



Contact Gold Corp.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2020

(Expressed in Canadian dollars)

Contact Gold Corp.
Interim Consolidated Balance Sheets

Unaudited
(Expressed in Canadian dollars)

As at

| | Note | June 30, 2020 \$ | December 31, 2019 \$ |
|---|---------|---------------------|-------------------------|
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | | 611,467 | 844,169 |
| Prepays and deposits | 3 | 184,732 | 301,879 |
| Receivables | | 11,839 | 92,695 |
| Deferred share issue costs | 7(b) | 25,000 | - |
| Total current assets | | <u>833,038</u> | <u>1,238,743</u> |
| <i>Non-current assets</i> | | | |
| Marketable securities | 4(d) | 82,500 | 56,250 |
| Fixed assets | | 10,632 | 16,212 |
| Exploration properties | 4 | 40,254,449 | 38,364,013 |
| Total non-current assets | | <u>40,347,581</u> | <u>38,436,475</u> |
| Total assets | | <u>41,180,619</u> | <u>39,675,218</u> |
| Liabilities and shareholders' equity | | | |
| <i>Current liabilities</i> | | | |
| Payables and accrued liabilities | 5 | 532,908 | 468,058 |
| Other current liabilities | 4(d) | 38,192 | 33,376 |
| Total current liabilities | | <u>571,100</u> | <u>501,434</u> |
| <i>Non-current liabilities</i> | | | |
| Redeemable preferred stock | 6 | 14,705,352 | 13,246,524 |
| Other non-current liabilities | 4(d) | 59,071 | 51,622 |
| Deferred tax liability | | 2,012,722 | 1,918,202 |
| Total non-current liabilities | | <u>16,777,145</u> | <u>15,216,348</u> |
| Total liabilities | | <u>17,348,245</u> | <u>15,717,782</u> |
| <i>Shareholders' equity</i> | | | |
| Share capital | 7 | 45,760,016 | 44,562,187 |
| Contributed surplus | 7 | 3,259,777 | 3,012,870 |
| Accumulated other comprehensive gain (loss) | | 426,078 | (1,398,180) |
| Accumulated deficit | | (25,613,497) | (22,219,441) |
| Total shareholders' equity | | <u>23,832,374</u> | <u>23,957,436</u> |
| Total liabilities and shareholders' equity | | <u>41,180,619</u> | <u>39,675,218</u> |
| Nature of operations and going concern | 1, 2(b) | | |
| Subsequent events | 12 | | |

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

Approved by the Board of Directors:

"Riyaz Lalani", Director

"John Dorward", Director

Contact Gold Corp.**Interim Consolidated Statements of Loss and Comprehensive Loss (gain)**

Unaudited

(Expressed in Canadian dollars, except share amounts)

| | Note | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---|------|-------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| | | \$ | \$ | | |
| Operating expenses: | | | | | |
| Exploration and evaluation expenditures | 4 | 333,299 | 1,059,106 | 673,491 | 1,657,447 |
| Write down of exploration properties | 4(e) | - | 1,381,434 | - | 1,381,434 |
| Accretion of redeemable preferred stock obligation | 6 | 651,536 | 534,960 | 1,273,541 | 1,044,073 |
| Wages and salaries | | 337,711 | 243,856 | 652,337 | 783,354 |
| Stock-based compensation | 7(d) | 43,544 | 207,555 | 153,049 | 457,344 |
| Professional, legal & advisory fees | | 111,758 | 138,926 | 226,441 | 196,789 |
| Investor relations, promotion and advertising | | 37,931 | 55,159 | 83,937 | 86,249 |
| Administrative, office, and general | | 75,790 | 118,006 | 141,240 | 233,072 |
| Loss (gain) on embedded derivatives | 6 | (342,756) | 202,511 | (449,026) | 96,288 |
| Loss on change in fair value of private placement rights | 7(b) | - | 35,433 | - | 39,248 |
| Accretion of Cobb Creek obligation | 4(d) | 4,192 | 4,992 | 8,091 | 9,692 |
| Interest and other income | | - | (6,735) | (100) | (11,810) |
| Foreign exchange loss (gain) | | (560,956) | (241,407) | 631,055 | (462,089) |
| Loss before income taxes | | 692,049 | 3,733,796 | 3,394,056 | 5,511,091 |
| Tax | | - | (69,072) | - | (69,072) |
| Loss for the period | | 692,049 | 3,664,724 | 3,394,056 | 5,442,019 |
| Other comprehensive loss (gain) | | | | | |
| Net fair value loss (gain) on financial assets | 4(d) | (30,000) | - | (26,250) | - |
| Exchange difference on translation of foreign operations | | 1,572,766 | 817,443 | (1,798,008) | 1,635,422 |
| Comprehensive loss for the period | | 2,234,815 | 4,482,167 | 1,569,798 | 7,077,441 |
| Loss per Contact Share | | | | | |
| Basic and diluted loss per share | 7(e) | \$ 0.01 | \$ 0.06 | \$ 0.05 | \$ 0.10 |
| Weighted average number of Contact Shares (basic and diluted) | | 89,829,116 | 69,873,460 | 87,150,544 | 61,211,506 |

