



CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

(Expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of
Japan Gold Corp.

Opinion

We have audited the consolidated financial statements of **Japan Gold Corp.** and its subsidiaries [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – restated comparative information

We draw attention to note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Other information

- Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brenna Daloise.

Vancouver, Canada
April 26, 2019

Ernst & Young LLP

Chartered Professional Accountants



JAPAN GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	December 31, 2018	Restated (Note 2) December 31, 2017
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 6,326,230	\$ 3,382,218
Accounts receivable	152,871	26,090
Prepaid expenses and deposits	98,256	86,084
	<u>6,577,357</u>	<u>3,494,392</u>
Non-Current Assets		
Deposit	41,203	14,243
Exploration and evaluation assets (Note 4)	5,069,217	3,019,520
Property, plant and equipment (Note 5)	581,248	783,833
Total assets	<u>\$ 12,269,025</u>	<u>\$ 7,311,988</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 623,064	\$ 581,824
Related party loan (Note 7)	1,174,446	-
Total liabilities	<u>1,797,510</u>	<u>581,824</u>
Shareholders' equity		
Share capital (Note 6)	22,459,821	15,745,821
Contributed surplus	3,102,054	3,023,536
Accumulated other comprehensive income (loss)	309,097	(98,679)
Deficit	(15,399,457)	(11,940,514)
Total shareholders' equity	<u>10,471,515</u>	<u>6,730,164</u>
Total liabilities and shareholders' equity	<u>\$ 12,269,025</u>	<u>\$ 7,311,988</u>

Approved by the Board of Directors and authorized for issuance on April 26, 2019:

On behalf of the Board of Directors

"Michael Andrews" Director

"John Proust" Director

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

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

(Expressed in Canadian dollars)

For the years ended	December 31, 2018	Restated (Note 2) December 31, 2017
Expenses		
Audit	\$ 55,925	\$ 47,000
Consulting	615,643	285,407
Depreciation (Note 5)	2,376	31,825
Filing and regulatory	67,913	58,391
Foreign exchange loss (gain)	(74,862)	36,479
General and administrative	344,448	434,902
Insurance	37,206	44,736
Investor relations	209,917	39,848
Management fees (Note 7)	582,000	336,000
Marketing	77,306	190,098
Project evaluation	390,249	1,349,037
Professional fees	278,733	147,877
Salaries	513,594	304,105
Share-based compensation (Note 6)	78,518	63,102
Transfer agent	12,321	15,178
Travel	242,774	377,850
Loss before other items	\$ 3,434,061	\$ 3,761,835
Other items		
Financing expense (Note 7)	54,184	-
Interest income	(29,302)	(25,110)
	24,882	(25,110)
Net loss for the year	3,458,943	3,736,725
Foreign exchange loss (gain) on translation of foreign operations	(407,776)	96,351
Net comprehensive loss for the year	\$ 3,051,167	\$ 3,833,076
Loss per share		
Basic and diluted loss per share	\$ (0.04)	\$ (0.06)
Weighted average number of shares outstanding	69,555,359	60,703,740

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

JAPAN GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the years ended	December 31, 2018	Restated (Note 2) December 31, 2017
Cash flows from operating activities		
Net loss for the year	\$ (3,458,943)	\$ (3,736,725)
Adjustments for:		
Share-based compensation (Note 6)	78,518	63,102
Depreciation (Note 5)	2,376	31,825
Unrealized foreign exchange expense	(20,917)	(52,251)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	(157,155)	121,175
Accounts payable and accrued liabilities	94,944	454,899
Net cash used in operating activities	(3,461,177)	(3,117,975)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets (Note 4)	(1,346,967)	(2,890,639)
Acquisition of property, plant and equipment (Note 5)	(8,157)	(895,607)
Net cash used in investing activities	(1,355,124)	(3,786,246)
Cash flows from financing activities		
Proceeds from equity financing	6,650,000	5,000,000
Issuance cost	(45,000)	-
Cash received from share options exercised	14,000	87,499
Loan from related party (Note 7)	1,174,446	-
Net cash provided by financing activities	7,793,446	5,087,499
Change in cash during the year	\$ 2,977,145	\$ (1,816,722)
Effect of foreign exchange on cash	(33,133)	(41,422)
Cash and cash equivalents, beginning of the year	3,382,218	5,240,362
Cash and cash equivalents, end of the year	\$ 6,326,230	\$ 3,382,218
Non-cash transactions		
	2018	2017
Shares issued as part of share issue cost in equity financing	\$ 45,000	\$ -
Shares issued for accounts payable settlement	\$ 95,000	\$ -

