



**TRISTAR GOLD, INC.**

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)**

**For the years ended December 31, 2020 and 2019**

## **Independent Auditors' Report**

To the Board of Directors and Shareholders of  
TriStar Gold, Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Tristar Gold, Inc. and subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as of December 31, 2020 and 2019
- the consolidated statements of comprehensive loss for the years ended December 31, 2020 and 2019
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2020 and 2019
- the consolidated statements of cash flows for the years ended December 31, 2020 and 2019
- and the notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TriStar Gold, Inc. as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the financial statements, which indicates that the Company is still in the exploration stage and, as such, no revenue has been generated from operating activities and the Company has a history of operating losses through the year ended December 31, 2020. As stated in Note 2, these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Information**

Management is responsible for other information. Other information is comprised of information, other than the financial statement and the auditors' report thereon, included in the Management Discussion and Analysis document.

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, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in the regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 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 statement or, if such disclosures are inadequate, to modify our opinion. Our conclusion 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company (the Group) to express an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement director on the audit resulting in this independent auditors' report is Ryan Istre.

*Pannell Kerr Forster of Texas, P.C.*

April 28, 2021

**TriStar Gold, Inc.**  
**Consolidated Statements of Financial Position**  
(Expressed in United States Dollars)

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 7)	\$ 10,022,590	\$ 5,541,129
Accounts receivable	25,570	32,754
Prepaid expenses	158,469	356,155
Total current assets	10,206,629	5,930,038
Non-current assets:		
Mineral properties and deferred expenditures (Note 8)	18,985,590	16,055,971
Plant and equipment, net (Note 9)	42,686	71,131
Total non-current assets	19,028,276	16,127,102
Total assets	\$ 29,234,905	\$ 22,057,140
<b>Liabilities and Shareholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 528,711	\$ 688,845
Total current liabilities	528,711	688,845
Non-current liabilities:		
Provisions (Note 10)	233,205	295,178
Warrants liability (Note 11)	3,212,827	2,044,923
Total non-current liabilities	3,446,032	2,340,101
Total liabilities	3,974,743	3,028,946
Shareholders' equity:		
Share capital (Note 12)	52,356,302	45,072,223
Capital reserve (Note 12, Note 13, Note 14 , Note 15 and Note 19)	3,864,330	4,791,167
Accumulated deficit	(30,960,470)	(30,835,196)
Total shareholders' equity	25,260,162	19,028,194
Total liabilities and shareholders' equity	\$ 29,234,905	\$ 22,057,140

Nature of Operations and Going Concern (Note 2)  
Commitments and Contingencies (Note 20)

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 consolidated audited financial statements.*

**TriStar Gold, Inc.**  
**Consolidated Statements of Comprehensive Loss**  
(Expressed in United States Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
Expenses:		
General and administrative (Note 9, Note 10, Note 14, Note 15, Note 16 and Note 19)	\$ 1,505,522	\$ 1,673,633
Foreign exchange losses / (gains)	(427,368)	3,483
	<b>1,078,154</b>	<b>1,677,116</b>
Other income (expenses):		
Warrants liability fair value change (Note 11)	893,038	(84,525)
Bank charges	(6,641)	(5,051)
Interest income	66,685	23,340
Loss on equipment disposal (Note 9)	(202)	-
	<b>952,880</b>	<b>(66,236)</b>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (125,274)</b>	<b>\$ (1,743,352)</b>
<b>Basic and Diluted Loss per Share (Note 17)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Basic and Diluted weighted-average number of shares outstanding (Note 17)</b>	<b>209,220,796</b>	<b>179,337,454</b>

*See accompanying notes which are an integral part of these consolidated audited financial statements.*

**TriStar Gold, Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in United States Dollars)

	Common Shares		Capital Reserve	Deficit and Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number	Amount			
<b>Balance at December 31, 2018</b>	178,754,440	\$43,886,034	\$4,474,610	\$(29,091,844)	\$19,268,800
Shares issued on financing, net of share issue cost (Note 12)	11,200,000	1,186,189	-	-	1,186,189
Stock-based compensation (Note 12, Note 14, Note 15 and Note 19)	-	-	316,557	-	316,557
Net loss and comprehensive loss for the year	-	-	-	(1,743,352)	(1,743,352)
<b>Balance at December 31, 2019</b>	189,954,440	45,072,223	4,791,167	(30,835,196)	19,028,194
Shares issued on financing, net of share issue cost (Note 12)	30,705,000	4,493,930	-	-	4,493,930
Shares issued on exercise of options (Note 12 and Note 14)	5,780,000	1,845,517	(1,036,746)	-	808,771
Shares issued on exercise of agent's options (Note 12 and Note 13)	57,750	12,789	-	-	12,789
Shares issued on exercise of warrants (Note 11 and Note 12)	3,188,182	931,843	-	-	931,843
Stock-based compensation (Note 12, Note 14, Note 15 and Note 19)	-	-	109,909	-	109,909
Net loss and comprehensive loss for the year	-	-	-	(125,274)	(125,274)
<b>Balance at December 31, 2020</b>	<b>229,685,372</b>	<b>\$52,356,302</b>	<b>\$3,864,330</b>	<b>\$(30,960,470)</b>	<b>\$25,260,162</b>

*See accompanying notes which are an integral part of these consolidated audited financial statements.*

**TriStar Gold, Inc.**  
**Consolidated Statements of Cash Flows**  
(Expressed in United States Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
<b>Operating activities</b>		
Net loss for the year	\$ (125,274)	\$ (1,743,352)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation (Note 9 and Note 16)	1,696	2,177
Stock-based compensation (Note 12, Note 14, Note 15 and Note 19)	109,909	274,493
Loss on equipment disposal (Note 9)	202	-
Warrants liability fair value change (Note 11)	(893,038)	84,525
Unrealized foreign exchange loss	3,265,488	523,059
Changes in non-cash operating working capital:		
Accounts receivable	6,120	(24,029)
Prepaid expenses	195,314	(310,183)
Accounts payable and accrued liabilities	(70,894)	512,441
Provisions (Note 10 and Note 16)	4,337	(6,864)
Net cash provided by (used in) operating activities	<u>2,493,860</u>	<u>(687,733)</u>
<b>Investing activities</b>		
Mineral properties acquisition and exploration (Note 8 and Note 9)	(3,872,380)	(1,912,954)
Purchase of equipment (Note 9)	(18,171)	(72,650)
Net cash used in investing activities	<u>(3,890,551)</u>	<u>(1,985,604)</u>
<b>Financing activities</b>		
Net proceeds from financing (Note 12)	6,183,939	1,518,889
Net proceeds from exercise of options (Note 12 and Note 14)	812,758	-
Net proceeds from exercise of agent's options (Note 12 and Note 13)	8,802	-
Net proceeds from exercise of warrants (Note 11 and Note 12)	790,254	-
Proceeds from sale of Royalty (Note 8)	1,500,000	6,500,000
Net cash provided by financing activities	<u>9,295,753</u>	<u>8,018,889</u>
<b>Effect of exchange rates on cash and cash equivalents</b>	<u>(3,417,601)</u>	<u>(538,623)</u>
Net increase (decrease) in cash and cash equivalents	4,481,461	4,806,929
Cash and cash equivalents, beginning of period	5,541,129	734,200
Cash and cash equivalents, end of period	<u>\$ 10,022,590</u>	<u>\$ 5,541,129</u>

