268)	(27)	-	(55,295)
Total accumulated depreciation	<u>(257,823)</u>	<u>(5,923)</u>	<u>769</u>	<u>(262,977)</u>
Total net book value	<u>\$ 3,353</u>	<u>\$ 38,687</u>	<u>\$ (257)</u>	<u>\$ 41,783</u>

	Balance at December 31, 2016	Additions	Disposals	Balance at June 30, 2017
<i>Cost:</i>				
Furniture	\$ 9,678	\$ -	\$ -	\$ 9,678
Office equipment	26,055	1,857	-	27,912
Vehicles	213,969	-	-	213,969
Field equipment	55,268	-	-	55,268
Total costs	<u>304,970</u>	<u>1,857</u>	<u>-</u>	<u>306,827</u>
<i>Accumulated Depreciation:</i>				
Furniture	(9,678)	-	-	(9,678)
Office equipment	(25,006)	(639)	-	(25,645)
Vehicles	(213,969)	-	-	(213,969)
Field equipment	(55,268)	-	-	(55,268)
Total accumulated depreciation	<u>(303,921)</u>	<u>(639)</u>	<u>-</u>	<u>(304,560)</u>
Total net book value	<u>\$ 1,049</u>	<u>\$ 1,218</u>	<u>\$ -</u>	<u>\$ 2,267</u>

10. Provisions

The provision represents the Company's estimate of the taxes it may have to pay on a possible contingent liability for labor severance obligations in Brazil. The Company is uncertain about the amount or timing of any outflows of funds, if any were to occur.

The following table presents the changes in the Provision:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Balance at beginning of the period	\$ 328,699	\$ 328,570	\$ 322,713	\$ 310,687
Change in provision estimate	(43,286)	(11,696)	(37,300)	6,187
Balance at end of the period	<u>\$ 285,413</u>	<u>\$ 316,874</u>	<u>\$ 285,413</u>	<u>\$ 316,874</u>

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

10. Provisions (continued)

Each reporting period the Company reviews estimated amounts and other assumptions used in the valuation of the provision to reflect events, changes in circumstances and new information available. Changes in these estimates and assumptions may have a corresponding impact on the value of the provision. The changes in the provision estimate are reported in general and administrative expenses (Note 16) and the foreign exchange effects, which accounted for the reduction in the provision, are included in foreign exchange gains and losses.

During the period of three and six months ended June 30, 2018, included in the change in the provision estimate are \$45,108 and \$46,793; respectively, from effect of exchange rates (June 30, 2017: \$18,078 and \$5,307; respectively).

11. Warrants Liability

Warrants have their exercise prices denominated in Canadian dollars which is not the Company's functional currency and therefore the warrants have been accounted for as a non-hedged derivative financial liability. The derivative liability is recorded at the estimated fair value through profit and loss at each reporting date based upon a Black-Scholes Option Pricing Model. At initial recognition when warrants are issued the Company allocates their full fair value as a warranty liability with the residual value of proceeds raised from the shares issued recorded in common shares. Subsequent changes in the fair value of the warrants liability are recorded in the Consolidated Statement of Comprehensive Income (Loss) for the period.

In January 2017, a total of 1,201,000 share purchase warrants with an exercise price of Can\$0.20 expired unexercised and were cancelled. The estimated fair value of the warrant liability at expiry date was \$62,705.

In April 2017, under a short prospectus financing, the Company issued 8,554,134 share purchase warrants exercisable to acquire 8,554,134 shares at Can\$0.45 per share until April 28, 2019. The estimated fair value of the warrant liability at issuance was \$844,707.

During the six month period ended June 30, 2017, a total of 2,829,607 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.20. A total of \$96,796 representing the fair value of the warrants liability was allocated to common shares.

In January 2018, under a private placement, the Company issued 6,490,147 share purchase warrants exercisable to acquire 6,490,147 shares at Can\$0.35 per share until July 2020. The estimated fair value of the warrant liability at issuance was \$931,163.

