



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

**1100 – 1111 Melville Street  
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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**TNR GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**AS AT**

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 40,047	\$ 2,521
Receivables	75,204	14,729
Prepays	6,872	10,440
Marketable securities (Note 3)	325,496	1,538,532
Convertible debenture receivable (Note 4)	<u>710,577</u>	<u>-</u>
	1,158,196	1,566,222
<b>Convertible debenture receivable (Note 4)</b>	-	319,640
<b>Derivative asset (Note 4)</b>	<u>-</u>	<u>385,350</u>
<b>Total assets</b>	<u>\$ 1,158,196</u>	<u>\$ 2,271,212</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 134,061	\$ 303,385
Loan payable (Note 6)	<u>5,370,101</u>	<u>-</u>
	5,504,162	303,385
<b>Loan payable (Note 6)</b>	<u>-</u>	<u>4,669,653</u>
	<u>5,504,162</u>	<u>4,973,038</u>
<b>Shareholders' deficiency</b>		
Share capital (Note 7)	35,505,199	35,505,199
Reserves (Note 7)	5,411,055	5,055,484
Deficit	<u>(45,262,220)</u>	<u>(43,262,509)</u>
	<u>(4,345,966)</u>	<u>(2,701,826)</u>
<b>Total liabilities and shareholders' deficiency</b>	<u>\$ 1,158,196</u>	<u>\$ 2,271,212</u>

**Nature and continuance of operations (Note 1)**

**Contingency (Notes 5 and 8)**

**On behalf of the Board on November 22, 2018**

\_\_\_\_\_  
*"Kirill Klip"* Director      \_\_\_\_\_  
*"Maurice Brooks"* Director

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

**TNR GOLD CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

(Expressed in Canadian Dollars)

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
<b>OPERATING EXPENSES</b>				
Administration fees (Note 8)	\$ -	\$ -	\$ -	\$ 2,000
Argentina administration (recovery)	5,903	-	(2,931)	3,000
Consulting fees (Note 8)	18,705	21,021	80,828	58,281
Directors' fees (Note 8)	6,000	7,325	18,500	22,500
Foreign exchange (gain) loss	(4,406)	(6,138)	490	(19,724)
Interest and bank charges	234,882	197,500	704,241	586,638
Management fees (Note 8)	9,000	9,000	27,000	40,000
Office and miscellaneous	11,720	2,428	35,688	12,701
Professional fees	27,146	23,939	56,418	92,609
Property expenditures	24,459	67,470	24,459	67,470
Shareholder communications	3,780	1,432	8,944	5,539
Share-based payments (Note 7)	143,693	38,149	355,571	38,149
Transfer agent and filing fees	5,529	760	15,206	10,163
Travel and related	1,191	545	1,838	906
<b>Total operating expenses</b>	<b>(487,602)</b>	<b>(363,431)</b>	<b>(1,326,252)</b>	<b>(920,232)</b>
Interest income (Note 4)	26,465	-	77,958	-
Gain on sale of interest in associate	-	-	-	21,047
Gain on debt settlement	-	-	-	394,269
Unrealized gain (loss) marketable securities (Note 3)	(27,723)	535,692	(472,546)	(268,295)
Unrealized gain (loss) on change in fair value of convertible note (Note 4)	(55,652)	-	(374,773)	-
Realized gain (loss) on marketable securities (Note 3)	(49,530)	(126,014)	(284,458)	(129,342)
Unrealized gain on loss of significant influence	-	-	-	2,009,898
	<b>(106,440)</b>	<b>409,678</b>	<b>(1,053,819)</b>	<b>2,027,577</b>
<b>Income and comprehensive income (loss) for the period</b>	<b>(594,042)</b>	<b>46,247</b>	<b>(2,380,071)</b>	<b>1,107,345</b>
<b>Basic and diluted income (loss) per common share</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>157,016,447</b>	<b>149,816,447</b>	<b>157,016,447</b>	<b>149,816,447</b>

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

**TNR GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ (2,380,071)	\$ 1,107,345
Items not affecting cash:		
Unrealized foreign exchange	-	-
Interest expense	700,448	583,707
Gain on sale of interest in associate	-	-
Gain on debt settlement	-	(394,269)
Realized loss on marketable securities	284,458	108,295
Stock-based payments	355,571	38,149
Unrealized loss on marketable securities	472,546	268,295
Unrealized loss on change in fair value of convertible note	374,773	-
Unrealized gain on loss of significant influence	-	(2,009,898)
Changes in non-cash working capital items:		
Receivables	(60,476)	(182,360)
Prepays	3,568	(2,694)
Accounts payable and accrued liabilities	<u>(169,324)</u>	<u>(24,917)</u>
Net cash used in operating activities	<u>(418,507)</u>	<u>(508,347)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of interest in associate	-	21,540
Purchase of marketable securities	(91,860)	-
Proceeds from sale of marketable securities	<u>547,893</u>	<u>390,451</u>
Net cash provided by investing activities	<u>456,033</u>	<u>411,991</u>
<b>Net change in cash</b>	37,526	(96,356)
<b>Cash, beginning of the period</b>	<u>2,521</u>	<u>116,967</u>
<b>Cash, end of the period</b>	<u>\$ 40,047</u>	<u>\$ 20,611</u>

