



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2021 AND 2020**

*(Unaudited - expressed in Canadian dollars)*

**JAPAN GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**March 31, 2021**

**Notice of No Auditor Review**

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three month period ended March 31, 2021 have been prepared by the Company's management and approved by the Audit Committee and Board of Directors of the Company.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements.

**JAPAN GOLD CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Expressed in Canadian dollars)

<b>As at</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 1,040,604	\$ 2,368,000
Restricted cash (Note 4)	42,978	1,004,412
Accounts receivable	519,519	90,548
Prepaid expenses and deposits	183,356	253,766
	1,786,457	3,716,726
<b>Non-Current Assets</b>		
Deposit	103,188	106,583
Exploration and evaluation assets (Note 4)	15,752,051	16,304,050
Property, plant and equipment (Note 5)	327,583	385,368
Software	12,101	13,882
Right of use asset (Note 6)	107,535	129,879
	\$ 18,088,915	\$ 20,656,488
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 399,710	\$ 1,020,625
Current portion of lease liability (Note 7)	53,393	72,995
	453,103	1,093,620
<b>Non-Current Liabilities</b>		
Lease liability (Note 7)	32,439	34,725
	485,542	1,128,345
<b>Shareholders' equity</b>		
Share capital (Note 8)	37,814,244	37,750,321
Contributed surplus	5,094,828	4,967,021
Accumulated other comprehensive income (loss)	(1,000,373)	316,723
Deficit	(24,305,326)	(23,505,922)
	17,603,373	19,528,143
<b>Total shareholders' equity</b>	17,603,373	19,528,143
<b>Total liabilities and shareholders' equity</b>	\$ 18,088,915	\$ 20,656,488

Nature and continuance of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issuance on May 27, 2021:

**On behalf of the Board of Directors**"Murray Flanigan" Director"John Proust" Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**JAPAN GOLD CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

For the periods ended	March 31, 2021	March 31, 2020
<b>Expenses</b>		
Audit	\$ 14,800	\$ 12,500
Consulting (Note 9)	85,190	73,730
Depreciation	1,933	513
Director fees	38,222	21,318
Filing and regulatory	29,096	21,355
Foreign exchange loss	40,094	29,088
Occupancy and office (Note 9)	72,726	82,823
Insurance	10,322	12,251
Investor relations	129,594	111,565
Management fees (Note 9)	141,000	141,000
Marketing	-	13,127
Professional fees	23,028	146,703
Project evaluation (Note 9)	81,850	195,834
Share-based compensation (Note 8)	127,807	116,256
Transfer agent	1,861	1,470
Travel	5,281	15,007
<b>Loss before other items</b>	<b>\$ 802,804</b>	<b>\$ 994,540</b>
<b>Other items</b>		
Financing expense	3,922	14,934
Interest income	(7,322)	(27,901)
	(3,400)	(12,967)
<b>Net loss for the period</b>	<b>799,404</b>	<b>981,573</b>
Foreign exchange loss (gain) on translation of foreign operations	1,317,096	(1,076,701)
<b>Net comprehensive loss (income) for the period</b>	<b>\$ 2,116,500</b>	<b>\$ (95,128)</b>
<b>Loss per share</b>		
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>	<b>175,955,245</b>	<b>140,099,839</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**JAPAN GOLD CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian dollars)

<b>For the periods ended</b>	March 31, 2021	March 31, 2020
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (799,404)	\$ (981,573)
Adjustments for:		
Share-based compensation (Note 8)	127,807	116,256
Depreciation (Note 5)	1,933	513
Financing expense	3,922	14,934
Impairment (Note 4)	-	-
Interest income	(7,322)	(27,901)
Interest received	7,322	27,901
Unrealized foreign exchange loss	(69,359)	-
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses and deposits	607,461	(24,749)
Accounts payable and accrued liabilities	(441,972)	84,831
<b>Net cash used in operating activities</b>	<b>(569,612)</b>	<b>(789,788)</b>
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditure (Note 4)	(839,874)	(1,182,698)
Acquisition of property, plant and equipment and software (Note 5)	(5,092)	-
<b>Net cash used in investing activities</b>	<b>(844,966)</b>	<b>(1,182,698)</b>
<b>Cash flows from financing activities</b>		
Proceeds received from exercise of warrants	63,923	-
Lease payments (Note 7)	(18,655)	(19,510)
Loan from related party (Note 9)	-	1,000,000
Cash financing expense paid on related party loan	-	(50,000)
<b>Net cash from financing activities</b>	<b>45,268</b>	<b>930,490</b>
<b>Change in cash and cash equivalents during the period</b>	<b>\$ (1,369,310)</b>	<b>\$ (1,041,996)</b>
Effect of foreign exchange on cash and cash equivalents	41,914	(266)
Cash and cash equivalents, beginning of the period	2,368,000	1,452,270
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 1,040,604</b>	<b>\$ 410,008</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**JAPAN GOLD CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS ENDED MARCH 31, 2021 AND MARCH 31, 2020

