

# J-Pacific Gold Inc.

Management Discussion and Analysis

March 31, 2009

Interim Report



A section of drill core from a hole on the Elizabeth Property that intersected 37.5g Au/t over 11.2 metres

## CAUTIONARY STATEMENT

This Interim Report contains certain statements related to ore reserves, production, revenue, expenses, plans, development schedules and similar items that represent forward-looking statements. Such statements are based on assumptions and estimates related to future economic and market conditions. While Management regularly reviews these assumptions, they involve risks and uncertainties that could cause actual results to differ materially from those contemplated in the forward-looking statements. Property and financial information is contained in the Company's 2008 Annual Report, available online at [www.jpgold.com](http://www.jpgold.com) or [www.sedar.com](http://www.sedar.com). This discussion and analysis should be read in conjunction with the financial statements, together with the notes thereto.

## SELECTED FINANCIAL INFORMATION

The selected financial information is prepared in accordance with Canadian Generally Accepted Accounting Principles. All amounts in this Management Discussion and Analysis are in Canadian dollars unless otherwise specified.

	<b>Q1 2009</b>	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	-	-	-	-	-	-	-	-
Gross annual mining exploration costs	34,563	2,486,427	2,575,245	2,540,513	2,028,867	3,738,607	3,469,113	3,011,805
Balance of capitalized mineral exploration costs	6,253,351	6,219,289	7,463,157	8,146,924	7,663,428	5,462,179	5,518,373	5,072,478
Mine property, plant and equipment	3,807,970	3,807,470	3,802,479	3,784,670	3,756,520	3,748,902	3,693,935	3,682,523
General and administrative	119,742	103,410	160,154	193,962	184,600	222,647	186,145	186,440
Stock-based compensation	-	21,700	90,200	93,700	747,100	274,500	166,100	187,400
Profit/(loss) for the period	(163,485)	(450,678)	(367,383)	(358,139)	(1,004,302)	129,349	(427,895)	(591,106)
Earnings/(loss) per share	(0.002)	(0.006)	(0.005)	(0.005)	(0.015)	0.004	(0.015)	(0.007)
Working capital	1,150,186	1,341,261	585,265	187,739	963,979	3,148,760	1,106,339	619,722
Total assets	11,437,906	11,597,674	12,083,257	12,560,331	13,125,530	12,818,155	10,601,783	10,196,413
Long-term liabilities	121,937	119,254	116,792	114,330	111,868	109,407	107,148	104,890
Capital stock	25,630,784	25,630,784	25,630,784	25,630,784	25,630,784	25,550,434	23,626,866	21,602,666
WA Shares outstanding	71,036,714	71,015,755	70,768,409	69,573,783	67,143,963	64,711,997	61,417,951	56,912,278

### **Two-Year Comparative Selected Quarterly Results**

During the first quarter of 2009 the Company concentrated its efforts on calculating a resource estimate for Blackdome and Elizabeth. Also, near the end of this quarter, the Company commenced a scoping study for Blackdome. All deferred exploration costs during the quarter relate to geological activity performed in relation to advancing the projects. The Company continues to seek opportunities and strategies to develop production at its Blackdome operation via its Blackdome Elizabeth land package.

In 2008, significant exploration occurred on the Company's Montgolfier project during the first and second quarter. The remaining two quarters saw exploration limited to geological modeling and interpretation work as well as assessment and 43-101 report preparation. Total deferred costs associated with the Montgolfier Project during 2008 were \$2,495,130. Working capital increased in the third quarter when the Company received \$754,268 in Quebec mineral tax credit refunds from 2007 exploration expenditures at Montgolfier. In 2009, the Company is expecting approximately \$753,000 Quebec refundable mineral exploration tax credits for the 2008 exploration program at Montgolfier. This amount was accrued as at the end of 2008. The refundable tax credits are applied against the carrying value of the project. Other deferred costs during 2008 were \$74,646 for Elizabeth, \$33,660 for Callaghan and \$24,423 for Golden Trend. In light of pending regulatory changes to mining and exploration in the US as well as general market conditions for early stage exploration projects, the Company chose to write down its investment in its Nevada projects in the amount of \$343,481 while retaining a 100% interest in the projects. This write down is the primary reason for the increase in losses in the fourth quarter and the decrease in total assets. The decrease in capitalized mineral exploration costs as the year progressed is due to application of the 2007 mineral tax credit refund received against the carrying value of the Montgolfier project in the third quarter and the application of the expected 2008 mineral tax credit refund against the carrying value of the Montgolfier project in the final quarter. Working capital increased in the final quarter with the accrual of the return of its deposit on drilling (received in February, 2009) and with the accrual of the Company's expected mineral

tax credit from the Province of Quebec in relation to the 2008 exploration work performed at Montgolfier. Mine property, plant and equipment increased due to the deferral of geological costs as the Company compiled and analyzed data accumulated during 2007. During the first quarter, the Company issued incentive stock options replacing previously issued options that expired. The options vested fully at issue. The remaining stock based compensation expense represents the portion of previously issued options that vested within each designated quarter. In the fourth quarter, stock option vesting decreased significantly as most granted options are now fully vested. Market conditions during the second half of 2008 required the Company to cut back on marketing activities. During 2008, general and administrative costs decreased due to fewer personnel and almost no marketing activity. Maintenance activities at the Company's Blackdome mill were also reduced all in effort to conserve cash.

During 2007, exploration at Montgolfier and Blackdome occurred in the first and second quarters, with a small amount of Blackdome activity carrying over into the third quarter. For 2007, deferred mineral exploration costs by project were: \$2,247,646 at Montgolfier; \$636,952 at Elizabeth; \$40,045 at Callaghan; and \$27,513 at Golden Trend. In the fourth quarter, deferred costs consisted mostly of claim and royalty fees and the compilation of exploration data and report preparation. Mine property, plant and equipment expenses increased mostly during mid-2007 as a result of the completion of Phase 2 of the Blackdome drill program. Deferred costs of the Phase 2 program at Blackdome totalled \$786,452. General and administrative costs increased in the second quarter over the first quarter with the hiring of geological and office personnel to facilitate increased exploration activity. General and administrative costs increased again in the fourth quarter due mostly to increased participation in investor relations shows across Canada in conjunction with the Company contracting Renmark Financial Communications. As a result, travel and related costs increased in the last quarter of 2007. The Company issued incentive options early in the year predominantly to management and directors, which replaced options that had previously expired. The options are expensed according to their vesting schedule. Working capital changed in relation to exploration expenditures and subsequently increased with the completion of a private placement and the exercise of warrants. In total, \$2 million was raised via a private placement in the second quarter, and \$2,533,315 was raised through the exercise of warrants, mostly in during the final quarter. Profit (loss) for the period was positive in the first quarter and the final quarter due to a credit to income from the renouncement of flow-through expenses. The Company recognized credits to income of \$459,000 and \$595,000 for the respective quarters. In February 2008, the Company opted to not renew its Truax mineral claims and wrote off deferred costs in the amount of \$25,394 as at December 31, 2007.

## DETAILED FINANCIAL ANALYSIS

### **General and administrative expenses**

General and administrative expenses consist of wages, audit and legal costs, general corporate and office costs, rent and travel costs (see Table 2). The Company paid a retainer on its annual audit fee in 2009. Corporate and office costs and travel costs dropped significantly (\$60,893 and \$13,177 respectively) as the Company has ceased most promotional activity and related travel to conserve cash until market conditions improve.

Table 3 details corporate and office expenses as categorized in Table 2. Media and investor relations activities dropped \$38,750 consistent with the Company near halting all promotional activity. In relation to this, meals costs, professional fees, general office items such as printing and news releases and telephone costs all decreased. The Company shares office space with a firm with common management, and as a result, recovered some rent costs versus last year.

### **Government, transfer agent and regulatory fees**

Total government, transfer agent and regulatory fees to date in 2009 total \$7,247, a decrease of \$2,827.

### **Stock-based compensation**

Options with vesting restrictions were expensed over the vesting period. Employee options with vesting periods that transition reporting periods were accrued.

No stock based compensation was recorded in Q1 2009 as no option were issued and no options vested during the period.

During Q1 2008, the Board issued 2,100,000 options to

**Table 2**  
**General and Administrative expenses**

	March 31 2009	March 31 2008
	\$	\$
Wages	63,748	66,631
Audit and legal	15,799	3,704
Corporate and office	32,520	93,413
Travel	7,675	20,852
	119,742	184,600

**Table 3**  
**Corporate and office expenses**

	March 31 2009	March 31 2008
	\$	\$
Media and investor relations	5,810	44,560
Bank charges	363	366
Rent	8,540	14,637
Interest expense	-	-
General office	9,518	13,750
Couriers	501	896
Professional fees	4,330	10,455
Meals	2,022	5,023
Telephone	1,436	2,066
Other	-	1,660
	32,520	93,413

directors and officers at an average cost of \$0.37 per option. An additional 250,000 options were issued to a long-standing consultant of the Company.

