# TAKARA RESOURCES INC.

## NOTICE TO SHAREHOLDERS

### For the Three Months Ended March 31, 2010

Responsibility for Financial Statements

The accompanying interim financial statements of Takara Resources Inc. for the three months ended March 31, 2010 and 2009 have been prepared by management in accordance with Canadian generally accepted accounting principles applicable to interim financial statements (see note 2 to the interim financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors Involvement

The external auditors of Takara Resources Inc., have not audited or performed a review of the unaudited interim financial statements for the three months ended March 31, 2010 and 2009 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

**TAKARA RESOURCES INC.**

**Consolidated Balance Sheets**

| | | March 31 **2010** **(unaudited)** | | December 31 2009 (audited) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ | **146,176** | $ | 239,383 |
| GST and accounts receivable | | **16,399** | | 28,250 |
| Shares of St. Eugene Mining Corporation Ltd. (*note 4e*) | | **420,000** | | 330,000 |
| Prepaid expenses and advances | | **24,887** | | 56,062 |
| | | **607,462** | | 653,695 |
| Equipment (*note 3*) | | **15,037** | | 13,153 |
| Mineral properties and deferred exploration expenditures (*note 4*) | | **296,617** | | 210,343 |
| | $ | **919,116** | $ | 877,191 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | $ | **102,139** | $ | 76,013 |
| Amounts payable to related parties (*note 7*) | | **110,362** | | 133,169 |
| | | **212,501** | | 209,182 |
| **Going concern** (*note 1*) | | | | |
| **Commitments and options** *(notes 4 and 5)* | | | | |
| **Shareholders' equity** | | | | |
| Share capital (*note 6a*) | | **5,118,519** | | 5,044,519 |
| Contributed surplus (*note 6c*) | | **934,451** | | 934,451 |
| Accumulated other comprehensive income | | **191,100** | | 101,100 |
| Accumulated deficit | | **(5,537,455)** | | (5,412,061) |
| | | **706,615** | | 668,009 |
| | $ | **919,116** | $ | 877,191 |

*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.**

**Consolidated Statements of Operations**

For the three months ended March 31, 2010 and March 31, 2009 (unaudited)

| | **2010** | 2009 |
|---|---|---|
| **Expenses** | | |
| Management fees (*note 7*) | **$ 31,770** | $ 61,000 |
| Professional and legal fees | **41,637** | 27,818 |
| Stock based compensation *(note 6b)* | - | 3,807 |
| General and administrative | **28,852** | 40,274 |
| Promotion and advertising | **25,277** | 6,671 |
| Rent | **7,584** | 6,404 |
| Travel | **19,923** | 6,232 |
| Amortization | **872** | 1,109 |
| **Loss before other items** | **(155,915)** | (153,315) |
| **Other items** | | |
| Interest income | **521** | - |
| **Loss before recovery of income taxes** | **(155,394)** | (153,315) |
| Future income tax recovery (*note 6*) | **30,000** | - |
| **Net loss for the period** | **$ (125,394)** | $ (153,315) |
| **Basic and fully diluted loss per share** (*note 8*) | **$ (0.002)** | $ (0.005) |

**Consolidated Statements of Comprehensive Loss**

For the three months ended March 31, 2010 and March 31, 2009 (unaudited)

| | **2010** | 2009 |
|---|---|---|
| **Net loss for the period** | **$ (125,394)** | $ (153,315) |
| Unrealized gain in St. Eugene Mining Corporation Ltd. | **90,000** | - |
| **Comprehensive loss for the period** | **$ (35,394)** | $ (153,315) |

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

**TAKARA RESOURCES INC.**

**Consolidated Statements of Changes in Shareholders' Equity**
For the three months ended March 31, 2010 and year ended December 31, 2009 (unaudited)

