



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2022 AND 2021**

*(Unaudited - expressed in Canadian dollars)*

**JAPAN GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**September 30, 2022**

**Notice of No Auditor Review**

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three and nine month periods ended September 30, 2022 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.

November 24, 2022

**JAPAN GOLD CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - expressed in Canadian dollars)

As at	September 30, 2022	December 31, 2021
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 4,889,197	\$ 11,954,665
Restricted cash (Note 4)	12,277	641,538
Accounts receivable	19,350	26,946
Prepaid expenses and deposits	146,380	170,469
	5,067,204	12,793,618
<b>Non-Current Assets</b>		
Deposit	70,504	101,631
Exploration and evaluation assets (Note 4)	21,748,989	19,131,644
Property, plant and equipment (Note 5)	302,195	267,431
Right of use asset (Note 6)	-	77,230
<b>Total assets</b>	<b>\$ 27,188,892</b>	<b>\$ 32,371,554</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 812,788	\$ 1,081,506
Lease liability (Note 7)	-	22,420
<b>Total liabilities</b>	<b>812,788</b>	<b>1,103,926</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	53,598,471	53,598,471
Contributed surplus	6,615,443	5,903,327
Accumulated other comprehensive loss	(3,994,740)	(1,401,453)
Deficit	(29,843,070)	(26,832,717)
<b>Total shareholders' equity</b>	<b>26,376,104</b>	<b>31,267,628</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 27,188,892</b>	<b>\$ 32,371,554</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved by the Board of Directors and authorized for issuance on November 24, 2022

**On behalf of the Board of Directors**"Murray Flanigan" Director"John Proust" Director

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

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

(Unaudited - expressed in Canadian dollars)

For the periods ended	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<b>Expenses</b>				
Consulting (Note 9)	103,819	75,460	319,395	234,805
Depreciation	905	1,148	4,271	5,385
Director fees	38,633	38,222	115,899	114,666
Filing and regulatory	150	12,899	34,818	76,448
Foreign exchange loss	34,739	11,533	87,980	39,377
Insurance	12,072	10,127	35,116	30,314
Investor relations	81,311	207,066	335,266	445,931
Management fees (Note 9)	167,000	141,000	524,000	423,000
Occupancy and office	72,493	93,227	237,532	224,477
Professional fees	67,260	31,775	171,132	143,966
Project evaluation (Note 9)	110,225	66,820	379,943	273,491
Share-based compensation (Note 8)	86,320	41,729	712,116	249,821
Transfer agent	3,716	8,234	8,026	12,467
Travel	32,790	4,676	66,376	14,006
<b>Loss before other items</b>	<b>\$ 811,433</b>	<b>\$ 743,916</b>	<b>\$ 3,031,870</b>	<b>\$ 2,288,154</b>
<b>Other items</b>				
Financing expense	(161)	4,860	5,258	13,102
Interest income	(21,465)	-	(26,775)	(12,507)
	(21,626)	4,860	(21,517)	595
<b>Net loss for the period</b>	<b>789,807</b>	<b>748,776</b>	<b>3,010,353</b>	<b>2,288,749</b>
Foreign exchange loss (gain) on translation of foreign operations	72,096	(290,475)	2,593,287	1,291,622
<b>Net comprehensive loss for the period</b>	<b>\$ 861,903</b>	<b>\$ 458,301</b>	<b>\$ 5,603,640</b>	<b>\$ 3,580,371</b>
<b>Loss per share</b>				
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>				
	224,890,479	220,666,876	224,890,479	191,133,451

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)

