



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

*(Unaudited - expressed in Canadian dollars)*

**JAPAN GOLD CORP.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019 and 2018**

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*This Management's Discussion and Analysis ("MD&A"), prepared as of November 18, 2019, should be read in conjunction with the condensed consolidated interim financial statements of Japan Gold Corp. ("Japan Gold" or the "Company") for the nine months ended September 30, 2019, and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.*

*Statements in this MD&A that are not historical facts are "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. Readers are cautioned not to put undue reliance on forward-looking statements.*

**COMPANY OVERVIEW**

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

On September 15, 2016, the Company completed a transaction (the "Acquisition") in which the Company issued shares to former shareholders of Japan Gold KK ("JGKK") (formerly Southern Arc Minerals Japan KK) to acquire all of JGKK's issued and outstanding shares. This resulted in JGKK becoming a wholly-owned subsidiary of Japan Gold. Following the completion of the Acquisition, the Company became the Resulting Issuer and continued trading on the TSX Venture Exchange ("TSX-V") under the symbol "JG" and the OTC Markets ("OTCQB") under the symbol "JGLDF". In connection with the Acquisition, the Company also completed a financing for gross proceeds of \$7,000,000 for 17,500,000 common shares at a price of \$0.40 per share. The Company also issued 500,000 shares in finders' fee and granted 4,724,950 share options to directors, officers and consultants of the Company exercisable at \$0.40 with a ten year expiry.

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

The Company paid finders a cash commission of \$371,369 on the private placement and finders' warrants to purchase 1,375,435 of common shares in connection with the private placement. The finders' warrants are exercisable at \$0.27 per common share for a period of 12 months from closing.

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

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

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 prior to June 30, 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.

The Company is also in the process of evaluating and exploring its extensive property portfolio in Japan and is aggressively pursuing permitting for drilling at high priority prospects in 2019. 135 of new prospecting right applications were approved by

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the Japanese Ministry of Energy, Trade and Industry covering 41,637 hectares of prospective ground as at the date of this MD&A.

**FINANCIAL SNAPSHOT**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Total assets	\$ 15,536,324	\$ 12,269,025
Working capital	4,608,285	4,779,847
Comprehensive loss	(3,517,838)	(3,051,167)

At the date of this MD&A, the Company has a working capital of approximately \$3,400,000.

**PROPERTY REVIEW AND OUTLOOK**

When the Japan Mining Act was amended in 2012 for the first time allowing foreign mineral companies the ability to hold exploration and mining permits, Japan Gold began reviewing Japan's extensive geoscientific database and historical gold production data to pinpoint areas with good exploration potential. By September 2016, the Company had applied for 38 prospecting rights in northern Hokkaido targeting high-grade epithermal gold deposits and another 42 prospecting rights throughout Hokkaido and northern Honshu targeting areas of gold-bearing advanced argillic alteration lithocaps, which could indicate the presence of a porphyry mineralized environment. These initial prospecting rights applications totaled 27,153 hectares over the eight separate projects.

Since September 2016, Japan Gold has expanded its project portfolio which now comprises 74 Prospecting Rights and 413 prospecting rights applications accepted for a combined area of 129,938 hectares over 24 separate projects. Eleven of the projects, in Hokkaido and Kyushu, cover areas with known gold occurrences and a history of mining, and are prospective for high-grade epithermal gold mineralization. Thirteen of the projects, in southern Hokkaido, northern Honshu and Kyushu cover areas of known gold occurrences and gold-bearing lithocaps, which could indicate the presence of porphyry mineralization.

Having prospecting rights applications accepted by the Ministry of Economy, Trade and Industry (METI), reserves the land for Japan Gold and allows for active surface exploration programs such as mapping, surface sampling and geophysics. Granting of Prospecting Rights by the METI allows for more advanced forms of exploration, such as drilling.