| | **2010** | 2009 |
|---|---|---|
| **Share Capital** | | |
| Balance, beginning of period | **$5,044,519** | $4,429,385 |
| Shares issued on private placements | - | 426,384 |
| Shares issued on settlement of debt | **104,000** | 91,250 |
| Shares issued on disposition of mineral properties | - | 90,000 |
| Shares issued on acquisition of mineral properties | - | 7,500 |
| Tax benefits of renounced flow through shares | **(30,000)** | - |
| Balance, end of period | **$5,118,519** | $5,044,519 |
| **Contributed Surplus** | | |
| Balance, beginning of period | **$ 934,451** | $ 668,132 |
| Stock based compensation *(note 6(b))* | **-** | 111,035 |
| Expiration of warrants | **-** | 155,284 |
| Balance, end of period | **$ 934,451** | $ 934,451 |
| **Warrants** | | |
| Balance, beginning of period | **$ -** | $ 155,284 |
| Expiration of warrants | **-** | (155,284) |
| Balance, end of period | **$ -** | $ - |
| **Accumulated other comprehensive income** | | |
| Balance, beginning of period | **$ 101,100** | $ - |
| Unrealized gain in St. Eugene Mining Corporation Ltd. | **90,000** | 101,100 |
| Balance, end of period | **$ 191,100** | $ 101,100 |
| **Deficit** | | |
| Balance, beginning of period | **$(5,412,061)** | $(3,820,504) |
| Dividends paid *(note 4c)* | **-** | (900,000) |
| Net loss for the period | **(125,394)** | (691,557) |
| Balance, end of period | **$(5,537,455)** | $(5,412,061) |
| **Total shareholders' equity, end of period** | **$ 706,615** | $ 668,009 |

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

**TAKARA RESOURCES INC.**

**Consolidated Statements of Cash Flows**

For the three months ended March 31, 2010 and March 31, 2009 (unaudited)

| | **2010** | 2009 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss for the period | **$ (125,394)** | $(153,315) |
| Items not affecting cash | | |
| Amortization | **872** | 1,109 |
| Future income tax recovery | **(30,000)** | - |
| Stock based compensation | **-** | 3,807 |
| | **(154,522)** | (148,399) |
| Changes in non-cash working capital | | |
| GST and accounts receivable | **11,851** | (3,129) |
| Prepaid expenses and advances | **31,175** | 1,397 |
| Accounts payable and accrued liabilities | **(49,958)** | (39,081) |
| Amounts payable to related parties | **81,193** | 83,716 |
| | **(80,261)** | (105,496) |
| **Cash flows from investing activities** | | |
| Additions to mineral properties and deferred exploration costs | **(10,190)** | (57,815) |
| Purchase of equipment | **(2,756)** | - |
| | **(12,946)** | (57,815) |
| **Decrease in cash** | **(93,207)** | (163,311) |
| **Cash, beginning of period** | **239,383** | 411,282 |
| **Cash, end of period** | **$146,176** | $247,971 |

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

*See Note 13 for Supplemental information.*

**TAKARA RESOURCES INC.**

**Notes to Consolidated Financial Statements**
Three months ended March 31, 2010 (unaudited)

## 1. NATURE OF BUSINESS AND GOING CONCERN

**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**
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 and deferred exploration expenditures 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 continue as a going concern and realize its assets or discharge its obligations in anything other than the ordinary course of operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation**
These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

**Principles of consolidation**
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Takara Resources (B.C) Inc. All significant intercompany accounts and transactions have been eliminated.

**Financial Instruments**
The Company's financial instruments include cash, GST and accounts receivable, shares in St. Eugene Mining Corporation Ltd., accounts payable and accrued liabilities and amounts payable to related parties. Cash is classified as held-for-trading and is measured at fair value with changes in fair value recognized in the consolidated statement of operations. GST and accounts receivable are classified as loans and receivables and accounts payable and accrued liabilities and the amounts payable to related parties are classified as other financial liabilities, both of which are measured at amortized cost. The carrying values of these instruments approximates their fair values due to their short-term nature. Shares in St. Eugene Mining Corporation Ltd. have been classified as available-for-sale and are measured at fair value based on quoted bid prices. Unrealized gains and losses are recognized in the consolidated statement of comprehensive loss until the shares are derecognized or impaired.

**Mineral properties and deferred exploration expenditures**
Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or sold. The cost of mineral properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Mineral properties are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When events or changes in circumstances suggest possible impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources and operating and capital costs on an undiscounted basis. When estimated future undiscounted cash flows are less than the carrying value, the asset is considered impaired. Reductions in carrying value are recorded to the extent the book value exceeds the fair value of the assets.

