



**TAKARA RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three month periods ended
March 31, 2015 and 2014**

(Expressed in Canadian Dollars)

(UNAUDITED)

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Takara Resources Inc. for the three month periods ended March 31, 2015 and 2014 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 2) to the unaudited interim condensed consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited interim condensed consolidated 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 condensed consolidated financial statements for the three month periods ended March 31, 2015 and 2014.

TAKARA RESOURCES INC.
Interim Condensed Consolidated Statements of Financial Position (unaudited)
As at March 31
(Expressed in Canadian Dollars)

| As at | March 31, 2015 | December 31, 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (<i>note 14</i>) | 2,585 | 3,257 |
| HST and accounts receivable (<i>note 6</i>) | 11,283 | 9,269 |
| | <u>13,868</u> | <u>12,526</u> |
| TOTAL ASSETS | <u>13,868</u> | <u>12,526</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (<i>note 10</i>) | 206,921 | 197,097 |
| Due to related parties (<i>note 10</i>) | 15,139 | 15,139 |
| | <u>222,060</u> | <u>212,236</u> |
| Shareholders' Equity | | |
| Share capital (<i>note 9(a)</i>) | 16,899,006 | 16,899,006 |
| Contributed surplus | 3,710,157 | 3,710,157 |
| Accumulated deficit | <u>(20,817,355)</u> | <u>(20,808,873)</u> |
| | <u>(208,192)</u> | <u>(199,710)</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>13,868</u> | <u>12,526</u> |

Nature of Business and Going Concern (*note 1*)
Commitments and Contingencies (*notes 8 and 16*)
Subsequent Events (*note 17*)

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

Approved by the Board

Signed:

“Chris Hopkins”

Director

Signed:

“Andres Tinajero”

Director

TAKARA RESOURCES INC.**Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (unaudited)****For the three month periods ended March 31** (Expressed in Canadian dollars)

| | 2015 | 2014 |
|---|----------------|------------------|
| | \$ | \$ |
| Expenses | | |
| Promotion and shareholder communication | - | 1,316 |
| General and administrative (<i>note 15</i>) | 7,027 | 48,399 |
| Exploration and evaluation expenditures (<i>note 9</i>) | - | 70,239 |
| Professional fees (<i>note 10</i>) | 1,455 | 28,066 |
| | <u>(8,482)</u> | <u>(148,020)</u> |
| Other items | | |
| Gain on disposal of marketable securities (<i>note 5</i>) | - | 19,670 |
| (Loss) gain on foreign exchange | - | (86) |
| Interest income | - | 725 |
| Net and total comprehensive (loss) for the period | <u>(8,482)</u> | <u>(127,711)</u> |
| Basic and diluted (loss) per common share (<i>note 11</i>) | (0.000) | (0.010) |

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

TAKARA RESOURCES INC.**Interim Condensed Consolidated Statements of Changes in Equity (unaudited)****For the three month period ended March 31, 2015** (Expressed in Canadian dollars)

| | Number of Shares | Share capital | Contributed surplus | Warrants reserve | Accumulated other comprehensive income (loss) | Deficit | Total |
|---|-------------------|-------------------|---------------------|------------------|---|---------------------|------------------|
| Balance, December 31, 2013 | 16,782,647 | 16,884,006 | 3,704,717 | 5,440 | - | (20,503,808) | 90,355 |
| Issued for exploration and evaluation properties (note 8) | 1,500,000 | 15,000 | - | - | - | - | 15,000 |
| Warrant expiry | - | - | 5,440 | (5,440) | - | - | - |
| Net loss for the year | - | - | - | - | - | (305,065) | (305,065) |
| Balance, December 31, 2014 | 18,282,647 | 16,899,006 | 3,710,157 | - | - | (20,808,873) | (199,710) |
| Net loss for the period | - | - | - | - | - | (8,482) | (8,482) |
| Balance, March 31, 2015 | 18,282,647 | 16,899,006 | 3,710,157 | - | - | (20,817,355) | (208,192) |

