



**TNR GOLD CORP.
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TNR GOLD CORP.

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

**NINE MONTH PERIOD ENDED
September 30, 2008**

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2008

TNR GOLD CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

	September 30, 2008	December 31, 2007 (Audited)
ASSETS		
Current		
Cash	\$ 429,947	\$ 1,067,624
Receivables (Note 4)	55,569	72,523
Marketable securities (Note 5)	40,390	67,735
Prepays	<u>16,497</u>	<u>11,410</u>
	542,403	1,219,292
Equipment (Note 6)	182,555	141,117
Mineral properties (Note 7)	1,546,019	1,534,146
Deferred exploration costs (Note 8)	<u>11,719,993</u>	<u>7,688,115</u>
	<u>\$ 13,990,970</u>	<u>\$ 10,582,670</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	<u>\$ 1,099,737</u>	<u>\$ 524,558</u>
Shareholders' equity		
Capital stock (Note 9)	24,102,126	20,683,912
Contributed surplus (Note 9)	3,354,427	1,732,642
Deficit	<u>(14,565,320)</u>	<u>(12,358,442)</u>
	<u>12,891,233</u>	<u>10,058,112</u>
	<u>\$ 13,990,970</u>	<u>\$ 10,582,670</u>

Basis of presentation (Note 1)

Contingency (Note 15)

Subsequent events (Note 16)

On behalf of the Board:

“Gary Schellenberg”

Director

“Paul Chung”

Director

The accompanying notes are an integral part of these consolidated financial statements.

TNR GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2008	Three Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2008	Nine Month Period Ended September 30, 2007
EXPENSES				
Administration fees	\$ 4,500	\$ 5,123	\$ 13,515	\$ 11,127
Amortization	10,035	3,100	30,074	9,698
Argentina administration	53,854	58,550	130,567	142,321
Bank charges	21,140	2,341	63,610	8,647
Consulting fees	31,020	22,390	110,649	60,643
Filing fees	2,332	(9,931)	13,428	16,068
Management fees	24,475	25,000	69,475	55,000
Office and miscellaneous	41,652	28,467	125,411	56,861
Professional fees	73,953	40,111	204,432	125,789
Property investigation	1,518	5,571	17,785	5,571
Rent	9,005	8,782	26,895	26,314
Shareholder communications	14,904	6,982	86,699	24,267
Stock-based compensation (Note 9)	309,065	-	1,060,889	136,693
Transfer agent fees	1,045	906	6,481	6,927
Travel and promotion (recovery)	7,687	(5,037)	63,109	54,423
Loss before other items	<u>(606,185)</u>	<u>(192,355)</u>	<u>(2,023,019)</u>	<u>(740,349)</u>
OTHER ITEMS				
Administration recoveries	-	-	-	639
Interest income	5,888	21,938	28,567	34,027
Loss on foreign exchange	(57,745)	(566)	(123,175)	(13,380)
Unrealized loss on marketable securities (Note 5)	(34,441)	(19,105)	(89,251)	(26,105)
	<u>(86,298)</u>	<u>2,267</u>	<u>(183,859)</u>	<u>(4,819)</u>
Loss for the period	<u>(692,483)</u>	<u>(190,088)</u>	<u>(2,206,878)</u>	<u>(745,168)</u>
Deficit, beginning of period	<u>(13,872,837)</u>	<u>(11,545,793)</u>	<u>(12,358,442)</u>	<u>(10,990,713)</u>
Deficit, end of period	<u>\$ (14,565,320)</u>	<u>\$ (11,735,881)</u>	<u>\$ (14,565,320)</u>	<u>\$ (11,735,881)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	77,561,983	64,242,609	72,570,284	56,547,126

The accompanying notes are an integral part of these consolidated financial statements.

TNR GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2008	Three Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2008	Nine Month Period Ended September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (692,483)	\$ (190,088)	\$ (2,206,878)	\$ (745,168)
Items not affecting cash:				
Accrued interest income	(2,349)	-	(5,471)	-
Amortization of equipment	10,035	3,100	30,074	9,698
Stock-based compensation	309,065	-	1,060,889	136,693
Unrealized loss on marketable securities (Note 5)	34,441	19,105	89,251	26,105
Changes in non-cash working capital items:				
(Increase) decrease in receivables	7,856	9,290	22,425	(35,249)
(Increase) decrease in prepaid expenses	165,149	(58,261)	(5,087)	(58,277)
Increase (decrease) in accounts payable and accrued liabilities	<u>(114,757)</u>	<u>7,357</u>	<u>(275,847)</u>	<u>27,403</u>
Net cash used in operating activities	<u>(283,043)</u>	<u>(209,497)</u>	<u>(1,290,644)</u>	<u>(638,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties	(9,928)	(54,117)	(11,873)	(163,132)
Deferred exploration costs	(916,015)	(384,392)	(3,303,699)	(697,781)
Recovery of deferred exploration costs	33,419	28,711	71,440	440,646
Purchase of equipment	361	(2,111)	(71,512)	(6,683)
Reclamation bond	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>
Net cash used in investing activities	<u>(892,163)</u>	<u>(411,909)</u>	<u>(3,315,644)</u>	<u>(428,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital stock issued	-	25,000	4,136,342	3,099,000
Share issuance costs	-	(5,098)	(167,731)	(69,074)
Share subscriptions received in advance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>19,902</u>	<u>3,968,611</u>	<u>2,879,926</u>
Change in cash during the period	(1,175,206)	(601,504)	(637,677)	1,812,181
Cash, beginning of period	<u>1,605,153</u>	<u>2,695,555</u>	<u>1,067,624</u>	<u>281,870</u>
Cash, end of period	<u>\$ 429,947</u>	<u>\$ 2,094,051</u>	<u>\$ 429,947</u>	<u>\$ 2,094,051</u>