(Unaudited - Expressed in Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, December 31, 2020	175,873,030	\$37,750,321	\$4,967,021	\$ 316,723	\$ (23,505,922)	\$ 19,528,143
Shares issued for the exercise of warrants	200,260	\$63,923	-	-	-	63,923
Share-based compensation	-	-	127,807	-	-	127,807
Net loss for the period	-	-	-	-	(799,404)	(799,404)
Foreign currency translation	-	-	-	(1,317,096)	-	(1,317,096)
Balance, March 31, 2021	176,073,290	37,814,244	5,094,828	(1,000,373)	(24,305,326)	17,603,373

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, December 31, 2019	140,099,839	\$29,078,168	\$4,021,854	\$ (17,838)	\$ (19,792,250)	\$ 13,289,934
Non-cash financing expense	-	-	35,609	-	-	35,609
Share-based compensation	-	-	116,256	-	-	116,256
Net loss for the period	-	-	-	-	(981,573)	(981,573)
Foreign currency translation	-	-	-	1,076,701	-	1,076,701
Balance, March 31, 2020	140,099,839	29,078,168	4,173,719	1,058,863	(20,773,823)	13,536,927

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Japan Gold Corp. (“Japan Gold” or “the Company”) was incorporated under the laws of British Columbia.

The Company is exploring and evaluating mineral properties across the three largest islands of Japan: Hokkaido, Honshu and Kyushu. The Company’s head office is at Suite 650-669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “JG” and on the OTC Markets (“OTCQB”) under the symbol “JGLDF”.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations to date. For the three-month period ended March 31, 2021, the Company incurred negative cash flows from operations of \$569,612 and recorded a net loss of \$799,404. These conditions result in material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company expects that it will require additional debt or equity funding in the next 12 months in order to continue its planned exploration and evaluation activities and meet its business objectives. The Company plans to raise the necessary funds primarily through issuance of common shares. The Company’s ability to continue as a going concern is dependent on its ability to successfully raise additional funds. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Furthermore, in March 2020, the novel coronavirus outbreak (“COVID-19”) was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company’s business are not known at this time. These impacts could include an impact on the Company’s ability to obtain debt and equity financing to fund ongoing exploration activities as well as its ability to explore and conduct business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of presentation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements.

These unaudited condensed consolidated interim financial statements were approved for issuance by the Company’s Board of Directors on May 27, 2021.

**Basis of consolidation**

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Japanese subsidiary, Japan Gold KK (“JGKK”). All intercompany balances and transactions have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control over an investee is defined to exist when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES****Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021, the Company applied the critical judgments and estimates disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2020.

**3. CASH AND CASH EQUIVALENTS**

As at March 31, 2021, the balance of cash and cash equivalents is \$1,040,604 (December 31, 2020 - \$2,368,000) of which \$894,500 (December 31, 2020 - \$2,223,200) is cash equivalents. During the period ended March 31, 2021, the Company redeemed \$1,303,000 of GIC's to fund operations.

**4. EXPLORATION AND EVALUATION ASSETS**

	Ikutahara project	Ohra-Takamine project	Tobaru project	Kamitsue project	Aibetsu project	Total
<b>Balance, December 31, 2020</b>	\$ 11,868,719	\$ 4,412,619	\$ 5,726	\$ 13,956	\$ 3,030	\$ 16,304,050
Geoscience - consulting	193,304	257,685	-	-	-	450,989
Drilling	-	27,198	-	-	-	27,198
Insurance	8,016	968	-	-	-	8,984
Depreciation	28,023	15,938	-	-	-	43,961
Travel	16,017	9,163	-	-	-	25,180
Field supplies	30,825	35,118	-	-	-	65,943
Foreign currency translation adjustment	(853,613)	(318,938)	(447)	(1,014)	(242)	(1,174,254)
<b>Balance, March 31, 2021</b>	\$ 11,291,291	\$ 4,439,751	\$ 5,279	\$ 12,942	\$ 2,788	\$ 15,752,051