The average cost of options expensed to date in 2008 was \$0.33 (2007 - \$0.32).

**Mineral property maintenance**

Mineral property maintenance consists of care and maintenance of the Blackdome Mine and expensed exploration costs. The small decrease in care and maintenance is due primarily to lower assessment and claim costs in 2009 versus 2008..

**Other income**

Interest income decreased. (\$24,687) due mostly to a lower cash balance on hand year over year.

**Sales taxes receivable**

All sales taxes receivable are the Company's expected GST refund.

**Drilling deposit receivable**

The Company received back funds placed on deposit to secure drilling services for 2007 and 2008.

**Investment tax credits recoverable**

The Company is entitled to apply for certain refundable tax credits in respect of qualifying mining exploration expenses incurred in the Provinces of British Columbia and Quebec. Since December 31, 2008, there was reasonable assurance that the Company was entitled to approximately \$753,000 (2007 - nil) in refundable tax credits for exploration expenditures incurred during the year and an accrual for management's estimate was made.

**Mine property, plant and equipment**

Table 4 shows the distribution of deferred costs for mine property, plant and equipment.

The Blackdome mill was constructed between 1984 and 1986, and hosts a flotation circuit, crusher, ball mill, coarse ore bin, backfill pump, shop, conveyors, shaker table and furnace. The site also hosts an assay lab, storage, electrical and many other utility buildings. Equipment includes a jumbo boom drill, compressors and generators, a five-tonne hoist, two underground scoop trams and a forklift, among a myriad of smaller equipment, tools and parts. All equipment and the mill are in good working condition. The electrical infrastructure is fully intact, with hydro poles running from the mill to the camp.

Secondary water sources are intact and providing water to the camp. A new primary water source

for the mill would be required to commence milling operations, which would entail drilling a 20-centimetre well to a depth of approximately 180 metres, at an estimated cost of \$15,000. A 1,500-kVA generator would also be required to commence operations. All adits and stopes are accessible. Road conditions throughout the site are excellent. The tailings dam is fully maintained and inspected each year by an independent geotechnical consulting company. The current camp can accommodate a dozen people with a full kitchen, sleeping quarters and related amenities. Camp improvements would be commensurate with the commencement of milling and/or mining operation selected. J-Pacific holds the majority of the permits to operate the Blackdome Gold Mine at a rate of 200 tonnes per day.

In summary, J-Pacific has a well-maintained site that can be readied for recommencement of production on relatively short notice given the delineation of minable ore bodies. Management intends to develop an economic ore body on the land package accumulated around the Blackdome mill, which includes the Blackdome, Blackdome South and the Elizabeth properties. More information on the individual property exploration plans and results are contained in the MD&A under each property name.

**Other assets**

Other assets include reclamation bonds in the amount of \$67,337 (2008 – \$66,310) and a letter of credit indemnifying the Company for reclamation liabilities in the amount of \$100,000 (2008 – \$100,000).

**Table 4  
Breakdown of Mine Property, Plant and Equipment**

	Mar 31, 2009	Dec 31, 2008
	\$	\$
Property costs	5,450	5,450
Mill	1,901,880	1,901,880
Plant and mining equipment	271,587	271,587
Development costs	107,582	107,582
Geology	244,000	243,500
Camp	218,552	218,552
Roads	17,780	17,780
Drilling	997,522	997,522
Assays	9,576	9,576
Other	34,041	34,041
	3,807,970	3,807,470

**Accounts payable and accrued liabilities**

All payables to March 31, 2009 were trade payables in the amount of \$21,194 versus \$20,160 as at March 31, 2008.

**Asset retirement obligation**

Management has estimated the net present value of its recognized asset retirement obligations to be \$121,937 as at March 31, 2009, based on a total future liability of \$200,000. These payments are expected to be made in the event of the abandonment of the property or during mining activity. Since no abandonment plans are being considered, Management has assumed the payments will be made in 2014. Management used a credit-adjusted risk-free rate of nine per cent to calculate the net present value of the asset retirement obligation.

**Share capital**

No share capital activity occurred during the first quarter, 2009.

Share capital activity in 2008 included warrants exercised for cash.

As at March 31, 2009, there are 71,036,714 shares issued and outstanding. There are 6,150,000 options outstanding, with a weighted average term to maturity of 7.27 years and a weighted average exercise price of \$0.42 each. There are 5,275,000 warrants outstanding, with a weighted average term to maturity of 0.25 years and a weighted average exercise price of \$0.55 each. The Company has an unlimited number of common shares authorized.

**Contributed surplus**

This is the cumulative value of options issued and not exercised since the Company adopted fair-value accounting for options. All options are valued using the Black Scholes model. Contributed surplus amounts relating to options exercised are moved from contributed surplus to share capital.

**Liquidity**

For the period ended March 31, 2009, cash from operations was \$53,367. Net loss was (\$163,485), with non-cash adjustments of \$7,999 for amortization and accretion; \$(1,026) in unrealized foreign exchange gain on the translation of assets; \$200,000 from deposits receivable, \$3,834 from sales taxes receivable, \$5,011 from prepaid expenses and \$1,034 in changes to accounts payable and accrued liabilities. Cash from financing activities was nil. Cash used in investing activities is (\$34,563), consisting of (\$500) in deferred mine property, plant and equipment; (\$34,063) in deferred mineral exploration costs.

For the period ended March 31, 2008, cash used in operations was (\$461,774). Net loss was (\$1,004,302), with non-cash adjustments of \$7,934 for amortization and accretion, \$804,500 for stock-based compensation, \$692 in unrealized foreign exchange gain on the translation of assets, (\$225,412) in changes to amounts receivable, and (\$45,186) in changes to accounts payable and accrued liabilities. Cash from financing activities was \$39,375, consisting of \$39,375 from the exercise of warrants. Cash used in investing activities is (\$1,527,679), consisting of (\$7,618) in deferred mine property, plant and equipment; (\$1,512,561) in deferred mineral exploration costs, and (\$7,500) in other deferred costs.

Management has been able to generate sufficient funds to finance a growing exploration portfolio from the issuance of shares, the exercise of warrants, and the optioning of properties. Management's ability to generate funds is sensitive to investor sentiment in gold exploration and gold investment, the price of physical gold, overall demand for gold, and fiat investments and investor portfolio diversification.

**Financial instruments**

Excess cash is held in bank accounts and variable GICs (guaranteed investment certificates). The primary consideration for cash investments are safety and accessibility. All investments of excess cash have been placed through the Bank of Montreal. These amounts are classified as cash equivalents on the consolidated balance sheets. The Company has no exposure to asset backed commercial paper.

During the first quarter of 2009, the Company held no paper investments.

**COMMITMENTS, LONG-TERM LIABILITIES AND OTHER TRANSACTIONS**

Management has the following commitments over the next five years, as shown in Table 5. Management secured four-wheel drive vehicles for travel and transportation to and from exploration properties by way of leasing, and in 2007 signed a five-year lease for office space, expiring August 31, 2012.

There is \$121,937 in long-term liabilities, representing the asset retirement obligations for the Blackdome Gold Mine Property. This liability is unfunded and secured by a letter of credit on deposit with the Royal Bank of Canada in the amount of \$100,000, which guarantees that portion with the Province of British Columbia for the Blackdome Mine Property.

**Table 5**  
**Commitments, Long-Term Obligations and Other Transactions**

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Operating lease obligations	263,417	81,473	156,121	25,823	-
Purchase obligations	-	-	-	-	-
Other long-term obligations reflected on the Company's balance sheet under GAAP	121,937	-	-	-	121,937
<b>Total</b>	<b>385,354</b>	<b>81,473</b>	<b>156,121</b>	<b>25,823</b>	<b>121,937</b>

The Company has no other long-term debt commitments, capital lease obligations, purchase obligations or off-balance sheet transactions.

### SUMMARY OF MINERAL EXPLORATION AND MINE DEVELOPMENT

#### **Blackdome Gold Mine**

#### **Clinton Mining Division, British Columbia**

The Blackdome Gold Mine is located approximately 250 kilometres north of Vancouver, 70 kilometres west northwest of the town of Clinton. The mine is at an elevation of about 2,000 metres, near the summit of Blackdome Mountain. Vehicle access from Clinton or Williams Lake includes crossing the Fraser River near Churn Creek, and travelling an additional 30 kilometres of gravel road, which provides access to all parts of the property.

#### Overview

The Blackdome Gold Mine is wholly owned by No. 75 Corporate Ventures Ltd., which in turn is wholly owned by the Company. The property consists of 22 mineral claims, 10 Crown-granted mineral claims, and two mining leases totalling 9,330 hectares. Blackdome has an inferred mineral resource (CIMM 2000 definitions) of 124,120 tonnes averaging 12.8g Au/t and 33.7g Ag/t, for an in situ total of 50,834 ounces of gold and 134,386 ounces of silver.