As at the date of this MD&A, the Company holds the following Prospecting Rights:

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

Ikutahara Project

The 19,114 hectare Ikutahara Project is the Company's most advanced project. Located 20 km southeast of the historic Konamai mine in north Hokkaido, the Ikutahara Project is underlain by prospective Miocene-Pliocene age volcano-sedimentary rocks and older meta-sedimentary basement rocks and hosts 17 historic gold mines and workings. This includes the Kitano-o mine (1924-43) which is reported to have produced 96,450 ounces of gold from mining of gold-bearing eluvium associated with sinter deposits and sub-sinter epithermal veins.

On February 9, 2017, the Company announced the completion of a regional exploration program at the Ikutahara Project. Six geologists and support teams undertook a nine-week field program from October to December 2016, completing prospecting, geological mapping, collecting stream sediment and Bulk Leach Extractable Gold ("BLEG") drainage samples and rock float and outcrop sampling over the majority of the Ikutahara Project. The Company also completed historical data compilation and detailed mapping of two advanced Ikutahara prospects, which are the areas surrounding the historic Ryuo gold-silver mine and Akebono gold-silver workings.

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On March 3, 2017, the Company expanded the Ikutahara Project area from 38 to 56 accepted prospecting rights applications. The new prospecting rights applications are located immediately south of the high-grade Ryo prospect and west of the Kitano-o mine area. One historic gold occurrence is located within the new applications and the area is underlain by the same Miocene-Pliocene geology as the rest of the Ikutahara Project. These same geological structures host the high-grade Ryo prospect and continue into this new block. Geological structures that host the high-grade Ryo prospect continue southwest into this new area. The Company also announced results from its regional exploration program at the Ikutahara Project which covered the majority of the initial 38 prospecting rights applications.

Japan Gold performed drainage geochemical survey and prospecting, which focused on streams surrounding the known historic gold workings within the project area. The aims were to determine the levels of gold dispersion and multi-element fingerprints in stream sediments associated with each of the prospects to highlight potential for mineralized extensions and new resources along the strike projections of these potential gold bearing vein systems.

The first-pass regional stream sampling program at the Ikutahara Project involved the collection of 118 BLEG samples for gold analysis paired with 118 fine fraction samples for gold and multi-element analysis. Extensive gold, arsenic, antimony and mercury anomalies were recorded throughout the project and contrast the differing levels of erosion of the epithermal vein systems throughout the project.

Results from rock sampling done concurrently with the drainage survey support the gold, arsenic, antimony and mercury anomalies returned from stream sediments. A total of 294 surface rock samples were collected for gold and multi-element analysis. These samples are of a reconnaissance nature and are selected grab chips taken from creek float, mine dumps and occasional outcrops of vein material, silica sinter, hydrothermal breccia and altered host rock.

The Company has located several priority exploration targets at the Ikutahara Project. Results from the regional exploration program are being used to plan and focus ongoing exploration work at the Ikutahara Project, including detailed prospect mapping, surface geochemical surveys, and drilling on priority targets.

On May 18, 2017, the Company announced that 23 of the 56 accepted prospecting rights applications were granted as Prospecting Rights. The Prospecting Rights cover the Akebono prospect and Japan Gold's first drill program will commence at Akebono immediately upon receipt of the requisite drilling permit.

On May 31, 2017, the Company announced that it has expanded its portfolio in Japan with extensions to the Aibetsu Project. The Aibetsu Project now comprises 22 accepted prospecting rights applications for a total of 7,034.5 hectares, covering five historic epithermal gold/silver and mercury mines. The Company also announced that it had commenced its 2017 regional work program at the Aibetsu Project. The Company plans to infill and extend southwards, from previous Metals Mining Agency of Japan ("MMAJ") mapping and soil geochemical sampling completed over the Tokusei mine area, to define new drill targets. Surveying and clearing of grid-lines to allow access for mapping and soil sampling over an approximate 5 km by 4 km area commenced in mid-May 2017, soil sampling commenced in mid-June 2017. Mapping conducted along some recently cut grid lines has confirmed the presence of silica capping and sinter outcrops on Mt Maruyama above the Tokusei veins, indicating that limited erosion has occurred and that the vein systems are therefore well preserved.

