

TAKU GOLD

CORP.

Taku Gold Corp.
(An Exploration Stage Company)

Financial Statements

Years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

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, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with 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 audits 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 operating cash flow and had a deficit of \$19,468,268 as at December 31, 2019 and is dependent upon the future receipt of equity financing to maintain its operations. 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 IFRS, 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.

The image shows a handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
April 24, 2020

Taku Gold Corp.

Statements of Financial Position
December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 5,816	\$ 254,247
Accounts receivable	5	13,674	11,718
Prepaid expenses and deposits		9,659	21,270
Marketable securities	4	10,000	9,000
		<u>39,149</u>	<u>296,235</u>
Reclamation bonds		25,000	25,000
Exploration and evaluation assets	6	5,480,500	4,984,396
		<u>\$ 5,544,649</u>	<u>\$ 5,305,631</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		39,326	19,693
Due to related party	9	66,305	3,360
		<u>\$ 105,631</u>	<u>\$ 23,053</u>
Shareholders' equity			
Share capital	7	21,126,531	20,786,781
Contributed surplus	8	3,780,755	3,760,145
Deficit		(19,468,268)	(19,264,348)
		<u>5,439,018</u>	<u>5,282,578</u>
		<u>\$ 5,544,649</u>	<u>\$ 5,305,631</u>

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, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	2019	2018
Expenses			
Management and consulting fees	9	\$ 62,125	\$ 91,003
Professional fees		40,364	73,476
Office and miscellaneous	9	34,667	28,930
Transfer agent and filing fees		35,037	23,883
Travel and promotion		8,493	14,459
Stock-based compensation	8,9	24,360	111,564
		(205,046)	(343,315)
Other items			
Interest income		126	6,819
Fair value adjustment on marketable securities		1,000	(14,000)
Impairment of mineral properties		-	(252,047)
		1,126	(259,228)
Net loss and comprehensive loss for the year		\$ (203,920)	\$ (602,543)
Basic and diluted loss per share		\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding		43,660,625	39,846,515

Taku Gold Corp.

Statements of Changes in Shareholders' Equity
Years ended December 31, 2019 and 2018
(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	-	-	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
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	-	-	24,360	-	24,360
Net loss and comprehensive loss for the year		-	-	-	(203,920)	(203,920)
Balance, December 31, 2019		45,021,515	\$ 21,126,531	\$ 3,780,755	\$ (19,468,268)	\$ 5,439,018

See accompanying notes to the financial statements

Taku Gold Corp.

Statements of Cash Flows

Years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Notes	<u>2019</u>	<u>2018</u>
Cash provided by (used in):			
Operating activities:			
Net loss for the year		\$ (203,920)	\$ (602,543)
Adjustments for:			
Impairment of mineral properties	6	-	252,047
Stock-based compensation	8	24,360	111,564
Fair value adjustment on marketable securities	4	(1,000)	14,000
Change in non-cash working capital items			
Decrease (increase) in accounts receivables	5	(1,956)	58,999
Decrease in prepaid expenses		11,611	3,671
Increase (decrease) in accounts payable and accrued liabilities		1,889	(8,240)
Increase in due to related party		62,945	-
		<u>(106,071)</u>	<u>(170,502)</u>
Financing activities:			
Options exercised	8	<u>6,250</u>	<u>-</u>
Investing activities:			
Investment in exploration and evaluation assets	6	<u>(148,610)</u>	<u>(1,984)</u>
Change in cash		(248,431)	(172,486)
Cash – beginning of year		<u>254,247</u>	<u>426,733</u>
Cash – end of year		\$ <u>5,816</u>	\$ <u>254,247</u>

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

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 December 31, 2019, the Company had a deficit of \$19,468,268 (2018 - \$19,264,348) and incurred a net loss for the year ended December 31, 2019 of \$203,920 (2018 - \$602,543).

Management estimates that it will require additional financing to fund its operating costs for the upcoming 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

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, 2019. The Board of Directors approved the financial statements for issue on April 24, 2020.

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.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

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.

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

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Provision for environmental reclamation (continued)

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, 2019 and 2018, the Company had 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.

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.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Income taxes (continued)

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.

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.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Share capital (continued)

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 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.

There are some accounting standards or amendments to existing accounting standards that have been issued as of the date of these financial statements but have future effective dates and are either not applicable or not expected to have significant impact on the Company's financial statements.

