

## **TAKARA RESOURCES INC.**

### **Management's Discussion and Analysis**

**Three and Nine Months Ended September 30, 2009**

**Dated: November 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 three and nine months ended September 30, 2009 and the comparable periods ended September 30, 2008. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes for the three and nine months ended September 30, 2009 and 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](http://www.sedar.com).

#### **Nature of Operations**

The Company was a capital pool company prior to the closing of its qualifying transaction on September 24, 2007, when it acquired all of the issued and outstanding securities of Takara Resources (B.C.) Inc. (formerly Takara Resources Inc. and 0754545 B.C. Ltd.), a private company carrying on business as a mineral exploration company.

Since the closing of its qualifying transaction, the Company has continued business as a mineral exploration company, however, pending an improvement in the capital markets the Company focused on partnered transactions in order to remain a going concern. During the nine months ended September 30, 2009 the Company suspended its exploration programs given market conditions, and focussed more on preserving its assets and seeking transactions in furtherance of building longer term value.

During the nine months ended September 30, 2009, the Company: (i) acquired three additional exploration licences on the Miskamowin Nickel project in Manitoba; and (ii) entered into a strategic alliance with Garson Gold Corp. (as described further in this MD&A); (iii) entered into a transaction with St. Eugene Mining Corporation Limited ("St. Eugene"), which was amended subsequent to the third quarter.

On June 29, 2009 the Company announced that it has entered into an agreement in respect of a proposed arms-length merger with St. Eugene Mining Corporation. Subsequent to September 30, 2009 the Company revised the terms of its previously announced merger with St. Eugene, pursuant to which St. Eugene shall issue 6,000,000 shares to Takara in consideration for Takara's Basket Lake exploration project in northwestern Ontario. The transaction remains subject to acceptance by the TSX Venture Exchange. Concurrent with St. Eugene entering into the agreement with Takara, Jennifer Boyle, the Chief Executive Officer and a director of Takara, was appointed President and Chief Executive Officer and a director of St. Eugene; and Pamela Strand, the President and a director of Takara, was appointed as a director of St. Eugene.

Takara shareholders on record as of September 23, 2009 received, in addition to Takara shares already held, a dividend in kind equal to .307569 shares of Garson Gold for every 1 share of Takara held (or, 30.7 shares for every 100 TTK shares held). See the Garson Gold Transaction.

On November 13, 2009 Takara further announced that it has entered into an agreement with Victoria Gold Corp. ("Victoria") to acquire a subsidiary of Victoria that holds title to two advanced stage gold projects within the Guyana Shield, Guyana, namely: (i) the Tassawini Gold Project; and (ii) the BRL

Venture (the “Guyana Gold Projects”). The Tassawini Gold Project hosts a National Instrument 43-101 compliant mineral resource of 437,000 ounces gold (indicated) and 62,000 ounces gold (inferred) in the Tassawini and Sonne Deposits. The BRL Venture is a joint venture with Newmont Overseas Exploration Limited, a subsidiary of Newmont Mining Corporation.

### Results of Operations

For the nine months ended September 30, 2009, Takara reported a net loss of \$943,717 compared to \$507,540 for the nine months ended September 30, 2008. The difference is primarily attributed to the write off of mineral properties and deferred exploration expenditures (during the third quarter of 2009) relating to the termination of the Kaibab Joint Venture.

For the three months ended September 30, 2009, Takara reported a net loss of \$658,592, compared to \$507,540 for the three months ended September 30, 2009.

### Revenues

The Company had no cash income. Takara is in the exploration stage and has no revenue from mining operations.

