CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND DECEMBER 31, 2022

(Expressed in Canadian dollars)

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Japan Gold Corp.

Opinion

We have audited the consolidated financial statements of Japan Gold Corp. ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity has incurred losses and negative cash flows from operations to date, has no current sources of revenues, expects to incur further losses, and will be required to obtain additional funding in the future.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the **"Material Uncertainty Related to Going Concern"** section of the auditor's report, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. Other information comprises the information in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity‘s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor’s report is James Barron, CA, CPA.

Vancouver, Canada
April 29, 2024

JAPAN GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

As at		December 31, 2023		December 31, 2022
Assets				
Current				
Cash and cash equivalents (Note 3)	$	1,968,831	$	2,139,425
Restricted cash (Note 4)		572,685		374,843
Accounts receivable		48,436		16,414
Prepaid expenses and deposits		176,818		206,212
		2,766,770		2,736,894
Non-current assets				
Deposit		71,033		76,380
Exploration and evaluation assets (Note 4)		25,735,463		25,357,978
Property, plant and equipment (Note 5)		185,021		305,982
Total assets	$	28,758,287	$	28,477,234
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 4 and 7)	$	811,911	$	1,206,155
Total liabilities		811,911		1,206,155
Shareholders' equity				
Share capital (Note 6)		59,659,032		53,598,471
Contributed surplus		6,691,075		6,715,164
Accumulated other comprehensive loss		(4,357,013)		(2,267,425)
Deficit		(34,046,718)		(30,775,131)
Total shareholders' equity		27,946,376		27,271,079
Total liabilities and shareholders' equity	$	28,758,287	$	28,477,234

Nature and continuance of operations (Note 1)
Subsequent events (Notes 4 and 12)

Approved by the Board of Directors and authorized for issuance on April 29, 2024:

On behalf of the Board of Directors

"Murray Flanigan" 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, 2023		December 31, 2022
Expenses				
Consulting (Note 7)	$	559,519	$	653,559
Depreciation (Note 5)		4,134		5,322
Director fees (Note 7)		158,193		154,532
Filing and regulatory		69,963		39,366
Foreign exchange loss		25,839		115,901
Insurance		54,763		47,431
Investor relations		531,138		421,732
Management fees (Note 7)		428,000		528,000
Occupancy and office (Note 7)		349,197		312,632
Professional fees		376,113		247,572
Project evaluation (Note 7)		586,236		508,754
Share-based compensation (Note 6)		22,636		811,837
Transfer agent		21,879		26,480
Travel		177,013		110,574
Loss before other items		3,364,623		3,983,692
Other items				
Financing expense		-		5,200
Interest income		(92,636)		(46,478)
Other income		(400)		-
		(93,036)		(41,278)
Net loss for the year		3,271,587		3,942,414
Foreign exchange loss on translation of foreign operations (Note 2)		2,089,588		865,972
Net comprehensive loss for the year	$	5,361,175	$	4,808,386
Loss per share				
Basic and diluted loss per share	$	(0.01)	$	(0.02)
Weighted average number of shares outstanding		245,490,411		224,890,479

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, 2023		December 31, 2022
Cash flows from operating activities				
Net loss for the year	$	(3,271,587)	$	(3,942,414)
Adjustments for:				
Share-based compensation (Note 6)		22,636		811,837
Depreciation (Note 5)		4,134		5,322
Interest income		(92,636)		(46,478)
Interest received		92,636		46,478
Non-cash financing expense		-		370
Unrealized foreign exchange loss		25,839		115,901
Changes in non-cash working capital items:				
Accounts receivable, prepaid expenses and deposits		2,719		42
Accounts payable and accrued liabilities		(22,579)		(79,833)
Financing expense		-		5,200
Net cash used in operating activities		(3,238,838)		(3,083,575)
Cash flows from investing activities				
Exploration and evaluation expenditure (Note 4)		(2,261,072)		(7,031,514)
Acquisition of property, plant and equipment, net (Note 5)		(7,823)		(118,879)
Reimbursements of Barrick Alliance expenditures, net (Note 4)		(560,290)		505,849
Net cash used in investing activities		(2,829,185)		(6,644,544)
Cash flows from financing activities				
Proceeds received from private placement, net of issuance costs (Note 6)		5,823,836		-
Proceeds received from exercise of options (Note 6)		190,000		-
Lease payments		-		(22,493)
Net cash (used in) from financing activities		6,013,836		(22,493)
Change in cash and cash equivalents during the year	$	(54,187)	$	(9,750,612)
Effect of foreign exchange on cash and cash equivalents		(116,407)		(64,628)
Cash and cash equivalents, beginning of the year		2,139,425		11,954,665
Cash and cash equivalents, end of the year	$	1,968,831	$	2,139,425

