

Takara Resources Inc.
Interim Consolidated Financial Statements
(Unaudited)
Three and six months ended June 30, 2008

NOTICE TO READER

The attached financial statements have been prepared by the management of Takara Resources Inc. and have not been reviewed by the auditor of Takara Resources Inc.

Takara Resources Inc.

Interim Consolidated Balance Sheets

as at June 30, 2008 (Unaudited) and December 31, 2007 (Audited)

	2008	2007
Assets		
Current assets		
Cash	\$ 965,786	\$ 1,477,730
Other receivables	23,683	29,927
Prepaid expenses	63,144	66,672
	1,052,613	1,574,329
Exploration funds (note 3)	738,368	966,995
Equipment (note 4)	27,224	16,271
Deposits for mineral properties	104,727	161,312
Mineral properties (note 5)	466,736	464,121
Deferred exploration expenditures (note 5)	1,192,515	681,341
	\$ 3,582,183	\$ 3,864,369
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 67,363	\$ 147,072
Accounts payable to companies controlled by director	36,585	32,260
Due to directors, without interest	79,191	9,211
Due to a company controlled by a director, without interest	467	3,672
	183,606	192,215
Future income tax liability (note 6)	349,279	-
	532,885	192,215
Shareholders' equity		
Capital stock (note 6)	4,277,906	4,627,185
Warrants	155,284	155,284
Contributed surplus (note 8)	644,435	537,645
Deficit	(2,028,327)	(1,647,960)
	3,049,298	3,672,154
	\$ 3,582,183	\$ 3,864,369

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

Takara Resources Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss and Deficit

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
		<i>(note 2)</i>		<i>(note 2)</i>
Revenues				
Interest income	\$ 259	\$ -	\$ 259	\$ -
Other income	-	25,000	-	25,000
	259	25,000	259	25,000
Operating expenses				
Stock-based compensation <i>(note 7)</i>	99,613	-	106,790	-
Management fees <i>(note 9)</i>	39,000	17,000	70,500	36,000
Promotion and advertising	41,279	8,083	66,438	10,043
General and administration	18,549	13,923	46,571	16,650
Professional and legal fees	36,377	75,541	43,877	111,997
Travel	6,969	12,551	31,666	17,031
Rent	5,320	5,660	8,470	9,434
Business development	5,000	-	5,000	-
Amortization of equipment	335	-	1,314	645
	252,442	132,758	380,626	201,800
Net loss and comprehensive loss				
for the period	(252,183)	(107,758)	(380,367)	(176,800)
Deficit, beginning of period	(1,776,144)	(182,320)	(1,647,960)	(113,278)
Deficit, end of period	\$ (2,028,327)	\$ (290,078)	\$ (2,028,327)	\$ (290,078)
Weighted average number of common shares outstanding	30,083,030	14,507,167	30,083,030	14,507,167
Basic and diluted net loss per share	\$ (0.008)	\$ (0.007)	\$ (0.013)	\$ (0.012)

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

Takara Resources Inc.

Interim Consolidated Statements of Cash Flows (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007 (note 2)	2008	2007 (note 2)
Operating activities				
Net loss for the period	\$ (252,183)	\$ (107,758)	\$ (380,367)	\$ (176,800)
Items not affecting cash used in operating activities				
Amortization of equipment	335	-	1,314	645
Stock-based compensation expense (note 7)	99,613	-	106,790	-
	(152,235)	(107,758)	(272,263)	(176,155)
Changes in non-cash working capital				
Other receivables	(5,535)	(41,960)	6,244	(41,960)
Sales tax recoverable	-	(8,695)	-	(18,965)
Prepaid expenses	(1,069)	-	3,528	(1,887)
Accounts payable and accrued liabilities	3,616	(130,581)	(79,709)	(58,797)
Accounts payable to companies controlled by director	3,285	29,359	4,325	29,359
	(151,938)	(259,635)	(337,875)	(268,405)
Investing activities				
Exploration funds	151,991	-	228,627	-
Equipment	(9,593)	(2,002)	(12,267)	(6,301)
Deposits for mineral properties	83,679	39,140	56,585	(49,717)
Mineral properties	(1)	(189,477)	(2,615)	(308,087)
Deferred exploration expenditures	(285,060)	(112,537)	(511,174)	(271,626)
	(58,984)	(264,876)	(240,844)	(635,731)
Financing activities				
Due to directors	49,934	(78,334)	69,980	12,290
Due to a company controlled by a director	(900)	(56,573)	(3,205)	(50,643)
Issuance of capital stock	-	787,500	-	1,038,131
	49,034	652,593	66,775	999,778
(Decrease) increase in cash	(161,888)	128,082	(511,944)	95,642
Cash, beginning of period	1,127,674	44,498	1,477,730	76,938
Cash, end of period	\$ 965,786	\$ 172,580	\$ 965,786	\$ 172,580

