



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2020 AND 2019**

*(Unaudited - expressed in Canadian dollars)*

**JAPAN GOLD CORP.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2020**

**Notice of No Auditor Review**

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three and six month periods ended June 30, 2020 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)

<b>As at</b>	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 5,469,580	\$ 1,452,270
Accounts receivable (Note 4)	407,897	13,050
Prepaid expenses and deposits	377,536	262,334
	6,255,013	1,727,654
<b>Non-Current Assets</b>		
Deposit	107,413	101,566
Exploration and evaluation assets (Note 4)	14,301,368	11,565,906
Property, plant and equipment (Note 5)	387,361	482,215
Right of use asset (Note 6)	159,482	185,802
<b>Total assets</b>	<b>\$ 21,210,637</b>	<b>\$ 14,063,143</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 519,500	\$ 584,705
Current portion of lease liability (Note 7)	42,082	82,259
	561,582	666,964
<b>Non-Current Liabilities</b>		
Lease liability (Note 7)	114,737	106,245
<b>Total liabilities</b>	<b>676,319</b>	<b>773,209</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	37,346,691	29,078,168
Contributed surplus	4,679,678	4,021,854
Accumulated other comprehensive income (loss)	571,390	(17,838)
Deficit	(22,063,441)	(19,792,250)
<b>Total shareholders' equity</b>	<b>20,534,318</b>	<b>13,289,934</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 21,210,637</b>	<b>\$ 14,063,143</b>

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 24, 2020:

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

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

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

(Unaudited - expressed in Canadian dollars)

For the periods ended	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>Expenses</b>				
Audit	\$ 33,222	\$ 33,041	\$ 45,722	\$ 43,041
Consulting	46,115	58,004	119,845	107,934
Depreciation	536	673	1,049	1,351
Director fees	32,553	22,838	53,871	45,338
Filing and regulatory	41,153	3,000	62,508	27,273
Foreign exchange loss (gain)	84,597	22,058	96,903	37,856
Occupancy and office	92,058	134,963	174,881	219,280
Insurance	10,405	18,851	22,656	27,420
Investor relations	133,433	88,446	244,998	137,899
Management fees	141,000	150,000	282,000	300,000
Marketing	-	-	13,127	4,448
Professional fees	66,526	105,237	213,229	149,598
Project evaluation	30,832	182,025	104,863	283,226
Salaries	30,433	79,424	152,236	147,017
Share-based compensation (Note 8)	434,799	154,070	551,055	537,215
Transfer agent	3,690	2,151	5,160	5,144
Travel	23,637	58,252	38,644	108,195
<b>Loss before other items</b>	<b>\$ 1,204,989</b>	<b>\$ 1,113,033</b>	<b>\$ 2,182,747</b>	<b>\$ 2,182,235</b>
<b>Other items</b>				
Financing expense (Note 9)	85,183	-	100,117	-
Interest income	(554)	(20,058)	(11,673)	(23,696)
	84,629	(20,058)	88,444	(23,696)
<b>Net loss for the period</b>	<b>1,289,618</b>	<b>1,092,975</b>	<b>2,271,191</b>	<b>2,158,539</b>
Foreign exchange loss (gain) on translation of foreign operations	487,473	(32,905)	(589,228)	146,509
<b>Net comprehensive loss for the period</b>	<b>\$ 1,777,091</b>	<b>\$ 1,060,070</b>	<b>\$ 1,681,963</b>	<b>\$ 2,305,048</b>
<b>Loss per share</b>				
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>	<b>161,383,374</b>	<b>113,651,076</b>	<b>147,725,575</b>	<b>113,651,076</b>

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

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

(Unaudited - expressed in Canadian dollars)

<b>For the six month period ended</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (2,271,191)	\$ (2,158,539)
Adjustments for:		
Share-based compensation (Note 8)	551,055	537,215
Depreciation (Note 5)	1,049	1,351
Financing expense (Note 9)	100,117	-
Interest income	(11,673)	-
Interest received	11,673	-
Unrealized foreign exchange gain	-	(15,301)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses and deposits	(507,292)	18,188
Accounts payable and accrued liabilities	(178,508)	69,861
<b>Net cash used in operating activities</b>	<b>(2,304,770)</b>	<b>(1,547,225)</b>
<b>Cash flows from investing activities</b>		
Acquisition of exploration and evaluation assets (Note 4)	(1,920,813)	(1,822,537)
Acquisition of property, plant and equipment (Note 5)	-	(50,946)
<b>Net cash used in investing activities</b>	<b>(1,920,813)</b>	<b>(1,873,483)</b>
<b>Cash flows from financing activities</b>		
Proceeds received from private placement, net of issuance cost	7,339,683	-
Lease payments (Note 7)	(40,106)	-
Loan from related party (Note 9)	1,100,000	-
Cash financing expense paid on related party loan	(55,000)	-
Repayment of related party loan (Note 9)	(100,000)	(1,150,947)
<b>Net cash from financing activities</b>	<b>8,244,577</b>	<b>(1,150,947)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>\$ 4,018,994</b>	<b>\$ (4,571,655)</b>
Effect of foreign exchange on cash and cash equivalents	(1,684)	(4,300)
Cash and cash equivalents, beginning of the period	1,452,270	6,326,230
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 5,469,580</b>	<b>\$ 1,750,275</b>