Supplemental disclosures with respect to cash flows (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

TNR GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
SEPTEMBER 30, 2008

1. BASIS OF PRESENTATION

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Compania Minera Solitario de Argentina S.A., Compania Minera San Juan S.A., and 0828073 BC Ltd. These consolidated financial statements also include the accounts of Bristol Explorations Co. Inc., a wholly owned subsidiary of 0828073 BC Ltd. All inter-company transactions and accounts have been eliminated upon consolidation.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2007. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2007. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

2. NATURE OF OPERATIONS

The Company was incorporated under the laws of the Province of British Columbia and is in the business of exploring and developing its mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2008 the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants (“CICA”):

(i) Assessing going concern – Section 1400

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity’s ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity’s ability to continue as a going concern. The adoption of this standard did not have an impact on our financial statements.

(ii) Capital disclosures – Section 1535

This new pronouncement establishes standards for disclosing information about an entity’s capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

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3. ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd...)

(iii) Financial Instruments – Section 3862 and 3863 – Disclosure and Presentation

These new standards require additional disclosures to enable users to evaluate the significance of financial instruments for an entity's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from financial instruments.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. RECEIVABLES

The Company's receivables are comprised of \$30,451 (2007 - \$30,451) owed by Geocom Resources Inc. for exploration expenditures incurred on the Lake Iliamna property; \$5,471 (2007 - \$19,484) in accrued interest on guaranteed investment certificates; \$14 (2007 - \$14) for a shareholder communications overpayment and \$19,633 (2007 - \$22,574) in refundable Goods and Services tax owed to the Company.

5. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

	September 30, 2008		December 31, 2007	
	Market Value	Cost	Market Value	Cost
Geocom Resources Inc. ("Geocom") 200,000 common shares (December 31, 2007 – 200,000 common shares)	\$ 18,000	\$ 75,328	\$ 34,000	\$ 75,328
La Mancha Resources Inc. ("La Mancha") 41,500 common shares (December 31, 2007– 14,500 common shares)	6,640	30,746	6,235	18,715
Latin American Minerals Inc. ("Latin American") 112,500 common shares (December 31, 2007 – 25,000 common shares)	15,750	66,625	27,500	16,750
	\$ 40,390	\$ 160,668	\$ 67,735	\$ 110,793

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5. MARKETABLE SECURITIES (cont'd...)

On April 2, 2008, the Company received 87,500 common shares of Latin American valued at \$49,875 pursuant to the option agreement on the La Carolina property (Solitario).

On July 14, 2008, the Company received 27,000 common shares of La Mancha valued at \$12,031 pursuant to the option agreement on the La Ortiguita property (Solitario).

During the nine month period ended September 30, 2008, the Company adjusted its marketable securities to their fair market value. The Company recorded unrealized losses of \$16,000, \$61,625 and \$11,626 on its Geocom, Latin American and La Mancha shares respectively. At September 30, 2008, the Company recorded a net unrealized loss of \$89,251 (December 31, 2007 - \$26,730) on its marketable securities.

6. EQUIPMENT

Equipment is recorded at cost less accumulated amortization. Amortization is provided annually over the estimated useful life using the following methods:

Computer equipment	30% declining balance
Drill rig and equipment	20% declining balance
Mining analyzer	20% declining balance
Office furniture	20% declining balance
Telephone equipment	30% declining balance
Vehicle	20% declining balance

	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 29,694	\$ 13,727	\$ 15,967
Drill rig and equipment	180,615	94,059	86,556
Mining analyzer	50,640	4,495	46,145
Office furniture	30,227	16,696	13,531
Telephone equipment	9,480	6,614	2,866
Vehicle	<u>34,554</u>	<u>17,064</u>	<u>17,490</u>
	\$ 335,210	\$ 152,655	\$ 182,555

