



CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2019 AND 2018**

(Unaudited – expressed in Canadian dollars)

JAPAN GOLD CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2019

Notice of No Auditor Review

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three and six month period ended June 30, 2019 have been prepared by the Company's management and approved by the Audit Committee and Board of Directors of the Company.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements.

JAPAN GOLD CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - expressed in Canadian dollars)

As at	June 30, 2019	December 31, 2018
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 1,750,275	\$ 6,326,230
Accounts receivable	40,499	152,871
Prepaid expenses and deposits	190,475	98,256
	1,981,249	6,577,357
Non-Current Assets		
Deposit	41,272	41,203
Exploration and evaluation assets (Note 4)	6,890,928	5,069,217
Property, plant and equipment (Note 5)	510,989	581,248
Leased equipment (Note 6)	246,527	-
Total assets	\$ 9,670,965	\$ 12,269,025
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 722,310	\$ 623,064
Related party loan (Note 9)	-	1,174,446
	722,310	1,797,510
Non-Current Liabilities		
Lease liability (Note 8)	244,973	-
Total liabilities	967,283	1,797,510
Shareholders' equity		
Share capital (Note 7)	22,459,821	22,459,821
Contributed surplus	3,639,269	3,102,054
Accumulated other comprehensive income	162,588	309,097
Deficit	(17,557,996)	(15,399,457)
Total shareholders' equity	8,703,682	10,471,515
Total liabilities and shareholders' equity	\$ 9,670,965	\$ 12,269,025

Nature and continuance of operations and going concern (Note 1)

Subsequent events (Note 13)

Approved by the Board of Directors and authorized for issuance on August 27, 2019:

On behalf of the Board of Directors"Michael Andrews" Director"John Proust" Director

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

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

(Unaudited - expressed in Canadian dollars)

For the periods ended	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Expenses				
Audit	\$ 33,041	\$ 25,125	\$ 43,041	\$ 35,925
Consulting	58,004	208,347	107,934	335,313
Depreciation	673	842	1,351	1,341
Director fees	22,838	-	45,338	-
Filing and regulatory	3,000	3,000	27,273	25,503
Foreign exchange loss (gain)	22,058	(292,153)	37,856	(106,923)
General and administrative	134,963	104,262	219,280	166,897
Insurance	18,851	8,906	27,420	19,744
Investor relations	88,446	62,783	137,899	187,566
Management fees	150,000	150,000	300,000	300,000
Marketing	-	27,532	4,448	40,954
Project evaluation	182,025	56,836	283,226	170,913
Professional fees	105,237	101,460	149,598	109,489
Salaries	79,424	202,091	147,017	280,481
Share-based compensation (Note 7)	154,070	-	537,215	
Transfer agent	2,151	1,503	5,144	3,153
Travel	58,252	106,133	108,195	162,167
Loss before other items	\$ 1,113,033	\$ 766,667	\$ 2,182,235	\$ 1,732,523
Other items				
Interest income	(20,058)	(15,669)	(23,696)	(21,191)
	(20,058)	(15,669)	(23,696)	(21,191)
Net loss for the period	1,092,975	750,998	2,158,539	1,711,332
Foreign exchange loss (gain) on translation of foreign operations	(32,905)	297,347	146,509	(171,631)
Net comprehensive loss for the period	\$ 1,060,070	\$ 1,048,345	\$ 2,305,048	\$ 1,539,701
Loss per share				
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	113,651,076	68,314,409	113,651,076	68,314,409

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

JAPAN GOLD CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

For the six month period ended	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Net loss for the period	\$ (2,158,539)	\$ (1,711,332)
Adjustments for:		
Share-based compensation	537,215	-
Depreciation	1,351	1,341
Unrealized foreign exchange expense	(15,301)	(68,316)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	18,188	34,874
Accounts payable and accrued liabilities	69,861	(157,649)
Net cash used in operating activities	(1,547,225)	(1,901,082)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets (Note 4)	(1,822,537)	(667,575)
Acquisition of property, plant and equipment (Note 5)	(50,946)	-
Net cash used in investing activities	(1,873,483)	(667,575)
Cash flows from financing activities		
Cash used for repayment of related party loan	(1,150,947)	-
Net cash used in financing activities	(1,150,947)	-
Change in cash and cash equivalents during the period	\$ (4,571,655)	\$ (2,568,657)
Effect of foreign exchange on cash and cash equivalents	(4,300)	(176)
Cash and cash equivalents, beginning of the period	6,326,230	3,382,218
Cash and cash equivalents, end of the period	\$ 1,750,275	\$ 813,385

