# WINWELL VENTURES INC.

## CONDENSED INTERIM FINANCIAL STATEMENTS
(unaudited-prepared by management)

**MARCH 31, 2017 and 2016**

**(Expressed in Canadian Dollars)**

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Winwell Ventures Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by a Company's auditor.

Vancouver, Canada

May 25, 2017

**WINWELL VENTURES INC.**
Statements of Financial Position
March 31
(Expressed in Canadian Dollars)

| | March 31 2017 | December 31 2016 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | $ 608,326 | $ 656,905 |
| GST receivable | 3,917 | 5,129 |
| Loan receivable (Note 8) | 200,000 | 200,000 |
| Deferred acquisition costs | 64,285 | - |
| | $ 876,528 | $ 862,034 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 121,771 | $ 92,231 |
| **Shareholders' Equity** | | |
| Capital Stock (Note 5) | 1,640,087 | 1,640,087 |
| Deficit | (885,330) | (870,284) |
| | 754,757 | 769,803 |
| | $ 876,528 | $ 862,034 |

The accompanying notes are an integral part of these financial statements

**WINWELL VENTURES INC.**
Statements of Comprehensive Loss
Three Months Ended March 31
(unaudited-prepared by management)
(Expressed in Canadian Dollars)

| | 2017 | 2016 |
|---|---|---|
| **Expenses** | | |
| Consulting fees (Note 5) | $ 7,500 | $ 7,500 |
| Accounting and audit (Note 5) | 2,100 | 500 |
| Transfer agent and filing fees | 5,356 | 753 |
| Administrative | 90 | 6 |
| **Net Loss and Comprehensive Loss for the Year** | $ 15,046 | $ 8,759 |
| **Basic and Diluted Loss Per Share** | $ 0.00 | $ 0.00 |
| **Weighted Average Number of Common Shares Outstanding** | 22,155,978 | 22,155,978 |

The accompanying notes are an integral part of these financial statements

**WINWELL VENTURES INC.**
Statements of Cash Flows
Three Months Ended March 31
(unaudited-prepared by management)
(Expressed in Canadian Dollars)

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net loss | $ | (15,046) | $ | (8,759) |
| Changes in non-cash working capital | | | | |
| GST receivable | | 1,212 | | (63) |
| Accounts payable and accrued liabilities | | 29,540 | | 7,080 |
| Deferred acquisition costs | | (64,285) | | |
| Cash Used in Operating Activities | | (48,579) | | (1,742) |
| **Decrease in Cash** | | (48,579) | | (1,742) |
| **Cash, Beginning of the Period** | | 656,905 | | 952,362 |
| **Cash, End of the Period** | $ | 608,326 | $ | 950,620 |
| **Supplemental Cash Flow Information** | | | | |
| Interest | $ | - | $ | - |
| Income taxes | $ | - | $ | - |

The accompanying notes are an integral part of these financial statements

**WINWELL VENTURES INC.**
Statements of Changes in Shareholders' Equity
(unaudited-prepared by management)
(Expressed in Canadian Dollars)

| | Capital Stock Number | Capital Stock Amount | Deficit | Total |
|---|---|---|---|---|
| Balance, January 1, 2017 | 22,155,978 | $ 1,640,087 | $ (870,284) | $ 769,803 |
| Loss and comprehensive loss | - | - | (15,046) | (15,046) |
| Balance, March 31, 2017 | 22,155,978 | $ 1,640,087 | $ (885,330) | $ 754,757 |

| | Capital Stock Number | Capital Stock Amount | Deficit | Total |
|---|---|---|---|---|
| Balance, January 1, 2016 | 22,155,978 | $ 1,640,087 | $ (732,818) | $ 907,269 |
| Loss and comprehensive loss | - | - | (8,759) | (8,759) |
| Balance March 31, 2016 | 22,155,978 | $ 1,640,087 | $ (741,577) | $ 898,510 |

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS

Winwell Ventures Inc. (the “Company” or “Winwell”) was incorporated under the Yukon *Business Corporations Act* on May 26, 2000. On June 14, 2006, the Company changed its name from Nutramed Capital Corp. to Winwell Ventures Inc., and changed its governing jurisdiction from Yukon Territory to British Columbia pursuant to the British Columbia *Business Corporations Act.* The Company’s head office is 328 West 20 Avenue, Vancouver, British Columbia, Canada, V5Y 2C6.

On December 8, 2016, the Company announced that it agreed to complete a series of transactions with Carlin Opportunities Inc. ("Carlin") and Waterton Precious Metals Fund II Cayman, LP ("Waterton") that will result in Winwell acquiring Clover Nevada II LLC ("Clover Nevada") from a subsidiary of Waterton (being, Waterton Nevada Splitter, LLC ("Waterton Nevada")). The proposed transactions will be effected through a securities exchange agreement (the "Securities Exchange Agreement") and an arrangement agreement (the "Arrangement Agreement"). The transactions are conditional on Carlin raising net proceeds of $20,000,000 in financing transactions with closing occurring within 18 months, and other customary conditions. See note 9.
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## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34- Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s audited annual financial statements for the year ended December 31, 2016.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of May 25, 2017, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the financial statements for the period ended March 31, 2016. These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company’s audited annual financial statements and the notes thereto for the year ended December 31, 2016.

Additionally, these financial statements have been prepared on an accrual basis, except for cash flow information.

The financial statements are presented in Canadian dollars unless otherwise noted, which is the functional currency of the Company.

The policies applied in these financial statements are based on IFRS issued and outstanding as of May 25, 2017, the date the Board of Directors approved the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Use of judgments and estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Company has identified the following critical accounting policies under which significant estimates and assumptions are made where actual results may differ from these estimates and may materially affect financial results reported in future periods: collectability of loan receivable, recognition of deferred tax assets and balance of accrued liabilities.

