



Contact Gold Corp.

An exploration stage company

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(Expressed in Canadian dollars)

Report of independent registered public accounting firm

To the Shareholders and the Board of Directors of
Contact Gold Corp.

Opinion on the consolidated financial statements

We have audited the accompanying consolidated balance sheets of **Contact Gold Corp.** [the “Company”] as of December 31, 2020 and 2019, the related consolidated statements of loss and comprehensive loss, shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes [collectively referred to as the “consolidated financial statements”]. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with United States generally accepted accounting principles.

The Company’s ability to continue as a going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has stated that substantial doubt exists about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in note 2. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty. As explained below, auditing the Company’s evaluation of its ability to continue as a going concern was a critical audit matter.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) [the “PCAOB”] and are required to be independent with respect to the Company in accordance with the United States federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.



Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: [1] relate to accounts or disclosures that are material to the consolidated financial statements and [2] involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Going concern

Description of the matter

As discussed above and in note 2[a] to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. Through the year ended December 31, 2020, the Company recorded a comprehensive loss of \$18.4 million. As at December 31, 2020, the Company has an accumulated deficit of \$39.9 million, and working capital of \$4.8 million. The going concern basis of preparation is dependent on the Company's ability to successfully raise financing. Accordingly, note 2[a] to the consolidated financial statements recognizes this ability of the Company to obtain financing on terms acceptable to the Company as a material uncertainty which casts substantial doubt as to the Company's ability to continue as a going concern.

Auditing management's going concern assessment is challenging as it involves subjective assumptions about the ability to raise future financing and future cash outflows relating to planned exploration activities and other ongoing operating and administrative expenditures that are inherently uncertain.

How we addressed the matter in our audit

In response to the matter identified, our audit procedures included, among others, obtaining the future cash flow forecast prepared by management. To assess the ability of the Company to fund its planned operations for the period from January 1, 2021 to March 31, 2022, we evaluated the appropriateness of the inputs and key assumptions used in the cash flow forecasts, specifically the assumption for cash outflows related to exploration activities, taking into consideration the strategic objectives the Company has communicated to the market. We reviewed the prior year cash flow forecasts against actual results to assess the accuracy of management's forecasting process. In addition, we assessed management's consideration of the degree to which the Company could defer or avoid certain expenditures, if necessary. In addition, we assessed management's plans and ability to raise future financing by observing past financing ability. We also assessed the accuracy and completeness of the disclosures around the Company's going concern position in note 2[a] of the consolidated financial statements.



Impairment of exploration properties

Description of the matter

As discussed in note 4 to the consolidated financial statements, the Company holds various exploration stage properties. As at December 31, 2020, these properties had a carrying value of \$30.8 million. As outlined in note 2[g] to the consolidated financial statements, management assesses the possibility of impairment in the carrying value of long-lived assets, including capitalized acquisition costs, development costs, and prepaid claims maintenance fees, at every reporting period when events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. An impairment loss is measured with reference to the amount by which the carrying amount of the asset exceeds its fair value using market participant assumptions. As a result of this assessment, the Company recognized a \$6.6 million impairment loss.

Management considers, among other things, the historical cost of the properties compared to the value realized by peers in recent comparable transactions for similar mineral property assets, an estimate of potential sales proceeds as compared to the carrying value of the property, and other similar factors which may indicate or question the potential economic value of the exploration properties.

Auditing the assumptions noted above related to the recoverable value of an early stage exploration property is challenging as the estimates and judgments involved in measuring economic obsolescence are highly subjective and may have a significant impact on the determination of the value.

How we addressed the matter in our audit

In response to the matter identified, our audit procedures included, among others, evaluating the methodology and significant assumptions applied by management in performing its impairment test for each of the relevant exploration properties. Working with our valuation professionals, we assessed the appropriateness of management's assumptions with respect to the level of economic obsolescence that exists within the Company's exploration properties. With the assistance of our valuation professionals, we assessed the comparable transactions used by management and the existence of other macroeconomic factors that may indicate economic obsolescence.

We have served as the Company's auditor since 2017.

Vancouver, Canada
March 19, 2021

Ernst & Young LLP

Chartered Professional Accountants



Contact Gold Corp.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

As at

	Note	December 31, 2020	December 31, 2019
		\$	\$
Assets			
<i>Current assets</i>			
Cash and cash equivalents		4,753,148	844,169
Prepays and deposits	3	335,907	301,879
Receivables	4(c)	73,889	92,695
Total current assets		5,162,944	1,238,743
<i>Non-current assets</i>			
Marketable securities	4(c)	150,000	56,250
Fixed assets		8,257	16,212
Exploration properties	4	30,760,395	38,364,013
Total non-current assets		30,918,652	38,436,475
Total assets		36,081,596	39,675,218
Liabilities and shareholders' equity			
<i>Current liabilities</i>			
Payables and accrued liabilities	5	379,765	468,058
Other current liabilities	4(c)	32,733	33,376
Total current liabilities		412,498	501,434
<i>Non-current liabilities</i>			
Redeemable preferred stock	6	-	13,246,524
Other non-current liabilities	4(a), 4(b), 4(c)	169,195	51,622
Deferred tax liability	8	1,538,018	1,918,202
Total non-current liabilities		1,707,213	15,216,348
Total liabilities		2,119,711	15,717,782
<i>Shareholders' equity</i>			
Share capital	7	69,865,410	44,562,187
Contributed surplus	7	6,075,498	3,012,870
Accumulated other comprehensive loss		(2,045,437)	(1,398,180)
Accumulated deficit		(39,933,586)	(22,219,441)
Total shareholders' equity		33,961,885	23,957,436
Total liabilities and shareholders' equity		36,081,596	39,675,218
Nature of operations and going concern	1, 2(b)		
Subsequent events	14		

The accompanying notes form an integral part of these consolidated financial statements

Approved by the Board of Directors:

"Riyaz Lalani", Director

"John Dorward", Director

Contact Gold Corp.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except share amounts)

	Note	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Operating expenses:				
Write down of exploration properties	4	6,962,863	1,381,434	2,047,237
Loss on redemption of Preferred Shares	6	3,605,230	-	-
Exploration and evaluation expenditures	4	3,265,778	3,038,682	4,447,379
Accretion of redeemable preferred stock obligation	6	1,956,008	2,218,595	1,842,900
Wages and salaries		1,273,182	1,555,414	1,070,348
Professional, legal & advisory fees		524,049	454,051	421,946
Foreign exchange loss (gain)		413,769	(608,050)	542,343
Stock-based compensation	7(e)	266,774	817,792	1,202,235
Administrative, office, and general		246,592	241,246	240,914
Investor relations, promotion and advertising		180,835	249,749	502,384
Accretion of Cobb Creek obligation	4(c)	15,927	19,552	22,249
Loss on change in fair value of private placement rights		-	39,248	-
Interest and other income		(2,247)	(13,150)	(23,582)
Loss (gain) on embedded derivatives	6	(634,417)	48,635	(461,261)
Loss before income taxes		18,074,343	9,443,198	11,855,092
Tax (recovery)	8	(360,198)	(69,072)	-
Loss for the year		17,714,145	9,374,126	11,855,092
Other comprehensive loss (gain)				
Net fair value loss (gain) on financial assets	4(c)	18,750	(15,000)	-
Exchange difference on translation of foreign operations		628,507	1,912,831	(3,290,026)
Comprehensive loss for the year		18,361,402	11,271,957	8,565,066
Loss per Contact Share				
Basic and diluted loss per share	7(f)	\$ 0.14	\$ 0.14	\$ 0.26
Weighted average number of Contact Shares (basic and diluted)		128,707,739	72,811,303	50,572,328

The accompanying notes form an integral part of these consolidated financial statements

Contact Gold Corp.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars, except share amounts)

	Common Shares (Notes 4 and 7)	Amount	Contributed surplus (Notes 7(d) and 7(e))	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance as at December 31, 2017	50,346,986	38,478,543	650,284	(2,790,375)	(990,223)	35,348,229
Shares issued pursuant to acquisition of East Bailey	250,000	112,500	-	-	-	112,500
Stock-based compensation	-	-	1,311,832	-	-	1,311,832
Restricted shares	-	34,722	33,333	-	-	68,055
Cumulative translation adjustment	-	-	-	3,290,026	-	3,290,026
Loss for the year	-	-	-	-	(11,855,092)	(11,855,092)
Balance as at December 31, 2018	50,596,986	38,625,765	1,995,449	499,651	(12,845,315)	28,275,550
Shares issued pursuant to 2019 Private Placement	9,827,589	2,850,001	-	-	-	2,850,001
Shares issued pursuant to 2019 Prospectus Offering	20,000,000	4,000,000	-	-	-	4,000,000
Shares issued on conversion of Private Placement Rights	2,047,398	39,248	-	-	-	39,248
Share issue costs	-	(1,386,160)	-	-	-	(1,386,160)
Shares issued pursuant to Green Springs Option	2,000,000	400,000	-	-	-	400,000
Stock-based compensation	-	-	1,017,421	-	-	1,017,421
Restricted shares	-	33,333	-	-	-	33,333
Cumulative translation adjustment	-	-	-	(1,897,831)	-	(1,897,831)
Loss for the year	-	-	-	-	(9,374,126)	(9,374,126)
Balance as at December 31, 2019	84,471,973	44,562,187	3,012,870	(1,398,180)	(22,219,441)	23,957,436
Shares issued pursuant to 2020 Private Placement	12,500,000	582,894	667,106	-	-	1,250,000
Shares issued pursuant to 2020 Prospectus Offering	73,870,000	13,053,201	1,720,799	-	-	14,774,000
Redemption Placement	69,412,978	13,535,531	-	-	-	13,535,531
Share issue costs	-	(1,995,784)	198,246	-	-	(1,797,538)
Shares issued pursuant to Green Springs Option	362,941	66,960	-	-	-	66,960
Shares issued pursuant to exercise of Warrants	140,000	28,476	(7,476)	-	-	21,000
Stock-based compensation	-	-	483,953	-	-	483,953
Restricted shares	-	31,945	-	-	-	31,945
Cumulative translation adjustment	-	-	-	(647,257)	-	(647,257)
Loss for the year	-	-	-	-	(17,714,145)	(17,714,145)
Balance as at December 31, 2020	240,757,892	69,865,410	6,075,498	(2,045,437)	(39,933,586)	33,961,885

The accompanying notes form an integral part of these consolidated financial statements