There were no significant non-cash transaction for the September 30, 2018 period ended.

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

**TNR GOLD CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

(Unaudited)

(Expressed in Canadian Dollars)

	Share capital		Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount				
<b>Balance, December 31, 2016</b>	149,816,447	\$ 35,147,585	\$ 4,959,584	\$ (2,498)	\$ (44,404,086)	\$ (4,299,415)
Sale of interest in associate	-	-	(11,675)	219	-	(11,456)
Loss of significant influence over associate	-	-	-	2,279	-	2,279
Share-based payments	-	-	38,149	-	-	38,149
Comprehensive income for the period	-	-	-	-	1,107,345	1,107,345
<b>Balance, September 30, 2017</b>	149,816,447	\$ 35,147,585	\$ 4,986,058	\$ -	\$ (43,296,741)	\$ (3,163,098)
<b>Balance, December 31, 2017</b>	157,016,447	\$ 35,505,199	\$ 5,055,484	\$ -	\$ (43,262,509)	\$ (2,701,826)
IFRS 9 transition adjustment to opening retained earnings (Note 3)	-	-	-	-	380,360	380,360
Share-based payments	-	-	355,571	-	-	355,571
Comprehensive income for the period	-	-	-	-	(2,380,071)	(2,380,071)
<b>Balance, September 30, 2018</b>	157,016,447	\$ 35,505,199	\$ 5,411,055	\$ -	\$ (45,262,220)	\$ (4,345,966)

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

**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

TNR Gold Corp. (the “Company”) was incorporated on January 14, 1988 under the laws of the Province of British Columbia. The Company’s head office address is Suite 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6. The registered and records office address is Suite 400 – 725 Granville Street, Vancouver B.C. V7Y 1G5. The Company is listed on the TSX Venture Exchange and trades under the stock symbol “TNR”.

The Company is in the business of acquiring and owning royalties which will pay out in future if but only if the related properties go into production. These royalties are currently receivable from companies with copper and lithium operations in Argentina. The company is also in the business of acquiring and exploring its mineral properties located in the United States.

These condensed consolidated interim financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has not generated revenue from operations; additional financing will be required. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company’s ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2017.

**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Significant accounting judgments and estimates**

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of deferred income tax amounts, value of marketable securities, certain financial instruments, impairment testing and calculation of share-based payments. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes pricing model. Value of marketable securities is based on the closing share price on the date of the Statement of Financial Position and may be influenced by trading volume activities. The Company has reviewed its exploration and evaluation assets for indications of impairment and adjusted the carrying values of the exploration and evaluation assets to reflect management's decision to impair certain properties. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred tax assets. Management is required to make estimates when determining the valuation of its convertible debenture receivable. The convertible debenture receivable required option pricing models that involved various estimates and assumptions.

The most significant judgments relate to the functional currency of the Company and its subsidiaries and previously the determination to apply equity accounting on its investment in associate which was based on significant influence resulting from common directorship.

**Adoption of new accounting standard**

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking ‘expected loss’ impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.
- The adoption of the new “expected credit loss” impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.
- Prior periods were not restated and no material changes resulted from adopting this new standard.

IFRS 9 resulted in the Company no longer separating the embedded derivative from its host contract and the entire asset is measured at fair value through profit or loss. The adoption of IFRS 9 resulted in balances shown as convertible debenture receivable and derivative asset as at December 31, 2017 to be combined into a single figure and shown as convertible debenture receivable as at September 30, 2018. The Company adopted the standard retrospectively.



