

Takara Resources Inc.

Consolidated Financial Statements

December 31, 2007

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Takara Resources Inc.

Management's Report

The consolidated financial statements of Takara Resources Inc. and the other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and reliable and that assets are safeguarded. Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee. This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

The Company's external auditors, Raymond Chabot Grant Thornton LLP, appointed by the shareholders at the Annual General Meeting, have audited the Company's consolidated financial statements and their report indicating the scope of their audit and their opinion on the consolidated financial statements is presented below.

Jennifer L. Boyle
President
Toronto (Canada)
May 1, 2008

Annie J. Karahissarian
Chief Financial Officer
Toronto (Canada)
May 1, 2008

Auditors' Report

To the shareholders of
Takara Resources Inc.

We have audited the consolidated balance sheets of Takara Resources Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the year ended December 31, 2007 and nine-month period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and nine-month period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Val-d'Or
May 1, 2008

Takara Resources Inc.

Consolidated Balance Sheets

As at December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
	\$	\$
ASSETS		
Current assets		
Cash	1,477,730	76,938
Other receivables	29,927	
Sales taxes recoverable		3,780
Prepaid expenses	<u>66,672</u>	
	<u>1,574,329</u>	<u>80,718</u>
Exploration Funds (Note 4)	966,995	
Equipment (Note 5)	16,271	
Deposit for mineral properties	161,312	135,228
Mineral properties (Note 6)	464,121	25,671
Deferred exploration expenditures (Note 6 and Note 7)	<u>681,341</u>	<u>171,820</u>
	<u><u>3,864,369</u></u>	<u><u>413,437</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liability:	147,072	78,747
Accounts payable to companies controlled by director	32,260	
Due to directors, without interest	9,211	7,670
Due to a company controlled by a director, without interest	<u>3,672</u>	<u>62,893</u>
	<u>192,215</u>	<u>149,310</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	4,627,185	377,405
Warrants	155,284	
Contributed surplus (Note 11)	537,645	
Deficit	<u>(1,647,960)</u>	<u>(113,278)</u>
	<u>3,672,154</u>	<u>264,127</u>
	<u><u>3,864,369</u></u>	<u><u>413,437</u></u>

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

On behalf of the Board,

"Signed"

Jennifer L. Boyle
Director

"Signed"

Pamela D. Strand
Director

Takara Resources Inc.

Consolidated Statements of Operations and Comprehensive Loss

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

	2007 (12 months)	2006 (9 months)
	\$	\$
REVENUE		
Interest income	476	
Operating expenses		
Stock-based compensation	456,202	
Stock-based payment for services	81,443	
Professional and legal fees	434,293	28,740
Management fees	76,069	74,669
Travelling	65,200	6,859
Rent	20,755	318
Promotion and advertising	62,461	1,024
General and administration expenses	59,133	1,668
Write-off of mineral properties and deferred exploration expenditures	277,026	
Amortization of equipment	2,576	
	<u>1,535,158</u>	<u>113,278</u>
Net loss and comprehensive loss	<u>(1,534,682)</u>	<u>(113,278)</u>
Weighted average number of common shares outstanding	<u>20,150,042</u>	<u>14,507,167</u>
Basic and diluted net loss per share	<u>(0.08)</u>	<u>(0.008)</u>

Consolidated Deficit

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

	2007 (12 months)	2006 (9 months)
	\$	\$
Deficit, beginning of period	(113,278)	
Net loss	(1,534,682)	(113,278)
Deficit, end of period	<u>(1,647,960)</u>	<u>(113,278)</u>

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

Takara Resources Inc.