Contact Gold Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2020 \$	Year ended December 31, 2019 \$	Year ended December 31, 2018
Cash flows from operating activities				
Loss for the period		(17,714,145)	(9,374,126)	(11,855,092)
Adjusted for:				
Movements in working capital:				
Receivables		(1,444)	(65,490)	7,529
Prepays		(34,028)	159,433	11,922
Payables and accrued liabilities		(108,293)	(134,099)	393,971
Gains and losses relating to change in fair value of embedded derivatives	6	(634,417)	48,635	(461,261)
Change in fair value of Private Placement Rights		-	39,248	-
Loss on redemption of Preferred Shares	6	3,605,230	-	-
Accretion of Contact Preferred Shares	6	1,956,008	2,218,595	1,842,900
Foreign exchange relating to Preferred Shares	6	362,185	(610,407)	741,314
Stock-based compensation	7(e)	515,898	1,050,754	1,379,887
Write-down of exploration property interests		6,962,863	1,381,434	85,176
Tax recovery on write-down of exploration properties		(360,198)	(69,072)	-
Loss on disposal of exploration properties	4(e)	-	-	1,962,061
Accretion of Cobb Creek obligation	4(c)	15,927	19,552	22,249
Amortization	4	12,387	20,265	8,514
Foreign exchange impact on Cobb Creek obligation		(2,487)	-	-
Foreign exchange impact on translation of cash balances during the year		51,584	2,357	(198,971)
Interest income		100	-	-
Other income		(2,147)	-	-
Net cash used in operating activities		<u>(5,374,977)</u>	<u>(5,312,921)</u>	<u>(6,059,801)</u>
Cash flows from investing activities				
Purchase of equipment		(4,432)	-	(38,314)
Acquisition of remaining 51% of Cobb Creek		-	-	(38,871)
Acquisition costs paid for exploration property interests		-	(43,261)	(31,643)
Change in working capital related to exploration property interests	4(c)	39,348	-	-
Cash deposits for bonding and exploration activities		-	188,975	-
Cash received from farm-in of Wilson Peak	4(e)	32,678	-	-
Cash receipt from disposal of exploration properties		-	-	639,959
Net cash used in investing activities		<u>67,594</u>	<u>145,714</u>	<u>531,131</u>
Cash flows from financing activities				
Cash received from Prospectus Offerings	7(b)	14,774,000	3,469,277	-
Share issue costs paid on Prospectus Offerings	7(b)	(1,621,688)	(808,510)	-
Share issue costs paid on Redemption Placement	6, 7(b)	(71,733)	-	-
Change in working capital attributable to share issue costs		(20,000)	-	(313,220)
Cash paid on Redemption	6, 7(b)	(5,000,000)	-	-
Cash received from Private Placements, net	7(b)	1,250,000	2,828,236	-
Share issue costs, paid on Private Placements	7(b)	(84,116)	(25,162)	-
Cash from exercise of Warrants		21,000	-	-
Net cash due to financing activities		<u>9,247,463</u>	<u>5,463,841</u>	<u>(313,220)</u>
Effect of foreign exchange on cash		(31,101)	2,371	210,796
Net increase in cash		3,908,979	299,005	(5,631,094)
Cash at beginning of year		844,169	545,164	6,176,258
Cash end of the year		4,753,148	844,169	545,164
Supplemental cash flow information	11			

The accompanying notes form an integral part of these consolidated financial statements

CONTACT GOLD CORP.

Notes to the Consolidated Financial Statements for the years ended December 31, 2020, 2019 and 2018 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Contact Gold Corp. (the "Company", or "Contact Gold") was incorporated under the *Business Corporations Act (Yukon)* on May 26, 2000, and was continued under the *Business Corporations Act (British Columbia)* on June 14, 2006. Contact Gold was further continued under the laws of the State of Nevada on June 7, 2017.

The Company is engaged in the acquisition, exploration and development of exploration properties in Nevada. The Company is domiciled in Canada and maintains a head office at 1050-400 Burrard St., Vancouver, BC, Canada.

The Company began trading on the TSX Venture Exchange ("TSXV") under the symbol "C" on June 15, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") on a historical cost basis, except for financial instruments which have been measured at fair value, and are presented in Canadian dollars ("C\$"), except where otherwise indicated.

The Consolidated Financial Statements include the accounts of Carlin Opportunities ("Carlin"), Contact Gold and Clover Nevada II LLC ("Clover"). The Company completed a reverse-acquisition ("RTO") transaction on June 7, 2017, and accordingly, pursuant to Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"), Carlin has been identified as the accounting acquirer for accounting and financial reporting purposes, and is presented in the Consolidated Financial Statements as the parent company. All significant intercompany transactions are eliminated on consolidation.

The Board of Directors of the Company (the "Board") authorized the Consolidated Financial Statements on March 19, 2021.

b. Going concern

Contact Gold recorded a loss and comprehensive loss of \$18.36 million for the year ended December 31, 2020. As at December 31, 2020, Contact Gold has an accumulated deficit of \$39.93 million, and working capital of \$4.75 million. The Company has not generated significant revenues or cash flows from operations since inception and does not expect to do so for the foreseeable future. Contact Gold's continuation as a going concern depends on its ability to successfully raise financing.

The Consolidated Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future; and 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. As of the date these financial statements are issued, COVID-19 has had no impact on the Company's ability to access and explore its current properties but may impact the Company's ability to raise money or explore its properties should travel restrictions be extended or expanded in scope. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise 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, therefore giving rise to a material uncertainty, which may cast substantial doubt as to whether Contact Gold's cash resources and working capital will be sufficient to enable the Company to continue as a going concern for the 12-month period after the date that these Consolidated Financial Statements are issued.

Consequently, management is pursuing various financing alternatives to fund operations and advance its business plan. In order to satisfy its capital requirements and undertake its planned exploration program for 2021 the Company acknowledges that it will be necessary to raise funds, likely through a capital raise in the first half of the year. There is no guarantee that any contemplated transaction will be concluded.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company may determine to reduce the level of activity and expenditures, or divest of certain mineral property assets, to preserve working capital and alleviate any going concern risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Use of estimates and measurement uncertainties

The preparation of financial statements in accordance with U.S. GAAP requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at each period end, and the reported amounts of expenses during the related reporting period.

The more significant areas requiring the use of management's estimates and assumptions include: the type and amount of exploration property acquisition and transaction costs eligible for capitalization, the assessment of impairment of mineral properties, income taxes, the valuation of share-based compensation, and prior to their respective redemption and extinguishment, the disclosed fair value of the Contact Preferred Shares' "host" instrument, the period end revaluation of the Contact Preferred Share embedded derivatives (the "Embedded Derivatives", as defined at Note 6), and in the comparative period, the fair value of the Rights.

To the extent possible, the Company bases its estimates on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from the amounts estimated in these Consolidated Financial Statements; uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described in the relevant notes to these financial statements.

d. Cash and cash equivalents

The Company considers cash in banks, deposits in transit, and highly-liquid term deposits with original maturities of three months or less to be cash. Because of the short maturity of these instruments, the carrying amounts approximate their fair value. Restricted cash, if any, is excluded from cash and cash equivalents and is included in long-term assets.

e. Foreign exchange

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which each company operates (the "functional currency"). Each of Carlin and Contact Gold Corp. raise financing and incur expenditures in \$, giving rise to a Canadian dollar functional currency; Clover incurs expenditures and receives funding from the Company in USD, and accordingly has a USD functional currency.

In preparing the Consolidated Financial Statements, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities are translated into \$ at the exchange rate in effect at the balance sheet date, and non-monetary assets and liabilities are translated into \$ at the exchange rate in effect at the time of acquisition or issue. Pursuant to the relief provided under ASC 830, *Foreign Currency Matters*, and for those transactions that have occurred uniformly throughout the comparative periods, an average rate is used to translate income transactions.

Exchange differences arising from assets and liabilities held by Clover, are recognized in other comprehensive gain or loss as cumulative translation adjustments.

f. Mineral properties, claims maintenance fees, and development costs

The Company has not yet established the existence of mineralized materials on any of its mineral property interests, as defined by the United States Securities and Exchange Commission (the "SEC") under Industry Guide 7, "*Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations*" ("Industry Guide 7"). As a result, the Company is in the "Exploration Stage", as defined under Industry Guide 7, and will continue to remain in the Exploration Stage until such time proven or probable reserves have been established. In accordance with U.S. GAAP, expenditures relating to the acquisition of mineral rights are initially capitalized as incurred. Claim maintenance fees paid to the United States' Department of Interior's Bureau of Land Management (the "BLM") and similar fees paid to state and municipal agencies, as well as fees paid annually pursuant to private property lease and other similar land use arrangements (together, "Claims Maintenance fees") are accounted for as prepaid assets and amortized over the course of the period through which they provide access and title. Mineral property exploration expenditures and pre-extraction expenditures are expensed as incurred until such time as the Company exits the Exploration Stage by establishing proven or probable reserves. To date, no amounts have been capitalized in respect of development activities.

Companies in the "Production Stage", as defined under Industry Guide 7, having established proven and probable reserves and exited the Exploration Stage, typically capitalize expenditures relating to ongoing development activities, with corresponding depletion calculated over proven and probable reserves using the units-of-production method and allocated to future reporting periods to inventory and, as that inventory is sold, to cost of goods sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Mineral properties, maintenance fees, and development costs (continued)

The Company is in the Exploration Stage which has resulted in the Company reporting larger losses than if it had been in the Production Stage due to the expensing, instead of capitalization, of expenditures relating to the exploration and advancement of the Contact Properties. Additionally, there would be no corresponding amortization allocated to future reporting periods of the Company since those costs would have been expensed previously, resulting in both lower inventory costs and cost of goods sold and results of operations with higher gross profits and lower losses than if the Company had been in the Production Stage. Any capitalized costs, such as expenditures relating to the acquisition of mineral rights, are depleted over the estimated extraction life using the straight-line method. As a result, the Company's consolidated financial statements may not be directly comparable to the financial statements of companies in the Production Stage.

The acquisition of title to mineral properties is a complicated and uncertain process. Although management of Contact Gold take steps to verify title to exploration properties in which it holds an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects. Furthermore, resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by Contact Gold in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that management of the Company will be able to arrange sufficient financing to bring ore bodies into production.

Upon disposal or abandonment, any consideration received is credited against the carrying amount of the exploration and evaluation assets, with any excess consideration greater than the carrying amount included as a gain in net income or loss for the applicable period.

g. Impairment of long-lived assets

At each reporting date, management assesses the possibility of impairment in the carrying value of long-lived assets, including capitalized acquisition costs, development costs, and prepaid claims maintenance fees, whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. An impairment is determined to exist if the total projected future cash flows on an undiscounted pre-tax basis are less than the carrying amount of a long-lived asset or asset group. An impairment loss is measured with reference to the amount by which the carrying amount of the asset or asset group exceeds its fair value using market participant assumptions. Such fair value is determined with reference to ASC 820, *Fair Value Measurements and Disclosures*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where practical, management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. In the case of exploration properties for which it is not possible to determine cash flow information, management considers, among other things, the historical cost of the properties compared to the value realized by peers in recent comparable transactions for similar mineral property assets, an estimate of potential sales proceeds as compared to the carrying value of the property, and other similar factors which may indicate or question the potential economic value of an exploration property.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by Contact Gold in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property.

