

TAKU GOLD

CORP.

Taku Gold Corp.
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Unaudited – Prepared by Management)

Nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

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

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

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

Taku Gold Corp.

Condensed Interim Statements of Financial Position
September 30, 2019 and December 31, 2018
(Unaudited – Expressed in Canadian Dollars)

	Notes	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 51,587	\$ 254,247
Accounts receivable	5	10,836	11,718
Prepaid expenses and deposits		19,184	21,270
Marketable securities	4	14,000	9,000
		<u>95,607</u>	<u>296,235</u>
Reclamation bonds		25,000	25,000
Exploration and evaluation assets	6	<u>5,443,175</u>	<u>4,984,396</u>
		\$ 5,563,782	\$ 5,305,631
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	<u>85,145</u>	<u>23,053</u>
Shareholders' equity			
Share capital	7	21,126,531	20,786,781
Contributed surplus	8	3,777,115	3,760,145
Deficit		(19,425,009)	(19,264,348)
		<u>5,478,637</u>	<u>5,282,578</u>
		\$ 5,563,782	\$ 5,305,631

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.

Condensed Interim Statements of Comprehensive Loss
Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Expenses					
Management and consulting fees		\$ 14,700	\$ 15,000	\$ 54,625	\$ 63,853
Professional fees		12,798	10,814	32,364	59,647
Office and miscellaneous		8,036	6,043	26,429	19,538
Transfer agent and filing fees		7,367	6,609	24,748	13,997
Travel and promotion		2,565	2,591	6,870	11,897
Stock-based compensation	8	6,009	25,321	20,720	103,521
		(51,475)	(66,378)	(165,756)	(272,453)
Other items					
Interest income		32	1,798	95	5,276
Fair value adjustment on marketable securities		2,000	(4,000)	5,000	(11,000)
Impairment of mineral properties		-	(249,162)	-	(249,162)
		2,032	(251,364)	5,095	(254,886)
Net loss and comprehensive loss for the period		\$ (49,443)	\$ (317,742)	\$ (160,661)	\$ (527,339)
Basic and diluted loss per share		\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		44,847,058	39,846,515	43,202,010	39,846,515

Taku Gold Corp.

Condensed Interim Statements of Changes in Shareholders' Equity
Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

	Notes	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2017		39,846,515	\$ 20,786,781	\$ 3,648,581	\$ (18,661,805)	\$ 5,773,557
Stock-based compensation	8	-	-	103,521	-	103,521
Net loss and comprehensive loss for the period		-	-	-	(527,339)	(527,339)
Balance, September 30, 2018		39,846,515	\$ 20,786,781	\$ 3,752,102	\$ (19,189,144)	\$ 5,349,739
Balance, December 31, 2018		39,846,515	\$ 20,786,781	\$ 3,760,145	\$ (19,264,348)	\$ 5,282,578
Shares issued for property acquisition	6	5,050,000	329,750	-	-	329,750
Stock options exercised	8	125,000	10,000	(3,750)	-	6,250
Stock-based compensation	8	-	-	20,720	-	20,720
Net loss and comprehensive loss for the period		-	-	-	(160,661)	(160,661)
Balance, September 30, 2019		45,021,515	\$ 21,126,531	\$ 3,777,115	\$ (19,425,009)	\$ 5,478,637

See accompanying notes to the financial statements

Taku Gold Corp.

Condensed Interim Statements of Cash Flows
Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

	Notes	2019	2018
Cash provided by (used in):			
Operating activities:			
Net loss for the period		\$ (160,661)	\$ (527,339)
Adjustments for:			
Impairment of mineral properties	6	-	249,162
Stock-based compensation	8	20,720	103,521
Fair value adjustment on marketable securities	4	(5,000)	11,000
Change in non-cash working capital items			
Decrease in accounts receivables	5	882	61,478
Decrease (increase) in prepaid expenses		2,086	(3,358)
Increase in accounts payable and accrued liabilities		62,092	16,135
		<u>(79,881)</u>	<u>(89,401)</u>
Financing activities:			
Options exercised	8	<u>6,250</u>	<u>-</u>
Investing activities:			
Net recovery (investment) in exploration and evaluation assets	6	<u>(129,029)</u>	<u>901</u>
Change in cash		(202,660)	(88,500)
Cash – beginning of period		254,247	426,733
Cash – end of period		\$ 51,587	\$ 338,233

