

TAKARA RESOURCES INC.

Management's Discussion and Analysis

Fiscal Year Ended December 31, 2008

Dated: April 30, 2009

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 year ended December 31, 2008. This discussion and analysis should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2008 and the related notes thereto (the "Financial Statements"). 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, and Takara Resources (B.C.) Inc. became a wholly owned subsidiary of the Company. Therefore, the consolidated financial statements for the year ended December 31, 2008 includes activities of the Company and of Takara Resources (B.C.) Inc.

Takara Resources (B.C.) Inc. was incorporated on April 11, 2006 and listed with its key project is the Kaibab Joint Venture, where Takara and its joint venture partner, DIR Exploration, Inc. ("DIR"), an Arizona private corporation, have since been active exploring for uranium breccia pipe mineralization in the Arizona Strip – situated in the northwestern portion of Arizona.

During the fiscal year ended December 31, 2008, the Company: (i) continued the Phase IIA exploration program on the Kaibab Joint Venture, as modified, by conducting orientation surface geophysics and geochemical surveys, and ended the year by undertaking the preparation of an environmental assessment report in support of the Drilling Plan of Operation; (ii) completed Phase I of its exploration program (preliminary survey and reconnaissance work) in respect of its Basket Lake uranium project located in northwestern Ontario; (iii) began an application process for prospecting rights on properties prospective for coal in South Africa; (iv) carried out a preliminary prospecting program on its Baie Verte uranium project in Newfoundland and Labrador; (v) completed Phase I of its exploration program on its newly acquired B.C Epithermal Gold Projects; (vi) acquired an interest in a potash project in Alberta; (vii) made application to the Mines office in Manitoba seeking mineral exploration licences on nine projects prospective for nickel exploration (the "Miskamowin Project"); and (viii) completed a diamond drilling program on the "Luciana Prospect", a gold property in the Abitibi Greenstone Belt, Quebec.

Most of the Company's project selection had been based on new generative ideas in typically underexplored regions; given the market downturn during the latter part of 2008, the Company's early stage projects became increasingly difficult to finance. Accordingly, the Company began to reduce and streamline its activities during the fourth quarter of 2008 on all properties except its two gold projects (BC Projects and the Luciana Prospect in QC). Other cost-saving measures implemented was reducing office staff and monthly overhead expenses and terminating earn-in obligations in respect of certain mineral projects.

Selected Annual Information

	2008	2007	2006 (nine months)
Other Income	\$26,209	\$476	\$nil
Net profit (loss)	(\$2,172,544)	(\$1,534,682)	\$(113,278)
Basic and diluted net profit (loss) per share	\$(0.07)	\$(0.08)	\$(0.008)

Results of Operations

As at the year ended December 31, 2008, Takara reported a net loss of \$2,172,544 compared to \$1,534,682 for the fiscal year ended December 31, 2007 – the difference being attributed to the fact that the Company wrote off a number of mineral properties, amounting to \$1,848,182 in the aggregate.

Revenues

The Company had no cash income, other than from interest income generated primarily from sales tax rebate. This income is virtually offset by interest and bank charges. Takara is in the exploration stage and has no revenue from mining operations.

Non-Exploration Expenditures

The Operating expenses for the fiscal year ended December 31, 2008 totaled \$2,479,453, and totaled \$1,535,158 for the year ended December 31, 2007. The write-down of \$1,848,182 is the single largest factor attributing to this difference.

Professional fees of \$216,029 as at December 31, 2008 were lower than the year previous, amounting to \$434,293, given that most of the Professional Fees as at December 31, 2007 pertained to closing the Company's Qualifying Transaction. Promotion and advertising (\$93,712 as at December 31, 2008) was higher in 2008 than the previous year (\$62,461), as was general and administrative expenses, primarily because 2008 was the Company's first year of operating on a consolidated basis, as a publicly traded exploration mining company.