Management's estimates of mineral prices, mineral resources, foreign exchange rates, production levels, operating capital requirements, and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset.

Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that management of the Company will be able to arrange sufficient financing to bring ore bodies into production.

It is possible that material changes could occur that may adversely affect management's estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments and fair value accounting

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheets, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement.

The three levels of the fair value hierarchy are as follows:

Level 1 — Unadjusted quoted prices (unadjusted) in active markets for identical assets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

At initial recognition, Contact Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices or valuation models, as appropriate. Valuation models require the use of assumptions, which may include the expected life of the instrument, the expected volatility, dividend payouts, and interest rates. In determining these assumptions, management uses readily observable market inputs where available or, where not available, inputs generated by management. Changes in fair value of held-for-trading financial instruments are recorded in gain or loss for the period. The Company held no held-for-trading financial assets or liabilities as at December 31, 2020. The Embedded Derivatives, which were, until their redemption and extinguishment, classified as Level 3 financial liabilities at FVTPL, and valued together as one embedded derivative due to their interconnected nature and similar risk exposures. Certain inputs to the calculation of the value of the Embedded Derivatives used Level 2 and Level 3 inputs.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive gain or loss. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in net loss (gain). Investments in equity instruments that do not have an active quoted market price are measured at cost. As at December 31, 2020, the Company has classified certain of its financial assets in this category.

Loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Loans and receivables of Contact Gold are composed of 'Cash and Cash Equivalents' (Level 1); and 'Receivables' (Level 2), and are classified as current or non-current assets according to their nature. The carrying value of the Company's loans and receivables as at December 31, 2020 approximate their fair value due to their short-term nature.

Other financial liabilities are recorded initially at fair value and subsequently at amortized cost using the effective interest rate method. Subsequently, these other financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period. Other financial liabilities include payables and accrued liabilities (Level 2), and the Cobb Creek obligation (Level 3). Other financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities. One USD 30,000 payment of the Cobb Creek obligation is due in November 2021 (Note 5(d)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of financial assets

At each reporting date, management assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- (i) Available-for-sale financial assets: A significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statements of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.
- (ii) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

j. Reclamation and remediation costs

Contact Gold records provisions for reclamation and remediation based on the best estimate of costs for site closure and reclamation activities that the Company is required to undertake, and the liability is recognized at fair value at the time such environmental disturbance occurs. The liability is accreted over time through periodic charges to the consolidated statements of loss and comprehensive loss. In addition, the asset retirement cost is capitalized as part of the mineral property's carrying value and, upon commercial production, will be amortized over the life of the related mineral property. The capitalized amount is depreciated on the same basis as the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs. Changes in reclamation estimates are reflected in earnings (loss) in the period an estimate is revised. Estimated reclamation obligations are based on when spending for an existing disturbance is expected to occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each of its exploration properties in accordance with ASC guidance for asset retirement obligations.

Reflecting the level of disturbance as at December 31, 2020, the Company has accrued a provision for reclamation in the Consolidated Financial Statements (Notes 4(a), 4(b), 5).

k. Income taxes

The liability method of accounting for income taxes is used and is based on differences between the accounting and tax bases of assets and liabilities. Deferred tax assets ("DTA") and liabilities ("DTL") are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes using enacted income tax rates expected to be in effect for the period in which the differences are expected to reverse. The amount of a DTA is evaluated and, if realization is not considered more likely than not, a valuation allowance is provided.

l. Uncertainty in income tax positions

The Company recognizes tax benefits from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Any tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the taxing authorities. Related interest and penalties, if any, are recorded as tax expense in the tax provision.

m. Share-based compensation

The Company grants share-based awards as an element of compensation. Share-based awards granted by the Company under the "Contact Gold Omnibus Stock and Incentive Plan" (the "Incentive Plan") can include stock options ("Options") to purchase a common share in the capital of the Company ("Contact Share"), restricted shares ("Restricted Shares"), deferred share units ("DSUs"), or restricted share units ("RSUs"; and together with DSUs, "Units"). Compensation expense for Options granted to employees and directors is determined based on estimated fair values of the Options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected hold period before exercise, expected dividend yield and the risk-free interest rate over the expected life of the Option. The determination of compensation expense also accounts for forfeitures related to service conditions by estimating the number of awards expected to be forfeited and adjusting the estimate when subsequent information indicates that the estimate is likely to change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Share-based compensation (continued)

The compensation expense is recognized using the graded attribution method over the vesting period of the respective Options. The expense relating to the fair value of Options is included as such on the consolidated statements of loss and comprehensive loss, or included within exploration and evaluation expenditures; and is credited to contributed surplus. Compensation expense for Units and/or Restricted Shares granted to employees or directors is determined based on estimated fair values of the Units or Restricted Shares at the time of grant using quoted market prices or at the time the Units qualify for equity classification under ASC 718, *Compensation-Stock Compensation* ("ASC 718"). The cost is recognized using the graded attribution method over the vesting period of the respective Units. The expense relating to the fair value of the Units or Restricted Shares is included in expenses and is credited to other liabilities or contributed surplus based on the instrument's classification. Withholding tax on share-based compensation is classified as a financing activity on the consolidated statement of cash flows. Options and Units are settled in Contact Shares issued from treasury.

The assumptions used in these calculations are inherently uncertain. The resulting value calculated is not necessarily the value that the holder of the equity compensation could receive in an arm's length transaction, given that there is no market for the Options, and they are not transferable. Changes in these assumptions could materially affect the related fair value estimates.

n. Comprehensive Loss

In addition to the loss for a given period, comprehensive loss includes all changes in equity during a period, such as cumulative unrecognized changes in fair value of marketable equity securities classified as available-for-sale or other investments, and the translation of foreign subsidiaries to the Company's Canadian dollar presentation currency.

o. Loss per share

Loss per Common Share is calculated by deducting the dividends declared in the period (whether or not paid) from the loss for the period, and dividing the result by the weighted average number of Contact Shares outstanding during the period. The Company follows the treasury stock method in the calculation of diluted loss per share. Under the treasury stock method, the weighted average number of Contact Shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive Options, or share purchase warrants are used to repurchase Common Shares at the average market price during the period.

p. Accounting standards adopted

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASU "2016-13"). ASU 2016-13 changed how companies account for credit losses for most financial assets and certain other instruments, generally resulting in earlier recognition of losses and impairments. For trade receivables, loans and held-to-maturity debt securities, companies are required to estimate lifetime expected credit losses and recognize an allowance against the related instruments. For available-for-sale debt securities, companies are required to recognize an allowance for credit losses rather than reducing the carrying value of the asset.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* ("ASU 2016-13"). ASU 2016-13 introduced an expected credit loss methodology for the impairment of financial assets measured at the amortized cost basis. That methodology replaced the probable, incurred loss model for those assets. ASU 2018-19 is the final version of Proposed Accounting Standards Update 2018-270, which has been deleted. Additionally, the amendments clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). This update modifies the disclosure requirements for fair value measurements by removing, modifying or adding disclosures. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. Certain disclosures in the update are applied retrospectively, while others are applied prospectively. The Company is currently evaluating the potential impact of adopting this guidance on its financial statements.

These updates are effective for fiscal years beginning after December 15, 2019, and the Company noted no consequential impact upon adoption.

CONTACT GOLD CORP.

**Notes to the Consolidated Financial Statements
for the years ended December 31, 2020, 2019 and 2018
(Expressed in Canadian dollars)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Accounting policies not yet adopted

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes - Simplifying the Accounting for Income Taxes* ("Topic 740") which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020. The Company noted no impact the adoption of ASU 2019-12 on its consolidated financial statements.

Accounting for equity securities, equity method investments and certain derivatives

In January 2020, the FASB issued ASU No. 2020-01 ("ASU 2020-01"), *Investments - Equity Securities (Topic 321)*, *Investments - Equity Method and Joint Ventures (Topic 323)*, and *Derivative and Hedging (Topic 815)*, which clarifies the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. ASU 2020-01 is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

Leases (Topic 842): Codification Improvements

In March 2019, the FASB issued ASU No. 2019-01, "*Leases (Topic 842): Codification Improvements*" ("ASU 2019-01") which provides guidance on determining the fair value of the underlying asset by lessors that are not manufacturers or dealers and presenting sales-type and direct financing leases on the statement of cash flows. ASU 2019-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

3. PREPAIDS AND DEPOSITS

Prepaid expenses include \$256,298 (December 31, 2019: \$256,936) in Claims Maintenance fees. Such fees to the BLM, cover the twelve-month period ranging from September 1 to August 31 of the subsequent year. Fees paid to the respective Nevada counties cover the twelve-month period from November 1 to October 31 of the subsequent year. Fees paid pursuant to private property lease and other similar land use arrangements cover the 12-month period of their respective anniversaries (Note 14(b)).

During the year ended December 31, 2019, the Company established a surety bonding arrangement with a third-party (the "Surety Agent") whereby the Company's reclamation bonding obligations were replaced by deposits made by the Surety Agent. A finance fee of \$3,375 for the year ended December 31, 2020 (2019: \$1,125) was charged on the balance of the amount advanced and deposited by the Surety Agent. As at December 31, 2020, a total of \$255,770 in bonding had been placed by the Surety Agent.

CONTACT GOLD CORP.**Notes to the Consolidated Financial Statements
for the years ended December 31, 2020, 2019 and 2018
(Expressed in Canadian dollars)****4. EXPLORATION PROPERTIES**

On June 7, 2017, the Company closed the acquisition of a 100% interest in Clover, Nevada limited liability company holding a portfolio of gold properties located on Nevada's Carlin, Independence and Northern Nevada Rift gold trends (the "Contact Properties") in the State of Nevada (the "Clover Acquisition"). Consideration paid comprised Contact Shares (Note 7), Preferred Shares (Note 6) and a total of \$7,000,000 in cash. The DTL amount was determined by the application of Nevada net proceeds tax (the "NNPT", calculated at a rate of 5%) on the acquisition values of the Contact Properties, and is subject to change reflective of the carrying value of the properties from period to period and the impact thereon of changes to the rates of foreign exchange.