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

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

| | Shares | Amount | Contributed surplus | Accumulated other comprehensive income (loss) | Accumulated deficit | Total shareholders' equity (deficit) |
|--|---------------------|-------------|---------------------|---|------------------------|---|
| | (Notes 4, 7 and 12) | | (Notes 7(d)) | | | |
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance as at January 1, 2019 | 50,596,986 | 38,625,765 | 1,995,449 | 499,651 | (12,845,315) | 28,275,550 |
| 2019 Private Placement | 9,827,589 | 2,850,001 | - | - | - | 2,850,001 |
| 2019 Public Offering | 20,000,000 | 4,000,000 | - | - | - | 4,000,000 |
| Conversion of private placement rights | 2,047,398 | 39,248 | - | - | - | 39,248 |
| Stock-based compensation | - | - | 501,894 | - | - | 501,894 |
| Restricted shares | - | 33,333 | - | - | - | 33,333 |
| Share issue costs | - | (1,374,338) | - | - | - | (1,374,338) |
| Cumulative translation adjustment | - | - | - | (1,635,422) | - | (1,635,422) |
| Loss for the period | - | - | - | - | (5,442,019) | (5,442,019) |
| Balance as at June 30, 2019 | 82,471,973 | 44,174,009 | 2,497,343 | (1,135,771) | (18,287,334) | 27,248,247 |
| Balance as at January 1, 2020 | 84,471,973 | 44,562,187 | 3,012,870 | (1,398,180) | (22,219,441) | 23,957,436 |
| 2020 Private Placement | 12,500,000 | 1,250,000 | - | - | - | 1,250,000 |
| Stock-based compensation | - | - | 246,907 | - | - | 246,907 |
| Restricted shares | - | 31,945 | - | - | - | 31,945 |
| Share issue costs | - | (84,116) | - | - | - | (84,116) |
| Cumulative translation adjustment | - | - | - | 1,824,258 | - | 1,824,258 |
| Loss for the period | - | - | - | - | (3,394,056) | (3,394,056) |
| Balance as at June 30, 2020 | 96,971,973 | 45,760,016 | 3,259,777 | 426,078 | (25,613,497) | 23,832,374 |

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

Contact Gold Corp.
Interim Consolidated Statement of Cash Flows

Unaudited
(Expressed in Canadian dollars)

| | Note | Six months ended June 30, 2020 \$ | Six months ended June 30, 2019 \$ |
|---|------|---|---|
| Cash flows from operating activities | | | |
| Loss for the period | | (3,394,056) | (5,442,019) |
| Adjusted for: | | | |
| Movements in working capital: | | | |
| Receivables | | 80,856 | (16,404) |
| Prepays | | 117,147 | 327,731 |
| Payables and accrued liabilities | | 64,850 | 37,750 |
| Gains relating to change in fair value of embedded derivatives | 6 | (449,026) | 96,288 |
| Change in fair value of Private Placement Rights | 7(b) | - | 39,248 |
| Accretion of Contact Preferred Shares | 6 | 1,273,541 | 1,044,073 |
| Foreign exchange relating to Contact Preferred Shares | 6 | 634,314 | (465,621) |
| Stock-based compensation | 7(d) | 278,852 | 535,227 |
| Write-down of exploration property interests | 4(e) | - | 1,381,434 |
| Tax recovery on write-down of exploration properties | 4(e) | - | (69,072) |
| Accretion of Cobb Creek obligation | 4(d) | 8,091 | 9,692 |
| Amortization | 4 | 5,580 | 6,243 |
| Foreign exchange impact on Cobb Creek obligation | | 12,265 | 5,032 |
| Foreign exchange impact on translation of cash balances during the year | | (3,259) | (1,500) |
| Interest income on cash and cash equivalent | | 100 | 200 |
| Other income | | - | (11,610) |
| Net cash used in operating activities | | <u>(1,370,745)</u> | <u>(2,523,308)</u> |
| Cash flows from investing activities | | | |
| Purchase of equipment | | - | - |
| Transaction costs relating to acquisition of exploration properties | | - | - |
| Net cash used in investing activities | | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Cash received from Private Placement, net | 7(b) | 1,250,000 | 2,828,236 |
| Share issue costs, paid on Private Placement | 7(b) | (84,116) | (25,162) |
| Change in working capital attributable to share issue costs | 7(b) | (25,000) | - |
| Cash received from Prospectus Offering, net | 7(b) | - | 3,469,277 |
| Share issue costs, paid on Prospectus Offering | 7(b) | - | (575,691) |
| Net cash due to financing activities | | <u>1,140,884</u> | <u>5,696,660</u> |
| Effect of foreign exchange on cash | | (2,841) | (25,857) |
| Net increase (decrease) in cash | | (232,702) | 3,147,495 |
| Cash at beginning of period | | <u>844,169</u> | <u>545,164</u> |
| Cash end of the period | | 611,467 | 3,692,659 |

Supplemental cash flow information (Note 10)

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

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

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

Please see Note 2 - Summary of Significant Accounting Policies contained in the audited financial statements of the Company as at and for the year ended December 31, 2019 (the "AFS").

a. Unaudited interim financial data

The accompanying unaudited interim consolidated balance sheets, statements of loss (gain) and comprehensive loss, cash flows, and shareholders' equity as at, and for each of the six months ended June 30, 2020, and 2019, and the related interim information contained within the notes (the "Interim Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and the rules and regulations of the United States Securities and Exchange Commission (the "SEC") for interim financial information. Accordingly, they do not include all of the information and the notes required by U.S. GAAP for complete financial statements and should be read in conjunction with the AFS.

In the opinion of management, the Interim Financial Statements reflect all normal and recurring adjustments necessary for the fair statement of the Company's financial position as at June 30, 2020 and 2019 and results of its operations and cash flows for each of the six month periods ended June 30, 2020, and 2019. The results for six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2020 or for any other future annual or interim period.

The Board of Directors of the Company (the "Board") authorized the Interim Financial Statements on August 25, 2020.

b. Going Concern

The Interim 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.

Contact Gold recorded a loss of \$3.39 million and a comprehensive loss of \$1.57 million for the six months ended June 30, 2020. As at June 30, 2020, Contact Gold has an accumulated deficit of \$25.61 million, and working capital deficit of \$0.26 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. 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; and 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 Interim Financial Statements are issued.

Consequently, management continues to pursue various financing alternatives, including the 2020 Private Placement (Note 7(b(ii))) and the 2020 Public Offering (Note 12(a)), to fund operations and advance its business plan. 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.

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Basis of consolidation

The Interim Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value, and are presented in Canadian dollars ("CAD"), except where otherwise indicated. Amounts in United States dollars are presented as "USD"

On June 7, 2017, the Company completed a series of transactions including, (i) a share consolidation, (ii) a reverse-acquisition ("RTO") transaction with Carlin Opportunities ("Carlin"), and (iii) the acquisition of a 100% interest in Clover Nevada II LLC ("Clover"), an entity holding mineral property interests in the State of Nevada (the "Clover Acquisition", and together with the RTO and concurrent transactions, the "Transactions").

