



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2021 AND 2020**

(Unaudited - expressed in Canadian dollars)

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

Notice of No Auditor Review

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three and six month period ended June 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	June 30, 2021	December 31, 2020
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 6,514,295	\$ 2,368,000
Restricted cash (Note 4)	821,448	1,004,412
Accounts receivable	18,118	90,548
Prepaid expenses and deposits	176,828	253,766
	<u>7,530,689</u>	<u>3,716,726</u>
Non-Current Assets		
Deposit	102,460	106,583
Exploration and evaluation assets (Note 4)	16,498,139	16,304,050
Property, plant and equipment (Note 5)	293,398	385,368
Software	11,241	13,882
Right of use asset (Note 6)	94,004	129,879
	<u>\$ 24,529,931</u>	<u>\$ 20,656,488</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4, Note 9)	\$ 1,451,786	\$ 1,020,625
Current portion of lease liability (Note 7)	34,644	72,995
	<u>1,486,430</u>	<u>1,093,620</u>
Non-Current Liabilities		
Lease liability (Note 7)	29,359	34,725
	<u>1,515,789</u>	<u>1,128,345</u>
Shareholders' equity		
Share capital (Note 8)	37,871,764	37,750,321
Subscription receipts (Note 8)	6,278,534	-
Contributed surplus	5,175,113	4,967,021
Accumulated other comprehensive income (loss)	(1,265,374)	316,723
Deficit	(25,045,895)	(23,505,922)
	<u>23,014,142</u>	<u>19,528,143</u>
Total liabilities and shareholders' equity	<u>\$ 24,529,931</u>	<u>\$ 20,656,488</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved by the Board of Directors and authorized for issuance on August 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Expenses				
Audit	\$ 36,764	\$ 33,222	\$ 51,564	\$ 45,722
Consulting	74,155	46,115	159,345	119,845
Depreciation	2,304	536	4,237	1,049
Director fees	38,222	32,553	76,444	53,871
Filing and regulatory	34,453	41,153	63,549	62,508
Foreign exchange loss (gain)	(12,250)	84,597	27,844	96,903
Occupancy and office	58,524	92,058	131,250	174,881
Insurance	9,865	10,405	20,187	22,656
Investor relations	109,271	133,433	238,865	244,998
Management fees	141,000	141,000	282,000	282,000
Marketing	-	-	-	13,127
Professional fees	37,599	66,526	60,627	213,229
Project evaluation	124,821	213,501	206,671	257,099
Share-based compensation (Note 8)	80,285	434,799	208,092	551,055
Transfer agent	2,372	3,690	4,233	5,160
Travel	4,049	23,637	9,330	38,644
Loss before other items	\$ 741,434	\$ 1,357,225	\$ 1,544,238	\$ 2,182,747
Other items				
Financing expense (Note 9)	4,320	85,183	8,242	100,117
Interest income	(5,185)	(554)	(12,507)	(11,673)
	(865)	84,629	(4,265)	88,444
Net loss for the period	740,569	1,441,854	1,539,973	2,271,191
Foreign exchange loss (gain) on translation of foreign operations	265,001	487,473	1,582,097	(589,228)
Net comprehensive loss for the period	\$ 1,005,570	\$ 1,929,327	\$ 3,122,070	\$ 1,681,963
Loss per share				
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding				
	176,286,895	161,383,374	176,121,986	147,725,575

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	June 30, 2021	June 30, 2020
Cash flows from operating activities		
Net loss for the period	\$ (1,539,973)	\$ (2,271,191)
Adjustments for:		
Share-based compensation (Note 8)	208,092	551,055
Depreciation (Note 5)	4,237	1,049
Financing expense	8,242	100,117
Interest income	(12,507)	(11,673)
Interest received	12,507	11,673
Unrealized foreign exchange loss	39,780	-
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses and deposits	324,775	(507,292)
Accounts payable and accrued liabilities	678,358	(178,508)
Net cash used in operating activities	(276,489)	(2,304,770)
Cash flows from investing activities		
Exploration and evaluation expenditure (Note 4)	(1,733,061)	(1,920,813)
Acquisition of property, plant and equipment and software (Note 5)	(14,897)	-
Barrick Alliance expenditures yet to be reimbursed from restricted cash (Note 4)	(153,993)	-
Net cash used in investing activities	(1,901,951)	(1,920,813)
Cash flows from financing activities		
Subscription receipts (Note 8)	6,278,534	-
Proceeds received from private placement, net of issuance cost	-	7,339,683
Proceeds received from exercise of warrants (Note 8)	121,443	-
Lease payments (Note 7)	(44,892)	(40,106)
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	6,355,085	8,244,577
Change in cash and cash equivalents during the period	\$ 4,176,645	\$ 4,018,994
Effect of foreign exchange on cash and cash equivalents	(30,350)	(1,684)
Cash and cash equivalents, beginning of the period	2,368,000	1,452,270
Cash and cash equivalents, end of the period	\$ 6,514,295	\$ 5,469,580