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7. MINERAL PROPERTIES

Mineral property acquisition costs relate to the following properties:

	September 30, 2008	December 31, 2007
Argentina		
Solitario Properties	\$ 595,728	\$ 595,728
El Salto	26,743	16,870
El Tapau	108,091	108,091
Eureka	<u>317,200</u>	<u>317,200</u>
	<u>1,047,762</u>	<u>1,037,889</u>
United States		
Shotgun Claims (Alaska)	427,686	425,686
Lake Iliamna-Bristol Bay (Alaska)	<u>70,571</u>	<u>70,571</u>
	<u>498,257</u>	<u>496,257</u>
	<u>\$ 1,546,019</u>	<u>\$ 1,534,146</u>

Title to mineral property interests

Title to mineral property interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Solitario Properties (Argentina)

The Company holds interests in several mineral property interests in Argentina. The Company entered into agreements with respect to their mineral property interests as follows:

Batidero Property (Argentina)

The Company granted an option to Tenke Mining Corporation (“Tenke”), a company with a former common director, to acquire a 75% interest in the Batidero mineral properties. Tenke issued 184,000 common shares and incurred exploration expenses totalling \$2,000,000 to earn its interest.

During the year ended December 31, 2007, Tenke transferred its interest to Suramina Resources Inc. (“Suramina”).

Suramina and the Company are currently negotiating a joint venture agreement to share all future costs and revenues on a pro-rata basis.

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7. MINERAL PROPERTIES (cont'd...)

La Carolina Property (Argentina)

The Company granted an option to Geocom, a company with a common director, to acquire a 50% interest in the La Carolina Property in San Luis, Argentina. Pursuant to the agreement, Geocom issued 200,000 common shares at a value of \$102,500 to earn its interest.

The Company and Geocom entered into an agreement during the year ended December 31, 2005 with Latin American to grant an option to earn a 75% interest in the property.

Latin American is required to:

- i) incur exploration expenditures of US\$1,000,000 by April 4, 2011, providing a minimum expenditure of US\$50,000 on or before April 4, 2007 (incurred), and,
- ii) pay a total of US\$125,000 (received) and issue 125,000 shares (received) of Latin American to the Company and Geocom by April 4, 2010.

Upon full vesting of its 75% interest in the property, Latin American issued an additional 100,000 common shares divided equally between Geocom and the Company.

On April 16, 2008, the Company's joint venture partner, Latin American announced that it has optioned part of its 75% interest in the La Carolina property to CHC Venture Capital S.A. ("CHC").

Under the terms of the option, CHC has the right to acquire a 51% interest in the property from Latin American's 75% interest by making escalating cash payments totaling US\$1,090,000 over four years and by expending US\$750,000 each year over four years (US\$3,000,000 in aggregate) on exploration of the property. No interest is earned by CHC until all of its obligations have been satisfied.

Los Azules (Argentina)

The Company granted Xstrata PLC ("Xstrata") an option to acquire a 100% interest in the Los Azules project in Argentina.

Xstrata earned its 100% interest by making cash payments totaling US\$560,000 (received) and incurring exploration expenditures totalling US\$1,000,000.

The Company has an option to repurchase a 25% interest upon completion of a feasibility study.

La Ortiguita (Argentina)

The Company entered into an agreement during the 2006 fiscal year and an amended agreement in July 2007 granting La Mancha an option to acquire a 75% undivided interest in the La Ortiguita Property located in the San Juan Province of Argentina.

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7. MINERAL PROPERTIES (cont'd...)

La Ortiguita (Argentina) (cont'd...)

To earn its interest, La Mancha was required to pay US\$192,000 (US\$106,000 received), issue 167,500 common shares (41,500 received at a value of \$30,746), and incur exploration expenditures totalling US\$3,630,000 (US\$957,000 incurred to date) over the remaining period as follows:

- a) Pay US\$33,000 (received), issue 27,000 shares (received at a value of \$12,031) and incur exploration expenditures of US\$450,000 (incurred) on or before July 15, 2008;
- b) Pay US\$43,000, issue 49,500 shares and incur exploration expenditures of US\$1,080,000 on or before July 15, 2009; and
- c) Pay US\$43,000, issue 76,500 shares and incur exploration expenditures of US\$1,600,000 on or before July 15, 2010.

La Mancha will earn a 42.66% interest upon fulfilment of terms a) and b) and a 75% interest upon the fulfilment of all the terms. The Company will retain a 1.5% net smelter return (“NSR”) royalty purchasable by La Mancha for US\$1,500,000 before July 15, 2010.