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, with a retroactive adjustment to Carlin's legal capital in order to reflect the capital of Winwell (2,769,486 Contact Shares). Carlin is presented in the Interim Financial Statements as the parent company. The Interim Financial Statements include the accounts of Carlin, Contact Gold and Clover. All significant intercompany transactions are eliminated on consolidation.

d. 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, the disclosed fair value of the "host" instrument of the non-voting preferred shares of Contact Gold ("Contact Preferred Shares"), the period end revaluation of the Contact Preferred Share embedded derivatives, the fair value of the Private Placement Rights, income taxes, and the valuation of stock-based compensation.

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 Interim 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.

e. 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 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.

Because 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 mineral property interests

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Interim 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.

f. Comprehensive Loss

In addition to the loss for a given period, comprehensive loss (gain) 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.

g. Accounting standards adopted

Changes to the Disclosure Requirements for Fair Value Measurement

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. There was no consequential impact upon adoption for any period.

Measurement of Credit Losses on Financial Instruments

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

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 replaces 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.

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

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

h. 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 will be effective for interim and annual periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2019-12 will have on its consolidated financial statements.

3. PREPAIDS AND DEPOSITS

Prepaid expenses include \$70,803 (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.

4. EXPLORATION PROPERTIES

Pursuant to the Clover Acquisition, on June 7, 2017, the Company completed the acquisition of 100% of the membership interests of Clover, a Nevada limited liability company of which Waterton Nevada Splitter, LLC ("Waterton Nevada") was the sole member. Clover is the legal entity that holds the mineral property rights and interests that comprise the Company's portfolio of gold properties located on Nevada's Carlin, Independence and Northern Nevada Rift gold trends (the "Contact Properties"). The total of consideration paid and related acquisition costs incurred to acquire Clover in June 2017 was allocated to the value of the Contact Properties and prepaid Claims Maintenance fees acquired, based on relative fair values as at the date of the Transactions. The Clover Acquisition was accounted for as an acquisition of an asset.

Consideration paid comprised Contact Shares, Contact Preferred Shares (Note 6) and a total of \$7,000,000 in cash. Upon closing of the Transactions, the Company recognized deferred tax liabilities ("DTL") of \$2,149,915 arising from the application of Nevada net proceeds tax (the "NNPT", calculated at a rate of 5%) on the values of the Contact Properties. The DTL amount 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 interests including the past-producing Green Springs gold project ("Green Springs") and other ground contiguous to the original tenure (together with the option to acquire Green Springs, "Additions"), and either vended or determined to abandon or impair certain properties.

The Company has established a surety bonding arrangement with a third-party (the "Surety") to satisfy USD 150,000 in bonding requirements required by the BLM for potential disturbance at the Company's exploration property interests. A finance fee, recognized within Interest and Other Income, is charged monthly on the full balance of the Surety amount. Reflecting the level of disturbance as at June 30, 2020, and an estimate as to the timing of any potential reclamation activities, the Company has not accrued any provision for reclamation in the Interim Financial Statements.

The Contact Properties generally carry net smelter returns ("NSR") royalties of between 2% and 4%.

| | Pony Creek (a) | South Carlin Projects (b) | Green Springs (c) | Cobb Creek (d) | Portfolio properties (e) | Total |
|--------------------------|-------------------|---------------------------------|-------------------------|-------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| January 1, 2019 | 29,425,698 | 4,439,555 | - | 312,474 | 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) | (212,830) | (5,200) | (18,599) | (333,262) | (1,980,565) |
| December 31, 2019 | 28,015,024 | 4,226,725 | 461,657 | 205,712 | 5,454,895 | 38,364,013 |
| Foreign Exchange | 1,380,477 | 208,275 | 22,748 | 10,136 | 268,800 | 1,890,436 |
| June 30, 2020 | 29,395,501 | 4,435,000 | 484,405 | 215,848 | 5,723,695 | 40,254,449 |

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

4. EXPLORATION PROPERTIES (continued)

a) Pony Creek

The Pony Creek project is located within the Pinion Range, in western Elko County, Nevada. There is a 3% NSR royalty payable to an affiliate of Waterton Nevada 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. There is a 2% NSR royalty over certain claims that comprise the East Bailey claim block; there is also a 3% NSR over certain claims that comprise the "Lumps and Umps" claims, up to 2% of which can be bought back for USD 1,000,000 per 1% prior to September 2030.

b) South Carlin Projects: Dixie Flats & North Star

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

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.

c) Green Springs

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 Green Springs property. Green Springs is located at the southern end of Nevada's Carlin Trend, 60 km southwest of Ely, Nevada.

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 current period. 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. Total additional consideration to satisfy the Green Springs Option, and complete the acquisition of Green Springs, is as follows:

- USD 50,000 first anniversary (settled in common shares of the Company ("Contact Shares"))(Note 12(c))
- 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 Contact 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.

d) Cobb Creek

Upon closing of the Clover Acquisition, the Company acquired a 49% interest in the Cobb Creek property located in Elko County, Nevada. The Company subsequently acquired the remaining 51% interest, and related historic data, 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 Contact Preferred Shares (Note 6). The third annual payment of USD 30,000 (\$38,964) was made in November 2019.

The remaining Cobb Creek obligation is recorded to the consolidated balance sheets as a current (\$38,192) and non-current amount (\$59,071) as at June 30, 2020 (\$33,376 and \$51,622, respectively as at December 31, 2019). Accretion expense of \$8,091, and a foreign exchange loss of \$12,265 have been recorded within other comprehensive loss (gain) for the six months ended June 30, 2020 (\$9,692 and \$5,032, respectively, for the six months ended June 30, 2019).

