



TRISTAR GOLD, INC.

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

For the three and six month periods ended June 30, 2016 and 2015

Reader's Note: These condensed consolidated interim financial statements for the three and six month periods ended June 30, 2016 and 2015 of TriStar Gold, Inc. have been prepared by management and have not been subject to review by the Company's auditor.

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

(Expressed in United States Dollars)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents (Note 7)	\$ 857,066	\$ 1,081,011
Accounts receivable	12,208	4,842
Prepaid expenses	24,231	17,011
Total current assets	893,505	1,102,864
Non-current assets:		
Mineral properties and deferred expenditures (Note 8)	12,337,635	11,847,093
Plant and equipment, net (Note 9)	1,657	1,240
Total non-current assets	12,339,292	11,848,333
Total assets	\$ 13,232,797	\$ 12,951,197
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 818,748	\$ 279,389
Provisions (Note 10)	294,643	218,313
Total current liabilities	1,113,391	497,702
Warrants liability (Note 11)	2,635,228	1,512,370
Total liabilities	3,748,619	2,010,072
Shareholders' equity:		
Share capital (Note 12)	33,558,783	32,820,763
Capital reserve (Note 12 and Note 14)	3,640,164	3,640,164
Accumulated deficit	(27,714,769)	(25,519,802)
Total shareholders' equity	9,484,178	10,941,125
Total liabilities and shareholders' equity	\$ 13,232,797	\$ 12,951,197

Nature of Operations and Going Concern (Note 2)
Commitments and Contingencies (Note 18)

Approved on behalf of the Board of Directors.

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

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

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

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Expenses:				
General and administrative (Note 15 and Note 17)	\$ 375,869	\$ 134,134	\$ 771,603	\$ 454,809
Foreign exchange (gain) losses	29,838	8,529	15,085	(45,489)
	405,707	142,663	786,688	409,320
Other income (expenses):				
Warrants liability fair value change (Note 11)	1,081,754	140,832	(1,407,394)	328,414
Bank charges	(1,344)	(1,042)	(2,621)	(2,443)
Interest income	918	-	1,736	8
	1,081,328	139,790	(1,408,279)	325,979
Net income (loss) and comprehensive income (loss) for the period	\$ 675,621	\$ (2,873)	\$ (2,194,967)	\$ (83,341)
Basic income (loss) per share (Note 16)	\$ 0.01	\$ (0.00)	\$ (0.02)	\$ (0.00)
Diluted loss per share (Note 16)	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Basic weighted-average number of shares outstanding (Note 16)	109,651,108	84,541,553	109,010,555	84,508,680
Diluted weighted-average number of shares outstanding (Note 16)	129,903,450	84,541,553	109,010,555	84,508,680

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

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

(Expressed in United States Dollars)

	Common Shares		Capital Reserve	Deficit and Accumulated Other Comprehensive Loss	Total Equity
	Number	Amount			
Balance at December 31, 2014	84,366,553	\$30,749,007	\$ 2,032,668	\$ (23,396,709)	\$ 9,384,966
Shares issued on exercise of warrants (Note 11 and Note 12)	175,000	29,770	-	-	29,770
Stock-based compensation (Note 12 and Note 14)	-	-	193,409	-	193,409
Net loss and comprehensive loss for the period	-	-	-	(83,341)	(83,341)
Balance at June 30, 2015	84,541,553	\$30,778,777	\$ 2,226,077	\$ (23,480,050)	\$ 9,524,804

	Common Shares		Capital Reserve	Deficit and Accumulated Other Comprehensive Loss	Total Equity
	Number	Amount			
Balance at December 31, 2015	105,001,046	\$32,820,763	\$ 3,640,164	\$ (25,519,802)	\$ 10,941,125
Shares issued on exercise of warrants (Note 11 and Note 12)	4,705,076	715,962	-	-	715,962
Shares issue on debt payment (Note 12)	161,909	22,058	-	-	22,058
Net loss and comprehensive loss for the period	-	-	-	(2,194,967)	(2,194,967)
Balance at June 30, 2016	109,868,031	\$33,558,783	\$ 3,640,164	\$ (27,714,769)	\$ 9,484,178