The following is a summary of changes in warrants:

	Number of Warrants	Weighted Average Exercise Price	Amount
Balance at December 31, 2017	15,648,238	Can\$0.50	\$ 253,944
Issued warrants	6,490,147	Can\$0.35	931,163
Warrants liability fair value change	-	-	(862,570)
Balance at June 30, 2018	22,138,385	Can\$0.45	\$ 322,537

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

11. Warrants Liability (continued)

	Number of Warrants	Weighted Average Exercise Price	Amount
Balance at December 31, 2016	11,124,711	Can\$0.42	\$ 782,874
Exercise of warrants	(2,829,607)	Can\$0.20	(96,796)
Warrants expired	(1,201,000)	Can\$0.20	(62,705)
Issued warrants	8,554,134	Can\$0.45	844,707
Warrants liability fair value change	-	-	(17,001)
Balance at June 30, 2017	15,648,238	Can\$0.50	\$ 1,451,079

The warrants liability fair value change as reported in the Consolidated Statement of Comprehensive Income (Loss) includes:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Warrants liability fair value change	\$ (300,694)	\$ 150,827	\$ (862,570)	\$ (17,001)
Warrants expired	-	-	-	(62,705)
Balance	\$ (300,694)	\$ 150,827	\$ (862,570)	\$ (79,706)

As at June 30, 2018, outstanding warrants are as follows:

Number of Warrants	Weighted Average Exercise Price	Issuance Date	Expiry Date
6,618,917	Can\$0.55	July 7, 2016	July 7, 2018
475,187	Can\$0.55	July 18, 2016	July 18, 2018
8,554,134	Can\$0.45	April 28, 2017	April 28, 2019
6,490,147	Can\$0.35	January 24, 2018	July 24, 2020
22,138,385			

At June 30, 2018 and 2017 the fair value of the Company's warrants was estimated using the Black-Scholes option-pricing model with the following assumptions:

	June 30, 2018	June 30, 2017
Expected dividend yield	0%	0%
Expected volatility	76.10% - 78.77%	78.61% - 93.73%
Risk-free interest rate	1.88%	0.69%
Expected life	1 - 25 months	12 - 22 months
Share Price	Can\$0.19	Can\$0.375

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

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12. Share Capital and Capital Reserve

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2018, the Company had 168,504,440 common shares outstanding, and a total of 38,845,799 common shares were reserved for issuance after exercise of options and warrants outstanding.

- a. In January 2017, a total of 2,829,607 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.20 for gross proceeds of \$425,438 which in addition to \$96,796 representing the fair value of the warrants liability, were allocated to common shares in the period.
- b. On April 28, 2017 the Company completed a short prospectus financing, previously announced on March 23, 2017, consisting of 17,108,267 units at the price of Can\$0.30 per unit for gross proceeds of \$3,756,975 from which the Company deducted agent's cash compensation in the amount of \$177,985 and share issue costs, including legal and other fees paid, in the amount of \$167,191 for net proceeds of \$3,411,799. Each unit consists of one common share and one half (1/2) common share purchase warrant. Each of the 8,554,134 common share purchase warrants entitles the holder to purchase one additional common share of the Company at Can\$0.45 per share until April 28, 2019. The fair value of warrants issued in the amount of \$844,707 was recorded in warrants liability. In addition, the Company issued 660,496 agent compensation options and the estimated fair value at grant date of \$65,223 was recorded in capital reserve. The Company deducted the amount of the fair value of warrants and the agent compensation options from the net proceeds and recorded the remaining amount of \$2,501,871 in Common Shares.
- c. In April 2017, upon closing of the short prospectus financing, 375,000 options, representing 50% of options granted to a consultant of the Company on April 19, 2016, vested and the estimated fair value of \$73,099 was recorded in capital reserve. The options expire on April 18, 2021 and have an exercise price of Can\$0.28 per share.
- d. On January 24, 2018, the Company closed its private placement, announced December 14, 2017, consisting of 12,980,297 units at the price of Can\$0.22 per unit for gross proceeds of \$2,313,946 from which the Company deducted cash finder's fees in the amount of \$89,735 and share issue costs, including legal and other fees paid, in the amount of \$28,359 for net proceeds of \$2,195,851. Each unit in this financing consists of one common share and one half (1/2) of one non-transferable common share purchase warrant. Each of the 6,490,147 whole common share purchase warrants entitles the holder to purchase one additional common share of the Company at Can\$0.35 per share until July 24, 2020. The fair value of warrants issued in the amount of \$931,163 was recorded in warrants liability. In addition, the Company issued 72,546 agent's compensation options, having the same terms as the warrants, and the estimated fair value at grant date of \$10,409 was recorded in capital reserve. The Company deducted the amount of the fair value of warrants and the agent compensation options from the net proceeds and recorded the remaining amount of \$1,254,280 in Common Shares.
- e. On February 7, 2018, a total of 100,000 stock options, with an exercise price of Can\$0.28 per option, were granted to a member of the Company's Advisory Committee. The options expire on February 7, 2023 and had an estimated fair value at grant date of \$17,658.