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****4. EXPLORATION PROPERTIES (continued)***d) Cobb Creek (continued)*

By an agreement dated September 27, 2019, as amended (the "Cobb Creek Option"), Clover agreed to farm-out 100% of its interest in the Cobb Creek exploration property ("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") (consideration value: \$41,250), a Level 1-type financial asset, (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). An amount of USD 29,569 (\$38,407) was also reimbursable from Fremont for certain claims-related holding costs, the amount of which has been applied against prepaid Claims Maintenance fees (Note 3).

In order 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 consideration to the Company:

- Anniversary 1 (Year 2) USD 30,000; and 750,000 Fremont Shares.
- 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 the amount receivable relating to the reimbursement of the payment to the Cobb Counterparty have been applied against the carrying value of Cobb Creek.

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:

Dry Hills and Rock Horse

During the year ended December 31, 2019, the Company determined to abandon those mineral property 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 (gain).

Exploration and evaluation expenditures incurred by Contact Gold, including ongoing amortization of prepaid Claims Maintenance fees (Note 3), have been expensed in the consolidated statements of loss and comprehensive loss (gain). Details of exploration and evaluation activities, and related expenditures incurred are as follows:

| | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|--|---|-----------------------------------|
| Amortization of Claims Maintenance fees | \$ 285,253 | \$ 329,574 |
| Wages and salaries, including stock-based compensation | 254,367 | 482,446 |
| Geological contractors/consultants & related crew care costs | 103,937 | 257,983 |
| Drilling, assaying & geochemistry | 5,648 | 554,970 |
| Permitting and environmental monitoring | 24,286 | 23,950 |
| Property evaluation and data review | - | 8,524 |
| Expenditures for the period | \$ 673,491 | \$ 1,657,447 |
| Cumulative balance | \$ 12,422,247 | \$ 10,367,521 |

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****4. EXPLORATION PROPERTIES (continued)**

Wages and salaries through June 30, 2020, include stock-based compensation of \$37,053 (six months ended June 30, 2019: \$77,883) (Note 7(d)). An amount of \$5,580 (six months ended June 30, 2019: \$6,243) in amortization expense arising from the use of fixed assets at Pony Creek 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 are as follows:

| | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Pony Creek | \$ 310,662 | \$ 1,442,276 |
| South Carlin Projects | 29,140 | 52,868 |
| Green Springs | 304,882 | - |
| Cobb Creek | 1,394 | 25,543 |
| Portfolio properties | 27,413 | 128,236 |
| Property evaluation and data review | - | 8,524 |
| Expenditures for the period | \$ 673,491 | \$ 1,657,447 |
| Cumulative balance | \$ 12,422,247 | \$ 10,367,521 |

5. PAYABLES AND ACCRUED LIABILITIES

| | As at June 30, 2020 | As at December 31, 2019 |
|---------------------|------------------------|----------------------------|
| Payables | \$ 292,266 | \$ 185,416 |
| Accrued liabilities | 240,642 | 282,642 |
| | \$ 532,908 | \$ 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.

6. REDEEMABLE PREFERRED STOCK

On June 7, 2017, as partial consideration for the Clover Acquisition, the Company issued 11,111,111 Contact 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), maturing five years from the date of issuance (the "Maturity Date"), and carrying a cumulative cash dividend accruing at 7.5% per annum (the "Dividend"), to Waterton Nevada (the Face Value, and the sum of the accrued Dividend amount together being the "Redemption Amount"). The accrued Dividend amount is payable on the earlier of conversion and the Maturity Date, and has priority over any other dividends declared on other classes of the Company's stock.

As a contract to buy non-financial assets (the Contact Properties) that is ultimately settled in either cash or Contact Shares, the Contact Preferred Shares are considered to be comprised of (i) a "host" instrument, and (ii) the value of certain rights, privileges, restrictions and conditions attached to the Contact Preferred Shares (the "Pref Share Rights") each, respectively determined to be an embedded derivative (together, the "Embedded Derivatives"). As a reflection of the potential modification and variability of the cash flows arising from the "host" instrument and the Embedded Derivatives, each are measured separately from each other.

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. Upon issuance, the fair value of the Contact Preferred Shares was determined to be \$14,987,020 (approximately equal to the Face Value), including \$6,846,649 in value attributable to the Embedded Derivatives.

Contact Preferred Shares (host)

The host instrument was initially recorded at fair value of USD 6,033,480 (\$8,140,371) and for disclosure purposes is revalued each period-end using the same approach as described to revalue the Embedded Derivatives. In determining the fair value of the host on the date of issue, it was necessary for the Company to make certain assumptions to derive the effective interest rate used in calculating the Company's credit spread. The estimated fair value of the host instrument at June 30, 2020 is USD 11,058,775 (\$15,070,899). The fair value will differ from the amount recognized in the Interim Financial Statements which is accounted for using the amortized cost basis.

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****6. REDEEMABLE PREFERRED STOCK (continued)**

The carrying value, including the aggregate Dividend amount for the term to the Maturity Date, has been recognized as a financial liability at amortized cost. Recognition of the host at amortized cost is in view of the i) Dividend being at a fixed rate, and ii) mandatory redemption feature of the instrument, both of which are payable in cash on the Maturity Date. Mandatorily redeemable instruments are classified as liabilities pursuant to ASC 480, *Distinguishing Liabilities From Equity*, therefore any dividends or accretion on instruments that have a legal form of equity should generally be presented as interest expense. At June 30, 2020, the cumulative amount of the accrued Dividend reflected in the accretion expense is \$3,475,084 (December 31, 2019: \$2,775,705).

Using the effective interest rate method, at a rate of 18.99%, the Contact Preferred Shares are carried at amortized cost each period end, with an accretion expense recorded to the consolidated statements of loss and comprehensive loss (gain). The host instrument is a Level 3 financial instrument, categorized as "Other financial liabilities".