*See accompanying notes which are an integral part of these consolidated audited financial statements.*



# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 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 and on the OTCQX, under the symbol TSGZF. 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 existing Brazauro Resources Corporation (“Brazauro”) assets as a result of an Arrangement Agreement (the “Arrangement”) between Brazauro and Eldorado Gold Corporation (“Eldorado”). Under the “spin out” Arrangement Brazauro transferred certain Brazilian mineral exploration properties and Eldorado provided a cash contribution for working capital of \$10 million to TriStar. 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 its current focus on advancing the exploration success 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 primarily on the sale of its treasury securities to fund its operations and the Company’s cash position is currently sufficient to maintain its planned operations for a full year. Management may 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 year ended December 31, 2020, the Company incurred a net loss of \$125,274 (December 31, 2019: net loss of \$1,743,352). The Company’s accumulated deficit as at December 31, 2020, was \$30,960,470 (December 31, 2019: \$30,835,196). The consolidated audited 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 audited 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 Loss that may be necessary if the Company was unable to continue as a going concern.

### 3. Basis of Presentation

#### Statement of Compliance

These consolidated audited financial statements have been prepared in accordance with IFRS and related IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”) in effect at December 31, 2020.

These consolidated audited financial statements were authorized for issuance by the Board of Directors of the Company on April 27, 2021.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 3. Basis of Presentation (continued)

#### Basis of Measurement

These consolidated audited 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 consolidated audited financial statements are presented in United States dollars (“U.S. dollars”), unless otherwise noted.

### 4. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated audited financial statements, unless otherwise indicated, and are consistent with IFRS as adopted in Canada.

#### Principles of Consolidation

These consolidated audited financial statements include the accounts of the Company and the following subsidiaries:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Principal activity</u>
TexOro U.S. LLC	United States of America (“USA”)	Administrative services
TriStar Gold (Brazil), Inc.	Canada	Holding Company
TriStar Mineracao Do Brasil Ltda.	Brazil	Administrative services. Owns mineral properties
Mineracao Castelo de Sonhos Ltda.	Brazil	Owns mineral properties

These subsidiaries are controlled by the Company and are wholly-owned. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the company.

All intercompany transactions and balances have been eliminated upon consolidation.

#### Foreign Currency Translation and Functional Currency

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which that entity operates (its functional currency). The functional currency of the Company and the presentation currency of the consolidated audited financial statements is the U.S. dollar. The Company’s Brazilian and USA operations also have the U.S. dollar as their functional currency.

Management determines the functional currency by examining the primary economic environment of each exploration project. The Company considers the following factors in determining its functional currency:

- The main influences of sales prices for goods procured or consumed and the country whose competitive forces and regulations mainly determine the sales price;
- The currency that mainly influences labor, material and other costs of providing goods;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

In preparing the functional currency financial statements of the Company and its subsidiaries, transaction amounts denominated in foreign currencies (currencies other than the functional currency of the respective subsidiary) are translated into the Company’s functional currency using exchange rates prevailing at the transaction dates. Foreign currency monetary items are translated at the exchange rate prevailing at the balance sheet statement date. Foreign currency non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate prevailing at the fair value date.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 4. Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible into known amounts of cash within a year or less and are subject to an insignificant risk of change in value.

#### Mineral Properties and Deferred Expenditures

Expenditures incurred prior to the Company obtaining the right to explore are expensed in the period in which they are incurred.

Direct acquisitions costs, costs directly related to exploration and evaluation expenditures are recognized and capitalized and reduced by related sundry income. The net amount is then amortized over the recoverable mineral reserves when a property is commercially developed. When an area is abandoned or no exploration is planned on it in the foreseeable future, capitalized expenditures are written down to the recoverable amount. Write-downs due to impairment in value are charged to profit and loss.

Recorded costs of mineral properties are not intended to reflect present or future values of the properties. Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold and commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties and deferred expenditures.

#### Plant and Equipment

On initial recognition, plant and equipment are valued at cost, being the purchase price and directly attributable costs related to its acquisition. Subsequently, they are measured at cost less accumulated depreciation, less any accumulated impairment losses.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net in the Consolidated Statement of Comprehensive Loss.

Depreciation is recognized in "general and administrative expenses" (Note 16) in the Consolidated Statement of Comprehensive Loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	3-5 years
Office equipment	2-5 years
Vehicles	2 years
Field Equipment	2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end with any changes accounted for prospectively.

#### Impairment of Long-Lived Assets

Long-lived assets include mineral properties and deferred expenditures, and plant and equipment. The Company reviews and evaluates its exploration projects for indicators of impairment at the end of each reporting period. Impairment assessments are conducted at the level of cash generating units ("CGU"). A CGU is the lowest level of identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, with each development and exploration project representing a separate CGU. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 4. Significant Accounting Policies (continued)

#### Impairment of Long-Lived Assets (continued)

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for a long-lived asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU. A reversal of an impairment loss is recognized up to the lesser of the recoverable amount or the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the CGU in prior years.

#### Provisions

Provisions are recorded when a legal or constructive obligation may exist as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation and reflect amounts which are expected to become due.

#### Warrants Liability

Warrants issued have exercise prices denominated in Canadian dollars, and therefore do not qualify for classification as equity as their exercise price is not in the Company's functional currency. These warrants have been classified as warrants liability and are recorded at the estimated fair value at each reporting date, computed using the Black-Scholes valuation method using level two observable inputs. Changes in fair value for each period are included in the Consolidated Statement of Comprehensive Loss for the year.

