

# **TAKU GOLD**

  


**CORP.**

**(An Exploration Stage Company)**

**Condensed Interim Financial Statements  
(Unaudited – Prepared by Management)**

**Six months ended June 30, 2020 and 2019  
(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**Taku Gold Corp.**Condensed Interim Statements of Financial Position  
(Unaudited – Expressed in Canadian Dollars)

	Notes	June 30, 2020	December 31, 2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 6,782	\$ 5,816
Accounts receivable	5	1,588	13,674
Prepaid expenses and deposits		2,147	9,659
Marketable securities	4	14,000	10,000
		<u>24,517</u>	<u>39,149</u>
Reclamation bonds		25,000	25,000
Exploration and evaluation assets	6	5,507,776	5,480,500
		<u>\$ 5,557,293</u>	<u>\$ 5,544,649</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 19,095	\$ 39,326
Due to related parties	9	114,644	66,305
		<u>133,739</u>	<u>105,631</u>
Shareholders' equity			
Share capital	7	21,151,531	21,126,531
Contributed surplus		3,784,635	3,780,755
Deficit		(19,512,612)	(19,468,268)
		<u>5,423,554</u>	<u>5,439,018</u>
		<u>\$ 5,557,293</u>	<u>\$ 5,544,649</u>

Nature of operations and continuance of operations (Note 1)

Approved by the board of directors:

<u>"C.F. Trey Wasser III"</u>	Director
<u>"Lori Walton"</u>	Director

## Taku Gold Corp.

Condensed Interim Statements of Comprehensive Loss  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

	Notes	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>Expenses</b>					
Management and consulting fees	9	\$ -	\$ 22,125	\$ 12,400	\$ 39,925
Professional fees	9	4,066	12,829	6,240	19,566
Office and miscellaneous	9	3,453	9,147	12,463	18,393
Transfer agent and filing fees		4,629	9,690	7,978	17,381
Travel and promotion		3,350	-	5,402	4,305
Stock based compensation	8,9	1,494	5,503	3,880	14,711
		<u>(16,992)</u>	<u>(59,294)</u>	<u>(48,363)</u>	<u>(114,281)</u>
<b>Other items</b>					
Interest income		-	31	19	63
Fair value adjustment on marketable securities		7,000	(2,000)	4,000	3,000
		<u>7,000</u>	<u>(1,969)</u>	<u>4,019</u>	<u>3,063</u>
<b>Net loss and comprehensive loss for the period</b>					
		<u>\$ (9,992)</u>	<u>\$ (61,263)</u>	<u>\$ (44,344)</u>	<u>\$ (111,218)</u>
<b>Basic and diluted loss per share</b>					
		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares outstanding</b>					
		<u>45,136,900</u>	<u>44,596,515</u>	<u>45,079,207</u>	<u>42,365,852</u>

## Taku Gold Corp.

Condensed Interim Statements of Changes in Shareholders' Equity

Six months ended June 30, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2018</b>	<b>39,846,515</b>	<b>\$ 20,786,781</b>	<b>\$ 3,760,145</b>	<b>\$ (19,264,348)</b>	<b>\$ 5,282,578</b>
Shares issued for property acquisition	4,750,000	308,750	-	-	308,750
Stock-based compensation	-	-	14,711	-	14,711
Net loss and comprehensive loss for the period	-	-	-	(111,218)	(111,218)
<b>Balance, June 30, 2019</b>	<b>44,596,515</b>	<b>\$ 21,095,531</b>	<b>\$ 3,774,856</b>	<b>\$ (19,375,566)</b>	<b>\$ 5,494,821</b>
<b>Balance, December 31, 2019</b>	<b>45,021,515</b>	<b>\$ 21,126,531</b>	<b>\$ 3,780,755</b>	<b>\$ (19,468,268)</b>	<b>\$ 5,439,018</b>
Shares issued for property acquisition	500,000	25,000	-	-	25,000
Stock-based compensation	-	-	3,880	-	3,880
Net loss and comprehensive loss for the period	-	-	-	(44,344)	(44,344)
<b>Balance, June 30, 2020</b>	<b>45,521,515</b>	<b>\$ 21,151,531</b>	<b>\$ 3,784,635</b>	<b>\$ (19,512,612)</b>	<b>\$ 5,423,554</b>