A summary of changes to the value of the Contact Preferred Shares host instrument, including the impact from change to the foreign exchange rate for each of the periods ended June 30, 2019 and 2020 is set out below:

| | |
|----------------------|----------------------|
| January 1, 2019 | \$ 11,003,919 |
| Accretion | 1,044,073 |
| Foreign exchange | (465,621) |
| June 30, 2019 | \$ 11,582,371 |
| January 1, 2020 | \$ 12,612,107 |
| Accretion | 1,273,541 |
| Foreign exchange | 634,314 |
| June 30, 2020 | \$ 14,519,962 |

Pref Share Embedded Derivatives

The Embedded Derivatives are classified as liabilities, and each are interconnected and relate to similar risk exposures, namely Contact Gold's interest rate risk (as changes in the Company's credit spread change the economic value of the redemption), and 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 are valued together as one compound instrument.

As at June 30, 2020, the Pref Share Rights for which there is separate accounting from the host contract are as follows:

- i. The "*Conversion Option*": Subject to the limitation that Waterton Nevada (and/or its affiliates) cannot own more than 49% of the issued and outstanding Contact Shares following conversion of the Contact Preferred Shares (the "Conversion Cap"), the Contact Preferred Shares are convertible at the holder's election, into Contact Shares at a conversion price of \$1.35 per Contact Preferred Share (the "Conversion Price"). The number of Contact Shares to be issued on conversion is equal to the "Redemption Amount" (defined per share as Face Value of US\$1.00 plus all accrued and unpaid cumulative dividends) at the conversion date, converted to Canadian dollars, and divided by the Conversion Price. Accordingly, because the Face Value and Dividend amount are denominated in USD, and the Conversion Price is denominated in Canadian dollars, the preferred share conversion ratio is modified by changes in the USD-Canadian dollar exchange rate. This changes the number of Contact Shares that the Company would issue to the preferred shareholder(s) upon conversion.
- ii. The "*Early Redemption Option*" (the "EROption"): Contact Gold has the option to redeem the Contact Preferred Shares at any time before the Maturity Date at the Redemption Amount, in USD. Upon receipt of notification of redemption, and subject to the Conversion Cap, the holder can choose to exercise their conversion right for all or any portion of the Contact Preferred Shares.

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****6. REDEEMABLE PREFERRED STOCK (continued)**Pref Share Embedded Derivatives (continued)

- iii. The "*Change of Control Redemption Option*" (the "COCROption"): If a Change of Control (generally including such events as a merger, amalgamation, reorganization or similar transaction that causes a change in control of Contact Gold, or the sale, lease, transfer or other disposition of all or substantially all of Contact Gold's assets), occurs on or prior to the fourth anniversary of the issuance of the Contact Preferred Shares (the "PShare Anniversary"), the holder of the Contact Preferred Shares has the option to require Contact Gold to redeem all or part of the Contact Preferred Shares for the "COC Redemption Amount", unless such change in control transaction is with Waterton Nevada.

The COCROption is calculated as (a) 120% of the Redemption Amount, if there is a Change of Control on or prior to the second PShare Anniversary; or (b) 115% of the Redemption Amount, if there is a Change of Control after the second PShare Anniversary, but on or prior to, the fourth PShare Anniversary. With the passing of the second PShare Anniversary, the inclusion of only the 115% of Redemption Amount calculation remains valid at year end.

The total estimated fair value of the Embedded Derivatives at issuance was USD 5,066,520 (\$6,846,649). This amount was recorded as part of the convertible redeemable preferred stock obligation on the consolidated balance sheet. 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 of 72.78% (48.5% based on an indexed average at inception), (iii) rates from the USDCAD foreign exchange forward curve, and (iv) the USD risk-free rate curve and the CAD risk-free rate curve, at the date of inception, and again at period end. The Company also concluded on probability weightings for the potential exercise and timing thereof of the (i) COCROption, and (ii) EROption, in the calculation. The Company's assessments of such probabilities may change from period to period depending upon facts and circumstances, market conditions and other factors.

There is an inverse correlation of the fair value of the Embedded Derivative and the USD-denominated value of the Contact Shares on the TSXV. The impact of changes in estimates of the probability of the exercise of the COCROption and EROption are generally correlated, however, the calculation of such is also impacted by changes to the different risk-free rate curves, further impacting the fair value of the Embedded Derivative.

There is significant complexity to the interplay and impact of these various inputs and the quantum resultant from these relationships which is further influenced by changes to management's assumptions as to the potential exercise and timing thereof of the COCROption and the EROption. Accordingly, there may be significant volatility to the fair value of the Embedded Derivative from period to period.

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

| | |
|----------------------|-------------------|
| January 1, 2019 | \$ 585,781 |
| Change in fair value | 96,288 |
| June 30, 2019 | \$ 682,069 |
| January 1, 2020 | \$ 634,416 |
| Change in fair value | (449,026) |
| June 30, 2020 | \$ 185,390 |

The amounts of these changes are reflected as the change in fair value of Embedded Derivatives on the consolidated statements of loss and comprehensive loss (gain).

Other Pref Share Rights

In addition to the Embedded Derivatives, the Pref Share Rights include certain additional rights, privileges, restrictions and conditions ("Other Terms") for which there is no accounting impact. The Other Terms include a right of first offer, and a right of first refusal relating to proposed sale, lease or disposal of its interests in the originally acquired Contact Properties, as well as a requirement to obtain Waterton Nevada's prior written consent should the Company propose to dispose of all or substantially all of its assets.

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

6. REDEEMABLE PREFERRED STOCK (continued)

Other Pref Share Rights (continued)

Furthermore, in the event of a liquidation, dissolution or winding-up of Contact Gold or other distribution of the Company's assets among its shareholders for the purpose of winding up its affairs or any steps taken by Contact Gold in furtherance of any of the foregoing, the holders of Contact Preferred Shares shall be entitled to receive from the assets of the Contact Gold in priority to any distribution to the holders of Contact Shares or any other class of stock of Contact Gold, the Liquidation Value (as such term is defined in the articles of incorporation of Contact Gold) per Contact Preferred Share held by them respectively, but such holders of Contact Preferred Shares shall not be entitled to participate any further in the property of Contact Gold.