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

JAPAN GOLD CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022
(Expressed in Canadian dollars)

	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	-		-		811,837		-		-		811,837
Net loss for the year	-		-		-		-		(3,942,414)		(3,942,414)
Foreign currency translation	-		-		-		(865,972)		-		(865,972)
Balance, December 31, 2022	224,890,479		53,598,471		6,715,164		(2,267,425)		(30,775,131)		27,271,079
Share-based compensation	-		-		22,636		-		-		22,636
Options exercised (Note 6)	975,000		341,230		(151,230)		-		-		190,000
Shares issued for private placment, net of issuance costs (Note 6)	30,650,000		5,719,331		104,505		-		-		5,823,836
Net loss for the year	-		-		-		-		(3,271,587)		(3,271,587)
Foreign currency translation	-		-		-		(2,089,588)		-		(2,089,588)
Balance, December 31, 2023	256,515,479	$	59,659,032	$	6,691,075	$	(4,357,013)	$	(34,046,718)	$	27,946,376

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") 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 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 consolidated 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 as they become due. The Company has not generated any revenues or cash flows from operations to date. For the year ended December 31, 2023, the Company incurred negative cash flows from operations of $3,238,838 and recorded a net loss of $3,271,587. The Company's ability to continue as a going concern is dependent on its ability to successfully raise additional financing, entering into a joint venture, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests, or a combination thereof. The Company believes that it will be able to continue as a going concern for the foreseeable future based on the Company's historical and anticipated ability to raise additional financing (Note 12) to further advance its projects. However, the Company will continue to incur negative cash flows from operations and the Company will require additional funding in the future. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any 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. Such adjustments could be material.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of presentation

These consolidated financial statements have been prepared in accordance with the IFRS Accounting 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 on a historical cost basis.

These consolidated financial statements were approved for issuance by the Company's Board of Directors on April 29, 2024.

Basis of consolidation

These consolidated 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated 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.

Estimation uncertainty

Significant assumptions about the future and other major 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 and evaluation expenditure and impairment indicator evaluation 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.

   For the years ended December 31, 2023 and December 31, 2022, there were no indicators of impairment identified with respect to the Company’s exploration and evaluation assets.

ii) The determination of fair value of share-based compensation associated with stock options requires assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact the share-based compensation recognized in profit or loss over the vesting period of the stock options.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant accounting judgments and estimates (continued)

Judgements

Judgements that can significantly affect the amounts recognized in the financial statements are as follows:

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. See note 1.

ii) Recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

At the end of each reporting period, the Company assesses its exploration and evaluation assets to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditure on further exploration and evaluation of exploration projects are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

iii) The determination of the functional currency of the Company and of its subsidiary requires significant judgment of the primary economic environment in which the Company and its subsidiary operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar while the functional currency of JGKK is the Japanese yen.

Transactions in currencies other than the functional currency of the Company or JGKK are initially translated into the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined. Resulting foreign exchange gains and losses are recognized in income or loss.

