



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2016 AND 2015**

(Unaudited - expressed in Canadian dollars)

JAPAN GOLD CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2016

Notice of No Auditor Review

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three month period ended September 30, 2016 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)

As at	September 30, 2016	June 30, 2016
Assets		
Current		
Cash	\$ 541,484	\$ 516
Short-term investment (Note 4)	6,330,000	-
Accounts receivable	19,193	-
Prepaid expenses	261,142	7,754
	7,151,819	8,270
Property, plant and equipment (Note 5)	61,607	-
Total assets	\$ 7,213,426	\$ 8,270
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 589,583	\$ 46,104
Due to related party	-	910,835
Total liabilities	589,583	956,939
Shareholders' equity		
Share capital (Note 6)	11,876,296	10,300
Contributed surplus	2,051,483	-
Accumulated other comprehensive income	34,240	-
Deficit	(7,338,176)	(958,969)
Total shareholders' equity	6,623,843	(948,669)
Total liabilities and shareholders' equity	\$ 7,213,426	\$ 8,270

Nature and continuance of operations (Note 1)

Subsequent event (Note 10)

Approved by the Board of Directors and authorized for issuance on March 27, 2017:

On behalf of the Board of Directors"Michael Andrews" Director"John Proust" Director

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

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

(Unaudited - expressed in Canadian dollars)

	Three months ended September 30, 2016	Three months ended September 30, 2015
Expenses		
Audit	\$ 23,250	\$ -
Consulting	190,155	110,175
Filing and regulatory	34,943	-
Foreign exchange gain	(9,242)	(1,055)
General and administrative	73,535	27,298
Insurance	2,541	-
Investor relations	7,212	-
Management fees	24,000	-
Marketing	374,440	-
Professional fees	64,929	-
Share based compensation	2,051,483	-
Transfer agent	13,993	-
Travel	107,569	5,164
Loss before other item	2,958,808	141,582
Other item		
Interest income	-	-
Reverse acquisition cost (Note 2)	4,353,742	-
	4,353,742	-
Net loss for the period	7,312,550	141,582
Exchange difference on transation of foreign currency	(34,240)	-
Net comprehensive loss for the period	\$ 7,278,310	\$ 141,582
Loss per share		
Basic and diluted loss per share	\$ (0.46)	\$ (0.28)
Weighted average number of shares outstanding	15,698,584	500,000

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

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

(Unaudited - expressed in Canadian dollars)

For the period ended	September 30, 2016	September 30, 2015
Cash flows from operating activities		
Net loss for the period	\$ (7,312,550)	\$ (141,582)
Adjustments for:		
Share based compensation	2,051,483	-
Reverse acquisition cost (Note 2)	4,353,742	-
Non-cash portion of foreign exchange	822	(2,512)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	(270,416)	1,278
Accounts payable and accrued liabilities	340,786	25,104
Net cash used in operating activities	\$ (836,133)	\$ (117,712)
Cash flows from investing activities		
Short-term investment	(6,000,000)	-
Acquisition of property, plant and equipment	(61,607)	-
Net cash used in investing activities	(6,061,607)	-
Cash flows from financing activities		
Shares issued from financing, net of share issue cost (Note 6)	6,780,375	-
Cash received from reverse acquisition (Note 2)	646,333	-
Cash received from warrant exercise	12,000	-
Advances from related party	-	179,149
Net cash used in financing activities	7,438,708	179,149
Change in cash during the period	\$ 540,968	\$ 61,437
Cash, beginning of the period	516	5,818
Cash, end of the period	\$ 541,484	\$ 67,255