**Equipment**
Equipment is recorded at cost. Amortization is provided over its expected useful life using the following methods and annual rates:

| | |
|---|---|
| Computers | 30 % declining balance |
| Office equipment | 20 % declining balance |
| Exploration equipment | 30 % declining balance |

**Income taxes**
The Company accounts for income taxes using the asset and liability method of accounting. Under this method future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company’s assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance to the extent that it is more likely than not, that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

### Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The Company records the tax liability associated with the agreements at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred. To recognize the foregone tax benefits to the Company, the carrying value of the shares is reduced by the tax effect of the tax benefits renounced to subscribers.

### Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

### Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

### Stock-based compensation

The Company has in effect a Stock Option Plan ("the Plan") which is described in note 6(b). Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

### Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Black-Scholes option pricing model is used by the Company to determine the fair value of stock-based compensation. This model requires the input of highly subjective assumptions, including expected future stock price volatility and expected time until exercise. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the stock options issued by the Company during the year.

Other significant estimates used in the preparation of these consolidated financial statements include determining the estimated net realizable value of mineral properties and deferred exploration expenditures, the provision for income taxes and composition of future income tax assets and liabilities and the valuation of assets acquired and related shares issued in non-monetary transactions.

### Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The disclosure requirements pertaining to this standard are included in note 10 to these consolidated financial statements.

**Accounting changes and recent pronouncements**
In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to financial instruments sections 3855 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in this Abstract, effective for fiscal periods beginning January 1, 2009, when testing for impairment of mineral exploration properties in the period and no impairment adjustments were required.

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The three levels of fair value hierarchy under Section 3862 are:

• Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
• Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
• Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments include cash, GST and accounts receivable, shares of St. Eugene Mining Corporation Ltd, accounts payable and accrued liabilities and amounts payable to related parties. With respect to all of these financial instruments with the exception of shares of St. Eugene Mining Corporation Ltd., the Company estimates that the fair value of these financial instruments approximates the carrying values at March 31, 2010, respectively, and as such they are classified within Level 1 of the fair value hierarchy.

The Company's investment in shares of St. Eugene Mining Corporation Ltd. is valued using quoted market prices in active markets and as such is classified within Level 1 of the fair value hierarchy. The fair value of the securities is calculated as the quoted bid price of the investment equity security multiplied by the quantity of shares held by the Company.

**Future Changes in Accounting Policies**
*Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

*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. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company has developed and is implementing a plan to convert its financial statements to IFRS. As part of this plan, the Company is in the process of assessing the differences between IFRS and the Company's current accounting policies, as well as alternatives available upon adoption. The Company has not quantified the effect of adopting IFRS.

## 3. EQUIPMENT

| | | | **March 31, 2010** |
|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** |
| Computers | **$ 18,345** | **$ 8,377** | **$ 9,968** |
| Office equipment | **7,534** | **2,465** | **5,069** |
| | **$ 25,879** | **$ 10,842** | **$ 15,037** |

| | | | December 31, 2009 |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Computers | $ 15,589 | $ 7,772 | $ 7,817 |
| Office equipment | 7,534 | 2,198 | 5,336 |
| Exploration equipment | 15,695 | 15,695 | - |
| | $ 38,818 | $ 25,665 | $ 13,153 |

Amortization of exploration equipment amounting to $nil (2009 - $856) has been capitalized to mineral properties and deferred exploration expenditures.

Exploration equipment in the prior year was directly related to the Kaibab Project. The equipment was fully amortized as at the termination of the joint venture agreement with DIR Exploration Inc. (see note 4(d)).

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Summary of mineral properties and deferred exploration expenditures for the three months ended March 31, 2010

| | Balance at January 1, 2010 | Additions | Sale of Property/Termination of Joint Venture | Balance at March 31, 2010 |
|---|---|---|---|---|
| Miskamowin Nickel Project | $178,927 | $ 44,368 | $ - | $223,295 |
| Guyana Gold Project | 31,416 | 40,281 | - | 71,697 |
| Other projects | - | 1,625 | - | 1,625 |
| | **$210,343** | **$ 86,274** | **$ -** | **$296,617** |