Consolidated Statements of Cash Flows

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

	2007 (12 months)	2006 (9 months)
	\$	\$
OPERATING ACTIVITIES		
Net loss	(1,534,682)	(113,278)
Non-cash items		
Amortization of equipment	2,576	
Compensation and services paid for by the issuance of stock options	537,645	
Write-off of mineral properties and deferred exploration expenditures	277,026	
Changes in non-cash working capital items		
Other receivables	(29,927)	
Accounts payable and accrued liabilities	155,472	78,747
Sales tax recoverable	3,780	(3,780)
Prepaid expenses	(66,672)	
Cash flows used in operating activities	<u>(654,782)</u>	<u>(38,311)</u>
INVESTING ACTIVITIES		
Cash acquired on reverse takeover (Note 1)	275,328	-
Exploration funds	(966,995)	
Equipment	(19,341)	-
Deposit for mineral properties	(26,084)	(135,228)
Mineral properties	(414,570)	(25,671)
Deferred exploration expenses	(520,833)	(171,820)
Cash flows used in investing activities	<u>(1,672,495)</u>	<u>(332,719)</u>
FINANCING ACTIVITIES		
Due to directors	1,541	7,670
Due to a company controlled by a director	5,779	62,893
Issuance of shares	4,194,942	377,405
Share issue expenses	(474,193)	-
Cash flows from financing activities	<u>3,728,069</u>	<u>447,968</u>
Net increase in cash	1,400,792	76,938
Cash, beginning of year	<u>76,938</u>	-
Cash, end of year	<u><u>1,477,730</u></u>	<u><u>76,938</u></u>

Additional cash flow informations (Note 12)

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

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Takara Resources Inc. (the "Company") was incorporated under the provisions of the Canada Business Corporations Act on April 29, 2005.

Prior to the closing of its qualifying transaction, the Company was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company was to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein. In accordance with a letter agreement dated April 17, 2007, as amended, the Company closed its Qualifying Transaction on September 24, 2007 by acquiring all of the issued and outstanding securities of Takara Resources (B.C.) Inc. Accordingly, Takara Resources (B.C.) Inc. is a wholly owned subsidiary of the Company. The substance of the Qualifying Transaction is a capital transaction and is accounted for as a reverse takeover ("RTO") since Takara Resources (B.C.) Inc. was identified as the acquirer. The comparative figures presented in the financial statements are those of Takara Resources (B.C.) Inc.

Pursuant to the Qualifying Transaction of the Company, 14,507,167 common shares were issued on the basis of one Takara Resources Inc. share for one Takara Resources (B.C.) Inc. share. Immediately after the Qualifying Transaction, shareholders of Takara Resources (B.C.) Inc. held 80.6% of the common shares and Takara Resources (B.C.) Inc. was deemed the acquirer for accounting purposes. The substance of the transaction was a capital transaction and was accounted for as a RTO in accordance with EIC-10 "Reverse Takeover Accounting" of the CICA Handbook.

Based on the September 24, 2007 balance sheet of Takara Resources Inc., the net assets that were combined with Takara Resources (B.C.) Inc. were as follows:

	\$
Cash	275,328
Prepaid expenses	1,875
	<u>277,203</u>
Accounts payable and accrued liabilities	38,788
Net assets acquired	<u><u>238,415</u></u>

On November 19, 2007 the Company changed its name from Naples Capital Corp. to Takara Resources Inc., and accordingly, the Company carries on business as a mining exploration company, through its wholly owned subsidiary, Takara Resources (B.C.) Inc. The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become payable, including the completion of acquisitions of mineral properties and projects, is dependent on the ability of the Company to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon ability of the Company to obtain necessary financing to complete the acquisition, exploration and development thereof, upon future profitable production or proceeds from the disposal of properties.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

2 - CHANGES IN ACCOUNTING POLICIES

Accounting Changes

On January 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

Financial instruments, comprehensive income and equity

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA") in Sections 3855, "Financial Instruments- Recognition and Measurement", 1530, "Comprehensive Income", 3861 "Financial Instruments- Disclosure and Presentation" and 3251, "Equity".

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Company reassess the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of deficit at the beginning of the fiscal year of initial application or as an adjustment of the opening balance of a separate component of accumulated other comprehensive income, as appropriate. The financial statements of prior years are not restated.