The following is a summary of changes in common share capital and capital reserve:

	Common Shares		Capital
	Number	Amount	Reserve
Balance at December 31, 2017	155,524,143	\$ 41,432,191	\$ 4,445,316
Shares issued on financing, net of share issue cost	12,980,297	1,254,280	-
Stock-based compensation	-	-	28,067
Balance at June 30, 2018	168,504,440	\$ 42,686,471	\$ 4,473,383

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

12. Share Capital and Capital Reserve (continued)

	Common Shares		Capital Reserve
	Number	Amount	
Balance at December 31, 2016	135,523,769	\$ 38,389,642	\$ 3,791,752
Shares issued on exercise of warrants	2,829,607	522,232	-
Shares issued on financing, net of share issued cost	17,108,267	2,501,871	-
Stock-based compensation	-	-	138,322
Balance at June 30, 2017	155,461,643	\$ 41,413,745	\$ 3,930,074

13. Agent Compensation Options

As part of its financings the Company has issued some agent compensation options.

The following is a summary of the changes in agent compensation options outstanding and exercisable:

	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2017	1,209,868	1,209,868	\$ 0.38
Compensation Options Granted	72,546	72,546	\$ 0.35
Balance at June 30, 2018	1,282,414	1,282,414	\$ 0.38
	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2016	611,872	611,872	\$ 0.30
Compensation Options Granted	660,496	660,496	\$ 0.45
Balance at June 30, 2017	1,272,368	1,272,368	\$ 0.38

On January 24, 2018, the Company issued 72,546 agent's compensation options with an exercise price of Can\$0.35 per option. The compensation options expire on July 24, 2020. The estimated fair value at grant date of \$10,409 was recorded in capital reserve.

On April 28, 2017, the Company issued 660,496 agent compensation options with an exercise price of Can\$0.45 per option. The compensation options expire on April 28, 2019. The estimated fair value at grant date of \$65,223 was recorded in capital reserve.

The weighted average exercise price of agent compensation options issued during the three and six month periods ended June 30, 2018, was Can\$0.35 per option (June 30, 2017: Can\$0.45). The weighted average fair value at issue date of agent compensation options issued during the three and six month periods ended June 30, 2018, was Can\$0.17 per option (June 30, 2017: Can\$0.13).

During the periods of three and six month ended June 30, 2018 the fair value of agent compensation options granted was estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

13. Agent Compensation Options (continued)

	June 30, 2018	June 30, 2017
Expected dividend yield	0%	0%
Expected volatility	109.31%	114.18%
Risk-free interest rate	1.64%	0.73%
Expected life	2.5 years	2 years
Share Price	Can\$0.30	Can\$0.28
Weighted average fair value of options granted	Can\$0.17	Can\$0.13

Option pricing models require the input of subjective assumptions including the expected price volatility, the expected life and forfeiture rate. Changes in these assumptions can materially affect the estimated fair value of the stock options granted. The expected price volatility used was based on the historic volatility of the Company's share price.