Summary of mineral properties and deferred exploration expenditures for the year ended December 31, 2009:

| | Balance at January 1, 2009 | Additions | Sale of Property/Termination of Joint Venture | Balance at December 31, 2009 |
|---|---|---|---|---|
| Miskamowin Nickel Project | $116,349 | $62,578 | - | $178,927 |
| Guyana Gold Project | - | 31,416 | - | 31,416 |
| Kaibab Project (Arizona USA) | 500,000 | 70,108 | (570,108) | - |
| Basket Lake Project | - | 82,400 | (82,400) | - |
| BC Epithermal Gold Project | 390,000 | 1,800 | (391,800) | - |
| Luciana Gold Prospect | 90,000 | 10,493 | (100,493) | - |
| | **$1,096,349** | **$258,795** | **($1,144,801)** | **$210,343** |

**(a) Guyana Gold Project:**
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.

On March 5, 2010 the Company entered into a Share Purchase Agreement with Victoria formalizing the terms of the letter agreement entered into on November 13, 2009, pursuant to which the Company agreed to purchase all of the outstanding securities of Stratagold Guyana Inc. (“SGI”). SGI is a private Guyanese company that holds title to the Guyana Gold Projects, namely: (i) the Tassawini Gold Project; and (ii) the BRL Venture, two advanced stage gold projects within the Guyana Shield, Guyana.

In consideration for the acquisition, the Company agreed, among other things, to issue to Victoria a number of shares equal to 56% of the Company’s outstanding shares at Closing, prior to the completion of a minimum $1.2 million private placement offering (see note 11).

**(b) 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 was to 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 (which will be 83,333 on a post consolidated basis) 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 (see note 6).

Thereafter, a discovery bonus shall be payable to Mungall as to: (i) 150,000 common shares (50,000 on a post consolidated basis) 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 5 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 tones 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 (unadjusted) (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 and Deferred Exploration Expenditures 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.

On September 25, 2009 Takara issued 100,000 common shares valued at $5,000, to Mungall in exchange for services provided.

On December 24, 2009 Takara entered into a letter intent with Shear Minerals Ltd. ("Shear") whereby Takara has granted Shear the right and option to acquire, subject to all underlying royalties, up to a 49% interest in all mineral rights and up to a 70% interest in the diamond only rights, based on the following terms:

(i) Shear has a First Option to acquire a 25% interest in the Project by incurring $340,000 in exploration expenditures before January 31, 2010 (completed).
(ii) If the First Option is exercised Shear has an option to complete a Second Option whereby Shear can earn an additional 24% interest in the mineral rights for the Project by incurring an additional $500,000 in exploration expenditures before December 31, 2011 and if the Second Option is complete, the issuance to Takara of 1,000,000 Common Shares of Shear.
(iii) Shear will have the opportunity to earn into 70% of any diamond "target" by drill testing the target and confirming the presence of kimberlite.
(iv) Shear will be the Operator.

Regulatory approval for the transaction was granted on February 10, 2010.

**(c) 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 Abibiti, Quebec. Upon receipt of approval by the TSX Venture Exchange on April 27, 2009 Garson issued to Takara 10,000,000 common shares of Garson (with an estimated fair value of $500,000), and Takara issued to Garson 3,000,000 common shares (with an estimated fair value of $90,000).

The sale of the BC Epithermal Gold Project and the Luciana Gold Project resulted in a loss of $82,293. As subsequently described in note 4, the Company realized a gain of $127,600 on the disposal of its Basket Lake Project, resulting in a net gain on sale of mineral properties of $45,307. As a part of agreement, Takara redistributed the Garson shares to its shareholders of record on October 15, 2010, resulting in a capital gain on the disposition of those shares in the amount of $400,000 and dividends paid of $900,000.

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. Garson was subsequently sold to Alexis Minerals in December 2009.

**(d) 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 could elect to increase its interest to 90% by agreeing to carry DIR's pro rata (10%) exploration costs to commercial production. During the year period ended December 31, 2009 the Company incurred $18,768 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 Kaibib 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 commitments in respect of this project. The termination included an issuance of 225,000 common shares and a cash payment of $40,000.

**(e) 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 (unpaid as at the date hereof). 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.

On October 5, 2009, under the terms of a re-negotiated contract, the Company issued 1,400,000 commons shares as payment for the balance of the purchase price that had been outstanding ($75,000).

