

Financial Statements  
(Expressed in Canadian dollars)

## **TAKU GOLD CORP.**

Six months ended June 30, 2017 and 2016

(unaudited)

Prepared by Management without Company's Auditors' Review

Expressed in Canadian Dollars

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

The accompanying unaudited interim financial statements of Taku Gold Corp. (formerly CZM Capital Corp.) is prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2016 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

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

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

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

### **NOTICE TO READER**

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

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

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

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

	Notes	As at June 30, 2017	As at December 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 189,005	\$ 118,022
Receivables	6	32,541	19,750
Prepaid expense		160,000	-
		381,546	137,772
<b>Non-current assets</b>			
Reclamation deposits		25,000	25,000
Marketable securities		40,000	40,000
Exploration and evaluation assets	7	2,919,713	2,867,744
		2,984,713	2,932,744
<b>TOTAL ASSETS</b>		<b>\$ 3,366,259</b>	<b>\$ 3,070,516</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	8	\$ 91,235	\$ 55,751
<b>TOTAL LIABILITIES</b>		<b>91,235</b>	<b>55,751</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	18,012,886	18,012,886
Reserves	11	3,325,001	3,325,001
Deficit		(18,062,863)	(17,923,552)
<b>TOTAL EQUITY</b>		<b>3,275,024</b>	<b>3,014,765</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 3,366,259</b>	<b>\$ 3,070,516</b>

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

The interim financial statements were authorized and issued by the Board of Directors on August 28, 2017.

On behalf of the Board:

*"Zachery Dingsdale"*

Zachery Dingsdale,  
 Director

*"Bilal Bhamji"*

Bilal Bhamji, Director

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

	<b>Three Months Period Ended June 30, 2017</b>	<b>Three Months Period Ended June 30, 2016</b>	<b>Six Months Period Ended June 30, 2017</b>	<b>Six Months Period Ended June 30, 2016</b>
<b>LOSS BEFORE INCOME TAXES</b>				
Consulting (Note 12)	\$ 800	\$ -	\$ 1,100	\$ -
Management fees (Note 12)	15,000	5,000	30,000	5,000
Office and miscellaneous (Note 12)	19,904	5,093	35,045	5,309
Professional fees (Note 12)	29,090	(840)	44,090	(416)
Transfer agent, filing fees	7,731	4,611	11,293	6,499
Travel and promotion	9,946	3,000	16,865	3,000
Website development	139	-	978	264
	<b>(82,610)</b>	<b>(16,684)</b>	<b>(139,371)</b>	<b>(19,656)</b>
<b>Other items</b>				
Interest income	-	-	60	81
	<b>(82,610)</b>	<b>(16,684)</b>	<b>(139,311)</b>	<b>(19,575)</b>
<b>INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ (82,610)</b>	<b>\$ (16,684)</b>	<b>\$ (139,311)</b>	<b>\$ (19,575)</b>
<b>INCOME (LOSS) PER SHARE - BASIC AND FULLY DILUTED</b>	<b>\$ (0.08)</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>	<b>\$ (0.01)</b>

See accompanying notes to the financial statements

TAKU GOLD CORP.

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

	Notes	Share capital		Reserves		
		Number of shares	Amount	Contributed Surplus	Deficit	Total
<b>Balance at January 1, 2017</b>		<b>14,216,514</b>	<b>\$ 17,613,316</b>	<b>\$ 3,325,001</b>	<b>\$ (17,293,552)</b>	<b>\$ 3,014,765</b>
Comprehensive loss		-	-	-	(139,311)	(139,311)
Shares issued for cash – private placement @ \$0.10		4,050,000	405,000	-	-	405,000
Shares issued for cash – warrants exercised @ \$0.12		50,000	6,000	-	-	6,000
Share issue cost			(11,430)	-	-	(11,430)
<b>Balance at June 30, 2017</b>		<b>18,316,514</b>	<b>\$ 18,012,886</b>	<b>\$ 3,325,001</b>	<b>\$ (18,062,863)</b>	<b>\$ 3,275,024</b>

	Notes	Share capital		Reserves		
		Number of shares	Amount	Contributed Surplus	Deficit	Total
<b>Balance at January 1, 2016</b>		<b>8,666,514</b>	<b>\$ 17,161,466</b>	<b>\$ 3,202,016</b>	<b>\$ (17,604,403)</b>	<b>\$ 2,759,079</b>
Comprehensive loss		-	-	-	(19,575)	(19,575)
Shares issued for cash – private placement @ \$0.08		5,000,000	400,000	-	-	400,000
Share issue cost			(10,650)	-	-	(10,650)
<b>Balance at June 30, 2016</b>		<b>13,666,514</b>	<b>\$ 17,550,816</b>	<b>\$ 3,202,016</b>	<b>\$ (17,623,978)</b>	<b>\$ 3,128,854</b>

