Taku Gold Corp.
(An Exploration Stage Company)

Financial Statements

Years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

INDEPENDENT AUDITOR'S 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, 2017 and 2016 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, 2017 and 2016 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.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
April 25, 2018

Taku Gold Corp.
Statements of Financial Position
December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents		$ 426,733	$ 118,022
Accounts receivable	5	70,717	19,750
Prepaid expenses and deposits		24,941	-
Marketable securities		23,000	40,000
		545,391	177,772
Reclamation bonds		25,000	25,000
Exploration and evaluation assets	6, 9	5,234,459	2,867,744
		$ 5,804,850	**$ 3,070,516**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	31,293	55,751
Shareholders' equity			
Share capital	7	20,786,781	17,613,316
Contributed surplus	8	3,648,581	3,325,001
Deficit		(18,661,805)	(17,923,552)
		5,773,557	3,014,765
		$ 5,804,850	**$ 3,070,516**

Nature of operations and continuance of operations (Note 1)

Approved by the board of directors:

"C.F.Trey Wasser III" Director

"Lori Walton" Director

Taku Gold Corp.

Statements of Comprehensive Loss
Years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
Expenses			
Management and consulting fees	9	$ 313,966	$ 70,600
Professional fees	9	99,836	28,296
Office and miscellaneous	9	55,318	28,231
Transfer agent and filing fees		43,954	21,912
Travel and promotion		58,358	21,205
Stock-based compensation		149,979	122,985
		(721,411)	(293,229)
Other items			
Interest income		158	80
Fair value adjustment on marketable securities		(17,000)	(26,000)
		(16,842)	(25,920)
Net loss and comprehensive loss for the year		**$ (738,253)**	**$ (319,149)**
Basic and diluted loss per share		**$ (0.03)**	**$ (0.03)**
Weighted average number of common shares outstanding		**27,103,310**	**11,701,214**

Taku Gold Corp.

Statements of Changes in Shareholders' Equity
Years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	Number of Shares		Share Capital		Contributed Surplus		Deficit		Total
Balance, December 31, 2015		**8,666,514**	**$**	**17,161,466**	**$**	**3,202,016**	**$**	**(17,604,403)**	**$**	**2,759,079**
Private placement	7	5,000,000		400,000		-		-		400,000
Share issue cost	7	-		(10,650)		-		-		(10,650)
Shares issued for exploration and evaluation assets	6, 7	550,000		62,500		-		-		62,500
Stock-based compensation		-		-		122,985		-		122,985
Net loss for the year		-		-		-		(319,149)		(319,149)
Balance, December 31, 2016		**14,216,514**	**$**	**17,613,316**	**$**	**3,325,001**	**$**	**(17,923,552)**	**$**	**3,014,765**
Private placements	7	17,030,000		1,703,000		-		-		1,703,000
Share issue cost	7	-		(86,934)		-		-		(86,934)
Finders' warrants issued	7	-		(173,601)		173,601		-		-
Warrants exercised	8	300,000		36,000		-		-		36,000
Shares issued for exploration and evaluation assets	6, 7	8,300,000		1,695,000		-		-		1,695,000
Stock-based compensation		-		-		149,979		-		149,979
Net loss for the year		-		-		-		(738,253)		(738,253)
Balance, December 31, 2017		**39,846,514**	**$**	**20,786,781**	**$**	**3,648,581**	**$**	**(18,661,805)**	**$**	**5,773,557**

See accompanying notes to the financial statements

Taku Gold Corp.
Statements of Cash Flows
Years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**$ (738,253)**	**$ (319,149)**
Adjustments for:			
Stock-based compensation	8	149,979	122,985
Fair value adjustment on marketable securities	4	17,000	26,000
Change in non-cash working capital items			
Increase in receivables	5	(50,967)	(12,788)
Decrease (increase) in prepaid expenses		(24,941)	2,250
Decrease in accounts payable and accrued liabilities		(6,197)	(12,483)
		(653,379)	**(193,185)**
Investing activities:			
Net investment in exploration and evaluation assets		**(689,976)**	**(85,000)**
Financing activities:			
Proceeds from issuance of shares	7	1,703,000	400,000
Share issuance costs	7	(86,934)	(10,650)
Warrants exercised	8	36,000	-
		1,652,066	**389,350**
Change in cash		**308,711**	**111,165**
Cash – beginning of year		**118,022**	**6,857**
Cash – end of year		**$ 426,733**	**$ 118,022**

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” and on the OTCQB Venture Market in the United States under the symbol “TAKUF”.

