CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Japan Gold Corp.

Opinion

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

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- notes to the consolidated statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred operating losses and negative cash flows to date and has no current sources of revenues.

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

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2019.

Other Information

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

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

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

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is James Barron, CA, CPA.

Vancouver, Canada
April 28, 2020

JAPAN GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	December 31, 2019	December 31, 2018
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 1,452,270	$ 6,326,230
Accounts receivable (Note 4)	13,050	152,871
Prepaid expenses and deposits	262,334	98,256
	1,727,654	6,577,357
Non-Current Assets		
Deposit	101,566	41,203
Exploration and evaluation assets (Note 4)	11,565,906	5,069,217
Property, plant and equipment (Note 5)	482,215	581,248
Right of use asset (Note 6)	185,802	-
Total assets	$ 14,063,143	$ 12,269,025
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 584,705	$ 623,064
Related party loan (Note 9)	-	1,174,446
Current portion of lease liability (Note 7)	82,259	-
	666,964	1,797,510
Non-Current Liabilities		
Lease liability (Note 7)	106,245	-
Total liabilities	773,209	1,797,510
Shareholders' equity		
Share capital (Note 8)	29,078,168	22,459,821
Contributed surplus	4,021,854	3,102,054
Accumulated other comprehensive income (loss)	(17,838)	309,097
Deficit	(19,792,250)	(15,399,457)
Total shareholders' equity	13,289,934	10,471,515
Total liabilities and shareholders' equity	$ 14,063,143	$ 12,269,025

Nature and continuance of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved by the Board of Directors and authorized for issuance on April 27, 2020:

On behalf of the Board of Directors

"Murray Flanigan" Director *"John Proust"* Director

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

JAPAN GOLD CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

For the years ended		December 31, 2019		December 31, 2018
Expenses				
Audit	$	63,041	$	55,925
Consulting (Note 9)		199,799		615,643
Depreciation		2,366		2,376
Director fees		91,689		-
Filing and regulatory		76,750		67,913
Foreign exchange loss (gain)		132,421		(74,862)
Occupancy and office		394,740		344,448
Insurance		55,120		37,206
Investor relations		278,686		209,917
Management fees (Note 9)		597,000		582,000
Marketing		7,956		77,306
Professional fees		280,852		278,733
Project evaluation (Note 9)		667,773		390,249
Salaries		436,686		513,594
Share-based compensation (Note 8)		768,350		78,518
Transfer agent		17,636		12,321
Travel		243,169		242,774
Loss before other items	$	4,314,034	$	3,434,061
Other items				
Impairment (Note 4)		129,875		-
Financing expense		8,799		54,184
Interest income		(59,915)		(29,302)
		78,759		24,882
Net loss for the year		4,392,793		3,458,943
Foreign exchange loss (gain) on translation of foreign operations		326,935		(407,776)
Net comprehensive loss for the year	$	4,719,728	$	3,051,167
Loss per share				
Basic and diluted loss per share	$	(0.04)	$	(0.05)
Weighted average number of shares outstanding		123,143,646		69,555,359