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Taku Gold Corp. (the “Company”) was incorporated on July 19, 1999, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “TAK”. The head office, principal address and records office of the Company are located at 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 September 30, 2019, the Company had a deficit of \$19,425,009 (December 31, 2018 - \$19,264,348) and incurred a net loss for the nine-month period of \$160,661 (2018 - \$527,339).

Management estimates that it will require additional financing to fund its operating costs for the current fiscal year. 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

These interim financial statements are unaudited and have been prepared in accordance with International Account Standards (“IAS”) 34, Interim Financial Reporting, using accounting policies consistent 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”). Certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2018.

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of presentation (continued)

The policies applied in these condensed interim financial statements are based on IFRS issued and effective as of September 30, 2019. The Board of Directors approved the financial statements for issue on November 22, 2019.

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

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.

b. Significant accounting policies

Except as set out below, these condensed interim financial statements follow the same accounting policies and methods of computation as the most recent audited annual financial statements of the Company for the year ended December 31, 2018. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

c. New accounting policy

The Company adopted the new accounting standard *IFRS 16 – Leases* effective for accounting periods beginning on or after January 1, 2019. IFRS 16 was issued by the IASB on January 13, 2016, and replaced IAS 17, *Leases*. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new right of use asset. The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

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.

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
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(Unaudited – Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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 September 30, 2019, marketable securities comprise 200,000 common shares (December 31, 2018 - 200,000) in publicly traded company, Independence Gold Corp., valued at \$14,000 (December 31, 2018 - \$9,000).

5. ACCOUNTS RECEIVABLE

As at September 30, 2019, accounts receivable consists of goods and services tax of \$10,762 (December 31, 2018 - \$11,610), interest on guaranteed investment certificates of \$74 (December 31, 2018 - \$88) and other receivables of \$Nil (December 31, 2018 - \$20). Accounts receivable are valued at amortized cost.

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
 Nine months ended September 30, 2019 and 2018
 (Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Tagish (\$)	Sonora Gulch (\$)	Rosebute (\$)	Lucky Joe (\$)	Sulphur (\$)	Quartz (\$)	Wounded Moose (\$)	Korat (\$)	Chopin (\$)	Keynote (\$)	Other Yukon * (\$)	Total (\$)
Acquisition Costs												
Balance – December 31, 2017	1	900,000	337,135	183,750	273,083	50,371	45,222	183,750	183,750	95,000	273,325	2,525,387
Option payment - cash	-	-	25,000	-	-	-	-	-	-	-	-	25,000
Other	-	-	6,595	-	7,955	913	-	-	-	-	-	15,463
Impairment of mineral properties	-	-	-	-	-	-	-	-	-	-	(203,750)	(203,750)
Balance – December 31, 2018	1	900,000	368,730	183,750	281,038	51,284	45,222	183,750	183,750	95,000	69,575	2,362,100
Option payment - cash	-	-	25,000	-	-	-	-	-	-	-	35,000	60,000
Option payment - shares	-	308,750	-	-	-	-	-	-	-	-	21,000	329,750
Other	-	-	677	-	-	-	-	-	945	-	886	2,508
Balance – September 30, 2019	1	1,208,750	394,407	183,750	281,038	51,284	45,222	183,750	184,695	95,000	126,461	2,754,358
Exploration & Evaluation Expenditure												
Balance – December 31, 2017	42,656	9,232	1,304,430	36,707	1,044,255	80,352	81,144	11,077	3,581	7,467	88,171	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	9,232	1,306,430	36,707	1,004,255	80,352	81,144	11,077	3,581	7,467	39,395	2,622,296
Assay	-	-	95	-	-	38	-	-	-	-	11,149	11,282
Logistics & support	-	-	337	-	-	150	-	-	-	-	62	549
Personnel	-	-	24,834	-	-	7,760	-	-	-	-	13,171	45,765
Transportation	-	-	673	-	-	500	-	-	-	-	7,752	8,925
Balance – September 30, 2019	42,656	9,232	1,332,369	36,707	1,004,255	88,800	81,144	11,077	3,581	7,467	71,529	2,688,817
Exploration & Evaluation Assets												
Balance – December 31, 2017	42,657	909,232	1,641,565	220,457	1,317,338	130,723	126,366	194,827	187,331	102,467	361,496	5,234,459
Balance – December 31, 2018	42,657	909,232	1,675,160	220,457	1,285,293	131,636	126,366	194,827	187,331	102,467	108,970	4,984,396
Balance – September 30, 2019	42,657	1,217,982	1,726,776	220,457	1,285,293	140,084	126,366	194,827	188,276	102,467	197,990	5,443,175