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

JAPAN GOLD CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(Expressed in Canadian dollars)

(Restated Note 2)	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	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 private	12,500,000	3,750,000	1,250,000	-	-	5,000,000
Shares issued for options	366,664	87,499	-	-	-	87,499
Share-based compensation	-	-	63,102	-	-	63,102
Net loss for the year	-	-	-	-	(3,736,725)	(3,736,725)
Foreign currency translation	-	-	-	(96,351)	-	(96,351)
Balance, December 31, 2017	68,314,409	\$ 15,745,821	\$ 3,023,536	\$ (98,679)	\$ (11,940,514)	\$ 6,730,164

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total equity
Balance, December 31, 2017	68,314,409	\$ 15,745,821	\$ 3,023,536	\$ (98,679)	\$ (11,940,514)	\$ 6,730,164
Shares issued for private	44,333,334	6,650,000	-	-	-	6,650,000
Shares issued for options	70,000	14,000	-	-	-	14,000
Share issued for debt settlement	633,333	95,000	-	-	-	95,000
Shares issued for issuance cost	300,000	(45,000)	-	-	-	(45,000)
Share-based compensation	-	-	78,518	-	-	78,518
Net loss for the year	-	-	-	-	(3,458,943)	(3,458,943)
Foreign currency translation	-	-	-	407,776	-	407,776
Balance, December 31, 2018	113,651,076	\$ 22,459,821	\$ 3,102,054	\$ 309,097	\$ (15,399,457)	\$ 10,471,515

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

On September 15, 2016, the Company completed a transaction (the “Transaction”) in which the Company issued shares to former shareholders of Japan Gold KK (“JGKK”) (formerly Southern Arc Minerals Japan KK) to acquire all of JGKK’s issued and outstanding shares. This resulted in JGKK 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” and trades on the OTC Markets (“OTCQB”) under the symbol “JGLDF”.

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 exploring and evaluating potential properties in Japan. Japan Gold has lodged 216 prospecting rights license applications in Japan, 68 of which have been granted as Prospecting Rights.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated 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 consolidated financial statements have been prepared under the historical cost basis.

These consolidated financial statements were approved for issuance by the Company’s Board of Directors on April 26, 2019.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Japanese subsidiary, Japan Gold KK (formerly SAMJ KK, which changed its name on February 14, 2019). 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and estimates

The preparation of these consolidated 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 that, 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, which 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 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. Ownership of exploration and evaluation assets involves certain inherent risks, including geological, commodity prices, operating costs and permitting risks. Many of these risks are outside of the Company's control.
- ii) The determination of fair value of shares and share-based compensation which require assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact fair value to be recognized in profit or loss.

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 significant judgments about whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company must determine whether sufficient financing will be obtained in the near term.
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement of prior year balances

In 2018, the Company concluded that the intercompany loans advanced to its subsidiary, JGKK, should be treated as part of their net investment in JGKK since the intercompany loans will not be repaid in the foreseeable future. This is in contrast with the treatment followed in 2017 where intercompany loans to JGKK were treated as monetary items with all foreign exchange recognized in income. As a result, the foreign exchange adjustment to revalue these intercompany loans should be recorded as part of other comprehensive income as opposed to foreign exchange loss on the statement of loss. Therefore the Company considers it appropriate to restate the previously reported 2017 consolidated statement of financial position, consolidated statement of comprehensive loss and consolidated statement of changes in equity. Below are the details related to the adjustment:

Consolidated Statement of Financial Position - December 31, 2017

Within Shareholders' equity	As reported previously	Adjustments	Restated
Accumulated other comprehensive loss	\$ 412,860	\$ (511,539)	\$ (98,679)
Deficit:			
Opening deficit	(8,203,789)	-	(8,203,789)
Net loss	(4,248,264)	511,539	(3,736,725)
Ending deficit	\$ (12,452,053)	\$ 511,539	\$ (11,940,514)