The Company's current project portfolio consists of 89 prospecting rights licenses and 693 prospecting rights license applications for a combined area of 212,482 hectares over 31 separate projects on the three main islands of Japan. See below for a summary of the Company's current Prospecting Rights:

- 38 prospecting rights licenses have been granted at the Ikutahara Project (13,286 hectares)
- 11 prospecting rights licenses at the Ohra-Takamine Project (3,705 hectares)
- 4 prospecting rights licenses at the Tobaru Project (1,347 hectares)
- 12 prospecting rights licenses at the Kamitsue Project (4,069 hectares)
- 9 prospecting rights licenses at the Aibetsu Project (2,916 hectares)
- 15 Prospecting Rights at the Ebino Project

On February 24, 2020, the Company entered into a country wide alliance with Barrick Gold Corporation ("Barrick") to jointly explore, develop and mine certain gold mineral properties in Japan (the "Barrick Alliance"). The Barrick Alliance covers 29 out of 31 projects currently held by JGKK. The Barrick Alliance does not include the Ikutahara Project in Hokkaido or the Ohra-Takamine Project in Kyushu and the Company will continue to advance these two projects independently. Barrick will fund a 2-year Initial Evaluation Phase of each project (minimum funding of US\$3 million per year) as well as a subsequent 3-year Second Evaluation Phase on projects (minimum funding of



**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS (continued)**

US\$4 million per year) which meet Barrick's criteria. The Company will act as the Manager of each project, subject to Barrick's right at any time to become the Manager of a project. Barrick may identify a project as a Designated Project at any time during the Initial Evaluation Phase or the Second Evaluation Phase and elect to sole fund to completion of a pre-feasibility study ("PFS"). Upon completion of a PFS, Barrick will earn a 51% interest in the Designated Project. Barrick may elect to continue to sole fund a Designated Project following the completion of a PFS to a bankable feasibility study ("BFS"). Barrick's interest in the Designated Project at the completion of the BFS will increase to 75%. Where Barrick has elected to sole fund a Designated Project through to completion of a BFS, Japan Gold will be fully carried through completion of the BFS and retain a 25% interest in the Designated Project. Barrick and Japan Gold established a Technical Committee to, among other matters, provide input in respect of the preparation of programs and budgets for, and the conduct of operations on, projects that are part of the Barrick Alliance. All programs and budgets for projects that are part of the Barrick Alliance will be subject to approval by Barrick. Under the terms of the Barrick Alliance agreement, if Barrick acquires common shares of Japan Gold and Barrick's ownership interest in Japan Gold is at least 10%, Barrick will have the right, but not the obligation, to appoint a nominee to Japan Gold's Board of Directors.

During the period ended March 31, 2021, Barrick paid \$Nil (December 31, 2020 - \$2,755,560 (US\$2,054,089)) to the Company as partial funding for the Initial Evaluation Phase and US\$2,445,508 was incurred on the projects covered under the Barrick Alliance. On receipt of funds from Barrick, the Company records amounts received as restricted cash with an offsetting payable to Barrick. The payable to Barrick is decreased as qualifying expenditures are incurred. As at March 31, 2021, \$42,978 (December 31, 2020, \$1,004,412 (US\$788,888)) is recorded as restricted cash representing amounts funded by Barrick in excess of amounts paid for exploration and evaluation expenditures, of which \$538,201 (US\$427,993) is to be released to the Company for expenditures incurred as of March 31, 2021 on behalf of the Barrick Alliance.

Subsequent to the period ended March 31, 2021, the Company received partial funding from Barrick of US\$2,022,536 for the second year of the Initial Evaluation Phase regional program.

