

Financial Statements
(Expressed in Canadian dollars)

TAKU GOLD CORP.

Years ended December 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Taku Gold Corp.

We have audited the accompanying financial statements of Taku Gold Corp., which comprise the statements of financial position at December 31, 2016 and 2015 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Taku Gold Corp. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 26, 2017

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

	Notes	As at December 31, 2016	As at December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	5	\$ 118,022	\$ 6,857
Receivables	6	19,750	6,962
Prepaid expense		-	2,250
		137,772	16,069
Non-current assets			
Reclamation deposits		25,000	25,000
Marketable securities		40,000	-
Exploration and evaluation assets	7	2,867,744	2,792,983
		2,932,744	2,817,983
TOTAL ASSETS		\$ 3,070,516	\$ 2,834,052
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	8	\$ 55,751	\$ 74,973
TOTAL LIABILITIES		55,751	74,973
SHAREHOLDERS' EQUITY			
Share capital	10	17,613,316	17,161,466
Reserves	11	3,325,001	3,202,016
Deficit		(17,923,552)	(17,604,403)
TOTAL EQUITY		3,014,765	2,759,079
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 3,070,516	\$ 2,834,052

Nature and continuance of operations (Note 1)
 Subsequent event (Note 16)

The financial statements were authorized and issued by the Board of Directors on April 26, 2017.

On behalf of the Board:

"Zachery Dingsdale"

Zachery Dingsdale, Director

"Bilal Bhamji"

Bilal Bhamji, Director

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

	Notes	Years ended	
		December 31, 2016	December 31, 2015
Expenses			
Consulting fees		\$ 600	\$ -
Management fees	12	35,000	-
Office and miscellaneous	12	62,183	14,823
Professional fees	12	28,296	28,770
Shareholder information, transfer agent and filing fee		21,912	22,133
Stock-based compensation		122,985	-
Travel and promotion		21,205	4,669
Website costs		1,048	450
		293,229	70,845
Other items			
Impairment of exploration and evaluation assets	7	-	426,977
Interest income		(80)	(108)
Loss on fair value adjustment of marketable securities		26,000	-
		25,920	426,869
Net loss and comprehensive loss for the year		\$ 319,149	\$ 497,714
Loss per share – basic and diluted	10	\$ 0.03	\$ 0.06

TAKU GOLD CORP.

Statements of changes in shareholders' equity

(Expressed in Canadian dollars)

	Notes	Share capital		Reserves		Total
		Number of shares	Amount	Contributed Surplus	Deficit	
Balance at January 1, 2016		8,666,514	\$ 17,161,466	\$ 3,202,016	\$ (17,604,403)	\$ 2,759,079
Comprehensive loss		-	-	-	(319,149)	(319,149)
Stock-based compensation		-	-	122,985	-	122,985
Shares issued for cash – private placement @ \$0.08	10	5,000,000	400,000	-	-	400,000
Share issue cost	10	-	(10,650)	-	-	(10,650)
Shares issued for exploration and evaluation asset	10	550,000	62,500	-	-	62,500
Balance at December 31, 2016		14,216,514	\$ 17,613,316	\$ 3,325,001	\$ (17,923,552)	\$ 3,014,765

	Notes	Share capital		Reserves		Total
		Number of shares	Amount	Contributed Surplus	Deficit	
Balance at January 1, 2015		7,086,514	17,003,466	3,202,016	(17,106,689)	3,098,793
Comprehensive loss		-	-	-	(497,714)	(497,714)
Shares issued for debt settlement	10	1,580,000	158,000	-	-	158,000
Balance at December 31, 2015		8,666,514	\$ 17,161,466	\$ 3,202,016	\$ (17,604,403)	\$ 2,759,079

See accompanying notes to the financial statements

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

	Years ended	
	December 31, 2016	December 31, 2015
Operating activities		
Loss for the year	\$ (319,149)	\$ (497,714)
Adjustments for:		
Write-off of prepaid	2,250	-
Stock-based compensation	122,985	-
Loss on fair value adjustment of marketable securities	26,000	-
Impairment of exploration and evaluation assets	-	426,977
Changes in non-cash working capital items:		
Accounts receivable	(12,788)	14,180
Prepaid expenses	-	10,000
Trade payables and accrued liabilities	(12,483)	33,143
Net cash flows used in operating activities	(193,185)	(13,414)
Investing activities		
Expenditures on exploration and evaluation assets	(145,000)	(29,842)
Option payment received	60,000	-
Net cash flows used in investing activities	(85,000)	(29,842)
Financing activities		
Proceeds on issuance of common shares	400,000	-
Share issue costs	(10,650)	-
Net cash flows from financing activities	389,350	-
Increase in cash and cash equivalents	111,165	(43,256)
Cash and cash equivalents, beginning of year	6,857	50,113
Cash and cash equivalents, end of year	\$ 118,022	\$ 6,857

See accompanying notes to the financial statements

1. Nature and continuance of operations

Taku Gold Corp. (the "Company") was incorporated 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 Canadian Securities Exchange ("CSE") under the symbol "TAK". The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 608, Vancouver, British Columbia, Canada.