The assets and liabilities of JGKK are translated from Japanese yen into the Canadian dollar presentation currency at exchange rates prevailing at the date of the statement of financial position. Income and expenses of JGKK are translated at average exchange rates. All resulting differences are recognized in other comprehensive income (loss). As a result of the change in the Yen to Canadian dollar exchange rate, the translation of JGKK amounts to the Canadian dollar presentation currency in 2023 resulted in the Company recognizing a foreign exchange translation gain of $1.9 million in other comprehensive loss.

Foreign exchange gains and losses arising from monetary items that in substance form part of the Company's net investment in JGKK are recorded in other comprehensive income (loss) and are presented within shareholders' equity as foreign currency translation in Accumulated Other Comprehensive Loss. As a result of the 2% change in the US dollar to Canadian dollar exchange rate and a 9% change in the US dollar to the Japanese yen in 2023, the translation of US dollar loans invested by the Company in JGKK resulted in the Company recognizing a foreign exchange translation loss in other comprehensive loss of $4.0 million in 2023.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash and cash equivalents

Cash and cash equivalents include short-term guaranteed investment certificates and other similar instruments, including those with terms to maturity of less than three months or more from the date of purchase or that can be redeemed at any time and have insignificant risk of changes in fair value.

Restricted cash relates to funding provided in connection with the Barrick Alliance which can only be used for projects that are subject to the Barrick Alliance agreement (Note 4).

Exploration properties

Once the legal right to explore a property has been acquired (in the form of a prospecting right license), costs directly related to exploration and evaluation, in addition to acquisition costs, are recognized and capitalized by projects. Prior to receiving legal rights, the costs are expensed as project evaluation expenses. These direct expenditures include such costs as field supplies, drilling costs, payments made to contractors or consultants for surveying or geoscience costs, and depreciation on property, plant and equipment used 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.

An exploration property is reviewed by project license for which there may be separately identifiable cash-flows (cash-generating units) for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. If economically recoverable ore reserves are developed, capitalized costs of the related property are first tested for impairment and then reclassified as mining assets. When a property is abandoned, all related costs are written off.

The recoverability of amounts capitalized as exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete property development, and future profitable production or proceeds from the disposition thereof.

Any incidental revenues earned in connection with exploration activities are recognized in profit or loss together with the costs associated with the items sold.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. 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 property, 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 depreciated to their residual values over the estimated useful life of the assets using the straight-line method as follows:

Furniture and fixtures	2 years
Building	4 years
Heavy drilling equipment	3 years
Vehicles	1-2 years
Right of use asset	Lesser of term of the lease or useful life of the asset

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment testing of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For exploration and evaluation assets, the Company follows the guidance in *IFRS 6 – Exploration for and Evaluation of Mineral Resources* to determine whether exploration and evaluation assets are impaired. Impairment indicators relevant for exploration and evaluation properties include:

- whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed;

- substantive expenditure on further exploration and evaluation is not planned or budgeted;

- the exploration activities have not led to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest being explored; or

- sufficient data exists to indicate that, although exploration in the area is likely to continue, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). This generally results in the Company evaluating its non-financial assets on a property-by-property basis.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount. An impairment charge is reversed through net income or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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, including warrants issued as finders' fees in equity transactions, 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.

Restricted Share Units ("RSUs") are share-based payments, which are measured at the grant date fair value and amortized over their applicable vesting periods. The offset to the recorded cost is to share-based payment reserve, and ultimately any amounts in share-based payment reserve are transferred to share capital upon settlement of the RSUs with common shares.

RSUs do not require the payment of any monetary consideration to the Company. Instead, they represent the right to receive common shares, or a payment representing common shares, following the attainment of vesting criteria determined at date of grant, notably a requirement that an individual remains eligible for awards for a specified period of time. The option to settle the RSUs in common shares or cash is at the Company's election, and the Company intends to settle its RSUs with common shares issued from treasury.

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company determines each financial instrument's classification upon initial recognition. Measurement subsequent to initial recognition depends on the financial instrument's classification.

Financial assets

Financial assets are classified and measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

<u>Financial assets at amortized cost</u>

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").