**5. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Heavy Equipment</b>	<b>Vehicles</b>	<b>Building</b>	<b>Land</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
<b>At December 31, 2020</b>	<b>825,565</b>	<b>122,813</b>	<b>66,506</b>	<b>12,657</b>	<b>272,436</b>	<b>1,299,977</b>
Purchases	-	-	-	-	5,092	5,092
Foreign currency translation adjustment	(66,179)	(9,845)	(5,331)	(1,015)	(22,086)	(104,456)
<b>At March 31, 2021</b>	<b>\$ 759,386</b>	<b>\$ 112,968</b>	<b>\$ 61,175</b>	<b>\$ 11,642</b>	<b>\$ 255,442</b>	<b>\$ 1,200,613</b>
<b>Accumulated depreciation</b>						
<b>At December 31, 2020</b>	<b>\$ 600,340</b>	<b>\$ 121,088</b>	<b>\$ 57,258</b>	<b>\$ -</b>	<b>\$ 135,923</b>	<b>\$ 914,609</b>
Depreciation capitalized to exploration and evaluation assets	21,751	834	317	-	8,519	31,421
Depreciation expense	-	-	-	-	1,933	1,933
Foreign currency translation adjustment	\$ (49,178)	\$ (9,747)	\$ (4,605)	-	\$ (11,403)	(74,933)
<b>At March 31, 2021</b>	<b>572,913</b>	<b>112,175</b>	<b>52,970</b>	<b>-</b>	<b>134,972</b>	<b>873,030</b>
<b>Net carrying value, December 31, 2020</b>	<b>\$ 225,225</b>	<b>\$ 1,725</b>	<b>\$ 9,248</b>	<b>\$ 12,657</b>	<b>\$ 136,513</b>	<b>\$ 385,368</b>
<b>Net carrying value, March 31, 2021</b>	<b>\$ 186,473</b>	<b>\$ 793</b>	<b>\$ 8,205</b>	<b>\$ 11,642</b>	<b>\$ 120,470</b>	<b>\$ 327,583</b>

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**6. RIGHT OF USE ASSETS**

On April 1, 2019, the Company entered into a lease with Promincon Pte Ltd. (“PMC”) for drill equipment to be used on its exploration programs for a period of 36 months. A director and officer of Japan Gold has a controlling interest in PMC.

	<b>Right-of-use assets</b>	
At December 31, 2019	\$	185,802
Depreciation		(63,065)
Foreign currency translation adjustment		7,142
At December 31, 2020		129,879
Depreciation		(12,540)
Foreign currency translation adjustment		(9,804)
At March 31, 2021	\$	107,535

Depreciation on right of use assets is included in exploration and evaluation assets.

**7. LEASE LIABILITY**

The lease liability for drilling equipment was initially measured at the present value of the lease payments which are US\$6,000 a month, discounted using the Company’s incremental borrowing rate. of 10%.

	<b>Lease liability</b>	
At December 31, 2019		188,504
Payments		(80,436)
Interest		16,280
Foreign currency translation adjustment		(16,628)
At December 31, 2020	\$	107,720
Payments		(18,655)
Interest		3,923
Foreign currency translation adjustment		(7,156)
At March 31, 2021	\$	85,832
Current portion of lease liability		(53,393)
Long term portion of lease liability	\$	32,439

During the period ended March 31, 2021, the Company expensed \$14,558 (March 31, 2020: \$14,820) related to short term lease arrangements.

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**8. SHARE CAPITAL****Authorized capital**

The Company is authorized to issue an unlimited number of common and preferred shares without par value. There are currently no preferred shares issued and outstanding.

On May 11, 2020 and June 1, 2020, the Company issued a total of 30,278,000 units (the "Units") in a non-brokered private placement (the "Private Placement") at a price of \$0.25 per Unit for gross proceeds of \$7,569,500 to the Company. Southern Arc Minerals Inc. ("Southern Arc"), a significant shareholder at the time, acquired 3,520,000 of these units. In addition, the Company issued 4,000,000 Units at \$0.25 per unit to Southern Arc Minerals to settle a \$1,000,000 loan (note 9). Each Unit consisted of one common share of the Company and one half of a transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.40 per common share for a period of 24 months from the date of closing of the Private Placement. The Warrants are subject to a forced exercise provision if the closing price of the common shares of the Company is equal to or greater than \$0.80 for a period of 10 consecutive trading days.

The Company paid finders a cash commission of \$129,780, issued finders' warrants to purchase 771,120 common shares and paid other cash transaction costs of \$100,038 in connection with the Private Placement. Finders' warrants are exercisable at a price of \$0.25 per common share for a period of 12 months from closing. The fair value of these warrants was determined to be \$71,159 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; weighted average share price of \$0.28; expected life of warrants – 1 year.