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

JAPAN GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited - Expressed in Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance, June 30, 2015	500,000	\$ 10,300	\$ -	\$ -	\$ (493,342)	\$ (483,042)
Comprehensive loss for the period	-	-	-	-	(141,582)	(141,582)
Balance, September 30, 2015	500,000	\$ 10,300	\$ -	\$ -	\$ (634,924)	\$ (624,624)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance, June 30, 2016	500,000	\$ 10,300	\$ -	\$ -	\$ (958,969)	\$ (948,669)
Shares issued for RTO	36,764,120	4,873,621	-	-	933,343	\$ 5,806,964
Shares issued for private placement, net	17,500,000	6,780,375	-	-	-	\$ 6,780,375
Share issued for finders' fee	83,625	-	-	-	-	\$ -
Share issued for acquisition cost	500,000	200,000	-	-	-	\$ 200,000
Share based compensation	-	-	2,051,483	-	-	\$ 2,051,483
Warrants exercised	100,000	12,000	-	-	-	\$ 12,000
Loss for the period	-	-	-	-	(7,312,550)	\$ (7,312,550)
Foreign currency translation	-	-	-	34,240	-	\$ 34,240
Balance, September 30, 2016	55,447,745	\$ 11,876,296	\$ 2,051,483	\$ 34,240	\$ (7,338,176)	\$ 6,623,843

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

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Japan Gold Corp. (“Japan Gold” or “the Company”) (previously Sky Ridge Resources Ltd.) was incorporated under the laws of British Columbia.

On September 18, 2016, the Company changed its name to Japan Gold from Sky Ridge Resources Ltd. (“Sky Ridge”) upon completing a transaction (the “Transaction”) in which the Company issued shares to shareholders of Southern Arc Minerals Japan KK (“SAMJ”) to acquire all of SAMJ’s issued and outstanding shares. This resulted in SAMJ becoming a wholly-owned subsidiary of Japan Gold. Following the completion of the Transaction, the Company became the Resulting Issuer and continued trading on the TSX Venture Exchange (“TSX-V”) under the symbol “JG”. See Note 2.

The Company is engaged in the acquisition and exploration of resource properties in Japan. The Company’s head office is at Suite 669 – 650 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

The Company is currently in the process of acquiring and exploring and evaluating potential properties in northern Hokkaido and northern Honshu, Japan. Japan Gold has lodged 148 prospecting rights license applications in Japan, nine of which have been granted as Prospecting Rights.

The Company has not generated significant revenues or cash flows from operations. These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2016, the Company has a working capital of \$6,562,236, representing funds available to cover on-going operating costs. The Company has incurred negative cash flows from operations, recorded a loss of \$7,312,550 for the three months ended September 30, 2016, and has an accumulated deficit of \$7,338,176 as at September 30, 2016.

The Company’s ability to continue on a going concern basis depends on its ability to successfully raise financing. 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. This material uncertainty may cast significant doubt about the Company’s ability to continue as a going concern. These unaudited condensed consolidated interim 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.

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

2. ACQUISITION

On September 18, 2016, the Company closed a transaction with SAMJ whereby the Company acquired all of the issued and outstanding common shares of SAMJ and SAMJ became a wholly-owned subsidiary of the Company. Under the terms of the Transaction, the Company acquired 100% of the issued and outstanding shares of SAMJ by issuing to former SAMJ shareholders 25,000,000 post consolidated share of the Company (the "Acquisition"). In connection with the Acquisition, the Company also completed a financing for gross proceeds of \$7,000,000 for 17,500,000 common shares at a price of \$0.40 per share. The Company also issued 500,000 shares in finders' fee and granted 4,724,950 share options to directors, officers and consultants of the Company exercisable at \$0.40 with a ten year expiry.

In accordance with IFRS 3, *Business Combinations*, the substance of the Acquisition was a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Sky Ridge does not meet the definition of a business under the standard. As a result, under IFRS, the Transaction is accounted for as a capital transaction with SAMJ being identified as the acquirer and the transaction being measured at the fair value of the equity consideration issued to Sky Ridge.

IFRS 2, *Share-based Payments*, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Since SAMJ shareholders have been issued shares with a fair value in excess of the net assets received, IFRS 2 dictates that the difference is recognized in comprehensive loss as a reverse transaction cost.

The fair value of the consideration in the Acquisition is determined by reference to the completed private placement at \$0.40 per share. Accordingly, the value of the share capital (12,214,054 shares) owned by the former shareholders of Sky Ridge at the time of the Transaction was \$4,885,622.