The Company is currently exploring its mineral properties and has not yet determined the existence of economically recoverable reserves. The recoverability of the amounts shown for interests in mineral properties is dependent upon the discovery of economically recoverable reserves or proceeds from the disposition thereof, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties and on future profitable operations.

These 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 December 31, 2016 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. As at December 31, 2016, the Company had limited working capital which may not be sufficient to finance exploration and operating costs over the next twelve months without additional funding. These factors cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statements of financial position.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on April 26, 2017 by the directors of the Company.

Statement of compliance to International Financial Reporting Standards

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

Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of \$319,149 during the year ended December 31, 2016 and, as of that date the Company's accumulated deficit was \$17,923,552. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

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

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.

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. See Note 4.

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. 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.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

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

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.

Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

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.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Impairment

The carrying amount of the Company's assets (which include 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.

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

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 group 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 to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

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 group 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.

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.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

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 taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising 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.

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. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, and ii) share capital. Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). 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.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government.

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

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.

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 or 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. As at December 31, 2016, the Company has no restoration and environmental obligations.

3. Anticipated changes to International Financial Reporting Standards

The Company does not expect that the changes to IFRS that are effective as of January 1, 2017 will have a significant impact on the Company's results of operations or financial position.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the years of change, if the change affects that year only, or in the year of the change of future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

4. Critical Accounting Estimates and Judgments (cont'd)

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

Mineral Property Title Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Going Concern

The determination of the Company's ability to continue as a going concern requires significant judgment. Material adjustments to the consolidated financial statements would be required if the going concern assumption was not used.

5. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	December 31, 2016	December 31, 2015
Cash at bank	\$ 118,022	\$ 6,857
	\$ 118,022	\$ 6,857

6. Receivables

	December 31, 2016	December 31, 2015
HST tax receivable	\$ 19,750	\$ 6,952
	\$ 19,750	\$ 6,952

Taku Gold Corp.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments as at December 31, 2016:

	Canada		Total for Year ended December 31, 2016
	Yukon Territory	TAG 025, BC	
Property acquisition costs			
Balance, beginning of year	\$ 725,765	\$ 1	\$ 725,766
Cash option payment received	(60,000)	-	(60,000)
Cash option payment paid	50,000	-	50,000
Common shares received under options agreement	(66,000)	-	(66,000)
Common shares issued under options agreement	37,500	-	37,500
Staking and related cost	30,438	-	30,438
Balance, end of year	717,703	1	717,704
Exploration and evaluation costs			
Balance, beginning of year	2,067,217	-	2,067,217
Costs incurred during year:			
Drilling, labour and related costs	45,907	40,106	86,013
Reimbursements	(3,190)	-	(3,190)
Balance, end of year	2,109,934	40,106	2,150,040
Balance, December 31, 2016	\$ 2,827,637	\$ 40,107	\$ 2,867,744

The following is a description of the Company's exploration and evaluation assets and the related spending commitments as at December 31, 2015:

	Canada		Total for Year ended December 31, 2015
	Yukon Territory	TAG 025, BC	
Property acquisition costs			
Balance, beginning of year	\$ 839,666	\$ 1	\$ 839,667
Impairment	(113,901)	-	(113,901)
Balance, end of year	725,765	1	725,766
Exploration and evaluation costs			
Balance, beginning of year	2,350,451	-	2,350,451
Costs incurred during year:			
Drilling, labour and related costs	45,723	-	45,723
Reimbursements	(15,881)	-	(15,881)
Impairment	(313,076)	-	(313,076)
Balance, end of year	2,067,217	-	2,067,217
Balance, December 31, 2015	\$ 2,792,982	\$ 1	\$ 2,792,983

Taku Gold Corp.
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

7. Exploration and evaluation assets (cont'd)

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 return ("NSR") royalty of which 1.5% can be purchased on the basis of \$500,000 per 0.5% at any time prior to commercial production.

