



TRISTAR GOLD, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

For the years ended December 31, 2022 and 2021



Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Tristar Gold, Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of TriStar Gold, Inc. as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 consolidated 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, 2022. 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.

Key Audit Matters

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis document, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 absolute assurance and therefore 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 the users take on the basis of these consolidated financial statements.

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

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

Company's financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 the audit.

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

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

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

Pannell Kerr Forster of Texas, P.C.

April 12, 2023

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

| | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 6) | \$ 4,978,314 | \$ 5,374,505 |
| Accounts receivable | 49,629 | 93,191 |
| Prepaid expenses | 143,040 | 130,372 |
| Total current assets | 5,170,983 | 5,598,068 |
| Non-current assets: | | |
| Mineral properties and deferred expenditures (Note 7) | 24,257,379 | 21,936,623 |
| Plant and equipment, net (Note 8) | 4,568 | 15,456 |
| Total non-current assets | 24,261,947 | 21,952,079 |
| Total assets | \$ 29,432,930 | \$ 27,550,147 |
| Liabilities and Shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 237,759 | \$ 342,430 |
| Total current liabilities | 237,759 | 342,430 |
| Non-current liabilities: | | |
| Provisions (Note 9) | 227,887 | 221,945 |
| Warrants liability (Note 10) | 690,753 | 1,352,144 |
| Total non-current liabilities | 918,640 | 1,574,089 |
| Total liabilities | 1,156,399 | 1,916,519 |
| Shareholders' equity: | | |
| Share capital (Note 11) | 55,922,758 | 52,458,802 |
| Capital reserve (Note 11, Note 12, Note 13 , Note 14 and Note 18) | 4,073,531 | 3,927,389 |
| Accumulated deficit | (31,719,758) | (30,752,563) |
| Total shareholders' equity | 28,276,531 | 25,633,628 |
| Total liabilities and shareholders' equity | \$ 29,432,930 | \$ 27,550,147 |

Nature of Operations and Going Concern (Note 2)
Commitments and Contingencies (Note 19)

Approved on behalf of the Board of Directors.

Director: "Mark E. Jones, III"
Director: "Nicholas Appleyard"

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

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

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Expenses: | | |
| General and administrative (Note 8, Note 9, Note 13, Note 14, Note 15 and Note 18) | \$ 1,688,012 | \$ 1,706,882 |
| Foreign exchange (gain) loss | 520,024 | (51,207) |
| | <u>2,208,036</u> | <u>1,655,675</u> |
| Other income (expenses): | | |
| Warrants liability fair value change (Note 10) | 1,151,609 | 1,857,766 |
| Bank charges | (6,401) | (6,299) |
| Interest income | 74,643 | 12,115 |
| Other income | 304 | - |
| Gain on equipment disposal (Note 8) | 20,686 | - |
| | <u>1,240,841</u> | <u>1,863,582</u> |
| Net income (loss) and comprehensive income (loss) for the period | <u>\$ (967,195)</u> | <u>\$ 207,907</u> |
| Basic Income (Loss) per Share (Note 16) | <u>\$ (0.00)</u> | <u>\$ 0.00</u> |
| Diluted Loss per Share (Note 16) | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Basic weighted-average number of shares outstanding (Note 16) | <u>248,005,384</u> | <u>229,966,852</u> |
| Diluted weighted-average number of shares outstanding (Note 16) | <u>248,005,384</u> | <u>255,363,564</u> |

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 Income (Loss) | Total Shareholders' Equity |
|--|--------------------|---------------------|--------------------|---|----------------------------|
| | Number | Amount | | | |
| Balance at December 31, 2020 | 229,685,372 | \$52,356,302 | \$3,864,330 | \$(30,960,470) | \$25,260,162 |
| Shares issued on exercise of options (Note 13) | 150,000 | 41,646 | (17,420) | - | 24,226 |
| Shares issued on exercise of agent's options (Note 12) | 18,300 | 4,185 | (1,304) | - | 2,881 |
| Shares issued on exercise of warrants (Note 10) | 275,000 | 56,669 | - | - | 56,669 |
| Stock-based compensation (Note 13, Note 14, Note 15 and Note 18) | - | - | 81,783 | - | 81,783 |
| Net income and comprehensive income for the year | - | - | - | 207,907 | 207,907 |
| Balance at December 31, 2021 | 230,128,672 | 52,458,802 | 3,927,389 | (30,752,563) | 25,633,628 |
| Shares issued on financing, net of share issue cost (Note 11) | 25,000,000 | 3,463,956 | - | - | 3,463,956 |
| Stock-based compensation (Note 13, Note 14, Note 15 and Note 18) | - | - | 146,142 | - | 146,142 |
| Net loss and comprehensive loss for the year | - | - | - | (967,195) | (967,195) |
| Balance at December 31, 2022 | 255,128,672 | \$55,922,758 | \$4,073,531 | \$(31,719,758) | \$28,276,531 |