**Share options**

The Company has established a "rolling" Share Option Plan (the "Plan") in compliance with the TSX-V's policy for granting share options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. Options have expiry dates of no later than 10 years after the grant date. Vesting of options is determined by the Board of Directors at the time of grant. A summary of the changes in share options is presented below:

	Number of Options	Weighted Average Exercise Price
At December 31, 2019	11,225,000	\$ 0.27
Granted	4,315,000	0.30
Expired	(150,000)	0.20
Outstanding at December 31, 2020	15,390,000	0.27
Outstanding at March 31, 2021	15,390,000	\$ 0.27

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)**

During the year ended December 31, 2020, the Company issued 4,315,000 stock options to certain directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.30 per share for a period of ten years from the date of grant. The vesting terms of these options are 33.33% immediately and 33.33% on the first and second anniversary from the grant date.

The Company recorded share-based compensation expense of \$127,807 for the period ended March 31, 2021, respectively (March 31, 2020: \$116,256), relating to the options granted during the year ended December 31, 2020 as well as additional vesting of options that were granted in the prior years.

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the period ended March 31, 2021 and December 31, 2020:

	<b>May 13, 2020</b>
Risk-free interest rate	0.26%
Expected life of options (in years)	10
Expected volatility	75%
Share price	\$ 0.30
Exercise price	\$ 0.30
Fair value	\$ 0.23
Forfeiture rate	-
Dividend rate	-

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)****Share options (continued)**

The following table summarizes information about the share options outstanding as at March 31, 2021:

<b>Outstanding</b>	<b>Weighted average exercise price</b>	<b>Expiry date</b>	<b>Weighted average remaining life (years)</b>
120,000 \$	0.27	June 3, 2024	3.17
3,974,950	0.40	September 15, 2026	5.46
275,000	0.40	October 28, 2026	5.58
1,525,050	0.16	December 13, 2028	7.71
5,180,000	0.20	January 24, 2029	7.82
4,315,000	0.30	May 13, 2030	9.12
15,390,000 \$	0.27		7.49

As at March 31, 2021, the Company has 10,278,317 exercisable options with a weighted average exercise price of \$0.29.

**Warrants**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2020	44,130,899	\$ 0.40
Expired	(500,000)	0.40
Exercised	(200,260)	0.33
Outstanding at March 31, 2021	43,430,639	\$ 0.40

During the period ended March 31, 2021, 200,260 warrants with a weighted average exercise price of \$0.32 were exercised for proceeds of \$63,923. Additionally, 500,000 warrants expired unexercised.

The following table summarizes information about the warrants outstanding as at March 31, 2021:

<b>Outstanding</b>	<b>Weighted average exercise price</b>	<b>Expiry date</b>	<b>Weighted average remaining life (years)</b>
193,260	0.25	May 8, 2021	0.10
240,000	0.25	May 15, 2021	0.12
235,000	0.25	May 29, 2021	0.16
13,224,379	0.42	August 22, 2021	0.39
7,038,000	0.40	May 8, 2022	1.10
8,525,000	0.40	May 29, 2022	1.16
1,475,000	0.40	June 1, 2022	1.17
12,500,000	0.40	August 9, 2022	1.36
43,430,639 \$	0.40		0.96

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**9. RELATED PARTY TRANSACTIONS****Key management and personnel compensation**

Key management personnel include the officers and directors of the Company. Key management compensation consists of the following:

	Period ended	
	March 31, 2021	March 31, 2020
Management fees	\$ 141,000	\$ 141,000
Project evaluation-consulting	46,423	69,737
Consulting fees	42,000	42,000
Director fees	38,222	21,318
Share-based compensation	445,705	78,342

During the period ended March 31, 2021, the Company incurred \$141,000 (March 31, 2020: \$141,000) in management fees for administrative, finance and accounting services and certain office expenses to a private company controlled by the Chief Executive Officer of the Company. No amounts were payable to the related entity at March 31, 2021 or December 31, 2020.

The Company also incurred \$46,423 in consulting fees for project evaluation to an officer of the Company during the period ended March 31, 2021 (March 31, 2020: \$69,737). As at March 31, 2021, \$8,126 (March 31, 2020: \$18,469) of these fees were outstanding and payable to the officer.

