Takara Resources Inc.

Interim Consolidated Financial Statements

(Unaudited)

Three and Nine months ended September 30, 2008

Interim Consolidated Balance Sheets
as at September 30, 2008 and December 31, 2007 (Unaudited)

	2008	2007
Assets		
Current assets		
Cash	**$ 548,715**	$ 1,477,730
Other receivables	**38,687**	29,927
Prepaid expenses	**32,353**	66,672
	619,755	1,574,329
Exploration funds *(note 2)*	**413,561**	966,995
Equipment *(note 3)*	**29,462**	16,271
Deposits for mineral properties	**158,865**	161,312
Mineral properties *(note 4)*	**587,419**	464,121
Deferred exploration expenditures *(notes 4 and 8)*	**1,707,340**	681,341
	$ 3,516,402	$ 3,864,369
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 75,435**	$ 147,072
Accounts payable to companies controlled by director	**58,999**	32,260
Due to directors, without interest	**33,581**	9,211
Due to a company controlled by a director, without interest	**167**	3,672
	168,182	192,215
Future income tax liability *(note 5)*	**349,279**	-
	517,461	192,215
Shareholders' equity		
Capital stock *(note 5)*	**4,339,406**	4,627,185
Warrants	**155,284**	155,284
Contributed surplus *(note 7)*	**659,473**	537,645
Deficit	**(2,155,222)**	(1,647,960)
	2,998,941	3,672,154
	$ 3,516,402	$ 3,864,369

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

Interim Consolidated Statements of Loss and Comprehensive Loss and Deficit

(Unaudited)

	Three months ended September 30, **2008**	Three months ended September 30, 2007	Nine months ended September 30, **2008**	Nine months ended September 30, 2007
Revenues				
Interest income	**$ 19**	$ -	**$ 278**	$ 3,361
Operating expenses				
Stock-based compensation *(note 6)*	**15,038**	199,492	**121,828**	199,492
Promotion and advertising	**17,120**	3,718	**83,558**	3,718
Management fees *(note 8)*	**10,800**	-	**81,300**	10,457
Professional and legal fees	**36,430**	33,581	**80,307**	33,581
General and administration	**30,794**	4,025	**77,365**	7,678
Travel	**9,423**	3,352	**41,089**	3,352
Rent	**6,253**	-	**14,723**	-
Business development	**-**	-	**5,000**	-
Stock-based payment for services	-	32,476	**-**	32,476
Amortization of equipment	**1,056**	-	**2,370**	490
	126,914	276,644	**507,540**	291,244
Net loss and comprehensive loss for the period	**(126,895)**	(276,644)	**(507,262)**	(287,883)
Deficit, beginning of period	**(2,028,327)**	(101,019)	**(1,647,960)**	(89,781)
Deficit, end of period	**$ (2,155,222)**	$ (377,663)	**$ (2,155,222)**	$ (377,664)
Weighted average number of common shares outstanding	**30,333,573**	18,559,555	**30,167,154**	18,191,973
Basic and diluted net loss per share	**$ (0.004)**	$ (0.015)	**$ (0.017)**	$ (0.016)

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

Interim Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended September 30, **2008**	2007	Nine months ended September 30, **2008**	2007
Operating activities				
Net loss for the period	**$ (126,895)**	$ (276,644)	**$ (507,262)**	$ (287,883)
Items not affecting cash used in operating activities				
Amortization of equipment	**1,056**	-	**2,370**	490
Stock-based compensation expense *(note 6)*	**15,038**	231,968	**121,828**	231,968
	(110,801)	(44,676)	**(383,064)**	(55,425)
Changes in non-cash working capital				
Other receivables	**(15,004)**	-	**(8,760)**	1,137
Sales tax recoverable	**-**	(11,336)	**-**	(12,337)
Prepaid expenses	**30,791**	-	**34,319**	(1,874)
Accounts payable and accrued liabilities	**8,072**	29,292	**(71,637)**	38,538
Accounts payable to companies controlled by director	**22,414**	-	**26,739**	-
	(64,528)	(26,720)	**(402,403)**	(29,961)
Investing activities				
Exploration funds	**324,807**	-	**553,434**	-
Equipment	**(3,294)**	-	**(15,561)**	-
Deposits for mineral properties	**(54,138)**	6,736	**2,447**	6,736
Mineral properties	**(120,683)**	-	**(123,298)**	-
Deferred exploration expenditures	**(514,825)**	(249,448)	**(1,025,999)**	(292,885)
	(368,133)	(242,712)	**(608,977)**	(286,149)
Financing activities				
Due to directors	**(45,610)**	3,126	**24,370**	3,126
Due to a company controlled by a director	**(300)**	-	**(3,505)**	-
Issuance of capital stock	**61,500**	2,492,533	**61,500**	2,492,533
Share issue expenses	**-**	(134,689)	**-**	(134,689)
	15,590	2,360,970	**82,365**	2,360,970
(Decrease) increase in cash	**(417,071)**	2,091,538	**(929,015)**	2,044,860
Cash, beginning of period	**965,786**	311,585	**1,477,730**	358,263
Cash, end of period	**$ 548,715**	$ 2,403,123	**$ 548,715**	$ 2,403,123