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, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Operating activities | | |
| Net income (loss) for the year | \$ (967,195) | \$ 207,907 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation (Note 8 and Note 15) | 2,000 | 1,635 |
| Stock-based compensation (Note 13, Note 14, Note 15 and Note 18) | 146,142 | 81,783 |
| Warrants liability fair value change (Note 10) | (1,151,609) | (1,857,766) |
| Unrealized foreign exchange gain | 2,861,245 | 5,440,389 |
| Gain on sale of property | (20,686) | - |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 48,023 | (70,400) |
| Prepaid expenses | (15,717) | 32,573 |
| Accounts payable and accrued liabilities | (106,934) | (168,914) |
| Provisions (Note 9 and Note 15) | (9,606) | 4,951 |
| Net cash provided by operating activities | <u>785,663</u> | <u>3,672,158</u> |
| Investing activities | | |
| Mineral properties acquisition and exploration (Note 7 and Note 8) | (2,309,071) | (2,911,027) |
| Sale of equipment (Note 8) | 20,686 | - |
| Purchase of equipment (Note 8) | (2,796) | (14,410) |
| Net cash used in investing activities | <u>(2,291,181)</u> | <u>(2,925,437)</u> |
| Financing activities | | |
| Net proceeds from financing (Note 11) | 3,954,176 | - |
| Net proceeds from exercise of options (Note 13) | - | 24,226 |
| Net proceeds from exercise of agent's options (Note 12) | - | 2,881 |
| Net proceeds from exercise of warrants (Note 10) | - | 53,752 |
| Net cash provided by financing activities | <u>3,954,176</u> | <u>80,859</u> |
| Effect of exchange rates on cash and cash equivalents | <u>(2,844,849)</u> | <u>(5,475,665)</u> |
| Net decrease in cash and cash equivalents | (396,191) | (4,648,085) |
| Cash and cash equivalents, beginning of period | 5,374,505 | 10,022,590 |
| Cash and cash equivalents, end of period | <u>\$ 4,978,314</u> | <u>\$ 5,374,505</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, 2022 and 2021

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, 2022, the Company reported a net loss of \$967,195 (December 31, 2021: net income of \$207,907). The Company’s accumulated deficit as at December 31, 2022, was \$31,719,758 (December 31, 2021: \$30,752,563). 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 Income (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, 2022.

These consolidated audited financial statements were authorized for issuance by the Board of Directors of the Company on April 12, 2023.

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

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, 2022 and 2021

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 Income (Loss).

Depreciation is recognized in "general and administrative expenses" (Note 15) in the Consolidated Statement of Comprehensive Income (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, 2022 and 2021

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 Income (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 Income (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, 2022 and 2021

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 income (loss). Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income (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 Income (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 is 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 income (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 Income (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.

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

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

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

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

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

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

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

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

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, 2022 and 2021

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

Uncertainty due to COVID-19. The duration and full financial effect of 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 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, 2022, to arrive at accounting estimates and asset values have changed during the period, whether as a result of 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 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 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. Cash and Cash Equivalents

Cash and cash equivalents include:

| | Balance at December 31, 2022 | Balance at December 31, 2021 |
|---------------------|---------------------------------|---------------------------------|
| <i>Cash:</i> | | |
| Cash at bank | \$ 133,319 | \$ 312,045 |
| Investment accounts | 4,844,995 | 5,062,460 |
| Total | <u>\$ 4,978,314</u> | <u>\$ 5,374,505</u> |

As at December 31, 2022, the investment accounts include Redeemable Short Term Investment Certificates (RSTIC) for a total balance of \$4,798,950 (December 31, 2021: \$3,155,200) with annual interest rates of 2.35% (December 31, 2021: with annual interest rates of 0.25%) and maturity date of less than a year, and saving accounts for a balance of \$46,045 (December 31, 2021: \$1,907,260).