Management fees of \$31,500 as at December 31, 2008 were lower than those booked at December 31, 2007 (\$76,069), because \$97,816 was recorded as deferred exploration expenditures incurred by management. Given the increase in exploration activity (Basket Lake Uranium Project, BC Gold Project, Baie Verte Uranium Project, Potash Project, Luciana Gold Prospect) during the fiscal year ended December 31, 2008 compared to that in 2007 (Kaibab Joint Venture Uranium project and CMB Uranium Project), a higher amount of management fees was allocated directly to exploration activities.

Exploration Activities and Expenditures

As at December 31, 2008, the Company had invested a total of \$1,096,349 on its mineral properties, comprised of exploration expenditures, property acquisition fees and property tax/maintenance fees. This is a slight decrease over investments in mineral properties as at December 31, 2007, again because of the \$1,848,182 write down on mineral projects. The challenges of raising exploration funds for the Company's early-stage projects, as a result of the global market crisis during 2008, impaired the value of the Company's assets, given the limited funds in the treasury, abated prices of uranium, and limited opportunity to raise new funding to meet obligations of maintaining projects in good standing.

Kaibab Joint Venture – 612 Lode Mining Claims Prospective for Uranium Breccia Pipes, Arizona

By incurring \$2,000,000 in exploration expenditures on the Kaibab Joint Venture project and issuing 200,000 common shares (issued in 2007) to the Optionors (DIR) on or before August 31, 2009, Takara will earn a 50% interest in all breccia pipe prospects held by the Kaibab Joint Venture. 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, budgeted at approximately \$700,000, was 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 includes surface geochemical and geophysical surveys (EM, CSAMT, and possible seismic), archaeological surveys, data analysis and modelling, and operations permitting (including environmental assessment report), all of which was anticipated to be followed by drill site preparation, drilling, and reclamation work on selected targets. However, progress has slowed during the last nine months of 2008, given the local action taken by the Arizona Coconino County Board of Supervisors (see below) and the abatement of the market conditions.

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.

The focus of the Phase II exploration program during the fiscal year ended December 31, 2008 has been conducting orientation surface geophysics and geochemical surveys, and the drafting of an environmental assessment report in support of the Drilling Plan of Operation.

As at December 31, 2008, an aggregate \$1,368,462 had been invested in the Kaibab Joint Venture, \$495,588 of which was incurred during the fiscal year ended December 31, 2008. Due to the current environment, the Company recorded a write-down of \$868,462 on this project.

Basket Lake Uranium Project– Northwestern Ontario

On November 14, 2007, the Company purchased the Basket Lake project, a property prospective for uranium exploration, located about 60 kilometres southeast of Dryden, Ontario, and comprising 75 mineral claims (300km²). 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 focussed on the claim 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 (remains unpaid as at the date hereof); and (iii) the issuance of 600,000 common shares, 400,000 of which were issued in December, 2007, and 300,000 on December 31, 2008 (100,000 additional shares were issued in consideration for a delay in paying the second cash tranche). 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 3,000 line kilometre, high-resolution aeromagnetic and radiometric geophysical surveys have been completed at the Basket Lake project. Assessment work was filed only on only the areas flown, and the Company reduced the number of claims accordingly. Data from the survey will assist in redefining targeting for future field programs (of ground prospecting, mapping and sampling), however no programs are planned for 2009 without a funding partner.

As at December 31, 2008, an aggregate \$527,172 had been invested in the Basket Lake project, all of which was written off.

Potash project – Alberta

On June 28, 2008, Takara signed an option with Grizzly Diamonds Ltd (TSX-V:GZD) ("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 had the right to earn a 51% in the property by paying \$25,000 cash and issuing 200,000 common shares of Takara upon signing (completed). Additionally, Takara was to incur a total of \$2,000,000 in exploration expenditures before September 1, 2009, including one drill hole to test the Prairie Evaporite Horizon. Thereafter, Takara had a right to elect to increase its interest in the property to 70% by carrying Grizzly to a bankable feasibility study on or before September 1, 2011.