The following table summarizes information about agent compensation options outstanding at June 30, 2018:

Grant Date	Compensation Options Outstanding	Exercise Price	Proceeds upon exercise of options outstanding (in Can\$)	Fair Value of Options Outstanding	Weighted Average Remaining Life in Years	Expiration Date
7/7/2016	549,372	Can\$0.30	\$ 164,812	\$ 70,218	0.1	7/7/2018
4/28/2017	660,496	Can\$0.45	297,223	65,223	0.8	4/28/2019
1/24/2018	72,546	Can\$0.35	25,391	10,409	2	7/24/2020
	1,282,414		\$ 487,426	\$ 145,850	0.6	

The weighted average exercise price of the agent compensation options outstanding at June 30, 2018, is Can\$0.38 (June 30, 2017: Can\$0.38).

14. Stock Option Plan

The Company maintains a stock option plan ("the Plan") for directors, senior officers, employees and consultants of TriStar and its subsidiaries. Under the terms of the Plan, the options are exercisable over periods of up to ten years, and the exercise price of each option equals the closing market price of the Company's stock on the trading day immediately before the date of grant. Any consideration paid by the option holder on the exercise of options is credited to share capital and offset against amounts previously recorded in capital reserve.

The number of shares which may be issued pursuant to options previously granted and those granted under the Plan shall not exceed 18,800,000 at the time of the grant. The options granted under the Plan vest at determination of the Board. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued and outstanding shares on a yearly basis.

The Plan will terminate when all of the options have been granted or when the Plan is otherwise terminated by TriStar. Any options outstanding when the Plan is terminated will remain in effect until they are exercised or they expire.

The following is a summary of the changes in options outstanding and exercisable:

	Number of Options Outstanding	Number of Options Vested	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2017	15,325,000	15,325,000	\$ 0.20
Options granted	100,000	100,000	\$ 0.28
Balance at June 30, 2018	15,425,000	15,425,000	\$ 0.20

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

14. Stock Option Plan (continued)

	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2016	13,590,000	13,215,000	\$ 0.20
Options Cancelled	(100,000)	(100,000)	\$ 0.30
Options Vested from previous year	-	375,000	\$ 0.28
Balance at June 30, 2017	13,490,000	13,490,000	\$ 0.20

On February 7, 2018, a total of 100,000 stock options, with an exercise price of Can\$0.28 per option, were granted to a member of the Company's Advisory Committee. The options expire on February 7, 2023 and had an estimated fair value at grant date of \$17,658.

The weighted average exercise price of options granted during the three and six month periods ended June 30, 2018, was Can\$0.28 per option (June 30, 2017: nil).

The weighted average fair value at grant date of options granted during the three and six month periods ended June 30, 2018, was Can\$0.22 per option (June 30, 2017: nil).

During the six month period ended June 30, 2017, a total of 100,000 options with a weighted average exercise price of Can\$0.30 were cancelled (June 30, 2018: nil).

During the three and six month periods ended June 30, 2018 and 2017 the estimated forfeiture rates were nil.

The fair value of options granted during the period ended June 30, 2018, has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Six months ended June 30, 2018
Expected dividend yield	0%
Expected volatility	109.77%
Risk-free interest rate	2.01%
Expected life	5 years
Share Price	Can\$0.28
Weighted average fair value of options granted	Can\$0.22

Option pricing models require the input of subjective assumptions including the expected price volatility, the expected life and forfeiture rate. Changes in these assumptions can materially affect the estimated fair value of the stock options granted. The expected price volatility used was based on the historic volatility of the Company's share price.

The following table summarizes information about stock options outstanding at June 30, 2018:

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

14. Stock Option Plan (continued)

Grant Date	Options Outstanding	Options Vested	Exercise Price	Proceeds upon exercise of options outstanding (in Can\$)	Fair Value of Options Outstanding	Weighted Average Remaining Life in Years	Expiration Date
4/29/2014	1,475,000	1,475,000	Can\$0.15	\$ 221,250	\$ 104,949	0.8	4/29/2019
2/12/2015	1,600,000	1,600,000	Can\$0.20	320,000	177,992	1.6	2/11/2020
12/10/2015	8,375,000	8,375,000	Can\$0.18	1,507,500	1,361,668	2.4	12/9/2020
4/19/2016	750,000	750,000	Can\$0.28	210,000	146,196	2.8	4/18/2021
9/28/2017	2,975,000	2,975,000	Can\$0.25	743,750	498,080	4.2	9/27/2022
10/20/2017	150,000	150,000	Can\$0.25	37,500	25,434	4.3	10/19/2022
2/7/2018	100,000	100,000	Can\$0.28	28,000	17,658	4.6	2/7/2023
	15,425,000	15,425,000		\$ 3,068,000	\$ 2,331,977	2.6	