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, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has no source of operating cash flow and operations to date have been funded primarily from the issue of share capital. At December 31, 2017, the Company had a deficit of $18,661,805 (2016 - $17,923,552) and incurred a net loss for the year of $738,253 (2016 - $319,149).

Management estimates that is has sufficient working capital to fund its operating costs over the next year, but not enough to undertake a significant amount of mineral exploration activities. The Company’s continued operations are dependent on its ability to raise additional funding from equity financings, loans, or other arrangements. There is no assurance that future financing activities will be successful. These conditions give rise to a material uncertainty which casts significant doubt on the Company’s ability to continue as a going concern, and, therefore, its ability to realize its assets and discharge its liabilities in the ordinary course of operations.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these financial statements are based on IFRS issued and effective as of December 31, 2017. The Board of Directors approved the financial statements for issue on April 25, 2018.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest-bearing investments with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

d. Reclamation bonds

Reclamation bonds include bonds that have been pledged for reclamation and closure activities and that are not available for immediate disbursement.

e. Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred and recognized in profit or loss.

Once the legal right to explore a property has been secured, costs directly relating to the acquisition of, exploration for and evaluation of mineral claims are recognized and capitalized. Government tax credits received are recorded as a reduction to the cumulative costs incurred for the related property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

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 or when the asset is deemed to no longer have commercially viable prospects to the Company. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The recoverability of the carrying amount is dependent on successful development, future production, or alternatively, sale of the respective areas of interest. To the extent that exploration and evaluation expenditures are not expected to be recovered, it is written off to comprehensive income or loss.

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 properties and development assets.

The Company may, from time to time, enter into option agreements to transfer mineral interests. Options are exercisable entirely at the discretion of the optionee. Any consideration received from the agreements is recorded as recoveries to the mineral interest, with any excess amount accounted for as a gain on disposal. 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.

f. Provision for environmental reclamation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation is capitalized to the related asset along with a corresponding increase in the reclamation provision in the period incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Provision for environmental reclamation (continued)

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change because of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The increase in the provision due to the passage of time is recognized as interest expense. As at December 31, 2017 and 2016, the Company has no environmental reclamation obligations.

g. Impairment of tangible and intangible assets

The Company assesses at each reporting period whether there is an indication that an asset or group of assets may be impaired. If any such indicator exists, the Company estimates the recoverable amount of the asset and compares it to the asset's carrying amount. The recoverable amount is the higher of the fair value less costs of disposal and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the statement of loss during the period.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. The carrying value of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the statement of loss in the period it is determined.

h. Financial instruments

Recognition

Financial instruments are recognized on the balance sheet on the date on which the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled or expires.

All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

At initial recognition, the Company classifies its financial instruments in the following categories:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments (continued)

Loans and receivables

Loans and receivables include cash and cash equivalents, reclamation bonds, and accounts receivable that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include marketable securities. Marketable securities are recorded at fair value through profit or loss and, accordingly, are recorded on the balance sheet at fair value. Unrealized gains and losses are recorded in profit or loss in the period in which they arise.

i. Stock-based compensation

The Company grants share based awards in the form of share options in exchange for the provision of services from certain employees, consultants, officers, and directors. The share options are equity settled awards. The Company determines the fair value of the awards on the date of grant using the Black-Scholes model. This fair value is charged to loss using a graded vesting attribution method over the vesting period of the options, with a corresponding credit to contributed surplus. When the share options are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and adjusts the total expense to be recognized over the vesting period.

j. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Income tax expense represents the sum of the tax currently payable and deferred tax. Current tax payable, if any, is based on taxable earnings for the year.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Income taxes (continued)

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments, and interests in joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

k. Flow-through shares

The Company may issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to subscribers. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a flow-through tax liability. When the required expenditures are incurred, a deferred tax liability is recognized, and the flow-through tax liability is drawn down. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

l. Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs include commissions, facilitation payments, professional fees, and regulatory fees.

For the unit offerings, the proceeds from the issuance of units are allocated between common shares and common share purchase warrants using the residual method, allocating fair value first to the common shares and then share purchase warrants.