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

2 - CHANGES IN ACCOUNTING POLICIES (continued)

Section 1530 establishes standards for reporting and display of comprehensive income. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting fiscal year. Pursuant to the transitional provisions of these sections, the Company's financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Company's financial instruments, which were previously recognized at cost:

- a) Cash and exploration funds are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in net earnings. This change had no impact on the financial statements as of December 31, 2007;
- b) Other receivables are classified as loans and receivables. Other receivables are measured at amortized cost, which is generally the initial recognized amount, less any allowance for doubtful accounts.
- c) The accounts payable and accrued liabilities are classified as other financial liabilities. They are valued at amortized cost using the effective interest method. This change had no impact on the financial statements as of December 31, 2007.

Future accounting standards

In June 2007, the CICA modified Section 1400, "General Standards of Financial Statements Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of January 1, 2008. The new requirements only address disclosures and will have no impact on the Company's results.

In December 2006, the CICA published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of January 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company's financial results.

In December 2006, the CICA published new Sections 3862, "Financial Instruments - Disclosures", and 3863, "Financial Instruments - Presentation", which establish standards for presentation and disclosure of financial instruments and non-financial derivatives. These new standards are effective for fiscal years beginning on or after October 1, 2007 and the Company will implement them as of January 1, 2008.

3 - SIGNIFICANT ACCOUNTING POLICIES

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 carrying value of mineral properties. Actual results may differ from those estimates.

Revenue recognition

Property option proceeds are credited to the cost of the related mineral property except that when the proceeds exceed the cost, the excess is credited to operations.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. Transaction costs related to the acquisition or disposal of investments are recognized in earnings and presented under administrative expenses.

Mineral properties and deferred exploration expenditures

The Company's investment in mineral properties and deferred exploration expenditures, is recorded at cost less option payments received, government assistance and other recoveries. Management reviews the carrying values of resource assets on a regular basis to determine whether any write-downs are necessary. These costs will be amortized over the estimated useful life of the property following commencement of production or written off if the mineral properties or projects are sold or allowed to lapse.

Management constantly reviews the merits of each of the Company's properties held, to assess where the property merits further exploration and development expenditure and whether the carrying value of the properties is greater than the future expected return from the property.

The amounts shown for mineral exploration properties represent costs incurred to date net of write-downs, and are not intended to reflect present or future values.

Equipment

Equipment is amortized over their estimated useful lives using the diminishing balance method at the rate of 20% for office equipment and 30% for computers and exploration equipment.

Capital stock

Capital stock issued for non-monetary consideration is generally recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into, based on the trading price of the shares. Costs incurred on the issue of share capital are netted against the proceeds. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting of income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge in the share issue expense.

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of the Warrants

The Company allocates the proceeds from unit placements between shares and warrants according to their relative fair value using the residual method to determine the fair value of warrants issued.

Income taxes

Income taxes are accounted for by the liability method of income tax allocation. Under this method, the income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization. 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.

Stock option plan

Compensation expense is recognized when stock options are issued by the Company. The fair value of stock options at the grant date is determined using the Black-Scholes option pricing model. When holders exercise their options, any consideration received and any contributed surplus related to these options is credited to capital stock.

Basic or diluted net loss per common share

Basic net loss per share is calculated over the weighted average number of shares outstanding during the year using the treasury method. The diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of stock options and share purchase warrants outstanding and described in Note 9.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Exchange gains or losses on financial assets and liabilities are recognized in earnings. Exchange gains or losses on held-for-trading financial instruments are included in changes in fair value presented in the statement of earnings.

Financial Instruments

Financial assets and liabilities

During the initial accounting, all the financial assets and liabilities are evaluated and recognized at fair value, at the exception of those assets and liabilities arising from certain operations with related parties. Transaction costs from held-for-trading financial assets and liabilities are recognized in earnings and presented under administrative expenses. Transaction costs from loans and receivables increase the carrying amount of the related financial assets. Transaction costs from other financial liabilities reduce the carrying amount of related financial liabilities.