See accompanying notes to the financial statements

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

	Three Months Period Ended June 30, 2017	Three Months Period Ended June 30, 2016	Six Months Period Ended June 30, 2017	Six Months Period Ended June 30, 2016
<b>Operating activities</b>				
Net Income (loss) for the period	\$ (82,610)	\$ (16,864)	\$ (139,311)	\$ (19,575)
Changes in non-cash operating working capital:				
Accounts receivable	(7,927)	4,436	(12,790)	4,302
Subscription receivable	-	(109,760)	-	(109,760)
Prepaid expenses	(160,000)		(160,000)	
Accounts payable & accruals	13,996	22,181	35,483	21,655
<b>Net cash flows from (used in) operating activities</b>	<b>(236,541)</b>	<b>(100,007)</b>	<b>(276,618)</b>	<b>(103,378)</b>
<b>Investing Activities:</b>				
Expenditures on exploration and evaluation assets	(19,015)	(10,462)	(51,969)	(32,792)
<b>Net cash flows from (used in) investing activities</b>	<b>(19,015)</b>	<b>(10,462)</b>	<b>(51,969)</b>	<b>(32,792)</b>
<b>Financing activities</b>				
Proceeds on issuance of common shares	399,570	389,350	399,570	389,350
<b>Net cash flows from financing activities</b>	<b>399,570</b>	<b>389,350</b>	<b>399,570</b>	<b>389,350</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>144,014</b>	<b>253,180</b>	<b>70,983</b>	<b>253,360</b>
Cash and cash equivalents, Beginning of period	44,991	6,857	118,022	6,677
<b>Cash and cash equivalents, End of period</b>	<b>\$ 189,005</b>	<b>\$ 260,037</b>	<b>\$ 189,005</b>	<b>\$ 260,037</b>

**1. Nature and continuance of operations**

Taku Gold Corp. (the "Company") was incorporated on July 19, 1999, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "TAK". The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 608, Vancouver, British Columbia, Canada.

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

These unaudited financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2017 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. As at June 30, 2017, the Company had limited working capital which may not be sufficient to finance exploration and operating costs over the next twelve months without additional funding. These factors cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statements of financial position.

**2. Significant accounting policies and basis of preparation**

The financial statements were authorized for issue on August 28, 2017 by the directors of the Company.

***Statement of compliance to International Financial Reporting Standards***

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

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016.

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

***Going Concern of Operations***

The Company has not generated revenue from operations. The Company incurred a net loss of \$139,311 during the six month ended June 30, 2017 and, as of that date the Company's accumulated deficit was \$18,062,863. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

***Basis of preparation***

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

***Significant accounting judgments, estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. See Note 4.

***Exploration and evaluation expenditures***

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

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

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



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

***Exploration and evaluation expenditures (cont'd)***

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

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

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

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

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

***Reclamation Deposits***

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

***Share-based payments***

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

***Loss per share***

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

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

### ***Impairment***

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

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

### ***Financial instruments***

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

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

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

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

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

***Financial instruments (cont'd)***

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

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

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

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

***Cash and cash equivalents***

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

***Income taxes***

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

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

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

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

***Flow-through shares***

From time to time, the Company issues flow through common share to finance a significant portion of its Canadian exploration program. Qualifying resource expenditures under the terms of the flow through share agreements are renounced to the investors according to tax legislations. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, and ii) share capital. Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

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

**Restoration and environmental obligations**

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

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

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

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

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. As at December 31, 2016, the Company has no restoration and environmental obligations.