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 JUNE 30, 2021 AND JUNE 30, 2020

(Unaudited - Expressed in Canadian dollars)

	Number of shares	Share capital	Subscription receipts	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
Subscription receipts	-	-	6,278,534	-	-	-	6,278,534
Shares issued for the exercise of warrants	446,020	121,443	-	-	-	-	121,443
Share-based compensation	-	-	-	208,092	-	-	208,092
Net loss for the period	-	-	-	-	-	(1,539,973)	(1,539,973)
Foreign currency translation	-	-	-	-	(1,582,097)	-	(1,582,097)
Balance, June 30, 2021	176,319,050	\$37,871,764	\$6,278,534	5,175,113	(1,265,374)	(25,045,895)	23,014,142

	Number of shares	Share capital	Subscription receipts	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	30,278,000	7,569,500	-	-	-	-	7,569,500
Shares issued for settlement of related party loan	4,000,000	1,000,000	-	-	-	-	1,000,000
Share issuance cost	-	(300,977)	-	71,160	-	-	(229,817)
Share-based compensation	-	-	-	551,055	-	-	551,055
Warrants issued in consideration of related party loan	-	-	-	35,609	-	-	35,609
Net loss for the period	-	-	-	-	-	(2,271,191)	(2,271,191)
Foreign currency translation	-	-	-	-	589,228	-	589,228
Balance, June 30, 2020	174,377,839	37,346,691	\$ -	4,679,678	571,390	(22,063,441)	20,534,318

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 six months ended June 30, 2021 and June 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 August 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 six months ended June 30, 2021 and June 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 six months ended June 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 June 30, 2021, the balance of cash and cash equivalents is \$6,514,295 (December 31, 2020 - \$2,368,000) of which \$Nil (December 31, 2020 - \$2,223,200) is cash equivalents. During the six-month period ended June 30, 2021, the Company redeemed \$2,223,200 of GIC's to fund operations (June 30, 2020: \$2,550,000).

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	526,857	431,639	-	-	-	958,496
Drilling	256,278	27,198	-	-	-	283,476
Insurance	15,212	2,824	-	-	-	18,036
Depreciation	39,238	34,235	-	-	-	73,473
Travel	35,059	12,392	-	-	-	47,451
Field supplies	123,647	86,672	-	-	-	210,319
Foreign currency translation adjustment	(1,015,133)	(379,999)	(532)	(1,209)	(289)	(1,397,162)
Balance, June 30, 2021	\$ 11,849,877	\$ 4,627,580	\$ 5,194	\$ 12,747	\$ 2,741	\$ 16,498,139

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

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

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

For the three and six months ended June 30, 2021 and June 30, 2020

(Unaudited - Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

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

During the six-month period ended June 30, 2021, Barrick paid \$2,537,878 (US\$2,022,536) (June 30, 2020 - \$2,001,629 (US\$1,426,271)) to the Company as partial funding for the Initial Evaluation Phase and US\$2,445,508 was incurred on the projects covered under the Barrick Alliance. On receipt of funds from Barrick, the Company records amounts received as restricted cash with an offsetting payable to Barrick. The payable to Barrick is decreased as qualifying expenditures are incurred. As at June 30, 2021, \$821,448 (US\$662,779) (December 31, 2020, \$1,004,412 (US\$788,888)) is recorded as restricted cash representing amounts funded by Barrick in excess of amounts paid for exploration and evaluation expenditures, of which \$153,993 (US\$124,248) is to be released to the Company for expenditures incurred as of June 30, 2021 on behalf of the Barrick Alliance. Additionally as at June 30, 2021, accounts payable and accrued liabilities include \$667,455 of accruals for Barrick Alliance expenditure not yet incurred.

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	-	-	-	352	14,897
Foreign currency translation adjustment	(79,393)	(11,734)	(6,355)	(1,209)	(26,043)	(124,734)
At June 30, 2021	\$ 760,717	\$ 111,079	\$ 60,151	\$ 11,448	\$ 246,745	\$ 1,190,140
Accumulated depreciation						
At December 31, 2020	\$ 600,340	\$ 121,088	\$ 57,258	\$ -	\$ 135,923	\$ 914,609
Depreciation capitalized to exploration and evaluation assets	24,323	1,617	615	-	22,595	49,150
Depreciation expense	-	-	-	-	4,237	4,237
Foreign currency translation adjustment	(40,201)	(11,626)	(5,492)	-	(13,935)	(71,254)
At June 30, 2021	\$ 584,462	\$ 111,079	\$ 52,381	\$ -	\$ 148,820	\$ 896,742
Net carrying value, December 31, 2020	\$ 225,225	\$ 1,725	\$ 9,248	\$ 12,657	\$ 136,513	\$ 385,368
Net carrying value, June 30, 2021	\$ 176,255	\$ -	\$ 7,770	\$ 11,448	\$ 97,925	\$ 293,398

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

For the three and six months ended June 30, 2021 and June 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 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		(24,323)
Foreign currency translation adjustment		(11,552)
At June 30, 2021	\$	94,004

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		(44,892)
Interest		8,242
Foreign currency translation adjustment		(7,067)
At June 30, 2021	\$	64,003
Current portion of lease liability		(34,644)
Long term portion of lease liability	\$	29,359

During the period ended June 30, 2021, the Company expensed \$28,239 (June 30, 2020: \$32,881) related to short term lease arrangements.