#### Income Taxes

Current income taxes are measured at the amount expected to be paid to tax authorities, based on taxable profit for the year, net of recoveries using enacted tax rates at the balance sheet date. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Loss because of items of income or expense that are taxable or deductible in other periods and items that may not be taxable or deductible. Deferred income tax liabilities are recognized using the asset and liability method on taxable temporary differences between the tax basis and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that deductions can be utilized. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply in the year when the asset is realized or the liability settled, using enacted or substantively enacted tax rates at the balance sheet date. Valuation allowances are provided if it is uncertain that a deferred tax asset will be realized.

#### Share-based Payments

The Company maintains a stock option plan for employees, directors and consultants.

The Company uses the fair-value based method to account for all stock options issued to employees and other individuals granted by measuring the compensation cost of the stock options using the Black-Scholes option-pricing model. The earnings effect of stock options which vest immediately is recorded at the date of grant. The earnings effects of stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date. The fair value of the share-based payments is recorded as a charge to net earnings based on the vesting period with a credit to capital reserve. Upon exercise of the stock options, consideration paid by the option holder, together with the amount previously recognized in capital reserve, is recorded as an increase to share capital.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 4. Significant Accounting Policies (continued)

#### Earnings Per Share

Earnings per share are calculated by dividing net income by the weighted average number of common shares issued and outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under this method, the weighted average number of shares includes the potential net issuances of common shares for “in-the-money” options and warrants assuming the proceeds are used to repurchase common shares at the average market price during the year, if dilutive. The effect of potential issuances of shares under options and warrants would be anti-dilutive if a loss is reported, and therefore basic and diluted losses per share are the same.

#### Financial Instruments

##### *Non-derivative financial assets*

The Company recognizes all financial assets initially at fair value and classifies them into one of the following four categories: held-to-maturity, available-for-sale (“AFS”), loans and receivables or other financial liabilities, or fair value through profit or loss (“FVTPL”). Financial assets held to maturity and loans and receivables are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net loss.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) are based on quoted market prices at the date of the statement of financial position.

The Company has classified cash and cash equivalents and receivables as loans and receivables. The fair value of cash and cash equivalents and accounts receivable are approximated by their carrying value due to the short term nature of these financial instruments.

##### *Non-derivative financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Consolidated Statement of Comprehensive Loss. Other financial liabilities, are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost.

Accounts payable and accrued liabilities and provisions are classified as other financial liabilities. The fair value of accounts payable and accrued liabilities are approximated by their carrying value due to the short term nature of these financial instruments.

##### *Derivative instruments*

Derivative instruments are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recorded in net loss.

The Company’s share purchase warrants are derivative liabilities and accordingly, they are recorded at fair value at each reporting period, with the gains or losses recorded in the Consolidated Statement of Comprehensive Loss for the period.

### 5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the Company’s consolidated audited 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.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

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

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.

*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 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.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

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

*Uncertainty due to COVID-19.* The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. To the extent that inputs and assumptions used as at December 31, 2020 to arrive at accounting estimates and asset values have changed during the period, whether as a result of the COVID-19 or otherwise, the changes have been considered and reflected, where appropriate, in the consolidated financial statements. These inputs and assumptions relate to, among other things, interest rates, foreign exchange rates, cost of capital, commodity prices, and the amount and timing of future cash flows, while accounting judgments take into consideration the business and economic uncertainties caused by the COVID-19 and by the future response of governments, the Company and others to those uncertainties. In the current environment, the inputs and assumptions and judgements are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions extends but is not limited to the Company's valuation of the long-term assets (including the assessment for impairment and impairment reversal), estimation of reclamation provisions, estimation of mineral reserves and mineral resources, and estimation of income and mining taxes. Actual results may differ materially from these estimates.

### 6. Recent Changes in Accounting Pronouncements

The following IFRS standards became effective for the Company beginning on January 1, 2019:

On January 1, 2019, The Company adopted *IFRS 16-LEASES* ("IFRS 16") which superseded IAS 17-Leases. IFRS 16 applies a control model to the identification of leases distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the asset. For those assets determined to met the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to the finance lease accounting model, with exceptions for short term leases or leases of low value assets. The adoption of IFRS 16 did not have a significant effect on the Company's financial statements beginning January 1, 2019 because the Company elected to apply the exceptions available as permitted under IFRS 16 for the short term and low value leases to which the Company is a party.

### 7. Cash and Cash Equivalents

Cash and cash equivalents include:

	Balance at December 31, 2020	Balance at December 31, 2019
<i>Cash:</i>		
Cash at bank	\$ 937,777	\$ 743,321
Investment accounts	9,084,813	4,797,808
Total	<u>\$ 10,022,590</u>	<u>\$ 5,541,129</u>

As at December 31, 2020, the investment accounts include Redeemable Short Term Investment Certificates (RSTIC) for a total balance of \$7,927,000 (December 31, 2019: 4,154,850) with annual interest rates between of 0.10% and 1.25% (December 31, 2019: 1.85% and 1.90%) and maturity date of less than a year, and saving accounts for a balance of \$1,157,813 (December 31, 2019: \$642,958).

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 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.

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 ("NSR") 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. On May 28, 2019, TriStar, with the signing of the Royalty Option Agreement, concluded the sale to Royal Gold, Inc. of an assignment of its right to buy down 50% of the existing 2% NSR on the Castelo de Sonhos property for \$500,000. Hence this right was transferred to Royal Gold.

On August 2, 2019, the Company, through its subsidiary Mineracao Castelo de Sonhos Ltda., entered into a Royalty Agreement with RG Royalties, LLC ("RG"), a subsidiary of Royal Gold, Inc. Under the Royalty Agreement TriStar will sell and grant to RG a newly created 1.5% NSR royalty (incrementally earned pro-rata with the funding schedule) on the CDS property for the purchase price of \$7,250,000. Additionally, as part of the agreement, for a total consideration of \$250,000 the Company has granted International Royalty Corporation ("IRC"), a wholly-owned subsidiary of RG, a total of 19,640,000 common share purchase warrants (issued pro-rata with the funding schedule), each entitling IRC to purchase one common share of TriStar Gold Inc. at an exercise price of Can\$0.25 per common share for a period of five years.

The Royalty Agreement's funding schedule included: a first payment in the amount of \$4,500,000 (including \$150,000 from the issue of 11,784,000 warrants) received on August 6, 2019, a second payment in the amount of \$1,500,000 (including \$50,000 from the issue of 3,928,000 warrants) received on November 30, 2019 and a third payment in the amount of \$1,500,000 (including \$50,000 from issue of 3,928,000 warrants) received on March 31, 2020. All payments have been received pursuant to this agreement.



## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 8. Mineral Properties and Deferred Expenditures (continued)

##### Castelo de Sonhos Property (Brazil) (continued)

Mineral properties and deferred expenditures were as follows:

	Balance at December 31, 2019	Additions	Sale of Royalty	Balance at December 31, 2020
<i>Castelo de Sonhos Properties:</i>				
Acquisition costs	\$ 3,303,945	\$ -	\$ -	\$ 3,303,945
Exploration costs	17,902,957	3,917,098	-	21,820,055
Total Deferred Expenditures	21,206,902	3,917,098	-	25,124,000
Sale of Royalty	(5,150,931)	-	(987,479)	(6,138,410)
Total Carrying Amount	\$ 16,055,971	\$ 3,917,098	\$ (987,479)	\$ 18,985,590

	Balance at December 31, 2018	Additions	Sale of Royalty	Balance at December 31, 2019
<i>Castelo de Sonhos Properties:</i>				
Acquisition costs	\$ 3,303,945	\$ -	\$ -	\$ 3,303,945
Exploration costs	15,960,662	1,942,295	-	17,902,957
Total Deferred Expenditures	19,264,607	1,942,295	-	21,206,902
Sale of Royalty	-	-	(5,150,931)	(5,150,931)
Total Carrying Amount	\$ 19,264,607	\$ 1,942,295	\$ (5,150,931)	\$ 16,055,971

During the years ended December 31, 2020 and 2019, the additions to exploration cost include the following:

	Year ended December 31, 2020	Year ended December 31, 2019
<i>Castelo de Sonhos Properties:</i>		
Camp costs (Note 9)	\$ 388,364	\$ 275,207
Wages, salaries and benefits costs (Note 19)	543,195	410,998
Geological analysis costs	799,598	124,561
Drilling costs	1,308,757	820,286
Other costs	877,184	311,243
<b>Total Exploration Costs</b>	<b>\$ 3,917,098</b>	<b>\$ 1,942,295</b>

#### 9. Plant and Equipment, net

During the period ended December 31, 2020, depreciation expenses in the amount of \$44,718 were reported in Mineral properties and deferred expenditures (Note 8) under camp costs of the exploration cost of the Castelo de Sonhos project (December 31, 2019: \$29,341).

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 9. Plant and Equipment, net (continued)

Plant and equipment were as follows:

	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
<i>Cost:</i>				
Furniture	\$ 2,464	\$ -	\$ -	\$ 2,464
Office equipment	18,248	5,382	(907)	22,723
Vehicles	296,381		-	296,381
Field equipment	58,563	12,789	-	71,352
Total costs	<u>375,656</u>	<u>18,171</u>	<u>(907)</u>	<u>392,920</u>
<i>Accumulated Depreciation:</i>				
Furniture	(2,464)		-	(2,464)
Office equipment	(14,026)	(3,779)	705	(17,100)
Vehicles	(231,989)	(38,964)	-	(270,953)
Field equipment	(56,046)	(3,671)	-	(59,717)
Total accumulated depreciation	<u>(304,525)</u>	<u>(46,414)</u>	<u>705</u>	<u>(350,234)</u>
<b>Total net book value</b>	<b>\$ 71,131</b>	<b>\$ (28,243)</b>	<b>\$ (202)</b>	<b>\$ 42,686</b>

	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
<i>Cost:</i>				
Furniture	\$ 2,464	\$ -	\$ -	\$ 2,464
Office equipment	17,241	2,187	(1,180)	18,248
Vehicles	228,574	67,807	-	296,381
Field equipment	55,907	2,656	-	58,563
Total costs	<u>304,186</u>	<u>72,650</u>	<u>(1,180)</u>	<u>375,656</u>
<i>Accumulated Depreciation:</i>				
Furniture	(2,464)	-	-	(2,464)
Office equipment	(12,998)	(2,208)	1,180	(14,026)
Vehicles	(203,270)	(28,719)	-	(231,989)
Field equipment	(55,455)	(591)	-	(56,046)
Total accumulated depreciation	<u>(274,187)</u>	<u>(31,518)</u>	<u>1,180</u>	<u>(304,525)</u>
<b>Total net book value</b>	<b>\$ 29,999</b>	<b>\$ 41,132</b>	<b>\$ -</b>	<b>\$ 71,131</b>

#### 10. Provisions

The provision represents the Company estimates 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:

	<u>Amount</u>
Balance at December 31, 2018	\$ 314,035
Change in provision estimate	<u>(18,857)</u>
Balance at December 31, 2019	295,178
Change in provision estimate	<u>(61,973)</u>
<b>Balance at December 31, 2020</b>	<b>\$ 233,205</b>

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 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 variation in the provision, are included in foreign exchange gains and losses.

During the year ended December 31, 2020, included in the change in the provision estimate are \$66,309 from effect of exchange rates (December 31, 2019: \$11,993).

### 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 though profit and loss at each reporting date based upon a Black-Scholes Option Pricing Model. At initial recognition when warrants are issued with the issuance of shares the Company allocates their full fair value as a warranty liability at issuance with the residual value of proceeds raised from the shares issued recorded in common shares. Subsequent changes in the fair value of the warrant's liability is recorded in the Consolidated Statement of Comprehensive Loss for the period.

In April 2019, a total of 8,554,134 share purchase warrants with an exercise price of Can\$0.45 expired unexercised and were cancelled. The estimated fair value of the warrant liability at expiry date was nil.

On August 2, 2019, under the Royalty Agreement with RG Royalties, LLC, the Company issued 11,784,000 share purchase warrants exercisable to acquire 11,784,000 shares at Can\$0.25 per share until August 5, 2024. The estimated fair value of the warrant liability at issuance was \$955,374.

On November 30, 2019, under the Royalty Agreement with RG Royalties, LLC, the Company issued 3,928,000 share purchase warrants exercisable to acquire 3,928,000 shares at Can\$0.25 per share until November 30, 2024. The estimated fair value of the warrant liability at issuance was \$393,695.

On December 12, 2019, under a private placement, the Company issued 5,600,000 share purchase warrants exercisable to acquire 5,600,000 shares at Can\$0.30 per share until December 12, 2021. The estimated fair value of the warrant liability at issuance was \$290,637.

On February 11, 2020, a total of 200,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.25 for gross proceeds of \$37,615 which in addition to \$17,602 representing the fair value of the warrants liability, were allocated to common shares in the period.

On March 31, 2020, under the Royalty Agreement with RG Royalties, LLC, the Company issued 3,928,000 share purchase warrants exercisable to acquire 3,928,000 shares at Can\$0.25 per share until March 31, 2025. The estimated fair value of the warrant liability at issuance was \$512,521.

