

TAKARA RESOURCES INC.

Management's Discussion and Analysis

Three and six months ended June 30, 2010

Dated: August 26, 2010

Introduction

The following is management's discussion and analysis of the consolidated financial condition and results of operations of Takara Resources Inc. (the "Company" or "Takara") for the three and six months ended June 30, 2010 and the comparable periods ended June 30, 2009. This discussion and analysis should be read in conjunction with the interim financial statements and notes thereto as at and for the three and six months ended June 30, 2010 and the audited consolidated financial statements for the year ended December 31, 2009 and the related notes thereto (the "Financial Statements"). Additional information related to the Company can be found on SEDAR at www.sedar.com.

Nature of Operations

Takara is a gold development company that is 100% focused on its newly acquired advanced stage gold projects within the Guyana Shield, Guyana, South America. Takara completed an agreement with Victoria Gold Corp. ("Victoria") on April 23, 2010 to acquire a subsidiary of Victoria that holds title to the two Guyana projects.

The two projects are a 100% interest in the Tassawini Gold Project and a current 29.9% interest in the BRL Venture. The Tassawini Gold Project hosts a National Instrument 43-101 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. These two advanced stage gold projects have the potential for both exploration upside and near-term future gold production.

Highlights

On April 23, 2010 Takara completed the acquisition of Victoria's wholly owned Guyana subsidiary company, by issuing to Victoria 21,858,355 common shares as consideration. The shares issued to Victoria pursuant to the closing were subject to a four month hold period, and 19,627,520 are held in a 3 year timed release escrow, releasable as to 15% every 6 months. Victoria is further restricted from trading on any one day more than 25% of Takara's daily trading volume based on a 30-day average. Victoria shall also be entitled to an additional 4,000,000 shares of Takara in the event that Takara reaches certain milestones in respect to the advancement of the Guyana Gold Assets.

The Company completed an equity financing for total gross proceeds of \$2,270,999 by issuing an aggregate of 16,221,422 units at a price of \$0.14 per unit. Each unit was comprised of one common share and one non-transferable share purchase warrant exercisable at a price of \$0.20 at any time within 12 months of issuance.

On June 18, 2010 Takara announced the engagement of Scott Wilson Roscoe Postle and Associates Inc. to undertake a Preliminary Assessment Report ("PA") to assess the economics of the 100% owned Tassawini Gold Project located in northwest Guyana.

In August 2010 Takara commenced a summer exploration program on six untested gold-in soil anomalies in the immediate vicinity of the Tassawini Gold Project. This program is being undertaken in preparation for an extensive core drilling program with the goal of expanding the existing NI 43-101 compliant resources at Tassawini.

Exploration Activities and Expenditures

Guyana Golds Asstes

The Guyana Gold Assets comprise two advanced stage gold projects within the Guyana Shield, Guyana, namely: (i) the 100% owned Tassawini Gold Project; and (ii) the current 29.9% interest in the BRL Venture (the "Guyana Gold Assets"). The Tassawini Gold Project hosts a National Instrument ("NI") 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 (“Newmont”).

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 through Stratagold Corporation and restated on behalf of Takara with the same title and authors dated February 10, 2010 and press released on March 17, 2010). Tassawini, Sonne and seven untested surface geochemical anomalies are open for expansion and will be subject to follow up.

In August 2010 Takara commenced a summer exploration program on six untested gold-in soil anomalies in the immediate vicinity of the Tassawini Gold Project. This program is being undertaken in preparation for an extensive core drilling program with the goal of expanding the existing NI 43-101 compliant resources at Tassawini.

Crews are drilling targeted anomalies to verify and collect samples on selected lines of investigation, in order to complement and enhance geological and structural mapping, coupled with reconnaissance pan concentrate studies on the outer targets to verify past datasets. The program is running in parallel to the current economic assessment that is scheduled for completion in October 2010. Upon receiving the final results, Takara will determine future plans, including core testing of targets.

The following is a summary of expenditures related to the Tassawini Gold Project for the period from acquisition (April 23, 2010) to June 30, 2010. During this period the project was on care and maintenance.

