

**TAKARA RESOURCES INC.**

**Interim Consolidated Financial Statements  
(Unaudited)**

**September 30, 2009**

**TAKARA RESOURCES INC.****Interim Consolidated Balance Sheets (unaudited)**

	As at September 30, 2009	As at December 31, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 37,875	\$ 411,282
Amounts receivable	30,899	55,600
Shares of Garson Gold Corp. (note 4)	700,000	-
Prepaid expenses	17,199	27,621
	785,973	494,503
Equipment	24,352	28,430
Mineral properties and deferred exploration expenditures (note 4)	208,346	1,096,349
	\$ 1,018,671	\$ 1,619,282
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 121,516	\$ 160,817
Amounts payable to related parties (note 7)	186,565	26,168
	308,081	186,985
<b>Going concern (note 1)</b>		
<b>Commitments and options (notes 4 and 5)</b>		
<b>Shareholders' equity</b>		
Share capital (note 6a)	4,526,885	4,429,385
Warrants (note 6c)	-	155,284
Contributed surplus (note 6d)	830,900	668,132
Deficit	(4,647,195)	(3,820,504)
	710,590	1,432,297
	\$ 1,018,671	\$ 1,619,282

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

Approved by the Board

Signed:

“J. Boyle”

Signed:

“P. Strand”

**TAKARA RESOURCES INC.**

**Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit (unaudited)**

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Expenses</b>				
Professional and legal fees	\$ 22,426	\$ 36,430	\$ 87,683	\$ 80,307
Travel	2,380	9,423	12,829	41,089
General and administrative	12,578	30,794	96,188	77,365
Stock based compensation (note 6)	1,543	15,038	7,485	121,828
Promotion and advertising	4,940	17,120	13,726	83,558
Rent	6,651	6,253	19,459	14,723
Management fees (note 7)	46,000	10,800	142,000	81,300
Business development	-	-	-	5,000
Write-off of mineral properties	561,260	-	561,260	-
Amortization	814	1,056	3,087	2,370
<b>Loss before other items</b>	<b>(658,592)</b>	<b>(126,914)</b>	<b>(943,717)</b>	<b>(507,540)</b>
<b>Other items</b>				
Interest income	-	19	-	278
Unrealized gain on shares of Garson Gold	200,000	-	200,000	-
Loss on sale of mineral properties	-	-	(82,974)	-
<b>Net loss</b>	<b>(458,592)</b>	<b>(126,895)</b>	<b>(826,691)</b>	<b>(507,262)</b>
<b>Deficit, beginning of period</b>	<b>(4,188,603)</b>	<b>(2,028,327)</b>	<b>(3,820,504)</b>	<b>(1,647,960)</b>
<b>Deficit, end of period</b>	<b>\$(4,647,195)</b>	<b>\$(2,155,222)</b>	<b>\$(4,647,195)</b>	<b>\$(2,155,222)</b>
Weighted average number of shares outstanding	34,433,030	30,333,573	33,040,173	30,167,154
<b>Basic and fully diluted loss per share (note 8)</b>	<b>\$ (0.013)</b>	<b>\$ (0.004)</b>	<b>\$ (0.025)</b>	<b>\$ (0.017)</b>

