

Condensed Interim Financial Statements  
(Expressed in Canadian dollars)

## **TAKU GOLD CORP.**

(formerly CZM Capital Corp.)

Three months ended March 31, 2011 and 2010

(unaudited)

Prepared by Management without Company's Auditors' Review

Expressed in Canadian Dollars

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Taku Gold Corp. (formerly CZM Capital Corp.) is prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2010 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TAKU GOLD CORP.  
Statements of financial position  
(Expressed in Canadian dollars – unaudited)

	Notes	March 31, 2011	December 31, 2010 (Note 16)	January 1, 2010 (Note 16)
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	4	\$ 7,727,110	\$ 7,982,719	\$ 28,081
HST receivables		111,330	188,013	21,480
Prepaid expense		1,000	10,054	-
		7,839,440	8,180,786	49,561
Non-current assets				
Reclamation deposits		15,000	15,000	15,000
Property, plant and equipment		-	-	796
Exploration and evaluation assets	5	7,442,423	7,020,079	4,200,003
		7,457,423	7,035,079	4,215,799
<b>TOTAL ASSETS</b>		<b>\$ 15,296,863</b>	<b>\$ 15,215,865</b>	<b>\$ 4,265,360</b>
<b>LIABILITIES</b>				
Current liabilities				
Trade payables and accrued liabilities	6	\$ 166,121	\$ 279,881	\$ 178,135
		166,121	279,881	178,135
Non-current liabilities				
Other liabilities	15	642,000	-	-
		642,000	-	-
<b>TOTAL LIABILITIES</b>		<b>808,121</b>	<b>279,881</b>	<b>178,135</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	9	15,107,665	15,977,415	4,968,026
Reserves	9	3,017,441	2,236,761	650,929
Shares to be issued	9	117,000	-	-
Deficit		(3,753,364)	(3,278,192)	(1,531,730)
<b>TOTAL EQUITY</b>		<b>14,488,742</b>	<b>14,935,984</b>	<b>4,087,225</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 15,296,863</b>	<b>\$ 15,215,865</b>	<b>\$ 4,265,360</b>

TAKU GOLD CORP.  
Statements of comprehensive loss  
(Expressed in Canadian dollars – unaudited)

	Notes	Three month periods ended	
		March 31, 2011	March 31, 2010 (Note 16)
<b>EXPENSES</b>			
Amortization		\$ -	\$ 796
Consulting (Note 11)		43,058	22,250
Director (Note 11)		15,000	-
Investor relations		9,000	-
Management fees (Note 11)		22,500	18,000
Office and miscellaneous (Note 11)		30,856	15,220
Professional fees (Note 11)		18,969	26,961
Shareholder information, transfer agent and filing fees		11,175	18,692
Stock based compensation (Note 9)		780,680	-
Travel and promotion		31,659	24,486
Website costs		1,275	750
		964,172	127,155
<b>LOSS BEFORE INCOME TAXES</b>		(964,172)	(127,155)
Income tax recovery (Note 7)		489,000	14,700
<b>INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		\$ (475,172)	\$ (112,455)
<b>INCOME (LOSS) PER SHARE - BASIC AND FULLY DILUTED</b>		\$ (0.01)	(0.01)

See accompanying notes to the financial statements

TAKU GOLD CORP.

Statements of changes in shareholders' equity  
(Expressed in Canadian dollars – unaudited)

	Notes	Share capital		Reserves		
		Number of shares	Amount	Contributed Surplus	Deficit	Total
Restated balance at January 1, 2010	16	35,332,915	\$ 4,968,026	\$ 650,929	\$ (1,531,730)	\$ 4,087,225
Comprehensive income (loss)		-	-	-	(1,746,462)	(1,572,174)
Consolidation of shares on a 3:1 basis		(23,555,276)	-	-	-	-
Shares issued for cash – private placement @ \$0.08	9c(i)	2,500,000	200,000	-	-	200,000
Shares issued for cash – private placement @ 0.10	9c(ii)	4,975,000	497,500	-	-	497,500
Shares issued for cash – private placement @ \$0.15	9c(iii)	23,000,000	3,450,000	-	-	3,450,000
Shares issued for cash – private placement @ \$0.15	9c(iv)	17,740,000	7,008,400	-	-	7,008,400
Share issue costs		-	(1,031,339)	-	-	(1,031,339)
Fair values of agents warrants		-	(839,427)	839,427	-	-
Shares issued for cash – option exercise @ \$0.20		420,000	84,000	-	-	84,000
Shares issued for cash – option exercise @ \$0.25		100,000	25,000	-	-	25,000
Shares issued for cash –warrants exercise @0.10		1,650,000	165,000	-	-	165,000
Shares issued for cash –warrants exercise @ \$0.15		1,577,500	236,625	-	-	236,625
Shares issued for cash –warrants exercise @ \$0.25		1,060,000	265,000	-	-	265,000
Shares issued pursuant to royalty agreement	5a	100,000	28,000	-	-	28,000
Shares issued to acquire exploration and evaluation asset	5b	2,450,000	808,000	-	-	808,000
Recovery of future income tax assets		-	(14,700)	-	-	(14,700)
Transfer of contributed surplus for exercise of options		-	127,330	(127,330)	-	-
Stock-based compensation		-	-	873,735	-	873,735
Restated balance at December 31, 2010		67,350,139	\$ 15,977,415	\$ 2,236,761	\$ (3,278,192)	\$ 14,935,984
Restated balance at January 1, 2011		67,350,139	\$ 15,977,415	\$ 2,236,761	\$ (3,278,192)	\$ 14,935,984
Comprehensive income (loss)		-	-	-	(475,172)	(475,172)
Shares issued for cash –warrants exercise @ \$0.15		75,000	11,250	-	-	11,250
Shares issued for cash –warrants exercise @ \$0.25		1,000,000	250,000	-	-	250,000
Shares to be issued to acquire exploration and evaluation asset	5b	400,000	-	-	-	117,000
Recovery of future income tax assets		-	(1,131,000)	-	-	(1,131,000)
Stock options expired		-	-	(40,950)	-	(40,950)
Stock-based compensation		-	-	821,630	-	821,630
Restated balance at March 31, 2011		68,825,139	\$ 15,107,665	\$ 3,017,441	\$ (3,753,364)	\$ 14,488,742