Share purchase warrants that are issued for goods and services are initially accounted for under IFRS 2 as equity instruments. Subsequent to their issuance, share purchase warrants issued for goods and services are considered as equity for their entire life. The fair value of such share purchase warrants is not re-measured. When these share purchase warrants are exercised, the cash proceeds received and the applicable amounts of share purchase warrants are credited to share capital. Where share purchase warrants expire or are forfeited then these amounts remain in equity under contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. 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. 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. In periods of loss, basic and diluted earnings per share are the same as the effect of issuance of additional shares is anti-dilutive.

n. New accounting standards and interpretation

IFRS 9 Financial Instruments

The new standard for financial instruments, IFRS 9, introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Management has started to assess the impact of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. At this stage, the main areas of expected impact are as follows:

a) The classification and measurement of the Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

b) If the Company continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Company's own credit risk.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 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.

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:

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires significant judgment in determining if a mineral property is impaired. The Company follows the guidance in IFRS 6 to determine when a mineral property is impaired. In making this judgement, the Company evaluates, among other factors, the results of exploration and evaluation activities to date and the Company's future plans to explore and evaluate the property.

Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Going concern

The determination of the Company's ability to continue as a going concern requires significant judgement. Adjustments to the financial statements required if the going concern assumption proved inappropriate could be material.

4. MARKETABLE SECURITIES

As at December 31, 2017, marketable securities comprise 200,000 common shares (2016 – 200,000) in publicly traded company Independence Gold Corp., valued at $23,000 (2016 – $40,000).

5. ACCOUNTS RECEIVABLE

As at December 31, 2017, accounts receivable consist of goods and services tax of $70,646 (2016 – $19,750) and interest on guaranteed investment certificates of $71 (2016 – $Nil). Accounts receivable are valued at amortized cost.

(Expressed in Canadian Dollars)

6. EXLPORATION AND EVALUATION ASSETS

	Tagish ($)	Rosebute ($)	Bishop-Montana ($)	Quartz ($)	Sulphur ($)	Wounded Moose ($)	McQ ($)	Keynote ($)	Forty Mile ($)	Chopin ($)	Korat ($)	Lucky Joe ($)	Sonora Gulch ($)	Total ($)
Acquisition Costs														
Balance – December 31, 2016	**1**	**296,089**	**8,600**	**50,371**	**273,083**	**45,222**	**44,338**	**-**	**-**	**-**	**-**	**-**	**-**	**717,704**
Option payment - cash	-	25,000	-	-	-	-	-	35,000	20,000	-	-	-	-	80,000
Option payment - shares	-	-	-	-	-	-	-	60,000	183,750	183,750	183,750	183,750	900,000	1,695,000
Other	-	16,046	505	-	-	-	16,132	-	-	-	-	-	-	32,683
Balance – December 31, 2017	**1**	**337,135**	**9,105**	**50,371**	**273,083**	**45,222**	**60,470**	**95,000**	**203,750**	**183,750**	**183,750**	**183,750**	**900,000**	**2,525,387**
Exploration & Evaluation Expenditure														
Balance – December 31, 2016	**40,106**	**1,164,601**	**9,761**	**61,368**	**794,901**	**79,303**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,150,040**
Assay	-	37,645	-	5,011	15,997	-	12,234	1,776	533	-	2,966	7,970	3,456	87,588
Logistics & support	-	19,230	-	2,425	14,628	-	5,307	998	2,063	3,581	1,460	3,770	1,378	54,840
Personnel	2,550	27,210	2,691	10,548	208,405	-	9,950	2,320	14,000	-	3,295	6,870	3,015	290,854
Transportation	-	49,065	-	1,000	10,324	-	24,452	2,373	6,013	-	3,157	18,097	200	114,681
Miscellaneous	-	6,679	-	-	-	1,841	-	-	1,167	-	199	-	1,183	11,069
Balance – December 31, 2017	**42,656**	**1,304,430**	**12,452**	**80,352**	**1,044,255**	**81,144**	**51,943**	**7,467**	**23,776**	**3,581**	**11,077**	**36,707**	**9,232**	**2,709,072**
Exploration & Evaluation Assets														
Balance – December 31, 2016	**40,107**	**1,460,690**	**18,361**	**111,739**	**1,067,984**	**124,525**	**44,338**	**-**	**-**	**-**	**-**	**-**	**-**	**2,867,744**
Balance – December 31, 2017	**42,657**	**1,641,565**	**21,557**	**130,723**	**1,317,338**	**126,366**	**112,413**	**102,467**	**227,526**	**187,331**	**194,827**	**220,457**	**909,232**	**5,234,459**