<b>For the periods ended</b>	<b>September 30, 2022</b>	<b>September 30, 2021</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (3,010,353)	\$ (2,288,749)
Adjustments for:		
Share-based compensation (Note 8)	712,116	249,821
Depreciation (Note 5)	4,271	5,385
Financing expense	370	13,102
Interest income	(26,775)	(12,507)
Interest received	26,775	12,507
Unrealized foreign exchange loss	87,980	39,377
Changes in non-cash working capital items:		
Accounts receivable, prepaid expenses and deposits	62,812	732,709
Accounts payable and accrued liabilities	363,730	(215,594)
Net cash used in operating activities	(1,779,074)	(1,463,949)
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditure (Note 4)	(5,127,729)	(2,887,706)
Acquisition of property, plant and equipment (Note 5)	(170,472)	(29,308)
Reimbursements of Barrick Alliance expenditures, net	91,019	-
Net cash used in investing activities	(5,207,182)	(2,917,014)
<b>Cash flows from financing activities</b>		
Proceeds from private placement, net of issuance cost	-	15,976,208
Proceeds received from exercise of warrants (Note 8)	-	121,443
Lease payments (Note 7)	(22,493)	(87,023)
Net cash from (used in) financing activities	(22,493)	16,010,628
<b>Change in cash and cash equivalents during the period</b>	<b>\$ (7,008,749)</b>	<b>\$ 11,629,665</b>
Effect of foreign exchange on cash and cash equivalents	(56,719)	(1,579)
Cash and cash equivalents, beginning of the period	11,954,665	2,368,000
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 4,889,197</b>	<b>\$ 13,996,086</b>

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

**JAPAN GOLD CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021

(Unaudited - expressed in Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, December 31, 2020	175,873,030	\$37,750,321	\$4,967,021	\$ 316,723	\$ (23,505,922)	\$ 19,528,143
Shares issued for the private placement, net of issuance cost	48,571,429	15,726,707	249,501	-	-	15,976,208
Shares issued for warrants exercise	446,020	121,443	-	-	-	121,443
Share-based compensation	-	-	249,821	-	-	249,821
Net loss for the period	-	-	-	-	(2,288,749)	(2,288,749)
Foreign currency translation	-	-	-	(1,291,622)	-	(1,291,622)
Balance, September 30, 2021	224,890,479	\$ 53,598,471	\$ 5,466,343	\$ (974,899)	\$ (25,794,671)	\$ 32,295,244

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2021	224,890,479	\$53,598,471	\$5,903,327	\$ (1,401,453)	\$ (26,832,717)	\$ 31,267,628
Share-based compensation	-	-	712,116	-	-	712,116
Net loss for the period	-	-	-	-	(3,010,353)	(3,010,353)
Foreign currency translation	-	-	-	(2,593,287)	-	(2,593,287)
Balance, September 30, 2022	224,890,479	\$ 53,598,471	\$ 6,615,443	\$ (3,994,740)	\$ (29,843,070)	\$ 26,376,104

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

## **JAPAN GOLD CORP.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

---

#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Japan Gold Corp. (“Japan Gold” or “the Company”) is 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 located 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”.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations to date. For the period ended September 30, 2022, the Company incurred negative cash flows from operations of \$1,779,074 and recorded a net loss of \$3,010,353. These conditions result in material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company expects that it will require additional debt or equity funding in the future in order to continue its planned exploration and evaluation activities and meet its business objectives. The Company plans to raise the necessary funds primarily through issuance of common shares. The Company’s ability to continue as a going concern is dependent on its ability to successfully raise additional funds. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Furthermore, in March 2020, the novel coronavirus outbreak (“COVID-19”) was declared a pandemic by the World Health Organization. Although the Company has not been significantly impacted to date, 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. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of presentation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements.

These unaudited condensed consolidated interim financial statements were approved for issuance by the Company’s Board of Directors on November 24, 2022.

##### **Basis of consolidation**

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Japanese subsidiary, Japan Gold KK (“JGKK”). All intercompany balances and transactions have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control over an investee is defined to exist when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES****Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, the Company applied the critical judgments and estimates disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2021.

**3. CASH AND CASH EQUIVALENTS**

As at September 30, 2022, the balance of cash and cash equivalents is \$4,889,197 (December 31, 2021: \$11,954,665) of which \$4,650,000 (December 31, 2021: \$10,000,000) is cash equivalents related to GICs held during the period. During the period ended September 30, 2022, the Company redeemed \$5,350,000 of Canadian GIC's to fund operations (December 31, 2021: \$950,000). During the period ended September 30, 2022, the Company also redeemed \$Nil of US GIC's to fund operations (December 31, 2021: \$1,267,800).