On July 14, 2020, under a Short Form Prospectus financing, the Company issued 15,352,500 share purchase warrants exercisable to acquire 15,352,500 shares at Can\$0.40 per share until July 14, 2022. The estimated fair value of the warrant liability at issuance was \$1,690,009.

On July 24, 2020, a total of 2,613,182 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.35 for gross proceeds of \$681,480 which in addition to Can\$87,619 representing the fair value of the warrants liability, were allocated to common shares in the period.

On July 24, 2020, a total of 3,876,965 share purchase warrants with an exercise price of Can\$0.35 expired unexercised and were cancelled. The estimated fair value of the warrant liability at expiry date was nil.

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

**For the years ended December 31, 2020 and 2019**

#### 11. Warrants Liability (continued)

On August 14, 2020, a total of 125,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.25 for gross proceeds of \$23,584 which in addition to \$14,861 representing the fair value of the warrants liability, were allocated to common shares in the period.

On October 20, 2020, a total of 250,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.25 for gross proceeds of \$47,575 which in addition to \$21,506 representing the fair value of the warrants liability, were allocated to common shares in the period.

The following is a summary of changes in warrants:

	Number of Warrants	Weighted Average Exercise Price	Amount
Balance at December 31, 2018	20,169,281	Can\$0.37	\$ 320,693
Issued warrants	21,312,000	Can\$0.26	1,639,705
Warrants expired	(8,554,134)	Can\$0.45	-
Warrants liability fair value change	-	-	84,525
Balance at December 31, 2019	32,927,147	Can\$0.28	2,044,923
Issued warrants	19,280,500	Can\$0.37	2,202,530
Warrants exercised	(3,188,182)	Can\$0.33	(141,588)
Warrants expired	(3,876,965)	Can\$0.35	-
Warrants liability fair value change	-	-	(893,038)
<b>Balance at December 31, 2020</b>	<b>45,142,500</b>	<b>Can\$0.31</b>	<b>\$ 3,212,827</b>

At December 31, 2020, outstanding warrants are as follows:

Number of Warrants	Weighted Average Exercise Price	Issuance Date	Expiry Date
3,025,000	Can\$0.25	August 3, 2018	February 3, 2021
1,525,000	Can\$0.25	August 10, 2018	February 10, 2021
11,784,000	Can\$0.25	August 2, 2019	August 5, 2024
3,928,000	Can\$0.25	November 30, 2019	November 30, 2024
5,600,000	Can\$0.30	December 12, 2019	December 12, 2021
3,928,000	Can\$0.25	March 31, 2020	March 31, 2025
15,352,500	Can\$0.40	July 14, 2020	July 14, 2022
<b>45,142,500</b>			

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 11. Warrants Liability (continued)

At December 31, 2020 and 2019, the fair value of the Company's warrants was estimated using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2020	December 31, 2019
Expected dividend yield	0%	0%
Expected volatility	71.69% - 78.94%	78.93% - 96.41%
Risk-free interest rate	0.26% - 0.39%	1.54% - 1.62%
Expected life	2 months – 4.2 years	7 months – 5 years
Share Price	Can\$0.255	Can\$0.19

### 12. Share Capital and Capital Reserve

The Company's authorized share capital consists of an unlimited number of common shares without par value. At December 31, 2020, the Company had 229,685,372 common shares outstanding, and a total of 51,799,250 common shares were reserved for issuance after exercise of options and warrants outstanding.

- a. On August 1, 2019, a total of 400,000 stock options were granted to an investor relation consultant. A total of 200,000 options vested on the grant date, their total estimated fair value at grant date of \$18,872 was recorded in capital reserve. The options expire on August 1, 2024 and have an exercise price of Can\$0.17 per option. The rest of the 200,000 stock options vested on February 1, 2020. Their total estimated fair value at grant date of \$18,872 was recorded in capital reserve. The options expire on February 1, 2025 and have an exercise price of Can\$0.17 per option.
- b. On November 27, 2019, a total of 2,360,000 stock options were granted to directors, officers, employees and consultants of the Company with an exercise price of Can\$0.20 per share. The options expire on November 26, 2024 and had an estimated fair value at grant date of \$255,620.
- c. On December 12, 2019, the Company closed the private placement financing announced on November 25, 2019, consisting of 11,200,000 units at the price of Can\$0.20 per unit for gross proceeds of \$1,699,264 from which the Company deducted cash finder's fees in the amount of \$92,852 and share issue costs, including legal and other fees paid, in the amount of \$87,523 for net proceeds of \$1,518,889. Each unit in this financing consists of one common share and one half of a common share purchase warrant. Each of the 5,600,000 whole common share purchase warrants entitles the holder to purchase one additional common share of the Company at Can\$0.30 per share until December 12, 2021. The fair value of warrants issued in the amount of \$290,637 was recorded in warrants liability. In addition, the Company issued 612,000 agent compensation options, with an exercise price of Can\$0.20 per share. The agent compensation options expire on December 12, 2021, and the estimated fair value at grant date of \$42,064 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 \$1,186,189 in Common Shares.
- d. On January 22, 2020, a total of 1,500,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.20 for gross proceeds of \$228,720 which in addition to \$166,868 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- e. In February 2020, a total of 1,550,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$210,174 which in addition to \$504,564 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- f. On May 12, 2020, a total of 200,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$25,686 which in addition to \$45,756 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 12. Share Capital and Capital Reserve (continued)

- g. In June 2020, a total of 200,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$26,447 which in addition to \$47,112 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- h. On July 14, 2020, the Company closed the short form prospectus financing announced on June 22, 2020, consisting of 30,705,000 units at the price of Can\$0.30 per unit for gross proceeds of \$6,764,926 from which the Company deducted cash finder's fees in the amount of \$361,832 and share issue costs, including legal and other fees paid, in the amount of \$219,155 for net proceeds of \$6,183,939. Each unit in this financing consists of one common share and one half of a common share purchase warrant. Each of the 15,352,500 whole common share purchase warrants entitles the holder to purchase one additional common share of the Company at Can\$0.40 per share until July 14, 2022. The fair value of warrants issued in the amount of \$1,690,009 was recorded in warrants liability. The Company deducted the amount of the fair value of warrants from the net proceeds and recorded the remaining amount of \$5,074,917 in Common Shares.
- i. On August 12, 2020, a total of 50,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.25 for gross proceeds of \$9,431 which in addition to \$7,864 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- j. In August 2020, a total of 470,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$63,713 which in addition to \$69,023 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- k. In September 2020, a total of 600,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$81,951 which in addition to \$62,009 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- l. On October 13, 2020, a total of 41,250 common shares were issued as a result of exercise of the same number of agent compensation options with an exercise price of Can\$0.20 for gross proceeds of \$6,282 which in addition to \$2,845 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- m. In October 2020, a total of 305,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$41,741 which in addition to \$35,059 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- n. In October 2020, a total of 400,000 stock options were granted to consultants of the Company with an exercise price of Can\$0.28 per share. The options expire on October 27, 2025. Their estimated fair value at grant date of \$55,694 was recorded in capital reserve.
- o. On November 17, 2020, a total of 16,500 common shares were issued as a result of exercise of the same number of agent compensation options with an exercise price of Can\$0.20 for gross proceeds of \$2,520 which in addition to \$1,142 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- p. In November 2020, a total of 905,000 common shares were issued as a result of exercise of the same number of stock options with an exercise price of Can\$0.18 for gross proceeds of \$124,895 which in addition to \$94,504 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.
- q. On December 18, 2020, a total of 300,000 stock options were granted to a director of the Company with an exercise price of Can\$0.245 per share. The options expire on December 17, 2025. Their estimated fair value at grant date of \$35,343 was recorded in capital reserve.