(Expressed in Canadian Dollars)

6. EXLPORATION AND EVALUATION ASSETS (CONTINUED)

	Tagish	Rosebute	Bishop-Montana	Quartz	Sulphur	Wounded Moose	McQ	Total
<u>Acquisition Costs</u>								
Balance – December 31, 2015	**$ 1**	**$ 372,089**	**$ -**	**$ 45,371**	**$ 268,083**	**$ 40,222**	**$ -**	**$ 725,766**
Option payment - cash	-	50,000	-	-	-	-	-	50,000
Option payment - shares	-	-	-	-	-	-	17,500	17,500
Other	-	-	8,600	5,000	5,000	5,000	26,838	50,438
Property payment received - cash	-	(60,000)	-	-	-	-	-	(60,000)
Property payment received - shares	-	(66,000)	-	-	-	-	-	(66,000)
Balance – December 31, 2016	**$ 1**	**$ 296,089**	**$ 8,600**	**$ 50,371**	**$ 273,083**	**$ 45,222**	**$ 44,338**	**$ 717,704**
<u>Exploration & Evaluation Expenditure</u>								
Balance – December 31, 2015	**$ -**	**$ 1,164,601**	**$ -**	**$ 61,368**	**$ 780,357**	**$ 60,891**	**$ -**	**$ 2,067,217**
Assay	1,764	-	-	-	-	-	-	1,764
Logistics & support	8,376	-	1,963	-	3,282	2,350	-	15,971
Personnel	22,325	-	7,200	-	5,563	13,499	-	48,587
Transportation	6,629	-	598	-	3,228	2,563	-	13,018
Miscellaneous	1,012	-	-	-	2,471	-	-	3,483
Balance – December 31, 2016	**$ 40,106**	**$ 1,164,601**	**$ 9,761**	**$ 61,368**	**$ 794,901**	**$ 79,303**	**$ -**	**$ 2,150,040**
<u>Exploration & Evaluation Assets</u>								
Balance – December 31, 2015	**$ 1**	**$ 1,536,690**	**$ -**	**$ 106,739**	**$ 1,048,440**	**$ 101,113**	**$ -**	**$ 2,792,983**
Balance – December 31, 2016	**$ 40,107**	**$ 1,460,690**	**$ 18,361**	**$ 111,739**	**$ 1,067,984**	**$ 124,525**	**$ 44,338**	**$ 2,867,744**

6. EXLPORATION AND EVALUATION ASSETS (CONTINUED)

a) British Columbia, Canada

TAG Gold Silver Property, Atlin Mining Division

The Company holds a 100% interest in the TAG property subject to a 2.5% net smelter return (“NSR”) royalty of which 1.5% can be repurchased on the basis of $500,000 per each 0.5%.

b) Yukon Territory, Canada

Rosebute Property, Dawson Mining Division

The Company holds a 100% interest in the Rosebute property. The property is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for $2,000,000. An annual advance royalty payment of $25,000 commenced in 2015 and continues for 10 years ($250,000 total).

During the year ended December 31, 2016, the Company entered into an option agreement with Independence Gold Corp. (“Independence”), whereby Independence could 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 over a three-year period. During the year ended December 31, 2017, Independence terminated the option agreement and control of the property was returned to the Company.

Bishop-Montana Property, Dawson Mining Division

The Company holds a 100% interest in the Bishop-Montana property.

Quartz Property, Dawson Mining Division

The Company holds a 100% interest in the Quartz property. The property is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for $1,000,000. In the year ended December 31, 2016, the Company made a final $5,000 advance royalty payment and there are no further advance royalty payments due.

Sulphur Property, Dawson Mining Division

The Company holds a 100% interest in the Sulphur property. The property is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for $1,000,000. In the year ended December 31, 2016, the Company made a final $5,000 advance royalty payment and there are no further advance royalty payments due.