Subsequently, the financial assets and liabilities are evaluated and recognized as follows:

Held for trading financial assets

Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in earnings.

On initial recognition, financial assets and liabilities are designated by the Company as held for trading when the financial assets and liabilities are part of a group of managed financial assets and liabilities whose performance is measured on the basis of fair value, in accordance with the risk management strategy or the investment strategy documented by the Company, and that the information related to these financial assets and liabilities is provided internally on this basis.

Loans and receivables and other financial assets or liabilities

Loans and receivables and other financial assets and liabilities are evaluated at amortized cost using the effective interest method (less impairment in the case of financial assets). The calculated interests using the effective interest method are presented in the earning statement in Other income (expenses), if necessary.

The impact of the adoption of the new recommendations on other financial assets and liabilities are negligible. The carrying amount of short term financial instruments other than short term investments approximate their fair value due to the short-term nature of these instruments.

4 - EXPLORATION FUNDS

Exploration funds consist of cash which must be allocated pursuant to flow-through share financing agreement for exploration expenditures. As of December 31, 2007, a balance of \$966,995 flow-through funds were held by the Company.

Takara Resources Inc.**Notes to Consolidated Financial Statements**

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

5- EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Computers	7,649	2,576	5,073	-
Office equipment	572		572	-
Exploration Equipment	11,120	494	10,626	-
	<u>19,341</u>	<u>3,070</u>	<u>16,271</u>	<u>-</u>

6- MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	2007				2006		
	Mineral properties	Deferred exploration expenditures	Write-off	Total	Mineral properties	Deferred exploration expenditures	Total
	\$	\$	\$	\$	\$	\$	\$
Kaibab Project (Arizona, USA)	204,231	668,644	-	872,875	25,671	171,820	197,491
CMB (Newfoundland & Labrador, Canada)	265,220	11,806	(277,026)	-	-	-	-
Basket Lake (Northern Ontario, Canada)	222,495	8,305	-	230,800	-	-	-
Other properties	37,396	4,392	-	41,788	-	-	-
	<u>729,341</u>	<u>693,147</u>	<u>(277,026)</u>	<u>1,145,462</u>	<u>25,671</u>	<u>171,820</u>	<u>197,491</u>
Write-off	(265,220)	(11,806)					
	<u>464,121</u>	<u>681,341</u>					

Kaibab Project:

On July 1, 2006, the Company's wholly owned subsidiary entered into a joint venture agreement with DIR Exploration, Inc. ("DIR"), pursuant to which DIR granted to the Company the right to earn a 50% interest in the Kaibab Joint Venture by incurring USD\$2M over 3 years on lode mining claims located in Arizona, USA, prospective for uranium breccia pipe exploration. Thereafter, the Company may elect to increase its interest to 90% by agreeing to carry DIR's pro-rata (10%) exploration costs to commercial production. Pursuant to the joint venture agreement, the Company has incurred \$872,875 as at December 31, 2007.

CMB Project:

On April 17, 2007, the Company's wholly owned subsidiary entered into an option agreement pursuant to which it may earn a 100% interest in 1,712 grass roots mineral claims situated in Newfoundland and Labrador (the "CMB Project") by issuing 1,250,000 common shares (650,000 on signing and the balance on or before July 23, 2008). The interest is subject to Takara (B.C.) Resources Inc. maintaining the claims in good standing with the Government of Newfoundland and Labrador Department of Natural Resources, and to a 1¾% royalty in favour of a third party. 1% of the royalty may be purchased at any time in consideration for \$1,000,000. Effective April 27, 2008 the Company's subsidiary terminated its option in respect of the CMB Project. On April 8, 2008 the Nunatsviavut Government imposed a three year moratorium on uranium mining within Labrador Inuit Lands and accordingly, management elected not to maintain the CMB claims in good standing, to terminate its future obligations, and to write off the amount capitalized.