The Company has subsequently acquired additional mineral property claims contiguous to the original tenure ("Additions"), and either vended ("Disposals") or determined to abandon or impair certain properties.

	Pony Creek (a)	Green Springs (b)	Cobb Creek (c)	South Carlin Projects (d)	Portfolio properties (e)	Total
	\$	\$	\$	\$	\$	\$
December 31, 2018	29,425,698	-	312,474	4,439,555	7,169,591	41,347,318
Additions	-	466,857	-	-	-	466,857
Recovery from earn-in	-	-	(88,163)	-	-	(88,163)
Disposals & Abandonments	-	-	-	-	(1,381,434)	(1,381,434)
Foreign Exchange	(1,410,674)	(5,200)	(18,599)	(212,830)	(333,262)	(1,980,565)
December 31, 2019	28,015,024	461,657	205,712	4,226,725	5,454,895	38,364,013
Additions	60,766	147,880	-	-	-	208,646
Recovery from earn-in	-	-	(140,265)	-	(32,678)	(172,943)
Impairments	-	-	-	(3,374,163)	(3,588,700)	(6,962,863)
Foreign Exchange	(548,992)	(4,791)	(36,651)	(75,674)	(10,350)	(676,458)
December 31, 2020	27,526,798	604,746	28,796	776,888	1,823,167	30,760,395

With the exception of the Cobb Creek property (nil%), the Contact Properties each carry a net smelter returns ("NSR") royalty of between 2% and 4%, in favour of an affiliate of Waterton Nevada Splitter, LLC ("Waterton Nevada"), some of which include buy-down options.

Specific Contact Properties for which there were changes during the year:

a) Pony Creek

The Pony Creek project is located within the Pinion Range, in western Elko County, Nevada. There is a 3% NSR royalty on those claims that comprise Pony Creek acquired from Waterton Nevada. The Company determined to allow a 1% buy-down option of this NSR to lapse on February 7, 2020, when such option expired.

Pony Creek also includes the claim packages formerly known as Lumps, Umps and East Bailey. There are NSR royalties of 2% and 3% NSR on certain of these acquired claims, up to 2% of which can be bought back for USD 1,000,000 per 1%, prior to September 2030. Advance royalty payments are also due annually; the amount paid in 2020 was USD 20,000.

An estimate for reclamation costs of \$60,766 (2019: \$nil) is included in the value of Pony Creek (Note 5).

b) Green Springs

Green Springs is located at the southern end of Nevada's Carlin Trend. On July 23, 2019, Contact Gold and Clover entered into a purchase option agreement (the "Green Springs Option") with subsidiaries of Ely Gold Royalties Inc. ("Ely Gold"), whereby Clover shall have an option to purchase a 100% interest in the past-producing Green Springs gold property ("Green Springs").

Contact Gold issued 2,000,000 Contact Shares (valued at \$400,000) and paid USD 25,000 (\$32,855) in cash to Ely Gold to secure Green Springs. The Company also paid Ely Gold an additional USD 6,125 (\$8,049) as reimbursement for Claims Maintenance fees relating to the initial period under option. The Company incurred \$11,003 in direct expenditures to secure the Green Springs Option. A DTL for the NNPT, and a foreign exchange adjustment were also recognized pursuant to the acquisition. A payment of 362,941 Common Shares (\$66,960) was made to Ely Gold on July 23, 2020 (Note 7), in satisfaction of the first anniversary payment obligation of USD 50,000.

4. EXPLORATION PROPERTIES AND DEFERRED ACQUISITION COSTS (continued)

b) Green Springs (continued)

Total additional consideration to complete the acquisition of Green Springs, is as follows:

- USD 50,000 second anniversary
- USD 50,000 third anniversary
- USD 100,000 fourth anniversary

Anniversary payment amounts may be made in cash or in Contact Shares at Contact Gold's election, subject to regulatory and contractual minimum values of the Common Shares. Payment of all amounts can be accelerated and completed at any time. Certain claims within Green Springs are the subject of lease agreements with third-parties, one of which requires an annual USD 25,000 payment, whilst the other requires an annual payment in cash equal to the value of 20 ounces of gold. Existing royalties on certain mineral property claims that comprise Green Springs range from 3% to 4.5%, based on historical underlying agreements.

As estimate for reclamation costs of \$80,920 (2019: \$nil) is included in the value of Green Springs (Note 5).

c) Cobb Creek

Upon closing of the Clover Acquisition, the Company acquired a 49% interest in the Cobb Creek exploration property ("Cobb Creek") located in Elko County, Nevada. The Company subsequently acquired the remaining 51% interest, and related historic data from the "Cobb Counterparty", in exchange for six annual payments of USD 30,000, the first of which was paid on closing of the agreement (\$38,379). The discounted value of the annual payments at the time of the transaction was \$114,329 (the "Cobb Creek obligation"). The total value of the Cobb Creek obligation was recognized as a financial liability at amortized cost, determined with an interest rate of 18.99%, in line with the effective interest rate determined for the Preferred Shares (Note 6).

By an agreement dated September 27, 2019, as amended (the "Cobb Creek Option"), Clover agreed to farm-out 100% of its interest in Cobb Creek to Fremont Gold Ltd. and its U.S. subsidiary (together, "Fremont"). Pursuant to the Cobb Creek Option, and for so long as it remains in good standing, the Company has assigned its agreement with the Cobb Counterparty, and all associated obligations to Fremont. Upon completion of the farm-out, Fremont will award to Clover a 2.0% NSR on Cobb Creek. Initial consideration included (i) 750,000 common shares of Fremont ("Fremont Shares") (\$41,250), (ii) reimbursement of USD 6,000 (\$7,949) for a portion of the prior year payment to the Cobb Counterparty, and (iii) reimbursement for the November 2019 payment to the Cobb Counterparty of USD 30,000 (\$38,964). Fremont also reimbursed the Company USD 29,569 (\$38,407) in 2019 for certain claims-related holding costs, the amount of which was applied against prepaid Claims Maintenance fees (Note 3). In satisfaction of the first anniversary payment obligation under the Cobb Creek Option, Fremont issued 750,000 Fremont Shares to the Company on September 25, 2020 (USD 50,388 (\$67,500)).

Pursuant to an amendment to the Cobb Creek Option, Contact Gold agreed to defer payment to December 31, 2020, and reduce the amount payable by Fremont from USD 30,000 to USD 15,000 in exchange for 500,000 additional Fremont Shares (\$45,000).

In order to continue to keep the Cobb Creek Option in good standing, and to complete the acquisition of Cobb Creek, Fremont must keep all claims in good standing, make the annual payments to the Cobb Counterparty, and remit the following remaining consideration to the Company:

- Anniversary 2 (Year 3) USD 20,000
- Anniversary 3 (Year 4) USD 20,000
- Anniversary 4 (Year 5) USD 25,000
- Anniversary 5 (Year 6) USD 35,000
- Anniversary 6 (Year 7) USD 45,000
- Anniversary 7 (Year 8) USD 55,000
- Anniversary 8 (Year 9) USD 65,000
- Anniversary 9 (Year 10) USD 75,000

The value of the Fremont Shares received and cash amounts received from Fremont, including payments by Fremont to the Cobb Counterparty, have been applied against the carrying value of Cobb Creek.

The remaining Cobb Creek obligation is recorded to the consolidated balance sheets as a current (\$32,733) and non-current amount (\$27,509) as at December 31, 2020 (\$33,376 and \$51,622, respectively as at December 31, 2019). Accretion expense of \$15,927, and a foreign exchange gain of \$2,487 have been recorded within other comprehensive loss for the year ended December 31, 2020 (\$19,552 and \$13,860, respectively, for the year ended December 31, 2019). The net fair value loss (gain) on the Fremont Shares of \$18,750 (2019: Gain of \$15,000) is recognized in other comprehensive loss.

4. EXPLORATION PROPERTIES AND DEFERRED ACQUISITION COSTS (continued)

d) South Carlin Projects

The North Star property is located approximately eight kilometres north of the northern-most point of Pony Creek, in western Elko County, Nevada. An affiliate of Waterton Nevada holds a 3% NSR on the North Star property.

The Dixie Flats property sits immediately to the north of the North Star property. There is a 2% NSR on the Dixie Flats property payable to an affiliate of Waterton Nevada. The Company determined to allow a 1% buy-down option of this NSR to lapse on February 7, 2020, when such option expired.

Subsequent to year end, the Company agreed to farm-out 100% of its interest in the North Star property and the Dixie Flats property (the "Carlin and Woodruff Agreement", Note 14(b)). Pursuant to the Company's assessment of the value of the South Carlin Projects, as implied by the Carlin and Woodruff Agreement, the Company determined to write-down the value of North Star by \$616,475 to \$nil, and Dixie Flats by \$2,757,688 to \$776,888, with a tax recovery of \$175,965.

e) Portfolio properties

Balances presented as Portfolio properties include the remaining Contact Properties. Those specific properties for which there was a change are summarized below:

Wilson Peak

With effect of November 20, 2020, the Company and a third-party entered into a lease agreement (the "Wilson Peak Option") relating to four of the Wilson Peak exploration property claims ("North Wilson"). Pursuant to the Wilson Peak Option, the Company received an initial payment of USD 25,000 (\$32,678), with a second payment of USD 25,000 due on the first anniversary of the agreement. The third-party is responsible to make Claims Maintenance fees relating to North Wilson, and upon payment of the first anniversary payment will acquire North Wilson from the Company outright. There is an NSR of 3% payable to an affiliate of Waterton Nevada, with the ability to buy-down 1% on two of the North Wilson claims.

Pursuant to an assessment of the recoverable value of North Wilson, the Company has recognized a write-down to the value of Wilson Peak of \$412,308, with a tax recovery of \$21,167.

Woodruff

During the year ended December 31, 2018, and further to a determination to abandon the Woodruff mineral claims, the Company wrote-down the carrying value of Woodruff by \$85,176 to \$nil. Prior to abandonment, however, the Company entered into a lease agreement with an option to purchase Woodruff with an arm's length party dated April 1, 2019. The third-party operating Woodruff paid the Company \$1,851 (USD 1,395) and paid the annual Claim Maintenance fees for the period September 1, 2019 through August 31, 2020. On March 31, 2020, the lease agreement was terminated by the lessor. The Company determined to renew the claims in September 2020, with such cost (USD 1,028 (\$1,308)) charged to the consolidated statements of loss and comprehensive loss.

Subsequent to year end, as part of the Carlin and Woodruff Agreement, the Company agreed to farm-out 100% of its interest in the Woodruff property to a third-party (Note 14(c)).