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

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

For the three month periods ended March 31

(Expressed in Canadian dollars)

| | 2015 | 2014 |
|--|---------------------|----------------------|
| | \$ | \$ |
| Operating activities | | |
| Net loss for the period | (8,482) | (127,711) |
| Adjustments to reconcile net loss to cash used in operating activities | | |
| (Gain) on disposal of marketable securities | - | (19,670) |
| | <u>(8,482)</u> | <u>(147,381)</u> |
| Changes in non-cash working capital | | |
| HST and accounts receivable | (2,014) | 19,648 |
| Prepaid expenses and advances | - | 3,554 |
| Accounts payable and accrued liabilities | 9,824 | (72,283) |
| Cash flow (used in) provided from operating activities | <u>(672)</u> | <u>(196,462)</u> |
| Investing activities | | |
| Gross proceeds from sale of marketable securities | - | 72,778 |
| Cash flow provided from investing activities | <u>-</u> | <u>72,778</u> |
| Financing activities | | |
| Cash flow provided from (used in) financing activities | <u>-</u> | <u>-</u> |
| (Decrease) increase in cash and cash equivalents | (672) | (123,684) |
| Cash and cash equivalents, beginning of year | 3,257 | 222,714 |
| Cash and cash equivalents, end of period | <u><u>2,585</u></u> | <u><u>99,030</u></u> |

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

TAKARA RESOURCES INC.

**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
For the three month periods ended March 31, 2015 and 2014**

(Expressed in Canadian Dollars)

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. On November 29, 2007, the Company amended its articles to change its name to Takara Resources Inc. The address of the Company's office is 401 Bay Street, Suite 2828, Toronto, Ontario, Canada, M5H 2Y4. Takara's principal business activities are the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties.

These consolidated financial statements were approved by the Board of Directors on May 29, 2015.

Going concern

As at March 31, 2015, the Company had not yet achieved profitable operations, had accumulated losses of \$20,817,355 (December 31, 2014 - \$20,808,873) and expected to incur future losses in the development of its business. The Company is in the process of exploring its properties and had not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties, all of which indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management is actively pursuing additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

Functional currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Management has determined that, other than the going concern assumption as discussed in note 1, there are no significant assumptions about the future and other sources of judgments and estimates that management has made at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

New accounting standards adopted during the year

The Company has adopted the following new standard effective January 1, 2014, and there was no material impact on the Company's consolidated financial statements.

IAS 32 – Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Future changes in accounting standards

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

TAKARA RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

IAS 1 Presentation of Financial Statements ("IAS 1")

IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 24 Related Party Disclosures ("IAS 24")

IAS 24 was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

| | Jurisdiction | |
|------------------------------|--------------|------------|
| Takara Resources (B.C.) Inc. | Canada | 100% owned |
| Duckhorn Capital Corporation | Ontario | 100% owned |

Intercompany balances and transactions, including unrealized gains and losses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Financial instruments

Financial assets

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

TAKARA RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
For the three month periods ended March 31, 2015 and 2014
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income and recognized in the statement of loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

Other financial liabilities - This category includes all other financial liabilities which are recognized at amortized cost.

The Company's financial instruments consist of the following:

| Financial assets: | Classification: |
|--|------------------------------------|
| Cash equivalents | Fair value through profit and loss |
| Cash and Accounts receivable | Loans and receivables |
| Investments in marketable securities | Available-for-sale |
| Financial liabilities: | Classification: |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Due to related parties | Other financial liabilities |

The Company classifies its financial instruments measured at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- 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;
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's cash equivalents are classified within level 2 of the fair value hierarchy, and investments in marketable securities are classified within level 1 of the fair value hierarchy. As at March 31, 2015 and December 31, 2014 the fair value of assets and liabilities carried at amortized cost was the same as their respective carrying values due to the short term nature of these assets and liabilities.

Mining properties and exploration expenditures

The Company expenses all costs relating to mineral properties and exploration expenditures, except those acquired through a business combination, in the period in which they are incurred. All exploration and evaluation expenditures acquired through a business combination are capitalized as intangible assets. They are subsequently measured at cost less accumulated impairment.

