

FINANCIAL STATEMENTS

2008



December 31, 2008
and 2007

THREEGOLD Resources Inc.

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Financial statements

THREEGOLD RESOURCES INC.

December 31, 2008 and 2007

AUDITORS' REPORT

To the Shareholders of
Threegold Resources Inc.

We have audited the balance sheets of Threegold Resources Inc. as at December 31, 2008 and 2007 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants
Val-d'Or, Quebec
February 3, 2009

¹ Chartered accountant auditor permit n°13201

THREEGOLD RESOURCES INC.

FINANCIAL STATEMENTS

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THREEGOLD RESOURCES INC.

Statements of earnings and comprehensive loss

Years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
Interest revenues	61,635	85,734
Administrative expenses:		
Salaries, fringe benefits and training	179,925	55,906
Stock-based compensation (note 8b)	237,091	135,876
Office expenses	37,252	30,833
Management fees	98,038	101,683
Advertising, promotion and entertainment	70,870	185,520
Professional fees	37,717	72,066
Claims renewal	13,736	20,043
Interests and bank charges	1,033	1,199
Telecommunications	5,467	5,254
Travel expenses - administration	85,478	52,618
Depreciation of fixed assets	8,931	4,137
Registration and information to shareholders	76,536	73,211
Part XII, 6 taxes	53,368	109,608
	905,442	847,954
Loss before other items and taxes	(843,807)	(762,220)
Other items:		
Loss on sale of fixed assets	-	(1,005)
Write-off of mining properties (note 5)	-	(1)
Write-off of deferred exploration expenses (note 6)	-	(1)
	-	(1,007)
Loss before taxes	(843,807)	(763,227)
Future income and mining taxes (note 11)	-	(60,352)
Net loss and comprehensive loss	(843,807)	(702,875)
Basic and diluted net loss per share	(0.03)	(0.04)

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

Statements of deficit

Years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
Balance, beginning of year	(4,303,506)	(2,388,757)
Net loss	(843,807)	(702,875)
Share issuance expenses (including future income in 2008 \$1,134,254, in 2007 \$940,439, note 10b)	(1,353,621)	(1,211,874)
Balance, end of year	(6,500,934)	(4,303,506)

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

Statements of deferred exploration expenses

Years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
General exploration expenses	647,472	341,047
Drilling	1,693,400	1,076,156
Analysis	271,543	322,041
Geology	331,191	410,203
Geophysical expenses	110,902	107,406
Geochemistry	7,572	56,208
Technical reports, data compilation and maps	102,388	133,185
Stock-based payments (note 8b)	5,702	-
Depreciation of fixed assets	8,078	3,520
	3,178,248	2,449,766
Other items:		
Write-off of deferred exploration expenses (note 6)	-	(1)
Tax credit for mining exploration expenses	(150,958)	-
	(150,958)	(1)
	3,027,290	2,449,765
Balance, beginning of year	3,091,834	642,069
Balance, end of year	6,119,124	3,091,834

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

Balance sheets

December 31, 2008 and 2007

	2008	2007
	\$	\$
Assets		
Current assets:		
Cash	201,670	940,201
Cash reserved for exploration	973,600	2,653,609
Bankers acceptance, 4.019%, matured January 22, 2008	-	504,428
Accounts receivable (note 3)	452,944	532,589
Prepaid expenses	11,335	24,313
	1,639,549	4,655,140
Fixed assets (note 4)	65,025	44,620
Mining properties (note 5)	439,173	394,984
Deferred exploration expenses (note 6)	6,119,124	3,091,834
	8,262,871	8,186,578
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	568,877	1,275,820
Future income and mining taxes (note 11)	2,108,139	940,268
	2,677,016	2,216,088
Commitments and contingency (notes 12 and 15)		
Shareholders' equity		
Share capital (note 8)	10,637,259	9,111,111
Contributed surplus (note 9)	1,405,678	1,082,523
Warrants (note 8c)	43,852	80,362
Deficit	(6,500,934)	(4,303,506)
	5,585,855	5,970,490
	8,262,871	8,186,578

See accompanying notes to financial statements.