Consolidated Statement of Loss and Comprehensive Loss - December 31, 2017

Within Expenses	As reported previously	Adjustments	Restated
Foreign exchange loss	\$ 548,018	\$ (511,539)	\$ 36,479

Consolidated Statement of Changes in Equity - December 31, 2017

	As reported previously	Adjustments	Restated
Share capital	\$ 15,745,821	\$ -	\$ 15,745,821
Contributed surplus	3,023,536	-	3,023,536
Accumulated other comprehensive loss	412,860	(511,539)	(98,679)
Deficit	(12,452,053)	511,539	(11,940,514)

2. 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 (such as supply stock and any materials required for consumption by equipment), 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, 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. 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.

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

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset (if any). When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are amortized over the estimated useful life of the assets using the straight-line method to allocate their cost to their residual values over their estimated lives, as follows:

Furniture and fixtures	2 years
Building	4 years
Heavy equipment	3 years
Vehicles	1-2 years

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Foreign currency translation

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. Income and expenses for each statement of comprehensive loss are translated at average exchange rates for the period and all resulting foreign exchange translation differences are recognized in other comprehensive income as cumulative translation adjustments.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Loss per share

The Company presents basic per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In reporting periods when a loss is incurred, potential issuance of shares would be anti-dilutive and, therefore, basic and diluted loss per share are the same.

Share-based payment transactions

The Company's share option plan allows the Company to grant options to its employees and consultants. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that 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.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Financial assets

Financial assets are classified and measured at: FVTPL, FVOCI and amortized cost.

Amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include:

- Cash and cash equivalents
- Accounts receivable

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

Financial assets at fair value through profit and Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments, such as the Company's warrant derivative liability.

Gains or losses on financial liabilities at FVTPL are recognized in profit or loss.

Loans and payables

After initial recognition, interest-bearing loans as well as trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. Gains and losses are recognized when the financial liability is derecognized.

The Company's financial liabilities at amortized cost include:

- Accounts payable and accrued liabilities;
- Related party loan

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Cash and cash equivalents

The Company classifies cash as cash on hand and held at banks. Cash equivalents includes short-term guaranteed investment certificates redeemable after three months or more from the date of purchase.

Changes in accounting policies and disclosures

IFRS 9 – Financial Instruments

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, in accordance with IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”), there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL (but there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 allows for an exemption from restating prior periods in respect of the standard’s classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption. However, it was determined that the adoption of IFRS 9 has no impact on the comparative year’s consolidated financial statements.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The adoption of IFRS 9 had no quantitative impact on the Company’s financial instruments; however, it has an impact on the classification of the Company’s financial instruments compared to the old standard IAS 39 as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivable	Amortized cost
Accounts receivables	Loans and receivable	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Related party loan	Amortized cost	Amortized cost

New accounting standards and pronouncements

- 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. At this time, the Company is still assessing the standard but does not anticipate that the above standard would have a significant impact on the financial statements of the Company.

3. CASH AND CASH EQUIVALENTS

During period ended December 31, 2018, the Company redeemed \$2,700,000 in cash and cash equivalents in the form of a Guaranteed Investment Certificate (“GIC”) to fund day-to-day operations. As at December 31, 2018, the balance cash equivalents as at December 31, 2018 is \$5,000,000 (December 31, 2017 - \$2,700,000). This GIC is held in an investment account earning interest at a rate of 2.20% per annum and can be redeemed at any time. The Company previously classified cash equivalents as short-term investments during the year ended December 31, 2017. The Company has now reclassified it in the comparative statement of financial position and statement of cash flows as cash and cash equivalents.