	April 23 - June 30, 2010
Mining Permit Fees	\$ 12,775
Accommodation & Meals	4,146
Camp Expense	11,109
Fixed Wing	8,977
River Transport	1,243
Communications/Telephone	3,160
Equipment Maintenance & Repairs	135
Equipment & Rentals	432
Field Office	142
Fuel & Oils	4,662
Geological Salaries	1,339
Contract Labour	226
Salaries & Wages	30,653
Materials & Supplies	793
Travel Costs	617
Medical Supplies	392
Total	\$ 80,802

BRL Venture – 29.9%

The BRL Venture is a joint venture between Newmont and StrataGold Guyana Inc (“SGI”), as subsidiary of Takara). The BRL Venture is comprised of a large strategic land position in Northwest Guyana within the Arakaka Gold District. As of June 2010, SGI held a 29.9% interest and Newmont held the remaining 70.1% 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”, 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.

The following is a summary the Company share of expenditures related to the BRL Venture for the period from acquisition (April 23, 2010) to June 30, 2010:

April 23 - June 30, 2010	
Accommodation & Meals	\$ 993
Assays/Geochemical Analysis	1,464
Camp Expense	4,131
Safety & Training	65
Fixed Wing	4,294
River Transport	646
Communications/Telephone	1,627
Equipment Maintenance and repairs	68
Equipment Rentals	2,070
Field Office	8,248
Fuel	2,884
Geology	49,294
Casual Labour	122
Salaries & Wages	15,480
Materials & Supplies	80
Vehicle Maintenance & Expenses	1,596
Freight	7
Travel Costs	4,877
Medical Supplies	45
Safety Supplies	19
Land Rental	600
Mining permit	6,060
Total	\$ 104,670

Miskamowin Nickel Project, Manitoba

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.

In December, 2009, Takara announced the signing of a letter of intent whereby Takara has granted Shear Minerals Ltd. 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. Shear could acquire a 25% interest in the Project by incurring \$340,000 in exploration expenditures before January 31, 2010 (completed). Shear has an option to 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 this is completed, the issuance to Takara of 1,000,000 Common Shares of Shear. Shear will have the opportunity to earn into 70% of any diamond “target” by drill testing the target and confirming the presence of kimberlite.

On December 23, 2009 Takara completed an airborne VTEM survey flown by Geotech Ltd. that will cover the property in order to confirm geology and identify prospective EM conductors for future follow up ground work followed by drill testing.

Upon receiving final results and interpretation from the 2009 airborne survey, Takara will determine future plans that could involve the drill testing of targets or Takara, may at their discretion, elect to create a new company focused on developing underexplored nickel projects in Manitoba and others identified elsewhere.

Results of Operations for the six months ended June 30, 2010

For the six months ended June 30, 2010, Takara reported a net loss of \$583,519 compared to \$368,099 for the six months ended June 30, 2009. Total expenses increased as the Company advanced its business plan through the purchase StrataGold Guyana Inc. (as described earlier in this MD&A).

Revenues

Takara is in the exploration stage and has no revenue from mining operations.

Non-Exploration Expenditures

For the six months ended June 30	2010	2009	% change
Management fees	\$ 63,021	\$ 96,000	-34.35%
Professional and legal fees	111,834	65,257	71.37%
Stock based compensation	-	5,942	-100.00%
General and administrative	117,563	83,609	40.61%
Promotion and shareholder communication	114,332	8,787	1201.15%
Rent	33,426	12,808	160.98%
Travel	91,473	10,449	775.42%
Amortization	32,874	2,273	1346.30%
	\$ 564,523	\$ 285,125	97.99%

Management fees relate to strategic and corporate advice charged by the CEO and President of the Company. Management fees decreased from the prior period as in the prior period, the CEO and President’s roles were separated for the purposes of developing business opportunities, and thus incurred a higher expense in that period.

Professional fees consist of services provided by legal, accounting, tax and audit professionals. Legal fees for the period amounted to \$37,023 and related to the completion of acquisition of the purchase of the Guyana assets from Victoria. Accounting related expenses amount to \$74,812 and primarily related to fees to the CFO and bookkeeping fees. The increase in professional fees was due to an increase in legal and accounting work required with respect to the purchase of StrataGold Guyana Inc. from Victoria Gold (the “Victoria Gold transaction”).

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.

General and administrative fees consist of office supplies, part XII.6 tax, insurance, filing fees, transfer agent fees, computer expense, and office administrative staff. The increase in this expense is related to the purchase of StrataGold Guyana Inc. and the related filing fees with the exchange. The increase in other office expenses compared to the prior period is attributed to the office expenses now being incurred in the Company's Guyana office. In addition, due to the increase in business activity more administrative assistance was required at the Company's head office.

