Taku Gold Corp.
(An Exploration Stage Company)

Financial Statements

Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Taku Gold Corp.

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Taku Gold Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company has no source of revenue, generates negative cash flows from operating activities and has an accumulated deficit of $19,264,348 as at December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada

April 24, 2019

Taku Gold Corp.

Statements of Financial Position
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
Assets			
Current assets			
Cash and cash equivalents		$ 254,247	$ 426,733
Accounts receivable	5	11,718	70,717
Prepaid expenses and deposits		21,270	24,941
Marketable securities	4	9,000	23,000
		296,235	545,391
Reclamation bonds		25,000	25,000
Exploration and evaluation assets	6,9	4,984,396	5,234,459
		$ 5,305,631	**$ 5,804,850**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	23,053	31,293
Shareholders' equity			
Share capital	7	20,786,781	20,786,781
Contributed surplus	8	3,760,145	3,648,581
Deficit		(19,264,348)	(18,661,805)
		5,282,578	5,773,557
		$ 5,305,631	**$ 5,804,850**

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, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
Expenses			
Management and consulting fees	9	$ 91,003	$ 313,966
Professional fees	9	73,476	99,836
Office and miscellaneous	9	28,930	50,230
Transfer agent and filing fees		23,883	43,954
Travel and promotion		14,459	63,446
Stock-based compensation	8	111,564	149,979
		(343,315)	(721,411)
Other items			
Interest income		6,819	158
Fair value adjustment on marketable securities	4	(14,000)	(17,000)
Impairment of mineral properties	6	(252,047)	-
		(259,228)	(16,842)
Net loss and comprehensive loss for the year		**$ (602,543)**	**$ (738,253)**
Basic and diluted loss per share		**$ (0.02)**	**$ (0.03)**
Weighted average number of common shares outstanding		**39,846,515**	**27,103,310**

Taku Gold Corp.
Statements of Changes in Shareholders' Equity
Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2016		**14,216,515**	**$ 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 costs	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	8	-	-	149,979	-	149,979
Net loss and comprehensive loss for the year		-	-	-	(738,253)	(738,253)
Balance, December 31, 2017		**39,846,515**	**$ 20,786,781**	**$ 3,648,581**	**$ (18,661,805)**	**$ 5,773,557**
Stock-based compensation	8	-	-	111,564	-	111,564
Net loss and comprehensive loss for the year		-	-	-	(602,543)	(602,543)
Balance, December 31, 2018		**39,846,515**	**$ 20,786,781**	**$ 3,760,145**	**$ (19,264,348)**	**$ 5,282,578**

Taku Gold Corp.
Statements of Cash Flows
Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**$ (602,543)**	**$ (738,253)**
Adjustments for:			
Impairment of mineral properties	6	252,047	-
Stock-based compensation	8	111,564	149,979
Fair value adjustment on marketable securities	4	14,000	17,000
Change in non-cash working capital items			
Decrease (increase) in accounts receivables	5	58,999	(50,967)
Decrease (increase) in prepaid expenses		3,671	(24,941)
Decrease in accounts payable and accrued liabilities		(8,240)	(6,197)
		(170,502)	**(653,379)**
Investing activities:			
Net investment in exploration and evaluation assets	6	**(1,984)**	**(689,976)**
Financing activities:			
Proceeds from issuance of shares	7	-	1,703,000
Share issued costs	7	-	(86,934)
Warrants exercised	8	-	36,000
		-	**1,652,066**
Change in cash		**(172,486)**	**308,711**
Cash – beginning of year		**426,733**	**118,022**
Cash – end of year		**$ 254,247**	**$ 426,733**

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 head office, principal address and records office of the Company are located at 200 Burrard Street, Suite 250, 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, 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, 2018, the Company had a deficit of $19,264,348 (2017 - $18,661,805) and incurred a net loss for the year of $602,543 (2017 - $738,253).

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, 2018. The Board of Directors approved the financial statements for issue on April 24, 2019.

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, 2018 and 2017, 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. 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.

i. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Income taxes (continued)

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.

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.

j. 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.

k. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Share capital (continued)

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.

l. 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.

m. New accounting policy

The Company has adopted new accounting standard *IFRS 9 – Financial Instruments*, effective January 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces *IAS 39 – Financial Instruments: Recognition and Measurement*.