Basket Lake Project:

On November 14, 2007, the Company acquired a 100% interest in the Basket Lake (uranium) Project in northwestern Ontario, subject to a 2 1/2% yellowcake returns royalty. The Company paid reimbursement of staking costs of \$125,000 and issued 400,000 common shares. On November 27, 2008 the balance of the purchase price is due, being \$75,000 in cash and the issuance of an additional 200,000 common shares. Additionally, the Company paid a finders fee to a party at arms-length of the Company, of 60,000 common shares. There is a buy-back on 1% of the yellowcake royalty for \$1,000,000 at anytime.

Takara Resources Inc.
Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

7- DEFERRED EXPLORATION EXPENDITURES

All Properties (Combined)	2007	2006
	\$	\$
Equipment rental	4,397	1,900
Geology	479,136	138,924
General expenses	3,939	175
Camp maintenance	4,442	17,124
Supplies and office expenses	15,217	5,280
Insurance	627	4,801
Sampling and testing	13,569	3,616
Write-off	(11,806)	
Net expenses incurred during the year	509,521	171,820
Balance, beginning of year	171,820	
Balance, end of year	681,341	171,820

8 - INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. The difference results from the following:

	2007	2006
	\$	\$
Loss before income taxes	(1,534,682)	(113,278)
Income taxes at the combined federal and provincial tax rate of 36.12%	(554,327)	(40,916)
Stock-based compensation	194,197	
Non deductible items	100,992	17,540
Amortization of share issue expenses	(54,365)	
Rate variation	34,822	4608
Valuation allowance	278,681	18,768
Income taxes	-	-

As at December 31, significant component's of the Company's future income tax assets and liabilities are as follows:

	2007	2006
	\$	\$
Future income tax assets		
Equipment	890	
Share issue expenses	125,116	
Losses to be carried forward	297,449	18,768
Future income tax liabilities		
Mineral properties	(36,714)	
	386,741	18,768
Less: valuation allowance	(386,741)	(18,768)
	-	-

The losses, which are available to reduce income taxes in future years will expire as follows:

2015	29,722
2026	64,717
2027	931,245
	1,025,684

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

9 - CAPITAL STOCK

a) Authorized

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

b) Issued and fully paid

	<u>Number</u>	<u>Value</u>	\$
Balance, as at April 1, 2006			
Issued by private placements	9,350,501	329,575	
Issued for debt settlement	<u>753,333</u>	<u>47,830</u>	
Balance, as at December 31, 2006	10,103,834	377,405	
Issued by private placements	3,100,000	775,000	
Issued for debt settlement	653,333	119,887	
Issued for the acquisition of mineral properties	<u>650,000</u>	<u>162,500</u>	
Balance, as at September 24, 2007, before reverse takeover transaction	<u>14,507,167</u>	<u>1,434,792</u>	
Issued on a one for one basis to the shareholders of Takara Resources (B.C.) Inc.	14,507,167	1,434,792	
Outstanding shares to Takara Resources Inc. shareholders (Note 1)	3,750,000	238,415	
Issued by private placements	6,977,883	2,442,259	
Issued by a private placement - flow through	3,867,980	966,995	
Issued for the acquisition of mineral properties	600,000	126,600	
Issued on the exercise of options	170,000	47,600	
Issued as payment for Finder's Fee	210,000	33,750	
Share issuance costs		<u>(663,226)</u>	
Balance, as at December 31, 2007	<u>30,083,030</u>	<u>4,627,185</u>	

a) Escrow agreement

At the closing of the Company's qualifying transaction on September 24, 2007, there were an aggregate 10,628,333 common shares remaining subject to two escrow agreements (2,000,000 in 2005 and 8,628,333 in 2007). As at December 31, 2007, there were 9,565,500 common shares remaining subject to escrow. On October 1, 2007, 1,062,833 common shares were released. Expiring on October 1, 2010, an aggregate 1,594,250 common shares shall be released every 6 months for a period of 3 years.

b) Financings

In 2006, Takara Resources (B.C.) Inc. issued: (i) 7,400,000 seed shares to founders, officers and directors, for gross proceeds of \$37,000; (ii) 450,000 shares to settle debts in the amount of \$2,250; (iii) 303,333 shares to settle debts in the amount of \$45,580; and (iv) 1,950,501 shares upon the completion of an arms length private placement offering for gross proceeds of \$292,575.