Promotion and shareholder communication increased as the Company initiated an investor relations program to coincide with the acquisition of the Guyana assets purchased from Victoria and concurrent financing. During the comparable period, the Company significantly reduced its business development activities given the condition of the global markets.

Rent increased compared to the prior period as the Company now pays rent for an office in Guyana to administer the Company's Guyana projects.

Travel expenses increased compared to the prior year. During the six months ended June 30, 2010 travel and related costs were associated with attending mining conferences, promoting the company and visiting the company's project sites. For the same period in 2009 travel was minimized and costs were primarily domestic, and related to the closing of the Garson Gold transaction and attending only the key local mining conferences.

Amortization expenses are attributable to the amortization of the Company's computers, vehicles and equipment. The increase is due to the equipment acquired through the purchase of StrataGold Guyana Inc.

Results of Operations for the three months ended June 30, 2010

For the three months ended June 30,	2010	2009	% change
Management fees	\$ 31,251	\$ 35,000	-10.71%
Professional and legal fees	70,197	37,439	87.50%
Stock based compensation	-	2,135	-100.00%
General and administrative	88,712	43,335	104.71%
Promotion and shareholder communication	89,055	2,116	4108.65%
Rent	25,842	6,404	303.53%
Travel	71,550	4,217	1596.70%
Amortization	32,002	1,164	2649.35%
	\$ 408,609	\$ 131,810	210.00%

See explanation of expenses for the six months ended June 30, 2010.

Financial Condition

Liquidity and Capital Resources

As at June 30, 2010 the Company had cash and cash equivalents of \$1,697,834 (December 31, 2009 - \$239,383) and working capital of \$1,783,659 compared to \$444,513 as at December 31, 2009. Working capital is defined as current assets minus current liabilities. The increase in cash related to operating capital received on the issuance of shares in the amount of \$2,162,828 net of issuance costs. This was offset by cash spent on operations of \$433,481 and cash spent on investing activities of \$270,896.

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 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.

On May 13, 2010 the Company completed an equity financing for total gross proceeds of \$2,270,999 by issuing an aggregate of 16,221,422 units at a price of \$0.14 per unit. Each unit was comprised of one common share and one full non-transferable share purchase warrant exercisable at a price of \$0.20 at any time within 12 months of issuance.

Summary of Quarterly Results

	QTR	QTR	QTR	QTR
	2	1	4	3
	2010	2010	2009	2009
Other Income	0	0	0	0
Net Loss	(458,125)	(125,394)	135,134	(458,592)
Basic and diluted loss per share	(0.009)	(0.002)	0.014	(0.013)
	QTR	QTR	QTR	QTR
	2	1	4	3
	2009	2009	2008	2008
Other Income	0	0	26,209	19
Net Loss	(214,784)	(153,315)	(1,665,282)	(126,895)
Basic and diluted loss per share	(0.003)	(0.005)	(0.050)	(0.004)

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 August 26, 2010:

Common shares: 55,214,675

Incentive Stock Options:

Expiring Date	Outstanding	Exercisable	Exercise Price
November 16, 2014	500,000	500,000	0.30

Warrants

16,221,422 share purchase warrants, exercisable at \$0.20, expiring April 23, 2011.

756,224 share purchase warrants, exercisable at \$0.14, expiring April 23, 2011.

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 for the three months ended March 31, 2010:

- a) \$63,020 (2009 - \$ 42,000) in management fees was charged by a company controlled by a director and CEO of the Company. \$10,937 (2009 - \$53,584) is owed to this company and is included in amounts payable to related parties. Another \$47,392 is owed to this director and CEO for expenses paid on behalf of the Company. This amount 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) \$60,000 (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. \$12,232 (2009 - \$44,401) is owed to this company and is included in amounts payable to related parties.

Outlook

Takara's exploration activities have been described in the Exploration Activities and Expenditures section of this document. Takara's focus is on gold in Guyana with the acquisition of the Tassawini Gold Project and the BRL Venture from Victoria Gold. It is anticipated that this advanced gold project will provide the Company with an opportunity to raise capital and evaluate the economics of this project with potential for future production given favorable market conditions and commodity prices.

The current financial equity market conditions and the challenging funding environment can make it difficult to raise funds by private placements of shares. The junior resource industry has been severely impacted by the world economic situation as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any financing ventures. The Company is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company intends to advance its plans through additional equity financing, there is no assurance that any funds that will ultimately be available for operations. Recently the markets have benefited from the strengthening of commodity prices. As a consequence, the Company has decided to focus on gold, particularly one main project to take advantage of the current and forecast price of gold and an advanced project with a resource that has opportunity for growth potential and positive impact on the Company's long term outlook.