Blackdome has several exploration targets that have been well documented within the areas of underground development, as well as farther from these areas. In 2001, the Company commissioned SRK Consulting ("SRK") to complete a geological model, resource estimate and preliminary exploration risk assessment of Blackdome. SRK concluded that Blackdome has significant potential for hosting entirely new economic ore bodies. On this basis, Roscoe Postle & Associates Inc. ("RPA") was contracted to digitize the data for historical workings, drill holes and exploration and mining results. The technology to compile and view this data in digital format was not available during the peak of mining activity at Blackdome, in the 1980s.

The Company views the property as a long-term asset. Additional gold resources must be proven before the Company proceeds to an independent feasibility study, as a precursor to future production. In March 2002, the Company completed a drilling and gold analysis program of the tailings facility at the Blackdome Gold Mine. Geoquest Consulting Ltd. of Vernon, B.C., carried out the work; 51 holes were completed, and 266 samples were taken. ALS Chemex of North Vancouver carried out the assay work. The samples returned a calculated average grade of approximately 1.89g Au/t and the Company estimates that there are in excess of 335,000 tonnes of tailings in the facility.

#### History

In the early 1930s, placer gold mining in the Fraser River Canyon at such locations as Big Bar, Crow's Bar, French Bar and High Bar led to a placer gold discovery on Poison Mountain. This resulted in a staking rush that saw a large area claimed, including most of the creeks near Blackdome Mountain. Considerable sluicing was done on Fairless Creek, which drains the western slope of Blackdome Mountain. After an extended period of exploration, Blackdome Mining Ltd. brought the outlined gold deposit into production in 1986. The proven and probable reserves totalled 119,557 tonnes grading 20.9g Au/t and 124.6g Ag/t. The initial 140 tonnes per day rate of production was eventually increased to a rate of 200 tonnes per day. The mine shut down in January 1991. During its five-year life, a total of 225,000 ounces of gold and 547,000 ounces of silver were recovered from 338,000 tonnes of ore. After the Company purchased the asset in 1995, a small amount of exploration drilling was completed adjacent to the existing workings, and a decision was made to bring the mine back into production. Between November 1998 and May 1999, the mine produced 6,547 ounces of gold and 17,300 ounces of silver from 21,286 tonnes of ore. **Ninety percent of Blackdome's total historical gold and silver production came from the No. 1 and No. 2 Veins over a strike length of approximately one kilometre**, at an elevation between 1,870 and 1,990 metres ASL. The mine was closed in May 1999 due to the prevailing low price of gold.

#### Exploration program to date

The Company continued to build a land base around the Blackdome Gold Mine, with the acquisition of new ground at the Blackdome South Project and the Elizabeth Property, as well as resuming exploration activities designed to expand the current inferred resource, with intentions of completing a pre-feasibility study.

RPA compiled the geological information into computer databases and used this to construct 3-D solid models of the vein systems. Based on the RPA observations, 4,200 metres of drilling was planned for 2006 and 2007. Drilling concluded with the following objectives completed.

#### No. 1 and No. 2 Vein Intersection at Depth

Testing of this target did not return any assays over 1g Au/t. No further field work is currently recommended on this target. However, the results are under evaluation to determine their contribution to understanding depositional controls of the gold mineralization.

#### No. 17 Vein

The width of alteration and stock-work veining increased in the most southerly hole.

#### Beneath the Blackdome Mountain Basalt Cap

All holes reached the No. 17 Vein, and at least two intersected what is believed to be the continuation of the No. 1 and No. 2 Veins as they curve into the No. 17 Vein. Drilling under the basalt cap at the peak of Blackdome revealed that the No. 17 Vein continues through the peak and down the western side of the mountain, parallel to the Giant and Redbird Veins. An intersection west of the basalt cap in the northernmost hole drilled in 2006 intersected this vein, but lack of additional data prevented its association with the No. 17 Vein. This shows that the No. 17 Vein does not become either the No. 1 or No. 2 Vein, but the through-going structure against which the No. 1 and No. 2 Veins end, forming a prospective intersection zone beneath the basalt cap. The known strike length of the No. 17 Vein now approaches that of the Giant Vein (approximately 1,000 metres).

#### Surface Mapping and Possible Giant Vein Extension (Figure 2)

Surface mapping located a vein-breccia structure in an outcrop approximately 800 metres southwest of the surface workings on the Giant Vein. This outcrop is approximately at the 1,860-metre level and is believed to be an extension of the Giant Vein. The vein and breccia are about 0.5 metres in width. Unlike the Giant Vein on the ridge, which dips very steeply, this outcrop indicates the vein is dipping 55 degrees to the northwest. This may indicate a transition in the vein orientation similar to those of the productive No. 1 and No. 2 Veins.

#### Future Plans

Blackdome is contiguous with the Elizabeth Project and the two projects complement the economics of the mill at Blackdome. The Company intends to continue developing the resource estimate for Blackdome by continuing surface and underground work and completing a road that will link the Elizabeth and Blackdome projects. Surface drilling of the Giant Vein extension is planned to cover the area from the existing workings to the SW in a prospective area where the vein may undergo a dilational jog similar to that found in the most productive areas of the No. 1 and 2 Veins.

### **Elizabeth Property**

#### **Lillooet Mining Division, British Columbia**

The Elizabeth Property is a mid-stage exploration project located in southwestern British Columbia, in the Lillooet Mining District, approximately 30 kilometres northeast of the town of Goldbridge and the mining town of Bralorne. The property consists of four Crown grants and 12 mineral claims exceeding 11,000 hectares, and is situated along a tributary of the Yalakom River, in steep glaciated terrain between 2,100 and 2,500 metres in elevation.

#### Exploration program to date

In the fall of 2002, the Company commissioned an extensive mapping, sampling and drilling program on the Elizabeth Property. The work included grid-based geological mapping, the collection of 440 surface and underground rock samples, and the drilling of 16 diamond drill holes totalling 1,642 metres. This work confirmed the presence of high-grade gold values in known quartz veins, demonstrated the continuity of the structures with host veins, and identified several new areas with potential for economic gold mineralization.

The 2003 work included property-wide geological mapping to assess the potential for additional favourable mineralized environments, and was augmented by expanded stream sediment sampling coverage and the production of detailed topographical maps. During road building in June 2003, several quartz veins were exposed along four road cuts, approximately 400 metres southwest of the area drilled in 2002. Along one road, four separate veins were uncovered over a 55-metre length. The veins range in width from a few centimetres to 2.75 metres. These veins are considered new discoveries, as there is no evidence of previous work in the area.

Highlights of the 2004 drill program included 88.47g Au/t over two metres, 5.33g Au/t over 7.85 metres, 4.53g Au/t over 4.5 metres, and 20.0g Au/t over one metre. The program tested the continuity and northern extent of the gold mineralization and the host structures, and further defined the gold zones within the structures.

The 2005 program intersected gold values throughout the Southwest Vein. The drilling extended the northerly-trending strike of the Southwest Vein by 240 metres, for a total of approximately 620 metres, and traced it over 286 metres vertically. This substantially increased the known mineralized zone. Some copper mineralization was anticipated. The program produced interesting molybdenum values. The copper and molybdenum intersections returned values in excess of 0.5 percent, indicating the potential for additional porphyry-type targets on the property.

In 2006, the Company completed an aerial photo and digital mapping survey that provides an accurate representation of the local topography, to aid in the planned exploration work.

In 2007, 14 holes were drilled, totalling approximately 1,725 metres. Twelve of the 14 holes successfully reached their intended targets. The drilling focused on infill drilling to connect areas of known mineralization in the Southwest Zone, with the goal of developing sufficient new data to support a geological estimate of potential mineral resources (see Figure 3). Significant assays included hole E07-43, which intersected 37.5g Au/t over 11.2 metres (1.09oz Au/t over 37.0 feet) - as stated in a September 2007 news release. The final 11 holes also returned significant assays:

- \* Hole E07-48 intersected 12.38g Au/t (0.36oz Au/t) over 3.24 metres (10.7 feet), including a 1.52 metre (5.0 foot) section grading 20.33g Au/t (0.59oz Au/t);
- \* Hole E07-44 intersected 10.52g Au/t over 4.53 metres (0.31oz Au/t over 15.0 feet), including a 1.31 metre (4.3 foot) section grading 9.04g Au/t (0.26oz Au/t), and a 1.27 metre (4.2 foot) section grading 24.72g Au/t (0.72oz Au/t);
- \* Hole E07-42 intersected 10.45g Au/t (0.31oz Au/t) over 4.50 metres (14.8 feet), including a 2.00 metre (6.6 foot) section grading 17.78g Au/t (0.52oz Au/t);
- \* Hole E07-50 intersected 21.26g Au/t (0.62oz Au/t) over 1.15 metres (3.8 feet).