Takara 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, but given market conditions, Takara allowed the option to early terminate (during the first quarter ended March 31, 2009).

As at December 31, 2008, a total of \$68,646 had been invested in the Alberta Potash project, mostly all of which are the costs associated with entering into the agreement (issuance of shares and cash payment). The full amount was written off given the Company's inability to meet its commitments under the Agreement.

Coal Prospects – South Africa

During the fiscal year ended December 31, 2008, the Company had been actively evaluating coal projects in South Africa. During the second quarter ended June 30, 2008, the Company submitted to the South African Department of Minerals and Energy ("DME") applications for prospecting rights in a region that is active in coal exploration and production. As part of this process, the Company posted ZAR65,000 to a trust account as a guarantee for envisaged potential environmental impacts on the projects applied for. Given the market downturn in 2008, Takara became unable to meet the financial stability test at the DME, and accordingly, the Company's activities in the process halted.

As at December 31, 2008, a total of \$95,751 had been invested in respect of evaluating and making applications for coal prospects in South Africa. Notwithstanding that the full amount invested has been written off, the Company maintains a comprehensive database of coal data for potential future consideration – enabling it to be in a position to step back into similar coal opportunities, should market conditions improve.

British Columbia Propertunities - Epithermal Gold and Lead-Zinc-Silver Sedimentary projects

The BC Project is comprised of various properties in central interior British Columbia that are prospective for epithermal-style gold and silver mineralization (Big Bar and Baez), prospective for sedimentary exhalative ("SEDEX") Pb-Zn-Ag type deposits along the southernmost extension of the Selwyn Basin (Ospika Project), and that were acquired predominantly on the basis of anomalous Cu and Au stream sediment geochemistry with potential for porphyry-style mineralization (in addition to epithermal-style precious metal mineralization).

On August 19, 2008, the Company 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 200kilometres south of Williams Lake and approximately 200 kilometres to the northwest of Williams Lake respectively, both properties are easily accessed by logging roads, together covering 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 including the World-Class Coeur D'Alene (Washington: 1.8 Moz Au, 10

Moz Ag), Comstock (Nevada: 8.5 Moz Au, 191 Moz Ag), Guanajuato (Mexico: 4.7 Moz Au, 31 Moz Ag) and Pachuca (Mexico: 7.5 Moz Au, 1.6 Moz Ag) mines.

Ospika lead zinc silver project- 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 such as the Cirque (43 Mt with 2.2% Pb, 8.1% Zn, 50 g/t Ag), Akie (12 Mt with 1.5% Pb, 8.6% Zn, and 17 g/t Ag) and Driftpile (18 Mt with 2.3% Pb/Zn) deposits.

Geochemical Targets - An additional five grass roots properties were also optioned and acquired predominantly on the basis of anomalous Cu and Au values in stream sediment samples. 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 these projects in consideration for: (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% on a right of first refusal.

Takara has undertaken a program of initial prospecting, mapping and sampling, and completed airborne and ground geophysical surveys.

As at December 31, 2008, a total of \$554,429 had been invested in the B.C. Projects. In March, 2009, the Company vended, among other things, its interest in the BC Projects to Garson Gold Corp. In the event that the transaction with Garson Gold Corp. is approved by the TSX Venture Exchange for both Garson Gold Corp. and Takara (received for Takara; pending for Garson Gold), Garson Gold will assume all of Takara’s rights and obligations in respect of the BC Projects. The value of the B.C. Projects was written down by \$164,429 (carrying a net value of \$390,000 as at December 31, 2009), based on adjustments for the shares issued by Takara (3,000,000) to Garson Gold in the overall transaction.