### Non-Exploration Expenditures

For the three months ended September 30	2009	2008	% change
Professional and legal fees	22,426	36,430	-38.4%
Travel	2,380	9,423	-74.7%
General and administrative	12,578	30,794	-59.2%
Stock based compensation	1,543	15,038	-89.7%
Promotion and advertising	4,940	17,120	-71.1%
Rent	6,651	6,253	6.4%
Management fees	46,000	10,800	325.9%
Write off of mineral properties and deferred exploration expenditures	561,260	0	n/a
Amortization	814	1056	-22.9%
	<u>658,592</u>	<u>126,914</u>	<u>418.9%</u>

For the nine months ended September 30	2009	2008	% change
Professional and legal fees	87,683	80,307	9.2%
Travel	12,829	41,089	-68.8%
General and administrative	96,188	77,365	24.3%
Stock based compensation	7,485	121,828	-93.9%
Promotion and advertising	13,726	83,558	-83.6%
Rent	19,459	14,723	32.2%
Management fees	142,000	81,300	74.7%
Business development	0	5,000	-100.0%

Write off of mineral properties and deferred exploration expenditures	561,260	0	n/a
Amortization	3,087	2370	30.3%
	<u>943,717</u>	<u>507,540</u>	<u>85.9%</u>

The operating expenses for the nine months ended September 30, 2009 totaled \$943,717, and totaled \$507,540 for the comparable nine month period ended September 30, 2008. The Company's operations as at September 30, 2009 were significantly higher due to management's active efforts in new project acquisitions.

The operating expenses for the three months ended September 30, 2009 (\$658,592) was significantly higher than the operating expenses for the three months ended September 30, 2008 (\$126,914). Expenses pertained to activities related to the Garson Gold transaction (see Exploration Activities and Expenditures), the St. Eugene transaction and the subsequently announced transaction with Victoria Gold Corp.

Professional fees of \$87,683 for the nine months ended September 30, 2009 were slightly higher than the same period in the prior year (\$80,307), given that the cost of the audit was more costly in 2009, and given that the Company completed two mineral transactions during this period in 2009 (Miskamowin and Garson Gold).

Travel expenses decreased from \$41,089 as at the end of the third quarter in 2008 to \$12,829 as at September 30, 2009. Travel costs were associated with attending mining conferences and sourcing opportunities for coal projects in South Africa during the first and second quarters of 2008, and for the same period in 2009, travel was minimized and costs were primarily domestic, and related to the closing of the Garson Gold transaction.

General and administrative fees consist of office supplies, insurance, filing fees, transfer agent fees, computer expense accounting services and a fee for the cancelation of investor presentations in Europe. This expense was higher during the nine month period ended September 30, 2009 (\$96,188) compared to the same nine month period ended September 30, 2008 (\$77,365) primarily because the Company paid taxes (\$29,976) on flow-through dollars and extra expenses were incurred as a result of cancelled meetings in Europe and additional accounting and business development services provided by a director.

Stock based compensation does not affect the cash resources of the Company. The timing of this expense is subject to the date of issue and vesting terms of the options.

Promotion and advertising of \$13,726 was significantly lower than promotion and advertising expenses incurred during the same period ended September 30, 2008 (\$83,558). The Company significantly reduced its business development activities during 2009 given the condition of the global markets.

Management fees of \$142,000 (2008 - \$81,300) consist of \$88,000 charged by the CEO for management fees and \$54,000 to the new president (now former – see Garson Gold transaction) for management fees. The increase in management fees is due to separating the CEO and President roles, for the purposes of augmenting business development opportunities and acquisition efforts.

## **Exploration Activities and Expenditures**

As at September 30, 2009, the Company had capitalized a total of \$208,346 on its mineral properties. The challenges of raising exploration funds for the Company's early-stage projects - as a result of the global market crisis during 2008 and into 2009 as well as the lobbying efforts in Arizona - impaired the value of the Company's assets, given the limited funds in the treasury, abated prices of uranium and nickel, and limited opportunity to raise new funding to meet obligations of maintaining projects in good standing.

Accordingly, in 2009, the Company continued to reduce its operational costs, given the market downturn and difficulty to raise additional funds.

### Activity During the Nine Months ended September 30, 2009

**Additional Mineral Exploration Licences for Miskamowin Project:** In February 2009 the Company made an application to the Manitoba mines office to acquire three additional Mineral Exploration Licenses in respect of the Miskamowin Project. The licenses were granted to the Company in March 2009.