See accompanying notes to the financial statements

TAKU GOLD CORP.  
Statements of cash flows  
(Expressed in Canadian dollars – unaudited)

	Three month periods ended	
	March 31, 2011	March 31, 2010 (Note 16)
Operating activities		
Loss before income taxes	\$ (475,172)	\$ (112,455)
Income taxes paid	-	-
Adjustments for non-cash items:		
Amortization	-	796
Deferred income tax recovery	(489,000)	(14,700)
Stock-based compensation	780,680	-
Changes in non-cash working capital items:		
Accounts receivable	76,683	(8,645)
Prepaid expenses	9,054	-
Trade payables and accrued liabilities	(113,760)	(90,832)
Net cash flows from (used in) operating activities	(211,515)	(225,836)
Investing activities		
Expenditures on exploration and evaluation assets	(305,344)	(56,656)
Net cash flows from (used in) investing activities	(305,344)	(56,656)
Financing activities		
Proceeds on issuance of common shares - net of share issue costs	261,250	656,665
Net cash flows from (used in) financing activities	261,250	656,665
Increase (decrease) in cash and cash equivalents	(255,609)	374,173
Cash and cash equivalents, beginning	7,982,719	28,081
Cash and cash equivalents, ending	\$ 7,727,110	\$ 402,254

1. Nature and continuance of operations

Taku Gold Corp. (the "Company") was incorporate on July 19, 1999, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada.. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "TAK.V". The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 1450, Vancouver, British Columbia, Canada.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on June 24, 2012 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2010. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 16.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

The functional currency the Company is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farms outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.



2. Significant accounting policies and basis of preparation (cont'd)

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include property, plant and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes (cont'd)

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax provided is based on the expected manner of realization of the or settlement of the carrying amount of assets or liabilities.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

From time to time, the Company issues flow through common share to finance a significant portion of its Canadian exploration program. Qualifying resource expenditures under the terms of the flow through share agreements are renounced to the investors according to tax legislations. Upon renunciation of the proceeds received, the Company recognizes "other liability" to incur qualifying resource expenditures and with corresponding reduction to the carrying value of the shares issued. When the Company incurs the qualifying resource expenditures, within two years, "other liability" is reduced with corresponding amounts recorded in income as future tax recovery.

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

2. Significant accounting policies and basis of preparation (cont'd)

Restoration and environmental obligations (cont'd)

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

3. Accounting standards issued by not yet effective

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	March 31, 2011	December 31, 2010
Cash at bank	\$ 2,757,110	\$ 3,012,719
Guaranteed investment certificates	4,970,000	4,970,000
	\$ 7,727,110	\$ 7,982,719

Taku Gold Corp.  
Notes to the Condensed Interim Financial Statements  
(Expressed in Canadian dollars - unaudited)  
For the three month periods ended March 31, 2011 and 2010

5. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

	Canada		Total for three month period ended March 31, 2011	Total for year ended December 31, 2010
	Yukon Territory	TAG 025, BC		
Property acquisition costs				
Balance, beginning of period	\$ 1,394,550	\$ 178,553	\$ 1,573,103	\$ 150,553
Additions: cash option payment	100,000	-	100,000	485,500
Additions: staking and related costs	64,836	-	64,836	104,050
Additions: common shares under option agreement	117,000	-	117,000	836,000
Write-down due to impairment	-	-	-	-
Balance, end of period	\$ 1,676,386	\$ 178,553	\$ 1,854,939	\$ 1,573,103
Exploration and evaluation costs				
Balance, beginning of period	\$ 1,279,256	\$ 4,167,720	\$ 5,446,976	\$ 4,049,450
Costs incurred during period:				
Drilling and related costs	90,787	-	90,787	896,621
Sampling	-	-	-	339,839
Transport, travel and accommodation	49,721	-	49,721	162,066
	1,419,764	4,167,720	5,587,484	5,446,976
Balance, end of period	\$ 1,419,764	\$ 4,167,720	\$ 5,587,484	\$ 5,446,976
Total	\$ 3,096,150	\$ 4,346,273	\$ 7,442,423	\$ 7,020,079

a. TAG 025 Gold Silver Property, Atlin Mining Division of British Columbia

During the year ended December 31, 2006, the Company signed a mineral property option agreement to acquire a 100% interest in the TAG 025 Gold Silver Property within the Atlin Mining Division of British Columbia. To earn this interest, the Company made cash payments totalling \$60,000, issued a total of 600,000 shares and incurred \$1,050,000 in exploration expenditures. The Property is subject to 2.5% net smelter returns royalty ("NSR") of which 1.5% can be purchased on the basis of \$500,000 per 0.5% at any time prior to commercial production.

The Company subsequently acquired through staking additional mineral claims within the TAG Gold Silver Property.

During the year ended December 31, 2010, the Company amended the agreement to clarify the claims to which the NSR payable applies. In consideration for the amendment, the Company issued 100,000 common shares.

Taku Gold Corp.  
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5. Exploration and evaluation assets (cont'd)

b. Yukon Territory, Canada

Quarter Ended March 31, 2011		Balance, beginning	Cash Option payment	Common shares under option agreement	Staking and related costs	Total
Acquisition costs						
Dan Property	(i)	\$ 155,275	\$ 50,000	\$ 60,000	\$ -	\$ 265,275
Rose & Bute Property	(ii)	152,325	50,000	57,000	22,136	281,461
AM Property	(iii)	183,850	-	-	-	183,850
Bishop Property		35,700	-	-	-	35,700
Montana Property	(iv)	169,400	-	-	9,275	178,675
Quartz Property	(v)	93,425	-	-	-	93,425
Portland Property	(vi)	57,750	-	-	-	57,750
Sulphur Property	(vii)	362,975	-	-	-	362,975
Wounded Moose Property	(viii)	183,850	-	-	33,425	217,275
Balance, March 31, 2011		\$1,394,550	\$ 100,000	\$ 117,000	\$ 64,836	\$ 1,676,386

(i) Dan Property, White Gold District, Yukon

On March 3, 2010, the Company entered into an option agreement to acquire a 100% interest in 168 claims known as the Dan Property located south of Dawson City in the White Gold district of Yukon Territory. Under the terms of the agreement, the Company has the option to earn a 100% interest in the Dan Property for a total consideration of \$250,000 in cash payments, the issuance of 1,000,000 common shares and the completion of \$1,000,000 in exploration expenditures on the Property over a four year period as follows:

Option Exercise Schedule	Issue Shares	Make Payment	Exploration Expenditures
On approval by TSX Venture Exchange	200,000 (1)	\$ 50,000 (1)	\$ -
First anniversary	200,000 (1)	50,000 (1)	200,000
Second anniversary	200,000	50,000	200,000
Third anniversary	200,000	50,000	300,000
Fourth anniversary	200,000	50,000	300,000
Total	1,000,000	\$ 250,000	\$ 1,000,000

(1) Shares issued and payment made

A finder's fees of 75,000 treasury shares of the Company was paid to an arm's length party.

The Dan Property is subject to 2.0% NSR of which the Company has the right to buy back the first 1.0% for \$2,000,000.

In April of 2010, the Company acquired through staking an additional 280 mineral claims to expand the Dan Property to 448 mineral claims.

5. Exploration and evaluation assets (cont'd)

(ii) Rose and Bute Property, White Gold District, Yukon Territory

On March 30, 2010, the Company entered into an option agreement to acquire a 100% interest in 120 claims known as the Rose Property and 62 claims known as the Bute Property, both located south of Dawson City in the White Gold district of Yukon Territory. Under the terms of the agreement, the Company has the option to earn a 100% interest in the Rose and Bute Property for a total consideration of \$325,000 in cash payments, the issuance of 1,000,000 common shares and the completion of \$1,000,000 in exploration expenditures on the Property over a four year period as follows:

Option Exercise Schedule	Issue Shares	Make Payment	Exploration Expenditures
On approval by TSX Venture Exchange	200,000 (1)	\$ 50,000 (1)	\$ -
First anniversary	200,000 (1)	50,000 (1)	200,000
Second anniversary	200,000	75,000	200,000
Third anniversary	200,000	75,000	300,000
Fourth anniversary	200,000	75,000	300,000
Total	1,000,000	\$ 325,000	\$ 1,000,000

(1) Shares issued and payment made

A finder's fees of 75,000 treasury shares of the Company was paid to an arm's length party. The Property is subject to 2.0% NSR of which the Company has the right to buy back the first 1.0% for \$2,000,000.