TAKARA RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

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

| | |
|------------------------|------------------------|
| Computer | 30 % declining balance |
| Field equipment | 20 % declining balance |
| Vehicles | 20 % declining balance |
| Office equipment | 20 % declining balance |
| Leasehold improvements | 20 % declining balance |

Income taxes

Income taxes on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous reporting periods. Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends from a subsidiary to its parent are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax deductions. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities and the expenditures are incurred.

Share issue costs

Costs incurred for the issue of common shares and warrants are deducted from share capital and warrants, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Stock-based compensation and Warrants

The Company has in effect a stock option plan ("the Plan") which is described in note 9(b). The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes option pricing 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.

Warrants are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes option pricing model. Consideration paid on the exercise of warrants is credited to share capital and the value recorded in warrants reserve is transferred to share capital upon exercise. Upon expiration, the value of warrants is reclassified to contributed surplus.

Transaction costs

Direct transaction costs associated with business acquisitions are expensed as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment at the end of each reporting period and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount, recognizing an impairment loss in the statement of operations. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

Asset retirement obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises.

TAKARA RESOURCES INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the impact of discounting and for changes to the current market based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

As at March 31, 2015 the Company has no material restoration, rehabilitation and environmental costs as the environmental disturbance to date is minimal.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the statement of loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Cash and cash equivalents

Cash equivalents include highly liquid Canadian bank guaranteed funds that are valued at cost plus accrued interest. The carrying amounts approximate the fair market value as they have maturities at the date of purchase of less than one year with early redemption without penalties available.

4. ACQUISITION OF DUCKHORN CAPITAL CORPORATION

On December 14, 2013, Takara acquired all of the outstanding shares of Duckhorn Capital Corporation (“Duckhorn”). Duckhorn held a 100% interest in certain mining claims in the Athabasca Basin in northern Saskatchewan.

In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that are capable of being conducted and managed to provide a return for investors. This acquisition has been recorded as an acquisition of an asset.

The consideration paid is calculated as follows:

| | |
|---|-------------------|
| Duckhorn shares outstanding | 47,400,000 |
| Share exchange ratio | 1.00 |
| Takara shares to be exchanged for Duckhorn shares | <u>4,740,000</u> |
| Takara share price | \$ 0.050 |
| Share consideration | \$ 237,000 |
| Cash consideration | <u>\$ 74,000</u> |
| Total | <u>\$ 311,000</u> |

The Company also granted a 2 percent (2%) net smelter return royalty, one half (1%) of which can be purchased by Takara at any time by paying CDN\$1,000,000 cash.

The allocation of the purchase price is as follows:

| | |
|----------------------------|----------------|
| Cash | 3,997 |
| Mineral exploration claims | <u>307,003</u> |
| | <u>311,000</u> |

In accordance with the Company’s accounting policy, the amount allocated to the mineral exploration claims was expensed during the year ended December 31, 2013.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
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5. INVESTMENTS IN MARKETABLE SECURITIES

The Company's investments in marketable securities were comprised of an investment in the shares of Claude Resources Inc. ("Claude"). The Company classified these investments as available-for-sale, reported at the fair market value based on bid prices, with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss until the investments are derecognized or determined to be subject to a significant or prolonged decline in value with losses charged to earnings. For the year ended December 31, 2013, it was determined that the investment in Claude was impaired and an expense of \$87,549 was recorded. During the year ended December 31, 2014, the Company disposed of the securities for net proceeds of \$72,037.

6. HST AND ACCOUNTS RECEIVABLE

The Company's HST and accounts receivable are comprised of the following;

| | March 31, December 31, | |
|-------------|-------------------------------|--------------|
| | 2015 2014 | |
| HST & other | 11,283 | 9,269 |
| | <u>11,283</u> | <u>9,269</u> |