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

Notes to Interim Consolidated Financial Statements

June 30, 2008 (Unaudited)

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Takara Resources Inc. ("Takara" or the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. Accordingly, they do not contain all of the disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with Takara's audited annual financial statements for the year ended December 31, 2007, as they follow the same accounting policies and methods of their application as the annual financial statements for the year ended December 31, 2007 except that Takara has adopted the following CICA standards:

Capital Disclosures

Effective January 1, 2008, Takara adopted the new recommendations of CICA Handbook Section 1535, "Capital Disclosures". The new standard specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Takara manages its capital structure and makes adjustments to it, based on the funds available to Takara, in order to support the acquisition, exploration and development of mineral properties.

The properties in which Takara currently has an interest are in the exploration stage; as such Takara is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, Takara will spend its existing working capital and raise additional amounts as needed. Takara will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Takara is not subject to any externally imposed capital requirement.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2008, Takara adopted the new recommendations of CICA Handbook sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation", which replaced Section 3861, "Financial Instruments – Disclosure and Presentation". These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Takara has included these disclosures in note 10 to these unaudited interim financial statements.

2. Comparative Figures

The comparative figures presented in the interim consolidated statements of loss and comprehensive loss, and deficit and cash flows are those of Takara Resources (B.C.) Inc., the Company's wholly-owned subsidiary.

3. Commitment

Exploration funds consist of cash which must be allocated pursuant to flow-through share financing agreement for exploration expenditures. As at June 30, 2008, flow-through funds totaling \$738,368 were held by the Company, and must be incurred on or before December 31, 2008.

Notes to Interim Consolidated Financial Statements

June 30, 2008 (Unaudited)

4. Equipment

	June 30, 2008			December 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	\$ 13,736	\$ 2,992	\$ 10,744	\$ 5,073
Office equipment	3,247	342	2,905	572
Exploration equipment	15,695	2,120	13,575	10,626
	\$ 32,678	\$ 5,454	\$ 27,224	\$ 16,271

5. Mineral Properties and Deferred Exploration Expenditures

	June 30, 2008			December 31, 2007			
	Mineral properties	Deferred exploration expenditures	Total	Mineral properties	Deferred exploration expenditures	Write-off	Total
Kaibab Project (Arizona, USA)	\$ 206,845	\$ 894,623	\$ 1,101,468	\$ 204,231	\$ 668,644	\$ -	\$ 872,875
CMB (Newfoundland & Labrador, Canada)	-	-	-	265,220	11,806	(277,026)	-
Basket lake (Northern Ontario, Canada)	222,495	223,730	446,225	222,495	8,305	-	230,800
Other properties	37,396	74,162	111,558	37,396	4,392	-	41,788
	466,736	1,192,515	1,659,251	729,342	693,147	(277,026)	1,145,463
Write-off	-	-	-	(265,220)	(11,806)	-	-
	\$ 466,736	\$ 1,192,515	\$ 1,659,251	\$ 464,122	\$ 681,341	\$ (277,026)	\$ 1,145,463

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 US\$2,000,000 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. During the six month period ended June 30, 2008, the Company incurred \$2,615 in respect of claim maintenance fees and \$225,980 in deferred exploration expenditures.

Notes to Interim Consolidated Financial Statements

June 30, 2008 (Unaudited)

5. Mineral Properties and Deferred Exploration Expenditures - continued

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). 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. Effective April 27, 2008 the Company's subsidiary terminated its option in respect of the CMB Project.

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. During the six month period ended June 30, 2008, the Company incurred \$215,425 in deferred exploration expenditures.

Other Properties:

During the six month period ended June 30, 2008, the Company incurred \$69,770 in deferred exploration expenditures, allocated to the Company's Canadian exploration projects, as well as its efforts in South Africa, where it has made applications for prospecting rights prospective for coal. The application process in South Africa requires that certain geological matters and environmental assessments be completed prior to any final rights being granted.

6. Capital Stock

(a) *Authorized*

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

(b) *Issued and outstanding - Common Shares*

The following transactions occurred during the period with respect to common shares:

	Shares	Amount
Outstanding, as at December 31, 2007	30,083,030	\$ 4,627,185
Tax benefits renounced (i)	-	(349,279)
Outstanding, as at March 31 and June 30, 2008	30,083,030	\$ 4,277,906

(i) In connection with the issuance of flow-through shares under the December 27, 2007 private placement, the Company has forgone a tax benefit of \$349,279.