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

JAPAN GOLD CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

For the years ended		December 31, 2019		December 31, 2018
Cash flows from operating activities				
Net loss for the year	$	(4,392,793)	$	(3,458,943)
Adjustments for:				
Share-based compensation (Note 8)		768,350		78,518
Depreciation (Note 5)		2,366		2,376
Impairment (Note 4)		129,875		-
Financing expense		8,799		-
Interest income		(59,915)		(29,302)
Interest received		59,915		29,302
Unrealized foreign exchange gain		-		(20,917)
Changes in non-cash working capital items:				
Accounts receivable and prepaid expenses and deposits		(84,620)		(157,155)
Accounts payable and accrued liabilities		(66,184)		94,944
Net cash used in operating activities		(3,634,207)		(3,461,177)
Cash flows from investing activities				
Acquisition of exploration and evaluation assets (Note 4)		(6,640,609)		(1,346,967)
Acquisition of property, plant and equipment (Note 5)		(152,993)		(8,157)
Net cash used in investing activities		(6,793,602)		(1,355,124)
Cash flows from financing activities				
Proceeds received from private placement (Note 8)		7,141,166		6,650,000
Share issuance cost (Note 8)		(371,369)		(45,000)
Cash received from share options exercised		-		14,000
Lease payments (Note 7)		(68,029)		-
Loan from related party (Note 9)		-		1,174,446
Repayment of related party loan (Note 9)		(1,150,947)		-
Net cash from financing activities		5,550,821		7,793,446
Change in cash and cash equivalents during the year	$	(4,876,988)	$	2,977,145
Effect of foreign exchange on cash and cash equivalents		3,028		(33,133)
Cash and cash equivalents, beginning of the year		6,326,230		3,382,218
Cash and cash equivalents, end of the year	$	1,452,270	$	6,326,230

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

JAPAN GOLD CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian dollars)

	Number of shares		Share capital		Contributed surplus		Accumulated other comprehensive income (loss)		Deficit		Total Equity
Balance, December 31, 2017	68,314,409	$	15,745,821	$	3,023,536	$	(98,679)	$	(11,940,514)	$	6,730,164
Shares issued for private placement	44,333,334		6,650,000		-		-		-		6,650,000
Shares issued for options exercised	70,000		14,000		-		-		-		14,000
Share issued for debt settlement	633,333		95,000		-		-		-		95,000
Shares issued for issuance cost	300,000		(45,000)		-		-		-		(45,000)
Share-based compensation	-		-		78,518		-		-		78,518
Net loss for the year	-		-		-		-		(3,458,943)		(3,458,943)
Foreign currency translation	-		-		-		407,776		-		407,776
Balance, December 31, 2018	113,651,076	$	22,459,821	$	3,102,054	$	309,097	$	(15,399,457)	$	10,471,515
Shares issued for private placement	26,448,763		7,141,166		-		-		-		7,141,166
Share issuance cost	-		(371,369)		-		-		-		(371,369)
Warrants issued for issuance cost	-		(151,450)		151,450		-		-		-
Share-based compensation	-		-		768,350		-		-		768,350
Net loss for the year	-		-		-		-		(4,392,793)		(4,392,793)
Foreign currency translation	-		-		-		(326,935)		-		(326,935)
Balance, December 31, 2019	140,099,839		29,078,168		4,021,854		(17,838)		(19,792,250)		13,289,934

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

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.

The Company is exploring and evaluating potential properties in Japan. Japan Gold owns 74 prospecting rights licences and has lodged an additional 414 prospecting rights license applications in Japan, The Company's head office is at Suite 650-669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "JG" and on the OTC Markets ("OTCQB") under the symbol "JGLDF".

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations to date. For the year ended December 31, 2019, the Company incurred negative cash flows from operations of $3,634,207 and recorded a net loss of $4,392,793 (December 31, 2018 - $3,461,177 and $3,458,943, respectively). These conditions result in material uncertainties that may cast substantial doubt about the Company's ability to continue as a going concern. The Company expects that it will require additional debt or equity funding in the next 12 months in order to continue its planned exploration and evaluation activities and meet its business objectives. The Company plans to raise the necessary funds primarily through issuance of shares. The Company's ability to continue as a going concern is dependent on its ability to successfully raise additional funds. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Furthermore, subsequent to December 31, 2019, the novel coronavirus outbreak ("COVID-19") was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company's business are not known at this time. These impacts could include an impact on the Company's ability to obtain debt and equity financing to fund ongoing exploration activities as well as its ability to explore and conduct business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated 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 consolidated financial statements have been prepared under the historical cost basis.

These consolidated financial statements were approved for issuance by the Company's Board of Directors on April 27, 2020.

Basis of consolidation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

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

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The application of the Company's accounting policy for exploration expenditure requires estimates in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available. Ownership of exploration and evaluation assets involves certain inherent risks, including geological, commodity prices, operating costs and permitting risks. Many of these risks are outside of the Company's control.