7. 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), between 2010 and 2016, the Company made monetary payments totaling \$2,750,000 and issued the vendors a total of 2,000,000 common shares of the Company.

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.

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

7. Mineral Properties and Deferred Expenditures (continued)

Castelo de Sonhos Property (Brazil) (continued)

Under the original agreement, the vendors had the right to receive a payment equal to \$1.00 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 (purchase right subsequently transferred to Royal Gold) at any time and which amount will be calculated based on the proven and probable reserves identified by a feasibility study.

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. All payments have been received pursuant to this agreement.

Mineral properties and deferred expenditures were as follows:

| | Balance at December 31, 2021 | Additions | Disposals | Balance at December 31, 2022 |
|--------------------------------------|---------------------------------|--------------|-----------|---------------------------------|
| <i>Castelo de Sonhos Properties:</i> | | | | |
| Acquisition costs | \$ 3,303,945 | \$ - | \$ - | \$ 3,303,945 |
| Exploration costs | 24,771,088 | 2,320,756 | - | 27,091,844 |
| Total Deferred Expenditures | 28,075,033 | 2,320,756 | - | 30,395,789 |
| Sale of Royalty | (6,138,410) | - | - | (6,138,410) |
| Total Carrying Amount | \$ 21,936,623 | \$ 2,320,756 | \$ - | \$ 24,257,379 |
| <hr/> | | | | |
| | Balance at December 31, 2020 | Additions | Disposals | Balance at December 31, 2021 |
| <i>Castelo de Sonhos Properties:</i> | | | | |
| Acquisition costs | \$ 3,303,945 | \$ - | \$ - | \$ 3,303,945 |
| Exploration costs | 21,820,055 | 2,951,033 | - | 24,771,088 |
| Total Deferred Expenditures | 25,124,000 | 2,951,033 | - | 28,075,033 |
| Sale of Royalty | (6,138,410) | - | - | (6,138,410) |
| Total Carrying Amount | \$ 18,985,590 | \$ 2,951,033 | \$ - | \$ 21,936,623 |

During the years ended December 31, 2022 and 2021, the additions to exploration cost include the following:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| <i>Castelo de Sonhos Properties:</i> | | |
| Camp costs (Note 8) | \$ 361,320 | \$ 400,541 |
| Wages, salaries and benefits costs (Note 18) | 612,211 | 656,297 |
| Geological analysis costs | 64,467 | 418,990 |
| Drilling costs | 631,606 | 248,993 |
| Licenses and permits costs | 308,004 | 427,626 |
| Engineering and economic costs | 291,032 | 388,272 |
| Other costs | 52,116 | 410,314 |
| Total Exploration Costs | \$ 2,320,756 | \$ 2,951,033 |

8. Plant and Equipment, net

During the period ended December 31, 2022, depreciation expenses in the amount of \$11,685 were reported in Mineral properties and deferred expenditures (Note 7) under camp costs of the exploration cost of the Castelo de Sonhos project (December 31, 2021: \$40,006).

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

8. Plant and Equipment, net (continued)

Plant and equipment were as follows:

| | Balance at December 31, 2021 | Additions | Disposals | Balance at December 31, 2022 |
|----------------------------------|---------------------------------|--------------------|-------------|---------------------------------|
| <i>Cost:</i> | | | | |
| Furniture | \$ 2,464 | \$ - | \$ - | \$ 2,464 |
| Office equipment | 27,353 | - | (5,706) | 21,647 |
| Vehicles | 296,381 | - | (61,440) | 234,941 |
| Field equipment | 81,132 | 2,796 | - | 83,928 |
| Total costs | 407,330 | 2,796 | (67,146) | 342,980 |
| <i>Accumulated Depreciation:</i> | | | | |
| Furniture | (2,464) | - | - | (2,464) |
| Office equipment | (21,238) | (3,541) | 5,706 | (19,073) |
| Vehicles | (296,381) | - | 61,440 | (234,941) |
| Field equipment | (71,791) | (10,143) | - | (81,934) |
| Total accumulated depreciation | (391,874) | (13,684) | 67,146 | (338,412) |
| Total net book value | \$ 15,456 | \$ (10,888) | \$ - | \$ 4,568 |