During the year ended December 31, 2013, due to limited activity, the Company recorded a full impairment on the property of \$4,388,599. The remaining amount represents the claims still held. During the 2016 year, some property assessment work was done. As at December 31, 2016, the Company holds 22 claims.

b. Yukon Territory, Canada

Year Ended		Balance, beginning	Common shares issued under option agreement	Staking and related costs	Advance royalty	Cash option payment	Common shares issued received under option agreement	Total
Acquisition costs								
Rosebute Property	(i)	\$ 372,089	\$ -	\$ -	\$50,000	\$ (60,000)	\$ (66,000)	\$ 296,089
Bishop-Montana Property	(ii)	-	-	3,600	5,000	-	-	8,600
Quartz Property	(ii)	45,371	-	-	5,000	-	-	50,371
Sulphur Property	(iv)	268,083	-	-	5,000	-	-	273,083
Wounded Moose Property	(v)	40,222	-	-	5,000	-	-	45,222
McQ Property	(vi)	-	17,500	26,838	-	-	-	44,338
Balance, December 31, 2016		\$ 725,765	\$ 17,500	\$ 30,438	\$70,000	\$ (60,000)	\$ (66,000)	\$ 717,703

Year Ended		Balance, beginning	Cash option payment	Common shares under option agreement	Staking and related costs	Advance royalty	Impairment	Total
Acquisition costs								
Rosebute Property	(i)	\$ 451,963	\$ -	\$ -	\$ -	\$ -	\$ (79,874)	\$ 372,089
Bishop-Montana Property	(ii)	-	-	-	-	-	-	-
Quartz Property	(iii)	79,398	-	-	-	-	(34,027)	45,371
Sulphur Property	(iv)	268,083	-	-	-	-	-	268,083
Wounded Moose Property	(v)	40,222	-	-	-	-	-	40,222
Balance, December 31, 2015		\$ 839,666	\$ -	\$ -	\$ -	\$ -	\$ (113,901)	\$ 725,765

7. Exploration and evaluation assets (cont'd)

(i) Rosebute Property, Dawson Mining Division, Yukon Territory

In 2014, the Company acquired a 100% interest in the Rosebute property, located south of Dawson City in the White Gold district of Yukon Territory for total consideration of \$325,000 in cash payments and the issuance of 1,000,000 common shares, and the completion of \$1,000,000 in exploration expenditures. The property is subject to 2.0% net smelter return ("NSR") royalty payable to the vendor, of which the Company has the right to buy back the first 1.0% for \$2,000,000. To date \$50,000 advance royalty payments, deductible against the NSR royalty, have been made. There is \$200,000 of advance royalty payments remaining over an eight year period at \$25,000 per year.

For the year ended December 31, 2015, the Company wrote off \$249,406 (or approximately 15%) of associated exploration expenditures on the property as the Company determined at that time that 15% of the claims would not be explored.

During 2016, Taku signed an option agreement with Independence Gold Corp. ("Independence") whereby Independence may acquire a 75% interest in the Rosebute property by paying total cash of \$295,000 (\$60,000 received), issuing a total of 1,000,000 million shares (200,000 shares received) and completing work expenditures of \$2,000,000 (\$300,000 in the first year) scheduled over a three year period. Upon completion of the 75% earn-in, Taku may elect to participate as a 25% interest joint venture partner, or sell the remaining 25% to Independence. Subsequent to year-end, Independence terminated the option agreement.

(ii) Bishop-Montana Property, Dawson Mining Division, Yukon Territory

The Company holds a 100% interest in the Bishop-Montana property, located in the Montana Creek area. In 2014, the Company recorded a final impairment of the remaining acquisition and exploration costs associated to the Bishop-Montana property, as management did not expect to continue exploration work. In 2016 Taku re-staked part of the Bishop property (represents the cost to stake the claims).

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

The Company holds a 100% interest in the Quartz property, located in the Quartz Creek area. The property is subject to a 2.0% NSR royalty of which the Company has the option to purchase 1% of the NSR royalty for \$1,000,000 and has a right of first refusal to purchase the remaining 1%. To date \$25,000 advance royalty payments, deductible against the NSR royalty, have been made. There are no further advance royalty payments due.

At year end December 31, 2015, the Company wrote-off \$41,248 (or approximately 30%) of associated exploration expenditures on the Quartz Property as the Company determined that 30% of the claims would not be explored.

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

The Company holds a 100% interest in the Sulphur property, located in the Sulphur Creek area. The property is subject to a 2.0% NSR royalty of which the Company has the option to purchase 1% of the NSR royalty for \$1,000,000 and has a right of first refusal to purchase the remaining 1%. To date \$25,000 advance royalty payments, deductible against the NSR royalty, have been made. There are no further advance royalty payments due.