The weighted average exercise price of the options outstanding at June 30, 2018, is Can\$0.20 (June 30, 2017: Can\$0.20).

15. Stock Based Compensation

Stock-based compensation expense related to options granted to employees, directors and consultants were included in the following expense accounts (Note 16) reported in the Consolidated Statements of Comprehensive Income (Loss):

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Consulting fees	\$ 17,658	\$ -	\$ 17,658	\$ -
	\$ 17,658	\$ -	\$ 17,658	\$ -

These amounts have been recorded as capital reserve (Note 12) in the Consolidated Statements of Financial Position.

16. General and Administrative Expenses

General and administrative expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Consulting and professional fees (Notes 15 and Note 18)	\$ 96,354	\$ 142,892	\$ 201,425	\$ 241,506
Change in provisions (Note 10)	1,822	6,382	9,493	11,494
Depreciation (Note 9)	449	334	836	639
Insurance	2,539	3,044	5,433	6,015
Office	12,684	16,516	31,954	28,681
Rent	8,656	20,168	19,319	39,285
Salaries and benefits (Note 18)	216,774	249,697	451,656	513,000
Shareholder relations	57,241	18,383	157,494	64,123
Travel and meals	24,814	45,044	49,182	75,489
Total	\$ 421,333	\$ 502,460	\$ 926,792	\$ 980,232

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

17. Basic and Diluted Loss per Share

The following table sets forth the computation of basic and diluted loss per share:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Numerator:</u>				
Numerator for basic and diluted loss per share:				
Net loss	\$ (75,745)	\$ (497,259)	\$ (65,039)	\$ (751,147)
<u>Denominator:</u>				
Initial balance of issued common shares	168,504,440	138,353,376	155,524,143	135,523,769
Effect of shares issued on financing	-	12,032,188	11,259,153	6,049,332
Effect of warrants exercised	-	-	-	2,781,337
Denominator for basic and diluted loss per share:				
Basic and diluted weighted average number of commons shares	168,504,440	150,385,564	166,783,296	144,354,438
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

For three and six month periods ended June 30, 2018 and 2017, the share purchase warrants, agent compensation options and stock options were excluded from the computation of diluted loss per share as their inclusion would be antidilutive.

18. Related Party Transactions

Key management personnel compensation comprised:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Short term employee benefits: Salaries (Note 16)	\$ 156,567	\$ 174,618	\$ 329,227	\$ 349,506
Consulting fees	47,259	50,817	98,184	102,720
	\$ 203,826	\$ 225,435	\$ 427,411	\$ 452,226

For the six month ended June 30, 2018, short term employee benefits received by key management personnel in the amount of \$18,549 (June 30, 2017: \$34,972) were reported in Mineral properties and deferred expenditures (Note 8) under exploration cost of the Castelo de Sonhos project, and the amount of \$310,678 (June 30, 2017: \$314,534) was recorded in the salaries and benefits expenses account (Note 16) in the Consolidated Statements of Comprehensive Income (Loss).

During the three and six month periods ended June 30, 2018, the Company paid consulting fees of \$47,259 and \$98,184 respectively (June 30, 2017: \$50,817 and \$102,720 respectively) to directors and officers for advisory services, and did not pay any directors' fees.

For the six month ended June 30, 2018, consulting fees paid to key management personnel in Brazil in the amount of \$74,703 (June 30, 2017: \$80,232) were reported in Mineral properties and deferred expenditures (Note 8) under exploration cost of the Castelo de Sonhos project.