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

**For the years ended December 31, 2020 and 2019**

#### 12. Share Capital and Capital Reserve (continued)

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

	Common Shares		Capital Reserve
	Number	Amount	
Balance at December 31, 2018	178,754,440	\$ 43,886,034	\$ 4,474,610
Shares issued on financing, net of share issue cost	11,200,000	1,186,189	-
Stock-based compensation	-	-	316,557
Balance at December 31, 2019	189,954,440	45,072,223	4,791,167
Shares issued on financing, net of share issue cost	30,705,000	4,493,930	-
Shares issued on exercise of options	5,780,000	1,845,517	(1,036,746)
Shares issued on exercise of agent's options	57,750	12,789	-
Shares issued on exercise of warrants	3,188,182	931,843	-
Stock-based compensation	-	-	109,909
Balance at December 31, 2020	<b>229,685,372</b>	<b>\$ 52,356,302</b>	<b>\$ 3,864,330</b>

#### 13. Agent Compensation Options

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

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

	Number of Options Outstanding and Exercisable	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2018	750,542	\$ 0.44
Compensation options granted	612,000	\$ 0.20
Compensation options expired	(660,496)	\$ 0.45
Balance at December 31, 2019	702,046	\$ 0.22
Compensation options exercised	57,750	\$ 0.20
Compensation options expired	(72,546)	\$ 0.35
<b>Balance at December 31, 2020</b>	<b>571,750</b>	<b>\$ 0.20</b>

On December 12, 2019, the Company issued 612,000 agent compensation options with an exercise price of Can\$0.20 per option. The compensation options expire on December 12, 2021. The estimated fair value at grant date of \$42,064 was recorded in capital reserve.

During the year ended December 31, 2020, a total of 57,750 common shares were issued as a result of exercise of the same number of agent compensation options with an exercise price of Can\$0.20 (December 31, 2019: nil) for gross proceeds of \$8,802 which in addition to \$3,987 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.

During the year ended December 31, 2020, a total of 72,546 agent compensation options with a weighted average exercise price of Can\$0.35 expired unexercised and were cancelled (December 31, 2019: 660,496 with a weighted average exercise price of Can\$0.45).

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 13. Agent Compensation Options (continued)

The weighted average exercise price of agent compensation options issued during the year ended December 31, 2019, was Can\$0.20 per option (December 31, 2020: nil). The weighted average fair value at issue date of agent compensation options issued during the year ended December 31, 2019 was Can\$0.09 per option (December 31, 2020: nil).

At December 31, 2019, 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:

	<u>December 31, 2019</u>
Expected dividend yield	0%
Expected volatility	83.22%
Risk-free interest rate	1.62%
Expected life	2 years
Share Price	Can\$0.20
Weighted average fair value of options granted	Can\$0.09

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 December 31, 2020:

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
8/3/2018	17,500	Can\$0.25	\$ 4,375	\$ 1,227	0.1	2/3/2021
12/12/2019	554,250	Can\$0.20	110,850	38,093	0.9	12/12/2021
	<b>571,750</b>		<b>\$ 115,225</b>	<b>\$ 39,320</b>	<b>0.9</b>	

The weighted average exercise price of the agent compensation options outstanding at December 31, 2020, is Can\$0.20 (December 31, 2019: Can\$0.22).

### 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.



## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

**For the years ended December 31, 2020 and 2019**

#### 14. Stock Option Plan (continued)

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, 2018	14,700,000	14,700,000	\$0.20
Options granted	2,760,000	2,560,000	\$0.20
Options expired	(1,250,000)	(1,250,000)	\$0.15
Balance at December 31, 2019	16,210,000	16,010,000	\$0.20
Options granted	700,000	700,000	\$0.27
Options vested	-	200,000	\$0.17
Options exercised	(5,780,000)	(5,780,000)	\$0.19
Options cancelled	(1,100,000)	(1,100,000)	\$0.27
Options expired	(3,945,000)	(3,945,000)	\$0.18
<b>Balance at December 31, 2020</b>	<b>6,085,000</b>	<b>6,085,000</b>	<b>\$0.23</b>

On August 1, 2019, a total of 400,000 stock options were granted to an investor relation consultant. The options expire on August 1, 2024 and have an exercise price of Can\$0.17 per option. A total of 200,000 options vested on the grant date, their total estimated fair value at grant date of \$18,872 was recorded in capital reserve. The remaining 200,000 options vested on February 1, 2020, their total estimated fair value at grant date of \$18,872 was recorded in capital reserve.

On November 27, 2019, a total of 2,360,000 stock options were granted to directors, officers, employees and consultants of the Company with an exercise price of Can\$0.20 per share. The options expire on November 26, 2024 and had an estimated fair value at grant date of \$255,620.

During the year ended December 31, 2020, a total of 700,000 stock options were granted to directors and consultants of the Company. Their estimated fair value at grant date of \$91,036 was recorded in capital reserve.

During the year ended December 31, 2020, a total of 5,780,000 common shares were issued as a result of exercise of the same number of stock options with a weighted average exercise price of Can\$0.19. The company received gross proceeds in the amount of \$812,758 which in addition to \$1,032,759 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.

During the year ended December 31, 2020, a total of 1,100,000 options with a weighted average exercise price of Can\$0.27 were cancelled (December 31, 2019: nil).

During the year ended December 31, 2020, a total of 3,845,000 options with a weighted average exercise price of Can\$0.18 and 100,000 options with an exercise price of Can\$0.20 expired unexercised (December 31, 2019: 1,250,000 options with a weighted average exercise price of Can\$0.15).