On April 12, 2010, the Company acquired through staking an additional 292 mineral claims to expand the Rose and Bute Property to 564 mineral claims.

(iii) AM Property, Dawson Mining Division, Yukon Territory

On August 20, 2010, the Company entered into a purchase agreement to acquire a 100% interest in 280 claims known as the AM Property, located in the Australia and Melba creeks area in the Dawson Mining Division of Yukon Territory. Under the terms of the agreement, the Company issued 330,000 shares and will make annual cash payments of \$5,000 from Year 2 to Year 7 (which are deductible against the NSR royalty). The property is subject to a 2.0% NSR of which the Company has the option to purchase 1.0% of the NSR for \$1,000,000 and has a right of first refusal to purchase the remaining 1%.

(iv) Montana Property, Dawson Mining Division, Yukon Territory

On August 20, 2010, the Company entered into a purchase agreement to acquire a 100% interest in 272 claims called the Montana Property, located in the Montana Creek area in the Dawson Mining Division of Yukon Territory. Under the terms of the agreement, the Company issued 320,000 shares, reimbursed staking costs of \$59,000 and will make advance royalty payments of \$5,000 (which are deductible against the NSR royalty). The property is subject to a 2.0% NSR of which the Company has the option to purchase 1% of the NSR for \$1,000,000 and has a right of first refusal to purchase the remaining 1%.

(v) Quartz Property, Dawson Mining Division, Yukon Territory

On August 20, 2010, the Company entered into a purchase agreement to acquire a 100% interest in 146 claims known as the Quartz Property, located in the Quartz Creek area in the Dawson Mining Division of Yukon Territory. Under the terms of the agreement, the Company issued 165,000 shares, reimbursed staking costs of \$36,500 and will make advance royalty payments of \$5,000 (which are deductible against the NSR royalty) commencing August 20, 2011 for five years. The property is subject to a 2.0% NSR of which the Company has the option to purchase 1% of the NSR for \$1,000,000 and has a right of first refusal to purchase the remaining 1%.

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5. Exploration and evaluation assets (cont'd)

(vi) Portland Property, Dawson Mining Division, Yukon Territory

On October 4, 2010, the Company entered into an option agreement to acquire a 100% interest in 32 claims known as the Portland Property located in the Dawson Mining Division of Yukon Territory. Under the terms of the Option Agreement, the Company has the option to earn a 100% undivided interest in the Portland Property for a total cash consideration of \$40,000, the issuance of 400,000 common shares and the completion of \$200,000 of exploration expenditures on the Property over a three year period as follows:

Option Exercise Schedule	Issue Shares	Make Payment	Exploration Expenditures
On approval by TSX Venture Exchange	100,000 (1)	\$ 10,000 (1)	\$ -
First anniversary of TSX approval date	100,000	10,000	25,000
Second anniversary of TSX approval date	100,000	10,000	50,000
Third anniversary of TSX approval date	100,000	10,000	125,000
<b>Total</b>	<b>400,000</b>	<b>\$ 40,000</b>	<b>\$ 200,000</b>

(1) Shares issued and payment made

The Property is subject to a 2% NSR of which the Company has the option to purchase 1% of the NSR for \$1,000,000.

(vii) Sulphur Property, Dawson Mining Division, Yukon Territory

On August 20, 2010, the Company entered into a purchase agreement to acquire a 100% interest in 548 claims called the Sulphur Property, located in the Sulphur Creek area in the Dawson Mining Division of Yukon Territory. Under the terms of the agreement, the Company issued 655,000 shares, reimbursed staking costs of \$137,000 and will make advance royalty payments of \$5,000 from Year 2 to Year 7 (which are deductible against the NSR royalty). The property is subject to a 2.0% NSR of which the Company has the option to purchase 1% of the NSR for \$1,000,000 and has a right of first refusal to purchase the remaining 1%.

(viii) Wounded Moose Property, Dawson Mining Division, Yukon Territory

On August 20, 2010, the Company entered into a purchase agreement to acquire a 100% interest in 548 claims called the Wounded Moose Property located in the Dawson Mining Division of Yukon Territory. Under the terms of the agreement, the Company issued 330,000 shares and will make advance royalty payments of \$5,000 from Year 2 to Year 7 (which are deductible against the NSR Royalty). The property is subject to a 2.0% NSR, of which the Company has the option to purchase 1% of the NSR for \$1,000,000.