**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****New standard not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended September 30, 2018 and have not been applied in preparing these condensed interim consolidated financial statements. The new and revised standards are as follows:

- IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.
- IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

**3. MARKETABLE SECURITIES**

	2018	2017
Eastern Zinc Corp. (formerly Cricket Resources Inc. - cost \$26,433)	\$ 3,900	\$ 2,600
Geocom Resources Inc. (cost \$75,328)	-	-
International Lithium Corp. ("ILC") (cost \$594,360)	<u>321,596</u>	<u>1,535,932</u>
Total	<u>\$ 325,496</u>	<u>\$ 1,538,532</u>

In the period ended September 30, 2018, the Company:

- Participated in the private placement of ILC for a total of 900,000 units ("Unit") as a price at a price of \$0.20 per Unit in the amount of \$180,000. Each Unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable at a price \$0.30 for a period of 24 months from closing. The warrants were valued at \$nil.
- Sold 5,370,000 ILC common shares for proceeds of \$547,983 resulting in a realized loss of \$284,458. The adjustment to fair value as at September 30, 2018 resulted in an unrealized loss of \$472,546.

On January 1, 2017, the Company sold 135,000 ILC common shares for proceeds of \$21,540 and recognized a gain of \$21,047. On January 2, 2017, the Company transferred 1,214,710 ILC shares to creditors to settle accounts payables in the amount of \$398,710 and recognized a gain on debt settlement of \$394,269. Following these transactions, the Company determined that it no longer had significant influence over ILC. Consequently, the Company has ceased equity accounting for its investment in ILC and now accounts for the ILC common shares as marketable securities.

**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

**4. CONVERTIBLE DEBENTURE RECEIVABLE AND DERIVATIVE ASSET****Convertible Debentures Receivable**

During the year ended December 31, 2017, the Company invested \$700,000 in the convertible securities of ILC. The convertible securities bear interest at 15% per annum, receivable January 31 of each year, and have a maturity date of January 31, 2019. The Company may convert at any time, all or a portion of the principal into common shares of ILC at a price of \$0.14 per common share. ILC has the right to repay the convertible loan, at any time on the last business day of the month, upon 10 days' notice to the lender. As at September 30, 2018, the Company accrued interest receivables of \$69,616 (December 31, 2017 - \$10,647).

On January 1, 2018, the Company adopted IFRS 9 which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 resulted in the Company no longer separating the embedded derivative from its host contract and the entire asset is measured at fair value through profit or loss. The adoption of IFRS 9 resulted in balances shown as convertible debenture receivable and derivative asset as at December 31, 2017 to be combined into a single figure and shown as convertible debenture receivable as at September 30, 2018.

	September 30, 2018
Convertible debenture receivable, beginning of period	\$ 319,640
IFRS 9 transition adjustment	765,710
Change in fair value of convertible debenture receivable	<u>(374,773)</u>
Convertible debenture receivable, end of period	\$ 710,577

The fair value of the equity conversion option component was estimated on transition date to be \$385,350. As at September 30, 2018, the fair value of the equity conversion option was \$10,577. As a result, an unrealized loss of \$374,773 was recorded. The fair value of the conversion feature is estimated using the Black-Scholes option pricing model assuming a life expectancy of 1.08 years, a risk-free rate of 1.66%, a forfeiture rate of 0%, and volatility of 83.6% on transition date. The fair value of the conversion feature is estimated using the Black-Scholes option pricing model assuming a life expectancy of 0.34 year, a risk-free rate of 2.19%, a forfeiture rate of 0%, and volatility of 61.3% as at September 30, 2018.

**5. EXPLORATION AND EVALUATION ASSETS****Title to Mineral Property Interests**

Title to mineral property interests involves 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.

**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Shotgun Gold Project (Alaska)**

The Company, through its 90% controlled subsidiary Bristol Exploration Co. Inc., owns 100% of certain unpatented mineral claims located in the Kuskokwim and Bristol Bay district, Alaska. NovaGold Resources Alaska, Inc. retains a 2% net smelter returns royalty ("NSR") which can be purchased by the Company for US\$5,000,000 any time prior to a production decision being made. A portion of the claims are subject to a 5% net proceeds royalty.

**Solitario Properties (Argentina)***Los Azules (Argentina)*

The Company has an NSR on the Los Azules Project of 0.36%.

**Mariana Property (Argentina)**

The Company retains a 1.8% NSR royalty on the Mariana Lithium property in Argentina. ILC has a right to repurchase 1.0% of the NSR royalty on the Mariana Lithium property of which 0.9% relates to the Company's NSR interest. The Company would receive \$900,000 on the execution of the repurchase. The project is currently being advanced in a joint venture between ILC and Ganfeng Lithium International Co. Ltd.

**6. LOAN PAYABLE**

The Company has a loan for an original principal amount of \$3,500,000. The loan was restructured in 2015. Under the terms of the restructuring, the Company granted the following financing benefits to the lender ("Lender"):

- a) A 0.04% NSR on the Los Azules copper project in Argentina (Note 5).
- b) A 0.2% NSR on the Mariana property in Argentina (Note 5).
- c) 10% equity interest in the shares of Bristol Exploration Co., Inc. that holds the Shotgun property (Note 5).