**4. EXPLORATION AND EVALUATION ASSETS**

	Ikutahara project	Ohra-Takamine project	Tobaru project	Kamitsue project	Aibetsu project	Total
<b>Balance, December 31, 2021</b>	<b>\$ 14,161,787</b>	<b>\$ 4,949,451</b>	<b>\$ 5,121</b>	<b>\$ 12,583</b>	<b>\$ 2,702</b>	<b>\$ 19,131,644</b>
Geoscience - consulting	2,774,126	(145,319)	-	-	-	2,628,807
Drilling	1,835,088	26,667	-	-	-	1,861,755
Insurance	28,495	2,552	-	-	-	31,047
Depreciation	65,334	27,366	-	-	-	92,700
Travel	153,071	4,702	-	-	-	157,773
Field supplies	397,696	50,651	-	-	-	448,347
Foreign currency translation adjustment	(1,990,376)	(610,075)	(691)	(1,567)	(375)	(2,603,084)
<b>Balance, September 30, 2022</b>	<b>\$ 17,425,221</b>	<b>\$ 4,305,995</b>	<b>\$ 4,430</b>	<b>\$ 11,016</b>	<b>\$ 2,327</b>	<b>\$ 21,748,989</b>



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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS (continued)**

The Company's current project portfolio consists of prospecting rights licenses and prospecting rights license applications for a combined area of 239,929 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 have been granted at the Ohra-Takamine Project (3,705 hectares)
- 4 Prospecting Rights licenses have been granted at the Tobaru Project (1,347 hectares)
- 12 Prospecting Rights licenses have been granted at the Kamitsue Project (4,069 hectares)
- 9 Prospecting Rights licenses have been granted at the Aibetsu Project (2,916 hectares)
- 47 Prospecting Rights licenses have been granted at the Ebino Project (14,698 hectares)
- 22 Prospecting Rights licenses have been granted at the Mizobe Project (5,163 hectares)
- 6 Prospecting Rights licenses have been granted at the Usa Project (1,838 hectares)
- 14 Prospecting Rights licenses have been granted at the Bajo Project (4,478 hectares)

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 and the Ohra-Takamine Project in Kyushu and the Company will continue to advance these two projects independently. Barrick has funded a 2-year Initial Evaluation Phase comprising a majority of the projects (minimum funding of US\$3 million per year) and has now commenced the funding of a subsequent 3-year Second Evaluation Phase on six projects (minimum funding of US\$4 million per year) that have met Barrick's inclusion criteria. The six projects are the Aibetsu, Tenryu, Hakuryu, Togi, Ebino and Mizobe projects. In addition, Barrick will continue with its Initial Evaluation Phase on three project areas that were added to the Barrick Alliance following its formation. The three projects still being reviewed are the Buho Extension - Nakanosawa, the Aibetsu East Extension, and the Togi Extension. Barrick will continue to provide full support and management and sole fund all Barrick Alliance activities. 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 period ended September 30, 2022, Barrick paid \$2,189,041 (US\$1,751,793) (December 31, 2021 - \$4,435,403 (US\$3,498,504)) to the Company as partial funding for the Initial Evaluation Phase. On receipt of funds from Barrick, the Company records amounts received as restricted cash with an offsetting payable to Barrick. The payable to Barrick is decreased as qualifying expenditures are incurred. As at September 30, 2022, \$12,277 (US\$8,957) (December 31, 2021, \$641,538 or US\$506,024) is recorded as restricted cash representing amounts funded by Barrick in excess of amounts paid for exploration and evaluation expenditures. Subsequent to the period ended September 30, 2022, the Company received additional funding of \$1,797,754 (US\$1,311,559) from Barrick to fund work programs. Including the amount received subsequent to September 30, 2022, Barrick has funded a total of \$11,210,186 (US\$8,615,945). To date, Barrick has not identified any project as a Designated Project.