Wounded Moose Property, Dawson Mining Division

The Company holds a 100% interest in the Wounded Moose property. The property is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for $1,000,000. In the year ended December 31, 2016, the Company made a final $5,000 advance royalty payment and there are no further advance royalty payments due.

6. EXLPORATION AND EVALUATION ASSETS (CONTINUED)

b) Yukon Territory, Canada (continued)

McQ Property, Mayo Mining Division

During the year ended December 31, 2016, the Company acquired a 100% interest in the McQ Property for a total consideration of 100,000 shares and reimbursement of approximately $24,000 in staking related costs to the vendor.

Keynote property, Mayo Mining Division

During the year ended December 31, 2017, the Company acquired a 100% interest in the Keynote property for a total consideration of $35,000 and 300,000 shares. The property is subject to 2.5% NSR royalty.

Chopin, Korat, Lucky Joe and 40 Mile Properties

During the year ended December 31, 2017, the Company completed a transaction with Golden Predator Mining Corp. ("Golden Predator") to acquire a 100% interest in the Chopin, Korat and Lucky Joe properties and was assigned an option to earn a 100% interest on the 40 Mile property for total consideration of 3,500,000 shares. Further property details include:

- **Chopin** – The Chopin property is subject to a 1.0% NSR royalty to Golden Predator.
- **Korat** – The Korat property is subject to a 1.0% NSR royalty to Golden Predator
- **Lucky Joe** – The Lucky Joe property is subject to a 1.5% NSR royalty to Golden Predator and a further 1.5% NSR royalty to an underlying vendor, of which 0.75% can be repurchased from the underlying vendor for $2,000,000.
- **40 Mile** - The 40 Mile property is subject to a 0.5% NSR royalty to Golden Predator and a further 2.0% NSR royalty to an underlying vendor, of which 1% can be repurchased from the underlying vendor for $1,500,000. Additional obligations assumed under the option agreement assignment include:

    a) Cash payments totalling $200,000, as follows:
        - $20,000 on September 30, 2017 (paid)
        - $30,000 on September 30, 2018
        - $40,000 on September 30, 2019
        - $50,000 on September 30, 2020
        - $60,000 on September 30, 2021

    b) $25,000 on completion of the first 750 meters of drilling (to be completed prior to September 30, 2019) and an additional $25,000 on the next 750 meters of drilling (to be completed prior to September 30, 2020).

6. EXLPORATION AND EVALUATION ASSETS (CONTINUED)

c) Yukon Territory, Canada (continued)

Chopin, Korat, Lucky Joe and 40 Mile Properties (continued)

- **40 Mile (continued)**

  c) An annual advance royalty payment of $10,000 commencing on September 30, 2022.

  d) A payment of up to $2,000,000 (at $1.25 per ounce classed as inferred or higher) for a NI 43-101 compliant resource outlined in a Pre-Feasibility Study.

Sonora Gulch Property, Dawson Range Gold District

During the year ended December 31, 2017, the Company entered into an option agreement with Golden Predator whereby the Company can earn a 100% interest in the Sonora Gulch property. The property is subject to a 1% NSR to Golden Predator and an additional 1% NSR to underlying vendors, of which 0.5% can be repurchased from the underlying vendors for $1,000,000.

In order to complete the option, the Company must issue an aggregate of 11,000,000 common shares as follows:

- 4,500,000 on the closing date (issued)
- 3,500,000 on August 1, 2018
  (or that number of Taku commons shares equal in value to $1,400,000 based on the 10-day volume weighted average price ("VWAP") of Taku's commons shares immediately prior to the first anniversary date, if the VWAP is greater than $0.40)
- 3,000,000 on August 1, 2019
  (or that number of Taku commons shares equal in value to $1,400,000 based on the 10-day volume weighted average price ("VWAP") of Taku's commons shares immediately prior to the first anniversary date, if the VWAP is greater than $0.40)

7. SHARE CAPITAL

Authorized share capital:
Unlimited Number of common shares without par value.