4. EXPLORATION AND EVALUATION ASSETS

	Ikutahara project	Eboshi project	Ohra- Takamine project	Tobaru project	Total
Opening, January 1, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Consulting	836,605	20,698	-	-	857,303
Supply stock and materials	866,314	-	-	-	866,314
Depreciation	137,891	-	-	-	137,891
Drilling	617,357	-	-	-	617,357
Geochemistry	40,761	8,331	-	-	49,092
Geophysics	7,947	1,449	-	-	9,396
Insurance	10,666	-	-	-	10,666
Travel	93,680	11,788	-	-	105,468
Field supplies	283,924	11,076	-	-	295,000
Foreign currency transation adjustment	62,265	8,768	-	-	71,033
Balance, December 31, 2017	\$ 2,957,410	\$ 62,110	\$ -	\$ -	\$ 3,019,520
Consulting	803,920	31,320	57,892	1,390	894,522
Insurance	17,007	-	-	-	17,007
Depreciation	322,121	-	-	-	322,121
Travel	164,392	3,876	14,262	-	182,530
Field supplies	213,507	16,509	6,577	-	236,593
Foreign currency transation adjustment	383,216	10,459	3,166	83	396,924
Balance, December 31, 2018	\$ 4,861,573	\$ 124,274	\$ 81,897	\$ 1,473	\$ 5,069,217

On December 1, 2016, the Japanese Ministry of Energy, Trade and Industry (“METI”) granted the Company Prospecting Rights over its nine contiguous applications covering the Eboshi project in northern Honshu.

On May 18, 2017, the Company announced that 23 of its 56 prospecting rights license applications over the Ikutahara Project in Northern Hokkaido, Japan, have been granted as Prospecting Rights by METI. The 19,114 hectare Ikutahara Project comprises a total of 56 prospecting rights license applications covering 16 historic gold mines and workings. The 23 Prospecting Rights covers 8,033 hectare and includes the high priority Akebono target.

During the year ended December 31, 2017, the Company announced that it has expanded its project portfolio in Japan with the addition of a Tenryu Project and an extension to the Buho project. METI has accepted a total of 7 new prospecting rights applications totaling 2,269 hectares. During the year ended December 31, 2018, the Company received 5 prospecting rights by METI to its Ohra-Takamine Project which totals 1,681 hectares. The Company now holds priority over these areas and is authorized to commence surface exploration.

4. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2018, the Company received an additional 15 Prospecting Rights at its Ikutahara Project in Northern Hokkaido. The new Prospecting Rights cover high priority targets in the Kitano-o gold district and the Ryuo mine areas and allow for drill testing to commence in the 2019 season. The Company also received 4 Prospecting Rights on its Tobaru Project which totals 1,347 hectares and 12 Prospecting Rights over its Kamitsue Project on the Island of Kyushu, Japan which totals 4,069 hectares.

The Company's current project portfolio consists of 216 prospecting rights license applications for a combined area of 71,529 hectares over 17 separate projects on the three main islands of Japan. 68 (2017:32) of these applications have been granted as Prospecting Rights. See below for a summary of the Company's Prospecting Rights:

- 38 Prospecting Rights have been granted at the Ikutahara Project (13,286 of the total 19,114 hectares are granted)
- 5 Prospecting Rights at the Ohra-Takamine Project (1,681 of a total of 3,705 hectares are granted)
- 9 Prospecting Rights at the Eboshi Project (3,080 hectares)
- 4 Prospecting Rights at the Tobaru Project (1,347 hectares)
- 12 Prospecting Rights at the Kamitsue Project (4,069 hectares)

On October 23, 2018, the Company entered into a binding letter agreement ("Letter Agreement") with First Quantum Minerals Ltd. ("FQML") to explore four of its prospective lithocap projects (collectively the "Lithocap Projects" and each a "Project") located on the islands of Hokkaido, Honshu and Kyushu, Japan. The Lithocap Projects represent exploration targets for shallow-level epithermal gold and deeper porphyry copper-gold deposits. Pursuant to the Letter Agreement, FQML has committed to manage and oversee a systematic surface exploration reconnaissance on each Project prior to June 30, 2019.

During the year ended December 31, 2018, FQML provided the Company with approximately US\$149,000 (\$203,266) to fund an initial surface evaluation program on the four lithocap projects as per the Letter Agreement. Total costs incurred in connection with carrying out this program were approximately US\$222,000 (\$302,852). The Company records funds received from FQML as income which is offset by the expenses related to the FQML project. As at December 31, 2018, the Company recorded a receivable from FQML of approximately US\$73,000 (\$99,586) for costs incurred for the Lithocap Projects not yet received. This balance was received in full on a March 26, 2019.