As of June 30, 2018, the total number of outstanding warrants and options held by directors and officers of the Company was 1,977,839 and 11,175,000, respectively (June 30, 2017: 1,977,839 and 10,225,000, respectively).

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

18. Related Party Transactions (continued)

During the six month period ended June 30, 2017, a director exercised a total of 1,316,067 warrants (June 30, 2018: nil).

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and the Board of Directors.

19. Commitments and Contingencies

The Company leases offices in USA, Brazil and Canada, and houses in Brazil with expiration dates ranging between July 2018 and December 2018, for an estimated cost of approximately \$7,500 per month and are cancellable within one to three months' notice.

The Company has various property access agreements related to its projects at an estimated cost of approximately \$2,000 per month.

There are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

20. Segmented Information

Segments are defined as material components of an enterprise about which separate financial information is available and deemed relevant in managing the business. All of the Company's operations are within the mineral exploration sector. The Company's exploration operations are centralized whereby the Company's head office is responsible for the exploration results and for providing support in addressing local and regional issues. The Company's mineral properties are located in Brazil.

Information relating to each of the Company's reportable segments is presented as follows:

	Total Assets		Total Liabilities		
As at June 30, 2018					
Corporate Office	\$	1,700,177	\$	364,291	
Mineral Exploration		17,655,189		379,557	
Total		\$ 19,355,366		\$ 743,848	
As at June 30, 2017					
Corporate Office	\$	4,213,762	\$	1,640,012	
Mineral Exploration		14,787,159		431,460	
Total		\$ 19,000,921		\$ 2,071,472	
		Three months ended		Six months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net loss					
Corporate Office	\$	(60,529)	\$ (448,594)	\$ (35,946)	\$ (626,335)
Mineral Exploration		(15,216)	(48,665)	(29,093)	(124,812)
Total		\$ (75,745)	\$ (497,259)	\$ (65,039)	\$ (751,147)

Geographical information related to non-current assets is presented as follows:

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

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20. Segmented Information (continued)

	Canada	United States	Brazil	Total
As at June 30, 2018				
Mineral properties and deferred expenditures (Note 8)	\$ -	\$ -	\$ 18,630,559	\$ 18,630,559
Plant and equipment (Note 9)	-	5,746	36,037	41,783
Total non-current assets	\$ -	\$ 5,746	\$ 18,666,596	\$ 18,672,342
As at June 30, 2017				
Mineral properties and deferred expenditures (Note 8)	\$ -	\$ -	\$ 15,213,825	\$ 15,213,825
Plant and equipment (Note 9)	-	2,267	-	2,267
Total non-current assets	\$ -	\$ 2,267	\$ 15,213,825	\$ 15,216,092

21. Capital Management and Liquidity

The Company considers its cash and cash equivalents, common shares, stock options and warrants as capital. The Company's objective in managing capital is to maintain adequate levels of funding to support exploration of its mineral property interests, maintain corporate and administrative functions necessary to support organizational management oversight, and obtain funding sufficient for advancing the Company's investments.

The Company manages its capital structure in a manner that intends to provide sufficient funding for operational activities. Funds are primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

In order to facilitate management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary with actual spending compared to budget on a monthly basis. The Company's investment policy, in general, is to invest short-term excess cash in highly liquid short-term interest bearing investments with maturities of less than one year or that may be liquidated with no reduction in principal. This is to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and preserving its invested balances.

22. Financial Instruments and Management of Financial Risk

The Company is exposed to potential loss from various risks including currency risk, interest rate risk, liquidity risk, market risk and commodity price risk.

Market Risks

The significant market risks to which the Company is exposed include commodity price risk and interest rate risk.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, and accounts receivable. The Company invests any excess capital in short-term, highly liquid and highly-rated financial instruments such as cash and short-term guaranteed deposits, all held with Canadian and USA based financial institutions.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital to meet short-term obligations. The Company estimates that its contractual obligations pertaining to accounts payable and accrued liabilities should be satisfied within one year.