Costs incurred relating to the issuance of the Contact Preferred Shares are included in the total of Acquisition Costs as the Contact Preferred Shares were issued as partial consideration in exchange for the acquisition of Clover.

Based on the rate of foreign exchange at period end, the number of Contact Shares to be issued would be 11,205,244 if all of the outstanding Contact Preferred Shares had been converted into Contact Shares. Diluted loss per share does not include the effect of such issuance (December 31, 2019: nil), as the Contact Preferred Shares are currently anti-dilutive.

Subsequent to period end the Company and Waterton entered into a binding letter of intent (the "LOI") to redeem all or a portion of the currently outstanding Contact Preferred Shares, coupled with a private placement with Waterton to fund the redemption of the remaining portion of the Contact Preferred Shares), or undertake an amendment to the terms of the Contact Preferred Shares, subject to certain terms and conditions, including most significantly the size of a public offering (the "2020 Public Offering ") as further described at Note 12(a). As a reflection of having agreed to the terms with Waterton Nevada in the LOI the Company reassessed the probability weightings ascribed to the COCROption and the EROption, with such changes reflected in the Interim Financial Statements.

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 US\$0.001, voting and participating; and
- (ii) up to 15,000,000 Class A non-voting Contact Preferred Shares (Note 6).

b) Issued and outstanding common shares

Changes in issued common share capital during the period subsequent to June 30, 2020:

- (i) *2020 Public Offering:* The Company announced a public offering of units of the Company ("Prospectus Units") at a price of \$0.20 per Unit for aggregate gross proceeds of up to \$15,000,000 (the "2020 Public Offering"). Each Prospectus Unit will consist 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 C\$0.27 for a period of 24 months following the closing date of the 2020 Public Offering.

A total of \$25,000 in deferred share issue costs relating to the 2020 Public Offering are included on the consolidated balance sheet as at June 30, 2020. See Note 12(a).

Changes in issued common share capital during the six months ended June 30, 2020:

- (ii) *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 "Units" at a price of \$0.10 per Unit (the "2020 Private Placement"), each such 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 \$84,116 in related share issue costs have been recorded to equity.

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)***b) Issued and outstanding common shares (continued)*

Changes in issued common share capital during the six months ended June 30, 2020 (continued)

(ii) 2020 Private Placement (continued):

The fair value of each PP Warrant issued was determined using the Black Scholes valuation model; the significant inputs into the model were share price of \$0.10, exercise price of \$0.15, volatility of 9.7%, determined on the Company's historical data over an expected life of 2 years, and an annual risk-free interest rate of 0.33%, resulting in a fair value of \$0.01 per PP Warrant.

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 | - | - |
| Granted | 12,500,000 | 0.15 |
| Outstanding as at June 30, 2020 | 12,500,000 | 0.15 |

The remaining contractual life of warrants outstanding as at June 30, 2020 is 1.83 years.

On August 17, 2020, pursuant to an exercise of PP Warrants, the Company issued 140,000 Contact Shares.

Changes in issued common share capital during the six months ended June 30, 2019:

- (i) 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 Placement Price") for proceeds of \$2,850,001. Each Contact Share was accompanied by one right (a "Private Placement 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:
- 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");
 - a Change of Control of Contact Gold; or
 - 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 Placement Price (the "Placement Price"), determined as follows:

- if the offering price of common stock sold in a Qualified Offering was greater than the Initial Placement Price, the number of additional Contact Shares would be that which provides a 5% discount to that Initial Placement Price; or
- if the offering price of Contact Shares sold in a Qualified Offering was equal to or less than the Initial Placement Price, the number of additional Contact Shares would be that which provides a 10% discount to that Qualified Offering Price; or
- 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 Placement Price; or
- 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.

The Company accounted for the Private Placement 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 Private Placement Rights were not separable legally or practically from each other, they were treated as one instrument.

The initial recognition of the Private Placement 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 Private Placement Rights and the Contact Shares. The Private Placement 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.

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Issued and outstanding common shares (continued)

(i) 2019 Private Placement (continued):

The total estimated fair value of the Private Placement 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 Private Placement 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. Through June 30, 2019, an amount of \$3,815 was recognized as the change in fair value of the Private Placement Rights.

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. All securities offered pursuant to the 2019 Private Placement are restricted securities under Rule 144 under the Securities Act

On May 22, 2019, pursuant to having closed a prospectus offering of 20,000,000 Contact Shares (the "2019 Prospectus Offering") at an issue price lower than the Placement Price, the 2019 Private Placement "Qualified Offering" criterion was met, and an additional 2,047,398 Contact Shares were issued on conversion of the Private Placement Rights. All securities offered pursuant to the conversion of the Private Placement Rights are restricted securities under Rule 144 under the Securities Act. Upon conversion of the Private Placement 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 (gain) for the \$39,248 change in fair value through to the date of conversion.

c) Escrowed Contact Shares and other restrictions and obligations

As at June 30, 2020, there were no remaining Contact Shares held in escrow and restricted from trading, pursuant to the rules of the TSXV (December 31, 2019: 3,511,538).

In addition to having a right to receive regular updates of technical information about Contact Gold, two shareholders hold a right to maintain its pro rata ownership percentage of Contact Gold during future financings.

d) 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, Restricted Share Units ("RSUs"), and Deferred Share Units ("DSUs"), all in compliance with the TSXV's policy for granting such awards.

Stock-based compensation expense for the six months ended June 30, 2020, was \$153,049 (six months ended June 30, 2019: \$457,344). An additional amount of stock-based compensation expense of \$37,053 was recognized in exploration and evaluation expenditures for the six months ended June 30, 2020 (six months ended June 30, 2019: \$77,883) (Note 4). An expense of \$88,750 was charged to wages and salaries relating to the award of DSUs during the six months ended June 30, 2020 (six months ended June 30, 2019: \$nil).

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)***d) Equity remuneration (continued)**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 have a five-year expiry from the date of grant. Vesting of Options is determined by the Board at the time of grant.