El Salto (Argentina)

In 2006, the Company acquired an option to earn a 100% interest in the El Salto property, located in San Juan Province, Argentina. To earn its 100% interest, the Company will pay a total of US\$100,000 and incur US\$1,000,000 in exploration expenditures over five years as follows:

- i) Pay US\$8,000 upon signing (paid);
- ii) Pay US\$7,000 (paid) and incur exploration expenditures of US\$75,000 (incurred) on or before August 1, 2007;
- iii) Pay US\$10,000 (paid) and incur additional exploration expenditures of US\$150,000 (incurred) on or before August 1, 2008;
- iv) Pay US\$20,000 and incur additional exploration expenditures of US\$175,000 on or before August 1, 2009;
- v) Pay US\$25,000 and incur additional exploration expenditures of US\$250,000 on or before August 1, 2010; and
- vi) Pay US\$30,000 and incur additional exploration expenditures of US\$350,000 on or before August 1, 2011.

The property is subject to a 1% NSR royalty. The Company has the option to purchase the property outright for US\$500,000 at any time during the exploration period by making five payments of US\$100,000 over the period of five years. If the Company exercises this option, the 1% NSR as well as the exploration expenditures requirement will no longer be applicable.

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7. MINERAL PROPERTIES (cont'd...)

El Tapau (Argentina)

On August 29, 2007, the Company signed a letter of agreement with Petra Gold Servicio Mineros (“Petra”) and Gustavo Pezzani (both of which are related parties) to earn a 70% interest of their 75% interest in the El Tapau property located in the San Juan Province of Argentina. To earn its 70% interest, the Company will pay a total of US\$1,000,000 over five years and incur US\$3,000,000 in exploration expenditures over four years as follows:

- i) Pay US\$25,000 upon signing (paid)
- ii) Pay US\$75,000 upon execution of a Formal Agreement (paid)
- iii) Pay US\$100,000 and incur exploration expenditures of US\$500,000 (incurred) on or before December 10, 2008;
- iv) Pay US\$125,000 and incur exploration expenditures of US\$500,000 on or before December 10, 2009;
- v) Pay US\$175,000 and incur exploration expenditures of US\$1,000,000 on or before December 10, 2010;
- vi) Pay US\$200,000 and incur exploration expenditures of US\$1,000,000 on or before December 10, 2011; and
- vii) Pay US \$300,000 on or before December 10, 2012.

The property is subject to a 2% NSR royalty. The Company has the option to purchase the NSR royalty at any time for US\$2,000,000.

Eureka (Argentina)

On March 21, 2007, the Company signed an option agreement to acquire a 75% interest in the Eureka property, a copper-gold prospect located in the Jujuy province of Argentina. To exercise this option, the Company must expend a total of US\$3,000,000 in exploration and option payments as follows:

- i) Pay a total of US\$350,000 by December 19, 2008 (US\$200,000 paid to date)
- ii) Incur minimum exploration expenditures of US\$500,000 per year with a total of US\$2,650,000 being incurred before April 30, 2010.

Once the Company has earned its 75% interest, the Company is required to pay every six months after December 19, 2008 US\$150,000 until the property is put into production.

On June 1, 2007, the Company issued 750,000 warrants exercisable at \$0.25 per share until June 1, 2009 with a value of \$51,338. These warrants were issued as finders’ fees for the Eureka property option agreement and in accordance with the finders’ agreement, 450,000 warrants were exercisable at December 31, 2007, with the remaining 300,000 warrants exercisable at April 30, 2008.

On October 23, 2007, the Company acquired additional claims at the Eureka property for US\$30,000.

On November 22, 2007, the Company acquired an option to acquire additional claims at the Eureka property for US\$15,000. The Company did not exercise this option by June 1, 2008 but it has the right of first refusal on the claims until June 1, 2009.

7. MINERAL PROPERTIES (cont'd...)

Eureka Agreement Amendment

On April 29, 2008, the Company and the Eureka property optionor amended the property option agreement. The Company discovered the existence of an event of *force majeure* under section 7 of the property option agreement which makes it impossible to incur the US\$500,000 in exploration expenditures by April 30, 2008.

The *force majeure* refers to the lack of approval of the environmental impact report filed by the optionor for the purpose of performing exploration activities on the Eureka property.

The amended property option agreement will provide the Company with a 90 day extension from the date the environmental impact report is approved.

Shotgun Claims (Alaska)

The Company has a 50% interest in certain unpatented mineral claims located in the Kuskokwim and Bristol Bay district, Alaska.

The claims are subject to a 5% net proceeds royalty.

On September 17, 2008, the Company transferred its 50% interest in the Shotgun property to Bristol Explorations Co. Inc. ("Bristol"). Bristol is a subsidiary of 0828073 BC Ltd. which is a wholly owned subsidiary of the Company. The transfer was comprised of \$427,686 in acquisition costs and \$4,807,805 in deferred exploration costs.

Lake Iliamna-Bristol Bay (Alaska)

The Company previously entered into a farm-out agreement with BHP Billiton Mineral Exploration Inc. ("BHPB") to acquire the right to earn a 70% interest in certain mineral claim blocks located in the Lake Iliamna-Bristol Bay area, Alaska.