**3. Anticipated changes to International Financial Reporting Standards**

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

**4. Critical Accounting Estimates and Judgments**

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

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

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

**Exploration and Evaluation Expenditure**

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

**Mineral Property Title Interests**

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

**Going Concern**

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

**5. Cash and cash equivalents**

The components of cash and cash equivalents are as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Cash at bank	\$ 189,005	\$ 118,022
	\$ 189,005	\$ 118,022

**6. Receivables**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
HST tax receivable	\$ 32,541	\$ 19,750
	\$ 32,541	\$ 19,750

## 7. Exploration and Evaluation Assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments as at June 30, 2017:

	Canada		Total for Six month ended June 30, 2017
	Yukon Territory	TAG BC	
<b>Property acquisition costs</b>			
Balance, beginning of year	\$ 717,703	\$ 1	\$ 717,704
Cash option payment received	-	-	-
<b>Balance, end of year</b>	<b>717,703</b>	<b>1</b>	<b>717,704</b>
<b>Exploration and evaluation costs</b>			
Balance, beginning of year	2,109,934	40,106	2,150,000
Costs incurred during year:			
Drilling, labour and related costs	49,419	2,550	51,969
<b>Balance, end of quarter</b>	<b>2,159,353</b>	<b>42,656</b>	<b>2,182,994</b>
<b>Balance, June 30, 2017</b>	<b>\$ 2,877,056</b>	<b>\$ 42,657</b>	<b>\$ 2,919,713</b>

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

	Canada		Total for Year ended December 31, 2016
	Yukon Territory	TAG BC	
<b>Property acquisition costs</b>			
Balance, beginning of year	\$ 725,765	\$ 1	\$ 725,766
Cash option payment received	(60,000)	-	(60,000)
Cash option payment paid	50,000	-	50,000
Common shares received under agreements	(66,000)	-	(66,000)
Common shares issued under agreements	37,500	-	37,500
Staking and related cost	30,438	-	30,438
<b>Balance, end of year</b>	<b>717,703</b>	<b>1</b>	<b>717,704</b>
<b>Exploration and evaluation costs</b>			
Balance, beginning of year	2,067,217		2,067,217
Costs incurred during year:			
Drilling, labour and related costs	45,907	40,106	86,103
Reimbursements	(3,190)	-	(3,190)
<b>Balance, end of quarter</b>	<b>2,109,934</b>	<b>42,106</b>	<b>2,150,040</b>
<b>Balance, March 31, 2017</b>	<b>\$ 2,827,637</b>	<b>\$ 40,107</b>	<b>\$ 2,867,744</b>

**7. Exploration and evaluation assets (cont'd)****a) TAG Gold Silver Property, Atlin Mining Division of British Columbia**

The Company holds a 100% interest in the TAG property subject to 2.5% net smelter return ("NSR") royalty of which 1.5% can be purchased on the basis of \$500,000 per 0.5% at any time prior to commercial production. At December 31, 2013, the Company recorded a full impairment on the property of \$4,388,599 due to limited exploration activity. The remaining \$1 represents the claims still held. As at March 31, 2017 the Company holds 22 claims. Assessment work was done in 2016 (\$40,106) and Q1 2017 (\$2,550) to keep the claims in good standing.

**b) Yukon Territory, Canada**

Six months ended June 30, 2017		Balance beginning	Common shares issued under option agreement	Staking and related costs	Advance royalty payment	Cash option payment	Common shares issued received under option agreement	Total
<b>Acquisition costs</b>								
Rosebute Property	(i)	\$ 296,089	-	-	-	-	-	\$ 296,089
Bishop-Montana Property	(ii)	8,600	-	-	-	-	-	8,600
Quartz Property	(ii)	50,371	-	-	-	-	-	50,371
Sulphur Property	(iv)	273,083	-	-	-	-	-	273,083
Wounded Moose Property	(v)	45,222	-	-	-	-	-	45,222
McQ Property	(vi)	44,338	-	-	-	-	-	44,338
<b>Balance June 30, 2017</b>		<b>\$ 717,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 717,703</b>

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

**7. Exploration and evaluation assets (cont'd)**

**(i) Rosebute Property, Dawson Mining Division**

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

In 2016, Taku signed an option agreement with Independence Gold Corp. ("Independence") whereby Independence could have acquired 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 scheduled over a three year period. Subsequent to year-end, Independence terminated the option agreement.

**(ii) Bishop-Montana Property, Dawson Mining Division**

The Company holds a 100% interest in the Bishop-Montana property. In 2014, the Company recorded a final impairment of the costs associated to the Bishop-Montana property, as management did not expect to continue exploration work. In 2016 Taku re-staked part of the Bishop property (\$3,600 represents claim staking costs).

**(iii) 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 the Company may purchase 1.0% for \$1,000,000 and has a right of first refusal to purchase the remaining 1.0%. To date \$25,000 advance royalty payments, deductible against the NSR royalty, have been made. There are no further advance royalty payments due.