6. Trade payables and accrued liabilities

	March 31, 2011	December 31, 2010
Trade payables and accrued liabilities	\$ 166,121	\$ 97,193
Amounts due to related parties (Note 16)	-	182,688
	<b>\$ 166,121</b>	<b>\$ 279,881</b>



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7. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Three month period ended March 31, 2011	Year ended December 31, 2010
Net loss	\$ (964,172)	\$ (1,761,162)
Statutory tax rate	26.5%	28.5%
Expected income tax recovery at the statutory tax rate	\$ (255,000)	\$ (501,931)
Non-deductible items and other	207,000	172,965
Future income tax recognized on flow through renunciation	(489,000)	(14,700)
Expiration of non-capital losses	-	9,815
Change in valuation allowance	48,000	319,151
Income tax recovery	\$ (489,000)	\$ (14,700)

The components of the Company's deferred tax assets and liabilities are as follows:

	March 31, 2011	December 31, 2010
Exploration and evaluation assets	\$ (1,250,000)	\$ (1,254,452)
Loss carry-forwards	777,000	731,750
Share issuance costs	223,000	223,916
Capital assets	1,000	1,074
	249,000	297,712
Valuation allowance	(249,000)	(297,712)
Net deferred income tax asset	\$ -	\$ -

As at December 31, 2010, the Company's non-capital losses expire as follows:

Year 2014	\$ 81,000
Year 2015	139,000
Year 2026	322,000
Year 2027	388,000
Year 2028	467,000
Year 2029	376,000
Year 2030	1,154,000
	\$ 2,927,000

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

8. Restoration and environmental obligations

The Company has no provision for restoration and environmental obligations which would have consisted of costs accrued based on the current best estimate of reclamation activities that will be required at the Canadian properties site upon termination of exploration and evaluation activity or, if the property commences commercial production, the completion of mining activity. The provision for future site closure and reclamation costs would be based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

9. Share capital

a. Authorized share capital

Unlimited number of common shares without par value.

b. Issued share capital

At March 31, 2011 there were 68,825,139 issued and fully paid common shares (December 31, 2010 – 67,350,139).

c. Private placements

(i) On February 4, 2010, the Company issued 2,500,000 units pursuant to a non-brokered private placement at a price of \$0.08 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable to purchase one additional non-flow-through common share for \$0.10 until February 4, 2012.

(ii) On March 19, 2010, the Company completed a private placement of 4,975,000 units at \$0.10 per unit for gross proceeds of \$497,500. Each unit consists of one common share and one half (1/2) of one share purchase warrant. Each full share purchase warrant entitles the holder to purchase an additional common share at a price of 15 cents per share until March 16, 2012. The Company paid share issue costs consisting of \$37,400 in finders' fees and \$3,435 in legal fees in connection with the financing.

(iii) In July 2010, the Company completed a private placement of 13,240,000 units at \$0.15 per unit for gross proceeds of \$1,986,000. Each unit consists of one share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of 25 cents per share until July 16, 2012. In conjunction with this placement, the Company completed a private placement of 9,760,000 flow-through units at \$0.15 per share for gross proceeds of \$1,464,000. Each unit consists of one share and one half (1/2) of one share purchase warrant. One full share purchase warrant entitles the holder to purchase an additional common share at a price of 25 cents until July 16, 2012. The flow-through agreements require the Company to incur exploration expenditures and renounce the tax deductions to the flow-through participants. In 2010, the Company renounced \$49,000 of exploration expenditures which resulted in a charge to share capital of \$14,700.

The Company paid share issue costs consisting of \$301,000 in finders' fees and \$37,024 in legal fees in connection with the financing. In addition, the Company granted an option to the Agent to purchase 2,300,000 units in the capital stock of the Company at a price of \$0.15 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrants entitles the holder to acquire one share for 24 months from July 15, 2010 at a price of \$0.25. Using the Black-Scholes pricing model, the fair value of these share purchase warrants was estimated to be \$417,910.

9. Share capital

c. Private placement (cont'd)

- (iv) In December 2010, the Company completed a private placement of 11,060,000 units at \$0.38 per unit for gross proceeds of \$4,202,800. Each unit consists of one share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of 65 cents until December 3, 2012. In conjunction with this placement, the Company completed a private placement of 6,680,000 flow-through units at \$0.42 per share for gross proceeds of \$2,805,600. Each unit consists of one share and one half (1/2) of one share purchase warrant. Each full share purchase warrant entitles the holder to purchase an additional common share at a price of 65 cents per share until December 3, 2012. The flow-through agreements require the Company to incur exploration expenditures and renounce the tax deductions to the flow-through participants. In 2010, the Company renounced \$49,000 of exploration expenditures which resulted in a charge to share capital of \$14,700.

The Company paid share issue costs consisting of \$517,342 in finders' fees and \$135,138 in legal fees in connection with the financing. In addition, the Company granted an option to the Agent to purchase 1,419,200 units in the capital stock of the Company at a price of \$0.65 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one share for 24 months from December 3, 2010 at a price of \$0.65. Using the Black-Scholes pricing model, the fair value of these share purchase warrants was estimated to be \$421,517.

d. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three month period ended March 31, 2011 was based on the loss attributable to common shareholders of \$475,172 (2010: \$112,455) and the weighted average number of common shares outstanding of 67,445,002.