**The Garson Gold Transaction:** 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 in the Luciana Gold Prospect in the Abibiti, QC. The transaction was approved by the TSX Venture Exchange on April 27, 2009. Accordingly, Garson issued to Takara ten million (10,000,000) common shares of Garson (received April 27, 2009) and Takara issued to Garson 3,000,000 Common Shares (received August 28, 2009), and joint advisory committees were formed to focus on business development and project generation conducive to each company.

Garson Gold holds a 100% interest in The New Britannia Mine (NBM) Project in Snow, Lake Manitoba and the Copper Prince and the McMillan Gold Mine properties located in Ontario. Garson Gold's flagship project is the NBM, which covers approximately 4,840 hectares and hosts the historic New Britannia Gold Mine which operated from 1949 to 1958 and again from 1995 to 2004 and produced approximately 1.43 million ounces of gold. 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 SEDAR ([www.sedar.com](http://www.sedar.com)) and [www.garsongold.ca](http://www.garsongold.ca). Infrastructure at the New Britannia Gold Mine includes a fully-permitted 2,150 tonne per day modern mill and tailings facility, and associated plant and equipment. On October 23, 2009 Garson announced a friendly take over for its shares at a premium to its current market capitalization.

Takara announced its intention to re-distribute the Garson Shares to Takara shareholders on record as of September 23, 2009. Each shareholder of Takara was issued (in addition to Takara shares already held) a dividend in kind equal to .307569 shares of Garson Gold for every 1 share of Takara held (or, 30.7 shares for every 100 TTK shares held).

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 of Takara.

On October 26, 2009 Takara announced the revisions to the terms of its previously announced merger with St. Eugene Mining Corporation Ltd. ("St. Eugene") ("St. Eugene Transaction") pursuant to which St. Eugene agreed to issue 6,000,000 shares to Takara in consideration for Takara's Basket Lake exploration

project in northwestern Ontario. The transaction remains subject to acceptance by the TSX Venture Exchange. Concurrent with St. Eugene entering into the agreement with Takara, Jennifer Boyle, the Chief Executive Officer and a director of Takara, was appointed President and Chief Executive Officer and a director of St. Eugene; and Pamela Strand, the President and a director of Takara, was appointed as a director of St. Eugene.

Subsequent to September 30, 2009, as announced on November 13, 2009, Takara entered into an arms-length agreement with Victoria Gold Corp. (“Victoria”) and its wholly owned subsidiary companies, pursuant to which Takara has agreed to purchase all of the issued and outstanding shares of StrataGold (Barbados) Corporation, a wholly owned subsidiary of Victoria that indirectly holds title to the Guyana Gold Projects (the “Acquisition”). In consideration for the Acquisition, Takara shall issue 21,000,000 common shares on a post consolidated basis, or such number of common shares equal to 56% of the issued and outstanding shares of Takara, at closing. Victoria, through its subsidiary companies, holds a 100% interest in Tassawini and a 31.96% (as of July 1, 2009) interest in BRL Venture. Up to 4,000,000 additional shares are issuable upon meeting exploration milestones.

It is contemplated that Takara will seek shareholder approval to consolidate its common shares on a 3:1 basis just prior to the closing of the Acquisition.

Completion of the Acquisition is subject to the usual conditions customary for transactions of this nature, including receipt of regulatory and shareholder approval.

#### Tassawini Gold Project – 100%

Since 2004, a total of \$26.3 million in exploration expenditures have been incurred on the Tassawini Gold Project, an advanced stage gold exploration project that produced over 11,000 ounces between 1907 and 1914. Tassawini is comprised of 9,650 hectares of mineral and mining rights, includes a 120-person modern camp and is accessible by air and barge throughout the year. The Tassawini Gold Project has a 43-101 compliant mineral resource at the Tassawini and Sonne deposits containing an Indicated Resource of 10,766,000 tonnes @ 1.3 grams gold per tonne (“g/t) Au/t for 437,000 ounces gold and an Inferred Resource of 1,926,999 tonnes @ 1.0 g Au/t for 62,000 ounces gold (using a 0.5 g/t gold cut-off). See 43-101 technical report dated July 10, 2008 by SRK Consulting Canada (Inc.) on [www.sedar.com](http://www.sedar.com) through Stratagold Corporation). Tassawini, Sonne and seven untested surface geochemical anomalies are open for expansion and will be subject to follow up.

