FINANCIAL STATEMENTS

2009

December 31, 2009
and 2008

THREEGOLD Resources Inc.

649, 3rd avenue, 2nd Floor
Val-d'Or (Quebec) J9P 1S7
T : (819) 825-3883 **F** : (819) 825-7545

www.threegold.ca

TSX-V: THG

Financial statements

THREEGOLD RESOURCES INC.

December 31, 2009 and 2008

Deloitte.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
450, 3e Avenue
Bureau 204
Val-d'Or QC J9P 1S2
Canada

Tél. : (819) 825-4101
Téléc. : (819) 825-1155
www.deloitte.ca

AUDITORS' REPORT

To the Shareholders of
Threegold Resources Inc.

We have audited the balance sheets of Threegold Resources Inc. as at December 31, 2009 and 2008 and the statements of earnings and comprehensive loss, deficit, deferred exploration expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair / Deloitte & Touche s.e.n.c.r.l. (1)

Val-d'Or, Quebec
February 20, 2010

[1] Chartered accountants auditor permit No. 13201

THREEGOLD RESOURCES INC.

FINANCIAL STATEMENTS

Summary

THREEGOLD RESOURCES INC.

STATEMENTS OF EARNINGS AND COMPREHENSIVE LOSS

Years ended December 31, 2009 and 2008

	2009	2008
	$	$
Interest revenues	931	61,635
Administrative expenses:		
Salaries, fringe benefits and training	42,759	179,925
Stock-based compensation (note 9b)	149,024	237,091
Office expenses	35,250	37,252
Management fees	138,754	98,038
Advertising, promotion and entertainment	83,897	102,292
Professional fees	59,850	37,717
Claims renewal	23,114	13,736
Property research expenses	3,214	-
Interest and bank charges	6,316	1,033
Telecommunications	5,623	5,467
Travel expenses - administration	28,395	72,975
Depreciation of fixed assets	17,081	8,931
Registration and information to shareholders	48,692	57,617
Part XII,6 taxes	16,550	53,368
	658,519	905,442
Loss before other items and taxes	(657,588)	(843,807)
Other items:		
Gain on transfer of mining rights in a mining property (note 15)	233,101	-
Write-off of mining properties (note 6)	(1,700)	-
Write-off of deferred exploration expenses (note 7)	(412,970)	-
	(181,569)	-
Loss before taxes	(839,157)	(843,807)
Future income and mining taxes (note 12)	(89,675)	-
Net loss and comprehensive loss	(749,482)	(843,807)
Basic and diluted net loss per share	(0.02)	(0.03)
Weighted average number of shares outstanding	41,660,999	30,094,314

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

STATEMENTS OF DEFICIT

Years ended December 31, 2009 and 2008

	2009	2008
	$	$
Balance, beginning of year	(6,500,934)	(4,303,506)
Net loss	(749,482)	(843,807)
Share issuance expenses	(146,637)	(219,367)
Future income taxes on flow-through shares	(177,539)	(1,134,254)
Balance, end of year	(7,574,592)	(6,500,934)

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

STATEMENTS OF DEFERRED EXPLORATION EXPENSES

Years ended December 31, 2009 and 2008

	2009	2008
	$	$
General exploration expenses	205,612	647,472
Drilling	312,878	1,693,400
Analysis	135,732	271,543
Geology	224,610	331,191
Geophysical	36,550	110,902
Geochemistry	7,020	7,572
Technical reports, data compilation and maps	89,028	102,388
Stock-based payments (note 9b)	10,571	5,702
Depreciation of fixed assets	-	8,078
	1,022,001	3,178,248
Other items:		
Tax credit for mining exploration expenses	-	(150,958)
Write-off of deferred exploration expenses (note 7)	(412,970)	-
	(412,970)	(150,958)
	609,031	3,027,290
Balance, beginning of year	6,119,124	3,091,834
Balance, end of year	6,728,155	6,119,124

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

BALANCE SHEETS
December 31, 2009 and 2008

	2009	2008
	$	$
Assets		
Current assets:		
Cash	226,793	201,670
Cash reserved for exploration	446,010	973,600
Accounts receivable (note 4)	476,384	452,944
Prepaid expenses	15,919	11,335
	1,165,106	1,639,549
Fixed assets (note 5)	47,944	65,025
Mining properties (note 6)	490,660	439,173
Deferred exploration expenses (note 7)	6,728,155	6,119,124
	8,431,865	8,262,871
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	147,556	568,877
Future income and mining taxes (note 12)	2,195,860	2,108,139
	2,343,416	2,677,016
Shareholders' equity		
Share capital (note 9)	11,977,483	10,637,259
Warrants (note 9c)	111,885	43,852
Contributed surplus (note 10)	1,573,673	1,405,678
Deficit	(7,574,592)	(6,500,934)
	6,088,449	5,585,855
	8,431,865	8,262,871

Commitments (note 13)
Contingency (note 17)

See accompanying notes to financial statements.