Upon completion of the initial exploration program, FQML had the option to enter into a formal earn-in agreement on any Project individually. Subsequent to the year ended December 31, 2018, FQML decided not to enter into a formal earn-in agreement following completion of an initial surface evaluation on the four lithocap projects identified in the binding letter agreement between the two companies.

JAPAN GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Heavy Equipment	Vehicles	Building	Land	Furniture and Fixtures	Total
At December 31, 2016	\$ -	\$ -	\$ 50,091	\$ 9,200	\$ 12,045	71,336
Purchases	737,777	60,998	8,303	2,536	85,993	895,607
Foreign currency translation adjustment	(7,775)	(312)	(1,427)	(320)	(1,208)	(11,042)
At December 31, 2017	\$ 730,002	\$ 60,686	\$ 56,967	\$ 11,416	\$ 96,830	\$ 955,901
Purchases	-	-	-	-	8,157	8,157
Foreign currency translation adjustment	81,827	6,434	6,069	1,303	18,122	113,755
At December 31, 2018	\$ 811,829	\$ 67,120	\$ 63,036	\$ 12,719	\$ 123,109	\$ 1,077,813
Accumulated depreciation						
At December 31, 2016	\$ -	\$ -	\$ 1,808	\$ -	\$ 544	\$ 2,352
Depreciation capitalized to exploration and evaluation assets	102,366	35,525	-	-	-	137,891
Depreciation	-	-	15,189	-	16,636	31,825
At December 31, 2017	\$ 102,366	\$ 35,525	\$ 16,997	\$ -	\$ 17,180	\$ 172,068
Depreciation capitalized to exploration and evaluation assets	239,354	31,595	15,864	-	35,308	322,121
Depreciation	-	-	-	-	2,376	2,376
At December 31, 2018	\$ 341,720	\$ 67,120	\$ 32,861	\$ -	\$ 54,864	\$ 496,565
Total carrying value,						
December 31, 2017	\$ 627,636	\$ 25,161	\$ 39,970	\$ 11,416	\$ 79,650	\$ 783,833
Total carrying value,						
December 31, 2018	\$ 470,109	\$ -	\$ 30,175	\$ 12,719	\$ 68,245	\$ 581,248

During the year ended December 31, 2017, the Company purchased from PT. Promincon Indonesia (“PMC”) three compact portable diamond core drill rigs, other equipment and consumables for a total of \$US1,224,702 (\$1,593,493). Out of this amount \$855,716 relating to supply stock and materials were classified as exploration and evaluation assets and \$737,777 was recorded as property, plant and equipment. PMC manufactures a range of portable diamond core drill rigs and is an established diamond core drilling contracting company incorporated in Indonesia. A director and officer of Japan Gold has a controlling interest in PMC, which is a related entity.

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 December 21, 2018, the Company completed a private placement of \$6,650,000 which resulted in an issuance of 44,333,334 common shares at a price of \$0.15 per share to certain strategic investors, including Goldcorp Inc. (“Goldcorp”), RCF Opportunities Fund L.P (“RCF”) and Southern Arc Minerals Inc. The Company also issued 300,000 shares for finder’s fee and issued 633,333 shares to settle advisory fees totaling \$95,000 in connection with the private placement.

Under the Goldcorp Investor Rights Agreement, Goldcorp has the right to maintain its pro rata ownership percentage of the Company during future financings to maintain or increase its equity ownership interest in the Company to a maximum of 19.9% of the issued and outstanding shares of the Company on a partially-diluted basis. The Company, along with Goldcorp, also agrees to form a Technical Committee and spend the proceeds on exploration activities to be identified by the Technical Committee.

On August 9, 2017, the Company completed a financing with Southern Arc Minerals Inc., pursuant to which Southern Arc purchased 12,500,000 units of Japan Gold at a price of \$0.40 per unit for gross proceeds of \$5,000,000. Each unit consists of one common share and one transferable common share purchase warrant of the Company. Each warrant is exercisable into one additional common share of the Company at a price of \$0.40 per share for a period of five years. The shares issued with the private placement units were fair valued using the market price on the date of the issuance. The residual value of \$0.10 per warrant was allocated to the share purchase warrants.