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

Critical accounting judgements

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

i) The Company's assessment of its ability to continue as a going concern requires significant judgments about whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company must determine whether sufficient financing will be obtained in the near term. See note 1.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

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

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

The assets and liabilities of JGKK are translated into the Canadian dollar presentation currency at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the dates of the transactions. Exchange differences arising on translation are recognized in accumulated other comprehensive income within equity.

Cash and cash equivalents

The Company classifies cash as cash on hand and held at banks. Cash equivalents includes short-term guaranteed investment certificates and other similar instruments, including those with terms to maturity of greater than three months or more from the date of purchase, that can be redeemed at any time and have insignificant risk of changes in fair value.

Exploration properties

Once the legal right to explore a property has been acquired (in the form of a prospecting right license), costs directly related to exploration and evaluation, in addition to acquisition costs, are recognized and capitalized by projects. Prior to receiving legal rights, the costs are expensed as project evaluation expenses. These direct expenditures include such costs as materials used (such as supply stock and any materials required for consumption by equipment), surveying costs, drilling costs, payments made to contractors, and depreciation on property, plant and equipment during the exploration phase. Costs not directly attributable to exploration activities, including general administrative overhead costs, are expensed in the period in which they occur.

An exploration property is reviewed for impairment at least annually by project licenses for which there may be separately identifiable cash-flows (cash-generating units) and whenever events or changes in circumstances indicate that the license carrying amount may not be recoverable. If economically recoverable ore reserves are developed, capitalized costs of the related property are first tested for impairment and then reclassified as mining assets. When a property is abandoned, all related costs are written off.

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

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset (if any). When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are amortized to their residual values over the estimated useful life of the assets using the straight-line method as follows:

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

Impairment testing of non-financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration and evaluation assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not currently have material rehabilitation requirements.

Leases

This policy is applied to contracts entered into, or modified, on or after January 1, 2019:

At the inception of a contract, an assessment is made as to whether a contract is, or contains a lease. A contract is, or contains a lease if the contract offers the right to control the use of a specific asset, for a period of time, in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the following criteria are considered:

- The contract involves the use of an identified asset that is physically distinct or represents substantially all of the capacity of a physically distinct asset. No asset is identified if the supplier of the assets has substantive substitution rights;
- Whether the Company has the right to obtain substantially all of the economic benefits from the asset throughout the agreement term; and
- Whether the Company has the right to direct the use of the asset and change how and for what purpose the asset is used.

A right-of-use asset and a corresponding lease liability are recognized on the date a leased asset is available for use by the Company. Assets and liabilities arising from the lease determination are initially measured on a present value basis of the following payments:

- Fixed payments, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under any residual value guarantees;
- The exercise of a purchase option if the lessee is reasonably certain to exercise that option;
- Restoration costs; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used to calculate the present value. The Company's borrowing rate is the rate that the Company, as the lessee, would pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the starting point in determining the discount rate, making adjustments based on the lease term, if required.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The lease term determined by the Company is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability and reduced the lease liability by lease payments made, and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying value of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss over the respective lease terms. Short-term leases are leases with a lease term of 12 months or less.

Employee benefits

Short term employee benefits are expensed as the related services are performed. The Company does not have long term or post-retirement benefit plans.

Share-based payment transactions

The Company’s share option plan allows the Company to grant options to its employees and consultants. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees, including warrants issued as finders’ fees in equity transactions, are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which these deductions can be applied. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company would recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial instruments

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

Financial assets

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

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

The Company measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI").

Financial assets are recognized initially at fair value plus attributable transaction costs and subsequently at amortized cost measured using the effective interest rate ("EIR"). Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include:

- Cash and cash equivalents
- Accounts receivable and deposits

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income (“OCI”). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument; instead, it is transferred to retained earnings (deficit).