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

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

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Operating activities				
Net income (loss) for the period	\$ 675,621	\$ (2,873)	\$ (2,194,967)	\$ (83,341)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation (Note 9)	304	317	608	635
Stock-based compensation (Note 12 and Note 14)	-	7,708	-	193,409
Warrants liability fair value change (Note 11)	(1,081,754)	(140,832)	1,407,394	(328,414)
Changes in non-cash operating working capital:				
Accounts receivable	(2,843)	1,333	(7,364)	(2,755)
Prepaid expenses	10,112	3,817	(7,221)	9,269
Accounts payable and accrued liabilities	184,004	(30,919)	338,857	(37,300)
Provisions (Note 10)	33,847	18,391	76,330	(26,507)
Net cash used in operating activities	(180,709)	(143,058)	(386,363)	(275,004)
Investing activities				
Mineral properties acquisition and exploration (Note 8)	(104,642)	(66,257)	(490,542)	(132,114)
Purchase of equipment (Note 9)	-	-	(1,025)	-
Net cash used in investing activities	(104,642)	(66,257)	(491,567)	(132,114)
Financing activities				
Subscription funds received	222,559	436,801	222,559	601,010
Proceeds from exercise of warrants	42,237	-	431,426	18,127
Net cash provided by financing activities	264,796	436,801	653,985	619,137
Net increase (decrease) in cash and cash equivalents	(20,555)	227,486	(223,945)	212,019
Cash and cash equivalents, beginning of period	877,621	123,331	1,081,011	138,798
Cash and cash equivalents, end of period	\$ 857,066	\$ 350,817	\$ 857,066	\$ 350,817

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

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

1. Corporate Information

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

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

2. Nature of Operations and Going Concern

The Company is an exploration stage business, with exploration activities in Brazil, engaged in the acquisition, exploration and development of mineral properties with the potential for economically recoverable gold reserves.

The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable. 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 acquisition, 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. Management is planning to raise additional capital to finance operations and expected growth. Although the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company.

For the period ended June 30, 2016, the Company incurred a net loss of \$2,194,967 (June 30, 2015: \$83,341). The Company's deficit as at June 30, 2016, was \$27,714,769 (December 31, 2015: \$25,519,802). While the unaudited condensed consolidated interim financial statements ("consolidated financial statements") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year, adverse conditions may cast substantial doubt upon the validity of this assumption.

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

3. Basis of Presentation

Statement of Compliance

The consolidated financial statements for the three and six month periods ended June 30, 2016 and 2015 have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") in effect at June 30, 2016, have been omitted or condensed.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 25, 2016.

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

3. Basis of Presentation (continued)

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

These financial statements are presented in United States dollars ("U.S. dollars"), unless otherwise noted.

4. Significant Accounting Policies

These consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2015, audited annual consolidated financial statements. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

5. Critical Accounting Judgments and Key sources of estimation uncertainty

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amount of assets and liabilities and disclosures of contingent assets or liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported periods. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

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

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

Going concern

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

Functional currency

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

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

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

Impairment of assets

Management assesses each cash-generating unit (“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 and the exploration target range for Castelo de Sonhos based upon information compiled by Qualified Persons. 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 financial statements involve judgments on the occurrence of future events which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

6. Recent and Future Changes in Accounting Pronouncements

The IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods. Management has not yet determined the potential impact the adoption of the new and revised Standards and Interpretations will have on the Company’s consolidated financial statements.

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

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

- IFRS 9, "Financial instruments" (2014). This is the finalized version of IFRS 9 which contains accounting requirements for financial instruments replacing *IFRS 39 Financial Instruments: Recognition and Measurement*. The new standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a manner similar to that under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Derecognition. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. IFRS 9 is applicable to the Company for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

- IFRS 15, "Revenue from Contracts with Customers" replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts* and a number of related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures of revenue. This standard is effective for reporting periods beginning on or after January 1, 2018. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.
- IFRS 16, *Leases* was published in January 2016 and supersedes IAS 17- *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

7. Cash and Cash Equivalents

Cash and cash equivalents include:

	Balance at June 30, 2016	Balance at December 31, 2015
Cash:		
Cash at bank	\$ 243,517	\$ 1,080,846
Investment accounts	613,549	165
Total	\$ 857,066	\$ 1,081,011

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

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 announced the signing of an Agreement with third parties, to acquire 100% of the mineral rights of the Castelo de Sonhos Property. The Company paid the property owners \$50,000 upon the signing of a Commitment Letter on April 29, 2010, and \$250,000 on February 23, 2011 after the satisfactory completion of the transfer of mineral right's ownership to the Company according to the Agreement. To maintain the Agreement, an additional stream of six-month option payments totaling \$2.4 million were payable over a period of 36 months. Two payments in the amount of \$100,000 each were made on September 15, 2011, and March 5, 2012, respectively. Another payment in the amount of \$125,000 was made on September 3, 2012. Additionally, a payment in the amount of \$150,000 was made on March 6, 2013.