On behalf of the Board

_____________________________, director

_____________________________, director

STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

	2009	2008
	$	$
Operating activities:		
Net loss	(749,482)	(843,807)
Adjustments for:		
Stock-based compensation (note 9b)	149,024	237,091
Depreciation of fixed assets	17,081	8,931
Write-off of mining properties	1,700	-
Write-off of deferred exploration expenses	412,970	-
Profit on transfer of mining rights in a mining property	(233,101)	-
Future income and mining taxes	(89,675)	-
Changes in non-cash working capital	(213,772)	(815,574)
	(705,255)	(1,413,359)
Financing activities:		
Share capital and warrants issued	1,340,800	1,529,000
Share issuance expenses	(120,564)	(219,367)
	1,220,236	1,309,633
Investing activities:		
Variation of cash reserved for exploration	527,590	1,680,009
Acquisition of fixed assets	-	(37,414)
Acquisition of mining properties	(39,687)	(3,189)
Increase of deferred exploration expenses	(977,761)	(2,778,639)
	(489,858)	(1,139,233)
Increase (decrease) in cash and cash equivalents	25,123	(1,242,959)
Cash and cash equivalents at beginning of year	201,670	1,444,629
Cash and cash equivalents at end of year	226,793	201,670

Supplementary cash flow information (note 11)

See accompanying notes to financial statements.

Incorporation, nature of operations and going concern

The Company has been incorporated under Part 1A of the Quebec companies Act, March 19, 2002 and has started its activities December 10, 2003. The Company is in the process of exploring mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mining properties and related deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The Company will need to obtain periodically new funds to pursue its operations and despite its ability to obtain funds in the past, there is no guarantee for the future.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The application of generally accepted accounting principles on a going concern basis may be inappropriate, since there is a doubt as to the validity of the going concern assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items was the going concern assumption inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

1. Changes in accounting policies:

During the year 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

a) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, "Goodwill and intangible assets," which replaced Section 3062, "Goodwill and other intangible assets," and Section 3450, "Research and development costs." Changes were made to other sections of the CICA Handbook for consistency purposes, including the withdrawal of EIC-27 "Revenues and expenditures during the pre-operating period" and updates made to AcG-11 "Enterprises in the development stage." The new section applies to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. The Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to initial recognition and of intangible assets by profit-oriented enterprises. Standard concerning goodwill are unchanged from the standards included in the previous Section 3062. The application of these new policies had no significant impact on the Company’s financial statements.

1. Changes in accounting policies (continued):

b) Mining Exploration Costs

On March 27, 2009 the Emerging Issues Committee ("EIC") issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that initially capitalized exploration costs is required, in the current and subsequent accounting periods, to test such costs for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. EIC-174 applies to financial statements issued after March 27, 2009. The Company has adopted EIC-174. The adoption of this standard had no impact on the Company's financial statements.

c) Financial Instruments:

In June 2009, the Accounting Standards Board ("AcSB") issued amendments to CICA Handbook Section 3862, "Financial Instruments – Disclosures," in order to align with International Financial Reporting Standard IFRS 7, "Financial Instruments: Disclosures." The amendments include additional disclosure requirements for fair value measurements of financial instruments and enhancements to liquidity risk disclosure. The amendments establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: level 1, defined as observable inputs such as quoted prices in active markets; level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions (note 16).

2. Future accounting changes:

a) International Financial Reporting Standards (“IFRS”)

The AcSB plans to converge the Canadian GAAP used by publicly accountable enterprises with IFRS over a transition period that will end with the adoption of IFRS on January 1, 2011. On February 13, 2008, the AcSB announced that publicly accountable profit-oriented enterprises would have to adopt IFRS by 2011. The changeover date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the year ending December 31, 2011. IFRS uses a conceptual framework similar to Canadian generally accepted accounting principles, but there are significant differences in recognition, measurement and disclosure requirements.

The Company is currently in the assessment and evaluation phase of its IFRS implementation project to determine how IFRS adoption will impact processes, systems and financial statements.

b) Business combinations

In January 2009, the CICA issued Section 1582 "Business Combinations," which replaces Section 1581 of the same title. On the same date, the CICA also issued new sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests." These two new sections replace Section 1600, "Consolidated Financial Statements."