Diluted loss per share did not include the effect of 6,603,667 stock options and 32,145,000 share purchase warrant as the effect would be anti-dilutive.

e. Stock options

Pursuant to the Company's Stock Based Compensation Plan (the "Plan"), incentive stock options may be granted to employees and other participants for the purposes of advancing the interests of the Company. The directors of the Company are authorized to issue options to a maximum of 10% of the Company's issued and outstanding shares (on an undiluted basis), with a maximum of 5% of the Company's issued and outstanding shares being reserved to any one person. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of directors. The exercise price of an option is not less than the closing price on the TSX on the last trading day preceding the grant date or the minimum price as per the TSX. All options granted under the Plan shall vest and become exercisable on the date of grant, except options granted to consultants performing investor relations activities, which options must vest over twelve months with no more than one quarter of the options vesting in any three month period.

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9. Share capital

f. Stock options (cont'd)

The changes in options during the three month period ended March 31, 2011 are as follows:

Expiry	Price (\$)	Weighted Average Remaining Life (years)	Outstanding January 1, 2010	Granted	Exercised	Cancelled/ Forfeited	Outstanding March 31, 2010
March 30, 2011	0.54	-	56,333	-	-	56,333	-
April 7, 2011 (1)	0.54	0.1	45,000	-	-	-	45,000
June 19, 2011	0.45	0.2	36,667	-	-	-	36,667
December 6, 2011	0.54	0.7	203,333	-	-	-	203,333
May 25, 2012	0.54	1.2	200,000	-	-	-	200,000
November 9, 2012	0.60	1.6	212,667	-	-	-	212,667
July 18, 2013	0.39	2.3	146,000	-	-	-	146,000
June 1, 2015	0.20	4.2	660,000	-	-	-	660,000
July 30, 2015	0.25	4.3	2,200,000	-	-	-	2,200,000
February 4, 2016	0.37	4.9	-	2,900,000	-	-	2,900,000
			3,760,000	2,900,000	-	56,333	6,603,667
Weighted average exercise price			0.31	0.37	0.00	0.54	0.33
Exercisable							6,603,667

(1) Expired subsequent to March 31, 2011

Subsequent to March 31, 2011, 600,000 stock options at \$0.25 per option were exercised for total proceeds of \$150,000:

f. Stock-based compensation:

During the quarter ended March 31, 2011, the Company granted a total of 2,900,000 incentive stock options and stock-based compensation expense of \$821,630 was recorded. The weighted average grant date fair value of options granted during the three month period ended March 31, 2011 was \$0.28. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Three month period ended March 31, 2011	Year ended December 31, 2010
Expected life of options	5 years	5 years
Annualized volatility	175%	175%
Risk-free interest rate	2.75%	2.75%
Dividend rate	0%	0%

During the quarter ended March 31, 2011, the Company offset stock-based compensation by \$40,250 for options during the quarter.

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9. Share capital  
h. Share purchase warrants:

Outstanding share purchase warrants at March 31, 2011 were as follows:

Expiry	Price (\$)	Outstanding			Outstanding	
		January 1, 2011	Issued	Exercised	Expired	March 31, 2011
February 4, 2, 2012	0.10	850,000	-	-	-	850,000
March 16, 2012	0.15	910,000	-	75,000	-	835,000
July 16, 2012	0.25	17,060,000	-	1,000,000	-	16,060,000
December 3, 2012	0.65	14,400,000	-	-	-	14,400,000
		33,220,000	-	1,075,000	-	32,145,000
Weighted average exercise price		0.42	-	0.24	-	0.42

Subsequent to March 31, 2011, 700,000 share purchase warrants at \$0.10 per share purchase warrant were exercised for total proceeds of \$70,000.

f. *Agent's options*

Outstanding agent options at December 31, 2010 were as follows:

Expiry	Price (\$)	Outstanding			Outstanding	
		January 1, 2010	Issued	Exercised	Expired	December 31, 2010
July 16, 2012 <sup>(1)</sup>	0.15	-	2,300,000	-	-	2,300,000
December 3, 2012 <sup>(2)</sup>	0.65	-	1,419,200	-	-	1,419,200
		-	3,719,200	-	-	3,719,200

<sup>(1)</sup> See note 9(c)(iii)

<sup>(2)</sup> See note 9(c)(iv)

10. Reserves  
Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

11. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	March 31, 2011	December 31, 2010
Directors or companies controlled by directors of the Company	\$ -	\$ 182,688

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	Three month periods ended	
	March 31, 2011	March 31, 2010
Consulting	\$ 14,000	\$ 12,000
Director fees	16,000	-
Management fees	22,500	18,000
Mineral property – exploration expenditures	27,750	3,750
Professional fees	14,000	12,000
Office rent and supplies	5,400	5,400
Stock-based compensation	566,642	-
	\$ 666,292	\$ 51,150