| | Balance at December 31, 2020 | Additions | Disposals | Balance at December 31, 2021 |
|----------------------------------|---------------------------------|-------------|-----------|---------------------------------|
| <i>Cost:</i> | | | | |
| Furniture | \$ 2,464 | \$ - | \$ - | \$ 2,464 |
| Office equipment | 22,723 | 4,630 | - | 27,353 |
| Vehicles | 296,381 | - | - | 296,381 |
| Field equipment | 71,352 | 9,780 | - | 81,132 |
| Total costs | 392,920 | 14,410 | - | 407,330 |
| <i>Accumulated Depreciation:</i> | | | | |
| Furniture | (2,464) | - | - | (2,464) |
| Office equipment | (17,100) | (4,138) | - | (21,238) |
| Vehicles | (270,953) | (25,428) | - | (296,381) |
| Field equipment | (59,717) | (12,074) | - | (71,791) |
| Total accumulated depreciation | (350,234) | (41,640) | - | (391,874) |
| Total net book value | \$ 42,686 | \$ (27,230) | \$ - | \$ 15,456 |

9. 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, 2020 | \$ 233,205 |
| Change in provision estimate | (11,260) |
| Balance at December 31, 2021 | 221,945 |
| Change in provision estimate | 5,942 |
| Balance at December 31, 2022 | \$ 227,887 |

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

9. 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 15) 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, 2022, included in the change in the provision estimate are expenses in the amount of \$15,548 from effect of exchange rates (December 31, 2021: \$16,212, income).

10. 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 are recorded in the Consolidated Statement of Comprehensive Income (Loss) for the period. These activities are non-cash transactions and are excluded from the Consolidated Statement of Cash Flows.

During year ended December 31, 2021, a total of 275,000 (December 31, 2022: nil) common shares were issued as a result of the exercise of the same number of share purchase warrants with an exercise price of Can\$0.25 for gross proceeds of \$53,752 which in addition to \$2,917 representing the fair value of the warrants liability, were allocated to common shares in the period.

On April 14, 2022, under a non-brokered private placement announced on March 31, 2022, the Company issued 12,500,000 share purchase warrants (December 31, 2021: nil) exercisable to acquire 12,500,000 shares at Can\$0.30 per share until April 14, 2024. The estimated fair value of the warrant liability at issuance was \$490,218.

During year ended December 31, 2022, a total of 15,352,500 (December 31, 2021: 9,875,000) share purchase warrants with an exercise price of Can\$0.40 (December 31, 2021: exercise prices between Can\$0.25 and Can\$0.30) expired unexercised. The estimated fair value of the warrant liability at expiry date was nil.

The following is a summary of changes in warrants:

| | Number of Warrants | Weighted Average Exercise Price | Amount |
|--------------------------------------|--------------------|---------------------------------|-------------------|
| Balance at December 31, 2020 | 45,142,500 | Can\$0.31 | \$ 3,212,827 |
| Warrants exercised | (275,000) | Can\$0.25 | (2,917) |
| Warrants expired | (9,875,000) | Can\$0.28 | - |
| Warrants liability fair value change | - | - | (1,857,766) |
| Balance at December 31, 2021 | 34,992,500 | Can\$0.32 | 1,352,144 |
| Warrants issued | 12,500,000 | Can\$0.30 | 490,218 |
| Warrants expired | (15,352,500) | Can\$0.40 | - |
| Warrants liability fair value change | - | - | (1,151,609) |
| Balance at December 31, 2022 | 32,140,000 | Can\$0.27 | \$ 690,753 |

At December 31, 2022, outstanding warrants are as follows:

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

10. Warrants Liability (continued)

| Number of Warrants | Weighted Average Exercise Price | Issuance Date | Expiry Date |
|--------------------|---------------------------------|-------------------|-------------------|
| 12,500,000 | Can\$0.30 | April 14, 2022 | April 14, 2024 |
| 11,784,000 | Can\$0.25 | August 2, 2019 | August 5, 2024 |
| 3,928,000 | Can\$0.25 | November 30, 2019 | November 30, 2024 |
| 3,928,000 | Can\$0.25 | March 31, 2020 | March 31, 2025 |
| 32,140,000 | | | |