Financial assets are recognized initially at fair value plus attributable transaction costs and subsequently at amortized cost measured using the effective interest rate ("EIR"). 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
- Restricted cash
- Accounts receivable and deposits

<u>Financial assets at fair value through other comprehensive income ("FVTOCI")</u>

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 ("OCI"). 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 including 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 (deficit).

The Company does not hold any financial assets classified as FVTOCI.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

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 FVTPL 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. Transaction costs related to financial assets at FVTPL are recognized in profit or loss. The Company does not hold any financial assets classified as FVTPL.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or financial liabilities at amortized cost 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. FVTPL category also includes derivative financial instruments that are not designated as hedging instruments.

Financial liabilities at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. Transaction costs related to financial liabilities at FVTPL are recognized in profit or loss.

The Company does not hold any financial liabilities classified as FVTPL.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value net of attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest rate ("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 includes accounts payable and accrued liabilities.

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 profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

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 earnings 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.

Adoption of new accounting standards in 2023

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 2 in certain instances.

New standards issued and not yet effective

Below are new standards, amendments to existing standards and interpretations that have been issued and are not yet effective. The Company plans to apply the new standards or interpretations in the annual period for which they are effective.

Classification of liabilities as current or non-current:

In January 2020, the IASB published narrow scope amendments to IAS 1 Presentation of financial statements. The narrow scope amendment clarifies that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments became effective on January 1, 2024 and are to be applied retrospectively. These amendments are not expected to have a material impact on the Company's financial statements as at and for the three months ended March 31, 2024.

There are no other upcoming changes in accounting standards which are expected to materially impact the Company.

(Expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS

As at December 31, 2023, the balance of cash and cash equivalents is $1,968,831 (December 31, 2022: $2,139,425) of which $1,750,000 (December 31, 2022: $1,700,000) is cash equivalents related to Guaranteed Investment Certificates ("GICs") purchased during the year. During the year ended December 31, 2023, the Company redeemed $4,450,000 of Canadian GIC's to fund operations (December 31, 2022: $8,300,000).

4. EXPLORATION AND EVALUATION ASSETS

	Ikutahara project	Ohra-Takamine project	Bajo project	Other projects	Total
Balance, December 31, 2021	**$ 14,161,787**	**$ 4,949,451**	**$ -**	**$ 20,406**	**$ 19,131,644**
Geoscience - consulting	3,811,637	(101,113)	5,474	11,061	3,727,059
Drilling	2,416,604	31,756	-	-	2,448,360
Insurance	37,824	3,365	-	-	41,189
Depreciation	89,016	34,243	-	-	123,259
Travel	216,194	4,760	346	2,457	223,757
Field supplies	512,239	67,200	43	11,667	591,149
Foreign currency translation adjustment	(637,048)	(290,704)	29	(716)	(928,439)
Balance, December 31, 2022	**20,608,253**	**4,698,958**	**5,892**	**44,875**	**25,357,978**
Geoscience - consulting	1,069,956	230,877	80,058	81,769	1,462,660
Drilling	70,305	177,454	-	16,243	264,002
Insurance	44,778	3,740	-	-	48,518
Depreciation	77,792	21,660	-	-	99,452
Travel	74,491	38,099	17,101	12,555	142,246
Field supplies	177,042	101,294	23,162	42,149	343,647
Foreign currency translation adjustment	(1,602,445)	(377,338)	(81)	(3,176)	(1,983,040)
Balance, December 31, 2023	**$ 20,520,172**	**$ 4,894,744**	**$ 126,132**	**$ 194,415**	**$ 25,735,463**

*Other projects consist of Tobaru project, Tobaru-Fuke project, Kamitsue project, Aibetsu project, Buho project, and Usa Project.