On behalf of the Board

_____, director

_____, director

THREEGOLD RESOURCES INC.

Statements of cash flows

Years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
Operating activities:		
Net loss	(843,807)	(702,875)
Adjustments for:		
Stock-based compensation (note 8b)	237,091	135,876
Depreciation of fixed assets	8,931	4,137
Write-off of mining properties	-	1
Write-off of exploration expenses	-	1
Loss on sale of fixed assets	-	1,005
Future income and mining taxes	-	(60,352)
Changes in non-cash working capital	(429,745)	661,137
	(1,027,530)	38,930
Financing activities:		
Share capital issued	1,529,000	4,158,232
Share issuance expenses	(219,367)	(271,435)
	1,309,633	3,886,797
Investing activities:		
Variation of cash reserved for exploration	1,680,009	(254,009)
Acquisition of fixed assets	(37,414)	(43,367)
Acquisition of mining properties	(3,189)	(44,207)
Proceeds on sale of fixed assets	-	2,928
Increase of deferred exploration expenses	(3,164,468)	(2,446,246)
	(1,525,062)	(2,784,901)
Increase (decrease) in cash and cash equivalents	(1,242,959)	1,140,826
Cash and cash equivalents at beginning of year	1,444,629	303,803
Cash and cash equivalents at end of year	201,670	1,444,629

Supplementary cash flow information (note 10)

See accompanying notes to financial statements.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

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 10th, 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 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:

On January 1, 2008, the Company adopted the following new accounting standards issued by the CICA:

Going concern

As at January 1, 2008, the Company adopted the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to include requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption). This new section does not have any significant impact on the financial statements of the Company.

Capital disclosures

The CICA issued Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and management of its capital. The information provided by an entity should focus in particular on its objectives, policies and processes for managing capital, and disclose whether the entity has complied with imposed capital requirements and the consequences of non-compliance (note 8).

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

1. Changes in accounting policies (continued):

Financial Instruments - Disclosures and Financial Instruments - Presentation

The CICA issued new Sections 3862 and 3863, which replace Section 3861, "Financial Instruments - Disclosure and Presentation". These sections require the disclosure of additional detail of financial asset and liability categories as well as a detailed discussion on the risks associated with the entity's financial instruments, including how it manages these risks. These standards harmonize disclosures with International Financial Reporting Standards ("IFRS") (note 14).

Impact of New Accounting Standards Not Yet Adopted

Goodwill and intangible assets

Issued in February 2008, Section 3064, "Goodwill and Intangible Assets", will replace Section 3062, "Goodwill and other intangible assets", and Section 3450, "Research and development costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes including but not limited to the withdrawal of EIC 27 "Revenues and expenditures during the pre-operating period" and updates to AcG-11 "Enterprises in the development stage". The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its interim period and fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. As at December 31, 2008, the company is currently assessing the impact of this new policy on its financial statements.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board of Canada ("AcSB") plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for 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 GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

The Company is now studying and measuring the lead time for adopting IFRS and the impact on its procedures, controls and financial statements.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

2. Significant accounting policies:

Financial statements:

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 and cash reserved for exploration	Held for trading
Bankers acceptance	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.

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Notes to financial statements

Years ended December 31, 2008 and 2007

2. 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 is made to bring an orebody into production, the costs related to the orebody, recorded under mining properties and deferred exploration expenses, are transferred to fixed assets; they will then be amortized, based on the units of production of the year and the probable and proven ore reserves. When a project is abandoned, the related costs are charged to current earnings.

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. The provision of the Section require an impairment loss for a long-lived asset to be held and used to be recognized when its carrying amount exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured at the amount by which its carrying amount exceeds its 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.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

2. 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 share option plan, which is described in note 8. Under Canadian generally accepted accounting principles, compensation expense is recognized for this plan 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 the options account 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 (30,094,314 in 2008 and 20,220,268 in 2007). 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.

l) Fair value of financial instruments:

Short-term financial assets and liabilities are valued at their carrying amounts as presented in the balance sheet, which are a reasonable estimate of their fair value due to the relatively short period to maturity of those instruments.