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

Financial assets at fair value through profit and Loss (“FVTPL”)

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

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

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

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or financial liabilities at amortized cost as appropriate.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value net of attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. Gains and losses are recognized when the financial liability is derecognized.

The Company's financial liabilities at amortized cost include:

- Accounts payable and accrued liabilities
- Related party loan
- Lease liability

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of financial assets

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

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Loss per share

The Company presents basic per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In reporting periods when a loss is incurred, potential issuance of shares would be anti-dilutive and, therefore, basic and diluted loss per share are the same.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures

The Company adopted the following accounting standards effective January 1, 2019:

IFRS 16 – Leases

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, Leases ("IFRS 16") which sets out principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there is a single, on-balance sheet, accounting model that requires the recognition of a right of use asset and corresponding lease liability for all arrangements that meet the definition of a lease. IFRS 16 was adopted using the modified retrospective approach under which the cumulative effect of initial application is recognized in deficit with no restatement of comparative figures. The Company applied the practical expedient permitted on adoption of IFRS 16 to exclude leases with remaining terms of twelve months or less. Accordingly, the Company did not have any arrangements that required recognition on adoption of IFRS 16 and as a result adoption of IFRS 16 did not have any impact on the consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 – Uncertainty over Income Tax Treatments ("IFRIC 23") clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The Company is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. IFRS 23 requires the Company to consider whether it is probable that the relevant tax authority will accept each tax treatment, or group of tax treatments, that is or will be used in its income tax filing. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 had no impact on the consolidated financial statements.

New accounting standards and pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after December 31, 2019. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a significant impact on the consolidated financial statements of the Company.

(Expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS

As at December 31, 2019, the balance of cash equivalents is $1,350,000 (December 31, 2018 - $5,000,000). During year ended December 31, 2019, the Company redeemed $8,650,000 in cash and cash equivalents in the form of a Guaranteed Investment Certificate ("GIC") to fund day-to-day operations. The Company also purchased additional GIC of $5,000,000. This GIC is held in an investment account earning interest at a rate of 1.90% 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 translation 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	2,291,772	-	636,363	877	1,306	2,930,318
Insurance	52,309	-	1,949	-	-	54,258
Depreciation	205,900	-	65,245	-	-	271,145
Travel	263,620	-	127,166	608	339	391,733
Field supplies	796,074	7,559	549,882	2,686	12,075	1,368,276
Drilling	1,385,482	-	478,125	-	-	1,863,607
Impairment	-	(129,875)	-	-	-	(129,875)
Foreign currency translation adjustment	(219,024)	(1,958)	(31,521)	(107)	(163)	(252,773)
Balance, December 31, 2019	**$ 9,637,706**	**$ -**	**$ 1,909,106**	**$ 5,537**	**$ 13,557**	**$ 11,565,906**

The Company's current project portfolio consists of 74 prospecting rights licenses and 414 prospecting rights license applications for a combined area of 129,681 hectares over 30 separate projects on the three main islands of Japan. See below for a summary of the Company's current Prospecting Rights:

- 38 prospecting rights licenses have been granted at the Ikutahara Project (13,286 hectares)
- 11 prospecting rights licenses at the Ohra-Takamine Project (3,705 hectares)
- 4 prospecting rights licenses at the Tobaru Project (1,347 hectares)
- 12 prospecting rights licenses at the Kamitsue Project (4,069 hectares)
- 9 prospecting rights licenses at the Aibetsu Project (2,916 hectares)

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 committed to manage and oversee a systematic surface exploration reconnaissance on each Project.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

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 recorded funds received from FQML as income which was 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.

Upon completion of the initial exploration program, FQML had the option to enter into a formal earn-in agreement on any Project individually. On April 5, 2019, 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.

During the year ended December 31, 2019, the Company focused solely on its gold projects and relinquished the majority of its copper-gold lithocap projects (Eboshi). As a result, the Company recorded an impairment charge of $129,875 related to these projects.