The Company's current project portfolio consists of prospecting rights licenses and prospecting rights license applications for a combined area of 299,053 hectares over 35 separate projects on the three main islands of Japan. See below for a summary of the Company's current Prospecting Rights as at December 31, 2023:

- 15 Prospecting Rights are granted at the Ikutahara Project (5,245 hectares), 23 rights expired in May 2023 and 18 of these applications were re-applied for and accepted by the Ministry of Economy, Trade and Industry ("METI")
- 11 Prospecting Rights at the Ohra-Takamine Project (3,705 hectares)
- 4 Prospecting Rights at the Tobaru Project (1,347 hectares)
- 12 Prospecting Rights at the Kamitsue Project (4,069 hectares)
- 9 Prospecting Rights at the Aibetsu Project (2,916 hectares)
- 14 Prospecting Rights at the Bajo Project (4,478 hectares)
- 4 Prospecting Rights at the Buho Project (1,325 hectares)
- 6 Prospecting Rights at the Usa Project (1,838 hectares)
- 47 Prospecting Rights at the Ebino Project (14,698 hectares)
- 22 Prospecting Rights at the Mizobe Project (5,163 hectares)
- 36 Prospecting Rights at the Tobaru-Fuke Project (10,599 hectares)

4. EXPLORATION AND EVALUATION ASSETS (continued)

On February 24, 2020, the Company entered into a country wide alliance with Barrick Gold Corporation ("Barrick") to jointly explore, develop and mine certain gold mineral properties in Japan (the "Barrick Alliance"). The Barrick Alliance covers 29 out of 31 projects held by JGKK at that time. 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 and returned 23 projects to the Company. The six projects are the Aibetsu, Tenyru, 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 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.

The Company acts 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 year ended December 31, 2023, Barrick paid $4,871,915 (US$3,627,069) (December 31, 2022 - $3,986,795 (US$3,063,352)) to the Company as funding for the Barrick Alliance work programs. 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 on Barrick Alliance work programs. As at December 31, 2023, $572,685 (US$432,999) (December 31, 2022, $374,843 or US$276,759) is recorded as restricted cash representing amounts funded by Barrick in excess of amounts paid by the Company for exploration and evaluation expenditures and/or amounts to be reimbursed to the Company by Barrick for exploration and evaluation expenditures. As at December 31, 2023, the Company spent $560,290 (December 31, 2022, $Nil) on behalf of Barrick, for which it is yet to be reimbursed from the restricted cash account. As at December 31, 2023, $12,395 (December 31, 2022, $374,843) is recorded as the payable to Barrick which is recorded in accounts payable and accrued liabilities.

Subsequent to December 31, 2023, Barrick has paid an additional $1,021,251 (US$756,163) to fund work programs. Including the amount received subsequent to December 31, 2023, the Company has received a total funding of $17,103,352 (US$12,999,177) for the Barrick Alliance activities. To date, Barrick has not identified any project as a Designated Project.

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	**Heavy Equipment**	**Vehicles**	**Building**	**Land**	**Furniture and Fixtures**	**Total**
At December 31, 2021	**$ 749,820**	**$ 109,488**	**$ 59,290**	**$ 11,284**	**$ 270,199**	**$ 1,200,081**
Purchases	-	17,870	66,707	-	28,980	113,557
Leased asset capitalized to heavy equipment	206,531	-	-	-	-	206,531
Foreign currency translation adjustment	(43,717)	(6,781)	(1,828)	(759)	(17,223)	(70,308)
At December 31, 2022	**912,634**	**120,577**	**124,169**	**10,525**	**281,956**	**1,449,861**
Purchases	-	-	-	-	9,916	9,916
Disposition	-	-	-	-	(2,093)	(2,093)
Foreign currency translation adjustment	(81,755)	(10,802)	(11,123)	(942)	(25,484)	(130,106)
At December 31, 2023	**$ 830,879**	**$ 109,775**	**$ 113,046**	**$ 9,583**	**$ 264,295**	**$ 1,327,578**
Accumulated depreciation						
At December 31, 2021	**$ 605,292**	**$ 109,488**	**$ 52,215**	**$ -**	**$ 165,655**	**$ 932,650**
Depreciation capitalized to exploration and evaluation assets	60,952	4,215	7,017	-	37,135	109,319
Accumulated depreciation of leased asset capitalized to heavy equipment	150,692	-	-	-	-	150,692
Depreciation expense	-	-	-	-	5,322	5,322
Foreign currency translation adjustment	(33,838)	(7,222)	(3,283)	-	(9,761)	(54,104)
At December 31, 2022	**783,098**	**106,481**	**55,949**	**-**	**198,351**	**1,143,879**
Depreciation capitalized to exploration and evaluation assets	53,080	4,401	14,530	-	28,013	100,024
Depreciation expense	-	-	-	-	4,134	4,134
Foreign currency translation adjustment	(71,684)	(9,667)	(5,432)	-	(18,697)	(105,480)
At December 31, 2023	**$ 764,494**	**$ 101,215**	**$ 65,047**	**$ -**	**$ 211,801**	**$ 1,142,557**
Net carrying value, December 31, 2022	**$ 129,536**	**$ 14,096**	**$ 68,220**	**$ 10,525**	**$ 83,605**	**$ 305,982**
Net carrying value, December 31, 2023	**$ 66,385**	**$ 8,560**	**$ 47,999**	**$ 9,583**	**$ 52,494**	**$ 185,021**