On November 19, 2013, the Company signed an Amending Agreement. Under the Amending Agreement, the Company paid the vendors \$50,000 and issued to the property owners 1,000,000 shares of the Company, in lieu of a payment of \$200,000 which became due on September 3, 2013.

On February 4, 2014, the Company signed an Amending Agreement ("Second Amending Agreement") with the vendor of the Castelo de Sonhos property in Brazil to extend the due dates of the remaining payments to the vendor. Under the Second Amending Agreement, a payment of \$300,000 due on March 13, 2014, was amended to three payments of \$100,000 each, with the first such payment due on March 13, 2014, the second payment due in September 2014 and the third payment due in January 2015. The final payment, in the amount of \$1,425,000 formerly due in September 2014, was increased by \$75,000 and was deferred until July 2015. In addition, under the Second Amending Agreement, the Company agreed to issue 1,000,000 shares of the Company to the vendor and pay \$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 Second Amending Agreement the Company issued 1,000,000 shares to the vendor on February 28, 2014, with an estimated fair value at grant date of \$112,867, on March 10, 2014, made the first \$100,000 payment, on September 3, 2014, made the second \$100,000 payment and on December 30, 2014, made the final \$100,000 payment.

On May 6, 2015, the Company reached an agreement ("Third Amending Agreement") with the vendor of the Castelo de Sonhos property under which the final payment of \$1,500,000, originally due in July 2015, was extended with payments of \$500,000 due in July 2015, \$300,000 due in January 2016 and \$800,000 due in July 2016. The Company will also issue 1,000,000 shares of TriStar to the vendor in July 2016. Under the Third Amending Agreement the Company made a payment in the amount of \$500,000 on July 10, 2015, and \$300,000 on January 6, 2016.

Should a gold deposit with proven and probable reserves larger than 1 million troy ounces be identified, the vendor will receive an additional \$1 for each troy ounce. As June 30, 2016, option payments in the amount of \$800,000 are contingent on exploration results and can be cancelled at any time. The property owner will retain a 2% Net Smelter Return royalty, half of which can be purchased by TriStar at any time and which amount will be calculated based on the indicated and measured reserves identified by a feasibility study.

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

8. Mineral Properties and Deferred Expenditures (continued)

Mineral properties and deferred expenditures were as follows:

	Balance at December 31, 2015	Additions	Impairments/ Write-Offs	Balance at June 30, 2016
<i>Castelo de Sonhos Properties:</i>				
Acquisition costs	\$ 1,926,493	\$ 300,000	\$ -	\$ 2,226,493
Exploration costs	9,715,064	190,542	-	9,905,606
Total Castelo de Sonhos Properties	11,641,557	490,542	-	12,132,099
<i>Bom Jardim Properties:</i>				
Acquisition costs	13,054	-	-	13,054
Exploration costs	192,482	-	-	192,482
Total Bom Jardim Properties	205,536	-	-	205,536
Total acquisition costs	1,939,547	300,000	-	2,239,547
Total exploration costs	9,907,546	190,542	-	10,098,088
Total Carrying Amount	\$ 11,847,093	\$ 490,542	\$ -	\$ 12,337,635
	Balance at December 31, 2014	Additions	Impairments/ Write-Offs	Balance at June 30, 2015
<i>Castelo de Sonhos Properties:</i>				
Acquisition costs	\$ 1,426,493	\$ -	\$ -	\$ 1,426,493
Exploration costs	9,454,314	132,114	-	9,586,428
Total Castelo de Sonhos Properties	10,880,807	132,114	-	11,012,921
<i>Bom Jardim Properties:</i>				
Acquisition costs	13,054	-	-	13,054
Exploration costs	192,482	-	-	192,482
Total Bom Jardim Properties	205,536	-	-	205,536
Total acquisition costs	1,439,547	-	-	1,439,547
Total exploration costs	9,646,796	132,114	-	9,778,910
Total Carrying Amount	\$ 11,086,343	\$ 132,114	\$ -	\$ 11,218,457

During the periods ended June 30, 2016 and 2015, the additions to exploration costs include the following:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<i>Castelo de Sonhos Properties:</i>				
Camp costs	\$ 36,958	\$ 19,142	\$ 70,447	\$ 51,171
Wages, salaries and benefits costs (Note 17)	62,781	47,115	114,652	96,213
Other costs	4,903	-	5,443	(15,270)
Total Exploration Costs	\$ 104,642	\$ 66,257	\$ 190,542	\$ 132,114

The amount of \$15,270 included in other cost represents a refund of fees received during the period ended June 30, 2015.