At December 31, 2022 and 2021, the fair value of the Company's warrants was estimated using the Black-Scholes option-pricing model with the following assumptions:

| | December 31, 2022 | December 31, 2021 |
|-------------------------|-------------------|----------------------|
| Expected dividend yield | 0% | 0% |
| Expected volatility | 81.66% - 93.16% | 67.68% - 75.04% |
| Risk-free interest rate | 3.86% | 1.04% - 1.5% |
| Expected life | 1.3 – 2.2 years | 7 months – 3.2 years |
| Share Price | Can\$0.125 | Can\$0.205 |

11. 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, 2022, the Company had 255,128,672 common shares outstanding, and a total of 38,225,000 common shares were reserved for issuance after exercise of options and warrants outstanding.

On April 14, 2022, the Company closed a non-brokered private placement consisting of 25,000,000 units at the price of Can\$0.20 per unit for gross proceeds of \$3,968,000. Each unit consists of one common share and one half of a common share purchase warrant. The fair value of warrants issued in the amount of \$490,218 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 \$3,463,956 in Common Shares.

12. Agent Compensation Options

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

At December 31, 2022, the Company had zero agent compensation options outstanding and exercisable with no changes since December 31, 2021.

The following is a summary of the changes in agent compensation options outstanding and exercisable at December 31, 2021:

| | Number of Options Outstanding and Exercisable | Weighted Average Exercise Price of Options (in Can\$) |
|--------------------------------|---|---|
| Balance at December 31, 2020 | 571,750 | \$ 0.20 |
| Compensation options exercised | (18,300) | \$ 0.20 |
| Compensation options expired | (553,450) | \$ 0.20 |
| Balance at December 31, 2021 | - | - |

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

12. Agent Compensation Options (continued)

During the year ended December 31, 2021, a total of 18,300 (December 31, 2022: nil) common shares were issued as a result of the exercise of the same number of agent compensation options with an exercise price of Can\$0.20 for gross proceeds of \$2,881 which in addition to \$1,304 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, 2021, a total of 553,450 agent compensation options with a weighted average exercise price of Can\$0.20 expired unexercised (December 31, 2022: nil).

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.

13. Stock Option Plan

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

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

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

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

| | Number of Options Outstanding | Number of Options Vested | Weighted Average Exercise Price of Options (in Can\$) |
|-------------------------------------|----------------------------------|-----------------------------|---|
| Balance at December 31, 2020 | 6,085,000 | 6,085,000 | \$0.23 |
| Options granted | 600,000 | 600,000 | \$0.26 |
| Options exercised | (150,000) | (150,000) | \$0.20 |
| Options expired | (300,000) | (300,000) | \$0.25 |
| Balance at December 31, 2021 | 6,235,000 | 6,235,000 | \$0.23 |
| Options granted | 2,075,000 | 2,075,000 | \$0.14 |
| Options expired | (2,225,000) | (2,225,000) | \$0.25 |
| Balance at December 31, 2022 | 6,085,000 | 6,085,000 | \$0.19 |

During the year ended December 31, 2022, a total of 2,075,000 (December 31, 2021: 600,000) stock options were granted to directors, employees, and consultants of the Company. Their estimated fair value at grant date of \$146,142 (December 31, 2021: \$81,783) 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, 2022 and 2021

13. Stock Option Plan (continued)

During the year ended December 31, 2021, a total of 150,000 common shares (December 31, 2022: nil) were issued as a result of the exercise of the same number of stock options with a weighted average exercise price of Can\$0.20. The company received gross proceeds in the amount of \$24,226 which in addition to \$17,420 representing the fair value of the stock options, were allocated from capital reserve to common shares in the period.

The weighted average fair value at grant date of options granted during the year ended December 31, 2022, was Can\$0.09 per option (December 31, 2021: Can\$0.17).