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
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	(366,664)	0.40
Outstanding and exercisable at December 31, 2017 (remaining average contractual life is 8.46 years)	5,453,112	0.40
Granted	1,525,050	0.16
Forfeited	(25,000)	0.40
Exercised	(70,000)	0.20
Expired	(808,162)	0.34
Outstanding and exercisable at December 31, 2018 (remaining average contractual life is 8.28 years)	6,075,000	\$ 0.34

6. SHARE CAPITAL (continued)

Share options (continued)

During the year ended December 31, 2018, the Company granted 1,525,050 share options to certain directors, officers, employees and consultants of the Company. Out of these options 925,000 were issued to related parties. The vesting terms of these options are 33.33% immediately, and 33.33% every year thereafter. This results in the Company recording share-based compensation of \$78,518.

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted during the years ended December 31, 2018 and 2017):

	December 31, 2018	December 31, 2017
Risk-free interest rate	1.82%	0.56%
Expected life of options (in years)	10.00	10.00
Expected volatility	75%	75%
Share price	\$ 0.16	\$ 0.40
Fair value of options granted	\$ 0.16	\$ 0.23
Forfeiture rate	-	-
Dividend rate	-	-

The following table summarizes information about the share options outstanding as at December 31, 2018:

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
4,274,950	\$ 0.40	September 15, 2026	7.71
275,000	\$ 0.40	October 28, 2026	7.83
1,525,050	\$ 0.16	December 13, 2028	9.96
6,075,000	\$ 0.34		8.28

Subsequent to the year ended December 31, 2018, the Company issued 5,280,000 stock options with an exercise price of \$0.20 for a period of 10 years to directors, officers, employees and consultants of the Company. Of these, 4,250,000 stock options were issued to related parties.

Subsequent to the year ended December 31, 2018, 200,000 stock options previously granted to a former director of the Company expired unexercised.

Warrants

As at December 31, 2018, the Company had 12,500,000 share purchase warrants outstanding at an exercise price of \$0.40 per share expiring on August 9, 2022 in connection with the private placement to Southern Arc.

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:

	Year ended December 31, 2018	Year ended December 31, 2017
Management fees	\$ 582,000	\$ 336,000
Consulting fees	176,043	126,000
Project evaluation	324,989	385,291
Share-based compensation	51,485	63,102

During the year ended December 31, 2018, the Company incurred \$582,000 (December 31, 2017: \$336,000) in management fees to a private company controlled by the CEO of the Company. Management fees include administrative, finance and accounting fees, as well as certain office expenses. As at December 31 2018, accounts payable and accrued liabilities included \$Nil (December 31, 2017: \$Nil) payable to the related entity.

During the year ended December 31, 2018, the Company paid \$168,000 (December 31, 2017: \$126,000) in consulting fees to a private company controlled by a director of the Company. The Company also paid \$324,989 in consulting fees for project evaluation to an officer of the Company (December 31, 2017 - \$385,291). During the period ended December 31, 2018, the Company also paid \$8,043 (December 31, 2017:\$Nil) in consulting fees to a director of the Company. As at December 31, 2018, \$Nil, \$18,417 and \$Nil respectively, were outstanding and payable (December 31, 2017: \$Nil, \$29,638 and \$Nil respectively).

During the period ended December 31, 2017, the Company purchased three compact portable diamond core drill rigs, other equipment and consumables for a total of US\$1,224,702 (\$1,593,493) from PMC. Out of this amount \$855,716 was classified as exploration and evaluation assets and \$737,777 was recorded as property, plant and equipment. PMC manufactures a range of portable diamond core drill rigs and is an established diamond core drilling contracting company incorporated in Indonesia. A director and officer of Japan Gold has a controlling interest in PMC, which is a related entity. As at December 31, 2018, accounts payable and accrued liabilities included \$Nil (December 31, 2017: \$Nil) payable to the related entity.

During the year ended December 31, 2018, the Company accrued \$135,869 (December 31, 2017: \$102,319) in rent and office expenses relating to the Company's head office. As at December 31, 2018, \$60,036 of these fees were included in accounts payable and accrued liabilities. This amount is owed to Southern Arc Minerals Inc., a related party and parent company (December 31, 2017: \$Nil).