The Company is internally evaluating all projects that Barrick did not select, which remain at an early stage of investigation but offer exploration potential, with a view to determining which to advance independently or by bringing in additional partners.

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**5. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Heavy Equipment</b>	<b>Vehicles</b>	<b>Building</b>	<b>Land</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
<b>At December 31, 2021</b>	<b>749,820</b>	<b>109,488</b>	<b>59,290</b>	<b>11,284</b>	<b>270,199</b>	<b>1,200,081</b>
Purchases	208,822	18,068	67,447	-	14,436	308,773
Foreign currency translation adjustment	(116,211)	(16,254)	(12,119)	(1,568)	(35,474)	(181,626)
<b>At September 30, 2022</b>	<b>\$ 842,431</b>	<b>\$ 111,302</b>	<b>\$ 114,618</b>	<b>\$ 9,716</b>	<b>\$ 249,162</b>	<b>\$ 1,327,228</b>
<b>Accumulated depreciation</b>						
<b>At December 31, 2021</b>	<b>\$ 605,292</b>	<b>\$ 109,488</b>	<b>\$ 52,215</b>	<b>\$ -</b>	<b>\$ 165,655</b>	<b>\$ 932,650</b>
Depreciation capitalized to exploration and evaluation assets	196,515	1,550	2,883	-	28,570	229,518
Depreciation expense	-	-	-	-	4,271	4,271
Foreign currency translation adjustment	(95,418)	(14,048)	(7,029)	-	(24,911)	(141,406)
<b>At September 30, 2022</b>	<b>706,389</b>	<b>96,990</b>	<b>48,069</b>	<b>-</b>	<b>173,585</b>	<b>1,025,033</b>
<b>Net carrying value, December 31, 2021</b>	<b>\$ 144,528</b>	<b>\$ -</b>	<b>\$ 7,075</b>	<b>\$ 11,284</b>	<b>\$ 104,544</b>	<b>\$ 267,431</b>
<b>Net carrying value, September 30, 2022</b>	<b>\$ 136,042</b>	<b>\$ 14,312</b>	<b>\$ 66,549</b>	<b>\$ 9,716</b>	<b>\$ 75,577</b>	<b>\$ 302,195</b>

**6. RIGHT OF USE ASSETS**

On April 1, 2019, the Company entered into a lease for drill equipment to be used on its exploration programs for a period of 36 months. On April 1, 2022, the lease term expired and the Company exercised its option to purchase the equipment for US\$10.

	<b>Right-of-use assets</b>
At December 31, 2020	\$ 129,879
Depreciation	(24,831)
Foreign currency translation adjustment	(27,818)
At December 31, 2021	77,230
Depreciation	(40,756)
Foreign currency translation adjustment	(36,474)
At September 30, 2022	\$ -

Depreciation on right of use assets is included in exploration and evaluation assets.

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**7. LEASE LIABILITY**

The lease liability for drilling equipment was initially measured at the present value of the lease payments which were US\$6,000 a month, discounted using the Company's incremental borrowing rate of 10%.

		<b>Lease liability</b>
At December 31, 2020		107,720
Payments		(91,282)
Interest		18,425
Foreign currency translation adjustment		(12,443)
At December 31, 2021	\$	22,420
Payments		(22,493)
Interest		370
Foreign currency translation adjustment		(297)
At September 30, 2022	\$	-

During the period ended September 30, 2022, the Company expensed \$36,800 (September 30, 2021: \$42,203) related to short term lease arrangements.

**8. SHARE CAPITAL****Authorized capital**

The Company is authorized to issue an unlimited number of common and preferred shares without par value. There are currently no preferred shares issued and outstanding.

On July 8, 2021, the Company closed a non-brokered private placement and issued a total of 48,571,429 common shares at a price of \$0.35 per common share for gross proceeds of \$17,000,000. The Company paid a cash commission of \$1,010,688, incurred \$13,104 in other professional fees and issued a total of 2,887,679 compensation warrants in connection with the private placement. The compensation warrants were exercisable at \$0.35 per common share and expired, unexercised on July 8, 2022. The fair value of these warrants was determined to be \$249,501 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 0.26%; expected volatility – 65%; weighted average share price of \$0.35; expected life of warrants – 1 year.

