



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020**

(Unaudited - expressed in Canadian dollars)

JAPAN GOLD CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2021

Notice of No Auditor Review

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

As at	September 30, 2021	December 31, 2020
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 13,996,086	\$ 2,368,000
Restricted cash (Note 4)	4,033	1,004,412
Accounts receivable	454,199	90,548
Prepaid expenses and deposits	150,229	253,766
	<u>14,604,547</u>	<u>3,716,726</u>
Non-Current Assets		
Deposit	103,483	106,583
Exploration and evaluation assets (Note 4)	18,005,742	16,304,050
Property, plant and equipment (Note 5)	289,630	385,368
Software	-	13,882
Right of use asset (Note 6)	87,875	129,879
	<u>14,604,547</u>	<u>3,716,726</u>
Total assets	\$ 33,091,277	\$ 20,656,488
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 751,451	\$ 1,020,625
Current portion of lease liability (Note 7)	17,585	72,995
	<u>769,036</u>	<u>1,093,620</u>
Non-Current Liabilities		
Lease liability (Note 7)	26,997	34,725
	<u>26,997</u>	<u>34,725</u>
Total liabilities	796,033	1,128,345
Shareholders' equity		
Share capital (Note 8)	53,598,471	37,750,321
Contributed surplus	5,466,343	4,967,021
Accumulated other comprehensive income (loss)	(974,899)	316,723
Deficit	(25,794,671)	(23,505,922)
	<u>32,295,244</u>	<u>19,528,143</u>
Total shareholders' equity	32,295,244	19,528,143
Total liabilities and shareholders' equity	\$ 33,091,277	\$ 20,656,488

Nature and continuance of operations (Note 1)
Subsequent events (Note 4)

Approved by the Board of Directors and authorized for issuance on November 26, 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	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Expenses				
Audit	\$ 13,750	\$ 14,105	\$ 65,314	\$ 59,827
Consulting	75,460	45,973	234,805	165,818
Depreciation	1,148	835	5,385	1,884
Director fees	38,222	45,685	114,666	99,556
Filing and regulatory	12,899	935	76,448	63,443
Foreign exchange loss	11,533	74,890	39,377	171,793
Occupancy and office	93,227	86,345	224,477	261,226
Insurance	10,127	10,585	30,314	33,241
Investor relations	207,066	174,550	445,931	419,548
Management fees	141,000	141,000	423,000	423,000
Marketing	-	-	-	13,127
Professional fees	18,025	30,433	78,652	243,662
Project evaluation	66,820	(239,178)	273,491	17,921
Share-based compensation (Note 8)	41,729	115,101	249,821	666,156
Transfer agent	8,234	5,183	12,467	10,343
Travel	4,676	5,368	14,006	44,012
Loss before other items	\$ 743,916	\$ 511,810	\$ 2,288,154	\$ 2,694,557
Other items				
Financing expense (Note 9)	4,860	3,165	13,102	103,282
Interest income	-	(2,759)	(12,507)	(14,432)
	4,860	406	595	88,850
Net loss for the period	748,776	512,216	2,288,749	2,783,407
Foreign exchange loss (gain) on translation of foreign operations	(290,475)	18,512	1,291,622	(570,716)
Net comprehensive loss for the period	\$ 458,301	\$ 530,728	\$ 3,580,371	\$ 2,212,691
Loss per share				
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding	220,666,876	175,082,816	191,133,451	156,911,218

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)