On June 1, 2017, Japan Gold announced that the Company had concluded an agreement with Sumiko Resources Exploration & Development Co., Ltd., (SRED) to manage and operate its drilling programs in Japan. To support this contract, Japan Gold agreed to purchase three diamond core drill rigs that will be operated by SRED. Acquisition of the two PMC400 drill rigs and one PMC700 drill rig will give the Company independence and flexibility on the timing and execution of its drill programs.

On August 14, 2017, Japan Gold announced that the Company's three compact portable diamond core drill rigs had arrived at Japan Gold's base of operations in Ikutahara.

On November 28, 2017, the Company announced that it has been granted a drilling permit for the Akebono prospect at the Company's Ikutahara Project in Hokkaido, Japan and the drilling program has commenced. The initial program, of three holes totalling up to 1,000 metres of diamond drilling, aimed to confirm and extend historic high-grade underground sampling to define the potential for high-grade shoots in the Akebono vein system. The drilling program continued into late December 2017 with results announced on February 2018.

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On February 5, 2018, Japan Gold reported results from its first scout drill holes completed in late December 2017, on the Akebono prospect at its Ikutahara Project. The scout program at Akebono planned up to six drill holes totaling 1,000 m, however abnormally severe winter conditions in Hokkaido at the end of December meant the program was suspended after 3 drill holes totaling 333.6 m. Results from the initial scout drilling program support the presence of high grade gold shoots in the Akebono vein system previously indicated by historic sampling of underground workings. Complete results can be found in the press release dated February 5, 2018. The Akebono program was a successful testing ground for the Company's operations in Japan, having worked through first-mover challenges of permitting, administration, and advancing the field activities to drilling.

On February 28, 2018, Japan Gold reported encouraging results from its 2017 exploration program at the Aibetsu Epithermal Gold-Silver Project. The 2017 exploration program at the Aibetsu Project included rock chip sampling, detailed mapping and a soil grid geochemical survey over three historic gold-silver and mercury mines within its 7,035 hectare project. Results confirm the presence of high-grade gold mineralization within and around the historic Tokusei mine workings and emphasize significant potential for extensions to the epithermal vein system at the Tokusei mine. Complete results can be found in the press release dated February 28, 2018.

On May 7, 2018, Japan Gold announced the results of surface prospecting and mapping over the historic Kitano-o Gold District at the Ikutahara Project. Results highlight the presence of high-grade gold mineralization in grab samples taken from historic mine dumps and workings. The Kitano-o Gold District includes the historic Kitano-o, Ikutahara, Showa mines and the Sakinzawa workings. Japan Gold work in the district has focused on geological and alteration mapping and geochemical sampling to develop an understanding of the controls on epithermal gold-vein mineralization. The Company designed an aggressive scout drilling program to test these targets in the 2018 field season.

On September 12, 2018, the Company announced that its five prospecting rights applications over the Ohra-Takamine Project in the Southern Kyushu Epithermal Gold Province, Japan were granted as full Prospecting Rights by METI. The Ohra-Takamine Project totals 1,681 hectares covering historical gold-silver mines in the highly gold endowed Hokusatsu-Kushikino mining district, in the Southern Kyushu Epithermal Gold Province.

On October 2, 2018, the Company announced that four of its prospecting rights applications over the Tobaru Project in the Southern Kyushu Epithermal Gold Province, Japan were converted to Prospecting Rights by METI. The Tobaru Project totals 1,347 hectares covering a large alteration zone adjacent and along strike to the Fuke epithermal gold mine in the highly gold endowed Hokusatsu-Kushikino mining district, in the Southern Kyushu Epithermal Gold Province.

On October 24, 2018, the Company announced that six additional prospecting rights applications at the Ohra-Takamine Project in the Southern Kyushu Epithermal Gold Province, Japan were accepted by METI. The six new applications total 2,024 hectares and add to the existing area of granted prospecting rights (1,681 hectares) at the Ohra-Takamine Project.

On November 6, 2018, the Company announced that a further fifteen applications were converted to Prospecting Rights at its Ikutahara Project. The new Prospecting Rights cover high priority targets in the Kitano-o gold district and the Ryuo mine areas and allow for drill testing to commence in the 2019 season. Out of the 56 prospecting rights license applications over the Ikutahara Project, 38 have now been converted to Prospecting Rights by METI.