See accompanying notes to the condensed interim financial statements

**Taku Gold Corp.**

Condensed Interim Statements of Cash Flows  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

	<u>2020</u>	<u>2019</u>
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net loss for the period	\$ (44,344)	\$ (111,218)
Adjustments for:		
Stock-based compensation	3,880	14,711
Fair value adjustment on marketable securities	(4,000)	(3,000)
Change in non-cash working capital items		
Accounts receivables	12,086	6,847
Prepaid expenses	7,512	14,241
Accounts payable and accrued liabilities	(9,196)	27,181
Due to related parties	27,339	-
	<u>(6,723)</u>	<u>(51,238)</u>
<b>Financing activities:</b>		
Due to related party	<u>21,000</u>	-
<b>Investing activities:</b>		
Investment in exploration and evaluation assets	<u>(13,311)</u>	<u>(45,945)</u>
<b>Change in cash</b>	<b>966</b>	<b>(97,183)</b>
<b>Cash – beginning</b>	<b>5,816</b>	<b>254,247</b>
<b>Cash – end</b>	<b>\$ 6,782</b>	<b>\$ 157,064</b>

See accompanying notes to the condensed interim financial statements

## **Taku Gold Corp.**

Condensed Interim Statements of Cash Flows  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### **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 condensed interim 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 June 30, 2020, the Company had accumulated deficit of \$19,512,612 (December 31, 2019 - \$19,468,268) and incurred a net loss for the period ended June 30, 2020 of \$44,344 (2019 - \$111,218).

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 condensed interim 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.

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 team, 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.

## **Taku Gold Corp.**

Condensed Interim Statements of Cash Flows  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Basis of presentation**

The condensed interim financial statements have been prepared in accordance with the International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these condensed interim financial statements are based on IFRS issued and effective as of June 30, 2020. The Board of Directors approved the condensed interim financial statements for issue on August 24, 2020.

#### **b. Basis of measurement**

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

#### **c. Significant accounting policies**

These condensed interim financial statements follow the same accounting policies and methods of computation as the most recent audited annual financial statements of the Company for the year ended December 31, 2019. Accordingly, these condensed interim financial statements should be read in conjunction with the Company’s most recent annual audited financial statements.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Company’s condensed interim 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 condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim 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.



## **Taku Gold Corp.**

Condensed Interim Statements of Cash Flows  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

#### Valuation of share-based payments

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

#### Going concern

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

### **4. MARKETABLE SECURITIES**

As at June 30, 2020, marketable securities comprise 200,000 common shares (December 31, 2019 - 200,000) in publicly traded company, Independence Gold Corp., valued at \$14,000 (December 31, 2019 - \$10,000).

### **5. ACCOUNTS RECEIVABLE**

As at June 30, 2020, accounts receivable consists of goods and services tax of \$1,588 (December 31, 2019 - \$13,569). Accounts receivable are valued at amortized cost.