The allocation of the purchase price of the reverse transaction cost is as follows:

<u>Purchase price</u>		
Number of shares held by former shareholders of Sky Ridge		12,214,054
Share price	\$	0.40
Total consideration	\$	4,885,622
 <u>Fair value of net liabilities of Sky Ridge prior to the Acquisition</u>		
Cash	\$	658,333
Other receivable		2,165
Short-term investments		330,000
Payables		(3,000)
Net assets assumed	\$	987,498
		(3,898,124)
Transaction cost		(255,618)
Finders' fee		(200,000)
Reverse acquisition cost	\$	(4,353,742)

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These 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 financial statements were approved for issuance by the Company’s Board of Directors on March 27, 2017.

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. Revisions to accounting estimates are recognized in the period in which the estimate is revised and 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 current circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

- i) The estimated fair value of the Company’s financial assets and liabilities, are by their nature, subject to measurement uncertainty.
- ii) The application of the Company’s accounting policy for exploration expenditure requires estimates in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

- i) The Company’s assessment of its ability to continue as a going concern requires judgments about whether sufficient financing will be obtained in the near term. See Note 1.
- ii) The Company’s assessment of its functional and reporting currency of the legal parent company is denominated in Canadian dollars while the functional currency at the subsidiary is denominated in the Japanese Yen.

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration properties

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation, in addition to acquisition costs, are recognized and capitalized by geographical area. Prior to receiving legal rights, the costs are expensed. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration activities, including general administrative overhead costs, are expensed in the period in which they occur.

If economically recoverable ore reserves are developed, capitalized costs of the related property are first tested for impairment and then reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration property is impaired, that property is written down to its estimated fair value. An exploration property is reviewed for impairment annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Foreign currency transactions

The functional and reporting currency of the legal parent company is the Canadian dollar while the functional currency of the subsidiary company is the Japanese Yen. Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which these deductions can be applied. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company would recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

On initial recognition, all financial assets and financial liabilities, including derivatives, are recorded at fair value. All transactions related to financial instruments are recorded on a trade date basis. The directly attributable transaction costs of financial assets and liabilities are included in the carrying value of financial assets and liabilities except transaction costs related to financial assets and liabilities classified as fair value through profit or loss, which are expensed in the period they are incurred. Subsequently, derivatives are measured at fair value and changes in fair value are recognized in profit or loss. For other financial assets and liabilities, subsequent measurement is as follows:

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any assets classified as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash is classified as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company has not classified any financial assets as available-for-sale.

All financial assets except for those recognized at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company has not classified any financial liabilities as fair value through profit or loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities and due to related parties, which are recognized at amortized cost using the effective interest method of amortization.

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and pronouncements

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.
- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.
- IFRS 16 - Leases. This IFRS, which supersedes IAS 17 - Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied.

The Company does not expect to apply these standards prior to their mandatory effective date and will assess their impact at that time.

4. SHORT-TERM INVESTMENT

As part of the Acquisition, the Company received \$330,000 in a short-term investment in the form of a Guaranteed Investment Certificate ("GIC"). This GIC is held in an investment account earning interest at a rate of between 0.6% and 0.8% per annum and can be redeemed at any time. During the period ended September 30, 2016, the Company purchased an additional \$6,000,000 in GICs.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Property
At June 30, 2016	\$ -
Purchases	58,041
Foreign exchange	3,566
At September 30, 2016	\$ 61,607
Accumulated depreciation	
At June 30, 2016	\$ -
Depreciation	-
Foreign exchange	-
At September 30, 2016	\$ -
Total carrying value, June 30, 2016	\$ -
Total carrying value, September 30, 2016	\$ 61,607

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

6. SHARE CAPITAL

Authorized Capital

The Company is authorized to issue an unlimited number of common shares without par value.

On September 18, 2016, the Company closed the Transaction with SAMJ whereby the Company acquired all of the issued and outstanding common shares of SAMJ and SAMJ became a wholly-owned subsidiary of the Company. Under the terms of the Transaction, the Company acquired 100% of the issued and outstanding shares of SAMJ by issuing to former SAMJ shareholders 25,000,000 post consolidated share of the Company (the "Acquisition"). In connection with the Acquisition, the Company also completed a financing for gross proceeds of \$7,000,000 for 17,500,000 common shares at a price of \$0.40 per share. The Company also issued 500,000 shares in finders' fees at \$0.40 per share for \$200,000. In connection with this financing, the Company paid cash of \$219,625 in share issue costs.