On October 23, 2009 the Company entered into an agreement with St. Eugene Mining Corporation Ltd. ("St. Eugene"), to sell its interest in the Basket Lake project for consideration of 6,000,000 treasury shares of St. Eugene valued at $210,000. These shares increased in value at March 31, 2010 to $420,000.

**(f) BC Epithermal Gold Project:**
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 in 2008.

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

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.

**(g) 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, 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, 2009 the Company incurred $10,493 (2008 - $123,711) 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.

On March 12, 2009, the Company entered into an agreement with Garson., pursuant to which Garson. agreed to acquire, among other things, all of the Company's rights in respect of the Luciana Prospect.

## 5. COMMITMENTS

(a) The Company entered into an operating lease for office space expiring on April 30, 2011 with scheduled payments as follows:

| | |
|---|---|
| 2010 | $ 26,106 |
| 2011 | 8,782 |
| | **$ 34,888** |

(b) The Company renounced $100,000 of qualifying exploration expenditures to the shareholders in 2009. Under the look-back provision governing flow through shares this amount must be spent by the end of 2010.

## 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, 2008 | 31,183,030 | 4,429,385 |
| Issued in connection with Miskamowin Nickel Project (i) | 250,000 | 7,500 |
| Issued in connection with Garson Gold Transaction (i) | 3,000,000 | 90,000 |
| Issued in connection with Basket Lake Project (i) | 1,400,000 | 75,000 |
| Issued in connection with the termination of the Kaibab J.V (i) | 225,000 | 11,250 |
| Issued in connection with Miskamowin Nickel Project (i) | 100,000 | 5,000 |
| Issued in connection with private placement (ii) | 11,666,667 | 350,000 |
| Issued in connection with private placement (iii) | 1,250,000 | 100,000 |
| Issuance costs | - | (23,616) |
| Balance, December 31, 2009 | 49,074,697 | $ 5,044,519 |
| Issued in connection with debt settlement (iv) | 2,080,000 | 104,000 |
| Tax benefits renounced (v) | - | (30,000) |
| **Balance March 31, 2010** | **51,154,697** | **$ 5,118,519** |

(i) 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 shares were issued.

(ii) On December 7, 2009 the Company completed a private placement for gross proceeds of $350,000 through the issuance of 11,666,666 common shares at a price of $0.03 per share. All securities issued were subject to a four month hold period following closing date.

(iii) On December 22, 2009 the Company completed a private placement for gross proceeds of $100,000 through the issuance of 1,250,000 flow-through common shares at a price of $0.08 per share. All securities issued were subject to a four month hold period following closing.

(iv) On February 1, 2010 the Company issued 2,080,000 common shares at a deemed price of $0.05 as settlement of an aggregate $104,000 in accrued management/consulting fees owing by the Corporation to related parties.

(v) In connection with the issuance of flow-through shares under a December 22, 2009 private placement, the company has forgone a tax benefit estimated to be $30,000 when it renounced related expenditures in February, 2010.

**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 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, 2008 | 2,565,000 | 0.27 | 2,265,000 | 0.28 |
| Cancelled | (2,565,000) | 0.27 | (2,265,000) | 0.28 |
| Granted | 1,500,000 | 0.10 | 1,500,000 | 0.10 |
| **As at December 31, 2009 and March 31, 2010** | **1,500,000** | **$ 0.10** | **1,500,000** | **0.10** |

As at March 31, 2010 the Company had the following stock options outstanding:

| Black-Scholes Value | Number of Options Outstanding | Exercise Price | Expiry Date | Number of Options Exercisable | Weighted Average Remaining Life |
|---|---|---|---|---|---|
| $111,035 | 1,500,000 | 0.10 | Nov. 16, 2014 | 1,500,000 | 4.63 |

**b) Stock options (continued)**

During the year ended December 31, 2009, the Company granted 1,500,000 stock options exercisable for one common share at $0.10 per share, for a five year period. The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 254%; expected dividend yield of 0%; risk-free interest rate of 2.63%; and expected life of 5 years. The options were valued at $111,035, and were recorded as stock compensation expense with a corresponding increase in contributed surplus. The options vested on the date of grant and 1,250,000 of these options were granted to officers/directors of the Company.