(Expressed in Canadian dollars)

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 May 29, 2023, the Company closed non-brokered private placements and issued a total of 30,650,000 common shares at a price of $0.20 per common share for gross proceeds of $6,130,000. The Company paid total cash commission of $279,500, incurred $26,664 in professional fees and issued a total of 1,947,500 finder's warrants to arm's length finders. The finder's warrants are exercisable at $0.20 per share for a period of 12 months from the date of closing. The fair value of these warrants was determined to be $104,505 using the Black-Scholes pricing model and the following weighted average assumptions and inputs: Risk-free interest rate – 4.41% and 4.63%; expected volatility – 82% and 80%; weighted average share price of $0.20; expected life of warrants – 1 year.

Share options

The Company has 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.

In, 2023, the Company adopted an updated omnibus equity incentive plan (the "Compensation Plan") which was approved at the Company's annual general meeting of stockholders held on October 12, 2023. 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 2023 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.

A summary of the changes in share options is presented below:

	Number of Options		Weighted Average Exercise Price
At December 31, 2021	21,780,000	$	0.30
Granted	-		-
Outstanding at December 31, 2022	21,780,000		0.30
Exercised	(975,000)		(0.19)
Expired	(2,295,000)		(0.33)
Granted	200,000		0.20
Outstanding at December 31, 2023	18,710,000	$	0.30

On January 31, 2023, 850,000 options were exercised at an exercise price of $0.20 and 125,000 options were exercised at an exercise price of $0.16 for total proceeds of $190,000. The market price at the date of exercise was $0.28.

On July 4, 2023, the Company issued 200,000 options to an employee of the Company at an exercise price of $0.20 per share with an expiry date of July 4, 2028. The options are subject to vesting terms to which 25% of the options vests on the date of grant with additional 25% vesting every 6 months thereafter.

The Company recorded share-based compensation expense of $22,636 for the year ended December 31, 2023 relating to the options granted during the year ended December 31, 2023 as well as additional vesting of options that were granted in prior years (December 31, 2022: $811,837).

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share options (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted in 2023:

		July 4, 2023
Risk-free interest rate		3.57%
Expected life of options (in years)		5
Expected volatility		96%
Share price at grant date	$	0.17
Exercise price	$	0.20
Fair value	$	0.12
Forfeiture rate		-
Dividend rate		-

The following table summarizes information about the share options outstanding as at December 31, 2023:

Outstanding		Weighted average exercise price	Expiry date	Weighted average remaining life (years)
120,000	$	0.27	June 3, 2024	0.42
3,024,950		0.40	September 15, 2026	2.71
275,000		0.40	October 28, 2026	2.83
1,250,050		0.16	December 13, 2028	4.96
4,110,000		0.20	January 24, 2029	5.07
3,815,000		0.30	May 13, 2030	6.37
5,915,000		0.35	December 23, 2026	2.98
200,000		0.20	July 4, 2028	4.51
18,710,000	$	0.30		4.22

As at December 31, 2023, the Company has 18,710,000 options issued and outstanding where 18,560,000 options are exercisable as at December 31, 2023 with a weighted average exercise price of $0.30.