* Other Yukon includes Bishop-Montana, McQ, Forty Mile, Portland, Gold Run and Midas properties.

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

TAG Property - British Columbia, Canada

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 for each 0.5%.

Sonora Gulch Property – Yukon, Canada

During the year ended December 31, 2017, the Company entered into an option agreement with Golden Predator Mining Corp. (“Golden Predator”) whereby the Company could earn a 100% interest in the Sonora Gulch property. The agreement was amended in August 2018 to extend certain payment terms and amended again in March 2019. Under the final amendment, Taku completed its option by issuing Golden Predator 4,750,000 shares (in addition to the 4,500,000 shares previously issued under the original agreement) and now holds 100% of the property.

The Company issued the following shares to complete the option:

- 4,500,000 (issued in 2017)
- 4,750,000 (issued in 2019)

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.

Other Yukon, Canada Properties

The Company holds 100% of the following Yukon properties, subject to the royalties indicated:

- ***Rosebute*** - 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).
- ***Lucky Joe*** - 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.
- ***Sulphur*** - is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for \$1,000,000.
- ***Quartz*** - is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for \$1,000,000.
- ***Wounded Moose*** - is subject to a 2.0% NSR royalty, of which 1.0% can be repurchased for \$1,000,000.
- ***Korat*** - is subject to a 1.0% NSR royalty to Golden Predator.
- ***Chopin*** - is subject to a 1.0% NSR

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
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(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Other Yukon, Canada Properties (continued)

- **Keynote** - is subject to a 2.5% NSR royalty.
- **Bishop-Montana** - no royalty.
- **McQ** - no royalty.

Portland Property – Yukon, Canada

During the period ended September 30, 2019, the Company acquired the high-grade Portland Gold Project (the “Project”) located in the White Gold District, Yukon, Canada in exchange for \$20,000 and a 1.0% NSR Royalty, of which 100% can be repurchased for \$200,000.

Gold Run Property – Yukon, Canada

The Company entered into an option agreement to acquire 100% of the Gold Run property in the Yukon’s White Gold District. In order to complete the option, the agreement requires cash payments of \$150,000 and the issuance of 300,000 shares over a five-year period. The vendor was granted a 2% NSR royalty on the property, of which 1% can be repurchased for \$1,500,000. Following completion of the option agreement, an annual advanced minimum royalty payment of \$10,000 will be due. Additionally, if Taku completes a Pre-Feasibility Study on the project a payment equal to \$1.50 per gold equivalent ounce will be paid to the vendor.

During the period ended September 30, 2019, a cash payment of \$7,500 and 150,000 shares were issued under the agreement.

Midas Property – Yukon, Canada

The Company entered into an option agreement to acquire 100% of the Midas property in the Yukon’s White Gold District. In order to complete the option, the agreement requires cash payments of \$150,000 and the issuance of 300,000 shares over a five-year period. The vendor was granted a 2% NSR royalty on the property, of which 1% can be repurchased for \$1,500,000. Following completion of the option agreement, an annual advanced minimum royalty payment of \$10,000 will be due. Additionally, if Taku completes a Pre-Feasibility Study on the project a payment equal to \$1.50 per gold equivalent ounce will be paid to the vendor.