**(iv) 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 the Company has the option to purchase 1.0% of the NSR royalty for \$1,000,000 and has a right of first refusal to purchase the remaining 1.0%. To date \$25,000 advance royalty payments, deductible against the NSR royalty, have been made. There are no further advance royalty payments due.

**(v) Wounded Moose Property, Dawson Mining Division**

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

**(vi) McQ Property, Mayo Mining Division**

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



**8. Trade payables and accrued liabilities**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Trade payables and accrued liabilities	\$ 91,235	\$ 55,751
	\$ 91,235	\$ 55,751

**9. Income tax expense and deferred tax assets and liabilities**

***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:

	<b>Six Months June 30, 2017</b>	<b>Year ended December 31, 2016</b>
Loss before income taxes	\$ (139,311)	\$ (319,149)
Statutory tax rate	% 26.00	% 26.00
Expected income tax recovery at the statutory tax rate	\$ (36,000)	\$ (82,979)
Non-deductible items and other	\$ 2,208	\$ 29,555
Change in valuation allowance	\$ 33,795	\$ 53,424
Income tax recovery	\$ -	\$ -

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Exploration and evaluation assets	\$ 1,567,207	\$ 1,515,238
Loss carry-forwards	6,556,593	6,556,593
Share issuance costs	2,208	8,520
Capital assets	358	1,432
Valuation allowance	\$ (8,126,366)	\$ (8,081,783)
Net deferred income tax asset (liability)	\$ -	\$ -

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

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

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

**10. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

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

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

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

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

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

During May 2017, the Company issued 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. Each warrant entitles the holder to acquire one common share at \$0.12 per share for a period of two years. Cash commissions of \$11,430 were paid as part of the private placement.

During June 2017, the Company issued 50,000 units at a price of \$0.12 per unit for gross proceeds of \$6,000 for the exercise of warrants.

At June 30, 2017 there were 18,314,514 issued and fully paid common shares (December 31, 2016 14,216,514).

***Basic and diluted loss per share***

The calculation of basic and diluted loss per share for the three months ended June 30, 2017 was based on the loss attributable to common shareholders of \$139,311 (2016 - \$19,575) and the weighted average number of common shares outstanding of 18,314,514 (2016 – 13,666,515).

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

**10. Share capital (con't)**

***Stock options***

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

All options granted under the Plan shall vest and become exercisable on the date of grant, except options granted to consultants performing investor relations activities, which options must vest over twelve months with no more than one quarter of the options vesting in any three month period.

The changes in options during the quarter ended June 30, 2017 are as follows:

<b>Expiry</b>	<b>Price (\$)</b>	<b>Weighted Average Remaining Life (years)</b>	<b>Outstanding January 1, 2017</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled/ Forfeited</b>	<b>Outstanding June 30, 2017</b>
April 15, 2021	0.07	4.0	650,000	-	-	-	650,000
June 30, 2021	0.10	4.3	710,000	-	-	-	710,000
			1,360,000	-	-	-	1,360,000
Weighted average exercise price \$			0.09			-	0.09
Exercisable							1,360,000

The weighted average contractual life remaining of all stock options at June 30, 2017 is 4.15 years.

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

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

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

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

**10. Share capital (con't)**

***Stock options (con't)***

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

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

***Warrants***

Outstanding share purchase warrants at June 30, 2017 were as follows:

<b>Expiry</b>	<b>Price (\$)</b>	<b>Weighted Average Remaining Life (years)</b>	<b>Outstanding January 1, 2017</b>	<b>Granted</b>	<b>Exercised</b>	<b>Cancelled/ Forfeited</b>	<b>Outstanding June 30, 2017</b>
June 20, 2018	0.12	1.20	5,000,000	-	50,000	-	4,950,000
May 19, 2019	0.15	2.10	-	4,050,000	-	-	4,050,000
			5,000,000	4,050,000	50,000	-	9,000,000
Weighted average exercise price \$							0.135
Exercisable							9,000,000

As part of the May 2017 private placement, the Company issued 4,050,000 share purchase warrants, each warrant entitles the holder to acquire one common share at \$0.15 per share for a period of two years.