During the year ended December 31, 2008, the Company granted 1,200,000 stock options exercisable for one common share at $0.15 per share, for a five year period. The fair value of the options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 122%; expected dividend yield of 0%; risk-free interest rate of 3.10% - 3.40%; and expected life of 5 years. The options were valued at $114,755 of which $101,779 was recorded as stock compensation expense in 2008 with a corresponding increase in contributed surplus for the portion of the options vesting in the year. The remaining value of $12,976 will be expensed as the remaining options vest. These options, as well as all other outstanding options as at December 31, 2008 were cancelled during 2009.

**c) Contributed surplus**

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

| | |
|---|---|
| Balance, December 31, 2008 | 668,132 |
| Expiration of warrants | 155,284 |
| Stock based compensation | 111,035 |
| **Balance, December 31, 2009 And March 31, 2010** | **$ 934,451** |

## 7. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with private companies controlled by directors of the Company for management consulting services, geological consulting and for such other services required by the Company.

During the three months ended March 31, 2010 the Company had the following related party transactions:

a) $31,771 (2009 - $$21,000) in management fees was charged by a company controlled by a director and CEO of the Company. $43,650 (2009 – $41,463) of management fees is included in amounts payable to related parties.
b) $nil (2009– $40,000) in management fees was charged by a company controlled by a director and a former president of the Company. Of this amount, $nil (2009 – $30,000) is included in amounts payable to related parties.
c) $31,000 (2009 – $nil) in geological fees was charged by a company controlled by a director and President of the Company and recorded as deferred exploration expenditures. $46,820 (2009 - $44,401) of these fees is included in amounts payable to related parties.

## 8. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and fully diluted loss per common share:

| For the three months ended March 31 | 2010 | 2009 |
|---|---|---|
| Numerator: | | |
| Net loss attributable to common shareholders | | |
| - basic and fully diluted | **$ (125,394)** | $ (153,315) |
| Denominator: | | |
| Weighted average common shares outstanding | | |
| - basic | **50,438,252** | 31,183,030 |
| Basic and fully diluted | | |
| loss per common share | **$ (0.002)** | $ (0.005) |

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

## 9. CAPITAL MANAGEMENT

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 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 three months ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

## 10. FINANCIAL RISK FACTORS

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. The Company is exposed to credit risk on its cash and accounts receivable. The Company has deposited the cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimized. Management believes that credit risk concentrations with respect to the financial instruments included in accounts receivable is remote. As at March 31, 2010, no amounts receivable are considered past due or impaired.

**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 March 31, 2010, the Company had a cash balance of $146,176 (December 31, 2009 - $239,383) to settle current financial liabilities of $212,501 (December 31, 2009 - $209,182) (see subsequent event-financing).

**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) 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 gold and nickel.

St. Eugene shares are a public listed TSX Venture company and a variance of 10% in the market value of St. Eugene Shares would affect comprehensive income by $42,000.

## 11. SUBSEQUENT EVENTS

(a) On April 23, 2010 the Company effected a 3:1 share consolidation resulting in 17,134,899 shares outstanding.

(b) On April 23, 2010 the Company completed the purchase of the Guyana Gold assets from Victoria Gold through the acquisition of Victoria's wholly owned Guyana subsidiary by issuing to Victoria Gold 21,858,355 common shares as total consideration (see note 4).

(c) Subsequent to March 31, 2010 Takara closed a financing for gross proceeds of $2,270,999 by the issuance of 16,221,422 units to subscribers at a price of $0.14 per unit. Each unit is comprised of one common (post consolidation) share of Takara and one full non-transferable share purchase warrant that entitles the holder to acquire an additional Common Share at a price of $0.20 at any time within 12 months of the date of issuance.

## 12. COMPARATIVE FIGURES

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

## 13. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

| For the three months ended March 31 | 2010 | 2009 |
|---|---|---|
| Interest paid | $ - | $ - |
| Income taxes paid | $ - | $ - |
| **Non-Monetary Transactions:** | | |
| Shares issued in exchange for mineral properties | $ - | $ - |
| Shares issued in exchange for debt | $ 104,000 | $ - |
| Shares received for interest in mining claims | $ - | $ - |