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

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22. Financial Instruments and Management of Financial Risk (continued)

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market price of gold. The Company does not have any sales revenue and accordingly no hedging or other commodity-based risks impact its operations.

Market prices for gold historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In respect of financial assets, the Company's policy is to invest cash at variable rates of interest in cash equivalents, in order to maintain liquidity, while preserving capital. The Company is exposed to interest rate risk on its short-term investments which were included in cash and cash equivalents at June 30, 2018. The short-term investment interest earned is based on prevailing one day to one year market interest rates which may fluctuate. Based on amounts as at June 30, 2018, a one percent change in the interest rate would change interest income by approximately \$8,000 (June 30, 2017: 11,000). The Company has not entered into any derivative contracts to manage this risk.

Currency risk

The Company operates in USA, Canada, and Brazil. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk of the Company can be categorized as follows:

Transaction exposure

The Company operates and incurs costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

Translation exposure

A strengthening of the U.S. dollar by 10% against the Canadian dollar and the Brazilian Real at June 30, 2018, with all other variables held constant would have decreased the Company's before tax net loss by approximately \$66,000 (at June 30, 2017: \$162,000) as a result of a change in value of the financial assets and liabilities denominated in those currencies.

Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, accounts receivables, prepaid expenses, accounts payables and other liabilities, provisions and warrants liability. The currencies of the Company's financial instruments and other foreign currency denominated liabilities, based on notional amounts, were as follows:

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22. Financial Instruments and Management of Financial Risk (continued)

	June 30, 2018		December 31, 2017	
	Canadian dollar	Brazilian Real	Canadian dollar	Brazilian Real
Cash and cash equivalents	\$ 48,316	\$ 26,610	\$ 22,292	\$ 16,705
Accounts receivable	-	3,317	536	10,427
Prepaid expenses	47,736	-	32,592	-
Accounts payable and accrued liabilities	(36,913)	(94,143)	(325,522)	(63,987)
Provisions	-	(285,413)	-	(322,713)
Warrants liability	(322,537)	-	(253,944)	-
Net balance sheet exposure	\$ (263,398)	\$ (349,629)	\$ (524,046)	\$ (359,568)

23. Fair Value Measurements

Fair value is 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.

Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from relevant markets.

The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value.

- Level 1 inputs are unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (for example, interest rate and yield curves observable at commonly quoted interval and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at June 30, 2018, the Company's assets and liabilities measured at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents (Note 7)	\$ 631,094	\$ -	\$ -
Liabilities			
Warrants liability (Note 11)	-	322,537	-
	\$ 631,094	\$ 322,537	\$ -

TriStar Gold, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in United States Dollars)

For the three and six month periods ended June 30, 2018 and 2017

23. Fair Value Measurements (continued)

The following table provides the carrying value and the fair value of financial instruments at June 30, 2018:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets		
Cash and cash equivalents (Note 7)	\$ 631,094	\$ 631,094
Accounts receivable	2,694	2,694
	<u>\$ 633,788</u>	<u>\$ 633,788</u>
Financial liabilities		
Accounts payable and accrued liabilities	\$ 135,898	\$ 135,898
Derivative instruments		
Warrants liability (Note 11)	\$ 322,537	\$ 322,537

24. Subsequent Events

In July 2018, a total of 7,094,104 share purchase warrants with an exercise price of Can\$0.55 expired unexercised and were cancelled. Also, 549,372 agent compensation options with an exercise price of Can\$0.30 expired unexercised. These warrants and agent compensation options were issued pursuant to the July 2016 private placement.

On August 13, 2018, the Company closed the second and final tranche of the private placement financing announced in May 27, 2018 and July 7, 2018, consisting of 10,250,000 units at the price of Can\$0.20 per unit for gross proceeds of Can\$2,050,000. Each unit in this financing consist of one common share and one-half of one non-transferable common share purchase warrant, with each whole common share purchase warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of \$0.25 for a period of 30 months following the closing date. In connection with the private placement, TriStar paid to arm's length finders aggregate cash finders' fees of Can\$3,500 and issued an aggregate of 17,500 non-transferable finders' compensation options having the same terms as the warrants.