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

JAPAN GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(Unaudited - expressed in Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance, December 31, 2017	68,314,409	\$ 15,745,821	\$ 3,023,536	\$ 412,860	\$ (12,452,053)	\$ 6,730,164
Net loss for the period	-	-	-	-	(1,711,332)	(1,711,332)
Foreign currency translation	-	-	-	171,631	-	171,631
Balance, June 30, 2018	68,314,409	\$ 15,745,821	\$ 3,023,536	\$ 584,491	\$ (14,163,385)	\$ 5,190,463

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance, December 31, 2018	113,651,076	\$ 22,459,821	\$ 3,102,054	\$ 309,097	\$ (15,399,457)	\$ 10,471,515
Net loss for the period	-	-	-	-	(2,158,539)	(2,158,539)
Share-based compensation	-	-	537,215	-	-	537,215
Foreign currency translation	-	-	-	(146,509)	-	(146,509)
Balance, June 30, 2019	113,651,076	\$ 22,459,821	\$ 3,639,269	\$ 162,588	\$ (17,557,996)	\$ 8,703,682

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

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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

On September 15, 2016, the Company completed a transaction (the “Transaction”) in which the Company issued shares to former shareholders of Japan Gold KK (“JGKK”) (formerly Southern Arc Minerals Japan KK) to acquire all of JGKK’s issued and outstanding shares. This resulted in JGKK becoming a wholly owned subsidiary of Japan Gold. Following the completion of the Transaction, the Company became the Resulting Issuer and continued trading on the TSX Venture Exchange (“TSX-V”) under the symbol “JG” and trades on the OTC Markets (“OTCQB”) under the symbol “JGLDF”.

The Company is engaged in the acquisition and exploration of resource properties in Japan. The Company’s head office is at Suite 650-669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

The Company is exploring and evaluating potential properties in Japan. Japan Gold has lodged 325 prospecting rights license applications in Japan, 59 of which have been granted as Prospecting Rights.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

These consolidated financial statements were approved for issuance by the Company’s Board of Directors on August 27, 2019.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Japanese subsidiary, 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.

New accounting standards and pronouncements

- IFRS 16 – Leases

The Company has adopted IFRS 16 – Leases, which has January 1, 2019 as its initial application of the accounting standard. This IFRS, which supersedes IAS 17 - Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The Company adopted IFRS 16 using a modified retrospective approach and resulted in the standard not having any significant impact on the financial statements of the Company.

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS

During period ended June 30, 2019, the Company redeemed \$3,550,000 in cash and cash equivalents in the form of a Guaranteed Investment Certificate (“GIC”) to fund day-to-day operations. As at June 30, 2019, the balance of cash equivalents is \$1,450,000 (December 31, 2018 - \$5,000,000). This GIC is held in an investment account earning interest at a rate of 2.20% per annum and can be redeemed at any time.