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Notes to financial statements

Years ended December 31, 2008 and 2007

3. Accounts receivable:

	2008	2007
	\$	\$
Related party, non-interest bearing	203,169	247,780
Goods and services tax	49,775	270,893
Tax credit for mining exploration expenses and mining duties	195,300	10,725
Accrued interests	-	430
Other	4,700	2,761
	452,944	532,589

4. Fixed assets:

	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

	Cost	Accumulated depreciation	Net book value 2007
	\$	\$	\$
Office furniture	3,800	930	2,870
Computer equipment	19,324	2,312	17,012
Leasehold improvements	6,568	1,778	4,790
Vehicles	23,468	3,520	19,948
	53,160	8,540	44,620

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

5. Mining properties:

	Balance at December 31, 2007	Acquisition	Disposition	Write-off	Balance at December 31, 2008
	\$	\$	\$	\$	\$
Adanac	1	2,561	-	-	2,562
Vital (note 12a)	134,224	19,250	-	-	153,474
Gasse-Lemieux (note 12b)	83,392	22,250	-	-	105,642
Frotet-Robert (note 12c)	66,000	-	-	-	66,000
Mercier (note 12e)	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

	Balance at December 31, 2006	Acquisition	Disposition	Write-off	Balance at December 31, 2007
	\$	\$	\$	\$	\$
Threegold	1	-	-	(1)	-
Adanac	1	-	-	-	1
Vital (note 12a)	85,000	49,224	-	-	134,224
Gasse-Lemieux (note 12b)	55,000	28,392	-	-	83,392
Frotet-Robert (note 12c)	40,000	26,000	-	-	66,000
Mercier (note 12e)	576	93,044	-	-	93,620
Cascapédia	1,200	14,797	-	-	15,997
Gaspéite	-	50	-	-	50
Pas de Dames	-	1,700	-	-	1,700
	181,778	213,207	-	(1)	394,984

Some properties are subject to royalties in the event they are brought into commercial production.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

6. Deferred exploration expenses:

	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 (note 12a)	830,983	835,715	7,228	-	-	1,659,470
Gasse-Lemieux (note 12b)	955,904	323,500	(1,623)	-	-	1,281,027
Frotet-Robert (note 12c)	149,486	3,668	(2,769)	-	-	155,923
Mercier (note 12e)	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 (note 12d)	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
Others properties	-	324,457	113,560	-	-	210,897
	3,091,834	3,178,248	150,958	-	-	6,119,124

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

6. Deferred exploration expenses (continued):

	Balance at December 31, 2006	Exploration costs	Tax credit for mining exploration expenditures	Disposition	Write-off	Balance at December 31, 2007
	\$	\$	\$	\$	\$	\$
Threegold	1	-	-	-	(1)	-
James Bay	-	239,288	-	-	-	239,288
Adanac	92,200	143,181	-	-	-	235,381
Vital (note 12a)	214,547	616,436	-	-	-	830,983
Gasse-Lemieux (note 12b)	144,056	811,848	-	-	-	955,904
Frotet-Robert (note 12c)	43,653	105,833	-	-	-	149,486
Mercier (note 12e)	18,353	312,865	-	-	-	331,218
Cascapédia	4,412	58,029	-	-	-	62,441
Abitibi Extension	124,847	35	-	-	-	124,882
Mont-de-l'Aigle (note 12d)	-	114,168	-	-	-	114,168
Hush Hush	-	20,993	-	-	-	20,993
Pas de Dames	-	27,090	-	-	-	27,090
	642,069	2,449,766	-	-	(1)	3,091,834

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

7. Accounts payable and accrued liabilities:

	2008	2007
	\$	\$
Accounts payable	492,360	1,189,449
Related party, non-interest bearing (note 13)	37,866	54,592
Others	38,651	31,779
	<u>568,877</u>	<u>1,275 820</u>

8. Share capital:

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.