For the periods ended	September 30, 2021	September 30, 2020
Cash flows from operating activities		
Net loss for the period	\$ (2,288,749)	\$ (2,783,407)
Adjustments for:		
Share-based compensation (Note 8)	249,821	666,156
Depreciation (Note 5)	5,385	1,884
Financing expense	13,102	103,282
Interest income	(12,507)	(14,432)
Interest received	12,507	14,432
Unrealized foreign exchange loss	39,377	-
Changes in non-cash working capital items:		
Accounts receivable, prepaid expenses and deposits	732,709	(655,505)
Accounts payable and accrued liabilities	(215,594)	52,730
Net cash used in operating activities	(1,463,949)	(2,614,860)
Cash flows from investing activities		
Exploration and evaluation expenditure (Note 4)	(2,887,706)	(3,193,181)
Acquisition of property, plant and equipment and software (Note 5)	(29,308)	(16,823)
Net cash used in investing activities	(2,917,014)	(3,210,004)
Cash flows from financing activities		
Proceeds received from private placement, net of issuance cost	15,976,208	7,339,682
Proceeds received from exercise of warrants (Note 8)	121,443	403,630
Lease payments (Note 7)	(87,023)	(60,430)
Loan from related party (Note 9)	-	1,100,000
Cash financing expense paid on related party loan	-	(55,000)
Repayment of related party loan (Note 9)	-	(100,000)
Net cash from financing activities	16,010,628	8,627,882
Change in cash and cash equivalents during the period	\$ 11,629,665	\$ 2,803,018
Effect of foreign exchange on cash and cash equivalents	(1,579)	(1,638)
Cash and cash equivalents, beginning of the period	2,368,000	1,452,270
Cash and cash equivalents, end of the period	\$ 13,996,086	\$ 4,253,650

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 SEPTEMBER 30, 2021 AND SEPTEMBER 30, 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 private placement, net of issuance cost	48,571,429	15,726,707	249,501	-	-	15,976,208
Shares issued for the exercise of warrants	446,020	121,443	-	-	-	121,443
Share-based compensation	-	-	249,821	-	-	249,821
Net loss for the period	-	-	-	-	(2,288,749)	(2,288,749)
Foreign currency translation	-	-	-	(1,291,622)	-	(1,291,622)
Balance, September 30, 2021	224,890,479	\$53,598,471	5,466,343	(974,899)	(25,794,671)	32,295,244

	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
Shares issued for private placement, net of issuance cost	30,278,000	7,268,523	71,159	-	-	7,339,682
Shares issued for settlement of related party loan	4,000,000	1,000,000	-	-	-	1,000,000
Shares issued for warrants exercise	1,495,191	403,630	-	-	-	403,630
Share-based compensation	-	-	666,156	-	-	666,156
Warrants issued in consideration of related party loan	-	-	35,609	-	-	35,609
Net loss for the period	-	-	-	-	(2,783,407)	(2,783,407)
Foreign currency translation	-	-	-	570,716	-	570,716
Balance, September 30, 2020	175,873,030	37,750,321	4,794,778	552,878	(22,575,657)	20,522,320

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 and nine months ended September 30, 2021 and September 30, 2020

(Unaudited - Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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”.

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.

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 November 26, 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 and nine months ended September 30, 2021 and September 30, 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 and nine months ended September 30, 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 September 30, 2021, the balance of cash and cash equivalents is \$13,996,086 (December 31, 2020 - \$2,368,000) of which \$10,000,000 (December 31, 2020 - \$2,223,200) is cash equivalents. During the nine-month period ended September 30, 2021, the Company redeemed \$950,000 of GIC's to fund operations (September 30, 2020: \$3,750,000).

4. EXPLORATION AND EVALUATION ASSETS

	Ikutahara project	Ohra-Takamine project	Tobaru project	Kamitsue project	Aibetsu project	Total
Balance, December 31, 2020	\$ 11,868,719	\$ 4,412,619	\$ 5,726	\$ 13,956	\$ 3,030	\$ 16,304,050
Geoscience - consulting	1,090,704	597,999	-	-	-	1,688,703
Drilling	603,399	27,198	-	-	-	630,597
Insurance	22,466	4,888	-	-	-	27,354
Depreciation	77,513	45,348	-	-	-	122,861
Travel	88,836	13,170	-	-	-	102,006
Field supplies	178,495	105,925	-	-	-	284,420
Foreign currency translation adjustment	(850,363)	(302,234)	(433)	(984)	(235)	(1,154,249)
Balance, September 30, 2021	\$ 13,079,769	\$ 4,904,913	\$ 5,293	\$ 12,972	\$ 2,795	\$ 18,005,742