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.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 December 31, 2019, marketable securities comprise 200,000 common shares (2018 - 200,000) in publicly traded company, Independence Gold Corp., valued at \$10,000 (2018 - \$9,000).

5. ACCOUNTS RECEIVABLE

As at December 31, 2019, accounts receivable consists of goods and services tax of \$13,569 (2018 - \$11,610), and other receivables of \$105 (2018 - \$108). Accounts receivable are valued at amortized cost.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

6. EXPLORATION AND EVALUATION ASSETS

	Sonora Gulch (\$)	Rosebute (\$)	Lucky Joe (\$)	Sulphur (\$)	Quartz (\$)	Wounded Moose (\$)	Korat (\$)	Chopin (\$)	Keynote (\$)	Other Yukon * (\$)	Tagish (\$)	Total (\$)
Acquisition Costs												
Balance – December 31, 2017	900,000	337,135	183,750	273,083	50,371	45,222	183,750	183,750	95,000	273,325	1	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	900,000	368,730	183,750	281,038	51,284	45,222	183,750	183,750	95,000	69,575	1	2,362,100
Option payment - cash	-	25,000	-	-	-	-	-	-	-	35,000	-	60,000
Option payment - shares	308,750	-	-	-	-	-	-	-	-	21,000	-	329,750
Other	735	677	-	-	880	-	-	1,890	-	1,507	-	5,689
Balance – December 31, 2019	1,209,485	394,407	183,750	281,038	52,164	45,222	183,750	185,640	95,000	127,082	1	2,757,539
Exploration & Evaluation Expenditures												
Balance – December 31, 2017	9,232	1,304,430	36,707	1,044,255	80,352	81,144	11,077	3,581	7,467	88,171	42,656	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	9,232	1,306,430	36,707	1,004,255	80,352	81,144	11,077	3,581	7,467	39,395	42,656	2,622,296
Assay	-	4,147	-	-	4,031	-	-	-	-	15,315	-	23,493
Logistics & support	-	337	-	-	150	-	-	-	-	1,250	-	1,737
Personnel	-	29,274	1,800	-	7,760	-	-	-	-	21,032	-	59,866
Transportation	-	5,370	-	-	2,447	-	-	-	-	7,752	-	15,569
Balance – December 31, 2019	9,232	1,345,558	38,507	1,004,255	94,740	81,144	11,077	3,581	7,467	84,744	42,656	2,722,961
Exploration & Evaluation Assets												
Balance – December 31, 2017	909,232	1,641,565	220,457	1,317,338	130,723	126,366	194,827	187,331	102,467	361,496	42,657	5,234,459
Balance – December 31, 2018	909,232	1,675,160	220,457	1,285,293	131,636	126,366	194,827	187,331	102,467	108,970	42,657	4,984,396
Balance – December 31, 2019	1,218,717	1,739,965	222,257	1,285,293	147,424	126,366	194,827	189,221	102,467	215,336	42,657	5,480,500

* Other Yukon includes Bishop-Montana, Portland, Gold Run and Midas properties within the White Gold District; McQ (Keno Hill Gold District), and Forty Mile.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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 (White Gold District), 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 royalty to Golden Predator.
- ***Bishop-Montana*** - no royalty.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Portland Property – Yukon, Canada

During the year ended December 31, 2019, the Company acquired the high-grade Portland Gold 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

During the year ended December 31, 2019, 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 the Company to make cash payments of \$150,000, issue to the vendor 300,000 shares and to incur exploration expenditures on the property totalling \$250,000, all over a five-year period. The vendor was granted a 2% NSR royalty on the property, of which 1% can be repurchased at any time prior to the commencement of commercial production for \$1,500,000. Following completion of the option agreement, an annual advanced minimum royalty payment of \$10,000 will be due. Additionally, if the Company completes a pre-feasibility study on the project that results in a certain dollar value per gold equivalent ounce, the Company will pay \$1,000,000 to the vendor.

During the year ended December 31, 2019, a cash payment of \$7,500 and 150,000 shares were issued under the agreement.

Midas Property – Yukon, Canada

During the year ended December 31, 2019, 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 the Company to make cash payments of \$150,000, issue to the vendor 300,000 shares and to incur exploration expenditures on the property totalling \$250,000, all over a five-year period. The vendor was granted a 2% NSR royalty on the property, of which 1% can be repurchased at any time prior to the commencement of commercial production for \$1,500,000. Following completion of the option agreement, an annual advanced minimum royalty payment of \$10,000 will be due. Additionally, if the Company completes a pre-feasibility study on the project that results in a certain dollar value per gold equivalent ounce, the Company will pay \$1,000,000 to the vendor.