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

**TAKARA RESOURCES INC.****Interim Consolidated Statements of Cash Flows** (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Cash flow from operating activities</b>				
Net loss for the period	\$ (458,592)	\$ (126,895)	\$ (826,691)	\$ (507,262)
Items not affecting cash				
Amortization	814	1,056	3,087	2,370
Loss on sale of mineral properties	-	-	82,974	-
Write-off of mineral properties	561,260	-	561,260	-
Unrealized gain on shares of Garson Gold (200,000)	-	-	(200,000)	-
Stock based compensation	1,543	15,038	7,485	121,828
	(94,977)	(110,801)	(371,885)	(363,064)
Changes in non-cash working capital				
Amounts receivable	(3,523)	(15,004)	24,953	(8,760)
Prepaid expenses	2,574	30,791	10,422	34,319
Accounts payable and accrued liabilities	3,322	8,072	(70,550)	(71,637)
	(92,602)	(86,942)	(407,060)	(429,142)
<b>Cash flow from investing activities</b>				
Exploration funds	-	324,807	-	553,434
Equipment	-	(3,294)	(720)	(15,561)
Deposit for mineral property	-	(54,138)	-	2,447
Mineral properties	-	(120,683)	-	(123,298)
Deferred exploration costs	(40,000)	(514,825)	(94,024)	(1,025,999)
	(40,000)	(368,133)	(94,474)	(608,977)
<b>Cash flow from financing activities</b>				
Amounts payable to related parties	25,000	(23,496)	128,397	47,604
Issue of capital stock	-	61,500	-	61,500
	25,000	38,004	128,397	109,104
<b>Decrease in cash and cash equivalents</b>	(107,602)	(417,071)	(373,407)	(929,015)
<b>Cash and cash equivalents, beginning of period</b>	145,477	965,786	411,282	1,477,730
<b>Cash and cash equivalents, end of period</b>	\$ 37,875	\$ 548,715	\$ 37,875	\$ 548,715

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

*See Note 13 for Supplemental information.*

## **TAKARA RESOURCES INC.**

### **Notes to Interim Financial Statements**

September 30, 2009 (unaudited)

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#### **1. NATURE OF BUSINESS AND GOING CONCERN**

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##### **Nature of business**

Takara Resources Inc. ("Takara" or the "Company") was incorporated on April 29, 2005 pursuant to the Canada Business Corporations Act under the name Naples Capital Corp. The Company's principal business activities include prospecting and mining exploration in respect of various mineral projects. Pursuant to a Qualifying Transaction ("QT") on September 24, 2007, the Company acquired all of the issued outstanding shares of Takara Resources (BC) Inc. ("BC"), a private company, by issuing 14,507,167 common shares. The substance of the transaction was a capital transaction and was accounted for as a reverse takeover in accordance with EIC-10 "Reverse Takeover Accounting" of the CICA Handbook. Accordingly, BC became a wholly owned subsidiary of the Company. The Company acquired the net assets of BC amounting to \$238,415 made up as follows: cash: \$275,328 prepaid expenses \$1,875 and accounts payable and accrued liabilities \$38,788.

On November 19, 2007, the Company amended its articles to change its name to Takara Resources Inc.

##### **Going concern assumption**

These consolidated financial statements have been prepared on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become payable, including the development of projects, is dependent on the ability of the Company to obtain additional financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. Although the Company has been successful in raising financing in the past, there is no assurance it will be able to do so in future.

The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

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The financial information as at September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 is unaudited. In the opinion of management, all adjustments necessary to present fairly the results of these periods in accordance with Canadian generally accepted accounting principles have been included. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosure normally included in the annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles have been omitted. These interim consolidated financial statements should be read together with the Company's audited consolidated financial statements for the year ended December 31, 2008. The accounting policies followed in preparing these financial statements are those used by the Company as set out in the audited consolidated financial statements for the year ended December 31, 2008.

## TAKARA RESOURCES INC.

### Notes to Interim Financial Statements

September 30, 2009 (unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New accounting pronouncements

Goodwill and intangible assets:

Effective January 1, 2009, the Company adopted CICA Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and of intangible assets. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

### Recent accounting pronouncements not yet adopted

International Financial Reporting Standards ("IFRS"):

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to replace Canadian GAAP with IFRS. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has started assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## 3. EQUIPMENT

		September 30, 2009		Dec 31, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer	\$ 15,589	\$ 6,630	\$ 8,959	\$ 9,788
Office equipment	7,534	1,845	5,689	6,670
Exploration equipment	15,695	5,991	9,704	11,972
	<b>\$ 38,818</b>	<b>\$ 13,652</b>	<b>\$ 24,352</b>	<b>\$ 28,430</b>

Amortization of exploration equipment amounting to \$856 has been capitalized to mineral properties and deferred exploration costs in the third quarter.