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Mexico. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

12. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2011:

	Within one year	Between one and five years	More than five years
Credit facility	\$ -	\$ -	\$ -
Trade payables	166,121	-	-
Finance lease obligations	-	-	-
	\$ 166,121	\$ -	\$ -

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at March 31, 2011, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of \$49,000.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

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12. Financial risk management (cont'd)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2011	December 31, 2010
Cash and cash equivalents	\$ 7,727,110	\$ 7,982,719
Loans and receivables:		
Other receivables	111,330	188,013
Reclamation deposits	15,000	15,000
Available-for-sale financial instruments:		
Short-term investments	-	-
	<u>\$ 7,853,440</u>	<u>\$ 8,185,732</u>

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2011	December 31, 2010
Non-derivative financial liabilities:		
Credit facility	\$ -	\$ -
Trade payables	166,712	279,881
Finance lease obligations	-	-
	<u>\$ 166,712</u>	<u>\$ 279,881</u>

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy 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 the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Fair value (cont'd)

The following is an analysis of the Company's financial assets measured at fair value as at March 31, 2011 and December 31, 2010:

	As at March 31, 2011		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 7,727,110	\$ -	\$ -
Reclamation deposits	15,000	-	-
	<u>\$ 7,742,110</u>	<u>\$ -</u>	<u>\$ -</u>
	As at December 31, 2010		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 7,857,719	\$ -	\$ -
Reclamation deposits	15,000	-	-
	<u>\$ 7,872,719</u>	<u>\$ -</u>	<u>\$ -</u>



13. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

All Company's non-current assets are located in Canada.

14. Non-cash transactions

During the three month period ended March 31, 2011, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Three month periods ended	
	March 31, 2011	March 31, 2010
Fair value of shares issued on acquisition of exploration and evaluation assets	\$ 117,000	\$ -

15. Contingency

Flow-through Shares

As at March 31, 2011, the Company is committed to incur, on a best efforts basis, \$4,269,600 in qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received (see Note 14, Share capital). The Company filed its renunciation forms in February of 2011. As at March 31, 2011, the Company had incurred qualifying resource expenditures of \$1,702,900. The Company must incur the \$2,566,700 balance of qualifying resource expenditures before December 31, 2011.

If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints. The Company has recorded \$642,000 as "other liability".

16. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Company has:
  - o re-measured the liabilities as at January 1, 2010 in accordance with IAS 37;
  - o estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period; and
  - o calculate the accumulated depreciation on that amount, as at January 1, 2010, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.

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16. Transition to IFRS (cont'd)

Reconciliation of assets

	Notes	As at December 31, 2010			As at January 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents		\$ 7,982,719	\$ -	\$ 7,982,719	\$ 28,081	\$ -	\$ 28,081
Accounts receivable		188,013	-	188,013	21,480	-	21,480
Prepaid expenses		10,054	-	10,054	-	-	-
		8,180,786	-	8,180,786	49,561	-	49,561
Non-current assets							
Reclamation deposits		15,000	-	15,000	15,000	-	15,000
Equipment		-	-	-	796	-	796
Exploration and evaluation assets		7,020,079	-	7,020,079	4,200,003	-	4,200,003
		7,035,079	-	7,035,079	4,215,799	-	4,215,799
<b>TOTAL ASSETS</b>		<b>\$ 15,215,865</b>	<b>\$ -</b>	<b>\$ 15,215,865</b>	<b>\$ 4,265,360</b>	<b>\$ -</b>	<b>\$ 4,265,360</b>

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16. Transition to IFRS (cont'd)

Reconciliation of liabilities

	Notes	As at December 31, 2010			As at January 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>LIABILITIES</b>							
Current liabilities							
Trade payables and accrued liabilities		\$ 279,881	\$ -	\$ 279,881	\$ 178,135	\$ -	\$ 178,135
		279,881	-	279,881	178,135	-	178,135
Non-current liabilities							
Other liabilities	16 (c)	-	-	-	-	-	-
Deferred tax liabilities	16 (c)	297,712	(297,712)	-	472,000	(472,000)	-
		297,712	(297,712)	-	472,000	(472,000)	-
<b>TOTAL LIABILITIES</b>		<b>577,593</b>	<b>(297,712)</b>	<b>279,881</b>	<b>650,135</b>	<b>(472,000)</b>	<b>178,135</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital		15,857,415	120,000	15,977,415	4,848,026	120,000	4,968,026
Contributed surplus	16 (e)	2,356,761	(2,356,761)	-	770,929	(770,929)	-
Reserves	16(d) and (e)	-	2,236,761	2,236,761	-	650,929	650,929
Deficit	16 (c) and (d)	(3,575,904)	297,712	(3,278,192)	(2,003,730)	472,000	(1,531,730)
<b>TOTAL EQUITY</b>		<b>14,638,272</b>	<b>297,712</b>	<b>14,935,984</b>	<b>3,615,225</b>	<b>472,000</b>	<b>4,087,225</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>\$ 15,215,865</b>	<b>\$ -</b>	<b>\$ 15,215,865</b>	<b>\$ 4,265,360</b>	<b>\$ -</b>	<b>\$ 4,265,360</b>