Outstanding share purchase warrants at December 31, 2016 were as follows:

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

## 11. Reserves

### *Stock option reserve*

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

### *Agent warrant reserve*

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

## 12. Related party transactions

### *Related party balances*

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

	June 30, 2017	December 31, 2016
Directors or companies controlled by directors of the Company	\$ 93,904	\$ 50,396

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

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

	Six Month Ended	
	June 30, 2017	June 30, 2016
Management fees (a)	\$ 30,000	\$ 5,000
Mineral property – exploration expenditures (b)	50,702	-
Professional fees (a)	30,000	-
Office rent and supplies (c)	30,000	5,000
	\$ 140,702	\$ 10,000

- (i) The Company paid \$30,000 (2016 - \$5,000) in management fees to the President of the Company and \$30,000 (2016 - \$NIL) in professional fees to the CFO/Secretary of the Company;
- (ii) The Company paid \$50,702 (2016 - \$NIL) in exploration expenditures to a private company controlled by a director of the Company;
- (iii) The Company paid \$30,000 (2016 - \$5,000) in rent to a private company controlled by two directors of the Company.

## 13. Financial risk management

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

**13. Financial risk management (cont'd)**

***Credit risk***

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

***Liquidity risk***

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

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at June 30, 2017:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 91,235	\$ -	\$ -

***Foreign exchange risk***

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at June 30, 2017, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments are exposed to interest rate fluctuations on renewal.

***Capital Management***

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

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

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

**13. Financial risk management (cont'd)**

***Classification of financial instruments***

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

	June 30, 2017	December 31, 2016
Fair value through profit or loss:		
Cash and cash equivalents	\$ 189,005	\$ 118,022
Reclamation deposits	25,000	25,000
Marketable securities	40,000	40,000
Loans and receivables:	-	-
Other receivables	32,541	19,750
	\$ 286,546	\$ 202,772

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

	June 30, 2017	December 31, 2016
Non-derivative financial liabilities:		
Trade payables	\$ 91,235	\$ 55,751

***Fair value***

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at June 30, 2017 and December 31, 2016:

	As at June 30, 2017		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 189,005	\$ -	\$ -
Marketable securities	40,000	-	-
Reclamation deposits	25,000	-	-
	\$ 254,005	\$ -	\$ -

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

**14. Capital management**

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

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

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

**15. Non-cash transactions**

During the quarter ended June 30, 2017 and December 2016, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Period ended	
	June 30, 2017	December 31, 2016
Fair value of shares issued on acquisition of exploration and evaluation assets	\$ -	\$ 62,500
Included in accounts payable relating to exploration and evaluation assets	-	18,261
Fair value of shares issued on debt settlement	\$ -	\$ -

**16. Subsequent Events**

The company is pleased to report that it has closed the second tranche of the previously announced non-brokered private placement financing. An aggregate of 12,980,000 units ("Units") at a price of \$0.10 per Unit were issued in the Second Tranche for gross proceeds of \$1,298,000.

Each Unit consists of one common share and one common share purchase warrant ("Warrants"); each warrant entitling the holder to acquire one additional common share at \$0.15 for 24 months from the date of issue.

- A. The Company has negotiated the terms of a mineral property option agreement (the "**Agreement**") with Golden Predator Mining Corp. ("**GPY**") whereby the Company will be granted an option to acquire all of GPY's interest in the Sorona Gulch property comprising 259 mineral claims covering approximately 5,414 hectares located in the Dawson Range gold district in west-central Yukon Territory;
- B. To exercise the option, the Company must issue an aggregate of 11,000,000 common shares of the Company ("Shares") to GPY, as to:
- (a) on closing, 4,500,000 Shares;
  - (b) on or before 12 months from closing, 3,500,000 Shares, or that number of Shares equal in value to \$1,400,000 determined at a price per share equal to the volume weighted average price of the Company's shares on the CSE ("VWAP") for the 10 consecutive trading days immediately prior to such anniversary date if the VWAP is greater than \$0.40; and



**16. Subsequent Events (cont'd)**

- (c) on or before 24 months from closing, 3,000,000 Shares, or that number of Shares equal in value to \$1,200,000 determined at a price per share equal to the VWAP for the 10 consecutive trading days immediately prior to such anniversary date if the VWAP is greater than \$0.40.

**KEYNOTE PURCHASE AGREEMENT**

- A. the Corporation desires to enter into a purchase agreement (the "Agreement"), with Karl Ziehe and Cynthia L. MacDonald (the "Vendors") to acquire a 100% interest in the Keynote property ("Keynote") located in the Maya Mining Division of Yukon for total consideration of \$35,000 and 300,000 shares;
- B. the 100% interest in the Properties will be subject to a Net Smelter Returns royalties on smeltable materials constituting of 2.5% on the Keynote claims.