Baie Verte Project – Uranium in Newfoundland and Labrador

During the fiscal year ended December 31, 2008, the Company acquired an interest in 373 mineral claims prospective for uranium, located in the Noble Pond region of Baie Verte, Newfoundland and Labrador. During the fall of 2008, the Company carried out a preliminary ground reconnaissance program. However, in March, 2009, the Company elected not to pay the claims maintenance fees in order to keep the project in good standing, and accordingly, no longer holds title to the claims comprising the Baie Verte project.

As at December 31, 2008, a total of \$37,383 had been invested in the Baie Verte project, all of which was written off.

Luciana Gold Prospect, Abitibi, QC

On December 5, 2008 the Company signed an option agreement with Golden Valley Mines Ltd. (“Golden Valley”), pursuant to which Golden Valley granted the Company the option to earn up to a 60% interest in the “Luciana Prospect”, a permitted drill-ready mineral property prospective for gold that straddles the “Cameron Shear Zone” near Lebel-sur-Quévillon, QC.

Because the property was a gold, “drill-ready” prospect in the Abitibi, the Company took advantage of the turning gold market conditions, and completed the first phase of its drilling campaign prior to the end of the year, which consisted of five (5) drill-holes totaling 477 metres. Core logging and sampling were also completed, and by

March, 2009, the Company vended the project to Garson Gold Corp. as part of a larger business development transaction. See Garson Gold Transaction for further details.

In order to earn a 51% interest in the Luciana Prospect, Takara had to issue to Golden Valley 250,000 common shares and shall have conducted a drilling program during the month of December, 2008 in the minimum amount of \$85,000. Additionally, it must incur an aggregate \$500,000 in exploration expenditures on or before December 31, 2011 (as to \$115,000 prior to December 31, 2009, \$175,000 prior to December 31, 2010 and \$210,000 prior to December 31, 2011).

Thereafter, Takara may elect to increase this interest to 60% by incurring an additional \$1,000,000 in exploration expenditures prior to June 30, 2013 and by issuing Golden Valley an additional 250,000 common shares. In the event that the Property evidences gold or base metals mineralization meeting a minimum threshold of 300,000 ounces gold equivalent or 1,000,000 pounds copper equivalent, Takara shall issue to Golden Valley an additional 200,000 common shares.

In the event that the transaction with Garson Gold Corp. is approved by the TSX Venture Exchange for both Garson Gold Corp. and Takara (received for Takara; pending for Garson Gold), Garson Gold will assume all of Takara's rights and obligations in respect of the Luciana Prospect.

During the fiscal year ended December 31, 2008 the Company incurred \$123,711 in deferred exploration expenditures, however this amount was written down to \$90,000 based on adjustments for the shares issued by Takara (3,000,000) to Garson Gold in the overall transaction.

Miskamowin Nickel Project, Manitoba

In 2008, the Company submitted applications for nine mineral exploration licences in Northern Manitoba (west of Thompson) prospective for Nickel. In the event that such applications were accepted by the Minister of Mines, Manitoba and licences granted, the agreement with Dr. James Mungall (described below) would become effective, and Takara's obligations would commence. In December, 2008, and January, 2009, the mineral exploration licences were granted to Takara, and accordingly, the Agreement with Dr. James Mungall took effect.

This new project area is located in an underexplored area known to host ultramafic rocks correlative with the Thompson Nickel Belt ("TNB"), and is prospective for the identification of new ultramafic magmatic sulphide Ni deposits, particularly with the use of modern geological and geophysical techniques.

Takara has since made application for an additional 3 mineral exploration licences in the area, all of which are held in trust, for and on behalf of Mungall, for a total of approximately 220,000 hectares. Takara will automatically vest in a 100% interest the project by issuing to Dr. James Mungall 250,000 common shares upon receipt of TSX approval (completed), an additional 250,000 common shares one year thereafter, and 250,000 common shares on the ensuing anniversary thereafter.