The purpose of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. Section 1601 establishes standards for the preparation of consolidated financial statements following a business combination that involves a purchase of an equity interest by one company in another. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

Section 1582 must be applied to business combinations for which the acquisition date is in a fiscal year beginning on or after January 1, 2011, and sections 1601 and 1602 are effective for fiscal years beginning on or after January 1, 2011. The Company will apply these new sections as of January 1, 2011. The Company’s management is unable to measure the impact that the application of these new standards will have on the financial statements.

3. Significant accounting policies:

Financial statements presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

a) Financial instruments:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

Classification

Cash	Held for trading
Cash reserved for exploration	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Other liabilities

Other liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

b) Cash reserved for exploration:

Cash reserved for exploration represents proceeds from a private placement not yet expended. The Company must use these funds for exploration of mining properties in accordance with restrictions imposed by this private placement.

3. Significant accounting policies (continued):

c) Fixed assets:

Fixed assets are stated at cost. Amortization is based on their estimated useful life using the following methods and rates or term:

Office furniture	Diminishing balance	20%
Computer equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Term of the lease
Vehicles	Diminishing balance	30%

d) Mining properties and deferred exploration expenses:

Mining properties are recorded at cost. Exploration and development costs, net of related government assistance, are deferred. When a decision to bring an ore body into production is made, the costs related to the ore body, recorded under mining properties and deferred exploration expenses, are transferred to fixed assets. These costs will then be amortized based on the units of production for the year and proven and probable and ore reserves. However, when a project is abandoned, the related costs are charged against earnings. The assets are written down when no more is planned for the foreseeable future or if no work has been carried out for a period of more than three years.

e) Impairment of long-lived assets:

The CICA Handbook Section 3063, “Impairment of Long-Lived Assets” provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. According to the provisions in the Section an impairment loss must be recognized when the carrying amount of a long-lived asset held for use exceeds the amount of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the carrying amount exceeds fair value.

f) Flow-through shares:

The Company adopted the recommendation of the Emerging Issues Committee (“EIC”) 146 of the CICA, “Flow-through shares”. Under the terms of flow-through share agreements, tax attributed to the related expenditures is renounced to subscribers. This EIC requires the Company to recognize the foregone tax benefits at the date the Company renounces the tax credit if it is reasonably assured, that the expenditures will be made.

g) Income and mining taxes:

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to difference between the carrying amounts and tax bases of assets and liabilities. They are measured by applying substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

3. Significant accounting policies (continued):

g) Income and mining taxes (continued):

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

h) Stock-based compensation and other stock-based payments:

The Company maintains a stock option plan, which is described in note 9b. Under Canadian generally accepted accounting principles, the compensation expense for this plan is recognized when options are granted to plan participants. Any consideration received from plan participants upon the exercise of options is credited to share capital and for the options granted since May 1, 2002, the amount previously credited to contributed surplus is transferred to share capital.

i) Earnings per share:

The basic net loss per share is determined using the weighted average number of shares outstanding during the year. The dilutive net loss per share, which is calculated using the treasury stock method, is equal to the basic loss per share due to the anti-dilutive effect of the total share options and warrants outstanding.

j) Share issuance expenses:

Share issuance expenses are recorded as an increase of the deficit in the year in which they are incurred.

k) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the recoverability of mining properties and deferred exploration expenses, the valuation of future income taxes, warrants issued and stock-based compensation. Actual results may differ from those estimates.

4. Accounts receivable:

	2009	2008
	$	$
Dianor Resources Inc., shareholder company, non-interest bearing	338,950	203,169
Goods and services tax	56,308	49,775
Tax credit for mining exploration expenses and mining duties	44,842	195,300
Subscriptions receivable	36,284	-
Others	-	4,700
	476,384	452,944

5. Fixed assets:

	Cost	Accumulated depreciation	Net book value 2009
	$	$	$
Office furniture	15,036	4,995	10,041
Computer equipment	31,546	15,114	16,432
Leasehold improvements	6,568	4,971	1,597
Vehicles	37,425	17,551	19,874
	90,575	42,631	47,944

	Cost	Accumulated depreciation	Net book value 2008
	$	$	$
Office furniture	15,036	2,628	12,408
Computer equipment	31,546	7,949	23,597
Leasehold improvements	6,568	3,375	3,193
Vehicles	37,425	11,598	25,827
	90,575	25,550	65,025

6. Mining properties:

	Balance at December 31, 2008	Acquisition	Disposition	Write-off	Balance at December 31, 2009
	$	$	$	$	$
Adanac	2,562	-	-	-	2,562
Dôme-Lemieux	275,241	3,939	-	-	279,180
Frotet-Robert	66,000	-	-	-	66,000
Mercier	93,620	156	-	-	93,776
Gaspéite	50	-	-	-	50
Pas de Dames	1,700	-	-	1,700	-
Maisonneuve	-	900	-	-	900
Grenville	-	22,412	-	-	22,412
South Bay	-	22,166	-	-	22,166
Adelme	-	650	-	-	650
Target A	-	1,768	-	-	1,768
Des Vents	-	1,196	-	-	1,196
	439,173	53,187	-	1,700	490,660