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.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

8. Share capital (continued):

	Number of shares 2008	Amount 2008	Number of shares 2007	Amount 2007
		\$		\$
Preferred shares serie A				
Balance, beginning	-	-	613,464	613,464
Shares redemption	-	-	613,464	613,464
Balance, end	-	-	-	-

	Number of shares 2008	Amount 2008	Number of shares 2007	Amount 2007
		\$		\$
Common shares				
Balance, beginning	29,388,511	9,111,111	18,506,058	3,843,838
Shares issued:				
Cash	10,335,938	1,485,148	8,212,392	4,121,575
Warrants	-	-	28,571	12,857
Mining properties	200,000	41,000	300,000	103,000
Repayment of the advances from a shareholder	-	-	878,237	377,642
Redemption of preferred shares serie A	-	-	1,363,253	586,199
	39,924,449	10,637,259	29,288,511	9,045,111
To be issued for mining properties	-	-	100,000	66,000
Balance, end	39,924,449	10,637,259	29,388,511	9,111,111

a) Escrowed shares:

2,033,498 common shares have been escrowed and may not be released, transferred, pledged or otherwise disposed of, without the prior agreement of the Autorité des marchés financiers or any other agency to which it may have delegated that authority.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

8. 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 an option is granted. The maximum period during which options may be exercised is five years from the date on which they are granted. Until December 31, 2007, 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, in connection with the third option every 6 months. They also become exercisable in the first six months.

The status of the Company's fixed-price share option plan as of December 31, 2008 and 2007, and changes during the years then ended are summarized as follows:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	1,360,000	0.31	500,000	0.35
Granted – employees and directors	965,000	0.25	860,000	0.29
Granted – consultants	130,000	0.25	-	-
Outstanding, end of year	2,455,000	0.29	1,360,000	0.31
Options exercisable	2,038,333	0.29	333,333	0.35
Weighted average fair value of options granted during the year		0.12		0.19

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

8. Share capital (continued):

b) Common share purchase options (continued):

The following tables summarize information about the stock options outstanding as at December 31, 2008:

2008			
Outstanding and exercisable options			
Range of exercise prices	Number outstanding	Weighted remaining contractual life years	Weighted average exercise price \$
0.25	965,000	4.7	0.25
0.29	573,333	3.7	0.29
0.35	500,000	2.7	0.35
	2,038,333	3.9	0.29

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

	2008	2007
Annualized volatility	107.56%	95.90%
Risk-free interest rate	3.45%	4.34%
Annual dividend rate	0%	0%
Expected life of options	5 years	5 years

The application of the fair value method in 2008, resulted in a \$237,091 (2007 - \$135,876) charge to stock-based compensation expense and in a \$5,702 (\$0 in 2007) increase of the deferred exploration expenses due to stock-based compensation expense with a corresponding credit to contributed surplus.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

8. Share capital (continued):

c) Warrants:

The status of the warrants as at December 31, 2008 and 2007 and changes during the years then ended are summarized as follows:

	2008		2007	
	Number outstanding	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Outstanding at beginning	2,436,343	0.44	1,164,914	0.41
Issued	1,260,800	0.29	1,300,000	0.46
Exercised	-	-	(28,571)	0.45
Expired	(2,436,343)	0.44	-	-
Outstanding at end	1,260,800	0.29	2,436,343	0.44

The fair value of the warrants issued during the year was estimated at \$23,952 (\$23,800 in 2007) by comparing the issue price of the units to the quoted value of the share. The value of the warrants issued to the agents during the year was estimated at \$19,900 (\$0 in 2007) using the Black-Scholes model.

