

TAKARA RESOURCES INC.

Management's Discussion and Analysis

Three and Six Months Ended June 30, 2008

Dated: August 27, 2008

Introduction

The following is management's discussion and analysis of the financial condition and results of operations of Takara Resources Inc. (the "Company" or "Takara") for the second quarter ended June 30, 2008. This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2008 and the related notes thereto. Additional information related to the Company can be found on SEDAR at www.sedar.com.

Nature of Operations

Prior to the closing of its qualifying transaction on September 24, 2007, the Company was a capital pool company, whereby its principal business was to identify, evaluate and acquire assets or businesses that would constitute a "Qualifying Transaction" pursuant to the policies of the TSX Venture Exchange Inc. (the "Exchange"). On September 24, 2007 the Company acquired all of the issued and outstanding securities of Takara Resources (B.C.) Inc. (formerly named Takara Resources Inc. and 0754545 B.C. Ltd.), a private company carrying on business as a mineral exploration company. Takara Resources (B.C.) Inc. became a wholly owned subsidiary of the Company, and the consolidated financial statements for the second quarter ended June 30, 2008 include activities of the Company and of Takara Resources (B.C.) Inc. Accordingly, the comparative figures on the Interim Consolidated Statements of Loss and Comprehensive Loss and Deficit, and on the Interim Consolidated Statements of Cash Flows for the three months ended June 30, 2007 and for the six months ended June 30, 2007 are those of Takara Resources (B.C.) Inc. only.

Takara Resources (B.C.) Inc. was incorporated on April 11, 2006 and its key project was the Kaibab Joint Venture, where Takara and its joint venture partner, DIR Exploration, Inc. ("DIR"), an Arizona Private corporation, have been active in uranium breccia pipe exploration since the late summer of 2006 in the Arizona Strip – situated in the northwestern portion of Arizona. During the Phase I program, which was completed at the end of August 2007, the number of lode mining claims increased from 48 to over 500. The Company is now carrying out Phase II of the Kaibab Joint Venture program, which is designed to refine up to 30 geological targets for further testing in subsequent rotary downhole hammer and spot coring campaigns.

Additionally, the Company has begun Phase I of its exploration program (preliminary survey work) in respect of its Basket Lake uranium project located in northwestern Ontario. As well, the Company is continuing with its efforts in South Africa to obtain an interest in mineral rights perspective for coal, and, the Company is starting to plan upcoming exploration programs on newly acquired Canadian projects.

Selected Quarterly Information

| | June 30 2008 | March 31 2008 |
|---|-------------------------|--------------------------|
| Total revenues | \$259 | \$Nil |
| Net (loss) | \$(252,183) | \$(128,124) |
| Basic and diluted net loss per share | \$(0.008) | \$(0.004) |

Results of Operations

Takara had a net loss of \$380,626 for the six months ended June 30, 2008, (net loss of \$252,183 for the three months ended June 30, 2008).

Revenues

The Company had no cash income, other than from interest income generated pre-paid taxes, however, this income is virtually offset by bank charges. Takara is in the exploration stage and has no revenue from mining operations.

Non-Exploration Expenditures

The Operating expenses for the six months ended June 30, 2008 totaled \$380,626 (three months ended June 30, 2008 - \$252,442). These figures are almost double the amount incurred during the same periods in 2007 (\$201,800 for the six months ended June 30, 2007 and \$132,758 for the three months ended June 30, 2007), given that the 2007 figures are those of Takara Resources (B.C.) Inc. only – prior to the closing of the Company's Qualifying Transaction on September 24, 2007. The activity level of the Company increased after the closing of the Qualifying Transaction, in terms of additional projects, personnel, public company reporting costs, and professional fees – all of which has resulted in increased Operating expenses.