7. Exploration and evaluation assets (cont'd)

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

The Company holds a 100% interest in the Wounded Moose property located in the Indian River area. The property is subject to a 2.0% NSR royalty, of which the Company has the option to purchase 1% of the NSR royalty for \$1,000,000. To date \$25,000 advance royalty payments, deductible against the NSR royalty, have been made. There are no further advance royalty payments due.

(vi) McQ Property, Mayo Mining Division, Yukon Territory

In August 2016, the Company acquired a 100% interest in the McQ Property for total consideration of 100,000 shares (issued) and reimbursement of approximately \$24,000 in staking related costs to the vendor.

8. Trade payables and accrued liabilities

	December 31, 2016	December 31, 2015
Trade payables and accrued liabilities	\$ 55,751	\$ 74,973
	\$ 55,751	\$ 74,973

9. Income tax expense and deferred tax assets and liabilities

a. Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Loss before income taxes	\$ (319,149)	\$ (497,714)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery at the statutory tax rate	\$ (82,979)	\$ (129,406)
Non-deductible items and other	29,555	111,014
Change in valuation allowance	53,424	18,392
Income tax recovery	\$ -	\$ -

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

	December 31, 2016	December 31, 2015
Exploration and evaluation assets	\$ 1,515,238	\$ 1,511,983
Loss carry-forwards	6,556,593	6,359,368
Share issuance costs	8,520	-
Capital assets	1,432	1,432
Valuation allowance	(8,081,783)	(7,872,783)
Net deferred income tax asset (liability)	\$ -	\$ -

9. Income tax expense and deferred tax assets and liabilities (cont'd)

As at December 31, 2016, the Company has accumulated non capital losses for Canadian income tax purposes totalling approximately \$6.6 million (2015 - \$6.3 million). The losses expire in the following periods:

2006	2026	322,000
2007	2027	388,000
2008	2028	467,000
2009	2029	376,000
2010	2030	1,094,000
2011	2031	1,210,000
2012	2032	1,024,000
2013	2033	823,000
2014	2034	585,000
2015	2035	71,000
2016	2036	197,000
		\$ 6,557,000

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On January 5, 2015 the Company completed a 10 for 1 share consolidation.

During January 2015, the Company completed a shares-for-debt settlement in the amount of \$158,000 by the issuance of an aggregate of 1,580,000 common shares of the Company. Of the amounts settled, \$134,000 was due to related parties.

During June 2016, the Company issued 5,000,000 units at a price of \$0.08 per unit for gross proceeds of \$400,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at \$0.12 per share for a period of two years. Cash commissions of \$10,650 were paid as part of the private placement.

During July 2016, the Company issued 250,000 shares to settle \$25,000 of advance royalty payments accrued in 2015 and issued 200,000 shares to settle \$20,000 of advance royalty payments for 2016 (see note 7b).

During August 2016, the Company issued 100,000 shares at a fair value of \$17,500 as part of the acquisition of the McQ property (see note 7 (vi)).

At December 31, 2016 there were 14,216,514 issued and fully paid common shares (December 31, 2015 8,666,515).

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of \$319,149 (2015 - \$497,714) and the weighted average number of common shares outstanding of 11,558,336 (2015 - 8,666,154).

Diluted loss per share did not include the effect of stock options or warrants as the effect would be anti-dilutive.

10. Share capital (con't)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. The exercise price of an option is not less than the closing price on the TSX on the last day of trading preceding the grant date or the minimum price as per the TSX policies.

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.

The changes in options during the year ended December 31, 2016 are as follows:

Expiry	Price (\$)	Weighted Average Remaining Life (years)	Outstanding January 1, 2016	Granted	Exercised	Cancelled/ Forfeited	Outstanding December 31, 2016
February 4, 2016	3.70	-	290,000	-	-	(290,000)	-
April 15, 2021	0.07	2.0	-	650,000	-	-	650,000
June 30, 2021	0.10	4.5	-	710,000	-	-	710,000
			290,000	1,360,000	-	(290,000)	1,360,000
Weighted average exercise price			0.09			-	0.09
Exercisable							1,360,000

The weighted average contractual life remaining of all stock options at December 31, 2016 is 4.40 years.

During fiscal 2016, the Company granted share options to purchase 1,360,000 common shares and recorded compensation expense of \$122,985.