Warrants

	Number of Warrants		Weighted Average Exercise Price
Outstanding at December 31, 2021	32,426,679	$	0.40
Expired	(32,426,679)		(0.40)
Outstanding at December 31, 2022	-		-
Issued	1,947,500		0.20
Outstanding at December 31, 2023	1,947,500	$	0.20

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Warrants (continued)

The following table summarizes information about the warrants outstanding as at December 31, 2023:

Outstanding		Weighted average exercise price	Expiry date	Weighted average remaining life (years)
1,925,000		0.20	May 9, 2024	0.36
22,500		0.20	May 26, 2024	0.40
1,947,500	$	0.20		0.36

7. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the officers and directors of the Company. Key management compensation and amounts paid to companies controlled by key management consists of the following:

		Year ended December 31, 2023		Year ended December 31, 2022
Management fees*	$	428,000	$	528,000
Project evaluation-consulting	$	212,737	$	174,641
Consulting fees*	$	303,481	$	446,600
Director fees	$	158,193	$	154,532
Share-based compensation	$	-	$	497,913

*Prior year comparatives for management fees and consulting fees have been re-presented for the reclassification of non-management fees of $204,000 to consulting fees.

During the year ended December 31, 2023, the Company incurred $428,000 (December 31, 2022: $528,000) in management fees and $204,000 (December 31, 2022: $204,000) in consulting fees for administrative, finance and accounting services to a private company controlled by the Chief Executive Officer of the Company. The Company also reimbursed such private company $76,900 in occupancy costs during the year ended December 31, 2023 (December 31, 2022: $72,165). As at December 31, 2023, $Nil (December 31, 2022: $40,000) of these fees were outstanding and payable to the officer.

The Company incurred $212,737 in consulting fees for project evaluation to an officer of the Company during the year ended December 31, 2023 (December 31, 2022: $174,641). As at December 31, 2023, $8,454 (December 31, 2022: $15,087) of these fees were outstanding and payable to the officer.

The Company paid $99,481 in consulting fees (December 31, 2022: $74,600 to the General Manager of Exploration of the Company. As at December 31, 2023, $10,255 (December 31, 2022: $7,823) of these fees were outstanding and payable. During the year ended December 31, 2023, the Company also incurred $Nil (December 31, 2022: $168,000) in consulting fees for analysis and strategic advice related to the development of exploration projects to a private company controlled by a former director of the Company.

Other related party transactions

During the year ended December 31, 2023, Southern Arc, a company with common directors and management, charged the Company $10,843 in office expenses (December 31, 2022: $25,156). As at December 31, 2023, $Nil (December 31, 2022: $6,469) 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.

8. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to liquidity risk, credit 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, comprising its accounts payable and accrued liabilities are classified as current. The Company's approach to managing liquidity risk is to ensure as far as possible 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. The Company has no history of credit loss and no allowance for credit loss recorded at December 31, 2023 and 2022.

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 December 31, 2023, the Company limits its exposure by holding its cash mostly in Canadian dollar. Additionally, the Company is exposed to foreign exchange risk on non-Canadian denominated monetary assets and liabilities recorded in Japan Gold. As at December 31, 2023, every 1% of change in foreign exchange rate in either direction would result in change in net loss of approximately $2,500.

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.

(Expressed in Canadian dollars)

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of 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 year ended December 31, 2023.

10. SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Company has identified one reportable operating segment - the exploration and evaluation of mineral properties across the three largest islands of Japan: Hokkaido, Honshu and Kyushu.