Hot Creek, Rock Creek, and Sno

As a consequence of the write-down recognised on the value of Wilson Peak the Company determined to write-down the values of the Hot Creek, Rock Creek and Sno properties as a reflection of the relatively comparable stage to which these properties have been advanced. The Company has estimated the impairment amount as a reflection of the relative write-down recognised on Wilson Peak. The aggregate amount written-down to the value of these three properties is \$3,176,392, with a tax recovery of \$163,066.

Dry Hills and Rock Horse

During the year ended December 31, 2019, the Company determined to abandon those mineral claims that comprise the Dry Hills, and Rock Horse properties; accordingly, the carrying value of these properties was written down by \$1,381,434 to \$nil, with a tax recovery of \$69,072 recognized to the statement of loss and comprehensive loss.

Santa Renia and Golden Cloud

By an agreement dated November 5, 2018, the Company sold Golden Cloud and Santa Renia to Waterton Nevada in exchange for aggregate cash consideration of \$560,951 (Note 10). The Company recognized a \$1,962,061 loss on the transaction in the year ended December 31, 2018. Waterton Nevada reimbursed the Company for \$79,008 (USD 60,975) in Claims Maintenance fees relating in aggregate to the two properties (the "GC&SR Disposal").

CONTACT GOLD CORP.**Notes to the Consolidated Financial Statements
for the years ended December 31, 2020, 2019 and 2018
(Expressed in Canadian dollars)****4. EXPLORATION PROPERTIES AND DEFERRED ACQUISITION COSTS (continued)**

Exploration and evaluation expenditures expensed to the consolidated statements of loss and comprehensive loss

Exploration and evaluation expenditures incurred by Contact Gold, including ongoing amortization of prepaid Claims Maintenance fees (Note 3), have been cumulatively expensed in the consolidated statements of loss and comprehensive loss.

Details of exploration and evaluation activities, and related expenditures incurred are as follows:

	Year ended December 31,		
	2020	2019	2018
Drilling, assaying & geochemistry	\$ 1,889,780	\$ 1,001,301	\$ 1,903,760
Amortization of Claims Maintenance fees	510,622	548,134	757,652
Wages and salaries, including share-based compensation	498,254	790,109	635,475
Geological contractors/consultants & related crew care costs	340,352	602,938	987,192
Permitting and environmental monitoring	26,770	60,084	163,300
Property evaluation and data review	-	36,116	-
Expenditures for the period	\$ 3,265,778	\$ 3,038,682	\$ 4,447,379
Cumulative balance	\$ 15,014,534	\$ 11,748,756	\$ 8,710,074

Wages and salaries through December 31, 2020, include share-based compensation of \$62,873 (2019: \$152,962; and 2018: \$177,653) (Note 7(d)). An amount of \$12,387 (2019: \$12,422; and 2018: \$8,514) in amortization expense arising from the use of fixed assets at Pony Creek and Green Springs has been included in the amount reported as geological contractors/consultants & related crew care costs.

Details of exploration and evaluation expenditures incurred and expensed by Contact Gold on specific Contact Properties (including non-cash amortization of Claims Maintenance fees) are as follows:

	Year ended December 31,		
	2020	2019	2018
Pony Creek	\$ 484,698	\$ 2,221,756	\$ 3,854,801
Green Springs	2,602,535	505,328	-
Cobb Creek	1,367	45,020	149,841
South Carlin Projects	125,173	68,623	113,656
Portfolio properties	52,005	161,839	329,081
Property evaluation and data review	-	36,116	-
Expenditures for the period	\$ 3,265,778	\$ 3,038,682	\$ 4,447,379
Cumulative balance	\$ 15,014,534	\$ 11,748,756	\$ 8,710,074

5. PAYABLES AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Payables	\$ 125,248	\$ 185,416
Accrued liabilities	254,517	282,642
	\$ 379,765	\$ 468,058

Payables and accrued liabilities are non-interest bearing. The Company's normal practice is to settle payables within 30-days, or as credit arrangements will allow (Note 9).

During the year ended December 31, 2020, the Company recognised a reclamation obligation of \$141,686 relating to disturbance at the Pony Creek and Green Springs (year ended December 31, 2019: \$nil). The balance has been included as a non-current obligation reflective of the estimated future timing of any related reclamation and remediation activities.

6. REDEEMABLE PREFERRED STOCK

On June 7, 2017, as partial consideration for the Clover Acquisition, the Company issued 11,111,111 non-voting preferred shares (the "Preferred Shares") with an aggregate face value denominated in USD of 11,100,000 (the "Face Value") (\$15,000,000, converted using the Bank of Canada indicative exchange rate on the date prior to issuance of USD 0.74) to Waterton Nevada. The Preferred Shares had a five-year term from the date of issuance (the "Maturity Date") and carried a cumulative cash dividend accruing at 7.5% per annum (the "Dividend"; the Face Value, and the sum of the accrued Dividend amount together being the "Redemption Amount").

As a contract to buy non-financial assets (the Contact Properties) that is ultimately settled in either cash or Contact Shares, and as a reflection of the potential modification and variability of the cash flows from different elements of the Preferred Shares, the Company bifurcated value of the Preferred Shares in two components: (i) a "host" instrument, and (ii) the value of certain rights, privileges, restrictions and conditions attached to the Preferred Shares (the "Pref Share Rights") each, respectively determined to be an embedded derivative (together, the "Embedded Derivatives"). Industry standard methodology was used to determine the fair value of the host and the Embedded Derivatives, utilizing a set of coupled partial differential Black-Scholes equations solved numerically using finite-difference methods. The fair value of the Preferred Shares was determined to be \$14,987,020 (approximately equal to the Face Value) at issuance.

Pursuant to (i) having satisfied the terms of a binding letter of intent (the "LOI") entered into with Waterton, and (ii) closing a private placement financing with Waterton Nevada (the "Redemption Placement") (Note 7(b)(ii)), the Company redeemed all of the issued and outstanding Preferred Shares on September 29, 2020 (the "Redemption").

The Redemption was completed as follows:

- i) Contact Gold made a cash payment of \$5,000,000 from the proceeds of the 2020 Offering (Note 7(b)(i)) to redeem USD 3,737,479 of the Preferred Shares (the "Cash Payment");
- ii) Waterton Nevada purchased a total of 69,412,978 Contact Shares pursuant to the Redemption Placement at a deemed price per share of \$0.195 for aggregate gross proceeds of \$13,535,531; and
- iii) Contact Gold used the proceeds of the Redemption Placement to redeem all of the remaining outstanding Preferred Shares.

Preferred Shares (host)

The host instrument was initially recorded at fair value of USD 6,033,480 (\$8,140,371), and determined to be a Level 3 financial instrument, categorized as "Other financial liabilities". Using the effective interest rate method, at a rate of 18.99%, the Preferred Shares, including the aggregate Dividend amount for the term to the Maturity Date, were carried at amortized cost each period end, with an accretion expense recorded to the consolidated statements of loss and comprehensive loss. Recognition of the host at amortized cost reflected the i) fixed rate Dividend, and ii) mandatory redemption feature of the instrument, both of which were payable in cash on the Maturity Date.

A summary of changes to the value of the Preferred Shares host instrument, including the impacts from changes to the foreign exchange rate, and the Redemption is set out below:

January 1, 2018	\$	8,419,705
Accretion		1,842,900
Foreign exchange		741,314
December 31, 2018	\$	11,003,919
Accretion		2,218,595
Foreign exchange		(610,407)
December 31, 2019	\$	12,612,107
Accretion		1,956,008
Foreign exchange		362,186
Redemption on September 28, 2020		(18,535,531)
Loss on Redemption		3,605,230
December 31, 2020	\$	-

At Redemption, the cumulative amount of the accrued Dividend reflected in the accretion expense was \$3,685,951.

6. REDEEMABLE PREFERRED STOCK (continued)

Pref Share Embedded Derivatives

The Embedded Derivatives included a "Conversion Option" and a "Change of Control Redemption Option", held by Waterton Nevada, and an "Early Redemption Option", of which Contact Gold had control.

The Embedded Derivatives were classified as liabilities, and each were interconnected and related to similar risk exposures, namely: (i) Contact Gold's interest rate risk (changes in the Company's credit spread change the economic value of the redemption), and (ii) the Company's foreign exchange rate risk exposure (as the foreign exchange rate, and the price of the Contact Shares and volatility thereof, impact the effective conversion price and number of Contact Shares issuable on conversion). Accordingly, the Embedded Derivatives were valued together as one compound instrument. The estimated fair value of the Embedded Derivatives at issuance was USD 5,066,520 (\$6,846,649).

In addition to certain observable inputs, the valuation technique used significant unobservable inputs such that the fair value measurement was classified as Level 3. Significant inputs into the determination of fair value included (i) the share price of the Contact Shares, (ii) historical volatility, (iii) rates from the USD-\$ foreign exchange forward curve, and (iv) the USD risk-free rate curve and the \$ risk-free rate curve. The Company also concluded on probability weightings for the potential exercise and timing thereof of the (i) Change of Control Redemption Option, and (ii) Early Redemption Option, in the calculation each period.

The fair value of the Embedded Derivatives immediately prior to the Redemption was determined to be \$-nil reflecting in particular the elimination of any optionality for any potential exercise of the Conversion Option or Change of Control Redemption Option, and the certainty of exercise of the Early Redemption Option at a price equal to that of the Contact Shares issuable in the 2020 Prospectus.

A summary of changes to the value of the Embedded Derivatives is set out below:

January 1, 2018	\$	1,047,042
Change in fair value		(461,261)
December 31, 2018	\$	585,781
Change in fair value		48,636
December 31, 2019	\$	634,417
Extinguishment of Embedded Derivative upon Redemption		(634,417)
December 31, 2020	\$	-

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized

The Company's authorized share capital consists of:

- (i) up to 500,000,000 Contact Shares with a par value of USD 0.001, voting and participating; and
- (ii) up to 15,000,000 Class A non-voting Preferred Shares (Note 6).

b) Issued and outstanding common shares

Changes in issued common share capital during the year ended December 31, 2020:

- (i) *2020 Prospectus Offering*: On September 29, 2020, pursuant to a prospectus supplement to a short form base prospectus filed with the securities regulatory authorities in each of the provinces and territories of Canada, except Québec (the "Commissions"), and an offering statement filed on Form 1-A, which includes an offering circular, pursuant to Regulation A under the Unites States' Securities Act of 1933, as amended (the "Securities Act"), filed with the SEC, the Company closed an offering of 73,870,000 "Prospectus Units" at a price of \$0.20 per Prospectus Unit for gross proceeds of \$14,774,000 (the "2020 Prospectus Offering"). Each Prospectus Unit consists of one Contact Share and one-half of one Contact Share purchase warrant (each whole warrant, a "Prospectus Warrant"), with each Prospectus Warrant entitling the holder thereof to acquire one Contact Share at an exercise price of \$0.27 until September 29, 2022. The value ascribed to the Prospectus Warrants of \$1,720,799 is reflected as a component of contributed surplus (Note 7(d)).