The loan accrues interest at a rate of 10% per annum. With consideration to the assets transferred to the lender, the effective interest rate is 20% per annum.

The loan and accrued interest is due and payable on or before December 31, 2018 and is secured by a promissory note and general security agreement. The Company is permitted to, without the Lender's consent, sell assets having a value up to \$500,000 per calendar year, to enable the Company to maintain its operations and keep its mineral exploration assets in good standing. Any sale of assets having a value in excess of \$500,000 of combined value within one calendar year requires the Lender's consent. Any sale, in whole or in part, of the Company's NSR on the Los Azules Project, NSR on the Mariana Property and/or the Shotgun Property requires the Lender's consent.

During the year ended December 31, 2017, the Company revised the loan agreement whereby the loan and accrued interest is due and payable on January 31, 2019. No other terms were revised.

**TNR GOLD CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

**6. LOAN PAYABLE (cont'd...)**

Balance of carrying value for the loan payable is as follows:

	<b>Loan Payable</b>
Balance, December 31, 2016	\$ 3,891,378
Interest expense	<u>778,275</u>
Balance, December 31, 2017	\$ 4,669,653
Interest expense	<u>700,448</u>
Balance, September 30, 2018	<u>\$ 5,370,101</u>
Principal	\$ 4,310,449
Financing costs	(125,721)
Interest accrued	<u>1,185,373</u>
Balance, September 30, 2018	<u>\$ 5,370,101</u>

**7. SHAREHOLDERS' DEFICIENCY****Authorized:**

Unlimited common shares without par value

Unlimited class "A" non-voting convertible redeemable shares without par value.

**Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2016	-	\$ -
Issued	<u>7,200,000</u>	<u>0.05</u>
Balance outstanding and exercisable, December 31, 2017	7,200,000	\$ 0.05
Issued	<u>-</u>	<u>-</u>
Balance outstanding and exercisable, September 30, 2018	7,200,000	\$ 0.05

**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

**7. SHAREHOLDERS' DEFICIENCY (cont'd...)****Warrants (cont'd...)**

At September 30, 2018, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
7,200,000	\$ 0.05	November 17, 2022

**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 on the closing trading price preceding the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2016	11,950,000	\$ 0.08
Granted	12,200,000	0.05
Cancelled	(8,950,000)	0.07
Balance outstanding and exercisable, December 31, 2017	15,200,000	\$ 0.05
Granted	2,000,000	0.05
Cancelled	(2,000,000)	0.06
Balance outstanding and exercisable, September 30, 2018	15,200,000	\$ 0.05

As at September 30, 2018, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
1,550,000	\$ 0.05	June 13, 2019
2,550,000	0.06	July 20, 2021
1,150,000	0.05	October 12, 2021
5,900,000	0.05	August 15, 2022
2,050,000	0.055	December 7, 2022
2,000,000	0.05	September 26, 2023
15,200,000		

**TNR GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2018

**7. SHAREHOLDERS' DEFICIENCY (cont'd...)****Share-based payments**

During the period ended September 30, 2018, the Company granted 2,000,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.05 per common share. The Options are exercisable for a period of 5 years and vested and became exercisable on the date of grant. The fair value per option calculated using the Black-Scholes option-pricing model was \$0.04. Total share-based payment expense recognized in profit or loss for the period ended September 30, 2018 was \$74,148.

During the year ended December 31, 2017, the Company granted 3,000,000, 6,700,000 and 2,500,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.05, \$0.05 and \$0.055 per common share respectively. The Options are exercisable for a period of 5 years and will vest and be exercisable one year from the date of grant. The fair value per option calculated using the Black-Scholes option-pricing model was \$0.04, \$0.05 and \$0.05. Total share-based payment expense recognized in profit or loss for the period ended September 30, 2018 was \$281,423.

**8. RELATED PARTY TRANSACTIONS**

Key management personnel consists of directors, officers and companies controlled by them.

**Management Compensation and other related party transactions**

During the periods ended September 30, 2018 and 2017, the Company entered into transactions with key management personnel as follows:

Transaction	Relationship	2018	2017
Management fees	A company controlled by a former director	-	7,000
Management fees	Director and executive officer	27,000	27,000
Administration fees	Spouse of a former director	-	2,000
Administration fees (Argentina)	Officer of a subsidiary	(2,931)	3,000
Rent (office)	Private company with a former director in common	-	2,000
Consulting fees	A company controlled by a former officer	-	6,000
Consulting fees	A company controlled by an officer	27,000	27,000
IT services	A company controlled by a former director	12,535	-
Consulting fees	Director	9,000	8,000
Consulting fees	Former officer	-	5,260
Directors' fees	Directors and former director of the Company	18,500	22,500
Stock based compensation	Directors, former director and officers	275,211	-

Accounts payable and accrued liabilities include amounts due to directors, officers and former directors and officers and a company related by common directors and officer of the Company at September 30, 2018 of \$15,936 (December 31, 2017 - \$76,698). With the exception of the short-term promissory note described below, all amounts are non-interest bearing and have no formal terms of repayment.