The fair value of share options granted and vested during fiscal 2016 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2016</u>
Risk-free interest rate	0.57% - 0.75%
Estimated volatility	246.36% - 249.99%
Expected life	5 years
Expected dividend yield	0%
Expected forfeiture rate	0%

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

10. Share capital (con't)

Stock options (con't)

The changes in options during the year ended December 31, 2015 are as follows:

Expiry	Price (\$)	Weighted Average Remaining Life (years)	Outstanding January 1, 2015	Granted	Exercised	Cancelled/ Forfeited	Outstanding December 31, 2015
June 1, 2015	2.00	0.7	66,000	-	-	(66,000)	-
July 30, 2015	2.50	0.8	160,000	-	-	(160,000)	-
February 4, 2016	3.70	1.3	290,000	-	-	-	290,000
			516,000	-	-	(226,000)	290,000
Weighted average exercise price						-	3.70
Exercisable							290,000

The weighted average contractual life remaining of all stock options at December 31, 2014 is 0.85 years.

Warrants

As part of the June 2016 private placement, the Company issued 5,000,000 share purchase warrants, each warrant entitles the holder to acquire one common share at \$0.12 per share for a period of two years.

Expiry	Price (\$)	Weighted Average Remaining Life (years)	Outstanding January 1, 2016	Granted	Exercised	Cancelled/ Forfeited	Outstanding December 31, 2016
June 20, 2018	0.12	1.47	-	5,000,000	-	-	5,000,000
			-	5,000,000	-	-	5,000,000
Weighted average exercise price							0.12
Exercisable							5,000,000

11. 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.

Agent warrant reserve

The fair value of agent option reserve is recognized as a charge to share capital until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

12. Related party transactions

Related party balances

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

	December 31, 2016	December 31, 2015
Directors or companies controlled by directors of the Company	\$ 50,396	\$ -

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

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

	Years ended	
	December 31, 2016	December 31, 2015
Management fees (a)	\$ 35,000	\$ -
Mineral property – exploration expenditures (b)	76,082	-
Professional fees (a)	15,000	-
Office rent and supplies (c)	36,400	-
Stock-based compensation	74,153	-
	\$ 236,635	\$ -

- a. The Company paid \$35,000 (2015 - \$NIL) in management fees to the President of the Company and \$15,000 (2015 - \$NIL) in professional fees to the CFO/Secretary of the Company;
- b. The Company paid \$76,082 (2015 - \$NIL) in exploration expenditures to a private company controlled by a director of the Company;
- c. The Company paid \$36,400 (2015 - \$NIL) in rent to a private company controlled by two directors of the Company.

13. 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 and cash equivalents. The majority of cash is deposited in bank accounts held at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is considered a high credit quality financial institution 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.

13. 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 December 31, 2016:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 55,751	\$ -	\$ -

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 December 31, 2016, 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 are exposed to interest rate fluctuations on renewal.

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, net of cash and cash equivalents.

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.

Classification of financial instruments

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

	December 31, 2016	December 31, 2015
Fair value through profit or loss:		
Cash and cash equivalents	\$ 118,022	\$ 6,857
Reclamation deposits	25,000	25,000
Marketable securities	40,000	-
Loans and receivables:		
Other receivables	19,750	6,962
	\$ 202,772	\$ 38,819

13. Financial risk management (cont'd)

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

	December 31, 2016	December 31, 2015
Non-derivative financial liabilities:		
Trade payables	\$ 55,751	\$ 74,973

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.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2016 and December 31, 2015:

	As at December 31, 2016		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 118,022	\$ -	\$ -
Marketable securities	40,000	-	-
Reclamation deposits	25,000	-	-
	\$ 183,022	\$ -	\$ -

	As at December 31, 2015		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 6,857	\$ -	\$ -
Reclamation deposits	25,000	-	-
	\$ 31,857	\$ -	\$ -

14. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of equity and debt obligations, net of cash and cash equivalents.

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

The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts. During the year, the Company complied with the requirements

15. Non-cash transactions

During the year ended December 31, 2016 and 2015, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Year ended	
	December 31, 2016	December 31, 2015
Fair value of shares issued on acquisition of exploration and evaluation assets	\$ 62,500	\$ -
Included in accounts payable relating to exploration and evaluation assets	\$ 18,261	\$ -
Fair value of shares issued on debt settlement	\$ -	\$ 158,000

16. Subsequent Events

Subsequent to the year-end, Independence Gold Corp. has terminated the earn-in option agreement on the Company's Rosebute Property ("Rosebute" or the "Property") located in the White Gold District of Yukon. The Company holds 100% interest in the property again. See Note 7 (i).