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	-	55,447	3,736	-	93,810	152,993
Foreign currency translation adjustment	(29,438)	(3,632)	(2,366)	(462)	(6,490)	(42,388)
At December 31, 2019	**$ 782,391**	**$ 118,935**	**$ 64,406**	**$ 12,257**	**$ 210,429**	**$ 1,188,418**
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 expense	-	-	-	-	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	138,479	24,175	12,701	-	31,917	207,272
Depreciation expense	-	-	-	-	2,366	2,366
At December 31, 2019	**$ 480,199**	**$ 91,295**	**$ 45,562**	**$ -**	**$ 89,147**	**$ 706,203**
Net carrying value, December 31, 2018	**$ 470,109**	**$ -**	**$ 30,175**	**$ 12,719**	**$ 68,245**	**$ 581,248**
Net carrying value, December 31, 2019	**$ 302,192**	**$ 27,640**	**$ 18,844**	**$ 12,257**	**$ 121,282**	**$ 482,215**

(Expressed in Canadian dollars)

6. RIGHT OF USE ASSETS

On April 1, 2019, the Company entered into a lease with Promincon Pte Ltd. ("PMC") for drill equipment to be used on its exploration programs for a period of 36 months. A director and officer of Japan Gold has a controlling interest in PMC.

		Right-of-use equipment
At December 31, 2018	$	-
Additions		248,221
Depreciation		(63,873)
Foreign currency translation adjustment		1,454
At December 31, 2019	$	185,802

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

7. LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments which are US$6,000 a month, 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		248,221
Payments		(68,029)
Interest		8,799
Foreign currency translation adjustment		(487)
At December 31, 2019	$	188,504
Current portion of lease liability		(82,259)
Long term portion of lease liability	$	106,245

During the year ended December 31, 2019, the Company expensed $64,981 (December 31, 2018: $50,458) related to short term lease arrangements.

8. SHARE CAPITAL

Authorized capital

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

On August 22, 2019, the Company completed a non-brokered private placement which resulted in the issuance of 26,448,763 units of the Company at a 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 a cash commission of $371,369 on the private placement and issued finders' warrants to purchase 1,510,435 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. The fair value of these warrants was determined to be $151,450 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; share price of $0.30 and strike price - $0.27; expected life of warrants – 1 year.

On December 21, 2018, the Company completed a private placement and issued 44,333,334 common shares to certain strategic investors, including Newmont Corporation. (formerly Goldcorp Inc.) ("Newmont"), RCF Opportunities Fund L.P ("RCF") and Southern Arc Minerals Inc ("Southern Arc"), at a price of $0.15 per share for gross proceeds of $6,650,000. The Company also issued 300,000 shares as a finder's fee and issued 633,333 shares to settle advisory fees totaling $95,000 in connection with the private placement.

Under an Investor Rights Agreement with Newmont, Newmont 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.

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:

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

Share options (continued)

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable at December 31, 2017	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 at December 31, 2018	6,075,000	$ 0.34
Granted	5,400,000	0.20
Expired	(250,000)	0.40
Outstanding at December 31, 2019	11,225,000	$ 0.27

During the year ended December 31, 2019, the Company granted 5,280,000 stock options with exercise price of $0.20 exercisable for a period of 10 years to directors, officers, employees and consultants of the Company. The vesting terms of these options are 33.33% immediately, and 33.33% every year thereafter. Of these stock options, 4,250,000 stock options were issued to key management personnel.

The Company also granted 120,000 stock options with exercise price of $0.27 exercisable for a period of 5 years to a consultant of the Company. The vesting terms of these options are 25% immediately, and 25% every six months thereafter.

During the year ended December 31, 2018, the Company granted 1,525,050 share options to certain directors, officers, employees and consultants of the Company. Out of these options 925,000 were issued to related parties. The vesting terms of these options are 33.33% immediately, and 33.33% every year thereafter. This results in the Company recording share-based compensation of $78,518.