#### Future Plans

Elizabeth is contiguous with the Blackdome Project and the two projects complement the economics of the mill at Blackdome. The Company intends to continue developing the resource estimate for Elizabeth by surface and underground work. This will include upgrading the access road to better support planned and future development. The Company is currently permitting underground exploration work to test the SW Vein, D Vein and the West Vein. This work will test these veins in areas not accessible by drilling from the surface and provide and provide significantly greater geological information about the vein system than is possible with only drilling. Surface and underground work on these veins works toward developing resources. Additional surface work will continue to develop the other prospective veins on the property.

#### **Blackdome South Clinton Mining Division, British Columbia**

The Blackdome South Project is a grassroots exploration project acquired by staking in 2002. This large land package consists of mineral claims in excess of 8,600 hectares contiguous to the southern boundary of the Blackdome Gold Mine, in the Clinton Mining Division of southwestern British Columbia.

#### Exploration program to date

During 2002, the Company commissioned extensive geological reconnaissance and data compilation covering much of the Blackdome South Project. This work verified the existence of a geological setting similar to that of the Blackdome Gold Mine, and identified one area of immediate interest based on previous geological mapping and geochemical sampling.

During 2003, the Company progressed with mapping and sampling within the area of interest identified in 2002. The mapping succeeded in identifying a major north northwesterly trending fault, which may be a feeder structure for mineralization from depth. In addition, the location of the Hungry Valley Fault, a major terrane-bounding suture, was defined. A total of 503 soil geochemical samples were collected, which identified two areas with anomalous concentrations of copper, mercury and barium. These areas are associated with known structures identified by the geological mapping.

As the project is contiguous with the Blackdome Gold Mine claims, it is viewed as an integral part of the Company's British Columbia land portfolio. Plans include limited surface exploration work on the project but no time frame has been developed.

### **Montgolfier Project**

#### **Montgolfier and Orvilliers Townships, Quebec**

The Montgolfier Project is located in northwestern Quebec, approximately 12 kilometres east of the commercially producing Casa Berardi Mine, where Aurizon Mines Ltd. outlined a reserve of 918,000 ounces of gold, and a resource of 1,876,000 ounces of gold (see Aurizon AIF: pp.26-27) The mining town of Matagami is located 85 kilometres to the east. This new holding straddles the Casa Berardi deformation zone over a strike length of approximately 25 kilometres. It is underlain by stratigraphy considered similar to that which produced 690,000 ounces of gold at the Casa Berardi Mine. Commercial production resumed at the Casa Berardi Mine in May 2007.

Previous exploration on the property was conducted between 1984 and 1991, predominantly by three groups: Boulder Mountain Resources, Teck Exploration/Golden Hope Resources, and Placer Dome/Golden Shield Resources. Government of Quebec assessment file records indicate that approximately 78 holes were drilled between 1985 and 1991 along the 25-kilometre strike length of the property, with very little exploration having been conducted since. **Thirty-three of these holes intersected gold mineralization ranging from 1.0 to 14.8g Au/t over 0.3 to 4.6 metres.**

The initial option agreement included 112 staked claims and 32 designated map cell claims. Through additional staking by the Company, the Montgolfier Project now comprises 127 staked claims and 100 designated map cell claims totalling 6,943 hectares.

#### Exploration program to date

The Company contracted SRK Consulting ("SRK") to digitize historical data and build a GIS model to assist in the interpretation of results. The Company contracted Fugro Airborne Surveys to conduct an airborne survey of the Montgolfier Project in March 2005. The high-resolution magnetic and electromagnetic data over the project area, which is covered by thick glacial till, will help to refine the structural and geological interpretations of the property, as well as identify and prioritize drill targets for testing.

SRK identified eight areas representing prime gold exploration targets on the Montgolfier Project. The Company commenced drilling in January 2007 on the eight priority targets with 26 core holes totalling 9,710 metres. Twelve holes probed the main Casa Berardi Fault in five separate areas over a strike length of 15 kilometres; eight holes tested faulted banded iron formation within the Taibi Sedimentary Sequence, south of the Casa Berardi Fault; and six holes investigated two major splays of the Casa Berardi Fault, intersecting segmented banded iron formation in the eastern portion of the property. Significant results from Target Areas 1, 2 and 7 are more detailed results are available on the Company's website at [www.jpgold.com](http://www.jpgold.com). Of significant was **Target Area 5: Hole JPN07-17 intersected 10.42g Au/t over 1.0 metre and Hole JPN07-21 intersected 6.44g Au/t over 3.2 metres, including a one-metre section grading 15.53g Au/t** (see Figure 4). Both drill intercepts are new discoveries at targets generated by J-Pacific, despite this area being previously investigated by Placer Dome Inc. during the late 1980s. The gold mineralization is contained in quartz-carbonate-pyrite veining hosted in sedimentary rock and banded iron formation. Three other holes drilled in Target Area 5 revealed weak gold mineralization associated with minor quartz veining.

During the first four months of 2008, the Company completed 9,225 metres of drilling which followed up on encouraging results from the 2007 program. A more comprehensive list of results are available on the Company's web site with important highlights including: **Hole JPN08-28 intersects 1.88g Au/t over 3.0 metres; Hole JPN08-29 intersects 3.91g Au/t over 1.0 metre; Hole JPN08-33 intersects 4.40g Au/t over 1.0 metre; Hole JPN08-39 intersects 0.86g Au/t over 8.0 metres.** The results from the 2008 drilling program are being compiled and integrated with the project database. In the western portion of the project, drilling on three sections spaced 100 metres apart outlined two corridors of strong quartz-muscovite-pyrite alteration developed south of the Casa Berardi Fault and discontinuously auriferous. Although the 2008 drilling did not successfully replicate the encouraging assay results obtained in 2007, both corridors that remain open along strike and at depth suggest the presence of a significant gold-related alteration system.

#### Future Plans

For 2009, the Company will continue to model and interpret data and will pursue continued exploration on Montgolfier by way of either a joint venture or an option agreement.

### **Golden Trend Project**

#### **Lander County, Nevada**

Golden Trend is an early-stage exploration property located in northern Nevada, in the heart of the world's third-largest gold-producing region. It lies within the highly prolific Battle Mountain-Eureka Trend in Eureka County, Nevada, approximately 480 kilometres northeast of Reno.

#### Exploration program to date

In 2004, the Company entered into an option/joint venture agreement with Jipangu Inc. of Tokyo to finance the planned program. Past geological work was compiled into a GIS database, and in November, two initial drill holes were complet-

ed on the project.

The first hole was completed to 610 metres; but the second was terminated at 347 metres before reaching its target horizon because of poor drilling conditions. These holes were drilled to test targets with coincident geochemical anomalies and structural traps, which occur in favourable geological settings for hosting mineralization analogous to Placer Dome's Cortez Hills discovery (less than 16 kilometres to the north). Both drill holes cut significant intervals of hydrothermal alteration associated with anomalous intersections, and pathfinder elements including mercury (to 1,020 ppm) and zinc (to 4,020 ppm), which correlate well with the gold content. Zinc is particularly indicative of Cortez Hills-style mineralization, the target type at Golden Trend. The geochemical signature was the same in both holes, although the values in the first hole were somewhat higher overall.

During 2005, a 600-metre core hole was drilled, to document stratigraphy and geochemistry as well as to test a geological target in the north-central part of the property. In this area, the depth to the Roberts Mountain Thrust and the permissive carbonate-rich Lower Plate rocks is interpreted to be relatively shallow. Results encouraged additional exploration drilling on the property. The Company continues to seek a partner for this project. Due to current market conditions in relation to early stage exploration projects and with pending regulatory changes in the US to mining and mineral exploration, the Company wrote down its investment in Golden Trend as at December 31, 2008, but retains full interest in the underlying option agreement and claims.

***Callaghan Project***  
***Lander County, Nevada***

The Callaghan Project is an early-stage exploration property located southeast of Mount Callaghan in Lander County, Nevada, approximately 32 kilometres northeast of Austin, the county seat, and approximately 450 kilometres northeast of Reno.

*Exploration program to date*

The 2003 work at Callaghan focused primarily on identifying drill targets on this large property. The work consisted of data assembly, interpretation and limited mapping. During 2004, the Company digitized historical data and created a GIS database. The property is essentially drill ready, with several targets currently identified. The Company completed an MMI geochemical survey to assist in drill targeting and has permitted the planned drill holes and plans to commence a reverse-circulation drilling program by way of joint venture or option agreement. Due to current market conditions in relation to early stage exploration projects and with pending regulatory changes in the US to mining and mineral exploration, the Company wrote down its investment in Callaghan as at December 31, 2008, but retains full interest in the underlying option agreement and claims.