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss, fair value through other comprehensive income and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of *IAS 39*, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

The change in accounting policy did not impact the Company's carrying value of any financial assets or liabilities. The following is the Company's new accounting policy for financial instruments.

Financial instruments are recognized 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 flow from assets have expired or have been transferred and the Company has transferred all the 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 initially recognized at fair value and measurement in subsequent periods is dependent upon the classification of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. New accounting policy (continued)

The Company classifies and measures its financial instruments as follows:

Fair Value Through Profit and Loss ("FVTPL")
Cash and cash equivalents, marketable securities and reclamation bonds are classified as FVTPL. They are initially recognized at fair value and transaction costs are expensed in the statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial instruments are included in the statement of comprehensive loss in the period in which they occur. Changes in fair value of a financial instrument associated with the Company's own credit risk will be recognized in other comprehensive income.

Amortized cost
Accounts receivable and account payable and accrued liabilities are classified as and measured at amortized cost using the effective interest rate method, adjusted for impairment losses, if any.

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:

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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, 2018, marketable securities comprise 200,000 common shares (2017 - 200,000) in publicly traded company, Independence Gold Corp., valued at $9,000 (2017 - $23,000).

5. ACCOUNTS RECEIVABLE

As at December 31, 2018, accounts receivable consist of trades receivable of $20 (2017 - $Nil), goods and services tax of $11,610 (2017 - $70,646) and interest on guaranteed investment certificates of $88 (2017 - $71). 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**
Option payment - cash	-	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Other	-	6,595	-	913	7,955	-	-	-	-	-	-	-	-	15,463
Impairment of mineral properties	-	-	-	-	-	-	-	-	(203,750)	-	-	-	-	(203,750)
Balance – December 31, 2018	**1**	**368,730**	**9,105**	**51,284**	**281,038**	**45,222**	**60,470**	**95,000**	**-**	**183,750**	**183,750**	**183,750**	**900,000**	**2,362,100**
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**
Assay	-	-	-	-	-	-	-	-	2,885	-	-	-	-	2,885
Logistics & support	-	-	-	-	-	-	-	-	11,422	-	-	-	-	11,422
Personnel	-	2,000	-	-	-	-	-	-	9,514	-	-	-	-	11,514
Transportation	-	-	-	-	-	-	-	-	700	-	-	-	-	700
Recoveries	-	-	-	-	(40,000)	-	(25,000)	-	-	-	-	-	-	(65,000)
Impairment of mineral properties	-	-	-	-	-	-	-	-	(48,297)	-	-	-	-	(48,297)
Balance – December 31, 2018	**42,656**	**1,306,430**	**12,452**	**80,352**	**1,004,255**	**81,144**	**26,943**	**7,467**	**-**	**3,581**	**11,077**	**36,707**	**9,232**	**2,622,296**
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**
Balance – December 31, 2018	**42,657**	**1,675,160**	**21,557**	**131,636**	**1,285,293**	**126,366**	**87,413**	**102,467**	**-**	**187,331**	**194,827**	**220,457**	**909,232**	**4,984,396**

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.

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.

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.

McQ Property, Mayo Mining Division

The Company holds a 100% interest in the McQ property.

6. EXLPORATION AND EVALUATION ASSETS (CONTINUED)

b) Yukon Territory, Canada (continued)

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 a 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** – During the year ended December 31, 2017 the Company made an option payment of $20,000 to the underlying vendor of the 40 Mile property. During the year ended December 31, 2018, the Company terminated the option agreement and wrote off the balance of the property.

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 agreement was amended in August 2018 to extend certain payment terms by 12 months. 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, 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)
- 3,000,000 on August 1, 2020
  (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:
An unlimited number of common shares without par value.

There were no share transactions during the year ended December 31, 2018.

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.
- 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).

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.