The weighted average exercise price of options granted during the year ended December 31, 2020, was Can\$0.19 per option (December 31, 2019: Can\$0.20).

The weighted average fair value at grant date of options granted during the year ended December 31, 2020, was Can\$0.17 per option (December 31, 2019: Can\$0.14).

During the periods previously mentioned the estimated forfeiture rates were nil.

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 14. Stock Option Plan (continued)

The fair value of options granted during the years ended December 31, 2020 and 2019, has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year ended December 31, 2020	Year ended December 31, 2019
Expected dividend yield	0%	0%
Expected volatility	81.94% - 82.62%	94.35% - 97.39%
Risk-free interest rate	0.31% - 0.39%	1.41% - 1.46%
Expected life	5 years	5 years
Share price	Can\$0.24 – Can\$0.29	Can\$0.17 – Can\$0.20
Weighted average fair value of options granted	Can\$0.15 – Can\$0.19	Can\$0.12 – Can\$0.14

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 stock options outstanding at December 31, 2020:

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
9/28/2017	2,375,000	2,375,000	Can\$0.25	\$ 593,750	\$ 397,627	1.7	9/27/2022
10/20/2017	150,000	150,000	Can\$0.25	37,500	25,434	1.8	10/19/2022
2/7/2018	100,000	100,000	Can\$0.28	28,000	17,658	2.1	2/7/2023
8/1/2019	400,000	400,000	Can\$0.17	68,000	37,745	3.5	8/1/2024
11/27/2019	2,360,000	2,360,000	Can\$0.20	472,000	255,620	3.9	11/26/2024
10/27/2020	200,000	200,000	Can\$0.28	56,000	27,364	4.8	10/27/2025
10/28/2020	200,000	200,000	Can\$0.28	56,000	28,328	4.8	10/27/2025
12/18/2020	300,000	300,000	Can\$0.25	73,500	35,343	4.9	12/17/2025
	<b>6,085,000</b>	<b>6,085,000</b>		<b>\$ 1,384,750</b>	<b>\$ 825,121</b>	<b>3.1</b>	

The weighted average exercise price of the options outstanding at December 31, 2020, is Can\$0.23 (December 31, 2019: 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 Loss:

	Year ended December 31, 2020	Year ended December 31, 2019
Consulting	\$ 109,909	\$ 138,018
Salaries	-	136,475
	<b>\$ 109,909</b>	<b>\$ 274,493</b>

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

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 16. General and Administrative Expenses

General and administrative expenses consist of the following:

	Year ended December 31, 2020	Year ended December 31, 2019
Consulting and professional fees (Note 10, Note 15 and Note 19)	\$ 323,007	\$ 437,517
Change in provisions (Note 10)	4,337	(6,864)
Depreciation (Note 9)	1,696	2,177
Insurance	11,952	11,357
Office	39,510	38,547
Rent	31,234	33,881
Salaries and benefits (Note 14, Note 15 and Note 19)	737,807	914,162
Shareholder relations	332,306	183,361
Travel and meals	23,673	59,495
	\$ 1,505,522	\$ 1,673,633

#### 17. Basic and Diluted Loss per Share

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

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Numerator:</u>		
Numerator for basic and diluted loss per share: Net loss	\$ (125,274)	\$ (1,743,352)
<u>Denominator:</u>		
Initial balance of issued common shares	189,954,440	178,754,440
Effect of shares issued on financing	14,261,885	583,014
Effect of shares issued on options exercise	1,416,077	-
Effect of shares issued on warrants exercise	3,588,394	-
Denominator for basic and diluted loss per share: Basic and diluted weighted average number of common shares	209,220,796	179,337,454
<i>Basic and diluted loss per share</i>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>

For the years ended December 31, 2020 and 2019, 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. Income Taxes

The following table reconciles the income taxes calculated at statutory rates with the income tax expense in the Consolidated Statement of Comprehensive Loss:

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 18. Income Taxes (continued)

	Year ended December 31, 2020	Year ended December 31, 2019
Loss before income taxes	\$ (125,274)	\$ (1,743,352)
Statutory rates	27%	27%
Income tax recovery at statutory rates	(33,824)	(470,705)
Non-deductible items	(211,324)	98,860
Differences in foreign tax rates	55,081	53,830
Foreign exchange non-monetary assets	1,060,439	169,995
Effect of Expired losses	72,398	80,159
Unrecognized tax benefits	(942,770)	67,861
Net income tax expense	\$ -	\$ -

As of December 31, 2020, the Company has net deductible temporary differences of approximately \$18,625,650 (December 31, 2019: \$19,859,690) for which no deferred tax asset has been recognized. Deferred tax assets have not been recognized in respect of these items because the Company does not have a history of earnings and their utilization is not more likely than not.

The following table summarizes the Company's losses and net deductible temporary differences that can be applied against future taxable profits.

Type	Country	Amount	Expire Date
Net operating losses	Canada	\$ 5,461,635	2031 – 2040
Net operating losses	USA	17,984,111	2021 - 2040
Net operating losses	Brazil	3,894,311	No expiration
Net temporary differences	Canada	742,522	No expiration
Net temporary differences	USA	(153)	2025
Net temporary differences	Brazil	(9,456,775)	No expiration
	<b>Total</b>	<b>\$ 18,625,650</b>	

#### 19. Related Party Transactions

Key management personnel compensation comprised:

	Year ended December 31, 2020	Year ended December 31, 2019
Short term employee benefits: Salaries (Note 16)	\$ 573,545	\$ 621,622
Consulting fees	497,589	177,988
Director fees	25,000	5,500
Stock-based compensation (Note 12, Note 14 and Note 15)	91,036	189,549
	\$ 1,187,170	\$ 994,659

During year ended December 31, 2020, the Company paid consulting fees of \$497,589 (December 31, 2019: \$177,988) to directors and officers for advisory services.

For the year ended December 31, 2020, consulting fees paid to officers for advisory service, in the amount of \$426,860 (December 31, 2019: \$67,883) were reported in Mineral properties and deferred expenditures (Note 8) under exploration cost of the Castelo de Sonhos project, and the amount of \$70,729 (December 31, 2019: \$110,105) was recorded in the consulting fees account (Note 16) in the Consolidated Statements of Comprehensive Loss.

During the year ended December 31, 2020, the Company paid directors' fees of \$25,000 (December 31, 2019: \$5,500) .

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 19. Related Party Transactions (continued)

For the year ended December 31, 2020, stock option compensation in the amount of \$91,036 (December 31, 2019: \$189,549) received by key management personnel were recorded as capital reserve on the Consolidated Statement of Financial Position (Note 12 and Note 15). They were also included in the consulting and salaries expenses accounts (Note 16) in the Consolidated Statement of Comprehensive Loss.