During the year ended December 31, 2019, the Company recorded share-based compensation expense of $768,350 relating to the options issued during the year ended December 31, 2019 as well as additional vesting of options that were granted in prior years.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

Share options (continued)

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

	June 3, 2019	January 24, 2019	December 14, 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
Exercise price	$ 0.27	$ 0.20	$ 0.16
Fair value	$ 0.21	$ 0.16	$ 0.13
Forfeiture rate	-	-	-
Dividend rate	-	-	-

The following table summarizes information about the share options outstanding as at December 31, 2019:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
4,024,950	$ 0.40	September 15, 2026	6.71
275,000	0.40	October 28, 2026	6.83
1,525,050	0.16	December 13, 2028	8.96
5,280,000	0.20	January 24, 2029	9.07
120,000	0.27	June 3, 2024	4.43
11,225,000	$ 0.27		8.11

As at December 31, 2019, the Company has 7,136,650 exercisable options with a weighted average exercise price of $0.32.

Warrants

The following table summarizes information about the warrants outstanding as at December 31, 2019:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
12,500,000	$ 0.40	August 9, 2022	2.61
13,224,381	0.42	August 22, 2021	1.64
1,510,435	0.27	August 22, 2020	0.64
27,234,816	$ 0.40		2.03

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

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

		Year ended December 31, 2019		Year ended December 31, 2018
Management fees	$	597,000	$	582,000
Project evaluation-consulting	$	382,518	$	324,989
Consulting fees	$	168,000	$	176,043
Director fees	$	91,689	$	-
Share-based compensation	$	589,037	$	51,858

During the year ended December 31, 2019, the Company incurred $597,000 (December 31, 2018: $582,000) in management fees for administrative, finance and accounting services and certain office expenses to a private company controlled by the Chief Executive Officer of the Company. No amounts are payable to the related entity at December 31, 2019 or December 31, 2018.

The Company also incurred $382,518 in consulting fees for project evaluation to an officer of the Company (December 31, 2018 - $324,989). As at December 31, 2019, $23,348 (December 31, 2018: $18,417) were outstanding and payable to the officer.

During the year ended December 31, 2019, the Company incurred $168,000 (December 31, 2018: $168,000) in consulting fees to a private company controlled by a director of the Company. As at December 31, 2019 $Nil (December 31, 2018: $Nil) were outstanding and payable to the private company.

Other related party transactions

During the year ended December 31, 2019, Southern Arc, a significant shareholder of the Company and a company with common directors and management, charged the Company $144,713 (December 31, 2018: $135,869) in rent and office expenses. As at December 31, 2019, $33,419 (December 31, 2018: $60,036) of these fees were included in accounts payable and accrued liabilities.

During the year ended December 31, 2019, the Company entered into a lease with 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. See notes 6 and 7.

9. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2018, the Company also received a total of $1,174,446 in advances from Southern Arc which included US dollar advances of US$630,000 ($859,446). These advances had a one-time financing fee of 5% of the amount outstanding and had 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 in the year ended December 31, 2018. During the year ended December 31, 2019, the advances were repaid in full.

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

10. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to liquidity risk and market risk, which may have a material effect on cash flows, operations and 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 not significant.

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 a currency other than Japanese yen ("Yen or ¥").

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, deposits and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

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

There were no changes in the Company's approach to capital management in the year ended December 31, 2019.

12. SEGMENTED INFORMATION

The breakdown by geographic area as at December 31, 2019 is as follows:

		Canada		Japan		Consolidated
Current assets	$	1,554,805	$	172,849	$	1,727,654
Non-current assets		-		12,335,489		12,335,489
Total assets		**1,554,805**		**12,508,338**		**14,063,143**
Total liabilities	**$**	**156,114**	**$**	**617,095**	**$**	**773,209**

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**

(Expressed in Canadian dollars)

13. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	December 31, 2019	December 31, 2018
Loss for the period, before income taxes	$ (4,392,793)	$ (3,458,943)
Tax rate	27.0%	27.0%
Expected income tax recovery	$ (1,186,054)	$ (933,915)
Impact of foreign tax rates	(74,505)	(49,061)
Items not deductible for income tax purposes	207,454	21,200
True up and others	127,474	313,383
Tax benefits unrecognized	925,631	648,393
Income tax expense	$ -	$ -