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 January 1, 2019 | 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 | 2,125,000 | 0.19 |
| Forfeit | (100,000) | 0.415 |
| Outstanding as at June 30, 2020 | 8,420,000 | 0.33 |

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 |

As at June 30, 2020, 3,639,999 Options have vested (December 31, 2019: 1,691,666).

On June 10, 2020, 100,000 Options previously awarded to consultants to the Company were forfeited further to the termination of the respective services agreements. This resulted in the reversal of an amount of \$21,245 which had previously been expensed (six-month period ended June 30, 2019: 80,000 Options forfeit; reversal of \$10,067).

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 Contact 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 six months ended June 30, 2020, determined using Black-Scholes was \$0.19 (weighted average fair value to date: \$0.33) per Option. The remaining average contractual life of Options outstanding is 3.38 years. For the purposes of estimating the fair value of Options awarded in January 2020, using the Black-Scholes model, certain assumptions are made such as the expected dividend yield (0%), risk-free interest rates (range between 1.57% 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 30%-70% were used, reflecting those of a group of similar publicly-listed companies in determining an expectation of volatility of the market price of the Company's shares. A 0% forfeiture rate was applied to the Option expense.

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)****7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)***d) Equity remuneration (continued)**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 January 1, 2019 | |
| Granted | 402,263 |
| Exercised | - |
| Outstanding as at December 31, 2019 | |
| Granted | 541,215 |
| Exercised | - |
| Outstanding as at June 30, 2020 | |
| | 943,478 |

During the six months ended June 30, 2020, an amount of \$88,750 was recognized to the value of contributed surplus relating to the award of these DSUs (six months ended June 30, 2019: \$nil).

DSUs were also awarded subsequent to period end (Note 12(d)).

iii) Restricted Share Units

The Company awarded 239,220 RSUs to certain employees and officers of the Company on January 16, 2020. The RSUs vest in third over a period of three years. The RSUs have an aggregate fair value of \$45,450, and each has an expiry date of December 31, 2023. During the six months ended June 30, 2020, a total of \$4,721 was recognized in stock-based compensation, and \$2,222 is included in exploration and evaluation.

iv) Restricted Shares

Restricted Shares granted under the Incentive Plan were issued from treasury with vesting conditions determined by the Board. With reference to the price at which the Company issued Contact Shares in a financing at approximately the same time as the Restricted Shares were awarded, the Restricted Shares were deemed to have a fair value of \$1.00 per Restricted Share on the date of grant.

Vesting of the Restricted Shares is summarised below:

| | Number of Restricted Shares |
|--|--------------------------------|
| Outstanding as at January 1, 2019 | |
| Granted | 66,667 |
| Vested | - |
| Outstanding as at June 30, 2019 | |
| | 33,334 |
| Outstanding as at January 1, 2020 | |
| Granted | 33,334 |
| Vested | - |
| Outstanding as at June 30, 2020 | |
| | 33,334 |

The fair value of the Restricted Shares is charged to contributed surplus and is expensed to the consolidated statements of loss and comprehensive loss (gain) over the vesting period. There has been no impact to cash flows from the Restricted Shares.

e) Gain or loss per share

Loss per share is determined with reference to the loss attributable to common shareholders of \$3,394,056 for the period ended June 30, 2020 (six months ended June 30, 2019: \$5,442,019), adjusted for the value of the Contact Preferred Share dividends payable for the six months ended June 30, 2020 of \$699,379 (2019: \$467,862), and the weighted average number of Contact Shares outstanding of 87,150,544 as at period end (2019: 61,211,506). Diluted gain or loss per share did not include the effect of 8,420,000 Options (December 31, 2019: 6,395,000) as they are anti-dilutive.

CONTACT GOLD CORP.**Notes to the Condensed Interim Consolidated Financial Statements****Three and six months ended June 30, 2020 and 2019****(Expressed in Canadian dollars, unless otherwise noted - unaudited)**

8. RELATED PARTIES

Contact Gold's related parties include: (i) its subsidiaries; (ii) Waterton Nevada as a reflection of its approximate 32.33% ownership interest in the Company at June 30, 2020, its preferred shareholding and the right Waterton Nevada holds to put forward two nominees to the Board; and (iii) Cairn Merchant Partners LP ("Cairn"), an entity in which Andrew Farncomb, a director and officer of the Company.

Waterton Nevada holds a right of first offer, a right of first refusal, and other rights over the Contact Properties then acquired. Subsequent to period end the Company and Waterton entered into the LOI whereby all or a portion of the currently outstanding Contact Preferred Shares would be redeemed, coupled with a private placement with Waterton to fund the redemption of the remaining portion of the Contact Preferred Shares), or undertake an amendment to the terms of the Contact Preferred Shares, subject to certain terms and conditions, including most significantly the size of the 2020 Public Offering as further described at Notes 12(a) and 12(b).

During the year ended December 31, 2019, in satisfaction of an obligation under the Securities Exchange Agreement, 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.

Waterton Nevada purchased 3,603,020 Contact Shares in the 2019 Private Placement. An additional 750,629 Contact Shares were issued to Waterton Nevada pursuant to the conversion of the Private Placement Rights on May 22, 2019.

Options and DSUs have previously 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.

An amount of \$30,000 (six months ended June 30, 2019: \$30,000) was invoiced by Cairn for employee service; \$15,000 is payable at June 30, 2020 (December 31, 2019: \$60,000). 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.

9. 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 4) 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:

| | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---------------|-----------------------------------|-----------------------------------|
| Canada | \$ 2,593,112 | \$ 2,419,628 |
| United States | 800,944 | 3,022,391 |
| | \$ 3,394,056 | \$ 5,442,019 |

Significant non-cash items, including accretion expense on the Contact Preferred Shares of \$1,273,541 for the six months ended June 30, 2020 (comparative period of 2019: \$1,044,073) is reflected in the net loss attributable to Canada. The net loss attributable to Canada for the six months ended June 30, 2020 also includes a non-cash gain on the Embedded Derivatives of \$449,026 (comparative period of 2019: loss of \$96,288), and a non-cash foreign exchange loss of \$631,055 (comparative period of 2019: gain of \$462,089).