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

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

The Company has established a “rolling” Share Option Plan (the “Plan”) in compliance with the TSX-V’s policy for granting share options. Under the Plan, the maximum number of common 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 common 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 December 31, 2021	21,780,000	0.30
Granted	-	-
Outstanding at September 30, 2022	21,780,000	\$ 0.30

During the year ended December 31, 2021, the Company issued 6,390,000 stock options to certain directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.35 per share for a period of five years from the date of grant. The vesting terms of the 6,090,000 options are 33.33% immediately and 33.33% every six months thereafter. The vesting terms of the 300,000 options are 0% immediately and 33.33% every six months thereafter.

The Company recorded share-based compensation expense of \$86,320 and \$712,116 for the three and nine-month periods ended September 30, 2022, respectively (three and nine-month periods ended September 30, 2021: \$41,729 and \$249,821), relating to the options granted during the year ended December 31, 2021 as well as additional vesting of options that were granted in the prior years.

The following weighted average assumptions were used for the Black-Scholes valuation of share options outstanding as at September 30, 2022 and December 31, 2021:

	<b>2021</b>
Risk-free interest rate	0.16%
Expected life of options (in years)	5
Expected volatility	93%
Share price at grant date	\$ 0.27
Exercise price	\$ 0.35
Fair value	\$ 0.18
Forfeiture rate	-
Dividend rate	-

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)**

The following table summarizes information about the share options outstanding as at September 30, 2022 and December 31, 2021:

<b>Outstanding</b>	<b>Weighted average exercise price</b>	<b>Expiry date</b>	<b>Weighted average remaining life (years)</b>
120,000 \$	0.27	June 3, 2024	1.67
3,974,950	0.40	September 15, 2026	3.96
275,000	0.40	October 28, 2026	4.08
1,525,050	0.16	December 13, 2028	6.21
5,180,000	0.20	January 24, 2029	6.32
4,315,000	0.30	May 13, 2030	7.62
6,390,000	0.35	December 23, 2026	4.23
21,780,000 \$	0.30		5.47

As at September 30, 2022, the Company has 21,780,000 options issued and outstanding where 21,241,132 options are exercisable as at September 30, 2022 with a weighted average exercise price of \$0.30.

Subsequent to September 30, 2022, the Company adopted a new omnibus equity incentive plan (the "Compensation Plan") which was approved at the Company's annual general meeting of stockholders held on October 20, 2022. The Compensation Plan supersedes the above Share Option Plan with the Company's board of directors passing a resolution capping all types of consideration referred to in the Compensation Plan for the following year to a rolling maximum of 10% of the total number of issued and outstanding common shares of the Company as measured on the date of each grant.

**Warrants**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2021	32,426,679	\$ 0.40
Issued	-	-
Expired	(32,426,679)	(0.40)
Exercised	-	-
Outstanding at September 30, 2022	-	\$ -

During the period ended September 30, 2022, 15,387,679 of the Company's warrants expired unexercised and no warrants are issued and outstanding as at September 30, 2022.

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**9. RELATED PARTY TRANSACTIONS****Key management and personnel compensation**

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

	Three month period ended September 30, 2022	Three month period ended September 30, 2021	Nine month period ended September 30, 2022	Nine month period ended September 30, 2021
Management fees	\$ 167,000	\$ 141,000	\$ 524,000	\$ 423,000
Consulting fees	59,914	42,000	172,536	126,000
Director fees	38,633	38,222	115,899	114,666
Project evaluation	39,594	86,059	120,936	140,786
Share-based compensation	86,320	24,177	712,116	144,890

During the nine-month period ended September 30, 2022, the Company incurred \$524,000 (September 30, 2021: \$423,000) in management fees for administrative, finance and accounting services and certain office expenses to a private company controlled by the Chief Executive Officer of the Company. The Company also reimbursed \$52,965 in occupancy costs during the period ended September 30, 2022 (September 30, 2021: \$45,050).