During the year ended December 31, 2003, the Company granted an option to Geocom to earn a 75% interest in the Company's 70% interest in the Lake Iliamna project. To earn its interest, Geocom expended a minimum of US\$500,000 in exploration costs prior to September 26, 2004. Geocom is subject to the same terms and conditions as the Company on the amended farm-out agreement with BHPB.

Through a series of amended agreements with BHPB, the amendment is as follows:

- i) The Company issued 1,000,000 share purchase warrants to BHPB. The fair market value of these warrants using the Black-Scholes option pricing model was \$30,571 and is included in acquisition costs. The warrants are exercisable at an exercise price of \$0.40 per share until November 10, 2006 (expired unexercised);
- ii) The Company completed a drilling program on the D claims and delivered to BHPB all drilling and assay results therefrom and a drilling program on the H claims.

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7. MINERAL PROPERTIES (cont'd...)

Lake Iliamna-Bristol Bay (Alaska) (cont'd...)

BHPB had the right to back in to a 70% ownership of the D claims by financing the project to a feasibility study and to an 80% ownership by financing the property to bring a mine into commercial production. BHPB did not exercise its right. The Company and Geocom agreed to enter into an amended agreement (not completed) on the D Claims on a pro-rata basis of 49% and 51% respectively of the Company's 70% interest. Upon completion of the amended agreement, the Company, Geocom will enter into a joint venture agreement on the D Claims.

BHPB had the right to back into a 70% interest and take over operation of the project. BHPB did not exercise its right. The Company agreed with Geocom to enter into an amended agreement (not completed) on the H claims whereby the original interest of Geocom earning 75% of the Company's 70%, which will in turn enter into a joint venture with BHPB ("BHP JV") on the H claims.

On June 26, 2008, BHPB assigned and transferred all of BHPB's rights, title and interest under the property agreement, consisting of a 30% undivided interest in the Lake Iliamna-Bristol Bay property to the Company. Geocom and the Company are currently negotiating the final terms on a fair ownership split for the Lake Iliamna-Bristol Bay property.

On September 17, 2008, the Company transferred its interest in the Lake Iliamna-Bristol Bay property to Bristol Explorations Co. Inc. ("Bristol"). Bristol is a subsidiary of 0828073 BC Ltd. which is a wholly owned subsidiary of the Company. The transfer was comprised of \$70,571 in acquisition costs and \$392,768 in deferred exploration costs.

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8. DEFERRED EXPLORATION COSTS

Deferred exploration costs for the nine month period ended September 30, 2008 were incurred on properties in Alaska and Argentina as follows:

2008	Solitario Properties, Argentina	El Salto, Argentina	El Tapau, Argentina	Eureka, Argentina	Shotgun Claims, Alaska	Lake Illiamna Bristol Bay, Alaska	Total
Deferred exploration costs, beginning of period	\$ 1,516,774	\$ 569,712	\$ 406,322	\$ 157,028	\$ 4,709,979	\$ 328,300	\$ 7,688,115
Additions during the period							
Administrative	1,187	286	137	238	686	-	2,534
Assays	-	74,696	44,215	23,032	2,744	-	144,687
Camp costs	-	1,019	178	-	140	-	1,337
Drilling	-	1,004,621	330,845	-	-	-	1,335,466
Field expenditures	529	354,620	305,817	24,794	25,275	-	711,035
Field personnel	52	206,108	335,352	35,923	135	-	577,570
Geological consulting	51,515	100,289	54,146	29,676	27,997	55,854	319,477
Geophysical	-	1,711	-	36,756	-	-	38,467
Maintenance	97,169	314,761	187,540	39,792	-	-	639,262
Mapping	-	6,014	10,926	5,374	298	-	22,612
Miscellaneous	3,059	3,248	2,202	30,818	-	-	39,327
Mobilization	-	-	-	7,007	-	-	7,007
Property leases and taxes	5,601	3,673	1,898	8,986	-	8,614	28,772
Staking fees	3,417	-	-	-	39,248	-	42,665
Stock-based compensation	-	10,500	-	-	-	-	10,500
Transportation and freight	10	65	48	-	85	-	208
Travel and related	-	148,274	55,303	39,503	1,218	-	244,298
	<u>162,539</u>	<u>2,229,885</u>	<u>1,328,607</u>	<u>281,899</u>	<u>97,826</u>	<u>64,468</u>	<u>4,165,224</u>
Costs recovered	<u>(133,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,346)</u>
Deferred exploration costs, end of period	\$ 1,545,967	\$ 2,799,597	\$ 1,734,929	\$ 438,927	\$ 4,807,805	\$ 392,768	\$ 11,719,993