	Balance at December 31, 2007	Acquisition	Disposition	Write-off	Balance at December 31, 2008
	$	$	$	$	$
Adanac	1	2,561	-	-	2,562
Vital	134,224	19,250	-	-	153,474
Gasse-Lemieux	83,392	22,250	-	-	105,642
Frotet-Robert	66,000	-	-	-	66,000
Mercier	93,620	-	-	-	93,620
Cascapédia	15,997	128	-	-	16,125
Gaspéite	50	-	-	-	50
Pas de Dames	1,700	-	-	-	1,700
	394,984	44,189	-	-	439,173

Some properties are subject to royalties in the event they are brought into commercial production (note 13). The properties Vital, Gasse-Lemieux and Cascapedia in 2008 have been grouped into a single property "Dôme-Lemieux" in 2009.

7. Deferred exploration expenses:

	Balance at December 31, 2008	Exploration cost	Tax credit for mining exploration expenditures	Disposition	Write-off	Balance at December 31, 2009
	$	$	$	$	$	$
James-Bay (note 15)	240,459	(7,358)	-	-	233,101	-
Mercier	1,141,182	54,735	-	-	-	1,195,917
Adanac	309,571	532,072	-	-	-	841,643
Dôme-Lemieux	3,058,865	186,630	-	-	-	3,245,495
Frotet-Robert	155,923	179	-	-	-	156,102
Abitibi Extension	124,882	-	-	-	124,882	-
Mont-de-l'Aigle	828,090	156,838	-	-	-	984,928
Hush Hush	20,993	-	-	-	20,993	-
Pas de Dames	27,090	-	-	-	27,090	-
Grenville	205,043	42,647	-	-	-	247,690
Gaspéite	1,172	3,526	-	-	-	4,698
South Bay	-	5,006	-	-	-	5,006
Maisonneuve	-	11,868	-	-	-	11,868
Leclerc	227	-	-	-	227	-
La Ronde	3,141	-	-	-	3,141	-
Le Tac	2,486	1,050	-	-	3,536	-
Adelme	-	34,099	-	-	-	34,099
Des Vents	-	709	-	-	-	709
	6,119,124	1,022,001	-	-	412,970	6,728,155

The deferred exploration expenses from the properties Vital, Gasse-Lemieux and Cascapedia of 2008 have been grouped into a single property "Dôme-Lemieux" in 2009.

7. Deferred exploration expenses (continued):

	Balance at December 31, 2007	Exploration costs	Tax credit for mining exploration expenditures	Disposition	Write-off	Balance at December 31, 2008
	$	$	$	$	$	$
James-Bay	239,288	1,912	741	-	-	240,459
Adanac	235,381	69,840	(4,350)	-	-	309,571
Vital	830,983	835,715	7,228	-	-	1,659,470
Gasse-Lemieux	955,904	323,500	(1,623)	-	-	1,281,027
Frotet-Robert	149,486	3,668	(2,769)	-	-	155,923
Mercier	331,218	828,765	18,801	-	-	1,141,182
Cascapédia	62,441	57,015	1,088	-	-	118,368
Abitibi Extension	124,882	-	-	-	-	124,882
Mont-de-l'Aigle	114,168	731,573	17,651	-	-	828,090
Hush Hush	20,993	-	-	-	-	20,993
Pas de Dames	27,090	-	-	-	-	27,090
Gaspéite	-	1,803	631	-	-	1,172
Other properties	-	324,457	113,560	-	-	210,897
	3,091,834	3,178,248	150,958	-	-	6,119,124

8. Accounts payable and accrued liabilities:

	2009	2008
	$	$
Accounts payable	98,982	492,360
Related party, non-interest bearing (note 15)	14,568	37,866
Others	34,006	38,651
	147,556	568,877

9. Share capital:

Authorized:

Unlimited number of preferred shares, without par value. The preferred shares can be at any time issued in one or more series. The rights, conditions and restrictions will be determined by the board of directors of the Company.

Unlimited number of preferred shares series A, non-voting, non-participating, redeemable and retractable at their paid-up amount.

Unlimited number of voting common shares, participating, without par value.