In six months ended June 30, 2008, the Company expensed \$106,790 in stock based compensation (three months ended June 30, 2008, \$99,613). There are no board fees payable, however, Takara compensates management and board members with stock options. The management fees totaled \$70,500 during the six months ended June 30, 2008 (\$39,000 was incurred during the three months ended June 30, 2008). Professional fees for the six months ending June 30, 2008 totaled \$43,877 (three months ended June 30, 2008 was \$36,377), and this amount comprises legal, auditing and accounting fees incurred.

One of the larger differences between the three months ended June 30, 2008 and the six months ended June 30, 2008 was reflected in travel costs. The \$6,969 incurred during the three months ended June 30, 2008 is significantly lower than the amount incurred for travel as at June 30, 2008, given that over that time period, certain travel costs directly associated with geological matters required to be completed in respect of the South African coal applications were allocated as deferred exploration expenditures and accordingly, are not reflected under Operating expenses. Promotion and advertising fees of \$66,438 were incurred as at June 30, 2008 (\$41,279 for the three months ended June 30, 2008), and general and administration fees totaled \$46,571 as at June 30, 2008 (\$18,549 for the three months ended June 30, 2008). These figures are significantly higher than that of the Company during the same periods in 2007, again, given fees allocated costs typically associated with being a public company, namely, shareholder communication costs and miscellaneous fees attributed to being a publicly traded company, post Qualifying Transaction.

Exploration Activities and Expenditures

During the three months ended June 30, 2008, cash expenditures on exploration and acquisition of the Company's mineral properties totaled \$285,059 compared to \$302,012 in the three months ended June 30, 2007. The 2007 figure is for Takara (BC) Inc. only, and the figures under the 2008 column is for Takara Resources Inc. and Takara Resources (BC) Inc. (combined).

Kaibab Joint Venture – Uranium Breccia Pipes, Arizona

Highlights from the Kaibab Joint Venture include sampling and the acquisition of additional targets prospective for uranium bearing breccia pipes. By the end of September, 2007 the Kaibab Joint Venture had acquired over 500 lode mining claims. By incurring \$2,000,000 in exploration expenditures on the Kaibab Joint Venture project and issuing 200,000 common shares to DIR on or before August 31, 2009, Takara will earn a 50% interest in all other breccia pipe prospects acquired by the Kaibab Joint Venture in the intervening time. Upon vesting of its 50% ownership interest in the Kaibab Joint Venture, Takara may elect, at its sole discretion, to increase its interest to 90% by agreeing to carry DIR's pro rata exploration and development costs in the joint venture to commercial production.

The Phase II exploration program for the Kaibab Joint Venture is designed to refine up to 30 geological targets for further testing in subsequent rotary downhole hammer and spot coring campaigns. The ongoing Phase II program is being carried out by a team of field geologists, and includes surface geochemical and geophysical surveys (EM,

CSAMT, and possible seismic), archaeological surveys, data analysis and modelling, and operations permitting, all of which will be followed by drill site preparation, drilling, and reclamation work on selected targets. Phase II was budgeted at approximately \$700,000, however, some alterations to the program have been made, given the resolution passed by the Coconino County Board of Supervisors (see below).

In December, 2007, the operator of the Kaibab Joint Venture submitted to the Tucson Ranger District, Kaibab National Forest, a Drilling Plan of Operation. A permit in this regard has not yet been obtained. Since early February, 2008, when the Arizona Coconino County Board of Supervisors unanimously passed a resolution opposing uranium mining in the vicinity of the Grand Canyon and its watersheds, various parties have become aggressively supportive of that initiative, lobbying to implement a change in the legislation that would have the effect of disallowing mining permits for uranium extraction in several parts of the Grand Canyon region. These matters are currently being investigated, and as at the date hereof, the Company understands that new legislation has not yet been implemented precluding mineral exploration and development in the region.