### Financial instruments

All financial instruments are classified as one of the following: fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity, available-for-sale or other financial liabilities. Financial assets and liabilities at FVTPL are measured at fair value with gains and losses recognized in profit or loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

### New standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards are not yet effective as of March 31, 2016 and have not been applied in preparing these financial statements.

***Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)***

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Effective for annual periods beginning on or after January 1,2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**New standards, amendments and interpretations not yet effective** (Continued)

***IFRS 9 Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Effective for annual periods beginning on or after January 1, 2018.

***Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)***

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective for annual periods beginning on or after January 1, 2017.

## 3. FINANCIAL INSTRUMENTS

The Company classifies its cash as held-for-trading; and accounts payable and accrued liabilities, as other financial liabilities. Instruments classified as held-for-trading are measured at fair value with realized gains and losses recognized in profit or loss.

**Fair value**

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

**Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company manages exposure to credit risk on liquid financial assets through maintaining its cash with major Canadian financial institutions for which management believes the risk of loss to be minimal.

## 3. FINANCIAL INSTRUMENTS (Continued)

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risk is comprised of three types of risk: interest rate risk, foreign currency risk and other price risk. As at December 31, 2015, the Company is not exposed to significant market risk.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity risk through maintaining sufficient cash on hand to meet its obligations as they become due. As at March 31, 2017, the Company had cash of $608,326 (2016 - $950,620) and accounts payable and accrued liabilities of $121,771 (2016 - $52,949) due within three months of year-end.

## 4. CAPITAL DISCLOSURES

The Company considers its capital under management to be shareholders' equity. The Company's capital management objectives are to ensure the Company continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative criteria for management, but rather relies on management's expertise to sustain future development. Management will adjust the capital structure as necessary to achieve the objectives.

The Company's capital management strategy has not changed from December 31, 2016. At March 31, 2017, the Company is not subject to any externally imposed capital requirements.

## 5. CAPITAL STOCK AND RESERVES

### Authorized

Unlimited common shares without par value

### Share issues

No shares were issued during 2017 and 2016.

(Expressed in Canadian Dollars)

## 6. RELATED PARTY TRANSACTIONS

The Company incurred the following fees and expenses in the normal course of operations with companies owned or affiliated by key management, directors and officers:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Consulting fees | $ | 7,500 | $ | 7,500 |
| Accounting | | 2,000 | | 500 |
| | $ | 9,500 | $ | 8,000 |

Consulting fees are paid or payable to a company controlled by a director of the Company. Accounting fees are paid or payable to an officer of the Company. Other than amounts discussed above, there were no short-term employee benefits or share-based payments paid to key management personnel during the three months ended March 31, 2017 and 2016.

Accounts payable at March 31, 2017 included $82,500 (2016 - $52,500), which is due to a company owned or affiliated by a director.

## 7. COMMITMENT

The Company has an agreement with a related party (Note 6) for the provision of consulting and administrative services at the rate of $2,500 per month and an additional fee of $50,000 payable upon the listing of the Company's shares on the TSX Venture Exchange or any other recognized quotation system.

## 8. ARRANGEMENT AGREEMENT

On December 8, 2016, Winwell and Carlin, among other things, entered into an Arrangement Agreement, whereby, among other things, Winwell will acquire 100% of the issued and outstanding shares of Carlin (the "Arrangement"). Prior to completion of the Arrangement, Winwell will complete a share consolidation on the basis of one new common share in the capital of Winwell (the "Winwell Shares") for every 8 existing Winwell Shares. Carlin will exchange all of its shares for Winwell Shares (on a post-consolidation basis) to shareholders of Carlin on a 1 to 1 basis. Upon completion of the Arrangement, Carlin will become a wholly-owned subsidiary of Winwell.

Completion of the Arrangement is subject to a number of conditions, including but not limited to, Carlin completing a private placement of at least CAD$20,000,000 (the "Private Placement"), approval of the shareholders of the Company and the TSXV. Such approvals, if granted, are expected to be received subsequent to the date of approval of these financial statements.

Winwell, Carlin, Waterton Nevada and Clover Nevada have also entered into the Securities Exchange Agreement pursuant to which, and in connection with, and after completion of, the Arrangement, Winwell will change its name to Contact Gold Corp. ("Contact Gold"), continue under the laws of Nevada and then acquire all of the issued and outstanding securities of Clover Nevada, which is the holder of the Carlin Trend Properties, in exchange for the issuance of common shares (the "Contact Gold Shares") and preferred shares (the "Contact Gold Preferred Shares") of Contact Gold to Waterton Nevada or its designee and a cash payment of CAD$7,000,000 (the "Asset Acquisition", and together with the Arrangement, the "Transactions").

## 8. ARRANGEMENT AGREEMENT (Continued)

Upon completion of the Transactions, and after completion of the Private Placement, Waterton Nevada or its designee will own approximately 37% of the issued and outstanding Contact Gold Shares and 100% of the issued and outstanding Contact Gold Preferred Shares. The Contact Gold Preferred Shares will be issued at a value of CAD$15,000,000 but will have a redemption value in US dollars, a maturity date of five years from the date of issuance and a cumulative cash dividend at a fixed rate equal to 7.5% per annum. The Asset Acquisition is subject to a number of conditions, including the implementation of the Arrangement, the completion of the Private Placement, and other customary conditions

As at March 31, 2017, the Company has a $200,000 loan receivable from Carlin in connection with the Arrangement. The loan is unsecured, non-interest bearing and due on demand in the event that the Arrangement Agreement is terminated. On completion of the Transactions, the $200,000 owed to the Company will be used as a partial payment of the $7,000,000 cash consideration. As of the date of this report, the Arrangement has not yet been completed.