Issued:

	Number of shares 2009	2009	Number of shares 2008	2008
		$		$
Balance, beginning	39,924,449	10,637,259	29,388,511	9,111,111
Shares issued:				
Private placements	10,973,999	1,260,540	10,335,938	1,485,148
Mining properties	-	-	200,000	41,000
To be issued:				
Mining properties (note 13b)	100,000	13,500	-	-
Warrants	462,840	66,184	-	-
Balance, end	51,461,288	11,977,483	39,924,449	10,637,259

9. Share capital (continued):

Issuance of common shares:

On July 14, 2009, the Company completed a first closing of a private placement for the sum of $150,000. Under the offering, the Company has issued 1,500,000 common shares at a price of $0.10 per share and 1,500,000 warrants for a period of two (2) years, giving the holder the right to acquire an additional common share at $0.14 per share for twelve months following the closing and thereafter at a price of $0.18 per share for the next twelve months. The offering is presented, after deducting warrants whose value was set at $37,500. As part of this private placement, a fee of $4,160 in cash has been paid to the agents.

On August 24, 2009, the Company completed the final closing of private placement for $126,000. Under the offering, the Company has issued 1,260,000 common shares at a price of $0.10 per share and 1,260,000 warrants for a period of two (2) years, giving the holder the right to acquire an additional common share at $0.14 per share for twelve months following the closing and thereafter at a price of $0.18 per share for the next twelve months. The offering is presented, after deducting warrants whose value was set at $32,760. As part of this private placement, a fee of $6,320 in cash was paid to the agents.

On December 8, 2009, the Company completed a first closing of a private placement for the sum of $350,000. Under the offering, the Company issued 2,916,666 common shares at a price of $0.12 per share and 2,916,666 warrants for a period of two (2) years, giving the holder the right to acquire an additional common share at $0.15 per share for twelve months following the closing and thereafter at a price of $0.18 per share for the next twelve months. No value has been attributed to the warrants. As part of this private placement, a fee of $5,000 in cash was paid to the agents.

On December 18, 2009, the Company completed the final closing of a private placement for $100,000. Under the offering, the Company issued 833,333 common shares at a price of $0.12 per share and 833,333 warrants for a period of two (2) years, giving the holder the right to acquire one additional common share at $0.15 per share for twelve months following the closing and thereafter at a price of $0.18 per share for the next twelve months. No value has been attributed to the warrants. As part of this private placement, a fee of $3,000 in cash was paid to the agent.

9. Share capital (continued):

Issuance of common and flow-through shares:

On November 30, 2009, the Company completed the closing of a private placement for the sum of $604,800. Under the offering, the Company issued 3,456,000 flow-through shares at a price of $0.14 per share and 1,008,000 common shares at a price of $0.12. As part of this private placement, a fee of $49,980 in cash was paid and 368,900 warrants were granted to the agent whose value has been established granted $26,073. The non-transferable warrants are valid at a price of $0.12 for a period of eighteen months following the closing of the private placement.

Warrants:

On December 11 and December 23, 2009, the agent "Desjardins Securities" has exercised its right to acquire an additional common share for each warrant at a price of $0.10 a share for the sum of $46,284, that was to expire on December 29, 2009. Under this right, the Company issued a directive of issuance 462,840 common shares to its transfer agent for the agent (issued in January 2010). The proceeds from the exercise of these warrants and the value of these warrant attributed at the date of issuance of $19,900, have been credited to share capital as shares to be issued.

a) Escrowed shares:

At December 31, 2008, 2,033,498 common shares placed in escrow and which could not be released, transferred, pledged or otherwise disposed of, without the prior agreement of the Autorité des marchés financiers du Québec or any other agency to which it may have delegated that authority, have been released in full on July 22, 2009. On December 31, 2009, no share of the Company was escrowed.

9. Share capital (continued):

b) Common share purchase options:

The Company has a share option plan. Under the stock option plan, the Company's Board of Directors may grant options to acquire common shares to directors, officers, employees and service providers. The maximum number of common shares that can be issued upon the exercise of options granted under the 2006 Plan, together with any common shares issued or reserved for issuance under any other share compensation arrangement which is then in place, is equal to 10% of the number of common shares issued and outstanding from time-to-time. The exercise price of options granted under the 2006 Plan is set at the time of the grant of the options, but cannot be less than the closing price of the common shares on the TSX Venture Exchange on the trading day immediately preceding the day on which and option is granted. The maximum period during which options may be exercised is five years from the date on which they are granted. Until May 22, 2008, the stock options granted to employees and directors were acquired over an eighteen month period at the rate of a third of the stock options granted every six months and were exercisable as from the first six months. The stock option plan was amended in 2008 and the stock options granted to employees and directors are exercisable at any time as from the date of the grant.

Stock options granted to consultants vest over a period of eighteen months, one third the options every 6 months starting after the first six months.