**TAKARA RESOURCES INC.****Notes to Interim Financial Statements**

September 30, 2009 (unaudited)

**4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES****Summary of mineral properties and deferred exploration expenditures for the nine months ended September 30, 2009:**

	Balance at January 1, 2009	Additions	Sale of Property	Balance at September 30, 2009
Kaibab Project (Arizona USA)	\$500,000	\$61,513	-\$561,513	\$0
CMB Project	0	0	0	0
Basket Lake Project	0	0	0	0
South African Coal Project	0	0	0	0
BC Epithermal Gold Project	390,000	1,540	-391,540	0
Baie Verte Project	0	0	0	0
Alberta Potash Project	0	0	0	0
Luciana Gold Prospect	90,000	11,434	-101,434	0
Miskamowin Nickel Project	116,349	91,997	0	208,346
Other Projects	0	0	0	0
	<b>\$1,096,349</b>	<b>\$166,484</b>	<b>-\$1,054,397</b>	<b>\$208,346</b>

**Summary of mineral properties and deferred exploration expenditures for the year ended December 31, 2008:**

	Balance at January 1, 2008	Additions	Write-offs	Balance at December 31, 2008
Kaibab Project (Arizona USA)	\$872,874	\$495,588	-\$868,462	\$500,000
CMB Project	0	0	0	0
Basket Lake Project	230,800	296,372	-527,172	0
South African Coal Project	15,000	80,751	-95,751	0
BC Epithermal Gold Project	0	554,429	-164,429	390,000
Baie Verte Project	0	37,383	-37,383	0
Alberta Potash Project	0	68,646	-68,646	0
Luciana Gold Prospect	0	123,711	-33,711	90,000
Miskamowin Nickel Project	0	116,349	0	116,349
Other Projects	26,788	25,840	-52,628	0
	<b>\$1,145,462</b>	<b>\$1,799,069</b>	<b>-\$1,848,182</b>	<b>\$1,096,349</b>

## **TAKARA RESOURCES INC.**

### **Notes to Interim Consolidated Financial Statements**

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#### **4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)**

##### **Transaction with Garson Gold Corp.**

On March 12, 2009, the Company entered into an agreement with Garson Gold Corp. ("Garson") 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 Abitibi, QC. Upon receipt of approval by the TSX Venture Exchange on April 27, 2009 Garson issued to Takara ten million (10,000,000) common shares of Garson, and Takara issued to Garson 3,000,000 Common Shares. Joint advisory committees are in effect having a focus on business development and project generation conducive to each issuer.

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.

##### **Miskamowin Nickel Project, Manitoba:**

In January, 2009 the Company entered into an agreement with Dr. James Mungall ("Mungall") in respect of a transaction wherein the Company would acquire a 100% interest in five mineral exploration licenses owned by Mungall, located in northern Manitoba, in exchange for 750,000 common shares of Takara. Takara shall acquire and vest in all of Mungall's rights, title and interest in the Mineral Exploration Licenses upon completion of the following:

- (a) obtaining final approval from the TSX-Venture Exchange for the transaction; and
- (b) issuing Mungall
  - (i) 250,000 common shares of Takara upon receipt of approval of TSX approval;
  - (ii) an additional 250,000 common shares on the first anniversary of the agreement; and
  - (iii) a final 250,000 common shares on the second anniversary thereafter.

On April 27, 2009 the transaction was approved by the TSX-V and the 250,000 common shares of Takara were issued to Mungall.

Thereafter, a discovery bonus shall be payable to Mungall as to: (i) 150,000 common shares and \$30,000 cash in the event that two diamond drill holes located in the same claim block area each return not less than 1% nickel over not less than five continuous meters; 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 (counting all previously issued shares as per the agreement) at the time of completion of the resource estimate hereinbefore described.