Basket Lake Uranium Project– Northwestern Ontario

On November 14, 2007, the Company acquired the Basket Lake project, a property prospective for uranium exploration, located about 60 kilometres southeast of Dryden, Ontario, and comprising 1,184 mineral claims (18,944 ha). The Basket Lake project was acquired based on a distinct airborne radiometric anomaly that is coincident with a strong, multi-point lake sediment geochemical uranium anomaly defined by a cluster of anomalous values over a 20 x 15 kilometre area. No previous exploration work is known to have been conducted on the Basket Lake property, and much of the area has been recently logged providing new bedrock exposures and excellent access. Takara purchased a 100% in the Basket Lake project, by paying: (i) reimbursement of staking costs of \$125,000; (ii) \$75,000 in cash on first anniversary of the purchase agreement (due November 14, 2008); and (iii) the issuance of 600,000 common shares, 400,000 of which were issued in December, 2007, and 200,000 are to be issued on the first anniversary of agreement. Takara paid a finders fee to a party at arms-length of the Company, of 60,000 common shares, and it has reserved, in favour of the vendors, a yellowcake returns royalty equal to 2 ½ % on all final uranium contained in the uranium concentrate produced from ores derived from the property, subject to a buy back of 1% of the royalty for \$1,000,000 at any time.

On June 19, 2008 Takara announced that the 3,000 line kilometre, high-resolution aeromagnetic and radiometric geophysical surveys have been completed at the Basket Lake project, and as at the date hereof, full results and interpretation are pending. Data from the survey will assist in redefining targets for future field programs, which should include ground prospecting, mapping and sampling.

Teddy Bear 3 – Potash project – Alberta

On June 28, 2008 Takara signed an option with Grizzly Diamonds Ltd. ("Grizzly") to acquire up to a 70% interest in 50,000 acres prospective for potash, located 250 kilometre east-southeast of Calgary, Alberta in a road-accessible stretch along the Saskatchewan border.

Under the terms of the agreement with Grizzly, Takara can earn a 70% in the property by paying \$25,000 cash on signing and issuing 200,000 common shares of Takara upon regulatory approval, and by incurring a total of \$2,000,000 in exploration expenditures before September 1, 2009, including one drill hole to test the Prairie Evaporite Horizon (for a 51% interest). Thereafter, Takara can elect to increase to the 70% by carrying Grizzly to a bankable feasibility study on or before September 1, 2011.

Takara has initiated a detailed compilation with Grizzly of all historic exploration, including oil and gas drilling, and seismic data for the permits leading to a National Instrument 43-101 ("NI 43-101") technical report. Future plans will be determined once this compilation is complete.

Venus Energy Strategic Alliance, South Africa

Since executing a memorandum of understanding in November, 2007 with Aphrodeities Mining (Pty) Limited ("Aphrodeities"), a private South African based company engaged in mineral exploration, primarily coal, the parties have met certain milestones in that as of June 30, 2008 the South African Department of Minerals and

Energy has accepted for further consideration, applications in respect of five properties prospective for coal, all of which are located in a region that is active in coal exploration and production.

Takara and Aphrodeities have taken steps to proceed in the application process for these five properties, including preparation and submission of an environmental management plan, prospecting work programs, evidence of compliance with the country's black economic empowerment regime and consultation with affected third parties.

Epithermal Gold and Lead-Zinc-Silver Sedimentary projects - British Columbia (the "BC Projects")

On August 19, 2008, the Company announced that it had signed an option agreement to acquire a 100% mineral interest in the Big Bar, Baez, Ospika projects and five additional prospective geochemical target properties located in the Central Interior of British Columbia. The Properties have potential to host either epithermal gold-silver mineralization and/or sedimentary exhalative Pb-Ag-Zn mineralization.