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

9. Plant and Equipment

Plant and equipment were as follows:

	Balance at December 31, 2015	Additions	Disposals	Balance at June 30, 2016
<i>Cost:</i>				
Furniture	\$ 9,678	\$ -	\$ -	\$ 9,678
Office equipment	25,030	1,025	-	26,055
Vehicles	213,969	-	-	213,969
Field equipment	55,268	-	-	55,268
Total costs	303,945	1,025	-	304,970
<i>Accumulated Depreciation:</i>				
Furniture	(9,678)	-	-	(9,678)
Office equipment	(23,790)	(608)	-	(24,398)
Vehicles	(213,969)	-	-	(213,969)
Field equipment	(55,268)	-	-	(55,268)
Total accumulated depreciation	(302,705)	(608)	-	(303,313)
Total net book value	\$ 1,240	\$ 417	\$ -	\$ 1,657

	Balance at December 31, 2014	Additions	Disposals	Balance at June 30, 2015
<i>Cost:</i>				
Furniture	\$ 9,678	\$ -	\$ -	\$ 9,678
Office equipment	33,861	-	-	33,861
Vehicles	213,969	-	-	213,969
Field equipment	55,268	-	-	55,268
Total costs	312,776	-	-	312,776
<i>Accumulated Depreciation:</i>				
Furniture	(9,678)	-	-	(9,678)
Office equipment	(31,484)	(635)	-	(32,119)
Vehicles	(213,969)	-	-	(213,969)
Field equipment	(55,268)	-	-	(55,268)
Total accumulated depreciation	(310,399)	(635)	-	(311,034)
Total net book value	\$ 2,377	\$ (635)	\$ -	\$ 1,742

10. Provisions

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

The following table presents the changes in the Provision:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Balance at beginning of the period	\$ 260,796	\$ 272,420	\$ 218,313	\$ 317,318
Change in provision estimate	33,847	18,391	76,330	(26,507)
Balance at end of the period	\$ 294,643	\$ 290,811	\$ 294,643	\$ 290,811

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

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 amount 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 (Note 15).

During the period of three and six months ended June 30, 2016, included in the change in the provision estimate are \$26,928 and \$45,104; respectively, from effect of exchange rates (June 30, 2015: \$7,895 and \$48,599; respectively).

11. Warrants Liability

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

On February 3, 2015, a total of 175,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.13. A total of \$11,641, representing the fair value of the warrants liability, were allocated to common shares in the period.

On October 30, 2015, the Company received approval by the TSX for an Early Warrant Exercise Incentive Program ("Warrant Incentive Program") to encourage the early exercise of up to 19,682,250 outstanding common share purchase warrants (the "Eligible Warrants"). The Eligible Warrants were originally exercisable into one common share of the Company at Can\$0.13 per share and after the extension they now expire December 21, 2016. The Company offered to the warrant holders the option to receive a Warrant Exercise Unit comprised of one common share and one-half of a warrant (a "New Warrant") for each Eligible Warrant exercised from November 16, 2015, until January 15, 2016, at the price of Can\$0.13 per Warrant Exercise Unit. Each whole New Warrant will allow the holder to acquire an additional common share of the Company at a price of Can\$0.20 per share until December 21, 2016. This offer was not available to Warrant holders who were insiders and pro group members. If an Eligible Warrant holder did not exercise their Eligible Warrants by January 15, 2016, the Eligible Warrants continue to be exercisable into common shares on the same terms that previously existed.

In January 2016, under the Warrant Incentive Program, a total of 3,460,076 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.13. A total of \$126,482 representing the net fair value of the warrants liability was allocated to common shares. Additionally, under the terms of the Warrant Incentive Program, 1,730,038 New Warrants were issued at a price of Can\$0.20 per share exercisable until December 21, 2016. The estimated fair value of the warrant liability at issuance was \$80,655.

During the period ended June 30, 2016, after closing of the Warrant Incentive Program, a total of 1,245,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.13. A total of \$158,054 representing the fair value of the warrants liability was allocated to common shares.