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

	December 31, 2019	December 31, 2018
Non-capital losses - Canada	$ 5,070,956	$ 3,841,643
Non-capital losses - Japan	6,233,247	4,276,753
Share issuance costs and other	368,024	125,571
	$ 11,672,227	$ 8,243,967

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

Year of expiry	Canada	Japan
2024	$ -	$ 87,308
2025	-	491,237
2026	-	1,108,393
2027	-	2,027,853
2028	-	561,962
2029	-	1,956,494
2036	1,172,000	-
2037	929,568	-
2038	1,740,075	-
2039	1,229,313	-
	$ 5,070,956	$ 6,233,247

14. SUBSEQUENT EVENTS

On February 23, 2020, the Company entered into a country wide alliance with Barrick Gold Corporation ("Barrick") to jointly explore, develop and mine certain gold mineral properties in Japan (the "Barrick Alliance"). The Barrick Alliance covers 28 out of 30 projects currently held by JGKK. The Barrick Alliance does not include the Ikutahara Project in Hokkaido and the Ohra-Takamine Project in Kyushu and the Company will continue to advance these two projects independently. Barrick will fund a 2-year Initial Evaluation Phase of each project (minimum funding of US$3 million per year) as well as a subsequent 3-year Second Evaluation Phase on projects (minimum funding of US$4 million per year) which meet Barrick’s criteria. The Company will act as the Manager of each project, subject to Barrick's right at any time to become the Manager of a project. Barrick may identify a project as a Designated Project, at any time during the Initial Evaluation Phase or the Second Evaluation Phase, which Barrick may elect to sole fund to completion of a pre-feasibility study ("PFS"). Upon completion of a PFS, Barrick will earn a 51% interest in the Designated Project. Barrick may elect to continue to sole fund a Designated Project following the completion of a PFS to a bankable feasibility study ("BFS"). Barrick's interest in the Designated Project at the completion of the BFS will increase to 75%. Where Barrick has elected to sole fund a Designated Project through to completion of a BFS, Japan Gold will be fully carried through completion of the BFS and retain a 25% interest in the Designated Project. Barrick and Japan Gold will establish a Technical Committee to, among other matters, provide input in respect of the preparation of programs and budgets for, and the conduct of operations on, projects that are part of the Barrick Alliance. All programs and budgets for projects that are part of the Alliance will be subject to approval by Barrick. Under the terms of the Barrick Alliance agreement, if Barrick acquires common shares of Japan Gold and Barrick's ownership interest in Japan Gold is at least 10%, Barrick will have the right, but not the obligation, to appoint a nominee to Japan Gold's Board of Directors.

On March 9, 2020, Southern Arc provided an unsecured loan to the Company in the principal amount of $1,000,000 (the "Loan"). The Loan is for a 6-month term ending on September 9, 2020. The proceeds from the Loan will be used by the Company for working capital and general corporate purposes. In consideration for the Loan, Southern Arc received a cash fee of 5% of the amount of the Loan and 500,000 non-transferable share purchase warrants. Each warrant entitles Southern Arc to purchase one common share at $0.40 per share until March 9, 2021.

On April 20, 2020, the Company announced a non-brokered private placement (the "Private Placement") of up to 12,000,000 units of the Company (the "Units") at a price of $0.25 per Unit for gross proceeds of up to $3,000,000 to the Company. Each Unit will consist of one common share of the Company and one half of one transferable common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of $0.40 per common share for a period of 24 months from the date of closing of the Private Placement.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. COVID-19 has had a significant impact on businesses through the restrictions put in place by the various levels of government in Canada and Japan regarding travel, business operations and isolation/quarantine orders. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company’s business are not known at this time. These impacts could include an impact on the Company’s ability to obtain equity financing to fund ongoing exploration activities as well as the Company’s ability to explore and conduct business.