



(Formerly Sky Ridge Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2017 AND 2016**

(Unaudited - expressed in Canadian dollars)

JAPAN GOLD CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2017

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, 2017 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.

(Formerly Sky Ridge Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - expressed in Canadian dollars)

| As at | March 31, 2017 | | December 31, 2016 | |
|---|-----------------------|------------------|--------------------------|------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ | 3,883,623 | \$ | 40,362 |
| Short-term investment (Note 4) | | 750,000 | | 5,200,000 |
| Accounts receivable | | 68,929 | | 44,690 |
| Prepaid expenses and deposits | | 141,446 | | 205,556 |
| | | 4,843,998 | | 5,490,608 |
| Non-Current Assets | | | | |
| Property, plant and equipment (Note 5) | | 87,800 | | 68,984 |
| Total assets | \$ | 4,931,798 | \$ | 5,559,592 |
| Liabilities | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (Note 7) | \$ | 191,668 | \$ | 146,953 |
| Total liabilities | | 191,668 | | 146,953 |
| Shareholders' equity | | | | |
| Share capital (Note 6) | | 11,990,822 | | 11,908,322 |
| Contributed surplus | | 1,773,536 | | 1,710,434 |
| Accumulated other comprehensive loss | | (28,336) | | (2,328) |
| Deficit | | (8,995,892) | | (8,203,789) |
| Total shareholders' equity | | 4,740,130 | | 5,412,639 |
| Total liabilities and shareholders' equity | \$ | 4,931,798 | \$ | 5,559,592 |

Nature and continuance of operations (Note 1)

Approved by the Board of Directors and authorized for issuance on May 18, 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 interim financial statements.

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - expressed in Canadian dollars)

| | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|--|--------------------------------------|--------------------------------------|
| Expenses | | |
| Audit | \$ 10,000 | \$ - |
| Consulting | 334,380 | 74,264 |
| Depreciation | 3,908 | - |
| Filing and regulatory | 27,474 | - |
| Foreign exchange loss (gain) | 15,841 | (19,708) |
| General and administrative | 61,441 | 1,466 |
| Interest expense | - | 8,620 |
| Insurance | 9,685 | 2,012 |
| Investor relations | 1,726 | - |
| Management fees | 114,000 | - |
| Marketing | 74,236 | - |
| Professional fees | 997 | 304 |
| Share-based compensation (Note 6) | 63,102 | - |
| Transfer agent | 1,900 | - |
| Travel | 89,045 | 4,832 |
| Loss before other items | 807,735 | 71,790 |
| Other items | | |
| Interest income | (15,632) | - |
| | (15,632) | - |
| Net loss for the period | 792,103 | 71,790 |
| Exchange difference on translation of foreign currency | 26,008 | - |
| Net comprehensive loss for the period | \$ 818,111 | \$ 71,790 |
| Loss per share | | |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.14) |
| Weighted average number of shares outstanding | 55,789,408 | 500,000 |

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

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

| For the three month period ended | March 31, 2017 | March 31, 2016 |
|---|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Net loss for the period | \$ (792,103) | \$ (71,790) |
| Adjustments for: | | |
| Share-based compensation | 63,102 | - |
| Depreciation | 3,908 | - |
| Interest expense | - | 8,620 |
| Changes in non-cash working capital items: | | |
| Accounts receivable and prepaid expenses | 39,871 | 1,951 |
| Accounts payable and accrued liabilities | 44,715 | (19,195) |
| Net cash used in operating activities | (640,507) | (80,414) |
| Cash flows from investing activities | | |
| Short-term investment redeemed (Note 4) | 4,450,000 | - |
| Acquisition of property, plant and equipment (Note 5) | (19,702) | - |
| Net cash used in investing activities | 4,430,298 | - |
| Cash flows from financing activities | | |
| Cash received from share options exercised (Note 6) | 82,500 | - |
| Advances from related party | - | 76,302 |
| Net cash provided by financing activities | 82,500 | 76,302 |
| Change in cash during the period | \$ 3,872,291 | \$ (4,112) |
| Effect of foreign exchange on cash | (29,030) | - |
| Cash, beginning of the period | 40,362 | 4,185 |
| Cash, end of the period | \$ 3,883,623 | \$ 73 |