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

The fair value of options granted during the years ended December 31, 2022 and 2021, has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Expected dividend yield | 0% | 0% |
| Expected volatility | 78.68% - 81.65% | 81.87% - 82.29% |
| Risk-free interest rate | 3.40% - 3.52% | 0.33% - 0.35% |
| Expected life | 5 years | 5 years |
| Share price | Can\$0.13 – Can\$0.15 | Can\$0.26 – Can\$0.28 |
| Weighted average fair value of options granted | Can\$0.08 – Can\$0.10 | Can\$0.17 – Can\$0.18 |

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, 2022:

| 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 |
|------------|------------------------|-------------------|-------------------|---|---|---|--------------------|
| 2/7/2018 | 100,000 | 100,000 | Can\$0.28 | \$ 28,000 | \$ 17,658 | 0.1 | 2/7/2023 |
| 8/1/2019 | 400,000 | 400,000 | Can\$0.17 | 68,000 | 37,745 | 1.5 | 8/1/2024 |
| 11/27/2019 | 2,210,000 | 2,210,000 | Can\$0.20 | 442,000 | 239,373 | 1.9 | 11/26/2024 |
| 10/27/2020 | 200,000 | 200,000 | Can\$0.28 | 56,000 | 27,364 | 2.8 | 10/27/2025 |
| 10/28/2020 | 200,000 | 200,000 | Can\$0.28 | 56,000 | 28,328 | 2.8 | 10/27/2025 |
| 12/18/2020 | 300,000 | 300,000 | Can\$0.25 | 73,500 | 35,345 | 2.9 | 12/17/2025 |
| 01/19/2021 | 300,000 | 300,000 | Can\$0.27 | 81,000 | 42,032 | 3 | 01/18/2026 |
| 02/08/2021 | 300,000 | 300,000 | Can\$0.25 | 75,000 | 39,753 | 3.1 | 02/07/2026 |
| 10/01/2022 | 300,000 | 300,000 | Can\$0.13 | 37,500 | 17,900 | 4.7 | 09/30/2027 |
| 12/01/2022 | 1,775,000 | 1,775,000 | Can\$0.15 | 257,375 | 128,242 | 4.9 | 11/30/2027 |
| | 6,085,000 | 6,085,000 | | \$ 1,174,375 | \$ 613,740 | 3.1 | |

14. Stock-based Compensation

During the year ended December 31, 2022, stock-based compensation expenses in the amount of \$146,142 related to options granted, vested and were reported in the Consolidated Statements of Comprehensive Income (Loss). The expenses were included in the consulting expense account (Note 15) in the amount of \$100,986 (December 31, 2021: \$81,783) and in the salary and benefits expenses account (Note 15) in the amount of \$45,156 (December 31, 2021: nil). These amounts have been recorded as capital reserve 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, 2022 and 2021

15. General and Administrative Expenses

General and administrative expenses consist of the following:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Consulting and professional fees (Note 9, Note 14 and Note 18) | \$ 524,608 | \$ 405,293 |
| Change in provisions (Note 9) | (9,606) | 4,951 |
| Depreciation (Note 8) | 2,000 | 1,635 |
| Insurance | 15,819 | 14,640 |
| Office | 36,201 | 48,303 |
| Rent | 25,044 | 32,576 |
| Salaries and benefits (Note 13, Note 14 and Note 18) | 781,921 | 871,963 |
| Shareholder relations | 250,528 | 316,920 |
| Travel and meals | 61,497 | 10,601 |
| | \$ 1,688,012 | \$ 1,706,882 |

16. Basic and Diluted Income (Loss) per Share

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

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---------------------------------|---------------------------------|
| <u>Numerator:</u> | | |
| Numerator for basic and diluted income (loss) per share: Net income (loss) for the period | \$ (967,195) | \$ 207,907 |
| Effect of warrants dilution | (1,151,609) | (1,857,766) |
| Numerator for total diluted loss per share | \$ (2,118,804) | \$ (1,649,859) |
| <u>Denominator:</u> | | |
| Initial balance of issued common shares | 230,128,672 | 229,685,372 |
| Effect of shares issued on financing | 17,876,712 | - |
| Effect of shares issued on options exercise | - | 27,233 |
| Effect of shares issued on warrants exercise | - | 254,247 |
| Denominator for basic income (loss) per share: | | |
| Basic weighted average number of common shares | 248,005,384 | 229,966,852 |
| Effect of diluted securities: Warrants | - | 25,396,712 |
| Denominator for diluted loss per share: | | |
| Diluted weighted average number of common shares | 248,005,384 | 255,363,564 |
| Basic income (loss) per share | \$ (0.00) | \$ 0.00 |
| Diluted loss per share | \$ (0.00) | \$ (0.00) |

For the year ended December 31, 2022, the stock options and warrants were excluded from the computation of diluted loss per share as their inclusion would be antidilutive (December 31, 2021: the stock options were excluded).