During 2007, prior to the closing of the Company's qualifying transaction, Takara Resources (B.C.) Inc.: (i) closed a private placement offering of 3,100,000 common shares for gross proceeds of \$775,000; (ii) issued 220,000 shares to settle debts in the amount of \$54,887; (iii) issued 433,333 shares to settle debts in the amount of \$65,000; and (iv) issued 650,000 common shares in respect of a property acquisition.

On September 24, 2007, the Company closed a private placement offering simultaneously with the closing of the Qualifying Transaction, through two separate issuances of an aggregate 6,977,883 common shares and 3,488,942 purchase warrants (exercisable at \$0.50 until March, 2009) for gross proceeds of \$2,442,259. The Company paid Initial Capital Partners Ltd., a commission equal to 8 1/2% of the gross proceeds raised, as well as the issuance of 697,788 brokers units, entitling the Agent and its selling group member to acquire one common share of the Company and one-half of one purchase warrant at a price of \$0.35 until March 18, 2009.

On December 27, 2007, the Company closed a non-brokered private placement Offering of 3,867,980 flow-through common shares at a price per flow-through common share of \$0.25, for gross proceeds of \$966,995. In connection with the Offering, the Company paid a finder's fee of \$60,534 in cash and 252,139 non transferable warrants of the Company. Each warrant entitles the finder to purchase one common share of the Company at a price of \$0.25 until June 27, 2009.

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

10- STOCK OPTIONS AND WARRANTS

Stock-based compensation and services

The Company has in place a stock option plan ("Plan") under which officers, directors, employees and consultants are eligible to receive incentive stock options. The aggregate number of common shares reserved for issuance under the Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's common shares issued and outstanding at the time of grant. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not less than the lowest price permitted by the Exchange.

The most important terms of the plan are as follows: (i) the maximum number of shares that can be received for a beneficiary during any 12 months period is limited to 5% of issued and outstanding shares; (ii) the maximum number of shares that can be reserved for a consultant during any 12 months period is limited to a 2% of issued and outstanding shares, and; (iii) the maximum number of shares that can be reserved for a supplier of investor's relation services during any 12 months period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised by steps on a 12-months period after the grant, at the rate of 25% per quarter.

As of December 31, 2007, options to acquire 1,950,000 common shares of the Company were outstanding. Based on the issued and outstanding capital of the Company at that time (30,083,030), an additional 1,058,303 options are available to be granted pursuant to the Plan.

Issued and Outstanding stock options

	Weighted average exercise price	Number of shares
	\$	
Balance as at April 1, 2006, December 31, 2006 and September 24, 2007, before reverse takeover transaction	-	-
Outstanding in Takara Resources Inc.	0.20	250,000
Granted	0.35	1,950,000
Exercised	0.20	(170,000)
Expired	0.20	(80,000)
Balance as at December 31, 2007	0.35	1,950,000

The following options were outstanding as at December 31, 2007 :

Expiring Date	Outstanding	Exercisable	Exercise Price
			\$
November 7, 2009	200,000	50,000	0.35
September 24, 2012	1,750,000	1,750,000	0.35
	1,950,000	1,800,000	0.35

In the year 2007 the Company granted 1,950,000 (none in 2006) stock options with a weighted average exercise price of \$0.35. A stock compensation cost fair value of \$566,354 was calculated for the options granted during the year. Of the \$566,354 a compensation expense of \$537,645 was recorded in operating expenses and as an increase in the contributed surplus. An amount of \$28,709 will be amortized over the remaining nine-month vesting period.