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

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(Expressed in Canadian dollars)

| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive loss | Deficit | Total equity |
|-----------------------------------|---------------------|---------------|------------------------|---|--------------|--------------|
| Balance, December 31, 2015 | 12,264,120 | \$ 10,300 | \$ - | \$ - | \$ (749,147) | \$ (738,847) |
| Comprehensive loss for the period | - | - | - | - | (71,790) | (71,790) |
| Balance, March 31, 2016 | 12,264,120 | \$ 10,300 | \$ - | \$ - | \$ (820,937) | \$ (810,637) |

| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive loss | Deficit | Total equity |
|-------------------------------------|---------------------|---------------|------------------------|---|----------------|--------------|
| Balance, December 31, 2016 | 55,447,745 | \$ 11,908,322 | \$ 1,710,434 | \$ (2,328) | \$ (8,203,789) | \$ 5,412,639 |
| Shares issued for options exercised | 341,664 | 82,500 | - | - | - | 82,500 |
| Share-based compensation | - | - | 63,102 | - | - | 63,102 |
| Net loss for the period | - | - | - | - | (792,103) | (792,103) |
| Foreign currency translation | - | - | - | (26,008) | - | (26,008) |
| Balance, March 31, 2017 | 55,789,409 | \$ 11,990,822 | \$ 1,773,536 | \$ (28,336) | \$ (8,995,892) | \$ 4,740,130 |

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

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(Unaudited - expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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

On September 15, 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 650-669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

The Company is currently in the process of acquiring, exploring and evaluating potential properties in Japan. Japan Gold has lodged 160 prospecting rights license applications in Japan, 32 of which have been granted as Prospecting Rights.

The Company has not generated significant revenues or cash flows from operations. These 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 March 31, 2017, the Company has a working capital of \$4,652,330, representing funds available to cover on-going operating costs. The Company has incurred negative cash flows from operations, recorded a loss of \$792,103 for the three months ended March 31, 2017, and has an accumulated deficit of \$8,995,892 as at March 31, 2017.

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. These 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.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(Unaudited - expressed in Canadian dollars)

2. ACQUISITION

On September 15, 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 shares 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. The comparative figures included in these financial statements are those of SAMJ.

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 (12,264,120 shares) owned by the former shareholders of Sky Ridge at the time of the Transaction was \$4,905,648. In addition, \$245,951 relating to the share-based payments for previous option holders was added to total consideration.

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 | 12,264,120 |
| Share price | \$ 0.40 |
| | <u>\$ 4,905,648</u> |
| Share-based payments for previous option holders | 245,951 |
| Total consideration | <u>\$ 5,151,599</u> |
| <u>Fair value of net liabilities of Sky Ridge prior to the Acquisition</u> | |
| Cash | \$ 646,333 |
| Other receivable | 2,165 |
| Short-term investments | 330,000 |
| Payables | (3,000) |
| Net assets assumed | <u>\$ 975,498</u> |
| | (4,176,101) |
| Transaction cost | (318,157) |
| Shares issued for acquisition cost | <u>(200,000)</u> |
| Reverse acquisition cost | <u>\$ (4,694,258)</u> |

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(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 consolidated financial statements were approved for issuance by the Company’s Board of Directors on May 18, 2017.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Japanese subsidiary, SAMJ. 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.

New accounting standards and pronouncements

- IFRS 11 Joint Arrangements- IFRS 11, “Joint Arrangements” (IFRS 11) was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 2 Share-based Payment - In June 2016, amendments to IAS 2 were issued to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted.
- Amendments to IAS 7 – Disclosure Initiative - In January 2016, amendments to IAS 7 were issued to clarify IAS 7 to improve information provided to users of financial statements regarding an entity’s financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

The Company does not expect to apply these standards prior to their mandatory effective date. At this time, the Company does not anticipate that the above standards would have a significant impact on the financial statements of the Company.

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(Unaudited - expressed in Canadian dollars)

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 six months ended December 31, 2016, the Company purchased an additional \$6,000,000 in GICs which earns interest at 0.8% per annum. During the period ended December 31, 2016, the Company redeemed \$1,130,000 to fund the Company’s day-to-day operations. During the three month period ended March 31, 2017, the Company redeemed an additional \$4,450,000 to fund day-to-day operations. The balance as at March 31, 2017 is \$750,000.