(Expressed in Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (CONTINUED)

Stock options (continued)

Stock option transactions are summarized as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, December 31, 2016	**1,360,000**	**$ 0.09**
Granted	2,400,000	0.17
Expired/Forfeited	(600,000)	0.20
Balance, December 31, 2017	**3,160,000**	**$ 0.13**
Granted	250,000	0.05
Expired/Forfeited	(1,500,000)	0.11
Balance, December 31, 2018	**1,910,000**	**$ 0.14**
Exercisable, December 31, 2018	**1,347,500**	**$ 0.14**

As at December 31, 2018, outstanding incentive stock options were as follows:

Expiry Date	Outstanding Options	Exercise Price ($)
April 15, 2021	130,000	0.07
June 30, 2021	30,000	0.10
September 7, 2021	250,000	0.05
September 8, 2022	600,000	0.20
December 15, 2022	900,000	0.13
	1,910,000	**0.14**

At December 31, 2018, the weighted average remaining life of the outstanding options was 3.57 years (2017 - 2.93 years)

During the year ended December 31, 2018, the Company recognized stock-based compensation related to options of $111,564 (2017 - $149,979).

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

	2018	2017
Risk-free interest rate	2.13%	1.71% - 1.84%
Expected life of option	3.0 years	5.0 years
Expected dividend yield	0%	0%
Expected stock price volatility	211%	262% - 266%

(Expressed in Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (CONTINUED)

Warrants

Share purchase warrant transactions are summarized as follows:

	Outstanding Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2016	**5,000,000**	**$ 0.12**
Granted	17,911,100	0.15
Exercised	(300,000)	0.12
Balance, December 31, 2017	**22,611,100**	**$ 0.14**
Expired	(4,700,000)	0.12
Balance, December 31, 2018	**17,911,100**	**$ 0.15**

As at December 31, 2018, outstanding share purchase warrants were as follows:

Expiry Date	Outstanding Warrants	Exercise Price ($)
May 18, 2019	4,164,300	0.15
July 4, 2019	13,746,800	0.15
	17,911,100	**0.15**

At December 31, 2018, the weighted average remaining life of the outstanding warrants was 0.48 years (2017 - 1.27 years)

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 during the year ended December 31, 2018. The assumptions used in calculating the fair values were 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, 2018, accounts payable and accrued liabilities include $3,360 (2017 - $3,242) owing to officers or directors, companies controlled by officers or directors, or a significant shareholder of the Company.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Key management compensation

During the year ended December 31, 2018, the Company paid or accrued the following amount to key management (officer and directors), companies controlled by officers or directors, or a significant shareholder of the Company:

		2018		2017
Management and consulting fees	$	88,740	$	286,800
Professional fees		-		50,000
Office rent and supplies		24,000		4,500
Stock-based compensation		111,564		148,478
Mineral property – exploration expenditures		2,000		304,247
	$	**226,304**	**$**	**794,025**

10. SUPPLIMENTARY CASH FLOW INFORMATION

During the year ended December 31, 2018, non-cash financing and investing activities include $Nil (2017 - $1,695,000) shares issued for exploration and evaluation assets acquisition and $Nil (2017 - $173,601) warrants issued for finder's fees.

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:

		2018		2017
Loss before income taxes	$	602,543	$	738,253
Statutory tax rate		27%		26%
Expected income tax recovery at statutory tax rate		162,687		191,946
Non-deductible items and others		(33,937)		(24,005)
Change in valuation allowance		(128,750)		(167,941)
Total income tax recovery	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars)

11. INCOME TAXES (CONTINUED)

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

		2018		2017
Deferred Tax Assets				
Exploration and evaluation assets	$	1,682,383	$	1,430,336
Loss carry-forwards		7,643,087		7,136,173
Share issuance costs		56,420		75,937
Capital assets		-		1,432
Unrecognized deferred tax assets	**$**	**9,381,890**	**$**	**8,643,878**

As at December 31, 2018, the Company has accumulated non-capital losses for Canadian income tax purposes totalling approximately $7.6 million (2017 - $7.1 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	589,000
2018	2038	496,000
		$ 7,643,000

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, 2018 and 2017, 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, 2018 and 2017, 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.

12. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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, which receive interest based on market interest rates. Fluctuations in interest cash flows due to changes in market interest rates are not significant.

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, 2018, the Company had working capital of $273,182 (2017 - $514,098).

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

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, 2018, a 10% fluctuation in the price of the Company's marketable securities would increase or decrease comprehensive loss by $900 (2017 - $2,300).

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, 2018 and 2017.

13. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2018, the Company amended its agreement on the Sonora Gulch property such that Taku acquired a 100% interest in the property by issuing Golden Predator a further 4,750,000 common shares (in addition to the 4,500,000 common shares Taku previously issued under the agreement). Golden Predator retained a 1% NSR royalty on the property.