#### BRL Venture – 31.96%

The BRL Venture is a joint venture between Newmont and StrataGold Guyana Inc (“SGI”), an indirectly held subsidiary of Victoria Gold). The BRL Venture is comprised of a large strategic land position in Northwest Guyana within the Arakaka Gold District. As of June 2009, SGI held a 31.96% interest and Newmont held the remaining 68.04% interest in the BRL Venture. The district has been popular with local placer miners for the past 100 years, but until recently, had not been explored systematically using modern techniques. SGI and Newmont were the first to implement a modern exploration program. These regional exploration efforts originally covered an area of over 4,000 square kilometres resulting in two key projects areas: (1) Monosse and (2) Projects “A” and “B” (see Victoria News Release dated July 20, 2009), which host over 25 individual gold exploration targets. The current exploration program has included regional and detailed stream sediment and soil geochemistry surveys, induced polarization ground geophysical surveys, and detailed structural mapping. Trenching and drilling is now underway on projects A and B. Sale of the BRL assets is subject to the terms of the BRL Venture Agreement which include meeting certain conditions of the preemptive right which may exist with respect to the BRL Property.

Active Mineral Projects. The Company's active mineral properties are listed below. The following discussion includes a summary of exploration activities during the nine months ended September 30, 2009 and an update to disclosure in documentation filed with regulatory authorities and available for viewing under the Company's profile on SEDAR. Please refer to our most recent annual MD&A for the year ended December 31, 2008 for additional information on our mineral properties.

***Capitalized expenditures for the nine months ended September 30, 2009:***

	<b>Kaibab Project</b>	<b>Luciana Gold Prospect</b>	<b>BC Epithermal Gold Project</b>	<b>Miskamowin Nickel Project</b>	<b>Total</b>
Opening balance	500,000	90,000	390,000	116,349	1,096,349
Mineral exploration License	0	0	0	33,633	33,633
Managing Geologist	0	0	1,800	5,000	6,800
Drilling	0	3,014	0	0	3,014
Field Supplies	0	182	0	0	182
Camp Maintenance	152	0	0	0	152
Field Office	1,534	12	0	0	1,546
Survey	4,265	0	0	0	4,265
Sample	0	4,523	0	0	4,523
Geologist	1,508	1,813	0	0	3,321
Field Operator	144	933	0	0	1,077
Field Auto	0	0	0	0	0
Management fees	0	0	0	52,000	52,000
Other	2,660	957	-260	1,364	4,721
Termination fee	51,250	0	0	0	51,250
Termination of joint venture	561,513	0	0	0	-561,513
Sale of mineral properties	0	-101,434	-391,540	0	-492,974
Balance at September 30, 2009	0	0	0	208,346	208,346

**Kaibab Joint Venture –Uranium Breccia Pipes, Arizona, USA**

Takara's wholly owned subsidiary, Takara Resources (BC) Inc., has the right to earn an initial 50% interest in all breccia pipe prospects held by the Kaibab Joint Venture, by incurring \$2,000,000 in exploration expenditures and issuing 200,000 common shares (issued in 2007) to the Optionors (DIR Exploration, Inc.) on or before August 31, 2009. 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 began to slow during the last nine months of 2008, and by 2009 activity had virtually ceased altogether, 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 have been assessed on an ongoing basis by management of the Company, however, on July 21, 2009, a large area on the Arizona Strip and all of the Kaibab National Forest was segregated from mineral entry for two years pending completion of certain studies to determine whether the area should be withdrawn for 20 years. As a result, after careful consideration and investigation into mitigating opportunities, the Company took steps to terminate its participation in the Kaibab Joint Venture as at August 28, 2009. As part of the termination the Company paid a fee of \$40,000 and is required to issue 250,000 common shares. Accordingly this project was written off as of September 30, 2009.