On November 7, 2018, the Company announced that its twelve prospecting rights applications over the Kamitsue Project on the island of Kyushu, Japan were converted to Prospecting Rights by METI.

On February 19, 2019, the Company announced the enhancement of its capabilities in Japan through obtaining twelve work permits to bring expert expat drillers into the country.

On March 19, 2019, the Company announced that a fourth drill rig is being imported into Japan and approvals have been received for an additional six experienced drilling personnel to support Kyushu drilling operations. The additional drill rig and drill support personnel enhances Japan Gold's capabilities for its drilling programs which began in May on Hokkaido and in June on Kyushu.

On June 26, 2019, the Company commenced its Phase 1 scout drilling at the Ohra-Takamine Project in the southern island of Kyushu following approval of its drill program by METI. The Phase 1 scout drilling program consists of an initial 4 drill holes to commence testing an open-ended, 3.5km corridor of alteration and epithermal mineralization.

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On July 11, 2019, the Company announced its expansion of its Ikutahara Project in northern Hokkaido with the acceptance of four additional prospecting rights applications by METI. The 4 new accepted applications, totaling 1,399 hectares, extend the northern boundary of the Ikutahara Project proximal to historic workings at the Toge Hill, Asada Ridge and Akebono prospects. The newly accepted blocks cover potential extensions to the Toge and Asada prospect within prospective Miocene aged host rocks at the northern end of the Kitano-o Gold District. The Kitano-o District includes four historic eluvial and hard rock gold mines and workings over an approximate 6 kilometre by 3 kilometre area.

On July 18, 2019, the Company announced acceptance by METI of 15 new prospecting applications covering 3,990 hectares of prospective ground on the Noto Peninsula region of Honshu Island. The applications cover a seven kilometer long zone of alteration and historic gold mining known as the Togi Goldfield.

On July 25, 2019, the Company commenced its Phase 1 drilling program at the Kitano-o prospect located within its Ikutahara Project in north Hokkaido. Six diamond drill holes totaling approximately 3,000 metres will test the western and central portions of the three kilometer long mineralized corridor and drilling is targeting epithermal gold-silver veins beneath the historic Kitano-o Mine surface workings.

On July 29, 2019, the Company reported high-grade rock samples collected from historic mine dumps up to 60.8 g/t gold from the eastern side of the Kitano-o Gold Prospect. A prospect-scale gravity survey has commenced and plans for CSAMT geophysical surveys to further refine drill targets within the Kitano-o Gold District are well advanced.

On July 30, 2019, the Company announced its expansion of its epithermal gold portfolio in Japan via acquisition of three new Projects in the prospective Southern Kyushu Epithermal Gold Province. The projects cover prospective ground along strike of, or adjacent to, current and past producing gold mines including the Hishikari, Kushikino, Yamagano and Okuchi mines. The three new projects comprise of 76 applications, 23,406 hectares collectively. METI has notified acceptance of the new applications giving the Company priority over these areas and authorization to commence surface exploration. In conjunction with the new project acquisitions, the Company made the decision to focus solely on its gold projects and relinquished the majority of its copper-gold lithocap projects. The Eboshi, Kobui, Ponkutosan and part of the Minamikayabe projects were relinquished (26 total applications). The retained area at Minamikayabe hosts gold-bearing quartz veins that require further investigation and the Kamitsue lithocap project in Kyushu exhibits features of a gold-rich porphyry system, is inferred to have undergone the most erosion, and therefore is believed to have the best potential to host a relatively shallow mineralized porphyry intrusion.

On August 12, 2019, the Company announced the acceptance of new prospecting rights applications covering extensions to its Sanru Epithermal-Gold Project by METI. The 40 new applications totaling 12,842 hectares cover prospective tertiary geology between the Company's Sanru Project, and Irving Resources Inc.'s Omu Project.