The Company recorded \$116,349 under Mineral Properties on the balance sheet for the year ended December 31, 2008, \$112,731 of which represented application fees for nine mineral licenses in respect of this project, five of which were granted in December, 2008, and four in January, 2009. Subsequent to the licenses being granted it was mutually agreed between the parties to rescind the original contract dated July 2008 and enter into a new contract given the economic downturn in the interim period. The new contract was dated January 25, 2009 and has been summarized above.

In February, 2009 the Company made 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 at a cost of \$26,133.

## TAKARA RESOURCES INC.

### Notes to Interim Consolidated Financial Statements

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#### **4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)**

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##### **Kaibab Project:**

On July 1, 2006, the Company's wholly-owned subsidiary entered into a joint venture agreement with DIR Exploration, Inc. ("DIR"), pursuant to which DIR granted to the Company the right to earn a 50% interest in the Kaibab Joint Venture by incurring US\$2,000,000 over 3 years on lode mining claims located in Arizona, USA, prospective for uranium breccia pipe exploration. Thereafter, the Company may elect to increase its interest to 90% by agreeing to carry DIR's pro rata (10%) exploration costs to commercial production. During the nine month period ended September 30, 2009 the Company incurred \$10,263 in deferred exploration expenditures. This project has been subject to lobbying efforts precluding certain mineral work in the region of the Kaibab Joint Venture from being carried out. 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. Accordingly, the Company took steps to terminate its obligations in respect of this project. The termination included an issuance of 250,000 common shares (issued in the fourth quarter) and a cash payment of \$40,000 (paid in the third quarter). Accordingly, the Company wrote-off this property at September 2009.

##### **BC Epithermal Gold Prospects:**

On July 25, 2008 the Company entered into option agreements to acquire a 100% interest in eight properties prospective for epithermal-style gold and silver mineralization, as well as sedimentary exhalative ("SEDEX") Pb-Zn-Ag type deposits - all located in the Central Interior of British Columbia - under the following terms: (i) payment of \$15,000 and issuance of 250,000 shares upon signing; (ii) work commitments totaling \$250,000, \$325,000, \$400,000 and \$525,000 by the first, second, third and fourth anniversaries, respectively; (iii) payment of \$25,000, \$30,000 and \$40,000 by the first, second and third anniversaries respectively; and, (iv) issuance of 300,000, 300,000 and 350,000 shares by the first, second and third anniversaries respectively. The vendor will retain a 2% Net Smelter Royalty on each of the properties, and the Company may purchase 1% at any time for \$1 million.

During the fiscal year ended December 31, 2008, the Company issued 250,000 common shares in accordance with the option agreements governing the BC Projects, with an estimated fair value of \$28,750 (see note 6). In addition, the Company incurred \$525,679 in deferred exploration expenditures.

As at December 31, 2008 the Company wrote the project down by \$164,429 to the estimated fair value based on the agreement.

On March 12, 2009, the Company entered into an agreement with Garson Gold Corp., whereby Garson Gold Corp. agreed to acquire, among other things, all of the Company's rights in respect of the BC Epithermal Gold Projects. The agreement was approved by the TSX on April 27, 2009, and during the second quarter ended June 30, 2009 the Company received 10,000,000 common shares of Garson Gold Corp.

##### **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-Quevillon, QC. In order to earn a 51% interest in the Property, Takara was required to issue to Golden Valley 250,000 common shares (issued, with an estimated fair value of \$3,750 - see note 6), conduct a drilling program during the month of December, 2008 in the minimum amount of \$85,000, and 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,

## **TAKARA RESOURCES INC.**

### **Notes to Interim Consolidated Financial Statements**

September 30, 2009 (unaudited)

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#### **4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)**

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.

During the fiscal year ended December 31, 2008 the Company incurred \$119,961 in deferred exploration expenditures. During the nine month period ended September 30, 2009 the Company incurred \$11,434 in deferred exploration expenditures. As at December 31, 2008 the Company wrote-down this property by \$33,711 to the estimated fair value based on the agreement reached with Garson Gold Corp.