Off-Balance Sheet arrangements

There are no off-balance sheet arrangements as at June 30, 2010

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 three months ended March 31, 2010.

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 six months

ended June 30, 2010. 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 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 six months ended June 30, 2010, 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.

Accounting Changes

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 other receivables, 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 Limited., the Company estimates that the fair value of these financial instruments approximates the carrying values at June 30, 2010 and December 31, 2009, 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 Limited 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

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises are required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The Company will issue its first annual and interim consolidated financial statements prepared under IFRS for its fiscal year ended December 31, 2011 and three months ended March 31, 2011, respectively, with restatement of comparative information presented.

The transition will require the restatement for comparative purposes of amounts reported by the Company for each quarter beginning in January 1, 2011, accompanied with a reconciliation of the transitional differences. The Company has commenced the process of transition from Canadian GAAP to IFRS. As part of the transition process, the Company is in the process of providing IFRS specific training to senior financial reporting personnel and directors and the appropriate level of training is expected to be completed in the fourth quarter of 2010.

The transition process consists of three primary phases: scoping and diagnostic phase; impact analysis, evaluation and design phase; and implementation and review phase.

- Scoping and diagnostic phase – A preliminary diagnostic review was completed by an external consultant which included the determination, at a high level, of the financial reporting differences under IFRS and the key areas that may be impacted.

The areas with the highest potential impact were identified to include the basis of consolidation, impairment of assets, financial instruments and initial adoption of IFRS under the provisions of IFRS 1. This phase is complete.

- Analysis, quantification and evaluation phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Company anticipates that there will be changes in accounting policies and that these changes may impact the financial statements. The full impact on future financial reporting is not reasonably determinable or estimable at this time.

- Implementation and review phase – This phase includes the execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements. IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs. The various accounting policy choices available are being assessed and those determined to be most appropriate in our circumstances will be implemented.

During the second quarter of 2010, the Company has evaluated and selected most of the new accounting policy choices under IFRS and has begun quantifying the IFRS transition adjustments as part of Phase 2 of the IFRS conversion project. In addition, the Company is in the process of identifying and amending its internal control over financial reporting and business processes impacted by IFRS. As a development stage company, changes to the

information system will be relatively minor as at the date of transition; however, if the Company transitions toward construction and production, significant changes to the information system will be required to comply with IFRS requirements. In the meantime, the Company will ensure that its accounting system can capture data that facilitates reporting under IFRS such as 2010 data that are reported under Canadian GAAP and then under IFRS in the 2011 comparatives.

As the Company progresses through its IFRS conversion process and identifies accounting policy changes, these are to be reported to the public to ensure ongoing communication on the conversion. A brief overview of expected changes to accounting policies is presented below.

The Company has identified potential material adjustments to be recorded on transition as follows:

- Mineral properties, capital assets and deferred development costs: Under IFRS 1, the Company can elect to use fair value as deemed cost. If such election is made, this will result in volatility in the carrying value of the mineral properties and capital assets based on annual assessments of fair value of those assets. The Company is currently assessing the use of fair value as deemed cost on its mining assets. If such election is made the adjustments may be material.
- Functional currency: Under IFRS, each entity within a group of companies determines its own functional currency and measures its own results and financial position in that currency.
- Stock-based compensation: Under IFRS, graded vesting method is used to calculate the share-based payment awards that vest in instalments over the vesting period. Since the Company currently uses the straight-line method to recognize the fair value of its outstanding options over its vesting period, the Company is currently evaluating the impact graded vesting method will have on the fair value of its outstanding incentive stock options as at the date of transition. The impact of using graded vesting method will be reported in the third quarter 2010.

The key deliverables for the remainder of the year will include:

- Finalize the IFRS opening balance sheet;
- Finalize the accounting policy choices;
- Complete the computation of transition adjustments;
- Finalize the auditors' review of the IFRS transition;
- Draft IFRS compliant financial statements.

Forward Looking Statement

“All statements other than those of a historical nature are ‘forward-looking statements’ that may involve a number of unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.”

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

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

While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents management's views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the

date of this document. The Company has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. See also “Risks and Uncertainties”.

Additional Information

Additional information about Takara Resources Inc., including the annual information form, may be obtained from the Company’s website at www.takararesources.com or on SEDAR at www.sedar.com.