**Table 8**  
**Cumulative Statement of Mineral Exploration Properties and Mine Property, Plant and Equipment**  
**As at March 31, 2009**

	Mine property, plant and equipment \$	Elizabeth \$	Blackdome South \$	Montgolfier \$	Callaghan \$	Golden Trend \$	Total Mineral Exploration \$
Geology	244,000	619,359	148,497	1,014,214	47,126	175,015	2,004,211
Camp	218,552	494,553	-	860,472	-	-	1,355,025
Roads	17,780	96,542	8,276	-	-	-	104,818
Trenching	-	18,519	-	-	-	-	18,519
Drilling	997,522	777,831	-	3,098,292	-	541,809	4,417,932
Underground	-	136,083	-	-	-	-	136,083
Assaying	9,576	98,898	10,421	75,029	-	19,490	203,838
Recording fees	-	-	-	-	84,965	199,622	284,587
Royalty payments	-	-	-	-	129,804	174,298	304,102
Option payments	-	97,000	-	220,000	-	-	317,000
Acquisition	-	78,995	-	40,000	-	-	118,995
Government	-	10,672	1,197	3,826	-	-	15,695
Mine plant equipment	2,286,499	-	-	-	-	-	-
Other	34,041	29,022	9,708	6,867	-	4,983	50,580
Subtotal	3,807,970	2,457,474	178,099	5,318,700	261,895	1,115,217	9,331,385
Option interest sold	-	-	-	-	-	(273,905)	(273,905)
Reimbursement under agreement	-	-	-	-	-	(759,726)	(759,726)
Costs written off	-	-	-	-	(261,895)	(81,586)	(343,481)
Investment credit	-	-	-	(1,700,922)	-	-	(1,700,922)
	3,807,970	2,457,474	178,099	3,617,778	-	-	6,253,351

**Table 9**  
**Statement of Mineral Exploration Properties and Mine Property, Plant and Equipment for Activity during 2008**  
**From January 1, 2009 to March 31, 2009**

	Mine property, plant and equipment \$	Elizabeth \$	Blackdome South \$	Montgolfier \$	Callaghan \$	Golden Trend \$	Total Mineral Exploration \$
Balance - start of period	3,807,470	2,444,680	178,099	3,596,510	-	-	6,219,289
Geology	500	12,648	-	18,339	-	-	30,987
Camp	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-
Trenching	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-
Underground	-	-	-	-	-	-	-
Assaying	-	-	-	2,929	-	-	2,929
Recording fees	-	-	-	-	-	-	-
Royalty payments	-	-	-	-	-	-	-
Option payments	-	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-	-
Government	-	146	-	-	-	-	146
Mine plant equipment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Subtotal	500	12,794	-	21,268	-	-	34,062
Costs written off	-	-	-	-	-	-	-
Investment credit	-	-	-	-	-	-	-
Balance - end of period	3,807,970	2,457,474	178,099	3,617,778	-	-	6,253,351

# **J-Pacific Gold Inc.**

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**Interim Report  
Consolidated Financial Statements  
March 31, 2009**

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**J-Pacific Gold Inc.**  
**Consolidated Balance Sheets**  
**As at March 31, 2009 and December 31, 2008**

Unaudited, prepared by management expect as at December 31, 2008

(expressed in Canadian dollars unless otherwise stated)

	<b>March 31, 2009</b>	Audited December 31, 2008
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	413,065	394,261
Sales taxes receivable	4,541	8,375
Drilling deposit receivable (note 5e)	-	200,000
Investment tax credits recoverable (note 3)	753,000	753,000
Prepaid expenses	774	5,785
	<u>1,171,380</u>	<u>1,361,421</u>
<b>Mine property, plant and equipment</b> (note 4)	<b>3,807,970</b>	<b>3,807,470</b>
<b>Mineral exploration properties</b> (note 5)	<b>6,253,351</b>	<b>6,219,289</b>
<b>Other assets</b> (note 6)	<b>167,337</b>	<b>166,310</b>
<b>Office facilities and equipment</b> (note 7)	<b>37,868</b>	<b>43,184</b>
	<u>11,437,906</u>	<u>11,597,674</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	21,194	20,160
<b>Asset retirement obligation</b> (note 8)	<b>121,937</b>	<b>119,254</b>
	<u>143,131</u>	<u>139,414</u>
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 9)	<b>25,630,784</b>	<b>25,630,784</b>
<b>Contributed surplus</b>	<b>3,071,513</b>	<b>3,071,513</b>
<b>Deficit</b>	<b>(17,407,522)</b>	<b>(17,244,037)</b>
	<u>11,294,775</u>	<u>11,458,260</u>
	<u>11,437,906</u>	<u>11,597,674</u>

**Approved on behalf of the Board of Directors**

"Nick Ferris", Director

"D'Arcy Adam", Director

See accompanying notes.

**J-Pacific Gold Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**For the periods ended March 31, 2009 and 2008**

Unaudited, prepared by management

(expressed in Canadian dollars unless otherwise stated)

	March 31, 2009	March 31, 2008
	\$	\$
<b>Expenses</b>		
Accretion and amortization	7,999	7,934
General and administrative (note 13)	119,742	184,600
Mineral property maintenance	16,031	22,110
Regulatory fees	7,247	10,074
Stock based compensation (note 13)	-	804,500
	<hr/>	<hr/>
<b>Loss from operations</b>	<b>151,019</b>	<b>1,029,218</b>
<b>Other expenses (income)</b>		
Foreign exchange loss (gain)	12,521	(174)
Interest income	(55)	(24,742)
	<hr/>	<hr/>
<b>Loss before income taxes</b>	<b>163,485</b>	<b>1,004,302</b>
<b>Net loss and comprehensive loss for the period</b>	<b>163,485</b>	<b>1,004,302</b>
	<hr/>	<hr/>
<b>Basic and diluted loss per share</b>	<b>0.002</b>	<b>0.015</b>
	<hr/>	<hr/>
<b>Weighted average number of shares outstanding</b>	<b>71,036,714</b>	<b>67,143,963</b>
	<hr/>	<hr/>

See accompanying notes.

**J-Pacific Gold Inc.**  
**Consolidated Statements of Cash Flow**  
**For the periods ended March 31, 2009 and 2008**

Unaudited, prepared by management

(expressed in Canadian dollars unless otherwise stated)

	March 31, 2009	March 31, 2008
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
<b>Net (loss) for the year</b>	<b>(163,485)</b>	<b>(1,004,302)</b>
Non-cash expenses (income)		
Accretion and amortization	7,999	7,934
Stock based compensation	-	804,500
Unrealized foreign currency translation (gain) loss	(1,026)	692
Change in non-cash operating working capital		
Deposits receivable	200,000	-
Sales taxes and other receivables	3,834	(225,412)
Prepaid expenses	5,011	-
Accounts payable and accrued liabilities	1,034	(45,186)
	<b>53,367</b>	<b>(461,774)</b>
<b>Cash flows from (used in) investing activities</b>		
Mine property, plant and equipment	(500)	(7,618)
Mineral exploration properties	(34,063)	(1,512,561)
Other assets - reclamation deposits	-	(7,500)
	<b>(34,563)</b>	<b>(1,527,679)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the exercise of options	-	39,375
	<b>-</b>	<b>39,375</b>
<b>Net decrease in cash and cash equivalents</b>	<b>18,804</b>	<b>(1,950,078)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>394,261</b>	<b>3,021,295</b>
<b>Cash and cash equivalents - end of year</b>	<b>413,065</b>	<b>1,071,217</b>
	<b>March 31, 2009</b>	<b>March 31, 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Income taxes paid</b>	<b>-</b>	<b>-</b>
<b>Interest paid</b>	<b>-</b>	<b>-</b>

See accompanying notes.

**J-Pacific Gold Inc.**  
**Consolidated Statements of Shareholders' Equity**  
**For the period ended March 31, 2009 and the year ended December 31, 2008**

Unaudited, prepared by management expect as at December 31, 2008

(expressed in Canadian dollars unless otherwise stated)

	Share capital Share capital (number of shares)	Amount \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
<b>Balance - December 31, 2007</b>	<b>70,905,464</b>	<b>25,550,434</b>	<b>2,159,788</b>	<b>(15,063,535)</b>	<b>12,646,687</b>
Options exercised for cash	131,250	39,375	-	-	39,375
Fair value of stock options exercised	-	40,975	(40,975)	-	-
Stock based compensation	-	-	952,700	-	952,700
Net loss for the year	-	-	-	(2,180,502)	(2,180,502)
<b>Balance - December 31, 2008</b>	<b>71,036,714</b>	<b>25,630,784</b>	<b>3,071,513</b>	<b>(17,244,037)</b>	<b>11,458,260</b>
Net loss for the year	-	-	-	(163,485)	(163,485)
<b>Balance - March 31, 2009</b>	<b>71,036,714</b>	<b>25,630,784</b>	<b>3,071,513</b>	<b>(17,407,522)</b>	<b>11,294,775</b>

See accompanying notes.