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

**JAPAN GOLD CORP.**

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

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Unaudited - expressed in Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance, December 31, 2019	140,099,839	\$ 29,078,168	\$ 4,021,854	\$ (17,838)	\$ (19,792,250)	\$ 13,289,934
Shares issued for private placement	30,278,000	7,569,500	-	-	-	7,569,500
Shares issued for settlement of related party loan	4,000,000	1,000,000	-	-	-	1,000,000
Share issuance cost	-	(300,977)	71,160	-	-	(229,817)
Share-based compensation	-	-	551,055	-	-	551,055
Warrants issued in consideration of related party loan	-	-	35,609	-	-	35,609
Net loss for the period	-	-	-	-	(2,271,191)	(2,271,191)
Foreign currency translation	-	-	-	589,228	-	589,228
Balance, June 30, 2020	174,377,839	\$ 37,346,691	\$ 4,679,678	\$ 571,390	\$ (22,063,441)	\$ 20,534,318

	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
Share-based compensation	-	-	537,215	-	-	537,215
Net loss for the period	-	-	-	-	(2,158,539)	(2,158,539)
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 consolidated interim financial statements.

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

For the six months ended June 30, 2020 and 2019

(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.

The Company is exploring and evaluating potential properties across the three largest islands of Japan: Hokkaido, Honshu and Kyushu. The Company’s head office is at Suite 650-669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “JG” and on the OTC Markets (“OTCQB”) under the symbol “JGLDF”.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations to date. For the period ended June 30, 2020, the Company incurred negative cash flows from operations of \$2,304,770 and recorded a net loss of \$2,271,191. 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, during the period ended June 30, 2020, 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements.

These unaudited condensed consolidated interim financial statements were approved for issuance by the Company’s Board of Directors on August 24, 2020.

**Basis of consolidation**

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Japanese subsidiary, Japan Gold KK (“JGKK”). All intercompany balances and transactions have been eliminated on consolidation.

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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

---

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

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

In preparing the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2020, the Company applied the critical judgments and estimates disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2019.

**3. CASH AND CASH EQUIVALENTS**

As at June 30, 2020, the balance of cash and cash equivalents is \$5,469,580 (December 31, 2019 - \$1,452,270) out of which \$5,162,800 (December 31, 2019 - \$1,350,000) was cash equivalents. During the six-month period ended June 30, 2020, the Company purchased additional \$5,000,000 and US\$1,000,000 (equivalent to \$1,362,800 as at June 30, 2020) of Guaranteed Investment Certificates ("GIC's"). During the period ended June 30, 2020, the Company redeemed \$2,550,000 of GIC's to fund day-to-day operations.



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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Ikutahara project</b>	<b>Ohra-Takamine project</b>	<b>Tobaru project</b>	<b>Kamitsue project</b>	<b>Aibetsu project</b>	<b>Total</b>
<b>Balance, December 31, 2019</b>	<b>\$ 9,637,706</b>	<b>\$ 1,909,106</b>	<b>\$ 5,537</b>	<b>\$ 13,557</b>	<b>\$ -</b>	<b>\$ 11,565,906</b>
Geoscience - consulting	858,629	761,592	-	-	392	1,620,613
Drilling	33,339	-	-	-	-	33,339
Insurance	31,890	1,890	-	-	-	33,780
Depreciation	119,756	38,059	-	-	-	157,815
Travel	29,469	42,531	-	-	-	72,000
Field supplies	114,250	134,840	14	-	2,638	251,742
Foreign currency translation adjustment	471,484	93,615	306	696	72	566,173
<b>Balance, June 30, 2020</b>	<b>\$ 11,296,523</b>	<b>\$ 2,981,633</b>	<b>\$ 5,857</b>	<b>\$ 14,253</b>	<b>\$ 3,102</b>	<b>\$ 14,301,368</b>

The Company's current project portfolio consists of 74 prospecting rights licenses and 590 prospecting rights license applications for a combined area of 183,332 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 February 24, 2020, the Company entered into a country wide alliance with Barrick Gold Corporation ("Barrick") to jointly explore, develop and mine certain gold mineral properties in Japan (the "Barrick Alliance"). The Barrick Alliance covers 28 out of 30 projects currently held by JGKK. The Barrick Alliance does not include the Ikutahara Project in Hokkaido or 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.