9. Contributed surplus:

	2008	2007
	\$	\$
Balance, beginning of year	1,082,523	989,641
Stock-based compensation (note 8b)	242,793	135,876
Expired warrants	80,362	-
Premium related to the issuance of common shares for the reimbursement of the advances from a shareholder and the redemption of the serie A preferred shares	-	(42,994)
Balance, end of year	1,405,678	1,082,523

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

10. Supplementary cash flow information:

	2008	2007
	\$	\$
a) Cash and cash equivalents are composed of the following items:		
Cash	201,670	940,201
Banker acceptance	-	504,428
	201,670	1,444,629
b) Non-cash investing and financing activities not affecting cash:		
Acquisition of mining properties through the issuance of share capital	41,000	169,000
Stock-based payments related to deferred exploration expenses	5,702	-
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	1,134,254	940,439
Issuance of common shares for the reimbursement of the advances from a shareholder	-	307,383
Issuance of common shares for the redemption of the preferred shares serie A	-	613,464
Proceeds on sale of fixed assets included in accounts receivable	-	2,761
Write-off of a tax credit which counterpart is included in future income and mining taxes	7,296	168
Depreciation included in deferred exploration expenses	8,078	3,520
Premium related to the issuance of common shares for the reimbursement of the advances from a shareholder and the redemption of the serie A preferred shares	-	42,994
Expired warrants	80,362	-

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

11. Future income and mining taxes:

Total future income and mining taxes are allocated as follows:

	2008	2007
	\$	\$
Future	-	(60,352)

The income tax recovery differs from the amounts computed by applying the combined federal and provincial income tax rate of 30.9% (2007, 32.02%) to the loss before taxes for the following reasons:

	2008	2007
	\$	\$
Loss before taxes	(843,807)	(763,227)
Estimated taxes recovery	(260,736)	(244,385)
Increase (decrease) in taxes resulting from:		
Unrecognized tax benefits	186,673	201,656
Stock-based compensation	73,261	43,507
Variation of tax rates	-	(60,352)
Non deductible expenses and others	802	(778)
Future income and mining taxes	-	(60,352)

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

11. 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:

	2008	2007
	\$	\$
Future tax assets:		
Mining properties	97,117	105,225
Loss carried forward	450,216	258,139
Share issuance expenses	98,635	96,193
Fixed assets	7,220	2,643
Total gross future tax assets	653,188	462,200
Less valuation allowance	(548,851)	(354,332)
Net future tax assets	104,337	107,868
Future tax liabilities:		
Deferred exploration expenses	2,212,476	1,048,136
Future income and mining taxes	2,108,139	940,268

As at December 31, 2008, the Company has the following tax losses, available to reduce future years' income for tax purposes, 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

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

12. Commitments:

a) Vital Property:

On August 24, 2005, as amended on November 21, 2005, the Company has optioned the Vital property located on the Gaspé Peninsula. According to the terms of the option agreement, the Company will acquire a 100% interest in the Vital property by making cash payment of \$50,000 at signing, issuing 300,000 common shares (300,000 shares issued for an amount of \$103,000) to the seller over a three year period and expend \$300,000 (\$1,679,633 incurred) in exploration expenditures on the property over a three year period. A 250,000 common shares bonus will be granted at the pre-production stage and 500,000 common shares will be granted at production stage. The seller retains a net smelter return royalty of 2%, half of which may be bought back by the Company for \$1,500,000. The Company has acquired a 100% interest in the property (see notes 5 and 6).

b) Gasse-Lemieux Property:

On June 30, 2006, the Company has optioned the Gasse-Lemieux property located on the Gaspé Peninsula. According to the terms of the option agreement, the Company will acquire a 100% interest in the Gasse-Lemieux property by making cash payment of \$20,000 at signing, issuing 300,000 common shares (300,000 shares issued for an amount of \$85,000) to the seller over a two year period and expend \$100,000 (\$1,288,832 incurred) in exploration expenditures on the property over a three year period. A 500,000 common shares bonus will be granted at production stage. The seller retains a net smelter return royalty of 1% that may be bought back by the Company for \$1,000,000. The Company has acquired a 100% interest in the property (see notes 5 and 6).

c) Frotet-Robert Property:

On June 30, 2006, the Company has optioned the Frotet-Robert property located on the Northeast of Chibougamau in Québec. According to the terms of the option agreement, the Company will acquire a 100% interest in the Frotet-Robert property by making cash payment of \$5,000 at signing, issuing 200,000 common shares (200,000 shares issued for an amount of \$61,000) to the seller over a two year period and expend \$150,000 (\$156,011 incurred) in exploration expenditures on the property over a two year period. A 250,000 common shares bonus will be granted at production stage. The seller retains a net smelter return royalty of 2%, half of which may be bought back by the Company for \$1,000,000. The Company has acquired a 100% interest in the property (see notes 5 and 6).