The Company's current project portfolio consists of prospecting rights licenses and 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)
- 26 Prospecting Rights at the Ebino Project
- 51 Prospecting Rights at the Togi Project
- 22 Prospecting Rights at the Mizobe Project

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

For the three and nine months ended September 30, 2021 and September 30, 2020

(Unaudited - Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

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 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 nine-month period ended September 30, 2021, Barrick paid \$2,537,878 (US\$2,022,536) (December 31, 2020 - \$2,775,560 (US\$2,054,089)) to the Company as partial funding for the Initial Evaluation Phase. 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 September 30, 2021, \$4,033 (US\$3,165) (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. Subsequent to September 30, 2021, the Company received an additional funding of \$1,880,529 (US\$1,475,967) from Barrick.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Heavy Equipment	Vehicles	Building	Land	Furniture and Fixtures	Total
At December 31, 2020	825,565	122,813	66,506	12,657	272,436	1,299,977
Purchases	14,545	-	-	-	14,817	29,362
Foreign currency translation adjustment	(64,410)	(9,546)	(5,170)	(984)	(21,365)	(101,475)
At September 30, 2021	\$ 775,700	\$ 113,267	\$ 61,336	\$ 11,673	\$ 265,888	\$ 1,227,864
Accumulated depreciation						
At December 31, 2020	\$ 600,340	\$ 121,088	\$ 57,258	\$ -	\$ 135,923	\$ 914,609
Depreciation capitalized to exploration and evaluation assets	58,138	1,611	918	-	29,878	90,545
Depreciation expense	-	-	-	-	5,385	5,385
Foreign currency translation adjustment	(47,400)	(9,432)	(4,462)	-	(11,011)	(72,305)
At September 30, 2021	\$ 611,078	\$ 113,267	\$ 53,714	\$ -	\$ 160,175	\$ 938,234
Net carrying value, December 31, 2020	\$ 225,225	\$ 1,725	\$ 9,248	\$ 12,657	\$ 136,513	\$ 385,368
Net carrying value, September 30, 2021	\$ 164,622	\$ -	\$ 7,622	\$ 11,673	\$ 105,713	\$ 289,630

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

For the three and nine months ended September 30, 2021 and September 30, 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 former director and officer of Japan Gold has a controlling interest in PMC.

	Right-of-use assets	
At December 31, 2019	\$	185,802
Depreciation		(63,065)
Foreign currency translation adjustment		7,142
At December 31, 2020		129,879
Depreciation		(32,316)
Foreign currency translation adjustment		(9,688)
At September 30, 2021	\$	87,875

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%.

	Lease liability	
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		(87,023)
Interest		13,103
Foreign currency translation adjustment		10,782
At September 30, 2021	\$	44,582
Current portion of lease liability		(17,585)
Long term portion of lease liability	\$	26,997

During the period ended September 30, 2021, the Company expensed \$42,203 (September 30, 2020: \$48,187) related to short term lease arrangements.

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

For the three and nine months ended September 30, 2021 and September 30, 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 July 8, 2021, the Company closed this non-brokered private placement and issued a total of 48,571,429 shares at a price of \$0.35 per share for gross proceeds of \$17,000,000. The Company paid a cash commission of \$1,010,688, incurred \$13,104 in other professional fees and issued a total of 2,887,679 compensation warrants in connection with the private placement. The compensation warrants are exercisable at \$0.35 per share for a period of 12 months from the date of closing (expiry date of July 8, 2022). The fair value of these warrants was determined to be \$249,501 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 0.26%; expected volatility – 65%; weighted average share price of \$0.35; expected life of warrants – 1 year.