On March 12, 2009, the Company entered into an agreement with Garson Gold Corp., pursuant to which Garson Gold Corp. agreed to acquire, among other things, all of the Company's rights in respect of the Luciana Prospect. The agreement was approved by the TSX on April 27, 2009 and during the second quarter ended June 30, 2009 the Company received 10,000,000 common shares of Garson Gold Corp.

#### **South African Coal Project:**

The Company has made applications for prospecting rights prospective for coal in South Africa. The application process in South Africa requires that certain geological matters and environmental/financial assessments be completed prior to any final rights being granted. During the fiscal year ended December 31, 2008, the Company incurred \$80,751 in deferred exploration expenditures. The Company was not able to fulfill the financial component required by this endeavor, and effective February, 2009, the Company's obligations in respect of the pursuit of these prospecting rights terminated. Accordingly, the Company wrote-off this property at December 31, 2008.

#### **Basket Lake Project:**

On November 14, 2007, the Company acquired a 100% interest in the Basket Lake (uranium) project in northwestern Ontario, subject to a 2 1/2% yellowcake returns royalty. The Company paid reimbursement of staking costs of \$125,000 and issued an aggregate 600,000 common shares valued at \$126,600. On November 14, 2008, the balance of the purchase price amounting to \$75,000 was due, and that amount was outstanding until October 5, 2009 when 1,400,000 shares were issued in settlement of this outstanding payment. Additionally, the Company paid a finder's fee to a party at arm's length of the Company, of 60,000 common shares. There is a buy-back on 1% of the yellowcake royalty for \$1,000,000 at anytime.

During the fiscal year ended December 31, 2008, the Company issued 300,000 common shares to the arms-length vendors of the Basket Lake project, with an estimated fair value of \$6,000 (see note 6), and \$290,372 in deferred exploration expenditures. The Company wrote off this property as at its year end December 31, 2008. See Subsequent Events.

#### **Alberta Potash Project:**

On July 8, 2008, the Company signed an option agreement with Grizzly Diamonds Ltd. ("Grizzly") to acquire up to a 70% interest in 50,000 acres prospective for potash project in Alberta.

During the fiscal year ended December 31, 2008, the Company paid \$25,000 and issued 200,000 common shares with an estimated fair value of \$30,000 (see note 6) in accordance with its option agreement. In addition, the Company incurred \$13,646 in deferred exploration expenditures. On March 18, 2009 the Company provided notice to Grizzly of its intention to terminate the option. The property was written-off at December 31, 2008.

## TAKARA RESOURCES INC.

### Notes to Interim Consolidated Financial Statements

September 30, 2009 (unaudited)

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#### **4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)**

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##### **Baie Verte Project:**

During the fiscal year ended December 31, 2008, the Company issued 100,000 common shares with an estimated fair value of \$14,000 (see note 6) for the acquisition of 373 mineral claims prospective for uranium, located in the Noble Pond region of Baie Verte, Newfoundland and Labrador. In addition, the Company incurred \$23,383 in deferred exploration expenditures. 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. The property was written-off at December 31, 2008.

##### **CMB Project:**

On April 17, 2007, the Company's wholly-owned subsidiary entered into an option agreement pursuant to which it was entitled to earn a 100% interest in 1,712 grass roots mineral claims situated in Newfoundland and Labrador (the "CMB Project") by issuing 1,250,000 common shares (650,000 on signing, issued and valued at \$162,500 and, the balance on or before July 23, 2008). On April 8, 2008 the Nunavut Government imposed a three year moratorium on uranium mining within Labrador Inuit Lands and accordingly, management elected not to maintain the CMB claims in good standing, to terminate its future obligations, and to write off the amount capitalized at December 31, 2008.

Effective April 27, 2008 the Company's subsidiary terminated its option in respect of the CMB Project, and the requirement to issue 600,000 shares on July 23, 2008 was terminated.