The Company incurred \$120,936 in consulting fees for project evaluation to an officer of the Company during the period ended September 30, 2022 (September 30, 2021: \$140,786). As at September 30, 2022, \$28,350 (December 31, 2021: \$19,031) of these fees were outstanding and payable to the officer.

The Company paid \$46,536 in consulting fees (September 30, 2021: \$60,373) to the General Manager of Exploration of the Company. As at September 30, 2022, \$7,105 (December 31, 2021: \$4,789) of these fees were outstanding and payable. During the period ended September 30, 2022, the Company also incurred \$126,000 (September 30, 2021: \$126,000) in consulting fees for providing analysis and strategic advice related to the development of exploration projects to a private company controlled by a director of the Company.

**Other related party transactions**

During the period ended September 30, 2022, Southern Arc, a company with common directors and management, charged the Company \$18,687 in office expenses (September 30, 2021: \$Nil in rent and office expenses). As at September 30, 2022, \$6,321 (December 31, 2021: \$8,321) of these fees were included in accounts payable and accrued liabilities.

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

## JAPAN GOLD CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

---

#### 10. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to liquidity risk and market risk, which may have a material effect on cash flows, operations and net loss.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

**Liquidity risk** is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's financial liabilities, including accounts payable and accrued liabilities and the current portion of lease liabilities are classified as current. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due (see also Note 1).

**Credit risk** Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, deposits and accounts receivable. The Company limits its credit exposure on cash and cash equivalents and restricted cash by holding its deposits mainly with high credit quality financial institutions as determined by credit agencies. The carrying value of these financial assets represents the maximum exposure to credit risk.

**Market risk** is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is currently exposed to interest rate risk to the extent that the cash and short-term investment maintained at the financial institutions are subject to a floating rate of interest. The interest rate risk on the Company's cash and short-term investment is not significant.

The Company operates in Japan and is subject to foreign currency fluctuations primarily on its cash and accounts payable and accrued liabilities denominated in a currency other than Japanese yen ("Yen or ¥"). As at September 30, 2022, 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. As at September 30, 2022, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately \$6,222.

#### **Fair value**

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

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

The carrying values of the Company's cash and cash equivalents, restricted cash, accounts receivables, deposits and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

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

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

**11. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, and to maintain a flexible capital structure. The Company considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholder.

The Company currently does not earn any revenue and has relied on existing cash balances and capital financing to fund its operations. The Company is currently not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management for the period ended September 30, 2022.

**12. SEGMENTED INFORMATION**

The breakdown by geographic area as at September 30, 2022 is as follows:

		<b>Canada</b>		<b>Japan</b>	<b>Consolidated</b>
Current assets	\$	4,928,012	\$	139,192	\$ 5,067,204
Non-current assets		2,915,417		19,206,271	22,121,688
<b>Total assets</b>	<b>\$</b>	<b>7,843,429</b>	<b>\$</b>	<b>19,345,463</b>	<b>\$ 27,188,892</b>
<b>Total liabilities</b>	<b>\$</b>	<b>102,438</b>	<b>\$</b>	<b>710,350</b>	<b>\$ 812,788</b>

The breakdown by geographic area as at December 31, 2021 is as follows:

		<b>Canada</b>		<b>Japan</b>	<b>Consolidated</b>
Current assets	\$	12,421,822	\$	371,796	\$ 12,793,618
Non-current assets		2,306,567		17,271,369	19,577,936
<b>Total assets</b>	<b>\$</b>	<b>14,728,389</b>	<b>\$</b>	<b>17,643,165</b>	<b>\$ 32,371,554</b>
<b>Total liabilities</b>	<b>\$</b>	<b>269,086</b>	<b>\$</b>	<b>834,840</b>	<b>\$ 1,103,926</b>

**13. SUBSEQUENT EVENTS**

Subsequent to the period ended September 30, 2022, the Company received additional funding of \$1,797,754 (US\$1,311,559) from Barrick to fund work programs within the Barrick Alliance.