Big Bar and Baez Gold-Silver projects - The Big Bar and Baez projects are located approximately 200 kilometres south of Williams Lake and approximately 200 kilometres to the northwest of Williams Lake respectively; both properties are easily accessed by logging roads, and together cover an area of approximately 3500 ha. The target type in both areas is epithermal-style gold and silver mineralization. The Central Interior is underlain by an extensive package of Tertiary age bi-modal volcanic rock sequences that share many similarities to similar age rocks throughout the western USA and Mexico. These rock sequences host, or are associated with, low and high - sulphidation epithermal Au-Ag deposits.

Ospika - The Ospika property is prospective for sedimentary exhalative ("SEDEX") Pb-Zn-Ag type deposits located along the southernmost extension of the Selwyn Basin, which is one of the most prolific sedimentary basins in the world. This property is comprised of Cambrian to Silurian sedimentary sequences including the Gunsteel Formation, which is known to host numerous SEDEX Pb-Zn deposits.

Geochemical Targets - An additional five grass roots properties were also optioned that were acquired predominantly on the basis of anomalous Cu and Au stream sediment geochemistry. The showings and deposit models for each of these properties must be assessed. In addition to epithermal-style precious metal mineralization, there is potential for porphyry-style mineralization. Together, these geochemical targets cover 2,400 ha. They are all located in the Central Interior, northwest of Williams Lake, and are easily accessible by helicopter from major highways and logging roads.

Takara has agreed to option the BC Projects from an arms length vendor to acquire a 100% interest in the eight properties under the following terms: (i) payment of \$15,000 and issuance of 250,000 shares upon signing; (ii) work commitments totalling \$250,000, \$325,000, \$400,000 and \$525,000 by the first, second, third and fourth anniversaries, respectively; (iii) payment of \$25,000, \$30,000 and \$40,000 by the first, second and third anniversaries respectively; and, (iv) issuance of 300,000, 300,000 and 350,000 shares by the first, second and third anniversaries respectively. The vendor will retain a 2% Net Smelter Royalty on each of the properties, with the first 1% purchasable for \$1 million and the final 1% being subject to a right of first refusal.

As at the date hereof, Takara has mobilized a preliminary field crew to complete initial prospecting, mapping and sampling. Once complete future plans will be determined, and will likely include airborne and ground geophysical surveying, potentially followed by drill testing of priority targets.

Summary of Quarterly Results (post closing Qualifying Transaction)

| | June 31 2008 | March 31 2008 | December 31 2007 |
|--------------------------------------|-----------------|------------------|---------------------|
| Total revenues | \$259 | \$Nil | \$476 |
| Net loss | \$(380,367) | \$(128,184) | \$(1,534,682) |
| Basic and diluted net loss per share | \$(0.013) | \$(0.004) | \$(0.08) |

Financial Condition

Liquidity and Capital Resources

Working capital as at June 30, 2008 totaled \$869,007.

Subsequent to the closing of the Company's Qualifying Transaction, it completed a flow-through private placement for gross proceeds of \$966,995. As at June 30, 2008, the Company retained a balance of \$738,368 flow through funds, all of which must be incurred prior to December 31, 2008. As an exploration stage company, with a limited revenue stream, the Company budgets exploration and administrative expenses, and closely monitors its burn rate, investments and cash position.

Capital Stock Information

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Board of Directors. The holders of the common shares of the Company shall be entitled to vote at all shareholder meetings and to receive such dividend as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at June 30, 2008:

Common shares: 30,083,030

Incentive Stock Options:

| Expiring Date | Outstanding | Exercisable | Exercise Price |
|--------------------|-------------------------|-------------------------|----------------|
| November 7, 2009 | 200,000 | 150,000 | 0.35 |
| June 25, 2010 | 50,000 | 12,500 | 0.15 |
| September 24, 2012 | 1,540,000 | 1,540,000 | 0.35 |
| May 6, 2013 | 50,000 | 0 | 0.10 |
| May 6, 2013 | 300,000 | 0 | 0.15 |
| June 25, 2013 | 800,000 | 800,000 | 0.15 |
| Total: | <u>2,940,000</u> | <u>2,502,500</u> | |