Share issue costs of \$1,839,934 associated with the 2020 Prospectus Offering were recognized in the period. Share issue costs includes an amount of \$1,030,109 in fees paid in cash to the underwriters of the 2020 Prospectus Offering, including \$179,084 in expenditures incurred directly by the underwriters that were also net settled on closing of the 2020 Prospectus Offering.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Issued and outstanding common shares (continued)

Changes in issued common share capital during the year ended December 31, 2020 (continued):

(i) *2020 Prospectus Offering (continued)*: The Company issued 4,255,125 broker warrants ("Broker Warrants") as partial consideration for services associated with the 2020 Prospectus Offering. Each Broker Warrant entitles the holder thereof to acquire one Contact Share at a price of \$0.27 until September 29, 2022 (Note 7)(d). An amount of \$198,246 representing the value of the Broker Warrants has been recognized as share issue costs on the statement of equity.

(ii) *Redemption Placement*: Concurrent with closing the 2020 Prospectus Offering, and pursuant to having satisfied the terms of the LOI, Waterton Nevada purchased a total of 69,412,978 Contact Shares in a private placement offering at a deemed price per Contact Share of \$0.195, for aggregate gross proceeds of \$13,535,531 (Note 6). Share issue costs of \$71,733 associated with the Redemption Placement were recognized in equity in the period.

(iii) *Warrant Exercise*: On August 17, 2020, 140,000 Warrants were exercised for \$21,000, and the Company issued 140,000 Contact Shares (Note 7)(d).

(iv) *Green Springs Option*: On July 23, 2020, the Company issued 362,941 Contact Shares in satisfaction of its first-anniversary payment obligation due pursuant to the Green Springs Option. The value of the Contact Shares has been recognized in equity with a commensurate increase of \$66,960 to the value of Green Springs (Note 4(b)).

(v) *2020 Private Placement*: On May 22, 2020, the Company closed the third and final tranche of a non-brokered private placement, issuing in aggregate 12,500,000 "PP Units" at a price of \$0.10 per PP Unit (the "2020 Private Placement"), each such PP Unit is comprised of one Contact Share and one share purchase warrant (a "PP Warrant") entitling the holder to purchase an additional Contact Share at a price of \$0.15 per share for a period of 24 months from the issuance date of each PP Warrant. In the event that at any time between four months and one day following the closing date and the Expiry Date, the Contact Shares trade on the TSXV at a closing price which is equal to or greater than \$0.30 for a period of ten consecutive trading days, the Company may accelerate the expiry date of the PP Warrants by giving notice to the holders thereof and in such case the PP Warrants will expire on the 30th day after the date such notice is provided.

Gross proceeds of \$1,250,000 were raised in the 2020 Private Placement; a total of \$84,117 in related share issue costs have been recorded to equity. The value ascribed to the Warrants of \$667,106 is reflected as a component of contributed surplus in the year-ended December 31, 2020 (Note (7)(d)).

Changes in issued common share capital during the year ended December 31, 2019:

(vi) *2019 Private Placement*: On March 14, 2019, the Company closed a non-brokered private placement of 9,827,589 Contact Shares (the "2019 Private Placement") at a price of \$0.29 per Contact Share (the "Initial Price") for proceeds of \$2,850,001. Each Contact Share was accompanied by one right (a "Right") which, subject to the rules and limitations of the TSXV, was automatically convertible to a certain number of additional Contact Shares without payment of additional consideration, upon the earlier of:

- i. the closing of a public offering registered or qualified under the United States' Securities Act of 1933, as amended (the "Securities Act") (a "Qualified Offering");
- ii. a Change of Control of Contact Gold; or
- iii. one year following the closing date of the 2019 Private Placement ("Time Deadline").
(together, (a), (b), (c), the "Conversion Scenarios").

In each instance a participant in the 2019 Private Placement would receive that number of additional Contact Shares such that the average price per Contact Share issued in aggregate, was effectively discounted from the Initial Price (the "Placement Price"), determined as follows:

- i. if the offering price of common stock sold in a Qualified Offering was greater than the Initial Price, the number of additional Contact Shares would be that which provides a 5% discount to that Initial Price; or
- ii. if the offering price of Contact Shares sold in a Qualified Offering was equal to or less than the Initial Price, the number of additional Contact Shares would be that which provides a 10% discount to that Qualified Offering Price; or
- iii. in the event of a Change of Control, the number of additional Contact Shares would be that which provides a 5% discount to that Initial Price; or
- iv. in the event of conversion at the Time Deadline, the number of additional Contact Shares would be that which provides the maximum allowable discount prescribed pursuant to the rules of the TSXV.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Issued and outstanding common shares (continued)

Changes in issued common share capital during the year ended December 31, 2019 (continued):

The Company accounted for the Rights as a derivative instrument classified as a Level 3-type current financial liability carried at fair value through profit or loss, and furthermore, because the Rights were not separable legally or practically from each other, they were treated as one instrument.

Recognition of the Rights considered the total consideration received by the Company in the 2019 Private Placement. The Company used the residual method to allocate the value of proceeds received between the Rights and the Contact Shares. The Rights were measured and recognized at their initial fair value, less directly attributable transaction costs, and the residual was allocated to those Contact Shares issued on initial closing.

The total estimated fair value of the Rights at issuance was \$370,232, and the initial value of the Contact Shares recognized on the consolidated statement of equity was, accordingly \$2,479,769. In determining the fair value of the Rights, it was necessary for the Company to make certain judgments relating to the probability and timing of the occurrence of each of the Conversion Scenarios. It was also necessary for the Company to make certain assumptions to derive the effective interest rate used in calculating the Company's credit spread, as well as assumptions relating to share price volatility.

The valuation was undertaken using certain observable and unobservable inputs in multiple Monte Carlo simulations. Significant inputs into the determination of fair value on the date of issuance included the following: (i) the price of the Contact Shares on the TSXV, (ii) the annualized historical volatility of the price of the Contact Shares on the TSXV (range: 85.8% - 92.3%), (iii) risk-free rates, and (iv) probability weightings for the likelihood and potential timing of each of the respective Conversion Scenarios determined by management, as well as expectations relating to the discount to be expected in a Qualified Offering.

The Company based its judgments and assumptions on parameters relevant to the initial closing date for the Private Placement on March 14, 2019. There is significant complexity to the interplay and impact of these various inputs and the quantum resultant from these relationships. The nature of these judgments and assumptions, and the factors management considered in determining the resultant calculation, are inherently uncertain and subject to change from period to period.

A total of \$40,923 in associated share issue costs were recognized in equity, of which \$21,750 in finders' fees were net settled on closing of the 2019 Private Placement.

(vii) 2019 Prospectus Offering: On May 22, 2019, pursuant to a prospectus supplement to a short-form base prospectus filed with the Commissions, and an offering statement filed on Form 1-A, which includes an offering circular, pursuant to Regulation A under the Securities Act, filed with the SEC, the Company closed an offering of 20,000,000 Contact Shares at a price of \$0.20 per Contact Share (the "2019 Prospectus Offering"). Share issue costs of \$1,327,412 associated with the Prospectus Offering, \$313,220 of which had been recognized as deferred on the consolidated statement of financial position at December 31, 2018, were recorded to equity in the year ended December 31, 2019. Share issue costs also includes an amount of \$530,723 in fees paid to the underwriters of the 2019 Prospectus Offering, including certain expenditures incurred by the underwriters that were net settled on closing of the 2019 Prospectus Offering.

(viii) Conversion of Rights: Pursuant to having closed the Prospectus Offering at an issue price lower than the Placement Price, the 2019 Private Placement "Qualified Offering" criterion was met, and on May 22, 2019 an additional 2,047,398 Contact Shares were issued on conversion of the Rights.

An additional \$6,004 in share issue costs associated with the conversion of the Rights were consequently recognized in equity. All securities offered pursuant to the conversion of the Rights are restricted securities under Rule 144 under the Securities Act.

A summary of changes to the value of the Rights is set out below:

Fair value as at March 14, 2019	\$ 370,232
Change in fair value	39,248
Fair value as at May 22, 2019	\$ 409,480

Upon conversion of the Rights and issuance of the additional Contact Shares, \$409,480 was recognized to equity, with an adjustment to the statement of loss and comprehensive loss for the \$39,248 change in fair value.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Issued and outstanding common shares (continued)

Changes in issued common share capital during the year ended December 31, 2019 (continued):

(ix) Green Springs Option: Pursuant to acquiring the Green Springs Option, the Company issued 2,000,000 Contact Shares on July 23, 2019 to Ely Gold (Note 4(c)).

Changes in issued common share capital during the year ended December 31, 2018:

(x) East Bailey Acquisition: On February 5, 2018, the Company issued 250,000 Contact Shares with a value of \$112,500 as partial consideration for the acquisition of the East Bailey property, now part of the Pony Creek property (Note 4(a)).

c) Escrowed Contact Shares and other restrictions and obligations

As at December 31, 2020, there were no Contact Shares held in escrow (December 31, 2019: 3,511,538).

So long as Waterton Nevada holds at least 15% of the issued and outstanding Contact Shares it has the right to maintain its pro rata interest in the Company in subsequent financings. Waterton Nevada also holds certain registration rights as it relates to offerings of Contact Shares.

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants #	Weighted Average Exercise Price C\$
Outstanding as at December 31, 2019	-	-
PP Warrants	12,500,000	0.15
Prospectus Warrants	36,935,000	0.27
Broker Warrants	4,255,125	0.27
Exercised	(140,000)	0.15
Outstanding as at December 31, 2020	53,550,125	0.24

The remaining contractual life of Warrants outstanding as at December 31, 2020 is 1.65 years. An amount of \$7,476 has been recognized to share capital pursuant to the exercise of 140,000 PP Warrants during the year ended December 31, 2020.