17. Income Taxes

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

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For the years ended December 31, 2022 and 2021

17. Income Taxes (continued)

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Income (Loss) before income taxes | \$ (967,195) | \$ 207,907 |
| Statutory rates | 27% | 27% |
| Income (Loss) tax recovery (expenses) at statutory rates | (261,143) | 56,135 |
| Non-deductible items | (270,895) | (478,991) |
| Differences in foreign tax rates | 45,189 | 57,012 |
| Foreign exchange non-monetary assets | (405,957) | 331,430 |
| Effect of expired losses | 91,770 | 120,328 |
| Unrecognized tax benefits | 801,036 | (85,914) |
| Net income tax expense | \$ - | \$ - |

As of December 31, 2022, the Company has net deductible temporary differences of approximately \$22,308,577 (December 31, 2021: \$18,655,842) 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 | \$ 7,402,986 | 2031 – 2040 |
| Net operating losses | USA | 19,792,651 | 2021 - 2040 |
| Net operating losses | Brazil | 4,065,278 | No expiration |
| Net temporary differences | Canada | 287,941 | No expiration |
| Net temporary differences | USA | 1,953 | 2025 |
| Net temporary differences | Brazil | (9,242,233) | No expiration |
| | Total | \$ 22,308,577 | |

18. Related Party Transactions

Key management personnel compensation comprised:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Short term employee benefits: Salaries (Note 15) | \$ 547,606 | \$ 687,173 |
| Consulting fees | 316,298 | 498,427 |
| Director fees | 108,000 | 108,750 |
| Stock-based compensation (Note 13, Note 14 and Note 15) | 115,436 | 81,783 |
| | \$ 1,087,340 | \$ 1,376,133 |

During year ended December 31, 2022, a total of \$272,000 (December 31, 2021: \$440,209) paid as consulting fees to directors and officers for advisory services were reported in Mineral properties and deferred expenditures (Note 7) under exploration cost of the Castelo de Sonhos project, and the amount of \$44,298 (December 31, 2021: \$58,218) was recorded in the consulting fees account (Note 15) in the Consolidated Statements of Comprehensive Income (Loss).

For the year ended December 31, 2022, a total of 1,350,000 stock options with a value of \$115,436 (December 31, 2021: \$81,783) received by key management personnel were recorded as capital reserve on the Consolidated Statement of Financial Position (Note 13 and Note 14). They were also included in the consulting and salaries expenses accounts (Note 15) in the Consolidated Statement of Comprehensive Income (Loss).

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For the years ended December 31, 2022 and 2021

18. Related Party Transactions (continued)

As of December 31, 2022, the total number of options held by directors and officers of the Company was 4,850,000 units (December 31, 2021: 4,675,000).

During the years ended December 31, 2022 and 2021, the Company paid legal fees in the amounts of \$39,902 and \$11,848, respectively, to a company where one director has ownership interests. These amounts were recorded in professional fees (Note 15) in the Consolidated Statement of Comprehensive Income (Loss).

During the year ended December 31, 2022, a total of 1,175,000 stock options granted to directors and officers with an average exercise price of Can\$0.25 expired unexercised (December 31, 2021: nil).

During the year ended December 31, 2021, a total of 500,000 warrants held by directors and officers with an average exercise price of Can\$0.25 expired unexercised (December 31, 2022: nil).

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

19. Commitments and Contingencies

The Company leases offices in United States with an expiration date December 2023, for an estimated cost of \$2,200 per month and is cancellable within three months' notice.

The Company has various property access agreements related to its projects at an estimated cost of approximately \$1,700 per month.

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

20. Segmented Information

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

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

| | Balance at December 31, 2022 | Balance at December 31, 2021 |
|--------------------------|---|---------------------------------|
| Assets: | | |
| Corporate Office | \$ 5,145,131 | \$ 5,500,710 |
| Mineral Exploration | 24,287,799 | 22,049,437 |
| Total assets | \$ 29,432,930 | \$ 27,550,147 |
| | | |
| | Balance at December 31, 2022 | Balance at December 31, 2021 |
| Liabilities: | | |
| Corporate Office | \$ 805,856 | \$ 1,580,992 |
| Mineral Exploration | 350,543 | 335,527 |
| Total liabilities | \$ 1,156,399 | \$ 1,916,519 |

TriStar Gold, Inc.