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 September 30, 2021	15,390,000	\$ 0.27

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

For the three and nine months ended September 30, 2021 and September 30, 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 \$41,729 and \$249,821 for the three and nine-month periods ended September 30, 2021, respectively (\$115,101 and \$666,156 for three and nine-month periods ended September 30, 2020), 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 outstanding as at September 30, 2021:

		May 13, 2020
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		-

The following table summarizes information about the share options outstanding as at September 30, 2021:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
120,000	\$	June 3, 2024	2.67
3,974,950		September 15, 2026	4.96
275,000		October 28, 2026	5.08
1,525,050		December 13, 2028	7.21
5,180,000		January 24, 2029	7.32
4,315,000		May 13, 2030	8.62
15,390,000	\$		6.99

As at September 30, 2021, the Company has 13,951,667 exercisable options with a weighted average exercise price of \$0.27.

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

For the three and nine months ended September 30, 2021 and September 30, 2020

(Unaudited - Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**Warrants**

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2020	44,130,899	\$ 0.40
Issued	2,887,679	0.35
Expired	(14,146,879)	0.42
Exercised	(446,020)	0.27
Outstanding at September 30, 2021	32,425,679	\$ 0.40

During the period ended September 30, 2021, 446,020 warrants with a weighted average exercise price of \$0.27 were exercised for proceeds of \$121,443. Additionally, 14,146,879 warrants expired unexercised.

The following table summarizes information about the warrants outstanding as at September 30, 2021:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
7,038,000	0.40	May 8, 2022	0.60
8,525,000	0.40	May 29, 2022	0.66
1,475,000	0.40	June 1, 2022	0.67
12,500,000	0.40	August 9, 2022	0.86
2,887,679	0.35	July 8, 2022	0.77
32,425,679	\$ 0.40		0.73

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

For the three and nine months ended September 30, 2021 and September 30, 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:

	Three month period ended September 30, 2021	Three month period ended September 30, 2020	Nine month period ended September 30, 2021	Nine month period ended September 30, 2020
Management fees	\$ 141,000	\$ 141,000	\$ 423,000	\$ 423,000
Consulting fees	42,000	42,000	126,000	126,000
Director fees	38,222	45,685	114,666	99,556
Project evaluation	86,059	41,082	140,786	156,975
Share-based compensation	24,177	289,829	144,890	368,171

During the nine-month period ended September 30, 2021, the Company incurred \$423,000 (September 30, 2020: \$423,000) 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. \$Nil were payable to the related entity as at September 30, 2021 (December 31, 2020: \$Nil).

The Company also incurred \$140,786 in consulting fees for project evaluation to an officer of the Company during the nine-month period ended September 30, 2021 (September 30, 2020: \$156,975). As at September 30, 2021, \$Nil (December 31, 2020: \$29,416) of these fees were outstanding and payable to the officer.

During the nine-month period ended September 30, 2021, the Company incurred \$126,000 (September 30, 2020: \$126,000) in consulting fees to a private company controlled by a director of the Company. No amounts are payable to the related entity as at September 30, 2021 or December 31, 2020.

Other related party transactions

During the nine-month period ended September 30, 2021, Southern Arc, a company with common directors and management, charged the Company \$Nil (September 30, 2020: \$105,177 in rent and office expenses. As at September 30, 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 and nine months ended September 30, 2021 and September 30, 2020

(Unaudited - Expressed in Canadian dollars)

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 September 30, 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 September 30, 2021, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$231.

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 and nine months ended September 30, 2021 and September 30, 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 three- and nine-month period ended September 30, 2021.

12. SEGMENTED INFORMATION

The breakdown by geographic area as at September 30, 2021 is as follows:

		Canada		Japan	Consolidated
Current assets	\$	14,116,866	\$	487,681	\$ 14,604,547
Non-current assets		-		18,486,730	18,486,730
Total assets		14,116,866		18,974,411	33,091,277
Total liabilities	\$	301,442	\$	494,591	\$ 796,033

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

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