



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2020 AND 2019**

(Unaudited - expressed in Canadian dollars)

JAPAN GOLD CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2020

Notice of No Auditor Review

The accompanying unaudited condensed consolidated interim financial statements of Japan Gold Corp. for the three month period ended March 31, 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)

As at	March 31, 2020	December 31, 2019
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 410,008	\$ 1,452,270
Accounts receivable	100,880	13,050
Prepaid expenses and deposits	187,927	262,334
	698,815	1,727,654
Non-Current Assets		
Deposit	131,454	101,566
Exploration and evaluation assets (Note 4)	14,077,174	11,565,906
Property, plant and equipment (Note 5)	466,530	482,215
Right of use asset (Note 6)	181,920	185,802
Total assets	\$ 15,555,893	\$ 14,063,143
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 908,400	\$ 584,705
Related party loan (Note 9)	924,627	-
Current portion of lease liability (Note 7)	64,908	82,259
	1,897,935	666,964
Non-Current Liabilities		
Lease liability (Note 7)	121,031	106,245
Total liabilities	2,018,966	773,209
Shareholders' equity		
Share capital (Note 8)	29,078,168	29,078,168
Contributed surplus	4,173,719	4,021,854
Accumulated other comprehensive income (loss)	1,058,863	(17,838)
Deficit	(20,773,823)	(19,792,250)
Total shareholders' equity	13,536,927	13,289,934
Total liabilities and shareholders' equity	\$ 15,555,893	\$ 14,063,143

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 May 29, 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 March 31, 2020	Three months ended March 31, 2019
Expenses		
Audit	\$ 12,500	\$ 10,000
Consulting (Note 9)	73,730	49,930
Depreciation	513	678
Director fees	21,318	22,500
Filing and regulatory	21,355	24,273
Foreign exchange loss	29,088	15,798
Occupancy and office	82,823	84,348
Insurance	12,251	8,569
Investor relations	111,565	49,453
Management fees (Note 9)	141,000	150,000
Marketing	13,127	4,417
Professional fees	146,703	101,201
Project evaluation (Note 9)	74,031	44,361
Salaries	121,803	67,593
Share-based compensation (Note 8)	116,256	383,145
Transfer agent	1,470	2,993
Travel	15,007	49,943
Loss before other items	\$ 994,540	\$ 1,069,202
Other items		
Financing expense	14,934	-
Interest income	(27,901)	(3,638)
	(12,967)	(3,638)
Net loss for the period	981,573	1,065,564
Foreign exchange loss (gain) on translation of foreign operations	(1,076,701)	179,414
Net comprehensive (income) loss for the period	\$ (95,128)	\$ 1,244,978
Loss per share		
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	140,099,839	113,651,076

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)

For the three month period ended	March 31, 2020	March 31, 2019
Cash flows from operating activities		
Net loss for the period	\$ (981,573)	\$ (1,065,564)
Adjustments for:		
Share-based compensation (Note 8)	116,256	383,145
Depreciation (Note 5)	513	678
Financing expense	14,934	-
Interest income	(27,901)	(3,638)
Interest received	27,901	3,638
Unrealized foreign exchange gain	-	(23,834)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses and deposits	(24,749)	25,660
Accounts payable and accrued liabilities	84,831	(92,818)
Net cash used in operating activities	(789,788)	(772,733)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets (Note 4)	(1,182,698)	(431,181)
Acquisition of property, plant and equipment (Note 5)	-	(16,492)
Net cash used in investing activities	(1,182,698)	(447,673)
Cash flows from financing activities		
Lease payments (Note 7)	(19,510)	-
Loan from related party (Note 9)	1,000,000	-
Cash financing expense paid on related party loan	(50,000)	-
Repayment of related party loan (Note 9)	-	(1,150,947)
Net cash from financing activities	930,490	(1,150,947)
Change in cash and cash equivalents during the period	\$ (1,041,996)	\$ (2,371,353)
Effect of foreign exchange on cash and cash equivalents	(266)	2,295
Cash and cash equivalents, beginning of the period	1,452,270	6,326,230
Cash and cash equivalents, end of the period	\$ 410,008	\$ 3,957,172

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

JAPAN GOLD CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 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
Share-based compensation	-	-	116,256	-	-	116,256
Non-cash financing expense	-	-	35,609	-	-	35,609
Net loss for the period	-	-	-	-	(981,573)	(981,573)
Foreign currency translation	-	-	-	1,076,701	-	1,076,701
Balance, March 31, 2020	140,099,839	\$ 29,078,168	\$ 4,173,719	\$ 1,058,863	\$ (20,773,823)	\$ 13,536,927