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

For the years ended December 31, 2022 and 2021

20. Segmented Information (continued)

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Net income (loss) and comprehensive income (loss) | | |
| Corporate Office | \$ (848,094) | \$ 255,118 |
| Mineral Exploration | (119,101) | (47,211) |
| Total | \$ (967,195) | \$ 207,907 |

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

| | United States | Brazil | Total |
|---|-----------------|----------------------|----------------------|
| As at December 31, 2022 | | | |
| Mineral properties and deferred expenditures (Note 7) | \$ - | \$ 24,257,379 | \$ 24,257,379 |
| Plant and equipment (Note 8) | 2,574 | 1,994 | 4,568 |
| Total non-current assets | \$ 2,574 | \$ 24,259,373 | \$ 24,261,947 |
| As at December 31, 2021 | | | |
| Mineral properties and deferred expenditures (Note 7) | \$ - | \$ 21,936,623 | \$ 21,936,623 |
| Plant and equipment (Note 8) | 5,705 | 9,751 | 15,456 |
| Total non-current assets | \$ 5,705 | \$ 21,946,374 | \$ 21,952,079 |

21. Capital Management and Liquidity

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

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

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

22. Financial Instruments and Management of Financial Risk

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

Market Risks

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

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For the years ended December 31, 2022 and 2021

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

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, 2022. 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, 2022, a one percent change in the interest rate would change annual interest income by approximately \$47,000 (December 31, 2021: \$53,000). 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.

Exposure to currency risk

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

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

For the years ended December 31, 2022 and 2021

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

Currency Risk (continued)

| | December 31, 2022 | | December 31, 2021 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Canadian dollar | Brazilian real | Canadian dollar | Brazilian real |
| Cash and cash equivalents | \$ 4,870,384 | \$ 22,113 | \$ 3,329,376 | \$ 17,283 |
| Accounts receivable | 47,876 | 1,753 | 11,132 | 82,059 |
| Prepaid expenses | 135,683 | 4,559 | 123,853 | 3,722 |
| Accounts payable and accrued liabilities | (37,776) | (122,656) | (159,566) | (113,582) |
| Provisions | - | (227,887) | - | (221,945) |
| Warrants liability | (690,753) | - | (1,352,144) | - |
| Net balance sheet exposure | \$ 4,325,414 | \$ (322,118) | \$ 1,952,651 | \$ (232,463) |

Translation exposure

A strengthening of the U.S. dollar by 10% against the Canadian dollar and the Brazilian real at December 31, 2022, with all other variables held constant would have increased the Company's before tax net loss by approximately \$495,000 (at December 31, 2021: decreased the Company's before tax net income by approximately \$357,000) as a result of a change in value of the financial assets and liabilities denominated in those currencies.

23. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

As at December 31, 2022, the Company's assets and liabilities measured at fair value on a recurring basis were as follows:

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For the years ended December 31, 2022 and 2021

23. Fair Value Measurements (continued)

| | Level 1 | Level 2 | Level 3 |
|------------------------------|---------|------------|---------|
| Liabilities | | | |
| Warrants liability (Note 10) | \$ - | \$ 690,753 | \$ - |
| | \$ - | \$ 690,753 | \$ - |

The following table provides the carrying value and the fair value of financial instruments at December 31, 2022:

| | Carrying Amount | Fair Value |
|--|-----------------|--------------|
| Financial assets | | |
| Cash and cash equivalents (Note 6) | \$ 4,978,314 | \$ 4,978,314 |
| Accounts receivable | 49,629 | 49,629 |
| | \$ 5,027,943 | \$ 5,027,943 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | \$ 237,759 | \$ 237,759 |
| Derivative instruments | | |
| Warrants liability (Note 10) | \$ 690,753 | \$ 690,753 |
| | \$ 690,753 | \$ 690,753 |

24. Subsequent events

On February 15, 2023, a total of 300,000 stock options were granted to an investor relation consultant. The options expire on February 14, 2028, and have an exercise price of Can\$0.16 per option. The Options will vest over a period of one year at a rate of 75,000 every 3 months starting May 15, 2023. The total estimated fair value at grant date was \$23,916.

On February 7, 2023, a total of 100,000 stock options granted to a consultant with an exercise price of Can\$0.28 expired unexercised.