7. EQUIPMENT

| | Computer equipment | Field equipment | Vehicles | Office equipment | Leasehold improvements | Total |
|---|-------------------------------|----------------------------|-----------------|-----------------------------|-----------------------------------|--------------|
| Cost | | | | | | |
| December 31, 2013 | \$ 31,046 | \$ 60,537 | \$ 5,116 | \$ 10,785 | \$ 39,578 | \$ 147,062 |
| Dispositions | (31,046) | (60,537) | (5,116) | (10,785) | (39,578) | (147,062) |
| March 31, 2015 and December 31, 2014 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accumulated Depreciation | | | | | | |
| December 31, 2013 | \$ 25,649 | \$ 60,537 | \$ 5,116 | \$ 6,471 | \$ 14,249 | \$ 112,022 |
| Depreciation | 577 | - | - | 217 | 5,065 | 5,859 |
| Dispositions | (26,226) | (60,537) | (5,116) | (6,688) | (19,314) | (117,881) |
| March 31, 2015 and December 31, 2014 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Carrying amounts | | | | | | |
| March 31, 2015 and December 31, 2014 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

8. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES

Beaverlodge Uranium Projects in Athabasca Basin, Saskatchewan

On December 14, 2013, the Company entered into an agreement through the acquisition of Duckhorn in respect of the acquisition of a 100% interest in mineral claims prospective for uranium exploration in the northwest region of the Athabasca Basin, Saskatchewan.

For the three months ended March 31 2015, the Company incurred exploration and evaluation expenditures of \$NIL (2014 - \$70,239).

On December 30, 2014, the Company entered into an option agreement with Lakeland Resources Inc. ("Lakeland") to acquire a 50% interest in the Fond du Lac property, located in the northern Athabasca Basin

TAKARA RESOURCES INC.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****For the three month periods ended March 31, 2015 and 2014**

(Expressed in Canadian Dollars)

8. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES (continued)

region, Saskatchewan. Takara has the right to earn a 50% interest in the property by issuing 1,500,000 common shares (issued and valued at \$15,000 based on the quoted market price of the shares on the date of issuance) to Lakeland on the closing date of the transaction to reimburse Lakeland the expenditures incurred to date on the claim totaling \$50,000 and by spending \$100,000 on exploration on the property and by issuing an additional 250,000 shares by June 1, 2015. The property is subject to a 1.5% NSR to the original vendor.

Miskamowin Nickel Project, Manitoba

The Company previously reported that it had no intention to pursue exploration on the Miskamowin project, however, as a result of new information during the year ended December 31, 2013, the Company has elected to retain its interest in a downsized land package. There were no expenditures incurred on the Miskamowin project during the quarters ended March 31, 2015 and 2014.

9. SHARE CAPITAL**a) Share 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 ended March 31, 2015 with respect to common shares:

| | # of Shares | Amount |
|--|--------------------|-------------------|
| Balance, December 31, 2012 | 9,482,647 | 16,531,246 |
| Issued on acquisition of Uranium Project in Saskatchewan | 4,740,000 | 237,000 |
| Issued in connection with flow through private placement (i) | 2,560,000 | 128,000 |
| Share issuance costs (i) | - | (12,240) |
| Balance, December 31, 2013 | 16,782,647 | 16,884,006 |
| Issued for option agreement (note 9) | 1,500,000 | 15,000 |
| Balance, December 31, 2014 | 18,282,647 | 16,899,006 |
| Balance, March 31, 2015 | 18,282,647 | 16,899,006 |

- (i) On December 31, 2013, the Company completed a private placement offering announced on December 20, 2013, by the issuance of 2,560,000 flow through common shares for gross proceeds of \$128,000. A finders' fee equal to 10% of the gross proceeds raised, in addition to the issuance of a number of finder warrants equal to 10% of the number of flow-through shares sold may be paid to eligible finders. Each finder's warrant entitles the finder to acquire one non flow-through common share at a price of \$0.05 per share for a period of 12 months from closing. In conjunction with the closing of this flow through private placement, the Company paid \$6,800 in cash and issued 136,000 non-flow through finders warrants, each finder's warrant entitling the holder to acquire one common share of the Company at a price of \$0.05 per share for 12 months from closing. The warrants were assigned a value of \$5,440 using the Black Scholes option pricing model. The assumptions used were: dividend yield of 0%, expected volatility of 150%, a risk free interest rate of 1.95% and expected life of 12 months.

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9. SHARE CAPITAL (continued)

b) Stock Options

The Company has in place a stock option plan (the "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 Toronto Stock 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 lower than the fair market value of the option shares on the date of the grant of the option.