**J-Pacific Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008 and 2007**

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(expressed in Canadian dollars unless otherwise stated)

**1 Nature of operations and going concern**

The Company is in the process of exploring its mineral properties and is considered to be an exploration company. The recoverability of the amounts shown for mine exploration costs and mineral exploration properties are dependent on the existence of economically recoverable reserves. The Company will need to obtain necessary financing or option the property to complete development and attain future profitable production.

In the event that continued financial support or additional financing is not available, there would be doubt about the Company's ability to continue as a going concern.

These consolidated financial statements are prepared on a going concern basis, which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business. Accordingly, they do not give effect to any of the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior mineral rights applications with priority, prior unregistered agreements or transfers, or land claims, and title may be affected by undetected defects.

**2 Summary of significant accounting policies**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

**Accounting principles**

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") as prescribed by The Canadian Institute of Chartered Accountants ("CICA").

**Basis of consolidation**

The consolidated financial statements include the accounts of J-Pacific Gold Inc. and its direct and indirect subsidiaries, Golden Trend Resources Inc. a Nevada corporation, Auric Resources Inc., a Nevada corporation and No. 75 Corporate Ventures Inc., a BC corporation.

**Variable interest entities**

The CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", to provide accounting guidance related to variable interest entities ("VIE"). A VIE is an entity in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinates financial support. When a VIE is determined to exist, the guidance requires the VIE to be consolidated by the primary beneficiary. The Company has determined that it does not have a primary beneficiary interest in a VIE.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses for the years then ended. Significant areas requiring the use of management estimates relate to the investment tax credits recoverable, the determination of impairment of assets, mine exploration costs and mineral exploration properties carrying values, asset retirement obligations, the valuation allowance for future income tax assets, the fair value for stock based compensation and transactions; and determining whether contingent assets or liabilities exist. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates. Changes in estimates are made prospectively.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock based compensation and share purchase warrants issued in a private placement of units. The Company uses historical data to determine volatility in accordance with Black-Scholes modelling, however the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on share based compensation and hence results of operations, there is no impact on the Company's financial condition.

**Measurement uncertainty**

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold and commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mine exploration costs and mineral exploration properties.

**Foreign currency translation**

These financial statements are presented in Canadian dollars unless otherwise stated. Transactions recorded in United States dollars have been translated into Canadian dollars using the Temporal Method as follows:

- i) monetary items at the rate prevailing at the balance sheet date;

**J-Pacific Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008 and 2007**

(expressed in Canadian dollars unless otherwise stated)

- ii) non-monetary items at the historical exchange rate;
- iii) revenue and expense at the average rate in effect during the applicable accounting period.

Gains or losses arising on translation are included in the results of operations.

**Financial instruments and risk management**

Effective January 1, 2007, all financial instruments have been classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments, held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial instruments were classified as follows:

Cash and cash equivalents	Held-for-trading
Drilling deposits receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Asset retirement obligations	Other financial liabilities

Transaction costs are expensed as incurred for all financial instruments.

*Financial risk management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management approves and monitors the risk management processes. Financial instruments by their nature are exposed to a variety of risks including credit risk, liquidity risk and market risk.

- i) Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation;
- ii) Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities;
- iii) Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

*Credit risk*

The Company's only significant exposure to credit risk was on its bank accounts. Bank accounts are with high credit quality financial institutions.

*Liquidity risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

*Market risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short term rates.

*Currency risk*

The majority of the Company's cash and cash equivalents were held in Canada in Canadian dollars. The Company's significant operations were carried out in Canada. The portion of the Company's cash denominated in United States Dollars was insignificant and the sensitivity to gains or losses arising from changes in the Canadian/US dollar exchange rate was minimal.

The Company was not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximated carrying value due to their short-term maturity or capacity of prompt liquidation.

**Cash and cash equivalents**

Cash includes cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes.

**Investment tax credits**

The Company is entitled to refundable Canadian provincial government exploration investment tax credits of 20% - 50% on qualified mining exploration expenditures in the provinces of British Columbia and Quebec. Income tax credits are accrued when the Company has made the qualifying expenditures and when there is reasonable assurance that the credits will realized. The assistance is accounted for using the cost reduction approach whereby the amounts received or receivable each year are applied to reduce the cost of the related assets, deferred expenditures or expenses.

During the year ended December 31, 2008 the Company changed its estimate of investment tax credits recoverable. In previous periods, the Company had not accrued such credits because there was no reasonable assurance of recovery. As a result of

**J-Pacific Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008 and 2007**

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(expressed in Canadian dollars unless otherwise stated)

recovered Quebec investment tax credits in 2008 for the prior year, management has determined that reasonable assurance exists and has accrued Quebec investment tax credits recoverable at December 31, 2008.

**Mine property, plant and equipment**

Mine property, plant and equipment are recorded at cost. The cost of the mine property includes acquisition and betterment costs including directly attributable overhead costs incurred prior to the removal of the assets from service. Amortization and depletion of mine property, plant and equipment costs will be provided using the unit-of-production method based on estimated proven and probable ore reserves upon commencement of production.

Recorded costs of mine property, plant and equipment are not intended to reflect present or future values of resource properties. Capitalized costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, a change in future conditions could require a material change in the recorded amounts.

**Mineral exploration costs**

The Company capitalizes exploration costs directly related to specific mineral properties until such time as the extent of mineralization has been determined and the mineral properties are either sold, developed or the Company's mineral rights are allowed to lapse. Capitalized costs are amortized over the useful life of the ore body following commencement of commercial production or written off if the property is sold or abandoned.

Acquisition costs include initial vendor payments, staking costs at the date of acquisition, subsequent property staking, and lease and royalty payments required to maintain ownership title. Options and royalties are exercisable entirely at the discretion of the optionee, and accordingly, the related amounts are recorded only upon payment or receipt. Option income receipts on subcontracted properties reduce capitalized exploration costs and amounts in excess of capitalized costs are recorded as income. General exploration costs are expensed as incurred.

Recorded costs of mineral properties are not intended to reflect present or future values of the properties. Capitalized costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, a change in future conditions could require a material change in the recorded amounts.

**Office facilities and equipment**

Office facilities and equipment are recorded at cost. Amortization is provided on the straight-line method over the estimated useful lives of the equipment and office facilities at rates ranging from two to 10 years.

**Long-lived assets**

The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting from the use of a long-lived asset and its eventual disposition is less than its carrying amount.

A mining enterprise in the exploration stage is not obliged to conclude that capitalized costs have been impaired due to the absence of a projected estimated future net cash flow from the mining enterprise. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist. However, a mining enterprise is required to consider the conditions for impairment write-down. The conditions include significant unfavorable economic, legal, regulatory, environmental, political and other factors. In addition management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired capitalized costs are written down to the estimated recoverable amount. No impairment was identified at December 31, 2008 and 2007.

**Asset retirement obligations**

The Company follows the CICA Handbook Section 3110 "Asset Retirement Obligations". Under 3110, legal obligations associated with the future retirement of tangible long-lived assets are recorded as liabilities. The liabilities are recorded in the period management is able to establish a reasonable estimate of a fair value of the retirement obligation. The liabilities are calculated using the net present value of the estimated cash flows required to settle the obligation and are subject to accretion over time for changes in the fair value of the estimated obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depletion and amortization of the underlying assets. The liabilities are subject to accretion over time for changes in the fair value of the obligations. Management estimates may be subject to material adjustment as a result of changes in regulations, or changes in the means and extent of environmental remediation.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charges against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charges against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

**Equity instruments**

Non-monetary consideration - Agent's warrants, stock and unit options, and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option

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pricing model. The fair value of the shares issued is based on the trading price of those shares on the Toronto Venture Exchange (TSX.V to March 2009) on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

**Share issuance costs**

Costs directly identifiable with the raising of share capital financing are charged against share capital. Indirect share issuance costs such as legal and printing are charged to operations. Direct share issuance costs incurred in advance of share subscriptions are recorded as deferred financing costs. If the related share subscriptions are not completed the deferred costs are charged to operations.

**Stock based compensation**

The Company's Stock Option Plan provides for granting of stock options to directors, officers, employees and consultants. The Company uses the fair value method for valuing stock option grants as determined by the Black-Scholes option pricing model. Compensation costs attributable to share options granted are measured at fair value at the grant date and are expensed over vesting periods with a corresponding increase to contributed surplus. Stock options issued to consultants that vest over time are subsequently re-valued on each vesting date. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

**Flow-through shares**

Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the CICA Emerging Issues Committee (EIC) in EIC-146 "Flow-through Shares". On the date the expenditures are renounced, a future income tax liability and a corresponding reduction in the share capital is recorded. The future income tax liability is offset by available future income tax assets and the Company records the future income tax benefit in the statement of operations as a recovery of future income taxes otherwise payable.