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Unlimited Class "A" non-voting convertible redeemable shares, without par value			
Balance, December 31, 2007	64,809,844	\$ 20,683,912	\$ 1,732,642
Exercise of options	125,000	30,000	-
Exercise of warrants	2,881,139	781,342	-
Private placement	9,500,000	2,896,837	428,163
Share issue costs	-	(314,990)	147,259
Finders' fees	246,000	86,100	-
Finders' fees	-	(86,100)	-
Adjustment for exercised options	-	21,844	(21,844)
Adjustment for exercised warrants	-	3,181	(3,181)
Stock-based compensation	-	-	1,071,388
Balance, September 30, 2008	77,561,983	\$ 24,102,126	\$ 3,354,427

On April 1, 2008, the Company cancelled 1,974,907 Series "A" shares with a stated value of \$Nil.

Private Placement

On April 17, 2008, the Company completed a brokered private placement of 9,500,000 units ("Units") at \$0.35 per Unit for gross proceeds of \$3,325,000. Each Unit consisted of one common share and one half transferable share purchase warrant. Each full warrant is exercisable into one additional common share of the Company at \$0.50 until October 17, 2009. Of the total consideration, \$2,896,837 was allocated to capital stock and \$428,163 was allocated to contributed surplus as fair value for the transferable warrants.

The Company paid a commission of \$123,375 and issued 246,000 units valued at \$86,100 with the same terms and conditions as the private placement. The Company also issued 769,500 agents' warrants which entitle the holders to purchase one common share at \$0.50 per common share until October 17, 2009. The fair value of the agents' warrants of \$147,259 was recorded as share issue costs. An additional \$44,356 in legal, filing fees and expenses related to the private placement were also recorded to share issue costs.

Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Stock Options (cont'd...)

As at September 30, 2008, the following incentive stock options are available:

Number of Shares	Exercise Price	Expiry Date
1,600,000	\$ 0.20	May 17, 2009
45,000	0.23	September 6, 2011
1,250,000	0.20	December 11, 2011
400,000	0.35	November 1, 2012
1,800,000	0.25	January 18, 2013
600,000	0.30	April 9, 2013
<u>1,450,000</u>	0.20	September 2, 2013
7,145,000		

As at September 30, 2008, the following incentive stock options are fully vested:

Number of Shares	Exercise Price	Expiry Date
1,600,000	\$ 0.20	May 17, 2009
45,000	0.23	September 6, 2011
1,250,000	0.20	December 11, 2011
300,000	0.35	November 1, 2012
1,800,000	0.25	January 18, 2013
600,000	0.30	April 9, 2013
<u>1,450,000</u>	0.20	September 2, 2013
7,045,000		

Exercised Stock Options

On January 20, 2008, the Company received \$25,000 from the exercise of 100,000 stock options at \$0.25 per share with a January 20, 2008 expiry date. Capital stock and contributed surplus were each adjusted by \$16,690 for stock-based compensation previously recorded on these exercised stock options.

On April 4, 2008, the Company received \$5,000 from the exercise of 25,000 stock options at \$0.20 per share with a December 11, 2011 expiry date. Capital stock and contributed surplus were each adjusted by \$5,154 for stock-based compensation previously recorded on these exercised stock options.

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Expired Stock Options

On January 20, 2008, 875,000 stock options exercisable at \$0.25 per share expired unexercised.

Cancelled Stock Options

On June 1, 2008, the Company cancelled 75,000 stock options exercisable at \$0.23 per share with a September 6, 2011 expiry date.

Stock-based compensation

On January 18, 2008, the Company granted 1,800,000 incentive stock options at \$0.25 per share which will expire on January 18, 2013. The Company recognized \$477,435 in stock-based compensation on the consolidated statements of operations and deficit with a corresponding entry to contributed surplus on the balance sheet.

On February 1, 2008, the Company recognized \$26,908 in stock-based compensation for the vesting of 100,000 stock options.

On March 6, 2008, the Company recognized \$1,057 in stock-based compensation for the vesting of 15,000 stock options.

On April 9, 2008, the Company granted 600,000 stock options to a special adviser and an employee which are exercisable at \$0.30 per share until April 9, 2013. The Company recognized \$207,677 in stock-based compensation on the consolidated statements of operations and deficit with a corresponding entry to contributed surplus on the balance sheet.

On May 1, 2008, the Company recognized \$26,908 in stock-based compensation for the vesting of 100,000 stock options.

On August 1, 2008, the Company recognized \$26,908 in stock-based compensation for the vesting of 100,000 stock options.

On September 2, 2008, the Company granted 1,450,000 stock options to an officer, an employee, directors and consultants which are exercisable at \$0.20 per share until September 2, 2013. The Company recognized \$293,996 in stock-based compensation on the consolidated statements of operations and deficit with a corresponding entry to contributed surplus on the balance sheet. An additional \$10,500 of stock-based compensation was capitalized to deferred exploration costs.