During the year ended December 31, 2017, the Company completed the following share transactions:

- In July 2017, the Company closed a private placement for 12,980,000 units at a price of $0.10 per unit for gross proceeds of $1,298,000. Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at $0.15 per share for a period of two years. The Company paid cash share issuance costs of $75,504 and issued 766,800 agent warrants valued at $161,028 in connection with the placement.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

- In May 2017, the Company closed a private placement for 4,050,000 units at a price of $0.10 per unit for gross proceeds of $405,000. Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at $0.15 per share for a period of two years. The Company paid cash share issuance costs of $11,430 and issued 114,300 agent warrants valued at $12,573 in connection with the placement.
- Issued 300,000 common shares on the exercise of warrants for proceeds of $36,000.
- Issued 8,300,000 common shares valued at $1,695,000 in connection with the acquisition of mineral properties (note 6).

During the year ended December 31, 2016, the Company completed the following share transactions:

- In June 2016, the Company closed a private placement for 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, with each warrant entitling the holder to acquire one additional common share of the Company at $0.12 per share for a period of two years. The Company paid cash share issuance costs of $10,650 in connection with the placement.
- Issued 550,000 common shares valued at $62,500 in connection with the acquisition of mineral properties (note 6).

8. STOCK OPTIONS AND WARRANTS

Stock options

The Company has adopted an incentive stock option plan, which allows the Company to issue non-transferable stock options to directors, officers, employees, consultants and other participants of the Company at the discretion of the Board of Directors and in accordance with the stock exchange requirements. Under the plan, options can be granted for a maximum term of five years and the total number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares at any time. The exercise price, expiry date, and vesting terms of each option is determined by the Board of Directors at the time of grant, provided that the exercise price may not be less than the price permitted by the policies of the stock exchange(s) on which the Company's common shares are listed.

Stock option transactions are summarized as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, December 31, 2015	**290,000**	**$ 3.70**
Granted	1,360,000	0.09
Cancelled/Forfeited	(290,000)	3.70
Balance, December 31, 2016	**1,360,000**	**$ 0.09**
Granted	2,400,000	0.17
Cancelled/Forfeited	(600,000)	0.20
Balance, December 31, 2017	**3,160,000**	**$ 0.13**
Exercisable, December 31, 2017	**1,960,000**	

(Expressed in Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (CONTINUED)

Stock option (continued)

As at December 31, 2017, outstanding incentive stock options were as follows:

Expiry Date	Outstanding Options	Exercise Price ($)
March 20, 2018	390,000	0.07
March 20, 2018	600,000	0.10
March 20, 2018	200,000	0.20
April 15, 2021	260,000	0.07
June 30, 2021	110,000	0.10
September 8, 2022	700,000	0.20
December 15, 2022	900,000	0.13
	3,160,000	**0.13**

During the year ended December 31, 2017, the Company recognized stock-based compensation related to options of $149,979 (2016 - $122,985).

The fair value of the options granted was estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating the fair values are as follows:

	2017	2016
Risk-free interest rate	1.71% - 1.84%	0.57% - 0.75%
Expected life of option	5.0 years	5.0 years
Expected dividend yield	0%	0%
Expected stock price volatility	262% - 266%	246% - 250%

Warrants

Share purchase warrant transactions are summarized as follows:

	Outstanding Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2015	**-**	**$ -**
Granted	5,000,000	0.12
Balance, December 31, 2016	**5,000,000**	**$ 0.12**
Granted	17,911,100	0.15
Exercised	(300,000)	0.12
Balance, December 31, 2017	**22,611,100**	**$ 0.14**

(Expressed in Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (CONTINUED)

Warrants (continued)

As at December 31, 2017, outstanding share purchase warrants were as follows:

Expiry Date	Outstanding Warrants	Exercise Price ($)
June 10, 2018	4,700,000	0.12
May 18, 2019	4,164,300	0.15
July 4, 2019	13,746,800	0.15
	22,611,100	**0.14**

The fair value of the agent warrants granted was estimated on the grant dates using the Black-Scholes option pricing model. No agent warrants were granted in 2016. The assumptions used in calculating the fair values are as follows:

	2017
Risk-free interest rate	0.67% - 1.13%
Expected life of warrant	2.0 years
Expected dividend yield	0%
Expected stock price volatility	237% - 239%

9. RELATED PARTY TRANSACTIONS

a) Balances outstanding

As at December 31, 2017, accounts payable and accrued liabilities include $3,242 (2016 – $65,396) owing to directors, companies controlled by the directors or officers, or a significant shareholder of the Company.