	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	-	-	383,145	-	-	383,145
Net loss for the period	-	-	-	-	(1,065,564)	(1,065,564)
Foreign currency translation	-	-	-	(179,414)	-	(179,414)
Balance, March 31, 2019	113,651,076	\$22,459,821	\$ 3,485,199	\$ 129,683	\$ (16,465,021)	\$9,609,682

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 three months ended March 31, 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 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 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 March 31, 2020, the Company incurred negative cash flows from operations of \$789,788 and recorded a net loss of \$981,573 (Note 13). 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 March 31, 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 May 29, 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 three months ended March 31, 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 three months ended March 31, 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 March 31, 2020, the balance of cash and cash equivalents is \$410,008 (December 31, 2019 - \$1,452,270) out of which \$Nil (December 31, 2019 - \$1,350,000) was cash equivalents. During the period ended March 31, 2020, the Company redeemed \$1,350,000 in cash equivalents in the form of a Guaranteed Investment Certificate ("GIC") to fund day-to-day operations.

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

For the three months ended March 31, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Ikutahara project	Ohra-Takamine project	Tobaru project	Kamitsue project	Aibetsu project	Total
Balance, December 31, 2019	\$ 9,637,706	\$ 1,909,106	\$ 5,537	\$ 13,557	\$ -	\$ 11,565,906
Geoscience - consulting	593,853	541,437	-	-	392	1,135,682
Insurance	17,417	1,082	-	-	-	18,499
Depreciation	58,335	21,486	-	-	-	79,821
Travel	20,966	41,253	-	-	-	62,219
Field supplies	46,419	99,010	14	-	2,638	148,081
Foreign currency translation adjustment	861,322	203,709	532	1,209	194	1,066,966
Balance, March 31, 2020	\$ 11,236,018	\$ 2,817,083	\$ 6,083	\$ 14,766	\$ 3,224	\$ 14,077,174

The Company's current project portfolio consists of 74 prospecting rights licenses and 520 prospecting rights license applications for a combined area of 187,074 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 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.

Subsequent to the period ended March 31, 2020, Barrick contributed \$2,001,629 (US\$1,426,271) as partial funding for the initial evaluation phase.

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

For the three months ended March 31, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Heavy Equipment	Vehicles	Building	Land	Furniture and Fixtures	Total
At December 31, 2019	\$ 782,391	\$ 118,935	\$ 64,406	\$ 12,257	\$ 210,429	\$ 1,188,418
Purchases	-	-	-	-	-	-
Foreign currency translation adjustment	27,821	1,924	1,623	1,210	11,193	43,771
At March 31, 2020	\$ 810,212	\$ 120,859	\$ 66,029	\$ 13,467	\$ 221,622	\$ 1,232,189
Accumulated depreciation						
At December 31, 2019	\$ 480,199	\$ 91,295	\$ 45,562	\$ -	\$ 89,147	\$ 706,203
Depreciation capitalized to exploration and evaluation assets	31,166	12,545	3,664	-	11,568	58,943
Depreciation expense	-	-	-	-	513	513
At March 31, 2020	\$ 511,365	\$ 103,840	\$ 49,226	\$ -	\$ 101,228	\$ 765,659
Net carrying value, December 31, 2019	\$ 302,192	\$ 27,640	\$ 18,844	\$ 12,257	\$ 121,282	\$ 482,215
Net carrying value, March 31, 2020	\$ 298,847	\$ 17,019	\$ 16,803	\$ 13,467	\$ 120,394	\$ 466,530

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 assets
At December 31, 2019	\$ 185,802
Depreciation	(20,878)
Foreign currency translation adjustment	16,996
At March 31, 2020	\$ 181,920

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 three months ended March 31, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

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.

		Lease liability
At December 31, 2019	\$	188,504
Payments		(19,510)
Interest		4,698
Foreign currency translation adjustment		12,247
At March 31, 2020	\$	185,939
Current portion of lease liability		(64,908)
Long term portion of lease liability	\$	121,031

During the period ended March 31, 2020, the Company expensed \$14,820 (March 31, 2019: \$18,830) 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.