The following is a summary of changes in warrants:

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

11. Warrants Liability (continued)

	Number of Warrants	Weighted Average Exercise Price	Amount
Balance at December 31, 2015	23,010,457	Can\$0.15	\$ 1,512,370
Issued warrants	1,730,038	Can\$0.20	80,655
Exercise of warrants	(4,705,076)	Can\$0.13	(365,191)
Warrants liability fair value change	-	-	1,407,394
Balance at June 30, 2016	20,035,419	Can\$0.16	\$ 2,635,228

	Number of Warrants	Weighted Average Exercise Price	Amount
Balance at December 31, 2014	41,642,250	Can\$0.22	\$ 1,462,257
Exercise of warrants	(175,000)	Can\$0.13	(11,641)
Warrants liability fair value change	-	-	(328,414)
Balance at June 30, 2015	41,467,250	Can\$0.22	\$ 1,122,202

As at June 30, 2016, outstanding warrants are as follows:

Number of Warrants	Weighted Average Exercise Price	Issuance Date	Expiry Date
4,683,207	Can\$0.20	July 6, 2015	January 6, 2017
12,267,174	Can\$0.13	September 7, 2015	December 21, 2016
150,000	Can\$0.20	December 9, 2015	December 21, 2016
1,205,000	Can\$0.20	December 15, 2015	December 21, 2016
50,000	Can\$0.20	January 8, 2016	December 21, 2016
400,000	Can\$0.20	January 14, 2016	December 21, 2016
1,280,038	Can\$0.20	January 15, 2016	December 21, 2016
20,035,419			

The fair value of the Company's warrants was estimated using the Black-Scholes option-pricing model with the following assumptions:

	June 30, 2016	June 30, 2015
Expected dividend yield	0%	0%
Expected volatility	141.08%	84.01%
Risk-free interest rate	0.63%	0.64%
Expected life	6 months	2 – 6 month
Share Price	Can\$0.295	Can\$0.18

TriStar Gold, Inc.

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12. Share Capital and Capital Reserve

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2016, the Company had 109,868,031 common shares outstanding, and a total of 33,925,419 common shares were reserved for issuance after exercise of options and warrants outstanding.

- On February 3, 2015, a total of 175,000 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.13 for gross proceeds of \$18,129 which in addition to \$11,641 representing the fair value of the warrants liability, were allocated to common shares in the period.
- On February 12, 2015, the Company granted options to a Director and to a consultant to purchase 1,500,000 and 100,000 common shares of the Company; respectively, at Can\$0.20 per share. The options expire on February 11, 2020, and had an estimated fair value at grant date of \$166,868 and \$11,124; respectively.
- During the six months period ended June 30, 2015 a total of 125,000 stock options, representing the 50% of options granted to an investor relations consultant of the Company on September 2, 2014, vested and the estimated fair value of \$15,417 was recorded in capital reserve. The options expire on September 2, 2019 and have an exercise price of Can\$0.20 per share.
- On January 27, 2016, the Company issued 161,909 shares of common shares to settle debt of \$22,058.
- During the six months period ended June 30, 2016, a total of 4,705,076 common shares were issued as a result of exercise of the same number of share purchase warrants with an exercise price of Can\$0.13 for gross proceeds of \$431,426 which in addition to \$284,536 representing the fair value of the warrants liability, were allocated to common shares in the period.

On June 13, 2016 the Company announced its plan to raise up to Can\$6,000,000 by way of a brokered private placement. The proceeds of the placement will be used to advance the Company's Castelo de Sonhos Property ("CDS"); for working capital and general corporate purposes. At June 30, 2016 the Company has received \$222,559 on account of the private placement, which was scheduled to close in July 2016.

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

	Common Shares		Capital Reserve
	Number	Amount	
Balance at December 31, 2015	105,001,046	\$ 32,820,763	\$ 3,640,164
Shares issued on exercise of warrants	4,705,076	715,962	-
Shares issue on debt payment	161,909	22,058	-
Balance at June 30, 2016	109,868,031	\$ 33,558,783	\$ 3,640,164

	Common Shares		Capital Reserve
	Number	Amount	
Balance at December 31, 2014	84,366,553	\$ 30,749,007	\$ 2,032,668
Shares issued on private placement, net of share issue cost	175,000	29,770	-
Stock-based compensation	-	-	193,409
Balance at June 30, 2015	84,541,553	\$ 30,778,777	\$ 2,226,077

TriStar Gold, Inc.