The status of the Company's fixed-price share option plan as of December 31, 2009 and 2008, and changes during the years then ended are summarized as follows:

	2009		2008	
	Number of options	Weighted average exercice price	Number of options	Weighted average exercice price
		$		$
Outstanding, beginning of year	2,455,000	0.29	1,360,000	0.31
Granted - employees and directors	935,000	0.13	965,000	0.25
Granted - consultants	190,000	0.13	130,000	0.25
Cancelled	(270,000)	0.29	-	-
Outstanding, end of year	3,310,000	0.23	2,455,000	0.29
Options exercisable	3,076,667	0.23	2,038,333	0.29
Weighted average fair value of options granted during the year		0.14		0.12

9. Share capital (continued):

b) Common share purchase options (continued):

The following table summarizes information about the stock options outstanding and exercisable as at December 31, 2009:

	Outsanding options at December 31, 2009			Exercisable options at December 31, 2009	
Range of exercise prices	Number of options	Weighted remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
$		Year	$		$
0.125	1,125,000	4.8	0.125	935,000	0.125
0.25	1,075,000	3.7	0.25	1,031,667	0.25
0.29	710,000	2.7	0.29	710,000	0.29
0.35	400,000	1.7	0.35	400,000	0.35
	3,310,000	**3.6**	**0.23**	**3,076,667**	**0.23**

The following assumptions were used in the Black-Scholes calculations for determining the fair value of stock options granted:

	2009	2008
Annualized volatility	184.22%	107.56%
Risk-free interest rate	2.32%	3.45%
Annual dividend rate	0%	0%
Expected life of options	5 years	5 years

The application of the fair value method in 2009, resulted in a $149,024 (2008 - $237,091) charge to stock-based compensation expense and in a $10,571 (2008 - $5,702) increase of the deferred exploration expenses related to stock-based compensation with a corresponding credit to contributed surplus.

9. Share capital (continued):

c) Warrants:

The status of the warrants as at December 31, 2009 and 2008 and changes during the years then ended are summarized as follows:

	2009			2008		
	Number outstanding	Weighted average exercice price	Fair value of the warrants	Number of warrants	Weighted average exercice price	Fair value of the warrants
		$	$		$	$
Outstanding at beginning	1,260,840	0.29	43,852	2,436,343	0.44	80,362
Issued	6,878,899	0.14	96,333	1,260,840	0.29	43,852
Exercised	(462,840)	0.10	(19,900)	-	-	-
Expired	(150,000)	0.65	(8,400)	(2,436,343)	0.44	(80,362)
Outstanding at end	7,526,899	0.17	111,885	1,260,840	0.29	43,852

The fair value of the warrants issued during the year was estimated at $70,260 ($23,952 in 2008). The value of the warrants issued to the agents during the year was estimated at $26,073 ($19,900 in 2008) using the Black-Scholes model.

The following table summarizes information about the stock options outstanding as at December 31, 2009:

Number of warrants	Exercise price	Expiration date
	$	
648,000	0.45	July 11, 2010
1,500,000	0.14	July 14, 2010
1,260,000	0.14	August 24, 2010
2,916,666	0.15	December 8, 2010
833,333	0.15	December 18, 2010
368,900	0.12	May 30, 2011
7,526,899	**0.17**	

10. Contributed surplus:

	2009	2008
	$	$
Balance, beginning of year	1,405,678	1,082,523
Stock-based compensation (note 9b)	159,595	242,793
Expired warrants	8,400	80,362
Balance, end of year	1,573,673	1,405,678

11. Supplementary cash flow information:

	2009	2008
	$	$
a) Cash and cash equivalents are composed of the following item:		
Cash	226,793	201,670
b) Non-cash investing and financing activities not affecting cash:		
Acquisition of mining properties through the issuance of share capital	13,500	41,000
Stock-based payments related to deferred exploration expenses	10,571	5,702
Disposal of mining rights included in accounts receivable	233,101	-
Tax credits related to deferred exploration expenses included in accounts receivable	-	191,871
Future income taxes for flow-through shares included in share issuance expenses	177,539	1,134,254
Write-off of a tax credit included in future income and mining taxes	143	7,296
Depreciation included in deferred exploration expenses	-	8,078
Expired warrants	8,400	80,362
Accounts payable related to deferred exploration expenses	33,669	385,829
Warrants included in shares issuance expenses	26,073	-
Warrants included in accounts receivable	36,284	-

12. Future income and mining taxes:

Total future income and mining taxes are allocated as follows:

	2009	2008
	$	$
Future	(89,675)	-

The income tax recovery differs from the amounts computed by applying the combined federal and provincial income tax rate of 30.9% (2008, 30.9%) to the loss before taxes for the following reasons:

	2009	2008
	$	$
Loss before taxes	(839,157)	(843,807)
Estimated taxes recovery at 30.9% (2008, 30.9%)	(259,300)	(260,736)
Increase (decrease) in taxes resulting from:		
Unrecognized tax benefits	195,331	186,673
Stock-based compensation	46,048	73,261
Changes in tax rates	(89,675)	-
Non deductible expenses and others	17,921	802
Future income and mining taxes	(89,675)	-

12. Future income and mining taxes (continued):

The tax effects of the temporary differences that give rise to significant portions of future tax assets and liabilities are shown below:

	2009	2008
	$	$
Future tax assets:		
Mining properties	40,409	97,117
Loss carried forward	616,871	450,216
Share issuance expenses	82,521	98,635
Fixed assets	11,816	7,220
Total gross future tax assets	751,617	653,188
Less valuation allowance	(699,392)	(548,851)
Net future tax assets	52,225	104,337
Future tax liabilities:		
Deferred exploration expenses	2,248,085	2,212,476
Future income and mining taxes	2,195,860	2,108,139

As at December 31, 2009, the Company has the following tax losses, available to reduce future years' taxable income, the tax effect of which has not been recorded in the financial statements:

Year Incurred	Federal	Provincial	Expiry date
	$	$	
2004	13,445	13,018	2014
2005	22,935	20,595	2015
2006	276,358	133,198	2026
2007	759,842	632,622	2027
2008	790,508	628,964	2028
2009	697,559	527,689	2029

13. Commitments:

a) Mont-de-l'Aigle Property:

On January 10, 2007, the Company has signed an exclusive option agreement with Ressources Appalaches, for the acquisition of a 50% interest in the Mont-de-l'Aigle Property by investing $2 million in work spread out over a period of five years with $1,000,000 minimum ($1,002,579 incurred) for the first three years and thereafter $500,000 per year (see note 7).

b) South Bay Property:

On October 15, 2009, the Company signed an agreement on the South Bay property located in the Vauquelin Township of Abitibi about 40 km east of Val-d'Or. Under the terms of the agreement, the Company will acquire a 100% interest in the property in exchange for the issuance of 300,000 common shares 100,000 of which are to be issued at upon signing (100,000 shares to be issued to $ 13,500) and 100,000 shares to be issued on the first and second anniversaries. The Company undertakes to perform $300,000 ($5,006 incurred) in exploration work over three years. In addition, the Company undertakes to issue a bonus of 250,000 common shares to the sellers upon resource production of at least 100,000 Troy ounces of gold. The sellers retained a net smelter return royalty of 2% (NSR) half of which (1%) may be bought back by the Company for $ 1,000,000 (see note 7).

c) Bonus, royalty and royalty redeemable:

Under agreements signed for the acquisition of various mining properties, the Company is liable to pay bonuses and / or royalties if it reaches the stage of pre-production or production.

The following table summarizes information relating to royalty on each property at December 31, 2009:

Properties	Pre-production (in shares)	Production (in shares)	Royalties	Royalties redeemables
Vital	250,000	500,000	2%	1 % redeemable for $1,500,000
Gasse-Lemieux	-	500,000	1%	1 % redeemable for $1,000,000
Frotet-Robert	-	250,000	2%	1 % redeemable for $1,000,000
Mercier	-	-	2%	1 % redeemable for $1,500,000 in cash, or in shares, or the two mixed

14. Capital disclosure:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquisitions of mining properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects its ability to obtain additional financing will support further exploration and development of its mineral properties.

15. Related party transactions:

During the year 2009, the Company incurred rent expenses of $13,650 ($14,114 in 2008), management fees of $62,069 ($98,038 in 2008) and salaries and fringe benefits to accounted for as deferred exploration expenses of $25,331 ($30,180 in 2008) with a shareholder, Dianor Ressources Inc.

Furthermore, the Company made transactions with a company, which is controlled by a director of the Company. The Company incurred $40,020 ($0 in 2008) for professional services in corporate development. The Company made transactions with a company, which is controlled by the chief financial officer of the Company. The Company incurred $40,000 ($0 in 2008) for professional services in management. The Company made transactions with a company, which is controlled by a director of the Company. The Company incurred $20,800 ($0 in 2008) for professional services in geology. Finally, the Company made transactions with a company, which is controlled by the president of the Company. The Company incurred $63,803 ($71,431 in 2008) for professional services in geology, equipment rental, representation and travelling expenses.