On September 9, 2019, the Company announced a second round of project acquisitions with the addition of five new gold Projects in the prospective Southern and Middle Kyushu Epithermal Gold Provinces, which cover prospective ground of significant and past producing gold mines such as Hishikari, Kushikino, Yamagano, Okuchi and Bajo mines. The new projects comprise of 21,058 hectares collectively. With the addition of these new projects, the Company's portfolio now includes 24 separate gold projects within the major epithermal gold provinces of Japan.

On November 18, 2019, the Company provided an operational update on ongoing drilling and geophysical programs at the Hokkaido and Kyushu programs.

On November 21, 2019, the Company announced that it has received 9 Prospecting Rights, comprising of 2,916 hectares, over the historic Aibetsu Goldfield in Kitami Region of northern Hokkaido by METI.

Japan is considered one of the most stable and corruption-free jurisdictions in the world. The mining regulatory framework is well established and transparent, with easy access to government officials and a comprehensive support program to facilitate stakeholder consultation. The Company deliberately selected project areas in sparsely populated areas with a history of mining, and has received strong local support to date.

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**SUMMARY OF QUARTERLY RESULTS**

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Total assets	\$15,536,324	\$9,670,965	\$10,147,411	\$12,269,025
Working capital (deficiency)	4,608,285	1,258,939	3,643,005	4,779,847
Net loss	(1,257,527)	(1,092,975)	(1,065,564)	(863,718)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total assets	\$ 5,132,088	\$ 5,646,182	\$ 6,760,698	\$ 7,311,988
Working capital	(550,178)	438,168	1,982,652	2,912,568
Net loss	(883,893)	(750,998)	(960,334)	(768,526)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.01)

**OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

Total assets increased from \$5,132,088 as at September 30, 2018 to \$15,536,324 as at September 30, 2019. This increase is attributed to equity financings of \$7,141,166 (which closed in August 2019) and \$6,650,000 (which was closed in December 2018). As at September 30, 2019, the Company capitalized a total of \$9,139,758 in exploration and evaluation assets (December 31, 2018 - \$5,069,217).

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**

During the three-month period ended September 30, 2019, the Company had a net loss of \$1,257,527 compared to a loss of \$883,893 for the three-month period ended September 30, 2018. Fluctuations occurred in the following categories:

- The Company incurred \$216,177 (2018: \$77,082) in project evaluation costs. Project evaluation costs relate to the general exploration and generative project work performed on the Company's projects that are not capitalized.
- Salaries in the current quarter were \$151,801 compared to \$43,222 in 2018. These costs relate to the Company's subsidiary in Japan. Salaries were higher compared to the same quarter in 2018 because the Company's employees spent more time on new project generation and exploration this period relative to the last period and therefore less costs were capitalized this quarter.
- The Company incurred general and administrative costs of \$84,742 during the three-month period ended September 30, 2019 (September 30, 2018 – \$102,813). Out of this amount, \$40,100 was paid for rent in Japan and head office and the remaining \$44,642 related to office costs incurred in Japan and head office during the quarter.
- The Company recorded share-based compensation of \$140,341 in connection with the issuance of 120,000 stock options with an exercise price of \$0.27 for a period of 5 years to a consultant of the Company as well as vesting of other previously granted options (September 30, 2018 - \$Nil).
- The Company recorded an impairment of \$129,875 relating to its copper-gold lithocap projects relinquished during the quarter (September 30, 2018 - \$Nil).

**RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

During the nine-month period ended September 30, 2019, the Company had a net loss of \$3,416,066 compared to a loss of \$2,595,225 for the nine-month period ended September 30, 2018. Fluctuations occurred in the following categories:

- The Company incurred \$499,403 (2018: \$574,692) in project evaluation costs. Project evaluation costs relate to the general exploration and generative project work performed on the Company's projects that are not capitalized.