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

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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 Exercisable	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2015	14,915,000	14,915,000	\$ 0.28
Options Granted	750,000	-	\$ 0.28
Options Expired	(1,775,000)	(1,775,000)	\$ 0.81
Balance at June 30, 2016	13,890,000	13,140,000	\$ 0.21
	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options (in Can\$)
Balance at December 31, 2014	7,140,000	6,952,500	\$ 0.43
Options Granted	1,600,000	1,600,000	\$ 0.20
Options Cancelled	(500,000)	(500,000)	\$ 0.63
Options Vested from previous year	-	125,000	\$ 0.20
June 30, 2015	8,240,000	8,177,500	\$ 0.37

During the period ended June 30, 2016, a total of 750,000 stock options were granted to a consultant (June 30, 2015: 1,600,000). The options will vest as follow: 375,000 options upon completion of an equity Financing and 375,000 options upon completion of a second equity financing following the Financing. The weighted average exercise price of options granted during the period ended June 30, 2016, was Can\$0.28 per option (June 30, 2015: Can\$0.20). The weighted average fair value at grant date of options granted during the period ended June 30, 2016, was Can\$0.25 per option (June 30, 2015: Can\$0.14).

During the period ended June 30, 2016, a total of 1,775,000 options with a weighted average exercise price of Can\$0.81, granted to directors, consultants and employees, expired unexercised (June 30, 2015: nil).

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

13. Stock Option Plan (continued)

During the period ended June 30, 2015, a total of 500,000 options with a weighted average exercise price of Can\$0.63 were cancelled (June 30, 2016: nil).

During the period ended June 30, 2015, a total of 125,000 stock options with an exercise price of Can\$0.20, granted to an investor relations consultant on September 2, 2014, vested.

The fair value of options granted during the periods ended June 30, 2016 and 2015, has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Six months ended June 30, 2016	Six months ended June 30, 2015
Expected dividend yield	0%	0%
Expected volatility	123.60%	113.53%
Risk-free interest rate	0.60%	0.57%
Expected life	3.5 years	3.5 years
Share Price	Can\$0.32	Can\$0.195
Weighted average fair value of options granted	Can\$0.25	Can\$0.14

The following table summarizes information about stock options outstanding at June 30, 2016:

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
7/6/2011	300,000	300,000	Can\$0.69	\$ 207,000	\$ 134,319	0	7/6/2016
8/23/2012	840,000	840,000	Can\$0.45	378,000	239,985	1.1	8/22/2017
4/29/2014	1,750,000	1,750,000	Can\$0.15	262,500	124,515	2.8	4/29/2019
2/12/2015	1,600,000	1,600,000	Can\$0.20	320,000	177,993	3.6	2/11/2020
12/10/2015	8,650,000	8,650,000	Can\$0.18	1,557,000	1,406,379	4.4	12/9/2020
04/19/2016	750,000	-	Can\$0.28	210,000	146,198	4.8	04/18/2021
	13,890,000	13,140,000		\$ 2,934,500	\$ 2,229,389	3.9	

The weighted average exercise price of the options outstanding at June 30, 2016, is Can\$0.21 (June 30, 2015: Can\$0.37).

14. Stock Based Compensation

Stock-based compensation related to options granted to employees and non-employees increased the following expenses (Note 15) in the Consolidated Statements of Comprehensive Income (Loss) as follows:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Consulting fees	\$ -	\$ 7,708	\$ -	\$ 193,409
	\$ -	\$ 7,708	\$ -	\$ 193,409

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

TriStar Gold, Inc.

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

For the three and six month periods ended June 30, 2016 and 2015

15. General and Administrative Expenses

General and administrative expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Consulting and directors' fees (Notes 14 and Note 17)	\$ -	\$ 7,708	\$ -	\$ 193,409
Change in provisions (Note 10)	6,919	10,494	31,226	22,092
Depreciation (Note 9)	304	317	608	635
Insurance	3,056	2,648	5,921	5,274
Office	17,028	8,885	33,768	19,967
Professional fees	37,181	12,059	68,167	29,275
Rent	16,542	11,318	29,531	22,577
Exploration expenses	-	-	-	279
Salaries and benefits (Note 17)	271,758	68,028	526,970	131,695
Shareholder relations	4,982	11,136	33,416	19,263
Travel and meals	18,099	1,541	41,996	10,343
Total	\$ 375,869	\$ 134,134	\$ 771,603	\$ 454,809