On September 15, 2009, under a partnership termination agreement for the Wemindji James Bay property, the Company has waived its right, title and interest of the non-diamond territory subject to this option. The Company has surrendered its interest in this project, initially acquired April 17, 2008, to Dianor Resources Inc., a shareholder company, for an amount of $233,101.

15. Related party transactions (continued):

On June 16, 2009, the Company has paid in cash, the sum of $10,400 to two directors for the acquisition of 200 mining claims for property Grenville.

These transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

The amount payable in respect of these transactions was $14,568 as at December 31, 2009 ($37,866 in 2008).

16. Financial Instruments:

Financial instrument fair values:

	2009		2008	
	Book value	Fair value	Book value	Fair value
	$	$	$	$
Financial assets				
Held for trading				
Cash and cash equivalents (a)	226,793	226,793	201,670	201,670
Cash reserved for exploration (a)	446,010	446,010	973,600	973,600
Loans and receivable				
Accounts receivable (a)	476,384	476,384	452,944	452,944
Financial liabilities				
Others financial liabilities				
Accounts payable and accrued liabilities (a)	147,556	147,556	568,877	568,877

a) The Company owns and assumes financial assets and liabilities such as cash and cash equivalents, cash reserved for exploration, accounts receivable, as well as accounts payable and accrued liabilities. The fair value of these financial assets and liabilities approximates their book value as these items will be realized in the short term. The fair value measurements of cash and cash reserved for exploration have been classified at level one from the fair value hierarchy.

16. Financial Instruments (continued):

Risk exposure and management

The Company is exposed to a certain amount of risks at different levels. The type of risk and the way the exposition is managed is described here after.

a) Market risk

i. Interest rate risk

The Company manages its portfolio of short-term investments based on its cash flow needs and with a view to optimizing its income.

The Company invests in guaranteed short-term deposits based on its cash flow needs and with a view to optimizing its income.

The effective interest rate on the short-term investments during the year was 0% (2008, 3.1%). The interest rate offered at the end of the year on temporary investments ranges from 0.15% to 0.20% (2008, 1.25%).

ii. Stock price risk

The Company's financing capability is exposed to commercial risks, notably those linked to the stock price on the stock market. The Company does not have hedges covering this risk.

The growth of the Company is highly linked to the stock price. If the stock price would be low for a prolonged period, it might be more difficult to meet financing objectives through private placements or others.

iii. Credit risk

The Company's main assets consist of cash, short-term investments and receivables, which are exposed to credit risk. The book value of the financial assets in the balance sheet represents the maximal credit risk as of the balance sheet date.

The credit risk related to cash and short-term investments is limited since the counterparties are chartered banks with a high credit rating, which is assigned by national rating agencies. As of December 31, 2009, the receivables included related party transactions that will be collected monthly as well as the sales tax. The tax credit relating to resources and the credit on duties refundable for mining exploration expenses will be collected following the filing of the Company's tax returns.

16. Financial Instruments (continued):

iv. Liquidity risk

The liquidity risk is the risk that the Company has difficulties to honour its commitments when they come to maturity. The contractual commitments for liabilities as at December 31, 2009 are as follows:

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	147,556	147,556	-	-	-
Total	147,556	147,556	-	-	-

As at December 31, 2009 the Company had $226,793 in cash ($201,670 in 2008).

17. Contingency:

Environmental

The Company’s operations are subject to governmental laws and regulations regarding environmental protection. Environmental consequences, their impact and their duration are difficult to determine. To the best of its knowledge, management believes that the Company’s operations are in compliance with all applicable laws and regulations.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

GENERAL INFORMATION

EXCHANGE LISTING

Exchange: TSX Venture Exchange
Symbol: THG

OFFICERS

Antoine Fournier, CEO and P.Geo.
Octavio Soares, FCA, CFO

TRANSFER AGENT

Computershare Investor Services Inc.
1500, University Street
Suite 700
Montreal (Quebec) H3A 3S8

LEGAL COUNSEL

Miller Thomson pouliot LLP
1155, boul. René-Lévesque West
CIBC Tower, 31st Floor
Montreal, Québec H3B 3S6

AUDITORS

Samson Belair/Deloitte & Touche s.e.n.c.r.l.
450, 3rd Avenue
Val-d'Or, Quebec J9P 1S2

HEAD OFFICE

649, 3rd Avenue, 2nd floor
Val-d'Or (Quebec) J9P 1S7
Tel.: (819) 825-3883
Fax: (819) 825-7545

WEBSITE

www.threegold.ca

E-MAIL

info@threegold.ca

BOARD MEMBERS

Richard Tanguay, Chairman of the Board
Antoine Fournier, P.Geo
Daniel Duval
John Ryder, P.Geo
Octavio Soares, FCA

Ressources Threegold inc.