The following weighted average assumptions were used for the Black-Scholes option-pricing model calculation of stock options granted during the period:

	2008
Risk-free interest rate	3.21%
Expected life of options	5 years
Expected annualized volatility	278.79%
Dividend	-

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants

At September 30, 2008, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
7,510,061	\$ 0.50	May 15, 2009
1,287,819	0.25	May 15, 2009
750,000	0.25	June 1, 2009
<u>5,642,500</u>	0.50	October 17, 2009
<u>15,190,380</u>		

Expired Warrants

On January 18, 2008, 87,500 warrants exercisable at \$0.25 per share expired unexercised.

On May 1, 2008, 950,000 warrants exercisable at \$0.27 per share expired unexercised.

Exercised Warrants

On January 8, 2008, the Company received \$6,250 from the exercise of 25,000 warrants at \$0.25 per share with a January 18, 2008 expiry date.

On January 18, 2008, the Company received \$18,750 from the exercise of 75,000 warrants at \$0.25 per share with a January 18, 2008 expiry date.

On February 15, 2008, the Company received \$54,342 from the exercise of 181,139 warrants at \$0.30 per share with a May 15, 2008 expiry date. Capital stock and contributed surplus were each adjusted by \$3,181 for stock-based compensation previously recorded on these exercised warrants.

On April 10, 2008, the Company received \$135,000 from the exercise of 500,000 warrants at \$0.27 per share with a May 1, 2008 expiry date.

On April 28, 2008, the Company received \$540,000 from the exercise of 2,000,000 warrants at \$0.27 per share with a May 1, 2008 expiry date.

On May 1, 2008, the Company received \$27,000 from the exercise of 100,000 warrants at \$0.27 per share with a May 1, 2008 expiry date.

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10. RELATED PARTY TRANSACTIONS

During the nine month period ended September 30, 2008, the Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements:

- a) Paid or accrued \$69,475 (2007 - \$55,000) for management fees to a company controlled by a director.
- b) Paid or accrued \$13,500 (2007 - \$11,000) for administration fees to the spouse of a director.
- c) Paid or accrued deferred exploration costs of \$132,641 (2007 - \$160,375) to two companies having common directors.
- d) Paid or accrued \$23,296 (2007- \$22,770) for rent to a company having common directors.
- e) Paid or accrued \$92,065 (2007 - \$56,697) for consulting fees to two companies controlled by a common director and an officer.
- f) On March 15, 2007, the Company received a \$100,000 short term non-interest bearing loan with no formal terms of repayment from a company controlled by common directors. On May 16, 2007, the Company repaid the \$100,000 loan.

On August 29, 2007, the Company paid \$24,726 (US\$25,000) to a company controlled by a common director pursuant to the El Tapau property option agreement.

Included in accounts payable and accrued liabilities at September 30, 2008 is \$81,635 (2007 - \$47,311) due to a company controlled by an officer, a company controlled by a director, a spouse of a director and two companies controlled by common directors.

Included in receivables at September 30, 2008 is \$30,451 (2007 - \$30,451) due from a company with a common director for exploration expenditure recoveries.

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

11. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants. As the Company is in the exploration stage its principal source of funds is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's property exploration plans to ensure the growth of activities.

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12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, marketable securities, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

The Company does not believe it is subject to any significant credit risk although cash is held in excess of federally insured limits, with major financial institutions.

Currency risk

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

Risk management

The Company's largest non-monetary assets are its mineral exploration interests in Alaska and Argentina. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments.

The Company does not maintain significant other monetary assets or liabilities in Argentina. The Company relies on local consultants for the management of its exploration activities and for legal and accounting matters.

13. SEGMENTED INFORMATION

The Company operates in one business segment which is the exploration of mineral properties. Geographic information is as follows:

2008	Mineral Properties	Deferred Exploration Costs	Equipment
Capital assets			
Argentina	\$ 1,047,762	\$ 6,519,420	\$ 87,673
Canada	-	-	8,326
United States	<u>498,257</u>	<u>5,200,573</u>	<u>86,556</u>
	<u>\$ 1,546,019</u>	<u>\$ 11,719,993</u>	<u>\$ 182,555</u>

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14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2008	2007
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions during the nine month period ended September 30, 2008 included:

- a) On April 2, 2008, the Company received 87,500 common shares of Latin American Minerals Inc. valued at \$49,875 pursuant to the option agreement on the La Carolina property.
- b) On April 17, 2008, the Company issued 246,000 units valued at \$86,100 as commission in connection with the 9,500,000 unit private placement.
- c) On April 17, 2008, the Company issued 769,500 agent warrants valued at \$147,259 in connection with the 9,500,000 unit private placement.
- d) On July 14, 2008, the Company received 27,000 common shares of La Mancha Resources Inc. valued at \$12,031 pursuant to the option agreement on the La Ortiguita property.
- e) On September 2, 2008, the Company capitalized \$10,500 of stock-based compensation to deferred exploration costs.
- f) The Company allocated \$25,025 for stock options and warrants exercised during the period to capital stock from contributed surplus.
- g) The Company accrued deferred exploration costs of \$1,176,571.