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- Salaries in the current quarter were \$298,818 compared to \$323,703 in 2018. These costs relate to the Company's subsidiary in Japan. Salaries were lower compared to the 2018 because the Company was able to capitalize direct salaries incurred to the Company's exploration projects.
- The Company incurred general and administrative costs of \$304,022 during the nine-month period ended September 30, 2019 (September 30, 2018 – \$269,710). Out of this amount, \$128,042 was paid for rent in Japan and head office and the remaining \$175,980 related to an office costs incurred in Japan and head office during the quarter.
- Travel of \$196,473 related to Japan site visits along with travel costs associated with license applications and projects during the current period (September 30, 2018 - \$215,934).
- The Company recorded share-based compensation of \$677,556 in connection with the issuance of 5,280,000 stock options with an exercise price of \$0.20 for a period of 10 years to directors, officers, employees and consultants of the Company and 120,000 stock options with exercise price of \$0.27 for a period of 5 years to a consultant of the Company and vesting of previously granted options (September 30, 2018 - \$Nil).
- The Company recorded an impairment of \$129,875 relating to its copper-gold lithocap projects relinquished during the period (September 30, 2018 - \$Nil).

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents as at September 30, 2019 was \$5,270,337 which was a decrease from \$6,326,230 as at December 31, 2018. As at September 30, 2019, the Company has a working capital of \$4,608,285 compared to a working capital of \$4,779,847 as at December 31, 2018.

Net cash used in operating activities for the nine month period ended September 30, 2019 was \$2,648,822 compared to net cash used of \$2,594,411 during the nine month period ended September 30, 2018. The cash used in operating activities reflected the exploration activities by the Company during Q3-2019 as it continues to build its project portfolio while also advancing its key projects in Ikutahara and Ohra-Takamine.

Net cash used in investing activities during the nine month period ended September 30, 2019 was \$3,910,598 (September 30, 2018 – \$921,257). This was mainly due to the expenditures on exploration and evaluation assets within the granted licenses totaling \$3,771,855 and the acquisition of equipment totaling \$138,743 (September 30, 2018 - \$Nil).

Net cash from financing activities during the period ended September 30, 2019 was \$5,503,916 (September 30, 2018 - \$323,625) as the Company completed an equity financing for net proceeds of \$6,769,797. During the period, the Company paid \$114,934 in lease payments on drilling equipment and repaid to Southern Arc Minerals Inc. advances totalling \$1,150,947.

## RELATED PARTY TRANSACTIONS

### Key management and personnel compensation

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

	Three month period ended	Three month period ended	Nine month period ended	Nine month period ended
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Management fees	\$ 150,000	\$ 144,000	\$ 450,000	\$ 444,000
Consulting fees	42,000	42,000	126,000	126,000
Project evaluation	61,376	212,149	221,488	244,994
Share-based compensation	104,340	-	512,001	-

During the period ended September 30, 2019, the Company incurred 450,000 (September 30, 2018: \$444,000) in management fees to J. Proust & Associates Inc., a private company controlled by John Proust, the CEO of the Company. Management fees include administrative, finance and accounting fees, as well as certain office expenses. As at September 30, 2019, accounts payable and accrued liabilities included \$Nil (December 31, 2018: \$Nil) payable to the related entity.

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During the period ended September 30, 2019, the Company paid \$126,000 (September 30, 2018: \$126,000) in consulting fees to M&S Yamada Consultants LLC, a private company controlled by Mitsuhiro Yamada, a director of the Company and the representative director of JGKK. The Company also incurred \$221,488 in consulting fees for project evaluation to Andrew Rowe, an officer of the Company (September 30, 2018 - \$244,994). As at September 30, 2019, \$Nil and \$20,786 respectively, were outstanding and payable (December 31, 2018: \$Nil and \$18,417 respectively).

During the period ended September 30, 2019, the Company accrued \$111,293 (September 30, 2018: \$82,456) in rent and office expenses relating to the Company's head office. As at September 30, 2019, \$33,955 of these fees were included in accounts payable and accrued liabilities. This amount is owed to Southern Arc Minerals Inc., a related party and parent company (December 31, 2018: \$Nil).

During the period ended September 30, 2019, the Company repaid in full a balance of \$1,174,446 from advances received from Southern Arc Minerals Inc. during 2018. These advances include a one-time financing fee of 5% of the amount outstanding and have a maturity date of 3 months from the date of advance.