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
Expired	(33,333)	0.20
Outstanding at March 31, 2020	11,191,667	\$ 0.27

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

For the three months ended March 31, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

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

During the period ended March 31, 2020, the Company recorded share-based compensation expense of \$116,256 (March 31, 2019: \$383,145) relating to the options granted.

The following table summarizes information about the share options outstanding as at March 31, 2020:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
4,024,950	\$ 0.40	September 15, 2026	6.46
275,000	0.40	October 28, 2026	6.58
1,525,050	0.16	December 13, 2028	8.71
5,246,667	0.20	January 24, 2029	8.82
120,000	0.27	June 3, 2024	4.18
11,191,667	\$ 0.27		7.86

As at March 31, 2020, the Company has 8,891,094 exercisable options with a weighted average exercise price of \$0.29.

Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2019	27,234,816	\$ 0.40
Issued	500,000	0.40
Outstanding at March 31, 2020	27,734,816	\$ 0.40

The following table summarizes information about the warrants outstanding as at March 31, 2020:

Outstanding	Weighted average exercise price	Expiry date	Weighted average remaining life (years)
12,500,000	\$ 0.40	August 9, 2022	2.36
13,224,381	0.42	August 22, 2021	1.39
1,510,435	0.27	August 22, 2020	0.39
500,000	0.40	March 9, 2021	0.94
27,734,816	\$ 0.40		1.76

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

For the three months ended March 31, 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:

	March 31, 2020	March 31, 2019
Management fees	\$ 141,000	\$ 150,000
Project evaluation-consulting	\$ 69,737	\$ 72,331
Consulting fees	\$ 42,000	\$ 42,000
Director fees	\$ 21,318	\$ 22,500
Share-based compensation	\$ 78,342	\$ 314,758

During the period ended March 31, 2020, the Company incurred \$141,000 (March 31, 2019: \$150,000) 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 March 31, 2020 or December 31, 2019.

The Company also incurred \$69,737 in consulting fees for project evaluation to an officer of the Company (March 31, 2019: \$72,331). As at March 31, 2020 \$18,469 (December 31, 2019: \$23,348) were outstanding and payable to the officer.

During the period ended March 31, 2020, the Company incurred \$42,000 (March 31, 2019: \$42,000) in consulting fees to a private company controlled by a director of the Company. No amounts are payable to the related entity at March 31, 2020 or December 31, 2019.

Other related party transactions

During the period ended March 31, 2020, Southern Arc, a significant shareholder of the Company and a company with common directors and management, charged the Company \$33,195 (March 31, 2019: \$30,279) in rent and office expenses. As at March 31, 2020, \$33,195 (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 is for a 6-month term ending on September 9, 2020 (Note 13). 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.

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

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(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 and loan from related party, 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. As at March 31, 2020, the Company has a working capital deficiency and therefore cannot readily discharge of its current liabilities. However, subsequent to the period ended March 31, 2020, the Company's closed its first tranche of a private placement for gross proceeds of \$3,569,500 (see Note 13).

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

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

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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 March 31, 2020.

12. SEGMENTED INFORMATION

The breakdown by geographic area as at March 31, 2020 is as follows:

		Canada		Japan		Consolidated
Current assets	\$	576,403	\$	122,412	\$	698,815
Non-current assets		-		14,857,078		14,857,078
Total assets		576,403		14,979,490		15,555,893
Total liabilities	\$	1,244,955	\$	774,011	\$	2,018,966

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

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

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(Unaudited - expressed in Canadian dollars)

13. SUBSEQUENT EVENTS

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 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. On May 11, 2020, the Company closed the first tranche of the oversubscribed Private Placement by issuing 14,278,000 units for gross proceeds of \$3,569,500. This first closing included the conversion of Southern Arc's \$1,000,000 loan into units of the Private Placement. On June 1, 2020, the Company closed the second and final tranche of the previously announced Private Placement by issuing 20,000,000 units at a price of \$0.25 per unit for gross proceeds of \$5,000,000. Together with the first tranche, the Company raised a total of \$7,569,500 and settled \$1,000,000 of debt by converting the loan into units of the Private Placement.

The Company paid finders a cash commission of \$126,720 on the first tranche of the Private Placement and finders' warrants to purchase 506,880 of common shares in connection with the first tranche of the Private Placement. On the second tranche of the Private Placement, the Company paid cash commission of \$66,060 and finders' warrants to purchase 264,240 common shares. Finders' warrants are exercisable at a price of \$0.25 per common share for a period of 12 months from closing.

Subsequent to the period ended March 31, 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.