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

12. Commitments (Continued):

d) 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 \$500,000 minimum (\$845,741 incurred) for the first two years (see note 6).

e) Mercier Property:

On November 8, 2007, the Company has signed an option agreement with a private company that confers the possibility to acquire a 100% interest in the Mercier Property located a hundred kilometers east of Senneterre, Province of Quebec. Under the terms of the agreement, the Company will pay \$25,000 cash (paid) and will issue 100,000 common shares (issued for an amount of \$66,000) to the vendor upon signature. The property will then be subjected to a 2% NSR of which 1% can be bought back at any time for \$1,500,000. This amount can be paid in cash or by shares or a mix of cash and share as established between both parties. The Company has acquired a 100% interest in the property (see notes 5 and 6).

f) James Bay Wemindji property:

Under a joint venture agreement between the Company ("Threegold"), Dianor Resources Inc. ("Dianor"), Metalex Ventures Limited ("Metalex") and Wemindji Exploration Inc. ("Wemex") dated April 17, 2008; Wemex has ceased to have an interest in the non-diamond part and Dianor has transferred all of its right, title and interest in the non-diamond part to Threegold. Threegold agrees with Metalex and Wemex that Threegold assumes and will perform all the obligations of Dianor under the agreement insofar as they apply to the non-diamond part, which is the reimbursement of certain costs of deferred exploration expenses relating to certain claims already staked. In the event of the discovery of non-diamond part on the Wemindji Property, each party to the joint venture agreement, Metalex and Threegold, will have the right to a 50% interest in all claims staked and/or acquired on the property. Dianor agrees that such transfer shall not relieve Dianor of liability in the event of the non-performance of the said obligations assumed by Threegold.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

13. Related party transactions:

The Company incurred professional fees amounting to \$28,985 (\$39,501 in 2007) with a law firm of which one of the employees is also a Director of the Company. The Company incurred rent expenses of \$14,114 (\$9,450 in 2007), management fees of \$98,038 (\$101,683 in 2007) and salaries and fringe benefits of \$30,180 (\$27,942 in 2007) with a shareholder.

Furthermore, the Company made transactions with a company which is controlled by the president of the Company. The Company incurred \$71,431 (\$83,406 in 2007) for professional services in geology, representation and travelling expenses and paid \$25,000 in cash and issued 100,000 common shares of the Company for an amount of \$66,000 for the acquisition of a mining property (see note 12 e)).

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 \$37,866 as at December 31, 2008 (\$54,592 in 2007).

14. Financial Instruments:

Financial instrument fair values

The carrying amounts of financial instruments are presented in the balance sheet at fair value or amortized cost according to the Company's accounting policies. Short term financial assets and liabilities, which include cash, cash reserved for exploration, short-term investments, accounts receivable and accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments.

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.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

14. Financial Instruments (continued):

The effective interest rate on the short-term investments during the year was 3.1% (2007, 4.2%). The average rate at the end of the year was 1.25% (2007, 4.25%) with investments cashable at anytime.

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, 2008, 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.

THREEGOLD RESOURCES INC.

Notes to financial statements

Years ended December 31, 2008 and 2007

14. 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, 2008 are as follows:

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liability	568,877	568,877	-	-	-
Total	568,877	568,877	-	-	-

As at December 31, 2008 the Company had \$1,175,200 in cash.

15. 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.

16. Comparative figures

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

GENERAL INFORMATION

EXCHANGE LISTING

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Symbol: THG

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Antoine Fournier, P.Geo
Richard Tanguay
John Ryder, P.Geo
Octavio Soares, FCA
Kosta Kostic, Company Secretary