During the year ended December 31, 2019, a cash payment of \$7,500 and 150,000 shares were issued under the agreement.

Other Yukon (Keno Hill Gold District), Canada Properties

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

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

Taku Gold Corp.

Notes to the Financial Statements
Years ended December 31, 2019 and 2018

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%.

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.

7. SHARE CAPITAL

Authorized share capital:

An unlimited number of common shares without par value.

During the year ended December 31, 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). In addition, a fair value of \$3,750 was reallocated from contributed surplus to share capital on the exercise of the options.

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.

Taku Gold Corp.

Notes to the Financial Statements
Years ended December 31, 2019 and 2018

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, 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, December 31, 2019	2,085,000	\$ 0.13
Exercisable, December 31, 2019	1,822,500	\$ 0.14

As at December 31, 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 December 31, 2019, the weighted average remaining life of the outstanding options was 2.43 years (2018 -3.57 years).

During the year ended December 31, 2019, the Company recognized stock-based compensation related to stock options of \$24,360 (2018 - \$111,564).

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:

	2019	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%

Taku Gold Corp.

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8. STOCK OPTIONS AND WARRANTS (CONTINUED)

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, December 31, 2019	-	\$ -

As at December 31, 2019, there were no outstanding share purchase warrants.

9. RELATED PARTY TRANSACTIONS

a) Balances outstanding

As at December 31, 2019, \$66,305 (2018 - \$3,360) was due to a significant shareholder of the Company, Golden Predator Mining Corp., for management and consulting fees, short-term operating loans, rent and other reimbursable expenses. These amounts are non-interest bearing and have no fixed terms of repayment.

b) Key management compensation

During the years ended December 31, 2019 and 2018, the Company paid or accrued the following amounts to Golden Predator, key management (officer and directors), or companies controlled by officers or directors:

	2019	2018
Management and consulting fees	\$ 61,525	\$ 88,740
Office rent and supplies	21,000	24,000
Stock-based compensation	24,360	111,564
Mineral property – exploration expenditure	3,000	2,000
	\$ 109,885	\$ 226,304

10. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended December 31, 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 (Note 7).

Taku Gold Corp.

Notes to the Financial Statements
Years ended December 31, 2019 and 2018

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:

	<u>2019</u>	<u>2018</u>
Loss before income taxes	\$ 203,920	\$ 602,543
Statutory tax rate	27%	27%
Expected income tax recovery at statutory tax rate	55,058	162,687
Non-deductible items and others	(6,851)	(33,937)
Change in valuation allowance	(48,207)	(128,750)
Total income tax recovery	\$ -	\$ -

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

	<u>2019</u>	<u>2018</u>
Deferred Tax Assets		
Exploration and evaluation assets	\$ 1,682,383	\$ 1,682,383
Loss carry-forwards	7,591,230	7,643,087
Share issuance costs	36,904	56,420
Capital assets	-	-
Unrecognized deferred tax assets	\$ 9,310,517	\$ 9,381,890

As at December 31, 2019, the Company has accumulated non-capital losses for Canadian income tax purposes totalling approximately \$7.59 million (2018 - \$7.64 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	244,000
2019	2039	200,000
		<u>\$ 7,591,000</u>

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

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, 2019 and 2018, the Company's carrying values of cash and cash equivalents, accounts receivable, accounts payable and due to related party 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, 2019 and 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 a 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.

Taku Gold Corp.

Notes to the Financial Statements

Years ended December 31, 2019 and 2018

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

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 favourable. As at December 31, 2019, the Company had a working capital deficiency of \$66,482 (2018 – working capital of \$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 December 31, 2019, a 10% fluctuation in the price of the Company's marketable securities would increase or decrease comprehensive loss by \$1,000 (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 years ended December 31, 2019 and 2018.

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Notes to the Financial Statements

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13. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. Efforts to contain the virus have severely limited the mobility of people and businesses, which in turn impacted the Company's abilities to continue with its field activities. While the health and safety of our employees, contractors and community at large remain a high priority, it is not possible for the Company at this time to predict the duration or magnitude of the impact of the pandemic towards the Company's business or results from its operations.