Share Options

The Company has established a "rolling" Share Option Plan (the "Plan") in compliance with the TSX Venture Exchange'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.

As at September 30, 2016, all share options are fully vested. A summary of the changes in share options is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2016	775,826	\$ 0.26
Granted	4,768,950	0.40
Outstanding and exercisable at September 30, 2016 (remaining average contractual life is 9.12 years)	5,544,776	\$ 0.38

During the three months ended September 30, 2016, Sky Ridge Resources Ltd. granted 44,000 share options to consultants and charitable organizations of the Company at an exercise price of \$0.37 per share, exercisable until March 16, 2026.

Subsequent to the Acquisition, the Company granted additional 4,724,950 share options to directors, officers, consultants and charitable organizations of the Company exercisable at \$0.40 with a ten year expiry. These options vested immediately and as a result, the Company recorded a share based compensation expense of \$2,438,353 in the statement of loss and comprehensive loss (September 30, 2015: \$Nil).

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the period ended September 30, 2016:

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

6. SHARE CAPITAL (continued)**Share Options (continued)**

			September 30, 2016
Risk-free interest rate			0.56%
Expected life of options (in years)			10.00
Annualized volatility			75%
Share price	\$		0.54
Fair value of options granted	\$		0.43
Forfeiture rate			-
Dividend rate			-

The following table summarizes information about the share options outstanding as at September 30, 2016:

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
141,663	\$ 0.30	March 15, 2017	0.45
200,000	\$ 0.20	March 15, 2017	0.45
33,334	\$ 0.30	November 2, 2020	4.09
16,666	\$ 0.30	January 19, 2022	5.31
125,000	\$ 0.30	March 7, 2022	5.44
108,331	\$ 0.30	January 7, 2023	6.27
13,332	\$ 0.30	March 25, 2023	6.48
137,500	\$ 0.20	October 8, 2025	9.03
44,000	\$ 0.37	March 16, 2026	9.46
4,724,950	\$ 0.40	September 15, 2026	9.96
5,544,776	\$ 0.38		9.12

Warrants

During the period ended September 30, 2016, the Company received \$12,000 as a result of 100,000 share purchase warrants being exercised.

As at September 30, 2016, the Company had no share purchase warrants outstanding.

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

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

	September 30, 2016	September 30, 2015
Management fees	\$ 14,000	\$ -
Due to related party	-	648,884
Share-based compensation	1,563,051	-

During the period ended September 30, 2016, the Company accrued \$14,000 (September 30, 2015: \$Nil) in management fees to a private company controlled by the CEO of the Company. This fee is inclusive of administrative, finance and accounting fees, as well as certain office expenses. As at September 30, 2016, accounts payable and accrued liabilities included \$14,000 (June 30, 2016: \$Nil) payable to the related entity.

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

During the previous period ended September 30, 2015, the Company owed \$648,884 to Southern Arc Minerals Inc., the former parent company of SAMJ.

8. 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 comprehensive income.

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. All of the Company's financial liabilities such as accounts payable and accrued liabilities are classified as current. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1.

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 is subject to a floating rate of interest. The interest rate risk on the Company's cash and short term investment is minimal.

The Company also operates in Japan and is subject to foreign currency fluctuations primarily on its cash and accounts payable and accrued liabilities denominated in Japanese Yen ("Yen").

At September 30, 2016, the Company had Yen 3,859,541 (approximately CDN\$50,020) in cash, and Yen 9,684,421 (approximately CDN\$125,510) in accounts payable and accrued liabilities. As at September 30, 2016, Yen amounts were converted at a rate of 0.012960 to CDN\$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN\$5,002.

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

8. FINANCIAL INSTRUMENTS (continued)

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 Company currently does not have any financial instruments that are recognized at fair value. The carrying value of cash, short term investment and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

9. 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 unproven mineral properties, and to maintain a flexible capital structure. The Company considers items included in shareholders' equity as capital, which consists of shares issued to its parent company and deficit. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the 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 produce 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 September 30, 2016.

10. SUBSEQUENT EVENT

Subsequent to the period ended September 30, 2016, 341,664 stock options were exercised at exercise prices of \$0.20 and \$0.30 for total proceeds of \$82,500.