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

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 9 to these unaudited interim financial statements.

2. Commitments

(a) Exploration funds consist of cash which must be allocated pursuant to flow-through share financing agreement for exploration expenditures. As at September 30, 2008, flow-through funds totaling $413,561 were held by the Company, and must be incurred on or before December 31, 2008.

(b) The Company entered into an operating lease for office space commencing on September 1, 2008. The lease terminates on August 31, 2013 with scheduled payments as follows:

2008 - remainder	$	**11,547**
2009		**46,396**
2010		**47,020**
2011		**47,644**
2012		**48,268**
2013		**32,456**
	$	**233,331**

3. Equipment

					September 30, 2008		December 31, 2007	
		Cost		**Accumulated Amortization**		**Net Book Value**		Net Book Value
Computers	$	**14,869**	$	**3,890**	$	**10,979**	$	5,073
Office equipment		**6,709**		**500**		**6,209**		572
Exploration equipment		**15,695**		**3,421**		**12,274**		10,626
	$	**37,273**	$	**7,811**	$	**29,462**	$	16,271

4. Mineral Properties and Deferred Exploration Expenditures

	September 30, 2008			December 31, 2007			
	Mineral properties	**Deferred exploration expenditures**	**Total**	**Mineral properties**	**Deferred exploration expenditures**	**Write-off**	**Total**
Kaibab Project (Arizona, USA)	**$ 241,028**	**$ 1,043,097**	**$ 1,284,125**	$ 204,230	$ 668,644	$ -	$ 872,874
CMB (Newfoundland & Labrador, Canada)	**-**	**-**	**-**	265,220	11,806	(277,026)	-
Basket lake (Northern Ontario, Canada)	**222,495**	**291,259**	**513,754**	222,495	8,305	-	230,800
South African Coal Project	**15,000**	**78,251**	**93,251**	15,000	-	-	15,000
BC Propertunities	**22,500**	**232,552**	**255,052**	-	-	-	-
Baie Verte Project	**9,000**	**26,459**	**35,459**	-	-	-	-
Alberta Potash Project	**55,000**	**7,946**	**62,946**	-	-	-	-
Other properties	**22,396**	**27,776**	**50,172**	22,396	4,392	-	26,788
	587,419	**1,707,340**	**2,294,759**	729,341	693,147	(277,026)	1,145,462
Write-off	**-**	**-**	**-**	(265,220)	(11,806)	-	-
	$ 587,419	**$ 1,707,340**	**$ 2,294,759**	$ 464,121	$ 681,341	$ (277,026)	$ 1,145,462

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 nine month period ended September 30, 2008, the Company incurred $36,798 in respect of claim maintenance fees and $374,453 in deferred exploration expenditures.

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.

4. Mineral Properties and Deferred Exploration Expenditures - continued

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 14, 2008 the balance of the purchase price is due, being $75,000 in cash and the issuance of an additional 200,000 common shares (unpaid as at the date hereof). 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 nine month period ended September 30, 2008, the Company incurred $282,954 in deferred exploration expenditures.

South African Coal Project:

The Company has made applications for prospecting rights prospective for coal in South Africa. The application process in South Africa requires that certain geological matters and environmental/financial assessments be completed prior to any final rights being granted.

During the nine month period ended September 30, 2008, the Company incurred $78,251 in deferred exploration expenditures.