16. Basic and Diluted Loss per Share

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

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<u>Numerator:</u>				
Net income (loss)	\$ 675,621	\$ (2,873)	\$ (2,194,967)	\$ (83,341)
Numerator for basic income (loss) per share	675,621	(2,873)	(2,194,967)	(83,341)
Effect of warrants dilution	(1,081,754)	-	-	-
Numerator for diluted loss per share	\$ (406,133)	\$ (2,873)	\$ (2,194,967)	\$ (83,341)
<u>Denominator:</u>				
Initial balance of issued common shares	109,448,031	84,541,553	105,001,046	84,366,553
Effect of shares issued on debt payment	-	-	138,779	-
Effect of warrants exercised	203,077	-	3,870,730	142,127
Denominator for basic income (loss) per share	109,651,108	84,541,553	109,010,555	84,508,680
Effect of diluted securities: Warrants	20,252,342	-	-	-
Denominator for diluted loss per share	129,903,450	84,541,553	109,010,555	84,508,680
Basic income (loss) per share	\$ 0.01	\$ (0.00)	\$ (0.02)	\$ (0.00)
Diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.00)

TriStar Gold, Inc.

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

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16. Basic and Diluted Loss per Share (continued)

During the six month period ended June 30, 2016 and the three and six month period ended June 30, 2015 the warrants and stock options were excluded from the computation of diluted loss per share as their inclusion would be antidilutive.

During the three month period ended June 30, 2016 the stock options were excluded from the computation of diluted loss per share as their inclusion would be antidilutive.

17. Related Party Transactions

Key management personnel compensation comprised:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Short term employee benefits: Salaries (Note 15)	\$ 174,195	\$ -	\$ 340,629	\$ -
Consulting fees	36,287	29,232	68,952	60,840
Stock-based compensation (Note 12 and Note 14)	-	-	-	166,868
	\$ 210,481	\$ 29,232	\$ 409,581	\$ 227,708

For the period ended June 30, 2016, the amounts of short term employee benefits received by key management personnel have been recorded in the salary expenses account (Note 15) in the Consolidated Statements of Comprehensive (Income) Loss.

During the three and six month periods ended June 30, 2016, the Company paid consulting fees of \$36,287 and \$68,952 respectively (June 30, 2015: \$29,232 and \$60,840 respectively) to directors and officers for advisory services, and did not pay any directors' fees.

For the period ended June 30, 2016, consulting fees paid to key management personnel in Brazil in the amount of \$68,952 (June 30, 2015: \$60,840) were reported in Mineral properties and deferred expenditures (Note 8) under exploration cost of the Castelo de Sonhos project.

The stock option compensation amounts received by key management personnel have been recorded as capital reserve on the Consolidated Statements of Financial Position (Note 12 and Note 14). They were also included in the consulting and salaries expenses accounts (Note 15) in the Consolidated Statements of Comprehensive Income (Loss).

As of June 30, 2016, the total number of outstanding warrants and options held by directors and officers of the Company was 2,441,067 and 10,525,000, respectively (June 30, 2015: 4,823,000 and 6,275,000, respectively).

During the period ended June 30, 2016, a director exercised a total of 400,000 warrants.

During the period ended June 30, 2015 a director advanced \$318,673 to be subscribed at the Private Placement announced February 12, 2015 and closed on July 6, 2015.

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.

18. Commitments and Contingencies

The Company leases offices in USA and Brazil, with expiration dates ranging between August 2016 and January 2017, for an estimated cost of approximately \$4,400 per month and are cancellable within one to four months' notice.

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18. Commitments and Contingencies (continued)

The Company has various property access agreements related to its projects at an estimated cost of approximately \$1,600 per month.

Additionally, the Company has option payment obligations related to the Castelo de Sonhos property in the total amount of \$800,000 payable during 2016. Option payments are contingent on exploration results and subject to the Company completing a financing to raise at least \$3,000,000 and can be cancelled at any time (Note 8).

There are no know 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.