The terms of the plan are as follows:

- (i) the maximum number of shares that can be received by a beneficiary during any 12 month 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 month 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 relations services during any 12 month period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised on a 12 month period after the grant, at the rate of 25% per quarter.

Issued and exercisable stock options outstanding:

As at March 31, 2015 there were no stock options outstanding.

c) Warrants

| | Number of Warrants | Weighted Average Exercise Price |
|--|-----------------------|---------------------------------------|
| Balance, December 31, 2012 | - | - |
| Granted | 136,000 | 0.05 |
| Balance, December 31, 2013 | 136,000 | 0.05 |
| Expired | (136,000) | (0.05) |
| Balance March 301, 2015 and December 31, 2014 | - | - |

As at March 31, 2015 there were no warrants outstanding.

10. RELATED PARTY TRANSACTIONS

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

Management compensation

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

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The remuneration of officers and directors of the Company operating in a management capacity for the three months ended March 31, 2015 was \$NIL (2014 - \$10,000).

Included in accounts payable and accrued liabilities was \$55,446 (2014 - \$55,446) payable to officers and directors of the Company or companies controlled by them. These amounts are unsecured and non-interest bearing with no fixed terms of repayment.

Related party transactions

During the three months ended March 31, 2015, the Company paid \$750 for rent to a related party, with which the Company has one director in common, (2014 - \$2,250).

Advances

Certain directors advanced a total of \$15,000 (2014 - \$15,000) during year ended December 31, 2014 to fund general corporate expenses and working capital requirements. These amounts are unsecured and non-interest bearing with no fixed terms of repayment.

11. LOSS PER COMMON SHARE

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

| | Three months ended March 31, | |
|---|------------------------------|--------------|
| | 2015 | 2014 |
| Numerator: | | |
| Net income (loss) attributable to common shareholders | | |
| basic and diluted – Continuing operations | \$ (8,482) | \$ (127,711) |
| basic and diluted – Discontinued operations | - | - |
| basic and diluted net (loss) | \$ (8,482) | \$ (127,711) |
| Denominator: | | |
| Weighted average common shares outstanding | | |
| basic and diluted | 18,282,647 | 16,782,647 |
| Basic and diluted | | |
| Loss per common share – Continuing operations | \$ (0.000) | \$ (0.008) |
| Income per common share – Discontinued operations | \$ - | \$ - |
| Loss per common share | \$ (0.000) | \$ (0.008) |

The warrants and options outstanding were excluded from the computation of diluted loss per share in the current and prior period because their impact was anti-dilutive. As of December 31, 2014, there were no options or warrants outstanding affecting diluted loss per share.

12. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity and due to related parties. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its exploration, development and operating activities.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company

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satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at March 31, 2015, the Company had no bank debt.

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 period ended March 31, 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2014, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

13. FINANCIAL INSTRUMENTS AND 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 cash equivalents. The Company has deposited its cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss is minimized. As at December 31, 2014, cash and cash equivalents are held with major Canadian financial institutions.

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, 2015, the Company had a cash balance of \$2,585, (December 31, 2014 - \$3,257) to settle current financial liabilities of \$222,060 (December 31, 2014 - \$212,236). The Company is currently seeking equity financing as indicated in Note 1. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, existing shareholders ownership may be diluted.

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 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 uranium and nickel.

(c) Marketable securities price risk

Claude shares are instruments in a publicly listed TSX Venture company. The Company disposed all marketable securities during the year ended December 31, 2014. At March 31, 2015, the Company was not exposed to marketable securities price risk.

Currency Risk

Certain of the Company's property interests were in Guyana, South America, which made it subject to foreign

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currency fluctuations and inflationary pressures which may have adversely affected the Company's financial position, results of operations and cash flows.