4. EXPLORATION AND EVALUATION ASSETS

	Ikutahara project	Eboshi project	Ohra-Takamine project	Tobaru project	Kamitsue project	Total
Balance, January 1, 2018	\$ 2,957,410	\$ 62,110	\$ -	\$ -	\$ -	\$ 3,019,520
Consulting	803,920	31,320	57,892	1,390	-	894,522
Insurance	17,007	-	-	-	-	17,007
Depreciation	322,121	-	-	-	-	322,121
Travel	164,392	3,876	14,262	-	-	182,530
Field supplies	213,507	16,509	6,577	-	-	236,593
Foreign currency transation adjustment	383,216	10,459	3,166	83	-	396,924
Balance, December 31, 2018	4,861,573	124,274	81,897	1,473	-	5,069,217
Consulting	597,786	-	289,641	877	1,306	889,610
Insurance	11,872	-	138	-	-	12,010
Depreciation	107,955	-	22,831	-	-	130,786
Travel	102,585	-	74,028	608	339	177,560
Field supplies	298,388	7,559	286,411	2,686	12,075	607,119
Drilling	66,973	-	24,753	-	-	91,726
Foreign currency transation adjustment	(84,439)	(2,345)	(313)	(26)	23	(87,100)
Balance, June 30, 2019	\$ 5,962,693	\$ 129,488	\$ 779,386	\$ 5,618	\$ 13,743	\$ 6,890,928

The Company’s current project portfolio consists of 325 prospecting rights license applications for a combined area of 108,834 hectares over 18 separate projects on the three main islands of Japan. 59 (2018: 68) of these applications have been granted as Prospecting Rights. See below for a summary of the Company’s Prospecting Rights:

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

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

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

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

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

Subsequent to the period ended June 30, 2019, the Company made a decision to focus solely on its gold projects and relinquished the majority of its copper-gold lithocap projects (Eboshi).

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Heavy Equipment	Vehicles	Building	Land	Furniture and Fixtures	Total
At December 31, 2017	\$ 730,002	\$ 60,686	\$ 56,967	\$ 11,416	\$ 96,830	\$ 955,901
Purchases	-	-	-	-	8,157	8,157
Foreign currency translation adjustment	81,827	6,434	6,069	1,303	18,122	113,755
At December 31, 2018	\$ 811,829	\$ 67,120	\$ 63,036	\$ 12,719	\$ 123,109	\$ 1,077,813
Purchases	-	36,963	-	-	5,941	42,904
Foreign currency translation adjustment	(17,662)	(1,460)	(1,371)	(277)	17,357	(3,413)
At June 30, 2019	\$ 794,167	\$ 102,623	\$ 61,665	\$ 12,442	\$ 146,407	\$ 1,117,304
Accumulated depreciation						
At December 31, 2017	\$ 102,366	\$ 35,525	\$ 16,997	\$ -	\$ 17,180	\$ 172,068
Depreciation capitalized to exploration and evaluation assets	239,354	31,595	15,864	-	35,308	322,121
Depreciation	-	-	-	-	2,376	2,376
At December 31, 2018	\$ 341,720	\$ 67,120	\$ 32,861	\$ -	\$ 54,864	\$ 496,565
Depreciation capitalized to exploration and evaluation assets	84,431	4,275	6,305	-	13,388	108,399
Depreciation	-	-	-	-	1,351	1,351
At June 30, 2019	\$ 426,151	\$ 71,395	\$ 39,166	\$ -	\$ 69,603	\$ 606,315
Total carrying value, December 31, 2018	\$ 470,109	\$ -	\$ 30,175	\$ 12,719	\$ 68,245	\$ 581,248
Total carrying value, June 30, 2019	\$ 368,016	\$ 31,228	\$ 22,499	\$ 12,442	\$ 76,804	\$ 510,989

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

6. LEASED EQUIPMENT

On April 1, 2019, the Company entered into a lease with PT. Promincon Indonesia (“PMC”) for drill equipment to be used on its exploration programs. PMC manufactures a range of portable diamond core drill rigs and is an established diamond core drilling contracting company incorporated in Indonesia. A director and officer of Japan gold has a controlling interest in PMC, which is a related entity.

The Company recognized its right to use the equipment over the lease term and initially measured the drill equipment at the present value of the lease payments and deposits, discounted using either the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate, equivalent to the Company’s obligation to payments over the term of the lease over 36 months. Leased equipment is then subsequently measured at cost less accumulated depreciation. Where depreciation is recorded on a straight-line basis over the lease term.