As of December 31, 2020, the total number of outstanding warrants and options held by directors and officers of the Company was 500,000 units and 4,375,000 units, respectively (December 31, 2019: 500,000 units and 9,875,000 units, respectively).

During the years ended December 31, 2020 and 2019, the Company paid legal fees in the amounts of \$2,546 and \$6,663, respectively, to a company where one director has ownership interests. These amounts were recorded in professional fees (Note 16) in the Consolidated Statement of Comprehensive Loss.

During the year ended December 31, 2020, directors and officers exercised a total of 3,205,000 stock options with an weighted average exercise price of Can\$0.19 for gross proceeds of \$460,615 which in addition to \$654,612 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period (December 31, 2019: nil).

During the year ended December 31, 2020, a total of 3,445,000 stock options were granted to directors and officers with an average exercise price of Can\$0.18 expired unexercised (December 31, 2019: 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.

### 20. Commitments and Contingencies

The Company leases offices in United States and houses and equipment in Brazil, with expiration dates ranging between April and December 2021, for an estimated cost of \$6,300 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 \$1,400 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.

### 21. 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:

	Balance at December 31, 2020	Balance at December 31, 2019
<i>Assets:</i>		
Corporate Office	\$ 10,200,565	\$ 5,882,420
Mineral Exploration	19,034,340	16,174,720
<b>Total assets</b>	<b>\$ 29,234,905</b>	<b>\$ 22,057,140</b>

## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 21. Segmented Information (continued)

	Balance at December 31, 2020	Balance at December 31, 2019
<i>Liabilities:</i>		
Corporate Office	\$ 3,365,887	\$ 2,335,040
Mineral Exploration	608,856	693,906
<b>Total liabilities</b>	<b>\$ 3,974,743</b>	<b>\$ 3,028,946</b>
	Year ended December 31, 2020	Year ended December 31, 2019
<b>Net loss and comprehensive loss</b>		
Corporate Office	\$ (132,230)	\$ (1,689,396)
Mineral Exploration	6,956	(53,956)
<b>Total</b>	<b>\$ (125,274)</b>	<b>\$ (1,743,352)</b>

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

	Canada	USA	Brazil
<b>As at December 31, 2020</b>			
Mineral properties and deferred expenditures (Note 8)	\$ -	\$ -	\$ 18,985,590
Plant and equipment (Note 9)	-	3,843	38,843
<b>Total non-current assets</b>	<b>\$ -</b>	<b>\$ 3,843</b>	<b>\$ 19,024,433</b>
As at December 31, 2019			
Mineral properties and deferred expenditures (Note 8)	\$ -	\$ -	\$ 16,055,971
Plant and equipment (Note 9)	-	4,006	67,125
Total non-current assets	<b>\$ -</b>	<b>\$ 4,006</b>	<b>\$ 16,123,096</b>

#### 22. 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.

#### 23. 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.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 23. Financial Instruments and Management of Financial Risk (continued)

#### 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.

#### 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 December 31, 2020. 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 December 31, 2020, a one percent change in the interest rate would change annual interest income by approximately \$70,000 (December 31, 2019: \$10,000). 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.

# TriStar Gold, Inc.

## Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

### 23. Financial Instruments and Management of Financial Risk (continued)

#### Currency Risk (continued)

##### 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:

	December 31, 2020		December 31, 2019	
	Canadian dollar	Brazilian real	Canadian dollar	Brazilian real
Cash and cash equivalents	\$ 4,668,192	\$ 4,189	\$ 1,413,492	\$ 45,099
Accounts receivable	23,267	2,303	26,229	6,526
Prepaid expenses	152,247	3,413	349,942	-
Accounts payable and accrued liabilities	(50,213)	(375,650)	(155,936)	(398,727)
Provisions	-	(233,205)	-	(295,178)
Warrants liability	(3,212,827)	-	(2,044,923)	-
Net balance sheet exposure	<b>\$ 1,580,666</b>	<b>\$ (598,950)</b>	<b>\$ (411,196)</b>	<b>\$ (642,280)</b>

##### Translation exposure

A strengthening of the U.S. dollar by 10% against the Canadian dollar and the Brazilian real at December 31, 2020, with all other variables held constant would have decreased the Company's before tax net loss by approximately \$398,000 (at December 31, 2019: \$41,000) as a result of a change in value of the financial assets and liabilities denominated in those currencies.

### 24. 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 December 31, 2020, the Company's assets and liabilities measured at fair value on a recurring basis were as follows:



## TriStar Gold, Inc.

### Notes to the Consolidated Audited Financial Statements (Expressed in United States Dollars)

For the years ended December 31, 2020 and 2019

#### 24. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	
<b>Liabilities</b>				
Warrants liability (Note 11)	\$ -	\$ 3,212,827	\$ -	-
	\$ -	\$ 3,212,827	\$ -	-

The following table provides the carrying value and the fair value of financial instruments at December 31, 2020:

	Carrying Amount		Fair Value
<b>Financial assets</b>			
Cash and cash equivalents (Note 7)	\$ 10,022,590		\$ 10,022,590
Accounts receivable	25,570		25,570
	\$ 10,048,160		\$ 10,048,160
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	\$ 528,711		\$ 528,711
<b>Derivative instruments</b>			
Warrants liability (Note 11)	\$ 3,212,827		\$ 3,212,827

#### 25. Subsequent events

On January 13, 2021, a total of 75,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.25 for gross proceeds of \$14,753 which in addition to \$1,579 representing the fair value of the warrants liability, were allocated to common shares in the period.

On January 19, 2021, a total of 300,000 stock options were granted to a director of the Company with an exercise price of Can\$0.27 per share. The options expire on January 18, 2026, and had an estimated fair value at grant date of \$42,032.

On February 3, 2021, a total of 17,500 agent compensation options with a weighted average exercise price of Can\$0.25 expired unexercised and were cancelled.

On February 8, 2021, a total of 300,000 stock options were granted to a director of the Company with an exercise price of Can\$0.25 per share. The options expire on February 7, 2026, and had an estimated fair value at grant date of \$39,753.

In February 2021, a total of 200,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.25 for gross proceeds of \$39,000 which in addition to \$1,339 representing the fair value of the warrants liability, were allocated to common shares in the period.

In February 2021, a total of 4,275,000 share purchase warrants with an exercise price of Can\$0.25 expired unexercised and were cancelled. The estimated fair value of the warrant liability at expiry date was nil.