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

For the three and six months ended June 30, 2021 and June 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.

As at June 30, 2021, the Company recorded \$6,278,534 in subscription receipts representing 17,938,668 shares at a price of \$0.35 per share in connection with a non-brokered private placement for which cash was received against the financing that had not yet closed. 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 total of \$1,010,688 in cash 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).

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

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

For the three and six months ended June 30, 2021 and June 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 \$80,285 and \$208,092 for the three- and six-month periods ended June 30, 2021, respectively (\$434,799 and \$551,055 for three and six month periods ended June 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 June 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 June 30, 2021:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
120,000	\$ 0.27	June 3, 2024	2.92
3,974,950	0.40	September 15, 2026	5.21
275,000	0.40	October 28, 2026	5.33
1,525,050	0.16	December 13, 2028	7.46
5,180,000	0.20	January 24, 2029	7.57
4,315,000	0.30	May 13, 2030	8.87
15,390,000	\$ 0.27		7.24

As at June 30, 2021, the Company has 13,951,667 exercisable options with a weighted average exercise price of \$0.28.

Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2020	44,130,899	\$ 0.40
Expired	(922,500)	0.40
Exercised	(446,020)	0.27
Outstanding at June 30, 2021	42,762,379	\$ 0.40

During the period ended June 30, 2021, 446,020 warrants with a weighted average exercise price of \$0.27 were exercised for proceeds of \$121,443. Additionally, 922,500 warrants expired unexercised.

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

For the three and six months ended June 30, 2021 and June 30, 2020

(Unaudited - Expressed in Canadian dollars)

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

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

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
13,224,379	0.42	August 22, 2021	0.15
7,038,000	0.40	May 8, 2022	0.85
8,525,000	0.40	May 29, 2022	0.91
1,475,000	0.40	June 1, 2022	0.92
12,500,000	0.40	August 9, 2022	1.11
42,762,379	\$ 0.40		0.72

Subsequent to the period ended June 30, 2021, the Company issued 2,887,679 compensation warrants in connection with the \$17,000,000 non-brokered private placement. These compensation warrants have an exercise price of \$0.35 per common share with an expiry date of July 8, 2022.

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 June 30, 2021	Three month period ended June 30, 2020	Six month period ended June 30, 2021	Six month period ended June 30, 2020
Management fees	\$ 141,000	\$ 141,000	\$ 282,000	\$ 282,000
Consulting fees	42,000	42,000	84,000	84,000
Director fees	38,222	32,552	76,444	53,870
Project evaluation	8,304	46,156	54,727	115,893
Share-based compensation	46,516	148,135	492,221	226,477

During the six-month period ended June 30, 2021, the Company incurred \$282,000 (June 30, 2020: \$282,000) 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. \$59,850 were payable to the related entity as at June 30, 2021 (December 31, 2020: \$Nil).

The Company also incurred \$54,727 in consulting fees for project evaluation to an officer of the Company during the six-month period ended June 30, 2021 (June 30, 2020: \$115,893). As at June 30, 2021, \$Nil (June 30, 2020: \$18,813) of these fees were outstanding and payable to the officer.

During the six-month period ended June 30, 2021 the Company incurred \$84,000 (June 30, 2020: \$84,000) in consulting fees to a private company controlled by a director of the Company. No amounts are payable to the related entity as at June 30, 2021 or December 31, 2020.

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9. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

During the six-month period ended June 30, 2021, Southern Arc, a company with common directors and management, charged the Company \$Nil (June 30, 2020: \$71,031 in rent and office expenses. As at June 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.

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 June 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 June 30, 2021, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$1,942.

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10. FINANCIAL INSTRUMENTS (continued)**Fair value**

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The 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.

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 six-month period ended June 30, 2021.

12. SEGMENTED INFORMATION

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

	Canada	Japan	Consolidated
Current assets	\$ 6,740,603	\$ 790,086	\$ 7,530,689
Non-current assets	-	16,999,242	16,999,242
Total assets	6,740,603	17,789,328	24,529,931
Total liabilities	\$ 389,066	\$ 1,126,723	\$ 1,515,789

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

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13. SUBSEQUENT EVENTS

On July 8, 2021, the Company issued a total of 48,571,429 shares in a non-brokered private placement at a price of \$0.35 per share for gross proceeds of \$17,000,000. The Company paid a total of \$1,010,688 in cash 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).