#### 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 Manitoba Minister of Mines and licences granted, the agreement with Dr. James Mungall (described below) would become effective. In December, 2008, and January, 2009, the mineral exploration licences were granted to Takara, and accordingly, the Agreement with Dr. Mungall took effect. The Company subsequently made application for an additional three mineral exploration licences during the first quarter ended March 31, 2009, all of which have been granted by the Manitoba Mines office. The Miskamowin project area covers approximately 269,111 hectares.

The 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 will automatically vest in a 100% interest the project by issuing to Dr. 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.

On April 27, 2009 Takara received TSX approval for the transaction and issued to Dr. Mungall 250,000 common shares of Takara. The Company plans to conduct an airborne survey in 2009-2010, provided that financing plans and consultations with Nelson House and other stakeholders are completed.

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 prior to the end of 2009, provided that consultations with Nelson House and other stakeholders are completed.

#### Basket Lake Uranium Project– Northwestern Ontario

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.

Takara's capitalized costs on the Basket Lake project is \$nil, given that the \$527,172 investment was written off as at the Company's fiscal year ended December 31, 2008.

In October 2009 the Company vended, among other things, its interest in the Basket Lake Property to St. Eugene Mining Ltd. St. Eugene has agreed to assume all of Takara's rights and obligations in respect of Basket Lake (see "St. Eugene Transaction"). The value of the Basket Lake Project was written off in the amount of \$527,172 in December 2008 but will be sold using a value of not less than \$180,000. If the consideration for the sale of the project is 6,000,000 shares of Eugene (and the share price of Eugene was \$0.03 at October 26 that the Basket Lake Project is being sold for \$180,000. In consideration for the property and the business combination transaction, St. Eugene shall issue to Takara 6,000,000 common shares.

#### Potash project – Alberta

On March 18, 2009 the Company relinquished all rights in an Alberta potash property that was optioned from Grizzly Diamonds Ltd. The carrying amount of the property of \$68,646 (most of which was associated with signing fees) was written off as at December 31, 2008.

#### Coal Prospects – South Africa

During the first quarter ended March 31, 2009, the Company did not post any further environmental bonds in respect of its prospective coal applications submitted during 2008, as it was unable to meet the continuous financial stability test, given the market downturn in 2008.

As at the Company's fiscal year ended December 31, 2008 the Company had halted all progress in respect of its evaluation of coal prospects in South Africa, and accordingly, it wrote off the entire investment (\$95,751). Notwithstanding this, 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. As at the second quarter ended June 30, 2009, no expenses were incurred in this regard.

#### Baie Verte Project – Uranium in Newfoundland and Labrador

During the first quarter ended March 31, 2009, the Company relinquished all rights in the Baie Verte Project (373 mineral claims prospective for uranium, located in the Noble Pond region of Baie Verte, Newfoundland and Labrador). A total of \$37,383 was written off as at December 31, 2008.

#### 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), and for sedimentary exhalative (“SEDEX”) Pb-Zn-Ag type deposits along the southernmost extension of the Selwyn Basin (Ospika Project), all of which 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.

Takara 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.

In 2008 Takara completed 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. Garson Gold has agreed to assume all of Takara’s rights and obligations in respect of the BC Projects (see “Garson Gold Transaction”). The value of the B.C. Projects was written down by \$164,429 (carrying a net value of \$390,000 as at December 31, 2008), based on adjustments for the shares that Takara issued to Garson Gold (3,000,000) in respect of the overall transaction.

#### 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.

In 2008, the Company completed a first phase drilling program, 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 (completed) and shall have conducted a drilling program during the month of December, 2008 in the minimum amount of \$85,000 (completed). 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.

The transaction completed between Garson Gold and Takara was approved by the TSX Venture Exchange on April 27, 2009, and accordingly, Garson Gold has assumed 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. An additional \$11,434 was incurred in exploration expenditures on the Luciana Prospect prior to closing the Garson transaction.

## **Financial Condition**

### **Liquidity and Capital Resources**

Working capital as at September 30, 2009 totaled \$477,892 compared to \$307,518 as at December 31, 2008. The increase is due to the transaction with Garson Gold Corp (shares of Garson Gold).