Notes to Interim Consolidated Financial Statements

June 30, 2008 (Unaudited)

7. Stock Options and Warrants*Issues and Exercisable Stock Options Outstanding*

	Number of stock options	Weighted-average exercise price	Options Exercisable	Weighted-average exercise price
Outstanding,				
as at December 31, 2007	1,950,000	\$ 0.35	1,800,000	\$ 0.35
Granted (i)	1,200,000	0.15	812,500	0.15
Vested (ii)	-	-	100,000	0.35
Cancelled	(210,000)	0.35	(210,000)	0.35
Outstanding, as at June 30, 2008	2,940,000	\$ 0.27	2,502,500	\$ 0.29

- (i) During the three and six months ended June 30, 2008 (three and six months ended June 30, 2007 - \$nil) the Company granted 1,200,000 stock options with a weighted average exercise price of \$0.15. A stock compensation cost fair value of \$103,575 was calculated using the following assumptions:

<i>Risk free interest rate</i>	3.10 %
<i>Dividend yield</i>	NIL
<i>Expected stock volatility</i>	100 %
<i>Expected life</i>	1 to 5 years

Of the \$103,575 a compensation expense of \$87,651 was recorded in operating expenses and as an increase in the contributed surplus. An amount of \$15,924 will be amortized over the remaining vesting periods.

- (ii) During the six months ended June 30, 2008 a total of \$19,139 (three months ended June 30, 2008 - \$11,962) was recorded in operating expenses and as an increase in contributed surplus. These amounts relate to stock options granted in 2007 that have vested during the current fiscal period.

Warrants

As at June 30, 2008, there were 4,438,869 (December 31, 2007 - 4,438,869) warrants outstanding with a weighted average exercise price of \$0.46 (December 31, 2007 - \$0.46).

8. Contributed Surplus

The following table reflects the continuity of contributed surplus:

	June 30, 2008	December 31, 2007
Balance, beginning of period	\$ 537,645	\$ -
Fair value of stock options granted in fiscal 2008 (note 7(i))	87,951	488,678
Fair value of stock options granted in fiscal 2007 (note 7(ii))	19,139	48,967
Balance, end of period	\$ 644,735	\$ 537,645

Notes to Interim Consolidated Financial Statements

June 30, 2008 (Unaudited)

9. Related Party Transactions

The Company has entered into agreements with private companies controlled by directors of the Company for management consulting services, geological consulting and for such other services required by the Company. During the six month period ended June 30, 2008, the Company paid an aggregate \$88,512 (three month period ended June 30, 2008 - \$50,250) to parties related to the Company, pursuant to which \$70,500 (three month period ended June 30, 2008 - \$39,000) was incurred as management fees and \$18,012 (three month period ended June 30, 2008 - \$11,250) as geological services and paid to a company owned (in part) by an officer of the Company.

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 were concluded in the normal course of operations at the exchange amount accepted by the parties.

10. Financial Risk Factors

Takara's risk exposure and the impact on its financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Takara's credit risk is primarily attributable to other receivables. Management believes that credit risk concentration with respect to the financial instruments included in other receivables is remote.

Liquidity Risk

Takara's approach to managing liquidity risks is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2008, Takara had a cash balance of \$965,786 (December 31, 2007 - \$1,477,730) to settle current liabilities of \$183,606 (December 31, 2007 - \$192,215).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

(a) Interest rate risk

Takara has cash balances and no interest-bearing debt.

(b) Currency risk

Takara is exposed to currency risk as a result of purchases in foreign currencies. The Company's exposure to changes in exchange rates is limited.

(c) Price risk

Price risk is remote since Takara is not a producing entity.

Notes to Interim Consolidated Financial Statements

June 30, 2008 (Unaudited)

11. Subsequent Event

On July 8, 2008, the Company signed an option with Grizzly Diamonds Ltd. ("Grizzly") to acquire up to a 70% interest in 50,000 acres prospective for potash, located 250 kilometres east-southeast of Calgary, Alberta along the Saskatchewan border. Under the terms of the agreement with Grizzly, Takara can earn a 51% in the property by paying \$25,000 cash on signing and issuing 200,000 common shares of Takara. Additionally, Takara must incur a total of \$2,000,000 in exploration expenditures before September 1, 2009, including one drill hole. Takara can thereafter elect to increase its interest in the property to 70% by carrying Grizzly to a bankable feasibility study on or before September 1, 2011.