Thereafter, a discovery bonus shall be payable to Dr. Mungall as to: (i) 150,000 common shares and \$30,000 cash in the event that two (2) diamond drill holes located in the same claim block area each return not less than 1% Nickel over not less than 5 continuous metres; and (ii) in the event that a resource estimate compliant with National Instrument 43-101 is completed on the project by an independent Qualified Person evidencing not less than 1,000,000 tonnes having an average grade of not less than 0.9% Nickel, Mungall shall be entitled to be issued a number of shares that results in Mungall holding an aggregate 1,000,000 common shares (issued as per the Agreement) at the time of completion of the resource estimate hereinbefore described.

The permit areas are located in the vicinity of Nelson House, Manitoba and are located close to small settlements with some infrastructure. Highway access is possible to some of the licenced areas, and a combination of foot, water, and aircraft access will be possible for all licence areas.

The Company plans to conduct an airborne survey in 2009, provided that consultations with Nelson House and other stakeholders are completed.

During the fiscal year ended December 31, 2008 the Company incurred \$116,349 in deferred exploration expenditures – all of which are allocated to acquisition costs charged by the mines office, Manitoba.

Financial Condition

Liquidity and Capital Resources

Working capital as at December 31, 2008 totaled \$307,518.

As at December 31, 2008, the Company did not have sufficient cash liquidity to carry out its exploration commitments and accordingly, began the process of eliminating obligations and seeking funding partners on its key projects.

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.

Summary of Quarterly Results

	<u>2008 – Three Month Period Ended</u>			
	December 31 2008	September 30 2008	June 30 2008	March 31 2008
Other Income	\$26,209	\$19	\$259	Nil
Net (loss)	\$(1,665,282)	\$(126,895)	\$(252,183)	\$(128,124)
Basic and diluted net loss per share	\$(0.05)	\$(0.004)	\$(0.008)	\$(0.004)

Fourth Quarter

During the fourth quarter ended December 31, 2008, the Company's exploration programs focused primarily on the two gold prospects, namely, the BC Epithermal Projects, and drilling the Luciana Prospect, in Quévillon, Quebec. At the same time, the Company began to reduce its general and administrative costs, given the market downturn and difficulty to raise additional funds.

During this quarter, the Company acquired the right (from Golden Valley Mines Ltd.) to earn up to a 60% interest in the Luciana Prospect, a permitted drill-ready mineral property prospective for gold that straddles the "Cameron Shear Zone" near Lebel-sur-Quévillon, QC. This region is known for its association with gold occurrences and additionally, LREE (Light Rare Earth Elements) occurrences of lanthanum and cerium that are associated with carbonatite intrusive rocks appear to be located on or nearby the Property. By December 31, 2008, the Company completed the first phase of its drilling campaign, which consisted of five (5) drill-holes totaling 477 metres.

During the early part of the fourth quarter, the Company completed an airborne survey and ground reconnaissance program on the B.C. Prospects.

In December, 2008, Ms. Lassonde joined the Company as President, and as a board member. Ms. Lassonde joined Takara having 11 years of experience in various financial and engineering fields including work as a civil engineer with SNC-Lavalin and investment banking experience with Macquarie Bank Ltd in Australia and the U.S.A.

Wesleigh Harkness resigned as interim Chief Financial Officer and Jennifer Boyle, Chief Executive Officer, filled the vacancy. Additionally, Scott Jobin-Bevans resigned as Vice-President Exploration.