19. Segmented Information

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

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

	Total Assets		Total Liabilities	
As at June 30, 2016				
Corporate Office	\$	853,011	\$	3,417,068
Mineral Exploration		12,379,786		331,551
Total	\$	13,232,797	\$	3,748,619
As at June 30, 2015				
Corporate Office	\$	324,258	\$	1,742,527
Mineral Exploration		11,256,234		313,161
Total	\$	11,580,492	\$	2,055,688

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net loss				
Corporate Office	\$ 741,015	\$ 48,486	\$ (2,052,980)	\$ (42,422)
Mineral Exploration	(65,394)	(51,359)	(141,987)	(40,919)
Total	\$ 675,621	\$ (2,873)	\$ (2,194,967)	\$ (83,341)

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

	Canada	United States	Brazil	Total
As at June 30, 2016				
Mineral properties and deferred expenditures	\$ -	\$ -	\$ 12,337,635	\$ 12,337,635
Plant and equipment	-	1,657	-	1,657
Total non-current assets	\$ -	\$ 1,657	\$ 12,337,635	\$ 12,339,292
As at June 30, 2015				
Mineral properties and deferred expenditures	\$ -	\$ -	\$ 11,218,457	\$ 11,218,457
Plant and equipment	-	1,742	-	1,742
Total non-current assets	\$ -	\$ 1,742	\$ 11,218,457	\$ 11,220,199

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20. 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. This is to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and preserving its invested balances.

21. Financial Instruments and Management of Financial Risk

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

Market Risks

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

Credit Risk

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

Liquidity Risk

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

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.

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

Interest Rate Risk

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

In respect of financial assets, the Company's policy is to invest cash at variable rates of interest in cash equivalents, in order to maintain liquidity, while preserving capital. The Company is exposed to interest rate risk on its short-term investments which were included in cash and cash equivalents at June 30, 2016. The short-term investment interest earned is based on prevailing one to 90 days market interest rates which may fluctuate. Based on amounts as at June 30, 2016, a one percent change in the interest rate would change interest income by approximately \$4,000 (June 30, 2015: nil). 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:

	June 30, 2016		December 31, 2015	
	Canadian dollar	Brazilian Real	Canadian dollar	Brazilian Real
Cash and cash equivalents	\$ 428,460	\$ 30,158	\$ 568,754	\$ 11,905
Accounts receivable	1,288	10,920	3,213	1,629
Prepaid expenses	16,715	1,074	8,022	3,015
Accounts payable and accrued liabilities	(236,449)	(36,908)	(48,072)	(31,407)
Provisions	-	(294,643)	-	(218,313)
Warrants liability	(2,635,228)	-	(1,512,370)	-
Net balance sheet exposure	\$ (2,425,214)	\$ (289,399)	\$ (980,453)	\$ (233,171)

Translation exposure

A strengthening of the U.S. dollar by 10% against the Canadian dollar and the Brazilian Real at June 30, 2016, with all other variables held constant would have decreased the Company's before tax net loss by approximately \$273,000 (at June 30, 2015, would have decreased the Company's before tax net loss by approximately \$172,000) as a result of a change in value of the financial assets and liabilities denominated in those currencies.

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

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22. Fair Value Measurements

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

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

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

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

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

As at June 30, 2016, the Company's assets and liabilities measured at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents (Note 7)	\$ 857,066	\$ -	\$ -
Liabilities			
Warrants liability (Note 11)	-	2,635,228	-
	\$ 857,066	\$ 2,635,228	\$ -

The following table provides the carrying value and the fair value of financial instruments at June 30, 2016:

	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents (Note 7)	\$ 857,066	\$ 857,066
Accounts receivable	12,208	12,208
	\$ 869,274	\$ 869,274
Financial liabilities		
Accounts payable and accrued liabilities	\$ 818,748	\$ 818,748
Derivative instruments		
Warrants liability (Note 11)	\$ 2,635,228	\$ 2,635,228

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For the three and six month periods ended June 30, 2016 and 2015

23. Subsequent Events

In July 2016, the Company closed its private placement, announced June 13, 2016, consisting of 14,188,214 units at the price of Can\$0.30 per unit for gross proceeds of Can\$4,256,465. Each unit consists of one common share and one half (1/2) transferable common share purchase warrant. Each of the 7,094,104 common share purchase warrants entitles the holder to purchase one additional common share of the Company at Can\$0.55 per share until July 2018, subject to acceleration in certain circumstances. In addition, the Company issued 611,872 broker compensation options.

In July 2016, upon completion of the private placement, a total of 375,000 stock options, granted to a consultant on April 19, 2016, vested.

In July 2016, under the Third Amending Agreement, the Company completed its acquisition of 100% of the CDS project with a cash payment in the amount of \$800,000 and the issuance of 1,000,000 shares of the Company, both paid to the vendors.

On July 7, 2016, a total of 300,000 options with an exercise price of Can\$0.69, granted to a director, expired unexercised.