**Loss per share**

Basic loss per share is calculated using the weighted average number of shares issued and outstanding during the year. Diluted loss per share is calculated using the treasury stock method. No shares were added to the weighted average number of shares outstanding during the years ended December 31, 2008 and 2007 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive.

**Income taxes**

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. The future income tax liabilities or assets are measured using tax rates and laws expected to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are provided where (net) future income tax assets are not more likely than not to be realized.

**Comparative figures**

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

**3 Investment tax credits recoverable**

The Company is entitled to apply for certain refundable tax credits in respect of qualifying mining exploration expenses incurred in the Provinces of British Columbia and Quebec. As at December 31, 2008, there was reasonable assurance that the Company was entitled to approximately \$753,000 (2007 – \$NIL) in Quebec refundable tax credits for exploration expenditures incurred during the year and an accrual for management's estimate was made.

**4 Mine property, plant and equipment**

	Mar 31 2009	Dec 31 2008
	\$	\$
Mill	1,901,880	1,901,880
Plant and mining equipment	271,587	271,587
Exploration costs	1,634,503	1,634,003
	<u>3,807,970</u>	<u>3,807,470</u>

The property consists of mineral claims, crown-granted mineral claims and mining leases. Total area of the property is approximately 9,300 hectares.

No amortization or depletion has been recorded as the mine property, plant and equipment has not been put in use.

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**5 Mineral exploration properties**

Costs incurred by the Company for acquisition and exploration of mineral properties are shown below:

<b>Mar 31 2009</b>						
	<b>Acquisition</b>	<b>Exploration</b>	<b>Costs reimbursed during year</b>	<b>Option interest sold</b>	<b>Mineral exploration costs written off</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Golden Trend	174,298	181,193	-	(273,905)	(81,586)	-
Callaghan	129,804	132,091	-	-	(261,895)	-
Elizabeth	175,995	2,281,479	-	-	-	<b>2,457,474</b>
Blackdome South	-	178,099	-	-	-	<b>178,099</b>
Montgolfier	260,000	4,865,046	(1,507,268)	-	-	<b>3,617,778</b>
	<u>740,097</u>	<u>7,637,908</u>	<u>(1,507,268)</u>	<u>(273,905)</u>	<u>(343,481)</u>	<u><b>6,253,351</b></u>

  

<b>Dec 31 2008</b>						
	<b>Acquisition</b>	<b>Exploration</b>	<b>Costs reimbursed during year</b>	<b>Option interest sold</b>	<b>Mineral exploration costs written off</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Golden Trend	174,298	181,193	-	(273,905)	(81,586)	-
Callaghan	129,804	132,091	-	-	(261,895)	-
Elizabeth	175,995	2,268,685	-	-	-	<b>2,444,680</b>
Blackdome South	-	178,099	-	-	-	<b>178,099</b>
Montgolfier	260,000	4,843,778	(1,507,268)	-	-	<b>3,596,510</b>
	<u>740,097</u>	<u>7,603,846</u>	<u>(1,507,268)</u>	<u>(273,905)</u>	<u>(343,481)</u>	<u><b>6,219,289</b></u>

a) **Golden Trend**

The Company, through its subsidiary, owns 100% of Golden Trend. Golden Trend consists of 111 unpatented mining claims in Eureka County, Nevada. Of the 111 claims, 90 are subject to a 3% NSR, of which 2% NSR may be purchased. The Company must pay US\$10,000 each year as an advance royalty on the NSR. To March 31, 2009, the Company had issued 100,000 shares against the property and had paid \$174,298 (2008 - \$174,298) against the obligation.

On December 31, 2008, the Company decided to write off its investment in Golden Trend in the amount of \$81,586. The Company has not terminated its option interest in the Golden Trend project.

b) **Callaghan**

The Company entered into a ten-year lease agreement with an option to purchase the ten unpatented claims of the Callaghan property in Lander County, Nevada. The lease is renewable for an additional ten-year term. Following the cumulative expenditure of US\$500,000, the Company has an option to purchase 100% of the property, subject to royalty payments, for US\$20,000. At March 31, 2009, \$129,804 (2008 - \$129,804) of royalties have been paid and will be applied against this obligation if the property commences production. The claims are subject to a 3% NSR (net of federal and state royalties) of which 2% NSR can be purchased. A complete schedule of royalty obligations is shown in the Callaghan Royalty Schedule table to the right.

<b>Callaghan Royalty Schedule</b>		
<b>Year</b>	<b>1</b>	<b>US \$</b>
2002	1	5,000
2003	2	5,000
2004	3	5,000
2005	4	20,000
2006	5	25,000
2007	6	25,000
2008	7	25,000
2009+	8+	25,000

In 2002, the Company staked an additional fifty unpatented mining claims, adjacent to the original ten.

On December 31, 2008, the Company decided to write off its investment in Callaghan in the amount of \$261,895. The Company has not terminated its option interest in the Callaghan project.

c) **Elizabeth**

<b>Elizabeth Crown Grant Agreement Schedule</b>				
<b>Year</b>	<b>1</b>	<b>CDN \$</b>	<b>Shares</b>	<b>Expenditures</b>
2002	1	10,000	50,000	-
2003	2	5,000	50,000	200,000
2004	3	10,000	-	150,000
2005	4	10,000	-	150,000
2006	5	10,000	-	-
2007	6	10,000	-	-
2008	7	10,000	-	-
2009+	8+	10,000	-	-

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On May 23, 2002, the Company entered into option to purchase agreements for crown granted mineral claims known as the "Elizabeth Property" and for surrounding mineral claims known as the "Blue Claims" in the Lillooet Mining District, British Columbia, Canada. In addition, to complete the exercise of both option agreements, the Company must complete a feasibility study prepared by an independent mining engineer. In October 2002, the Company staked additional mineral claims. Collectively, the claims are referred to as the "Elizabeth Project." The property is a mid-stage exploration project, located roughly 35 kilometres northeast of the former gold mining town of Bralorne and 30 kilometres south of the Blackdome Gold Mine.

**Crown Grants**

To March 31, 2009, \$65,000 (2008 - \$65,000) of option payments were paid and 100,000 shares have been issued. The Company has exceeded all work commitments to date. The claims are subject to a 4% NSR of which 2% NSR may be purchased.

In 2004, the Company added claim blocks to its Elizabeth land package.

<b>Elizabeth Blue Claims Agreement Schedule</b>					
	<b>Year</b>	<b>CDN \$</b>	<b>Shares</b>	<b>Expenditures</b>	
	2002	1	2,000	20,000	-
	2003	2	5,000	30,000	50,000
	2004	3	5,000	-	150,000
	2005	4	5,000	-	150,000
	2006	5	5,000	-	150,000
	2007	6	5,000	-	-
	2008	7	5,000	-	-
	2009+	8+	5,000	-	-

**Blue Claims**

To March 31, 2009, \$32,000 (2008 - \$32,000) of option payments were paid and 50,000 shares have been issued, the costs are included in capitalized exploration costs. The Company has exceeded all work commitments to date. The claims are subject to a 3% NSR of which 2% NSR may be purchased.

d) **Blackdome South**

During 2002, the Company staked mineral claim units contiguous to the south of the Blackdome Gold Mine project in the Clinton mining division of British Columbia. These are held 100% by the Company.

e) **Montgolfier**

On February 12, 2004, the Company entered into an option to purchase 100% of staked claims and map-designated cells in Montgolfier and Orvilliers Townships, Quebec. The claims are subject to a 2% NSR of which 1.5% may be purchased. To March 31, 2009, cash payments of \$220,000 (2008 - \$220,000) have been made, and 50,000 shares have been issued. The Company paid the \$100,000 due in 2007 to secure the property and take advantage of consolidation opportunities between these claims and other claims in the area staked by the Company.

<b>Montgolfier Agreement Schedule</b>				
	<b>Year</b>	<b>CDN \$</b>	<b>Shares</b>	
	2004	1	40,000	50,000
	2005	2	40,000	-
	2006	3	40,000	-
	2007	4	100,000	-

e) **Montgolfier**

During 2004, the Company staked additional unpatented mining claims, adjacent to the original mining claims. During 2005, the Company staked additional map designated cells. The property now comprises approximately 6,900 hectares.

The Company paid a deposit on drilling in the amount of \$100,000 in 2007 and again in 2008. The full deposit of \$200,000 was refunded and received by the Company subsequent to December 31, 2008 and is recorded as a receivable on the balance sheet for the year ended December 31, 2008.

f) In February, 2008, the Company opted to not renew the Truax mineral claims and has written off deferred mineral exploration costs in the amount of \$25,394 as at December 31, 2007.

**6 Other assets**

Other assets include a letter of credit for a partial indemnification of site restoration costs of \$100,000 (2007 - \$100,000) and reclamation deposits paid by the Company of \$66,310 (2007 - \$51,991).