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 December 31, 2008:

Common shares: 31,183,030

Incentive Stock Options:

Expiring Date	Outstanding	Exercisable	Exercise Price
November 7, 2009	100,000	100,000	0.35
June 25, 2010	50,000	50,000	0.15
September 24, 2012	1,315,000	1,315,000	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>2,565,000</u>	<u>2,265,000</u>	

Warrants:

Expiry Date	Exercise Price	Number of Common Shares
March 18, 2009	\$0.50	3,488,942
March 18, 2009	\$0.35	697,788
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	-	-	-	-
Kaibab Joint Venture	\$80,000	\$80,000	-	-	-	-
Office Lease	\$58,782	24,949	25,313	8,519	-	-

Notes:

- (1) The Company's final cash payment (due November, 2008) of \$75,000 remains unpaid.
- (2) The Company has an obligation to pay the claim renewal fees on August 31, 2009 in respect of the Kaibab Joint Venture, estimated to be \$80,000. This amount will increase or decrease, depending on the change in the number of lode mining claims held as at August, 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 audited consolidated financial statements for fiscal year ended December 31, 2008.

Subsequent Events and Outlook

Transaction with Garson Gold

On March 12, 2009, the Company entered into an agreement with Garson Gold Corp. in respect of a series of business transactions, including the formation of joint advisory committees, common executive teams, and the acquisition by Garson of Takara's interests in the B.C. Epithermal Gold Projects, and the Luciana Gold Prospect in the Abibiti, QC. Upon receipt of approval by the TSX Venture Exchange (received by Takara; pending for Garson), Garson shall issue to Takara ten million (10,000,000) common shares of Garson, Takara shall issue to Garson 3,000,000 Common Shares, and joint advisory committees shall be formed having a focus on business development and project generation, as to gold projects for Garson, and base metal projects to Takara.

Garson Gold holds at 100% interest in the New Britannia Gold Mine (NBM) in Snow Lake, Manitoba, where approximately 1.43 million ounces of gold was produced historically (1949 to 1958 and again from 1995 to 2004). The resource estimate at the NBM property, audited by Micon International Ltd. in accordance with CIM classifications pursuant to National Instrument 43-101, is available for viewing on Garson Gold's Sedar Profile (www.sedar.com) and www.garsongold.ca. It states the total property resource inventory at 449,000 oz Au (2,605,000 tonnes grading 5.37 g/t) in the measured and indicated categories and 317,000 oz Au (1,886,000 tonnes grading 5.22 g/t) in the inferred category. Infrastructure at the New Britannia Gold Mine includes a fully-permitted 2,150 tonne per day modern mill and tailings facility, an associated plant, and equipment. Garson is nearing completion of its Preliminary Economic Assessment to evaluate rehabilitation of the mill and the ramp for the No 3 Zone, and an updated resource estimate is currently underway and is expected to include the Boundary Zone, a satellite deposit located one kilometre from the Main mine and mill.

It is Takara's intention to re-distribute the Garson Shares to Takara shareholders shortly following the receipt of all regulatory and professional approvals. In the event that Garson Gold holds a meeting of shareholders prior to the time that the Garson Shares are re-distributed to Takara shareholders, Takara shall vote the Garson Shares in a manner supportive of and consistent with the voting preferences of Garson management.

The management of Takara and of Garson Gold shall jointly appoint an Advisory Committee focused on the re-activation of Garson's New Britannia Mine and a Business Development Committee focused designed to identify new project opportunities conducive to each company's core business.

In connection with the transaction with Garson, the President of Takara, Julie Lassonde, resigned as President of Takara and assumed the role of President of Garson. Ms. Lassonde remains a board member and Executive Vice President of Takara.

Outlook

Takara's exploration activities have been described in the Exploration Activities and Expenditures section of this document. Given the Company's limited cash assets and the current state of the markets, the Company has begun to downsize, and to focus only on limited prospects believed to generate the best value. Once the transaction with Garson Gold is completed, the Company will be in a better position to continue with evaluating various corporate opportunities and transactions, in an effort to adapt favorably with the changing market conditions and commodity prices.

The capital markets for exploration companies have shown great volatility over the past several months, reflecting the "sub-prime" or credit crisis in the United States and its broadening influence on public capital markets and a generally negative sentiment in investor valuations. Weakening of commodity prices has similarly added to the

general market malaise. The public stock markets are expected to remain volatile, and the Company is not insulated from the risk of not being able to fund its own exploration projects or cover its general and administrative expenses. As a consequence, the Company has downsized, in terms of projects and personnel, and will focus on a limited number of activities in order to take advantage of transactions having a positive impact on the Company's survival.