During the period ended September 30, 2019, a cash payment of \$7,500 and 150,000 shares were issued under the agreement.

40 Mile Property – Yukon, Canada

During the year ended December 31, 2018, the Company terminated the option agreement and wrote off the balance of the property.

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
Nine months ended September 30, 2019 and 2018
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7. SHARE CAPITAL

Authorized share capital:

An unlimited number of common shares without par value.

During the nine months ended September 30, 2019, the Company:

- Issued 4,750,000 common shares valued at \$308,750 in connection with the acquisition of the Sonora Gulch property (Note 6);
- Issued 300,000 common shares valued at \$21,000 in connection with the acquisition of the Gold Run and Midas properties (Note 6); and
- Issued 125,000 common shares for proceeds of \$6,250 from the exercise of stock options (Note 8).

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

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 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, 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
Granted	300,000	0.07
Exercised	(125,000)	0.05
Balance, September 30, 2018	2,085,000	\$ 0.13
Exercisable, September 30, 2019	1,797,500	\$ 0.14

Taku Gold Corp.

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8. STOCK OPTIONS AND WARRANTS (CONTINUED)

Stock options (continued)

As at September 30, 2019, 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	125,000	0.05
June 1, 2022	100,000	0.07
August 6, 2022	200,000	0.07
September 8, 2022	600,000	0.20
December 15, 2022	900,000	0.13
	2,085,000	0.13

At September 30, 2019, the weighted average remaining life of the outstanding options was 2.87 years (December 31, 2018 - 3.57 years)

During the nine months ended September 30, 2019, the Company recognized stock-based compensation related to options of \$20,720 (2018 - \$103,521).

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:

	September 30, 2019	December 31, 2018
Risk-free interest rate	1.31%	2.13%
Expected life of option	3.0 years	3.0 years
Expected dividend yield	0%	0%
Expected stock price volatility	189%	211%

Warrants

Share purchase warrant transactions are summarized as follows:

	Outstanding Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	22,611,100	\$ 0.14
Expired	(4,700,000)	0.12
Balance, December 31, 2018	17,911,100	\$ 0.15
Expired	(17,911,100)	0.15
Balance, September 30, 2019	-	\$ -

As at September 30, 2019, there were no outstanding share purchase warrants.

Taku Gold Corp.

Notes to the Condensed Interim Financial Statements
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9. RELATED PARTY TRANSACTIONS

a) Balances outstanding

As at September 30, 2019, accounts payable and accrued liabilities include \$15,120 (December 31, 2018 - \$3,600) owing to officers or directors, companies controlled by officers or directors, or a significant shareholder of the Company.

b) Key management compensation

During the nine months ended September 30, 2019 and 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:

	<u>2019</u>	<u>2018</u>
Management and consulting fees	\$ 53,425	\$ 61,590
Office rent and supplies	16,500	18,000
Stock-based compensation	19,060	103,522
	<u>\$ 88,985</u>	<u>\$ 183,112</u>

10. SUPPLEMENTARY CASH FLOW INFORMATION

During the nine months ended September 30, 2019, non-cash financing and investing activities include \$329,750 (2018 - \$Nil) in shares issued for exploration and evaluation asset acquisitions (Note 6) and \$3,750 (2018 - \$Nil) for fair value of options exercised.

11. 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 September 30, 2019 and December 31, 2018, 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.

Taku Gold Corp.

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11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

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 September 30, 2019 and December 31, 2018, 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.

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, accounts receivable 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 and accounts receivable consist primarily of goods and services tax receivable from the government of Canada, 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 a major Canadian financial institution, 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.

Taku Gold Corp.

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Nine months ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

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 September 30, 2019, the Company had working capital of \$10,462 (December 31, 2018 - \$273,182).

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 September 30, 2019, a 10% fluctuation in the price of the Company's marketable securities would increase or decrease comprehensive loss by \$1,400 (December 31, 2018 - \$900).

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 nine months ended September 30, 2019 and 2018.