## Taku Gold Corp.

Notes to the Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

### 6. EXPLORATION AND EVALUATION ASSETS

	Sonora Gulch (\$)	Rosebute (\$)	Lucky Joe (\$)	Sulphur (\$)	Quartz (\$)	Wounded Moose (\$)	Korat (\$)	Chopin (\$)	Keynote (\$)	Other Yukon *	Tag (\$)	Total (\$)
<b>Acquisition Costs</b>												
<b>Balance – December 31, 2018</b>	<b>900,000</b>	<b>368,730</b>	<b>183,750</b>	<b>281,038</b>	<b>51,284</b>	<b>45,222</b>	<b>183,750</b>	<b>183,750</b>	<b>95,000</b>	<b>69,575</b>	<b>1</b>	<b>2,362,100</b>
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
<b>Balance – December 31, 2019</b>	<b>1,209,485</b>	<b>394,407</b>	<b>183,750</b>	<b>281,038</b>	<b>52,164</b>	<b>45,222</b>	<b>183,750</b>	<b>185,640</b>	<b>95,000</b>	<b>127,082</b>	<b>1</b>	<b>2,757,539</b>
Option payment - shares	-	25,000	-	-	-	-	-	-	-	-	-	25,000
Other	-	1,138	1,138	-	-	-	-	-	-	-	-	2,276
<b>Balance – June 30, 2020</b>	<b>1,209,485</b>	<b>420,545</b>	<b>184,888</b>	<b>281,038</b>	<b>52,164</b>	<b>45,222</b>	<b>183,750</b>	<b>185,640</b>	<b>95,000</b>	<b>127,082</b>	<b>1</b>	<b>2,784,815</b>
<b>Exploration &amp; Evaluation Expenditures</b>												
<b>Balance – December 31, 2018</b>	<b>9,232</b>	<b>1,306,430</b>	<b>36,707</b>	<b>1,004,255</b>	<b>80,352</b>	<b>81,144</b>	<b>11,077</b>	<b>3,581</b>	<b>7,467</b>	<b>39,395</b>	<b>42,656</b>	<b>2,622,296</b>
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
<b>Balance – December 31, 2019 and June 30, 2020</b>	<b>9,232</b>	<b>1,345,558</b>	<b>38,507</b>	<b>1,004,255</b>	<b>94,740</b>	<b>81,144</b>	<b>11,077</b>	<b>3,581</b>	<b>7,467</b>	<b>84,744</b>	<b>42,656</b>	<b>2,722,961</b>
<b>Exploration &amp; Evaluation Assets</b>												
<b>Balance – December 31, 2019</b>	<b>1,218,717</b>	<b>1,739,965</b>	<b>222,257</b>	<b>1,285,293</b>	<b>146,904</b>	<b>126,366</b>	<b>194,827</b>	<b>189,221</b>	<b>102,467</b>	<b>211,826</b>	<b>42,657</b>	<b>5,480,500</b>
<b>Balance – June 30, 2020</b>	<b>1,218,717</b>	<b>1,766,103</b>	<b>223,395</b>	<b>1,285,293</b>	<b>146,904</b>	<b>126,366</b>	<b>194,827</b>	<b>189,221</b>	<b>102,467</b>	<b>211,826</b>	<b>42,657</b>	<b>5,507,776</b>

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

## **Taku Gold Corp.**

Notes to the Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### **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.

#### ***Rosebute Property – Yukon, Canada***

The Company holds 100% of the Rosebute property 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).

#### ***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.

During the year ended December 31, 2019, the Company also entered into option agreements to acquire 100% of the adjacent Gold Run and Midas properties in the Yukon’s White Gold District to consolidate a larger land position. Both property agreements have the same following terms to complete the options:

- a) cash payments of \$150,000
- b) issue to the vendor 300,000 shares
- c) incur exploration expenditures totalling \$250,000, all over a five-year period.

The vendor was granted a 2% NSR royalty on each of the properties, 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 agreements, an annual advanced minimum royalty payment of \$10,000 will be due. Additionally, if the Company completes a pre-feasibility study on the projects that result 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 each of the agreements.

## Taku Gold Corp.

Notes to the Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### 6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

#### *Other Yukon (White Gold District), Canada Properties*

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

- **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.

#### *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.

#### *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%.

Subsequent to June 30, 2020, the Company entered into an agreement with Engineer Gold Mines Ltd. (“Engineer”) for the sale of a 100% interest in the TAG property (“Property”) located near Atlin, BC for considerations of up to \$1,200,000 plus a 1.0% NSR royalty, which can be purchased by Engineer for \$1,000,000. Closing of the transaction is subject to completion of a definitive agreement based on the key terms outlined in the binding Memorandum of Understanding (“MOU”). The MOU outlines the following considerations to the Company in exchange for the TAG Property:

- \$200,000 in cash (\$100,000 received subsequent to June 30, 2020) and an additional \$100,000 due on or before November 30, 2020;
- \$330,000 in shares based on the issuance of 2,000,000 common shares of Engineer at \$0.165 within five days of applicable stock exchange approvals of a definitive agreement;
- \$250,000 in advance royalty payments over ten years, payable in cash or shares;
- \$500,000 payment upon on completion of a Preliminary Economic Assessment or Feasibility Study that includes mineral resources located within the Property; and
- A 1.0% Net Smelter Return royalty, which can be purchased by Engineer for \$1,000,000 in cash.

## Taku Gold Corp.

Notes to the Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### 7. SHARE CAPITAL

Authorized share capital:

An unlimited number of common shares without par value.

During the period ended June 30, 2020, the Company:

- Issued 500,000 common shares valued at \$25,000 in connection with the Rosebute property (Note 6).

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.