Significant non-cash transactions during the nine month period ended September 30, 2007 included:

- a) The Company capitalized \$20,696 as amortization on the drill and equipment to deferred exploration costs.
- b) On March 29, 2007, the Company received 12,500 common shares of Latin American Minerals Inc. valued at \$9,375 pursuant to the option agreement on the La Carolina property.
- c) On May 15, 2007, the Company issued 1,305,000 warrants valued at \$128,881 to the agent as a finder's fee for the 14,500,000 unit private placement.
- d) On May 15, 2007, the Company paid the agent a 7% commission on 12,605,714 of the 14,500,000 unit private placement by issuing an additional 882,400 units valued at \$176,480 which consisted of one common share and one-half non-transferable share purchase warrant.

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14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd...)

- e) On June 1, 2007, the Company issued 750,000 warrants exercisable at \$0.25 per share until June 1, 2009. These warrants were issued as a finder's fee for the Eureka property option agreement. The \$64,976 value of these warrants was capitalized to Eureka acquisition costs.
- f) On September 14, 2007, the Company received 4,500 common shares of La Mancha Resources Inc. valued at \$3,465 pursuant to the option agreement on the La Ortiguita property.

15. CONTINGENCY

On June 30, 2008, the Company commenced an action in the Supreme Court of British Columbia against MIM Argentina Exploraciones S.A. ("MIM") a subsidiary of Xstrata PLC ("Xstrata"). In the action the Company is seeking:

- i) a declaration that the Escorpio IV property is excluded from the Exploration and Option Agreement entered into between the Company's Argentina subsidiary, Compania Minera Solitario S.A. ("Solitario") and MIM governing the Los Azules Project ("the Option Agreement");
- ii) a declaration that the defendant MIM has no contractual right to assert an ownership interest in Escorpio IV;
- iii) such further declaratory relief as may be requested and is appropriate in the circumstances; and
- iv) judgment for damages against MIM.

The Escorpio IV property is registered in the name of Solitario and is adjacent to the western border of the Los Azules property, currently being drilled by Minera Andes Inc., under an Option from MIM. Los Azules is located near the Argentina/Chile border in San Juan province, Argentina.

The Company asserts that on October 20, 2003, MIM assigned to Solitario all of its rights, including any and all rights it had or might be entitled to with respect to Escorpio IV and that Escorpio IV is not a property subject to the Option Agreement.

Further, the Exploration and Option Agreement, to the extent that it purports to terminate Solitario's right to buy back equity in mining and exploration tenures acquired by MIM pursuant to the Exploration and Option Agreement if MIM fails to complete a feasibility study on any part of the properties within 36 months of exercising its option does not reflect the true agreement and common intention of the parties and was the result of a mutual mistake of the parties. The true agreement of the parties was reflected in the Letter of Understanding which provided that Solitario's back-in right subsists until 120 days after completion by MIM of a feasibility study on any part of the acquired properties. The plaintiffs therefore seek rectification of the Exploration and Option Agreement to accord with the true intentions of the parties.

15. CONTINGENCY (cont'd...)

Further, or in the alternative, the 36 month provision in the Exploration and Option Agreement was inserted by MIM without consideration and is unenforceable.

Further, or in the alternative, Solitario says that MIM is in breach of the Exploration and Option Agreement by entering into an agreement or agreement with a third party to undertake exploration work on the acquired properties without requiring the third party to complete a feasibility study on any of the properties within any time frame.

MIM has taken the position that Escorpio IV is or was subject to the Option Agreement, and as such is part of the Los Azules Project earned into by MIM. In the face of MIM's assertion of its position, the Company has been forced to seek the Court's determination of the issue.

16. SUBSEQUENT EVENTS

Promissory Note

On October 28, 2008, the Company signed a promissory note whereby the Company is obligated to pay Major Perforaciones S.A. (the "Lender"), or its assignee, the principal sum of US\$299,828.51 in relation to unpaid drilling invoices, together with accrued interest to date.

The entire outstanding principal balance, (together with any interest that may accrue as a result of default), shall be due and payable in full by the Company to the Lender on January 31, 2009. Interest shall accrue at a rate of 18% per annum, and be payable monthly, on the last day of each month, until January 31, 2009, at which time the principal balance and any then remaining accrued interest will be due and payable. Interest shall also accrue at a rate of 18% on any unpaid principal after default.

The indebtedness may be prepaid in whole or in part, at any time and from time to time, without penalty.