During the six month period ended June 30, 2020, Barrick contributed \$2,001,629 (US\$1,426,271) as partial funding for the initial evaluation phase and US\$464,995 was spent on the projects covered under the Barrick Alliance. As at June 30, 2020, \$336,348 (US\$246,807) is recorded as a receivable to the Company for the costs incurred on behalf of the Barrick Alliance.

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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

**5. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Heavy Equipment</b>	<b>Vehicles</b>	<b>Building</b>	<b>Land</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
<b>At December 31, 2019</b>	\$ 782,391	\$ 118,935	\$ 64,406	\$ 12,257	\$ 210,429	\$ 1,188,418
Foreign currency translation adjustment	44,484	6,762	3,662	697	11,964	67,569
<b>At June 30, 2020</b>	\$ 826,875	\$ 125,697	\$ 68,068	\$ 12,954	\$ 222,393	\$ 1,255,987
<b>Accumulated depreciation</b>						
<b>At December 31, 2019</b>	\$ 480,199	\$ 91,295	\$ 45,562	\$ -	\$ 89,147	\$ 706,203
Depreciation capitalized to exploration and evaluation assets	63,682	25,634	7,487	-	24,195	120,998
Depreciation expense	-	-	-	-	1,049	1,049
Foreign currency translation adjustment	27,418	5,238	2,606	-	5,114	40,376
<b>At June 30, 2020</b>	\$ 571,299	\$ 122,167	\$ 55,655	\$ -	\$ 119,505	\$ 868,626
<b>Net carrying value, December 31, 2019</b>	\$ 302,192	\$ 27,640	\$ 18,844	\$ 12,257	\$ 121,282	\$ 482,215
<b>Net carrying value, June 30, 2020</b>	\$ 255,576	\$ 3,530	\$ 12,413	\$ 12,954	\$ 102,888	\$ 387,361

**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.

	<b>Right-of-use assets</b>
At December 31, 2019	\$ 185,802
Depreciation	(36,817)
Foreign currency translation adjustment	10,497
<b>At June 30, 2020</b>	\$ 159,482

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

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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

**7. LEASE LIABILITY**

The lease liability for drilling equipment 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.

		<b>Lease liability</b>
At December 31, 2019	\$	188,504
Payments		(40,106)
Interest		9,038
Foreign currency translation adjustment		(617)
At June 30, 2020	\$	156,819
Current portion of lease liability		(42,082)
Long term portion of lease liability	\$	114,737

During the six-month period ended June 30, 2020, the Company expensed \$32,881 (June 30, 2019: \$34,910) 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.

During the six-month period ended June 30, 2020, the Company issued 30,278,000 units (the "Units") in a non-brokered private placement (the "Private Placement") at a price of \$0.25 per Unit for gross proceeds of \$7,569,500 to the Company. Each Unit consists of one common share of the Company and one half of a 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. In addition, the Company issued 4,000,000 Units at \$0.25 per share to Southern Arc to settle a \$1,000,000 loan (note 9).

The Company paid finders a cash commission of \$129,780 and issued finders' warrants to purchase 771,120 common shares in connection with the Private Placement. Finders' warrants are exercisable at a price of \$0.25 per common share for a period of 12 months from closing. The fair value of these warrants was determined to be \$71,160 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; weighted average share price of \$0.28; expected life of warrants – 1 year.

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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

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

The Company has established a “rolling” Share Option Plan (the “Plan”) in compliance with the TSX-V’s policy for granting share options. Under the Plan, the maximum number of 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 December 31, 2019	11,225,000	\$ 0.27
Granted	4,315,000	\$ 0.30
Expired	(150,000)	\$ 0.20
Outstanding at June 30, 2020	15,390,000	\$ 0.28

During the six-month period ended June 30, 2020, the Company issued 4,315,000 stock options to certain directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.30 per share for a period of ten years from the date of grant. The vesting terms of these options are 33.33% immediately, and 33.33% every year thereafter. The Company recorded share-based compensation expense of \$551,055 (June 30, 2019: \$537,215) relating to the options granted.

The following table summarizes information about the share options outstanding as at June 30, 2020:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
3,974,950	\$ 0.40	September 15, 2026	6.21
275,000	0.40	October 28, 2026	6.33
1,525,050	0.16	December 13, 2028	8.46
5,180,000	0.20	January 24, 2029	8.58
120,000	0.27	June 3, 2024	3.93
4,315,000	0.30	May 13, 2030	9.87
15,390,000	\$ 0.28		8.24

As at June 30, 2020, the Company has 10,278,317 exercisable options with a weighted average exercise price of \$0.29.