Taku Gold Corp.  
Notes to the Condensed Interim Financial Statements  
(Expressed in Canadian dollars - unaudited)  
For the three month periods ended March 31, 2011 and 2010

16. Transition to IFRS (cont'd)

Reconciliation of loss and comprehensive loss for the three month period ended March 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Expenses				
Amortization		\$ 796	\$ -	\$ 796
Consulting fees		22,250	-	22,250
Management fees		18,000	-	18,000
Office and miscellaneous		15,220	-	15,220
Professional fees		26,961	-	26,961
Shareholders information and transfer agent fees		18,692	-	18,692
Travel		24,486	-	24,486
Website costs		750	-	750
		127,155	-	127,155
Loss before income taxes		(127,155)	-	(127,155)
Income tax recovery	16(c)	14,700	-	14,700
Net loss for the period		\$ (112,455)	\$ -	\$ (112,455)
Total comprehensive loss for the period		\$ (112,455)	\$ -	\$ (112,155)
Loss per share – basic and diluted		\$ (0.01)	\$ -	\$ (0.01)

Taku Gold Corp.  
Notes to the Condensed Interim Financial Statements  
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16. Transition to IFRS (cont'd)

Reconciliation of cash flows for the three month period ended March 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Operating activities				
Loss before income taxes		\$ (112,455)	\$ -	\$ (112,455)
Adjustments for non-cash items:				
Amortization		796	-	796
Deferred income tax recovery		(14,700)	-	(14,700)
Changes in non-cash working capital items:				
Accounts receivable		(8,645)	-	(8,645)
Inventories		-	-	-
Trade payables and accrued liabilities		(90,832)	-	(90,832)
Net cash flows from (used in) operating activities		(225,836)	-	(225,836)
Investing activities				
Expenditures on exploration and evaluation assets		(56,656)	-	(56,656)
Net cash flows from (used in) investing activities		(56,656)	-	(56,656)
Financing activities				
Proceeds on issuance of common shares - net of share issue costs		656,665	-	656,665
Net cash flows from (used in) financing activities		656,665	-	656,665
Increase (decrease) in cash and cash equivalents		374,173	-	374,173
Cash and cash equivalents, beginning		28,081	-	28,081
Cash and cash equivalents, ending		\$ 402,254	\$ -	\$ 402,254

Taku Gold Corp.  
Notes to the Condensed Interim Financial Statements  
(Expressed in Canadian dollars - unaudited)  
For the three month periods ended March 31, 2011 and 2010

16. Transition to IFRS (cont'd)

Reconciliation of equity

	Notes	December 31, 2010	January 1, 2010
Equity previously reported under Canadian GAAP		\$ 14,638,272	\$ 3,615,225
Adjustments upon adoption of IFRS:			
Reversal of deferred tax liabilities recorded	16(c)	297,712	472,000
<b>Equity reported under IFRS</b>		<b>\$ 14,935,984</b>	<b>\$ 4,087,225</b>

Reconciliation of comprehensive loss for the three month period ended March 31, 2010

	Notes	
Comprehensive loss previously reported under Canadian GAAP		\$ 125,878
Adjustments upon adoption of IFRS:		
<b>Comprehensive loss reported under IFRS</b>		<b>\$ 125,878</b>

Notes to reconciliations

(a) Provision for restoration and environmental obligations

Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS requires decommissioning provisions to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current rates. As at present, there is provision required.

(b) Deferred tax liabilities

The Company has previously purchased assets where the carrying value of the asset on initial recognition differs from the tax value of the asset on initial recognition. Under Canadian GAAP, a deferred tax liability is recognized for the resulting temporary difference, with a corresponding increase to the value of the asset recorded. IAS 12 "Income Taxes" does not permit the recognition of a deferred income tax asset or liability resulting from differences between the carrying value and tax value of an asset or liability on initial recognition, unless acquired as part of a business combination.

16. Transition to IFRS (cont'd)

Notes to reconciliations

(c) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby:

- (i) the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.
- (ii) Qualifying resource expenditures under the terms of the flow through share agreements are renounced to the investors according to tax legislations. Upon renunciation of the proceeds received, the Company recognizes "other liability" to incur qualifying resource expenditures and with corresponding reduction to the carrying value of the shares issued. When the Company incurs the qualifying resource expenditures, within two years, "other liability" is reduced with corresponding amounts recorded in income as future tax recovery.

(d) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each instalment as its own award. Therefore, each instalment is measured and recognized separately.

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus. There were no expired stock options as at December 31, 2010.

(e) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and broker warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.