b) Key management compensation

During the year ended December 31, 2017, the Company paid or accrued the following amount to key management (officer and directors) of the Companies controlled by key management:

		2017		2016
Management and consulting fees	$	286,800	$	70,000
Professional fees		50,000		15,000
Office rent and supplies		4,500		1,400
Stock-based compensation		148,478		74,153
Mineral property – exploration expenditures		304,247		76,082
	$	**794,025**	**$**	**236,635**

(Expressed in Canadian Dollars)

10. SUPPLIMENTARY CASH FLOW INFORMATION

	2017	2016
Non-cash financing and investing activities		
Shares issued for exploration and evaluation assets acquisition	$ 1,695,000	$ 62,500
Exploration and evaluation assets included in accounts payable and accrued liabilities	-	18,261
Warrants issued for finder's fees	173,601	-
	$ 1,868,601	**$ 80,761**

11. INCOME TAXES

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:

	2017	2016
Loss before income taxes	$ 738,235	$ 319,149
Statutory tax rate	26%	26%
Expected income tax recovery at statutory tax rate	82,979	82,979
Non-deductible items and others	(29,555)	(29,555)
Change in valuation allowance	(53,424)	(53,424)
Total income tax recovery	**$ -**	**$ -**

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2017	2016
Deferred Tax Assets (Liabilities)		
Exploration and evaluation assets	$ 1,430,336	$ 1,515,238
Loss carry-forwards	7,136,173	6,556,593
Share issuance costs	75,937	8,520
Capital assets	1,432	1,432
Unrecognized deferred tax assets	**$ 8,643,878**	**$ 8,081,783**

(Expressed in Canadian Dollars)

11. INCOME TAXES (CONTINUED)

As at December 31, 2017, the Company has accumulated non-capital losses for Canadian income tax purposes totalling approximately $7.1 million (2016 - $6.6 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	198,000
2017	2037	579,000
		$ 7,137,000

12. FINANCIAL INSTRUMENTS

Fair value

Financial instruments include cash and any contract that give rise to a financial asset to one party and a financial liability or equity instrument to another party. As at December 31, 2017 and 2016, the Company's carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

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.

As at December 31, 2017 and 2016, the Company's marketable securities are based on level 1 inputs of the fair value hierarchy and the values are based on the closing trading price of the shares on public stock exchanges at the period-end date.

Financial risk management

Market risk

Market risk is the risk of loss that may arise from changes in market fluctuations such as those listed below. The fluctuations may be significant.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk

The Company operates mainly in Canada but a small portion of the Company's financial assets and liabilities are denominated in US dollars. The Company does not undertake currency-hedging activities but continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments, receivables and reclamation bonds. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash held in bank accounts, short term investments consist of GIC's held at a major Canadian financial institution and accounts receivable consists of goods and services tax and a minimal amount of accrued interest on guaranteed investment certificates, for which management believes the risk of loss to be minimal. Reclamation bonds consist of term deposits and guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

Interest rate risk

Interest rate risk mainly arises from the Company's cash and cash equivalents and short-term investments, which receive interest based on market interest rates. Fluctuations in interest cash flows due to changes in market interest rates are negligible. The Company's borrowings are at fixed rates. The fair value of the fixed-rate Promissory Note fluctuates with changes in market interest rates, but the cash flows do not.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The Company prepares annual exploration and administrative budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favorable. As at December 31, 2017, the Company had working capital of $514,098 (2016 - $122,021).

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is the risk of loss associated with movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock markets to determine appropriate actions to be taken by the Company. The Company has investments in certain publicly traded companies (marketable securities), and there can be no assurance that the Company can exit these positions if required, so there is a risk that proceeds may not approximate the carrying value of these investments. At December 31, 2017, a 10% fluctuation in the price of the Company's marketable securities would increase or decrease comprehensive loss by $2,300 (2016 - $4,000).

12. FINANCIAL INSTRUMENTS (CONTINUED)

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable level of risk. In the management of capital, the Company includes components of shareholders' equity. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and marketable securities.

The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2017 and 2016.

13. CONTINGENCY

A former officer and director of the Company has requested compensation for being terminated without notice and for providing unpaid services in prior years totalling $40,500. While the outcome of this claim is uncertain, the Company does not anticipate that it will result in a material financial liability, and no provision has been made in the financial statements.