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

10. SUPPLEMENTAL CASH FLOW INFORMATION

Subsequent to period end 362,941 Contact Shares were issued pursuant to the Green Springs Option (Note 12(c)).

11. 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, preferred shares and a deficit incurred through operations.

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.

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. The Company believes that this approach is reasonable given its relative size and stage. There were no changes in the Company's approach to capital management during the six months ended June 30, 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, the Cobb Creek obligation, and the Contact Preferred Shares and related Embedded Derivatives. It is management's opinion that with the exception of the Contact Preferred Shares and the Embedded Derivatives: (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 Interim Financial Statements.

The Contact Preferred Shares and the Embedded Derivatives are 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 CAD/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, with exception of the Contact Preferred Shares and Cobb Creek obligation, 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. Although non-current, the Company has exposure to significant obligations relating to the terms and various covenants in and to the Contact Preferred Shares.

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.

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

11. MANAGEMENT OF CAPITAL AND FINANCIAL RISKS (continued)

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 and (in comparative periods) the Bonding Deposit, are with the Canadian and United States government, respectively. As at June 30, 2020, the balance of cash and cash equivalents held on deposit was \$611,467 (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 Contact Preferred Shares (Notes 6 and 12(b)), and other non-current liabilities (Note 4(d)), 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 \$980 increase or decrease respectively, in the Company's cash balance at June 30, 2020. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

12. SUBSEQUENT EVENTS

a) 2020 Public Offering

On August 6, 2020, pursuant to (i) a prospectus supplement (the "Prospectus Supplement") to a short form base prospectus (the "Shelf Prospectus") filed in October 2018 with the securities regulatory authorities in each of the provinces and territories of Canada, except Québec, and (ii) an offering statement filed on Form 1-A, which includes an offering circular (the "2020 Offering Statement"), pursuant to Regulation A under the Securities Act, filed with the SEC, the Company announced its intention to offer for sale Units of the Company.

On August 10, 2020, the Company announced pricing and terms, proposing to raise in aggregate up to \$15,000,000. Pursuant to the 2020 Public Offering, each Prospectus Unit will consist of one Contact Share (a "Unit 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 for a period of 24 months following the closing date of the 2020 Public Offering (the "Closing Date"). The Company has granted the underwriter of the 2020 Public Offering an option (the "Over-Allotment Option"), exercisable in whole or in part, in the sole discretion of the underwriters, for a period of 30 days from and including the Closing Date, to purchase additional Prospectus Units, additional Contact Shares and/or additional Prospectus Warrants, in an aggregate amount not to exceed 15% of the Prospectus Units, Contact Shares or Prospectus Warrants sold pursuant to the 2020 Public Offering, on the same terms and at the same price as the Prospectus Units, Contact Shares and Prospectus Warrants sold under the 2020 Public Offering, to cover over-allotments, if any, and for market stabilization purposes.

CONTACT GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise noted - unaudited)

12. SUBSEQUENT EVENTS (continued)

a) 2020 Public Offering (continued)

The Underwriters and other broker-dealers will receive compensation for sales of the securities pursuant to the 2020 Public Offering at a fixed commission rate consisting of: (i) a cash fee of 6% of the gross proceeds (the "Cash Fee") and (ii) compensation warrants ("Broker Warrants"), exercisable at a price of \$0.27 for a period of 24 months from the Closing Date to acquire the number of Contact Shares ("Broker Warrant Shares") equal to 6% of the Prospectus Units sold during the Offering (including with respect of any exercise of the Over-Allotment Option, except in respect of sales to certain purchasers, including certain current shareholders of Contact Gold mutually agreed to between Contact Gold and the underwriters (the "President's List") where 50% of the Cash Fee will be paid and 50% of the Broker Warrants will be issued in respect of any Prospectus Units sold to purchasers on the President's List.

The 2020 Public Offering is subject to regulatory approval and customary closing conditions. There can be no assurance that the 2020 Public Offering will be completed as proposed or at all.

b) On August 6, 2020, the Company and Waterton Nevada executed the LOI whereunder it was agreed that the Company would redeem all or a portion of the currently outstanding Contact Preferred Shares pursuant to, and conditional upon, in particular the total aggregate amount of gross proceeds raised pursuant to the 2020 Public Offering.

Specifically, the LOI outlines the following:

- if a minimum of \$10,000,000 is raised in the 2020 Public Offering:
 - a) Contact Gold will use a minimum of \$5,000,000 of the proceeds to redeem a portion of the Contact Preferred Shares at the Redemption Amount (the "Cash Payment");
 - b) Waterton Nevada will purchase Contact Shares at \$0.195 per share (the estimated offering price of a Unit Share) in an aggregate amount equal to the remaining balance of the Redemption Amount after the Cash Payment (the "Redemption Placement"); and
 - c) Contact Gold will use the proceeds of the Redemption Placement to redeem all of the remaining issued and outstanding Contact Preferred Shares.
- If less than \$10,000,000 is raised in this 2020 Public Offering, Contact Gold has agreed to use commercially reasonable efforts to obtain all approvals (the "Approvals") and to effect an amendment to its Articles of Incorporation to amend the terms of the remaining Contact Preferred Shares (the "Article Amendments").
- If more than \$3,000,000 and less than \$10,000,000 is raised in the 2020 Prospectus Offering and Contact Gold fails to obtain the Approvals and effect the Article Amendments, Contact Gold has agreed to use 50% of the proceeds of the 2020 Prospectus Offering in excess of \$3,000,000 to redeem a portion of the Contact Preferred Shares.

c) Contact Shares issued pursuant to Green Springs Option

In satisfaction of the first anniversary payment obligation under the Green Springs Option the Company issued 362,941 Contact Shares on July 23, 2020. The Contact Shares issued were valued at USD\$50,000 (\$66,963).

d) Award of DSUs

On July 15, 2020, the Company awarded 207,446 DSUs to members of the Board 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.