	Right-of-use equipment	
At December 31, 2018	\$	-
Additions		268,493
Depreciation		(22,352)
Foreign currency translation adjustment		386
At June 30, 2019	\$	246,527

7. SHARE CAPITAL**Authorized capital**

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

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

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

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

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

The Company has established a “rolling” Share Option Plan (the “Plan”) in compliance with the TSX-V’s policy for granting share options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company’s stock at the date of grant. Options have expiry dates of no later than 10 years after the grant date. Vesting of options is determined by the Board of Directors at the time of grant. A summary of the changes in share options is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2016	-	\$ -
Granted – prior to Acquisition	819,826	0.26
Granted – post Acquisition	4,724,950	0.40
Outstanding and exercisable at December 31, 2016 (remaining average contractual life is 8.87 years)	5,544,776	0.38
Granted	275,000	0.40
Exercised	(366,664)	0.40
Outstanding and exercisable at December 31, 2017 (remaining average contractual life is 8.46 years)	5,453,112	0.40
Granted	1,525,050	0.16
Forfeited	(25,000)	0.40
Exercised	(70,000)	0.20
Expired	(808,162)	0.34
Outstanding and exercisable at December 31, 2018 (remaining average contractual life is 8.28 years)	6,075,000	\$ 0.34
Granted	5,400,000	0.20
Expired	(250,000)	0.40
Outstanding and exercisable at June 30, 2019 (remaining average contractual life is 8.64 years)	11,225,000	\$ 0.27

During the six month period ended June 30, 2019, the Company granted 5,280,000 stock options with exercise price of \$0.20 for a period of 10 years to directors, officers, employees and consultants of the Company. The Company also granted 120,000 stock options with exercise price of \$0.27 for a period of 5 years to a consultant of the Company. Of these, 4,250,000 stock options were issued to related parties. During the period ended June 30, 2019, 250,000 stock options previously granted to a former director and a former consultant of the Company expired unexercised.

During the six month period ended June 30, 2019, the Company recorded share-based compensation expense of \$537,215 (June 30, 2018: \$Nil) relating to the options issued during the period as well as additional vesting of options that were granted during the year ended December 31, 2018.

The following weighted average assumptions were used for the Black-Scholes valuation of share options granted six-month period ended June 30, 2019 and year ended December 31, 2018:

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

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

	June 3, 2019	January 24, 2019	December 31, 2018
Risk-free interest rate	1.66%	1.67%	1.82%
Expected life of options (in years)	5.00	10.00	10.00
Expected volatility	75%	75%	75%
Share price	\$ 0.27	\$ 0.20	\$ 0.16
Fair value of options granted	\$ 0.27	\$ 0.16	\$ 0.16
Forfeiture rate	-	-	-
Dividend rate	-	-	-

The following table summarizes information about the share options outstanding as at June 30, 2019:

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
4,024,950	\$ 0.40	September 15, 2026	7.22
275,000	0.40	October 28, 2026	7.33
1,525,050	0.16	December 13, 2028	9.46
5,280,000	0.20	January 24, 2029	9.58
120,000	0.27	June 3, 2024	4.93
11,225,000	\$ 0.27		8.64

Warrants

As at June 30, 2019, the Company had 12,500,000 share purchase warrants outstanding at an exercise price of \$0.40 per share for a period of 5 years in connection with the private placement to Southern Arc. See also Note 13.

8. LEASE LIABILITY

On April 1, 2019, the Company entered into an equipment lease for drilling equipment with PMC whereby the risk and rewards of the leased assets are being transferred to the Company. The lease liability is initially measured at the present value of the lease payments, discounted using either the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method and adjusted for interest and lease payments. The Company used 10% for an incremental borrowing rate over a 36 months lease term to determine its present value of the lease liability.

	Equipment financing lease
At December 31, 2018	\$ -
Additions	268,493
Payments	(23,903)
Foreign currency translation adjustment	383
At June 30, 2019	\$ 244,973

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

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

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

	Three month period ended		Six month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Management fees	\$ 150,000	\$ 150,000	\$ 300,000	\$ 300,000
Consulting fees	42,000	42,000	84,000	84,000
Project evaluation	87,781	88,892	160,112	166,888
Share-based compensation	92,903	-	407,661	-

During the six-month period ended June 30, 2019, the Company incurred \$300,000 (June 30, 2018: \$300,000) in management fees to a private company controlled by the CEO of the Company. Management fees include administrative, finance and accounting fees, as well as certain office expenses. As at June 30, 2019, accounts payable and accrued liabilities included \$Nil (December 31, 2018: \$Nil) payable to the related entity.