The breakdown by geographic area as at December 31, 2023 is as follows:

		Canada		Japan		Consolidated
Current assets	$	2,147,425	$	619,345	$	2,766,770
Non-current assets		2,879,053		23,112,464		25,991,517
Total assets	**$**	**5,026,478**	**$**	**23,731,809**	**$**	**28,758,287**
Total liabilities	**$**	**405,096**	**$**	**406,815**	**$**	**811,911**

The breakdown by geographic area as at December 31, 2022 is as follows:

		Canada		Japan		Consolidated
Current assets	$	2,147,954	$	588,940	$	2,736,894
Non-current assets		3,217,843		22,522,497		25,740,340
Total assets	**$**	**5,365,797**	**$**	**23,111,437**	**$**	**28,477,234**
Total liabilities	**$**	**290,630**	**$**	**915,525**	**$**	**1,206,155**

(Expressed in Canadian dollars)

11. 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, 2023	December 31, 2022
Loss for the year, before income taxes	$ (3,271,587)	$ (3,942,414)
Tax rate	27.0%	27.0%
Expected income tax recovery	$ (883,328)	$ (1,064,452)
Impact of foreign tax rates	(79,003)	(69,652)
Non-deductible expenses	1,117,393	220,737
Changes in estimates related to prior years and other	537,496	(725,027)
Tax benefits unrecognized (recognized)	(692,558)	1,638,394
Income tax expense	$ -	$ -

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

	December 31, 2023	December 31, 2022
Non-capital losses - Canada	$ 7,564,799	$ 8,767,498
Non-capital losses - Japan	15,280,538	20,894,814
Share issuance costs and other	799,879	811,190
	$ 23,645,216	$ 30,473,502

The gross amount of the tax losses for which a tax benefit has not been recorded expire as follows:

Year of expiry	Canada	Japan
2026	-	835,091
2027	-	1,527,834
2028	-	904,908
2029	-	754,659
2030	-	1,258,430
2031	-	6,307,580
2032	-	3,674,913
2033	-	17,123
2036	-	-
2037	889,480	-
2038	1,747,380	-
2039	1,058,229	-
2040	2,132,860	-
2041	1,159,848	-
2042	577,002	-
	$ 7,564,799	$ 15,280,538

12. SUBSEQUENT EVENTS

a) In April 2024, the Company issued 200,000 stock options to a consultant The stock options are exercisable at a price of $0.20 per share for a period of five years with a vesting schedule of 25% on the grant date and 25% every six months thereafter.

b) In April 2024, the Company granted 1,561,682 RSUs and 1,200,000 stock options to the President and Chief Operating Officer. The stock options have a five-year term and are exercisable at a price of $0.20 per share. Both the RSUs and stock options vest and become exercisable over three years, 33.3% at the end of each year from the anniversary of the grant date.

c) In April 2024, the Company closed a non-brokered private placement of unsecured convertible debentures (the "Debentures") for gross proceeds of US$2,000,000 (CDN$2,755,000) (the "Offering") to an existing strategic investor.

The Debentures will mature on April 29, 2027, being the date that is three years from the date of issuance (the "Maturity Date"). The principal amount of the Debentures is convertible, at the election of the Company after the initial four month hold period prior to the Maturity Date, into common shares of the Company at a price of $0.13 per common share.

The Debentures bear interest from the date of issue until the Maturity Date or date of conversion at a rate of 10% per annum non-compounded and payable on the Maturity Date in common shares. Subject to TSX Venture Exchange (“TSXV”) acceptance, any interest that has accrued in arrears on the principal amount outstanding under the Debentures will be payable in common shares at a price per share which equals the greater of the ‘Market Price’ (as that term is defined in the policies of the TSXV) or $0.13 on the date the accrued interest becomes payable.

In connection with the Offering, the Company will seek disinterested shareholder approval for the creation of a control person at the Company's next annual general meeting, which is expected to be held in October 2024. If such approval is received, the outstanding principal amount under the Debentures will automatically convert ten days after the approval into common shares at a price of $0.13 per common share, and the greater of Market Price and $0.13 per common share, in the case of the interest.