5. PROPERTY, PLANT AND EQUIPMENT

| Cost | Property |
|--|------------------|
| At June 30, 2016 | \$ - |
| Purchases | 77,264 |
| Foreign exchange | (6,115) |
| At December 31, 2016 | \$ 71,149 |
| Purchases | 19,702 |
| Foreign exchange | 3,199 |
| At March 31, 2017 | \$ 94,050 |
| Accumulated depreciation | |
| At June 30, 2016 | \$ - |
| Depreciation | 2,351 |
| Foreign exchange | (186) |
| At December 31, 2016 | \$ 2,165 |
| Depreciation | 3,908 |
| Foreign exchange | 2,342 |
| At March 31, 2017 | \$ 6,250 |
| Total carrying value, December 31, 2016 | \$ 68,984 |
| Total carrying value, March 31, 2017 | \$ 87,800 |

6. 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 September 15, 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 shares 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.

During the period ended March 31, 2017, 341,664 share options were exercised resulting in issuance of 341,664 common shares for total proceeds of \$82,500.

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(Unaudited - expressed in Canadian dollars)

6. SHARE CAPITAL (continued)**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.

As at March 31, 2017, 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 | - | \$ - |
| Granted – prior to Acquisition | 819,826 | \$ 0.26 |
| Granted – post Acquisition | 4,724,950 | 0.40 |
| Outstanding and exercisable at December 31, 2016 (remaining average contractual life is 8.87 years) | 5,544,776 | \$ 0.38 |
| Granted | 275,000 | \$ 0.40 |
| Exercised | (341,664) | 0.40 |
| Outstanding and exercisable at March 31, 2017 (remaining average contractual life is 9.20 years) | 5,478,112 | \$ 0.40 |

During the previous six months ended December 31, 2016, Sky Ridge 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 an 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 which vested immediately. During the three month period ended March 31, 2017, the Company granted 275,000 share options to a consultant of the Company. These options vested immediately resulting in a share-based compensation of \$63,102 (March 31, 2016: \$Nil).

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the three month period ended March 31, 2017 and six month period ended December 31, 2016:

| | March 31, 2017 | December 31, 2016 |
|-------------------------------------|----------------|-------------------|
| Risk-free interest rate | 0.56% | 0.56% |
| Expected life of options (in years) | 10.00 | 10.00 |
| Annualized volatility | 75% | 75% |
| Share price | \$ 0.40 | \$ 0.40 |
| Fair value of options granted | \$ 0.23 | \$ 0.31 |
| Forfeiture rate | - | - |
| Dividend rate | - | - |

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(Unaudited - expressed in Canadian dollars)

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

The following table summarizes information about the share options outstanding as at March 31, 2017:

| Outstanding and Weighted average exercise exercisable | Weighted average remaining contractual life (years) | price | Expiry date |
|--|---|-------|--------------------|
| 33,333 | \$ | 0.30 | November 2, 2020 |
| 16,666 | \$ | 0.30 | January 19, 2022 |
| 125,000 | \$ | 0.30 | March 7, 2022 |
| 108,331 | \$ | 0.30 | January 7, 2023 |
| 13,332 | \$ | 0.30 | March 25, 2023 |
| 137,500 | \$ | 0.20 | October 8, 2025 |
| 44,000 | \$ | 0.37 | March 16, 2026 |
| 4,724,950 | \$ | 0.40 | September 15, 2026 |
| 275,000 | \$ | 0.40 | October 28, 2026 |
| 5,478,112 | \$ | 0.39 | |

Warrants

As at March 31, 2017, the Company had no share purchase warrants outstanding.

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:

| | March 31, 2017 | March 31, 2016 |
|-----------------|-------------------|-------------------|
| Management fees | \$ 84,000 | \$ - |

During the three months ended March 31, 2017, the Company incurred \$84,000 (March 31, 2016: \$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 March 31, 2017, accounts payable and accrued liabilities included \$Nil (December 31, 2016: \$Nil) payable to the related entity.

During the three months ended March 31, 2017, the Company accrued \$9,000 (March 31, 2016: \$Nil) in rent expense relating to the Company's head office. As at March 31, 2017, \$9,000 of these fees were included in accounts payable and accrued liabilities. This amount is owed to Southern Arc Minerals Inc., a related party of the Company (December 31, 2016: \$Nil).

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

JAPAN GOLD CORP.

(Formerly Sky Ridge Resources Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended March 31, 2017 and 2016

(Unaudited - expressed in Canadian dollars)

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.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company currently does not have any significant 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 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 March 31, 2017, the Company had Yen 305,617,135 (approximately CDN\$3,649,069) in cash, and Yen 8,548,248 (approximately CDN\$102,066) in accounts payable and accrued liabilities. As at March 31, 2017, Yen amounts were converted at a rate of 0.01194 to CDN\$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN\$364,907.

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 receivables and short-term investments and accounts payable and accrued liabilities approximate their fair values.

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 March 31, 2017.