Risks and Uncertainties

The exploration and development of mineral deposits involves significant risks over an extended period of time which even a combination of careful evaluation, experience, and knowledge may not be able to mitigate. Few properties which are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be primarily related to its ability to finance its working capital and its operations, and will be in part related to the cost and success of its exploration programs. Additionally, there are a number of factors out of the Company's control, such as the availability of skilled personnel, qualified vendors, construction and production targets, timetables, anticipated timing of grant of permits and governmental incentives, favourable commodities markets, contractual commitments, litigation matters, the inability to mitigate financial and operational risks, inability to have access to the capital markets, and the availability of 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 mineralized deposit, it is impossible to ensure that the current mineral properties in which the Company has an interest will result in profitable mining operations. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly higher than currently anticipated. Determining if a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, land use, and environmental protection. The effect of these factors cannot be accurately predicted, however, the combination of these factors may result in the Company not receiving an adequate return on its invested capital, if any.

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, there is no assurance that an exploration project can be profitable or successful. The long-term viability of the Company's operations will be in part correlated 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 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.

There has been no significant change to the Company's risk factors from those described in the MD&A for the year ended December 31, 2007.

Critical Accounting Policies and Estimates

In preparing the Financial Statements, management has to make estimates and assumptions that affect the amounts reported in the Financial Statements and the accompanying notes. Based on historical experience, current conditions, expert advice and application of accounting policies, management makes assumptions that are believed to be adequate and reasonable under the circumstances. The Company's accounting policies are described in note 2 to the Audited Annual Financial Statements.

Internal Controls Over Financial Reporting

The Chief Executive Officer, the Chief Financial Officer, and the Chairman of the Board of Directors 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. The Chairman of the Board of Directors and the Chief Financial Officer have conducted an evaluation of the controls and procedures regarding communication of information and have concluded these controls and procedures were effective for the year ended December 31, 2008. In December 2008, the Chief Executive Officer assumed the role of Chief Financial Officer upon the resignation of the interim Chief Financial Officer – and it is anticipated that the Chief Executive Officer will retain the dual roles on an interim basis until market conditions improve, financial stability can be achieved, either by way of improved market conditions or by completing a transaction favourable to the survival of the Company, and additional executives can be identified by the Board. Accordingly, since December 2008, the Chief Executive Officer, the Chief Financial Officer, together with the Chairman of the Board of Directors are responsible for designing internal controls over financial reporting or for causing it to be designed under their supervision. During the fiscal year ended December 31, 2008, all existing systems have been documented and inadequacies have been corrected, as necessary. The Chief Executive Officer and the Chief Financial Officer, together with the Chairman of the Board, have evaluated whether there were changes to internal control over financial reporting during the fiscal year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

Recent Accounting Pronouncements Not Yet Adopted

The CICA published exposure drafts entitled “Adopting IFRSs in Canada” in April 2008 and March 2009. The exposure drafts propose to incorporate IFRS into the CICA Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. The Company is reviewing the impact of IFRS on its financial statements and has begun developing the key elements and timing of an implementation plan. The financial reporting impact of the transition to IFRS cannot be reasonably determined at this time.

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.”

This document contains forward-looking information that is based on expectations, assumptions and estimates as of the date of this document. The Company’s forward-looking information is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “should”, “may”, “could”, “would”, “target”, “objective”, “projection”, “forecast”, “continue”, “strategy”, or the negative of those terms or other variations of them or comparable terminology.

In formulating the forward-looking information above, the Company has made assumptions regarding general financial market conditions and the availability of financing.

While the Company anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents management’s views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. The Company has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will

prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. See also “Risks and Uncertainties”.

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.