On September 30, 2009 Takara announced a non brokered financing of up to 11,666,667 common shares on a private placement basic at a price of \$0.03 per share for gross proceeds of up to \$350,000 Cdn for general working capital purposes and project acquisition efforts. Conditional TSXV approval has been granted and the closing is anticipated to occur no later than December 4, 2009.

As an exploration Stage Company, with limited revenue stream, the Company budgets exploration and administrative expenses, and closely monitors its burn rate, investments and cash position.

Although the Company has sufficient cash resources to meet its current obligations, the Company is not anticipating an ongoing profit from operations and will therefore rely on its ability to raise obtain equity financing to fund future exploration programs. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies.

## Summary of Quarterly Results

	QTR	QTR	QTR	QTR	QTR	QTR	QTR	QTR
	3	2	1	4	3	2	1	4
	2,009	2,009	2,009	2,008	2,008	2,008	2,008	2,007
Other Income	0	0	0	26,209	19	259	0	2,885
	-	-	-	-	-	-	-	-
Net Loss	458,592	-14,784	153,315	1,665,282	126,895	252,183	128,124	1,246,799
Basic and diluted loss per share	-0.013	-0.003	-0.005	-0.050	-0.004	-0.008	-0.004	-0.008

The Company's level of activity and expenditures during a specific quarter are influenced by the availability of working capital, the availability of additional external financing, the time required to gather, analyze and report on geological data related to mineral properties, the results of the Company's prior exploration activities on its properties and the amount of expenditure required to advance its projects.

## 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 September 30 2009:

*Common shares:* 34,433,030

*Incentive Stock Options:* Nil

Given the indirect nature of the value ascribed to Takara from the recently completion of the Garson Gold Corp. transaction and the pending transaction with St. Eugene Mining Corporation Limited, our Board of Directors reached agreement with directors, officers and consultants holding previously granted and outstanding incentive stock options to cancel all stock options until such time as a direct asset could be secured, enabling Takara to carry out its going forward plan, with a potential contemplated re-structuring. The cancellation of all outstanding stock options to purchase common shares of Takara was effective August 28, 2009.

Subsequent to the third quarter ended September 30, 2009, however, and subsequent to entering into the transaction with Victoria Gold Corp., the Company granted 1,500,000 incentive stock options to eligible optionees, exercisable at a price of \$0.10 per share for a period of 5 years.

Warrants: All warrants have expired.

## 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 <sup>(1)</sup>	\$75,000	-	-	-	-
Office Lease	\$58,782	24,949	25,313	8,519	-	-

Notes:

- (1) Subsequent to the third quarter ended September 30, 2009, the Company's final cash payment (due November, 2008) of \$75,000 was paid and satisfied in full by the issuance of 1,400,000 common shares.

## 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 period 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 are as follows:

- a) \$88,000 in management fees was charged by a company controlled by a director and officer of the Company.
- b) \$48,050 in management fees was charged by a company controlled by a director and a former president of the Company. Of this amount, \$39,050 is included in Amounts Payable to Related Parties.
- c) \$39,000 in management fees was charged by a director of the Company and is included in amounts payable to related parties.
- d) \$52,517 is due to a company controlled by a director and officer of the Company (unpaid management fees and expenses paid by CapEx on behalf of the Company). This amount is included in Amounts Payable to Related Parties on the Balance Sheet.
- e) \$7,998 is due to a director and officer of the Company (for expenses paid on behalf of the Company). This amount is included in Amounts Payable to Related Parties on the Balance Sheet.
- f) \$23,000 (aggregate) was charged by two directors for services and is included in Amounts Payable to Related Parties.
- g) Debt Settlements: The Company agreed to settle \$54,000 in Amounts Payable to Related Parties by issuing 1,080,000 common shares of the Company at \$0.05 per share (subject to TSX approval) for unpaid consulting fees, unpaid management fees, and expenses paid on behalf of the Company by Related Parties.

## 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. With the transaction with Garson Gold having been approved, the Company is now 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, 2008.

### **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 first three quarters of 2009, 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, and thereafter during the nine month period ended September 30, 2009, 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](http://www.takararesources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).