BC Propertunities:

On July 25, 2008 the Company entered into option agreements to acquire a 100% interest in eight properties prospective for epithermal-style gold and silver mineralization, as well as sedimentary exhalative ("SEDEX") Pb-Zn-Ag type deposits – all located in the Central Interior of British Columbia - under the following terms: (i) payment of $15,000 and issuance of 250,000 shares upon signing; (ii) work commitments totaling $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, and the Company may purchase 1% at any time for $1 million.

During the nine month period ended September 30, 2008, the Company issued 250,000 common shares in accordance with its option agreements with an estimated fair value of $22,500 (see note 5). In addition, the Company incurred $232,552 in deferred exploration expenditures.

Baie Verte Project:

During the nine month period ended September 30, 2008, the Company issued 100,000 common shares with an estimated fair value of $9,000 (see note 5) for the acquisition of 373 mineral claims prospective for uranium, located in the Noble Pond region of Baie Verte, Newfoundland and Labrador. In addition, the Company incurred $26,459 in deferred exploration expenditures.

4. Mineral Properties and Deferred Exploration Expenditures - continued

Alberta Potash Project:

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.

During the nine month period ended September 30, 2008, the Company paid $25,000 and issued 200,000 common shares with an estimated fair value of $30,000 (see note 5) in accordance with its option agreement. In addition, the Company incurred $7,946 in deferred exploration expenditures.

Other Properties:

During the nine month period ended September 30, 2008, the Company incurred $23,384 in deferred exploration expenditures, allocated to the Company's other Canadian exploration projects.

5. 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**
Issued in connection with Alberta Potash project (ii)	**200,000**	**30,000**
Issued in connection with BC Propertunities (ii)	**250,000**	**22,500**
Issued in connection with Baie Verte project (ii)	**100,000**	**9,000**
Outstanding, as at September 30, 2008	**30,633,030**	**$ 4,339,406**

5. Capital Stock - continued

(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.

(ii) Share capital issued for non-monetary consideration in connection with mineral property interests (see note 4) is recorded at an amount based on the fair market value estimated using the closing share price on the day prior to the corresponding press release.

6. 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	825,000	0.15
Vested (ii)	-	-	150,000	0.35
Cancelled	(425,000)	0.35	(425,000)	0.35
Outstanding,				
as at September 30, 2008	2,725,000	$ 0.26	2,350,000	$ 0.28

(i) The Company did not grant any options during the three months ended September 30, 2008 (three months ended September 30, 2007 - 1,750,000).

During the nine months ended September 30, 2008 the Company granted 1,200,000 stock options (nine months ended September 30, 2007 - 2,000,000) with a weighted average exercise price of $0.15. A stock compensation cost fair value of $103,575 was calculated using the following assumptions:

Risk free interest rate	*3.10 %*
Dividend yield	*NIL*
Expected stock volatility	*100 %*
Expected life	*1 to 5 years*

Of the $103,575 a compensation expense of $93,120 was recorded in operating expenses and as an increase in the contributed surplus. An amount of $10,455 will be amortized over the remaining vesting periods.

(ii) During the nine months ended September 30, 2008 a total of $28,708 (three months ended September 30, 2008 - $9,569) 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 September 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).

7. Contributed Surplus

The following table reflects the continuity of contributed surplus:

	September 30, 2008	December 31, 2007
Balance, beginning of period	**$ 537,645**	$ -
Fair value of stock options granted in fiscal 2008 *(note 6(i))*	**93,120**	-
Fair value of stock options granted in fiscal 2007 *(note 6(ii))*	**28,708**	537,645
Balance, end of period	**$ 659,473**	$ 537,645

8. 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 nine month period ended September 30, 2008, the Company paid an aggregate $244,052 (three month period ended September 30, 2008 - $142,979) to parties related to the Company, of which:

a) $117,000 (three month period ended September 30, 2008 - $46,500) was incurred by four parties as aggregate management fees of which $35,700 has been recorded as deferred exploration expenditures and;

b) $127,052 (three month period ended September 30, 2008 - $109,040) was incurred as geological services and paid to a company controlled by an officer of the Company.

9. 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 September 30, 2008, Takara had a cash balance of $548,715 (December 31, 2007 - $1,477,730) to settle current liabilities of $168,182 (December 31, 2007 - $192,215).

9. Financial Risk Factors - continued

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.