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for the awards granted during the year:

	2007	2006
Expected dividend yield	0%	-
Expected volatility	100%	-
Risk-free interest rate	4.26%	-
Expected life	5 years	-

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

10- STOCK OPTIONS AND WARRANTS (continued)

Outstanding warrants

During the year 2007, 4,438,869 share purchase warrants (none in 2006) were issued at exercise prices from \$0.25 to \$0.50. The outstanding warrants to purchase common shares as at December 31 are as follows:

	Weighted average exercise price	Number of shares
	\$	
Balance as at April 1, 2006, December 31, 2006 and September 24, 2007, before the reverse takeover transaction	-	-
Outstanding in Takara Resources Inc.	0.20	150,000
Granted	0.48	4,438,869
Exercised	0.20	(150,000)
Balance as at December 31, 2007	0.46	4,438,869

The following warrants were outstanding as at December 31, 2007 :

Expiring Date	Outstanding	Weighted average exercise
		\$
March 18, 2009	3,488,942	0.50
March 18, 2009	697,788	0.35
June 27, 2009	252,139	0.25
	4,438,869	0.46

The fair value of these warrants was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2007	2006
Expected dividend yield	0%	-
Expected volatility	100%	-
Risk-free interest rate	3.82% - 4.26%	-
Expected life	1.5 years	-

The weighted average fair value of broker's warrants granted since the beginning of the year is \$0.16 and an expense of \$155,284 (none in 2006) is included in the share issue costs.

11- CONTRIBUTED SURPLUS

	2007	2006
	\$	\$
Balance, beginning of year		
Stock-based compensation	488,678	
Stock-based payment for services	48,967	
Balance, end of year	537,645	

Takara Resources Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and the nine-month period ended December 31, 2006

12 - ADDITIONAL CASH FLOW INFORMATION

	<u>2007</u>	<u>2006</u>
	(12 months)	(9 months)
	\$	\$
Non-cash investing and financing activities:		
Amortization of equipment charged to deferred exploration expenses	494	
Shares issued for the acquisition of a mineral property	289,100	
Shares issued for the payment of finder's fees	33,750	
Shares issued for settlement of accounts payable	54,887	
Shares issued for settlement of due to a company controlled by a director	65,000	
Warrants issued as share issuance costs	155,284	

13- RELATED PARTY TRANSACTIONS

The principal transactions concluded during the year with directors and companies controlled by them are as follows:

The Company has entered into agreements with private companies controlled by directors of the Company for management consulting services, geological consulting of for such other services required by the Company. Accounts payable and accrued liabilities include an amount of \$32,260 (none in 2006) due to these companies.

Other than the related party transactions disclosed above, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of options. Expenses incurred to related parties, including those expense incurred following the preceding agreements, were concluded in the normal course of operations at the exchange amount accepted by the parties and are:

	<u>2007</u>	<u>2006</u>
	\$	\$
Management fees	95,805	28,669
Professional fees	46,400	5,000
Expenses capitalized in mineral properties	72,170	121,581

On March 31, 2007, the Company's wholly owned subsidiary issued 433,333 common shares as payment of an amount due to a company controlled by a director of \$65,000.

14 - FINANCIAL INSTRUMENTS

The Company considers risk as being an intrinsic element of its development and of the diversification of its activities. The Company advocates an active and rigorous management of the financial risks it is exposed to. It is the responsibility of the management of the Company to manage the financial risks.

The Company does not conclude agreements for financial instruments, including financial derivatives, for speculation purpose. The principal financial risks to which the Company is exposed as well as its policies concerning the management of the financial risks are detailed as follows:

Foreign Exchange Risk

The Company is exposed to foreign exchange risk due to purchases done in foreign currencies. Its exposure to foreign exchange risk being limited, the Company does not enter into arrangements to hedge this risk.

Liquidity Risk

The management objective is to maintain sufficient cash and cash equivalents to ensure that the Company has at its disposal sufficient sources of financing such as private and public financing. The Company also establishes budget and liquidity forecasts to ensure that it has to its disposal sufficient funds to meet its financial obligations.