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

**CURRENT SHARE DATA**

As at the date of this MD&A, the Company had 140,099,839 common shares issued and outstanding.

The following table summarizes information about the share options outstanding as at the date of this MD&A:

<b>Outstanding and exercisable</b>	<b>Weighted average exercise price</b>	<b>Expiry date</b>
4,024,950 \$	0.40	September 15, 2026
275,000 \$	0.40	October 28, 2026
1,525,050 \$	0.16	December 13, 2028
5,280,000 \$	0.20	January 24, 2029
120,000 \$	0.27	June 3, 2024
<b>11,225,000 \$</b>	<b>0.27</b>	

As at the date of this MD&A, the Company has the following share purchase warrants outstanding:

- 12,500,000 share purchase warrants outstanding at an exercise price of \$0.40 per share expiring on August 9, 2022 in connection with the private placement to Southern Arc on August 9, 2017.
- 13,224,381 share purchase warrants outstanding at an exercise of \$0.42 per share expiring on August 22, 2021 in connection with the private placement on August 22, 2019.
- 1,375,435 finders' warrants outstanding at an exercise price of \$0.27 per share expiring on August 22, 2020 in connection with the finders' fee in connection with the private placement on August 22, 2019.

**RISKS AND UNCERTAINTIES**

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 analyse 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 and the loan due to a related party is payable on demand. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1 of the Financial Statements.

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*Credit risk* is the risk of loss associated with a counterparty's inability to fulfil 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 is subject to a floating rate of interest. The interest rate risk on the Company's cash and short term investment is minimal.

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

At September 30, 2019, the Company had ¥2,267,198 (approximately CDN\$27,773) in cash, and ¥48,726,925 (approximately CDN\$596,905) in accounts payable and accrued liabilities. As at September 30, 2019, Yen amounts were converted at a rate of ¥0.01225 to CDN\$1. A 10% fluctuation in foreign exchange would result in a net change of approximately CDN\$56,913.

### **Industry**

The Company is engaged in the acquisition and exploration of resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently advanced to production. Most exploration projects do not result in the discovery of economically mineable deposits. The focus of the Company is on areas in which the geological setting is well understood by management.

### **Gold and metal prices**

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the US\$ with other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of other metals and mineral products for which the Company may explore all have the same or similar price risk factors.

### **CRITICAL ACCOUNTING POLICIES**

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements as at December 31, 2018. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

### **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

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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 shares and share-based compensation which require assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact fair value to be recognized in profit or loss.

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.
- ii) The Company's assessment of its functional and reporting currency of the legal parent company is denominated in Canadian dollars while the functional currency at the subsidiary is denominated in the Japanese yen.

### **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

#### *Financial assets*

Financial assets are classified and measured at: FVTPL, FVOCI and amortized cost.

#### Amortized cost

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"). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. 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

#### 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

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changes in fair value in other comprehensive income. 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.

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.

*Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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, such as the Company's warrant derivative liability. Gains or losses on financial liabilities at FVTPL are recognized in profit or loss.

Loans and payables

After initial recognition, interest-bearing loans as well as trade and other payables are subsequently 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;

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 the statement of comprehensive income.

**Changes in accounting policies and disclosures**

- IFRS 16 - *Leases*. Effective on January 1, 2019, this IFRS, which supersedes IAS 17 - *Leases*, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The Company adopted this policy and this standard did not have a significant impact on the financial statements of the Company.

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**QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE**

*The technical information in this document has been reviewed by Dr. Michael Andrews, Director, PhD, FAusIMM, who has sufficient experience relevant to the style of mineralization under consideration and qualifies as a Qualified Person as defined by National Instrument 43-101.*

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted.*

*With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:*

- uncertainties relating to receiving mining, exploration and other permits in Japan;*
- unpredictable changes to the market prices for gold, copper and other commodities;*
- exploration and developments costs for properties in Japan;*
- availability of additional financing and farm-in or joint-venture partners;*
- anticipated results of exploration and development activities;*
- the Company's ability to obtain additional financing on satisfactory terms or at all.*

*The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.*