During the period ended March 31, 2021 the Company incurred \$42,000 (March 31, 2020: \$42,000) in consulting fees to a private company controlled by a director of the Company. No amounts are payable to the related entity at March 31, 2021 or December 31, 2020.

**Other related party transactions**

During the period ended March 31, 2021, Southern Arc, a company with common directors and management, charged the Company \$Nil (December 31, 2020: \$110,296) in rent and office expenses. As at March 31, 2021, \$Nil (December 31, 2020: \$5,119) of these fees were included in accounts payable and accrued liabilities.

On March 9, 2020, Southern Arc provided an unsecured non-interest-bearing loan to the Company in the principal amount of \$1,000,000. This Loan was for a 6-month term ending on September 9, 2020. In consideration for the Loan, Southern Arc received an upfront cash fee of \$50,000 and 500,000 non-transferable share purchase warrants exercisable at a price of \$0.40 per share expiring on March 9, 2021. The fair value of these warrants was determined to be \$35,609 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; share price of \$0.32 and exercise price - \$0.40; expected life of warrants – 1 year. On May 11, 2020, the loan was settled in full through the issuance of 4,000,000 Units at \$0.25 per unit (see Note 8). The Company recorded a loss on debt settlement of \$57,693 representing the write off of unamortized transaction costs which is included as part of financing expense.

During the year ended December 31, 2020, the Company received additional advances of \$100,000 from Southern Arc. This balance was repaid during the period. The Company paid a cash financing fee of \$5,000 on this advance.

The above transactions occurred in the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

## JAPAN GOLD CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

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#### 10. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to liquidity risk and market risk, which may have a material effect on cash flows, operations and net loss.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

**Liquidity risk** is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's financial liabilities, including accounts payable and accrued liabilities and the current portion of lease liabilities are classified as current. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due (see also Note 1).

**Credit risk** Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. The Company limits its credit exposure on cash and cash equivalents and restricted cash by holding its deposits mainly with high credit quality financial institutions as determined by credit agencies. The carrying value of these financial assets represents the maximum exposure to credit risk.

**Market risk** is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is currently exposed to interest rate risk to the extent that the cash and short-term investment maintained at the financial institutions are subject to a floating rate of interest. The interest rate risk on the Company's cash and short-term investment is not significant.

The Company operates in Japan and is subject to foreign currency fluctuations primarily on its cash and accounts payable and accrued liabilities denominated in a currency other than Japanese yen ("Yen or ¥"). As at March 31, 2021, this exposure is minimal. Additionally, the Company is exposed to foreign exchange risk on non-Canadian denominated monetary assets and liabilities recorded in Japan Gold Corp. As at March 31, 2021, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$11,900.

#### **Fair value**

IFRS requires disclosure about fair value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

- 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 carrying values of the Company's cash and cash equivalents, restricted cash, accounts receivables, deposits and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

**JAPAN GOLD CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - Expressed in Canadian dollars)

**11. 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, and to maintain a flexible capital structure. The Company considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholder.

The Company currently does not earn any revenue and has relied on existing cash balances and capital financing to fund its operations. The Company is currently not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management in the period ended March 31, 2021.

**12. SEGMENTED INFORMATION**

The breakdown by geographic area as at March 31, 2021 is as follows:

		<b>Canada</b>		<b>Japan</b>	<b>Consolidated</b>
Current assets	\$	1,643,761	\$	142,696	\$ 1,786,457
Non-current assets		-		16,302,458	16,302,458
<b>Total assets</b>		<b>1,643,761</b>		<b>16,445,154</b>	<b>18,088,915</b>
<b>Total liabilities</b>	<b>\$</b>	<b>172,810</b>	<b>\$</b>	<b>312,732</b>	<b>\$ 485,542</b>

The breakdown by geographic area as at December 31, 2020 is as follows:

		<b>Canada</b>		<b>Japan</b>	<b>Consolidated</b>
Current assets	\$	2,569,420	\$	1,147,306	\$ 3,716,726
Non-current assets		-		16,939,762	16,939,762
<b>Total assets</b>		<b>2,569,420</b>		<b>18,087,068</b>	<b>20,656,488</b>
<b>Total liabilities</b>	<b>\$</b>	<b>269,841</b>	<b>\$</b>	<b>858,504</b>	<b>\$ 1,128,345</b>