##### **Other Projects:**

The Company took a full write-off at December 31, 2008 relating to amounts incurred in deferred exploration expenditures, allocated to the Company's other Canadian exploration projects.

#### **5. COMMITMENTS**

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(a) The Company entered into an operating lease for office space commencing on September 1, 2008, as amended on December 17, 2008. The lease terminates on April 30, 2011 with scheduled payments as follows:

2009	\$ 25,737
2010	26,106
2011	8,782

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**\$ 60,625**

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(b) The Company is also subject to certain cancellable option payments as described in note 4 – Miskamowin Nickel Project.

## TAKARA RESOURCES INC.

### Notes to Interim Financial Statements

September 30, 2009 (unaudited)

#### 6. SHARE CAPITAL

##### a) Capital

###### *Authorized*

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

###### **Common shares issued and outstanding**

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

	Shares	Amount
Balance, December 31, 2007	30,083,030	\$ 4,627,185
Tax benefits renounced (i)		(280,300)
Issued in connection with Alberta Potash Project (ii)	200,000	30,000
Issued in connection with BC Epithermal Gold Project (ii)	250,000	28,750
Issued in connection with Baie Verte Project (ii)	100,000	14,000
Issued in connection with Basket Lake Project (ii)	300,000	6,000
Issued in connection with Luciana Prospect (ii)	250,000	3,750
Balance, December 31, 2008	31,183,030	\$ 4,429,385
Issued in connection with Miskomawin Nickel project (ii)	250,000	7,500
Issued in connection with Garson Gold Transaction (ii)	3,000,000	90,000
<b>Balance, September 30, 2009</b>	<b>34,433,030</b>	<b>\$ 4,526,885</b>

(i) In connection with the issuance of flow-through shares under the December 27, 2007 private placement, the Company has forgone a tax benefit when it renounced the expenditures in February 2008.

(ii) Share capital issued for non-monetary consideration in connection with mineral property interests (see note 4) is recorded at an amount based on the fair market value estimated using the closing share price on the date the agreement was signed.

##### b) Stock options

The Company has in place a stock option plan ("Plan") under which officers, directors, employees and consultants are eligible to receive incentive stock options. The aggregate number of common shares reserved for issuance under the Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's common shares issued and outstanding at the time of grant. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not less than the lowest price permitted by the Exchange.

The most important terms of the plan are as follows: (i) the maximum number of shares that can be received for a beneficiary during any 12 months period is limited to 5% of issued and outstanding shares; (ii) the maximum

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### Notes to Interim Financial Statements

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#### 6. SHARE CAPITAL (CONTINUED)

number of shares that can be reserved for a consultant during any 12 months period is limited to a 2% of issued and outstanding shares, and; (iii) the maximum number of shares that can be reserved for a supplier of investor's relation services during any 12 months period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised by steps on a 12-months period after the grant, at the rate of 25% per quarter.

Issued and Exercisable Stock Options Outstanding:

	Number of Stocks options	Weighted average exercise price	Options Exercisable	Weighted average exercise price
Outstanding,				
As at December 31 2007	1,950,000	\$ 0.35	1,850,000	\$ 0.35
Granted	1,200,000	0.15	900,000	0.15
Vested	-	-	200,000	0.35
Cancelled/Expired Aug/09	(2,565,000)	0.27	(2,365,000)	0.25
<b>As at December 31, 2008,</b>	<b>2,565,000</b>	<b>\$ 0.27</b>	<b>2,365,000</b>	<b>0.28</b>
<b>As at September 30, 2009</b>	<b>0</b>		<b>0</b>	

#### c) Warrants

Details of warrants outstanding are as follows:

	Number of Warrants	Exercise Price/ Warrant	Expiry Date
Balance at December 31, 2007 and 2008	4,438,869	\$ 0.46	
Expired	(4,438,869)	-	
<b>Balance September 30, 2009</b>	<b>-</b>		

The Company estimates the fair value of the purchase warrants at the date of grant using the Black-Scholes option pricing model. As at September 30, 2009 all warrants have expired.