### 8. STOCK OPTIONS AND WARRANTS

#### Stock options

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

Stock option transactions are summarized as follows:

	Outstanding Options	Weighted Average Exercise Price
<b>Balance, December 31, 2018</b>	<b>1,910,000</b>	<b>\$ 0.14</b>
Granted	300,000	0.07
Exercised	(125,000)	0.05
<b>Balance, December 31, 2019</b>	<b>2,085,000</b>	<b>\$ 0.13</b>
Expired/Cancelled	(625,000)	0.14
<b>Balance, June 30, 2020</b>	<b>1,460,000</b>	<b>\$ 0.13</b>
<b>Exercisable, June 30, 2020</b>	<b>1,335,000</b>	<b>\$ 0.13</b>

## Taku Gold Corp.

Notes to the Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
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### 8. STOCK OPTIONS AND WARRANTS (CONTINUED)

#### Stock options (continued)

As at June 30, 2020, outstanding incentive stock options were as follows:

<b>Expiry Date</b>	<b>Outstanding Options</b>	<b>Exercise Price (\$)</b>
April 15, 2021	130,000	0.07
June 30, 2021	30,000	0.10
June 1, 2022	100,000	0.07
August 6, 2022	200,000	0.07
September 8, 2022	400,000	0.20
December 15, 2022	600,000	0.13
	<b>1,460,000</b>	<b>0.13</b>

During the period ended June 30, 2020, the Company recognized stock-based compensation related to stock options of \$3,880 (2019 - \$14,711).

The fair value of the options granted was estimated on the grant dates using the Black-Scholes option pricing model. No options were granted during the six months ended June 30, 2020. The assumptions used in calculating the fair values for options granted during the year ended December 31, 2019 were as follows:

	<b>2019</b>
Risk-free interest rate	1.34%
Expected life of option	3.0 years
Expected dividend yield	0%
Expected stock price volatility	189%

#### Warrants

Share purchase warrant transactions are summarized as follows:

	<b>Outstanding Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
<b>Balance, December 31, 2018</b>	<b>17,911,100</b>	<b>\$ 0.15</b>
Expired	(17,911,100)	0.15
<b>Balance, December 31, 2019 and June 30, 2020</b>	<b>-</b>	<b>-</b>

## Taku Gold Corp.

Notes to the Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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### 9. RELATED PARTY TRANSACTIONS

#### a) Balances outstanding

As at June 30, 2020, \$110,969 (December 31, 2019 - \$66,305) 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. As at June 30, 2020, \$3,675 (December 31, 2019 - \$nil) was due to an accounting firm in which the Chief Financial Officer is a partner. These amounts are non-interest bearing and have no fixed terms of repayment.

#### b) Key management compensation

During the six months ended June 30, 2020 and 2019, the Company paid or accrued the following amounts to Golden Predator, key management (officer and directors), or companies controlled by officers or directors:

	<u>2020</u>	<u>2019</u>
Management and consulting fees	\$ 12,400	\$ 39,325
Office rent and supplies	4,500	12,000
Professional fees	3,500	-
Stock-based compensation	3,317	13,743
	<u>\$ 23,717</u>	<u>\$ 65,068</u>

### 10. SUPPLEMENTARY CASH FLOW INFORMATION

Significant non-cash transactions during the period ended June 30, 2020 included:

- (a) \$25,000 in shares issued for exploration and evaluation assets acquisition

Significant non-cash transactions during the period ended June 30, 2019 included:

- (a) \$308,750 in shares issued for exploration and evaluation assets acquisition

### 11. FINANCIAL INSTRUMENTS

#### Fair value

Financial instruments include cash and any contract that give rise to a financial asset to one party and a financial liability or equity instrument to another party. As at June 30, 2020 and December 31, 2019, 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.

## Taku Gold Corp.

Notes to the Condensed Interim Financial Statements  
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### 11. FINANCIAL INSTRUMENTS (CONTINUED)

#### **Fair value (continued)**

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;  
and

Level 3 – Inputs that are not based on observable market data.

As at June 30, 2020 and December 31, 2019, 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 Condensed Interim Financial Statements  
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### 11. 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 June 30, 2020, the Company had a working capital deficiency of \$109,222 (December 31, 2019 – deficiency of \$66,482).

##### 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 June 30, 2020, a 10% fluctuation in the price of the Company's marketable securities would not have a significant effect on net loss.

#### 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 period ended June 30, 2020.