During the period ended June 30, 2019, the Company paid \$84,000 (June 30, 2018: \$84,000) in consulting fees to a private company controlled by a director of the Company. The Company also incurred \$160,112 in consulting fees for project evaluation to an officer of the Company (June 30, 2018 - \$166,888). As at June 30, 2019, \$Nil and \$32,296 respectively, were outstanding and payable (December 31, 2018: \$Nil and \$18,417).

During the period ended June 30, 2019, the Company accrued \$77,338 (June 30, 2018: \$50,856) in rent and office expenses relating to the Company's head office. As at June 30, 2019, \$47,059 of these fees were included in accounts payable and accrued liabilities. This amount is owed to Southern Arc Minerals Inc., a related party.

During the year ended December 31, 2018, the Company also received a total of \$1,174,446 in advances from Southern Arc Minerals Inc. which includes US dollar balances of US\$630,000 (\$859,446). These advances have a one-time financing fee of 5% of the amount outstanding and have a maturity date of 3 months from the date of advance. The Company recorded a financing expense of \$54,184 in connection with these loans. On December 5, 2018, US\$190,000 (\$259,198) of the total \$1,174,446 advanced was due and payable to Southern Arc Minerals Inc. The terms for this repayment was extended by Southern Arc to coincide with the close of the Company's financing in December 2018. During the period ended June 30, 2019, the total advances were repaid in full.

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

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS

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

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

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company’s financial liabilities such as accounts payable and accrued liabilities are classified as current. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company currently does not have any significant credit risk.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is currently exposed to interest rate risk to the extent that the cash and short-term investment maintained at the financial institutions are subject to a floating rate of interest. The interest rate risk on the Company’s cash and short-term investment is minimal.

The Company also operates in Japan and is subject to foreign currency fluctuations primarily on its cash and accounts payable and accrued liabilities denominated in Japanese yen (“Yen or ¥”).

At June 30, 2019, the Company had ¥4,391,336 (approximately CDN\$53,311) in cash, and ¥35,756,593 (approximately CDN\$434,085) in accounts payable and accrued liabilities. As at June 30, 2019, Yen amounts were converted at a rate of ¥0.01214 to CDN\$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN\$3,808.

Fair value

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

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

The carrying values of the Company’s receivables and short-term investments and accounts payable and accrued liabilities approximate their fair values.

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

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

11. CAPITAL MANAGEMENT

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

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

There were no changes in the Company's approach to capital management in the period ended June 30, 2019.

12. SEGMENTED INFORMATION

The breakdown by geographic area as at June 30, 2019 is as follows:

		Canada		Japan		Consolidated
Current assets	\$	1,642,310	\$	338,939	\$	1,981,249
Non-current assets		-		7,689,716		7,689,716
Total assets		1,642,310		8,028,655		9,670,965
Total liabilities	\$	288,225	\$	679,058	\$	967,283

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

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

JAPAN GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended June 30, 2019 and 2018

(Unaudited – expressed in Canadian dollars)

13. SUBSEQUENT EVENTS

On August 22, 2019, the Company completed a non-brokered private placement which resulted in an issuance of 26,448,763 units of the Company at a share price of \$0.27 per unit for gross proceeds of \$7,141,166. Each Unit consisted of one common share of the Company and one-half of a transferable common share purchase warrant (“Warrant”). Each whole Warrant entitles the holder to purchase one common share at a price of \$0.42 per common share for a period of 24 months from closing. The Warrants are subject to a forced exercise provision if the closing price of the common shares of the Company is equal to or greater than \$0.84 for a period of 10 consecutive trading days.

The Company paid finders a cash commission of \$371,368 on the private placement and finders’ warrants to purchase 1,375,435 of common shares in connection with the private placement. The finders’ warrants are exercisable at \$0.27 per common share for a period of 12 months from closing.