**7 Office facilities and equipment**

<b>Mar 31 2009</b>				
	<b>Amortization period</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer hardware	3 years	82,186	(74,684)	7,502
Software	3 years	26,226	(22,558)	3,668
Office equipment	10 years	17,975	(16,634)	1,341
Leasehold improvements	10 years	56,248	(30,891)	25,357
		<b>182,635</b>	<b>(144,767)</b>	<b>37,868</b>

  

<b>Dec 31 2008</b>				
	<b>Amortization period</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer hardware	3 years	82,186	(72,271)	9,915
Software	3 years	26,226	(20,467)	5,759

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Office equipment	10 years	17,975	(16,594)	1,381
Leasehold improvements	10 years	56,248	(30,119)	26,129
		<u>182,635</u>	<u>(139,451)</u>	<u>43,184</u>

**8 Asset retirement obligations**

Asset retirement obligations relate to the abandonment of mine plant and equipment and land reclamation and remediation costs on mineral exploration properties. The Company has recognized a liability related to the mine property, plant and equipment and has determined that no significant asset retirement liabilities exist in connection with the exploration activities on its other mineral exploration properties.

The Company has estimated the net present value of the asset retirement obligation related to the mine property, plant and equipment to be \$119,254 at December 31, 2008 based on a total future liability of \$200,000. These payments are expected to be made in the event of the abandonment of long-lived assets. Since no abandonment plans are being considered and the mine plant and equipment is at a developmental and feasibility stage the Company has assumed the payments will be made in 2014. The Company used a credit adjusted risk free rate of nine percent to calculate the net present value of the asset retirement obligation.

	<b>Mar 31 2009</b>	Dec 31 2008
	<u>\$</u>	<u>\$</u>
Balance at January 1	<b>119,254</b>	<b>109,407</b>
Accretion expense	<b>2,683</b>	<b>9,847</b>
Balance December 31	<u><b>121,937</b></u>	<u><b>119,254</b></u>

**9 Share capital**

Authorized: unlimited common shares without par value.

Issued:

- a) There were no equity transactions during the period ended March 31, 2009:
- b) During the year ended December 31, 2008:
  - Options exercised for cash
    - Between Jan 18, 2008, and March 13, 2008, 131,250 options were exercised for proceeds of \$39,375.

**10 Stock options and warrants outstanding**

The Company has a stock option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. The term of the options must be no longer than 10 years and the directors determine the vesting period. Amounts recorded for stock based compensation on options were as follows:

	<b>2009</b>	2008
	<u>\$</u>	<u>\$</u>
Consulting	<b>nil</b>	96,100
Employees and directors	<b>nil</b>	856,600
	<u><b>nil</b></u>	<u>952,700</u>

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions

	<b>2008</b>	2008
Risk free interest rate	-	2.75%
Expected life	-	7.8 years
Expected volatility	-	105%
Expected dividend yield	-	-

The weighted average exercise price of options granted or vested during the period was nil (2008 - \$0.33).

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The following table summarizes information about the options at March 31, 2009 and December 31, 2008:

	<b>Mar 31 2009</b>		<b>Dec 31 2008</b>	
	<b>Number of shares</b>	<b>Weighted average exercise price \$</b>	<b>Number of shares</b>	<b>Weighted average exercise price \$</b>
Options outstanding -				
Beginning of year	<b>6,150,000</b>	<b>0.42</b>	5,450,000	0.47
Issued	-	-	2,100,000	0.37
Exercised	-	-	(131,250)	0.30
Expired	-	-	(1,268,750)	0.57
Options outstanding - End of year	<b>6,150,000</b>	<b>0.42</b>	6,150,000	0.42

The following table summarizes information about stock options outstanding and exercisable at March 31, 2009:

<b>Exercise price \$</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Weighted average remaining contracted life (years)</b>	<b>Weighted average exercise price \$</b>
0.30	1,100,000	1,100,000	7.36	0.30
0.37	2,100,000	2,100,000	8.88	0.37
0.40	300,000	300,000	3.73	0.40
0.45	1,875,000	1,875,000	7.80	0.45
0.50	75,000	75,000	1.28	0.50
0.60	350,000	350,000	0.51	0.60
0.65	150,000	150,000	7.97	0.65
0.70	100,000	100,000	7.36	0.70
1.00	100,000	100,000	0.20	1.00
	<b>6,150,000</b>	<b>6,150,000</b>	<b>7.27</b>	<b>0.42</b>

**Share purchase warrants**

	<b>Mar 31 2009</b>		<b>Dec 31 2008</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price \$</b>	<b>Number of warrants</b>	<b>Weighted average exercise price \$</b>
Warrants outstanding -				
Beginning of year	<b>5,275,000</b>	<b>0.55</b>	15,792,772	0.55
Issued in connection with stock	-	-	-	-
Exercised for shares	-	-	-	-
Expired	-	-	(10,517,772)	0.55
Warrants outstanding - End of year	<b>5,275,000</b>	<b>0.55</b>	5,275,000	0.55

J-Pacific warrants are exercisable only for common stock. The following table summarizes information about warrants outstanding and exercisable at March 31, 2009:

<b>Exercise price \$</b>	<b>Warrants outstanding</b>	<b>Weighted average remaining contracted life (years)</b>	<b>Weighted average exercise price \$</b>
0.55	5,275,000	0.25	0.55
	<b>5,275,000</b>	<b>0.25</b>	<b>0.55</b>

All other terms of the warrants remain unchanged.

**11 Management of capital**

The Company manages its cash, common shares, stock options and warrants as capital (see Notes 9 and 10). 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 development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

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The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

The Company will require capital resources to carry its exploration plans and operations through its current operating period.

**12 Commitments**

Effective July 1, 2007, the Company entered into an amended lease agreement for office space for a 61 month period expiring August 31, 2012. The Company has also committed to certain operating leases and loan payments for the acquisition of vehicles. The future minimum lease payments required under these agreements are indicated in the table to the right.

	<b>Office</b>	<b>Vehicles</b>
	<b>\$</b>	<b>\$</b>
2009	44,484	16,443
2010	60,833	21,924
2011	61,974	16,443
2012	41,316	-
2013	-	-

**13 Related party transactions**

Related party transactions were in the normal course of operations and measured at the exchange amount, which was the amount established and agreed to by the related parties. The following is a summary of transactions with related parties:

- As at March 31, 2009, the Company's President and CFO are also the President and CFO of a privately held mineral exploration firm with which the Company shares office space. During the year, the Company received 12,000 (2008 - \$50,400) in consideration for rent, phone and related office services. The Company treats these funds received as a cost recovery.
- During the year ended December 31, 2008, options were exercised by a former director of the Company for proceeds of \$39,375.

**14 Segmented financial information**

The Company operates in three segments: the care and maintenance of the Blackdome Mine in Canada, and the exploration and development of gold properties in both Canada and the USA.

	<b>Blackdome</b>	<b>Exploration</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>Mine in</b>	<b>In Canada</b>	<b>In USA</b>	<b>Office</b>	<b></b>
	<b>Canada</b>	<b></b>	<b></b>	<b></b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>March 31, 2009</b>					
Loss for the year	16,031	-	-	147,454	163,485
Total assets	3,933,242	6,264,351	36,337	1,203,976	11,437,906
Capital assets	3,807,970	6,253,351	-	37,868	10,099,189
Capital expenditures	500	34,063	-	-	34,563
Amortization and accretion	2,683	-	-	5,316	7,999
Interest income	-	-	-	54	54
Interest expense	-	-	-	-	-
<b>December 31, 2008</b>					
Loss for the year	221,461	-	343,481	1,615,560	2,180,502
Total assets	3,929,755	6,230,289	35,310	1,402,320	11,597,674
Capital assets	3,807,470	6,219,289	-	43,184	10,069,943
Capital expenditures	58,568	2,369,776	-	692	2,429,036
Amortization and accretion	9,847	-	-	21,769	31,616
Interest income	313	-	-	43,812	44,125
Interest expense	-	-	-	-	-

**Corporate Data**

J-Pacific Gold Inc. is a public company trading on the TSX Venture Exchange. The Company pursues mineral exploration and mine development in North America.

**Head Office**

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Driffield Cameron, Burlington, Ontario  
Nicholas T. Ferris, Vancouver, British Columbia  
Jean-Pierre Schumacher, Zürich, Switzerland  
John Anderson, Vancouver, British Columbia

**Officers**

Nicholas T. Ferris, President and Chief Executive Officer  
Ralph Braun, Chief Financial Officer

**Registrar and Transfer Agent**

Pacific Corporate Trust Company

**Banker**

Bank of Montreal

**Legal Counsel**

McCullough O'Connor Irwin LLP, Vancouver, British Columbia

**Auditors**

Morgan & Company Chartered Accountants, Vancouver, British Columbia

**Stock Exchange**

TSX Venture Exchange (TSXV) – Tier 1 Company  
Symbol: JPN.V