The fair value of each Warrant issued was determined using the Black Scholes valuation model; the significant inputs into the model were:

	PP Warrants	Prospectus Warrants	Broker Warrants
Share price	\$0.145	0.185	0.185
Exercise price	\$0.15	0.27	0.27
Volatility ⁽¹⁾	67%	67%	67%
Annual risk-free interest rate	0.32%	0.24%	0.24%
Fair value per Warrant	\$0.05	\$0.05	\$0.05
Total value of issued Warrants	\$667,106	\$1,720,799	\$198,246

⁽¹⁾ Volatility determined with reference to the Company's historical data matching the period of the Warrant's expected life and adjusted to better align with that which was recognized in determining the original value of the host instrument of the Preferred Shares.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

e) Equity remuneration

Pursuant to the "Contact Gold Omnibus Stock and Incentive Plan" (the "Incentive Plan"), the "Contact Gold Restricted Share Unit Plan", and the "Contact Gold Deferred Share Unit Plan", the Company has established equity remuneration plans, that contemplate the award of Options, Restricted Shares, DSUs, and RSUs, all in compliance with the TSXV's policy for granting such awards.

Share-based compensation expense for the year ended December 31, 2020, including an allocation of \$31,945 relating to previously awarded Restricted Shares, was \$266,774 (December 31, 2019: \$817,792; and December 31, 2018: \$1,202,235). An additional amount of stock-based compensation expense of \$62,873 was recognized in exploration and evaluation expenditures for the year ended December 31, 2020 (December 31, 2019: \$152,962; and December 31, 2018: \$177,653) (Note 5). An expense of \$186,250 was charged to wages and salaries relating to the award of DSUs during the year ended December 31, 2020 (December 31, 2019: \$80,000; and December 31, 2018: \$nil).

i) Options

Under the Incentive Plan, the maximum number of Contact Shares reserved for issuance may not exceed 16,500,000 Contact Shares together with any other security-based compensation arrangements, and further subject to certain maximums to individual optionees on a yearly basis. The exercise price of each Option shall not be less than the market price of the Contact Shares at the date of grant. All Options granted to date have a five-year expiry from the date of grant. Vesting terms of Options is determined by the Board at the time of grant. As at December 31, 2020, 3,756,666 Options have vested (December 31, 2019: 1,691,666).

Subject to discretion of the Board and normal course regulatory approvals, Contact Shares are issued from treasury in settlement of Options exercised; otherwise the value of such Contact Shares may be payable in cash

A summary of the changes in Options is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding as at December 31, 2017	3,583,000	0.97
Granted	4,615,000	0.39
Outstanding as at December 31, 2018	8,198,000	0.64
Granted	1,670,000	0.275
Forfeited or cancelled	(3,473,000)	0.96
Outstanding as at December 31, 2019	6,395,000	0.37
Granted	5,237,500	0.15
Forfeited or cancelled	(100,000)	0.415
Outstanding as at December 31, 2020	11,532,500	0.27

The Company has awarded Options to directors, officers and other personnel as follows:

Grant Date	Number of Options	Exercise Price	Vesting
September 11, 2017	150,000	\$ 0.75	vesting in thirds over a period of three years
November 24, 2017	200,000	\$ 0.58	vesting in thirds over a period of three years
March 27, 2018	3,975,000	\$ 0.39	vesting in thirds over a period of three years
April 17, 2018	150,000	\$ 0.415	vesting in thirds over a period of three years
May 28, 2018	150,000	\$ 0.295	vesting in thirds over a period of three years
April 3, 2019	1,670,000	\$ 0.275	vesting in thirds over a period of three years
January 16, 2020	2,125,000	\$ 0.19	vesting in thirds over a period of three years
December 23, 2020	3,112,500	\$ 0.12	vesting in thirds over a period of three years

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

e) Equity remuneration (continued)

i) Options (continued)

Certain Options were forfeited since their respective original grant dates:

Original grant date	Number of Options forfeited	Forfeiture date	Reversal of previously expensed amount
April 17, 2018	100,000	June 10, 2020	\$ 21,245
April 17, 2018	80,000	March 15, 2019	\$ 10,067
March 27, 2018	10,000	July 15, 2019	\$ 10,067
March 27, 2018	150,000	April 17, 2018	\$ 1,520

On July 8, 2019, the Company and certain officers and directors of the Company agreed to cancel an aggregate of 3,233,000 Options originally awarded on June 13, 2017. An associated amount of \$215,499 was recognized as an expense.

For the purposes of estimating the fair value of Options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's common shares, risk-free interest rates and expected average life of the Options. Contact Gold bases its expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of the Company's Options exceeds the Company's trading history.

The weighted average fair value of Options granted during the year ended December 31, 2020, determined using Black-Scholes was \$0.08 (weighted average fair value to date: \$0.15) per Option. The remaining average contractual life of Options outstanding is 3.45 years.

For the purposes of estimating the fair value of Options awarded in 2020, using the Black-Scholes model, certain assumptions are made such as the expected dividend yield (0%), risk-free interest rates (range between 0.43% and 2.14%), and expected average life of the options (5 years). As the expected life of Contact Gold's Options exceeded the length of time over which the Contact Shares have traded, average rates of volatility of 64%-132% were used, reflecting those of a group of similar publicly-listed companies in determining an expectation of volatility of the market price of the Contact Shares. A 0% forfeiture rate was applied to the Option expense.

ii) Deferred Share Units

DSUs granted under the Contact Gold Deferred Share Unit Plan to Directors of the Company, have no expiration date and are redeemable upon termination of service. Transactions relating to DSUs are summarised below:

Outstanding as at December 31, 2018	-
Granted	402,263
Exercised	-
Outstanding as at December 31, 2019	402,263
Granted	1,027,231
Exercised	-
Outstanding as at December 31, 2020	1,429,494

During the year ended December 31, 2020, an amount of \$186,250 was recognized to the value of share capital relating to the award of these DSUs (December 31, 2019: \$80,000).

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

e) Equity remuneration (continued)

iii) Restricted Shares

Restricted Shares granted under the Incentive Plan to an officer of the Company vested in thirds at the end of each year from the date of grant. The Restricted Shares were deemed to have a fair value of \$1.00 per Restricted Share on the date of grant, with reference to the price at which the Company issued the Contact Shares prior to listing on the TSXV.

Transactions relating to Restricted Shares are summarised below:

	Number of Restricted Shares
Outstanding at December 31, 2017	100,000
Granted	-
Vested	33,333
Outstanding at December 31, 2018	66,667
Granted	-
Vested	33,333
Outstanding at December 31, 2019	33,334
Granted	-
Vested	33,334
Outstanding at December 31, 2020	-

The Restricted Shares are issued from treasury with vesting conditions, as determined by the Board, on grant date. The fair value of the Restricted Shares is charged to contributed surplus and is expensed to the consolidated statements of loss (gain) and comprehensive loss over the vesting period. An amount of \$31,945 was charged to the consolidated statement of loss and comprehensive loss as a component of exploration and evaluation during the year ended December 31, 2020 (2019: \$33,333; and 2018: \$34,722). There has been no impact to cash flows from the Restricted Shares.

f) Gain or loss per share

The calculation of basic and diluted gain or loss per Contact Share for year ended December 31, 2020 was based on the loss attributable to common shareholders of \$17,714,145 (December 31, 2019: 9,374,126; and December 31, 2018: 11,855,092), adjusted for the value of the Contact Preferred Share dividends payable for the year ended December 31, 2020 of \$nil (2019: \$995,928; and 2018: \$1,187,489), and a weighted average number of Contact Shares outstanding of 128,707,739 (2019: 72,811,303; and 2018: 570,572,328), including the Restricted Shares in each respective period.

Diluted gain or loss per share did not include the effect of 11,532,500 Options (December 31, 2019: 6,395,000) as they are anti-dilutive.

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8. TAX

The recovery of income taxes differs from the amount that would have resulted from applying combined Canadian federal and provincial statutory tax rates for each of the years ended December 31, 2020, 2019, and 2018:

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Loss before taxes	\$ (18,074,343)	\$ (9,374,126)	\$ (11,855,092)
Statutory Tax Rate	21.00%	21.00%	21.00%
Expected tax recovery	(3,795,612)	(1,968,566)	(2,489,570)
Permanent differences	1,623,337	498,761	770,056
Changes in tax rates	-	-	-
Difference in tax rates between Canada and US	(189)	(275)	(198)
Expired tax attributes	-	-	-
Other	20,140	(42,980)	91,473
Valuation allowance	1,792,126	1,443,988	1,628,238
Income tax expense	\$ (360,198)	\$ (69,072)	\$ -

On June 7, 2017, Contact Gold Corp. migrated from Canada to the US. The applicable statutory rate for 2020 is the United States federal rate of 21% (2019 – 21%; and 2018 – 21%). The Company may also be subject to NNPT, currently calculated at a rate of 5% once a mineral property asset reaches production.

Effective January 1, 2018, the Canadian statutory tax rate increased to 27% due to a British Columbia legislative change, and the US statutory rate decreased to 21% due to US federal legislative change.

- a) The Company recognizes tax benefits on losses or other deductible amounts generated in jurisdictions where it is more likely than not to realize the deferred tax assets.

NNPT arises on production, generating a deduction at such time for federal income tax purposes. Deferred tax assets (liabilities) have been recognized with respect to the NNPT as follows:

	at December 31, 2020	at December 31, 2019	at December 31, 2018
Contact Properties	\$ (1,538,108)	\$ (1,918,202)	\$ (2,067,366)
Other	-	-	-
Net deferred tax liabilities	\$ (1,538,108)	\$ (1,918,202)	\$ (2,067,366)

Deferred tax assets (liabilities) have not been recognized with respect to the following:

	at December 31, 2020	at December 31, 2019	at December 31, 2018
Contact Properties	\$ 2,908,882	\$ 1,413,422	\$ 1,170,674
Tax losses	2,585,830	2,323,693	1,591,339
Other	1,141,371	649,229	452,953
DTA	\$ 6,636,082	\$ 4,386,344	\$ 3,214,966

- b) As at December 31, 2020, the Company has Canadian non-capital tax loss carryforwards of approximately \$69,719 (2019 - \$162,308; 2018 - \$274,493), and US non-capital tax loss carryforwards of approximately \$11,563,981 (USD 9,082,611) (2019 - \$11,404,737 (USD 8,780,980); 2018 - \$7,224,885 (USD 5,296,060)).

The Company's unrecognized Canadian non-capital losses have the following expiry dates:

2037	\$ 69,983
	\$ 69,983

The Company's unrecognized US non-capital losses have the following expiry dates, relating to non-capital losses incurred prior to 2018. The US non-capital losses incurred in 2018 onwards can be carried forward indefinitely.

2037	\$ 1,835,575 (USD 1,441,702)
	\$ 1,835,575 (USD 1,441,702)

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9. RELATED PARTIES

Contact Gold's related parties include (i) its subsidiaries; and (ii) Waterton Nevada as a reflection of its approximate 41.85% ownership interest in the Company at December 31, 2020, and the right it holds to put forward two nominees to the Board.