As the Company has divested of its interests in Guyana on April 12, 2013 and transacts business in Canadian dollars, there is minimal foreign currency risk at December 31, 2014.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

| As at | March 31, 2015 | December 31, 2014 |
|---------------------------------|----------------|-------------------|
| Cash | \$ 2,585 | \$ 3,257 |
| Cash equivalents | - | - |
| Total cash and cash equivalents | \$ 2,585 | \$ 3,257 |

15. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended March 31 | |
|------------------------------------|-----------------------------|-----------|
| | 2015 | 2014 |
| Management fees (<i>note 10</i>) | \$ - | \$ 10,000 |
| Administration | 168 | 17,300 |
| Travel | - | 1,977 |
| Rent (<i>note 10</i>) | 750 | 2,250 |
| Office (<i>note 10</i>) | 281 | 1,547 |
| Transfer agent fees | 400 | 4,178 |
| Filing fees | 5,200 | 6,850 |
| Insurance | - | 3,753 |
| Telephone | - | 64 |
| Bank charges and interest | 228 | 480 |
| | \$ 7,027 | \$ 48,399 |

16. COMMITMENTS AND CONTINGENCIES**(a) Environmental Contingencies**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Flow-Through Shares

Pursuant to the issuance of 2,560,000 flow-through shares on December 31, 2013 (note 10(a)), the Company renounced \$128,000 of qualified exploration expenditures with an effective date of December 31, 2013. The Company is required to expend this amount on qualified exploration expenditures by December 31, 2014. As of December 31, 2014, the Company has expended \$64,990 of this amount on qualified exploration expenditures. There was a shortfall of qualified expenditures of approximately \$63,010 as at December 31, 2014.

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The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting this expenditure commitment.

(c) Management Contracts

The Company is party to a management contract. Upon the occurrence of certain events such as a change in control, the contract requires payment of up to \$180,000. As a triggering event has not taken place, the contingent payment has not been reflected in these consolidated financial statements.

17. SUBSEQUENT EVENT

On April 13, 2015, the Company signed a purchase agreement with Gold Bullion Development Corp. (“Gold Bullion”) (TSX.V: GBB), for Takara to acquiring certain properties held by Gold Bullion’s wholly-owned subsidiary, Castle Silver Mines Inc. (“CSM”). Under the terms of the purchase agreement, Takara will acquire all of the issued and outstanding common shares of Castle Silver Mines Inc.

On May 4th, 2015 – the Company received conditional approval of the share purchase transaction with Gold Bullion after amending certain terms of the original agreement with Gold Bullion entered into on April 13, 2015. CSM currently owns a 100% interest in the 3,300-hectare Castle Silver Mine property, a past producer located near the northern Ontario community of Gowganda and 85km northwest of the historic Cobalt silver mining camp. Takara will acquire all of the issued and outstanding common shares of CSM from Gold Bullion in exchange for 10,000,000 units of Takara issued in equal stages of 2,500,000 units over a 4-year period (each unit consisting of one common share in the capital of Takara and one common share purchase warrant exercisable at \$0.10, expiring one year from the date of issuance of the units). Under the terms of the amended and restated share purchase agreement dated May 4, 2015 Gold Bullion has agreed to distribute pro rata the Takara units received to the Gold Bullion shareholders. In addition, the parties have agreed that Takara will not be obligated to issue any units, if such issuance results in Gold Bullion holding more than 20% of the then issued and outstanding common share in the capital of the Company.

Pursuant to the terms of the purchase agreement, the Company will settle \$40,000 of management fees owed to the officers of the Company through the issuance of common shares at a price of \$0.05 per share.

The Company also announced a non-brokered private placement offering of up to \$300,000 by the issuance of units of the Company at a price of \$0.05 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.10 per Common Share for a period of twenty four months. Management’s expectation is to raise approximately \$300,000 but depending on investor interest may raise additional funds pursuant to the terms of this offering. A finders’ fee equal to 7% of the gross proceeds raised and the issuance of a number of finder warrants (the “**Finder Warrants**”) equal to 7% of the Units sold may be paid to eligible finders. Each Finder Warrant shall entitle the holder to acquire one (1) Common Share at a price of \$0.10 per Common Share for a period of 24 months from closing. The Company may elect to settle the cash portion of the finders’ fees by the issuance of Common Shares in accordance with applicable regulatory requirements and receipt of approvals. The TSX Venture Exchange has provided conditional approval. On May 20th, 2015 the Company closed the first tranche of the private, by issuing 1,500,000 units for gross proceeds of \$75,000 and paid finders’ fees of \$1,750 and issued 35,000 finders’ warrants.