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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)****Warrants**

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2019	27,234,816	\$ 0.40
Issued	18,410,120	0.39
Outstanding at June 30, 2020	45,644,936	\$ 0.40

The following table summarizes information about the warrants outstanding as at June 30, 2020:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
12,500,000	\$ 0.40	August 9, 2022	2.11
13,224,381	0.42	August 22, 2021	1.15
1,510,435	0.27	August 22, 2020	0.15
500,000	0.40	March 9, 2021	0.69
7,139,000	0.40	May 8, 2022	1.85
266,880	0.25	May 8, 2021	0.85
240,000	0.25	May 15, 2021	0.87
8,525,000	0.40	May 29, 2022	1.91
264,240	0.25	May 29, 2021	0.91
1,475,000	0.40	June 1, 2022	1.92
45,644,936	\$ 0.40		1.65

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

For the six months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

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

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

	Three month period ended June 30, 2020	Three month period ended June 30, 2019	Six month period ended June 30, 2020	Six month period ended June 30, 2019
Management fees	\$ 141,000	\$ 150,000	\$ 282,000	\$ 300,000
Consulting fees	42,000	42,000	84,000	84,000
Director fees	32,552	22,838	53,870	45,338
Project evaluation	46,156	87,781	115,893	160,112
Share-based compensation	148,135	92,903	226,477	407,661

During the six-month period ended June 30, 2020, the Company incurred \$282,000 (June 30, 2019: \$300,000) 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 June 30, 2020 or December 31, 2019.

The Company also incurred \$115,893 in consulting fees for project evaluation to an officer of the Company during the six-month period ended June 30, 2020 (June 30, 2019: \$160,112). As at June 30, 2020 \$18,813 (December 31, 2019: \$23,348) of these fees were outstanding and payable to the officer.

During the six-month periods ended June 30, 2020 the Company incurred \$84,000 (June 30, 2019: \$84,000) in consulting fees to a private company controlled by a director of the Company. No amounts are payable to the related entity at June 30, 2020 or December 31, 2019.

**Other related party transactions**

During the six-month period ended June 30, 2020, Southern Arc, a significant shareholder of the Company and a company with common directors and management, charged the Company \$71,031 (June 30, 2019: \$77,338) in rent and office expenses. As at June 30, 2020, \$37,836 (December 31, 2019: \$33,419) of these fees were included in accounts payable and accrued liabilities.

On March 9, 2020, Southern Arc provided an unsecured non-interest-bearing loan to the Company in the principal amount of \$1,000,000. This Loan was for a 6-month term ending on September 9, 2020 (Note 8). In consideration for the Loan, Southern Arc received an upfront cash fee of \$50,000 and 500,000 non-transferable share purchase warrants. The fair value of these warrants was determined to be \$35,609 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; share price of \$0.32 and exercise price - \$0.40; expected life of warrants – 1 year. During the six-month period ended June 30, 2020, the loan was settled in full through the issuance of 4,000,000 Units at \$0.25 per unit (see Note 8). The Company recorded a loss on debt settlement of \$57,693 representing the write off of unamortized transaction costs which is included as part of financing expense.

During the six month-period ended June 30, 2020, the Company received additional advances of \$100,000 from Southern Arc. This balance was repaid during the period. The Company paid a cash financing fee of \$5,000 on this advance.

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

## JAPAN GOLD CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2020 and 2019

(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. The Company's financial liabilities, including 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 accounts receivables, deposits and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

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

For the six months ended June 30, 2020 and 2019

(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. 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 quarter ended June 30, 2020.

**12. SEGMENTED INFORMATION**

The breakdown by geographic area as at June 30, 2020 is as follows:

		<b>Canada</b>		<b>Japan</b>		<b>Consolidated</b>
Current assets	\$	6,165,069	\$	89,944	\$	6,255,013
Non-current assets		-		14,955,624		14,955,624
<b>Total assets</b>		<b>6,165,069</b>		<b>15,045,568</b>		<b>21,210,637</b>
<b>Total liabilities</b>	<b>\$</b>	<b>156,124</b>	<b>\$</b>	<b>520,195</b>	<b>\$</b>	<b>676,319</b>

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

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

**13. SUBSEQUENT EVENTS**

Subsequent to the period ended June 30, 2020, 1,495,191 warrants with a weighted average exercise price of \$0.27 were exercised for proceeds of \$403,630. Additionally 18,844 warrants expired unexercised.