Waterton Nevada held a right of first offer, a right of first refusal, and other rights over the Contact Properties which were extinguished with the Redemption. In compliance with such rights, during the year ended December 31, 2019, the Company provided notice to Waterton Nevada of its intent to abandon certain mineral property claims, including those that comprise Dry Hills and Rock Horse; in response, Waterton Nevada notified the Company of its intent to exercise its right to take assignment of the claims for nominal value.

Pursuant to the GC&SR Disposal, the Company sold the Golden Cloud and Santa Renia mineral properties to Waterton Nevada in exchange for cash consideration in the amount of \$560,951 during the year ended December 31, 2018 (Note 5(e)). Total cash consideration received of \$639,959 included an amount of \$79,008 as reimbursement of Claims Maintenance fees.

Options and DSUs have been granted, and director fees were paid and payable to Mr. Charlie Davies, one of Waterton Nevada's Board nominees. Mr. Davies is an employee of an affiliate of Waterton Nevada.

Waterton Nevada purchased a total of 69,412,978 Contact Shares in the Redemption Placement.

The Company redeemed all of the issued and outstanding Preferred Shares, and paid the balance of the accrued Dividend pursuant to the Redemption (Note 6)

Waterton Nevada purchased 3,603,020 Contact Shares in the 2019 Private Placement (Note 8(b)(i)), and 8,448,000 Contact Shares in the 2019 Prospectus Offering (Note 8(b)(ii)). An additional 750,629 Contact Shares were issued to Waterton Nevada pursuant to the conversion of the Rights on May 22, 2019 (Note 8(b)(iii)).

An amount of \$60,000 (2019: \$60,000; and 2018: \$60,000) was invoiced by Cairn Merchant Partners LP ("Cairn"), an entity in which Andrew Farncomb, a director and officer of the Company is a principal for employee service; \$Nil is payable at December 31, 2020 (December 31, 2019: \$60,000 and 2018: \$45,000). Mr. Farncomb's base salary is paid in part directly, and in part to Cairn in consideration of general management and administrative services rendered through Cairn.

10. SEGMENT INFORMATION

Reportable segments are those operations whose operating results are reviewed by the chief operating decision maker, being the individual at Contact Gold making decisions about resources to be allocated to a particular segment, and assessing performance provided those operations pass certain quantitative thresholds.

The Company undertakes administrative activities in Canada, and is engaged in the acquisition, exploration, and evaluation of certain mineral property interests in the State of Nevada, USA. Accordingly, the Company's operations are in one commercial and two geographic segments. The Contact Properties (Note 5) are held by the Company in Nevada. The remaining assets, including cash and cash equivalents, prepaids and receivables reside in both of the Company's two geographic locations.

The Company is not exposed to significant operating risks as a consequence of the concentration of its assets in the United States. The Company is in the exploration stage and accordingly, has no reportable segment revenues.

Net loss is distributed by geographic segment per the table below:

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Canada	\$ 7,647,9549	\$ 4,869,987	\$ 5,246,902
United States	10,066,196	4,504,139	6,608,190
	\$ 17,714,145	\$ 9,374,126	\$ 11,855,092

Significant non-cash items, including an impairment expense of \$6,962,863, the loss on redemption of Preferred Shares of \$3,605,230, and accretion expense on the Preferred Shares of \$1,956,008 for the year ended December 31, 2020 (2019: \$2,218,595 and 2018: \$1,842,900) is reflected in the net loss attributable to Canada. The net loss attributable to Canada for the year ended December 31, 2020 also includes a non-cash gain on the Embedded Derivatives of \$634,417 (2019: loss of \$48,635; and 2018: gain of \$461,261), and a non-cash foreign exchange loss of \$413,769 (December 31, 2019: gain of \$608,050; and December 31, 2018: loss of \$542,343).

CONTACT GOLD CORP.
Notes to the Consolidated Financial Statements
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11. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,		
	2020	2019	2018
Non-cash financing and investing transactions, issuance of:			
Contact Shares pursuant to acquisition of mineral properties (Note 4(b))	\$ 66,960	\$ 400,000	\$ 112,500
Issuance of Broker Warrants (Note 7(b)(i))	198,246	-	-
	\$ 265,206	\$ 400,000	\$ 112,500

12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

2020	First	Second	Third	Fourth	Year
Revenues for the period	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss for the period	2,702,007	692,049	5,186,995	9,133,094	17,714,145
Less: Dividends payable	291,222	408,157	-	-	-
Weighted average number of Contact Shares outstanding	84,471,973	89,829,116	98,868,559	240,757,892	128,707,739
Net loss per share for the period	0.04	0.01	0.05	0.04	0.14
2019	First	Second	Third	Fourth	Year
Revenues for the period	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss for the period	1,777,295	3,664,724	2,159,347	1,772,760	9,374,126
Less: Dividends payable	237,908	229,954	304,678	223,388	995,928
Weighted average number of Contact Shares outstanding	52,453,308	69,873,460	83,971,973	84,471,973	72,811,303
Net loss per share for the period	0.04	0.06	0.03	0.02	0.14
2018	First	Second	Third	Fourth	Year
Revenues for the period	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss for the period	1,248,596	2,844,511	3,180,414	4,581,571	11,855,092
Less: Dividends payable	281,158	291,869	251,897	362,565	1,187,489
Weighted average number of Contact Shares outstanding	50,446,986	50,596,986	50,596,986	50,596,986	50,572,328
Net loss per share for the period	0.03	0.06	0.07	0.10	0.26

13. MANAGEMENT OF CAPITAL AND FINANCIAL RISKS

The Company currently does not produce any revenue and has relied on existing balances of cash and cash equivalents, and capital financing to fund its operations. The Company's current capital consists of equity funding raised through issuances of common shares, and a deficit incurred through operations.

The Company relies upon management to manage capital in order to safeguard the Company's ability to continue as a going concern, to pursue the exploration and development of unproven mineral properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages its capital structure in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and Contact Gold's holdings of cash; and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To facilitate this, management prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and committed administrative costs, to ensure that adequate levels of working capital are maintained. It is necessary for the Company to raise new capital to fund operations on a reasonable regular basis. The Company believes that this approach is reasonable given its relative size and stage.

There are no known restrictions on the ability of our affiliates to transfer or return funds amongst the group, nor are there any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's financial instruments consist of cash and cash equivalents, receivables, payables and accrued liabilities, and the Cobb Creek obligation. Prior to the Redemption, the Preferred Shares and related Embedded Derivatives were also considered to be financial instruments, as were the Rights prior to their conversion. It is management's opinion that (i) the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments, and (ii) the fair values of these financial instruments approximate their carrying values unless otherwise noted in these Consolidated Financial Statements.

13. MANAGEMENT OF CAPITAL AND FINANCIAL RISKS (continued)

Prior to the Redemption, the Preferred Shares and the Embedded Derivatives were both considered to be Level 3 type financial liabilities, with each determined by observable data points, in particular the Company's share price, the rate of USD-\$ foreign and the Company's credit spread, with reference to current interest rates and yield curves.

As the Company is currently in the exploration phase, none of its financial instruments are exposed to commodity price risk; however, the Company's ability to obtain long-term financing and its economic viability may be affected by commodity price volatility.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's financial liabilities of payables and accrued liabilities are generally payable within a 90-day period.

The Company has not generated significant revenues or cash flows from operations since inception and does not expect to do so for the foreseeable future. Accordingly, Contact Gold is dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund its activities. Significant disruptions to capital market conditions should be expected to increase the risk that the Company can not finance its business.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Contact Gold's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash with high credit quality banking institutions in Canada and the USA. The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits. The balance of receivables due are with the Canadian and United States government, respectively. As at December 31, 2020, the balance of cash and cash equivalents held on deposit was \$4,753,148 (December 31, 2019: 844,169).

The Company has not experienced any losses in such amounts and believes the exposure to significant risks on its cash and cash equivalents in bank accounts is relatively limited.

Interest Rate Risk

Contact Gold is subject to interest rate risk with respect to its investments in cash. The Company's current policy is to invest cash at floating rates of interest, and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned.

Fair Value Estimation

Except for the values of the Preferred Shares, and other non-current liabilities, the carrying value of the Company's financial assets and liabilities approximates their estimated fair value due to their short-term nature.

Market Risk - Foreign Exchange

The significant market risk to which the Company is exposed is foreign exchange risk. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's exploration property expenditures will be incurred in United States dollars. The fluctuation of the Canadian dollar relation to the USD will consequently have an impact upon the financial results of the Company. A 1% increase or decrease in the exchange rate of the US dollar against the Canadian dollar would result in a \$26,798 increase or decrease respectively, in the Company's cash balance at December 31, 2020. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

14. SUBSEQUENT EVENTS

a) Stock-based compensation

Award of DSUs

The Company awarded 423,909 DSUs to certain directors on January 15, 2021 with an aggregate fair value of \$48,750. DSUs granted under the Contact Gold Deferred Share Unit Plan, have no expiration date and are redeemable upon termination of service.

Exercise of RSUs

On March 10, 2021, certain officers and employees exercised an aggregate of 54,215 vested RSUs resulting in the issuance of 54,215 Contact Shares.

b) Farm-out: Dixie Flats, North Star and Woodruff properties

On January 11, 2021, Clover granted an arms' length private company (the "Optionor") the sole and exclusive option to acquire a 100% interest in the Dixie Flats, North Star and Woodruff properties, subject to a 0.25% in addition to those payable to an affiliate to Waterton Nevada. The Company received USD 20,000 and a reimbursement of Claims Maintenance fees of USD 31,417 upon execution of the agreement. To maintain the option in good standing, the Optionor must make the following payments staged over several years:

Amount	Due Date of Payment
USD 30,000	18-month anniversary of the agreement
USD 40,000	second anniversary of the agreement
USD 50,000	third anniversary of the agreement
USD 60,000	fourth anniversary of the agreement
USD 75,000	annually on each of the fifth through the eighth anniversaries of the agreement

Once the Optionor has made an aggregate of USD 500,000 in cash payments to the Company, it shall be deemed to have earned in to a 100% interest in each and all of the Dixie Flats, North Star and Woodruff properties, subject to existing NSRs payable to an affiliate of Waterton Nevada, and an additional 0.25% NSR on the Dixie Flats property, payable to the Company.

If the Optionor should sub-option any or all of Dixie Flats, North Star and Woodruff properties to a third-party whose shares trade on a stock exchange or quotation system at the time of the transaction, or subsequent thereto, (a "Trading Sub-Optionee") that Trading Sub-Optionee shall be obligated to issue one million of its common shares to the Company, or at least 5% of the Trading Sub-Optionee's then issued and outstanding common shares, subject to any required regulatory approval.