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**8. RELATED PARTY TRANSACTIONS (cont'd...)**

Included in accounts payable and accrued liabilities as at September 30, 2018 and December 31, 2017 is a short-term promissory note payable to a director of the Company's subsidiary. The promissory note has a principal balance of US\$25,000 which accrues interest at a rate of 12% per annum. The promissory note was granted with respect to the termination of a formal compensation arrangement with the Director.

During the period ended September 30, 2017, the Company transferred ownership of 1,214,710 (2016 – nil) common shares of ILC to directors, officers and former directors and officers of the Company to settle accounts payable of \$398,710 and recognized a gain on debt settlement of \$394,269.

*Commitments - Consulting agreements*

The Company has entered into consulting agreements with two officers of the Company for the provision of consulting services at a current cost of \$72,000 and \$180,000 per annum respectively. The agreements renew annually at the discretion of the Company's compensation committee. If either of the agreements are terminated without cause, the Company is required to pay a lump sum equal to the greater of (a) one months' fees for each year the consultant has acted on behalf of the Company and (b) twelve months' worth of fees. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to three times the prior twelve months gross pay.

*Commitments - Bonus*

In the event the Company completes the sale of its subsidiary Compania Minera Solitario de Argentina S.A. ("Solitario") or its NSR on the Los Azules Project, a bonus of up to US\$200,000 is payable to a Director of Solitario. The bonus is calculated as 0.5% of net proceeds received by the Company in the aforementioned transaction.

**9. CAPITAL MANAGEMENT**

The Company's capital structure consists of shareholders' deficiency. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements other than as disclosed in Note 6. The Company does not have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business over the long term, and will need to raise adequate capital by obtaining equity financing, selling assets and/or incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

**10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS****Financial instruments**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd...)****Financial instruments (cont'd...)**

The carrying value of cash, receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash and marketable securities are classified as fair value through profit or loss and measured at fair value using level 1 inputs. The carrying value of the convertible derivative receivable is classified through profit or loss and measured at fair value using level 2.

Loan payable is measured at amortized cost. Fair value of long-term debt is estimated using discounted cash flow analysis based on the borrowing rate for similar borrowing arrangements.

**Risk management**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include, credit risk, currency risk, interest rate risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables mainly consist of GST receivable due from the government of Canada.

*Currency risk*

The Company's operations are in Argentina, Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars, and its liabilities are denominated primarily in Canadian dollars, or US dollars. Consequently, the Company's exploration programs in the US are subject to currency fluctuations. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

*Interest rate risk*

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk.

The Company has debt instruments and is therefore exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.



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**10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd...)****Risk management (cont'd...)***Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings, short-term debt and the optioning of its mineral properties to other mining entities to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The loan matures January 31, 2019. The Company is exposed to risk that it will encounter difficulty in satisfying liabilities on maturity. The loan is secured by a promissory note and general security agreement.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, the completion of other equity financings and or optioning its mineral property to other mining entities. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions, its success in bringing royalty agreements to fruition, and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

The Company may benefit from royalty arrangements once certain major copper and lithium projects come to production. These projects have not yet reached development. There is a risk that planned projects could be delayed or not yield as much as expected, and if so this will affect the Company's anticipated cash flows, requiring the shortfall to be financed. In addition, the Company has the ability to sell assets of up to \$500,000 without consultation with its lender of the loan payable. The Company will consider divesting of shares in ILC to provide financial resources.

*Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities amounting to \$325,496 are subject to fair value fluctuations. As at September 30, 2018, if the fair value of the Company's marketable securities had decreased/increased by 10% with all other variables held constant, loss and comprehensive loss for the period would have been approximately \$32,500 higher/lower. Similarly, as at December 31, 2017, reported equity would have been approximately \$145,000 lower/higher as a result of a 10% decrease/increase in the fair value of the Company's marketable securities.

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**11. CONTINGENCY**

The Company is aware of an ongoing investigation by the Argentine Central Bank related to an alleged error in certain compliance filings made in Argentina. The outcome of the investigation is uncertain. The Company has completed the requisite filings and is working to resolve the investigation.