Warrants:

| Expiry Date | Exercise Price | Number of Common Shares |
|--------------------|-----------------------|--------------------------------|
| March 18, 2009 | \$0.50 | 3,488,942 |
| March 18, 2009 | \$0.35 | 697,778 |
| June 29, 2009 | \$0.25 | 252,139 |
| Total: | | <u>4,438,869</u> |

Contractual Obligations

Cash Payments due by Period

| Obligation | Total | 1 year or less | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years |
|---------------------|-------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
| Basket Lake project | \$75,000 ⁽¹⁾ | \$75,000 | - | - | - | - |

Notes: (1) The Company's remaining cash payment obligation in respect of the Basket Lake project is \$75,000, due on or before November 14, 2008.

(2) The Company's other obligations are at the option of the Company, and are described in full under each project name above (see "Exploration Activities and Expenditures). The following is a summary of the cash obligations only, if the Company elects to maintain the option agreements in good standing, in respect of the following projects:

(a) The Kaibab Joint Venture: In order to maintain its interest in the Kaibab Joint Venture, the Company must incur \$2,000,000 in exploration expenditures over a 3 year period, ending August 31, 2009. As at the date hereof, there is a balance of \$900,000. In the event that the Company elects to discontinue its earn-in obligations in respect of the Kaibab Joint Venture, it shall no longer be obligated to incur the balance of exploration expenditures required, other than short term claims maintenance fees.

(b) The BC Projects: In order to maintain the BC Projects in good standing under the option agreement, the total payments by the Company to the vendor includes an aggregate \$110,000 cash payment, payable in tranches over 4 years, as well as a work commitment (exploration expenditures) totaling \$1,500,000 to be incurred in tranches over the same 4 year period.

(c) Potash Project – Alberta: In order to maintain the option in good standing, the Company must incur \$2,000,000 in exploration expenditures on or before September 1, 2009.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the non-related parties. The related party transactions concluded during the year with directors and companies controlled by them are set out on the balance sheet and the statement of loss and comprehensive loss and deficit and described in the notes to the financial statement in the unaudited consolidated financial statements for the six and three months ended June 30, 2008.

Outlook

Takara's exploration plans for 2008 have been described in the Exploration Activities and Expenditures section of this document. The Company's principal objectives are related to advancing its existing projects to the point warranting a drilling campaign. Notwithstanding that, however, in the event that the capital markets for exploration companies is not favorable, the Company will seek to bring in joint venture partners to assist in mitigating exploration risks. The Company will try to capitalize on any project or transactions that show

prospective value-added opportunities, and with a newly hired in-house geologist (during the three months ended June 30, 2008) the Company will be able to assess opportunities, both domestically and internationally, more efficiently.

Risks and Uncertainties

Few projects that are explored result into producing mines, and the exploration and development of mineral projects always involves significant risks over an extended period of time, even where a combination of careful evaluation, experience and knowledge are evident. The long-term profitability of the Company's operations will be in part related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Company's control, such as during commodity prices, the availability of skilled personnel, qualified vendors, and critical equipment.

Substantial expenditures are required to establish reserves through drilling, to determine the technical and economic feasibility of mining and extracting them, and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, it is impossible to ensure that the current or proposed exploration programs on properties in which the Company has an interest will result on profitable mining operations.

Given that the capital markets for exploration companies have weakened since the Company completed its Qualifying Transaction in the fall of 2007, there is a risk that the Company will not be able to take full advantage of the exploration potential of its existing projects.

Controls Over Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining controls and procedures regarding the communication of information about the Company, as well as internal controls over its financial reporting, which controls are in the process of being developed.

Additional Information

Additional information about Takara Resources Inc., including the annual information form, may be obtained from the Company's website at www.takararesources.com or on SEDAR at www.sedar.com.

Forward Looking Statement

All statements other than those of a historical nature are 'forward-looking statements' that may involve a number of unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.