#### d) Contributed surplus

The following table identifies the changes in contributed surplus for the period:

Balance, December 31, 2007	537,645
<u>Stock based compensation</u>	<u>130,487</u>
Balance, December 31, 2008	\$ 668,132
Expiration of warrant	155,283
<u>Stock based compensation - employee</u>	<u>7,485</u>
<b>Balance, September 30, 2009</b>	<b>\$ 830,900</b>

## TAKARA RESOURCES INC.

### Notes to Interim Financial Statements

September 30, 2009 (unaudited)

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#### 7. RELATED PARTY TRANSACTIONS

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The Company has entered into agreements with private companies controlled by directors of the Company for management consulting services, geological consulting and for such other services required by the Company. During the nine months ended September 30, 2009 the Company had the following related party transactions:

- 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 charged by a director and is included in Amounts Payable to Related Parties;
- d) \$52,517 is due to a company controlled by a director of the Company and is included in Amounts Payable to Related Parties;
- e) \$7,998 is due to a director and officer of the Company for expenses paid on behalf of the Company, and is included in Amounts Payable to Related Parties;
- f) \$23,000 (aggregate) was charged by two directors for services - included in Amounts Payable to Related Parties.

#### 8. LOSS PER COMMON SHARE

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The following table sets forth the computation of basic and fully diluted loss per common share for the three and nine months ended September 30:

	For the three months ended		For the nine months ended	
	2009	2008	2009	2008
Numerator:				
Net loss attributable to common shareholders				
- basic and fully diluted	\$ (458,592)	\$ (126,895)	\$ (826,691)	\$ (507,262)
Denominator:				
Weighted average common shares outstanding				
- basic and fully diluted	34,433,030	30,333,573	33,040,173	30,167,154
Basic and fully diluted loss per common share	\$ (0.013)	\$ (0.004)	\$ (0.025)	\$ (0.017)

The warrants and options outstanding were excluded from the computation of diluted loss per share in the current period because their impact was anti-dilutive.

## **TAKARA RESOURCES INC.**

### **Notes to Interim Financial Statements**

September 30, 2009 (unaudited)

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#### **9. CAPITAL MANAGEMENT**

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The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2009. The Company is not subject to externally imposed capital requirements.

#### **10. FINANCIAL RISK FACTORS**

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The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

##### **Credit risk**

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

##### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had a cash and cash equivalent balance of \$37,875 to settle current financial liabilities of \$308,081.

##### **Market risk**

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

##### **(a) Interest rate risk**

The Company is not exposed to interest rate risk as it does not have an interest bearing debt.

##### **(b) Foreign currency risk**

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

##### **(c) Commodity price risk**

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious chemicals and metals.

## TAKARA RESOURCES INC.

### Notes to Interim Financial Statements September 30, 2009 (unaudited)

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#### 11. SUBSEQUENT EVENTS

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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 Transaction with Garson Gold.

On September 30, 2009 Takara announced a non brokered financing of up to 11,666,667 common shares on a private placement basis 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.

On October 5, 2009 Takara issued 1,400,000 to the vendors of the Basket Lake project in satisfaction in full of the outstanding balance owing (\$75,000) in respect of the purchase price.

On October 26, 2009 Takara announced the revisions to the terms of its previously announced merger with St. Eugene Mining Corporation Ltd. ("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.

On November 13, 2009 Takara 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. In consideration for the Guyana Gold Project, Takara shall issue a number of shares equal to 56% of the issued and outstanding shares of Takara at closing.

#### 12. COMPARATIVE FIGURES

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Certain comparative figures have been reclassified to conform to the current year's presentation.

#### 13. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

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For the nine month periods ended September 30	2009	2008
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>Non-Monetary Transactions:</b>		
Shares issued in exchange for mineral properties	\$ 97,500	\$ -
Shares issued in exchange for services	\$ -	\$ -
Shares received for interest in mining claims	\$ 500,000	\$ -