During the year ended December 31, 2018, the Company also received a total of \$1,174,446 in advances from Southern Arc Minerals Inc. which includes US dollar balances of US\$630,000 (\$859,446). These advances have a one-time financing fee of 5% of the amount outstanding and have a maturity date of 3 months from the date of advance. The Company recorded a financing expense of \$54,184 in connection with these loans. On December 5, 2018, US\$190,000 (\$259,198) of the total \$1,174,446 advanced was due and payable to Southern Arc Minerals Inc. The terms for this repayment was extended by Southern Arc to coincide with the close of the Company's financing in December 2018. Subsequent to the year ended December 31, 2018, the total advances have been repaid in full.

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

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. As the Company's cash and cash equivalents is held at Canadian Financial Institutions, management believes the credit risk is minimal.

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 or ¥").

At December 31, 2018, the Company had ¥1,609,831 (approximately CDN\$19,987) in cash, and ¥21,318,551 (approximately CDN\$264,563) in accounts payable and accrued liabilities. As at December 31, 2018, Yen amounts were converted at a rate of ¥0.01241 to CDN\$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN\$24,458.

As at December 31, 2018, the Company has US\$630,000 (approximately CDN \$859,446) in related party loans and US\$47,121 (approximately CDN\$64,282) in accounts payable and accrued liabilities. As at December 31, 2018, US dollar amounts were converted at a rate of US\$0.73 to CDN \$1. A 10% Fluctuation in foreign exchange would result in a net change of approximately CND\$92,373.

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. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	December 31, 2018	December 31, 2017
Loss for the period, before income taxes	\$ (3,458,943)	\$ (3,736,725)
Tax rate	27.0%	26.0%
Expected income tax recovery	\$ (933,915)	\$ (971,549)
Impact of foreign tax rates	(49,061)	(61,150)
Items not deductible for income tax purposes	21,200	53,011
True up and others	313,383	-
Tax benefits unrecognized	648,393	979,688
Income tax expense	\$ -	\$ -

Deferred income tax assets have not been recognized for the following temporary differences:

	December 31, 2018	December 31, 2017
Non-capital losses - Canada	\$ 3,841,643	\$ 2,395,989
Non-capital losses - Japan	4,276,753	3,417,983
Share issuance costs and other	125,571	416,782
	\$ 8,243,967	\$ 6,230,754

The temporary differences associated with a loan to the Company's subsidiary for which a deferred tax liability has not been recognized in the year amounts to \$474,402 (2017 - \$Nil). The Company has determined that the temporary differences associated with this loan will not reverse in the foreseeable future.

At December 31, 2018, the Company has Canadian tax losses with a tax benefit of \$3,841,643 (2017 - \$2,395,989) which are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. The gross amount of the tax losses for which a tax benefit has not been recorded expire as follows:

Year of expiry	Japan	Canada
2024	\$ 87,308	\$ -
2025	491,237	-
2026	1,108,393	-
2027	2,027,853	-
2028	561,962	-
2036	-	1,172,000
2037	-	929,568
2038	-	1,740,075
	\$ 4,276,753	\$ 3,841,643

10. 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 year ended December 31, 2018.

11. SEGMENTED INFORMATION

The breakdown by geographic area as at December 31, 2018 is as follows:

	Canada		Japan	Consolidated
Current assets	\$ 6,481,086	\$	96,271	\$ 6,577,357
Non-current assets	-		5,691,668	5,691,668
Total assets	6,481,086		5,787,939	12,269,025
Total liabilities	\$ 1,532,946	\$	264,564	\$ 1,797,510

The breakdown by geographic area as at December 31, 2017 is as follows:

	Canada		Japan	Consolidated
Current assets	\$ 2,858,159	\$	636,233	\$ 3,494,392
Non-current assets	-		3,817,596	3,817,596
Total assets	2,858,159		4,453,829	7,311,988
Total liabilities	\$ 68,808	\$	513,016	\$ 581,824

12. COMMITMENTS

As at December 31, 2018, the Company has no commitments.