

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ PLEASE SEE ATTACHED.


18 Can any resulting loss be recognized? ▶ PLEASE SEE ATTACHED.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ PLEASE SEE ATTACHED.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶  Date ▶ _____

Print your name ▶ **JOHN WENGER** Title ▶ **CHIEF FINANCIAL OFFICER**

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	SUSAN MCKILLIGAN		11/13/2020		P01491547
	Firm's name ▶ PRICEWATERHOUSECOOPERS LLP	Firm's EIN ▶ 98-0189320		Phone no. 604-806-7000	
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Q14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action

On September 29, 2020, pursuant to contractual terms, including those listed in the Contact Gold Corp. (the "Corporation") Articles of Incorporation, the Company redeemed and retired all of its issued and outstanding preferred stock (the "Redemption," of the "Preferred Stock") owned by Waterton Nevada Splitter, LLC ("Waterton") in the following steps:

- i) The Corporation made a cash payment of CA\$5,000,000 to redeem a portion of the Preferred Stock;
- ii) Waterton purchased a total of 69,412,978 common shares of the Corporation pursuant to a private placement at a price per common share of CA\$0.195 (the "Placement"); and
- iii) The Corporation used the CA\$13,535,531 proceeds from the Placement to redeem all the remaining issued and outstanding Preferred Stock.

Immediately before the Redemption, Waterton held 11,111,111 Preferred Stocks. Pursuant to the Articles of Incorporation of the Corporation, each share of Preferred Stock had a redemption amount equal to the sum of its face value (US\$1.00 per share, or CA\$1.3378 on the date of the Redemption) plus any unpaid cumulative dividends as of the redemption date (US\$0.247 per share, or CA\$0.33 on the date of the Redemption); the total redemption amount is US\$13,855,233, or CA\$18,535,531.

Q15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis

The Redemption may be treated as a sale or exchange within the meaning of §302(b) of the Internal Revenue Code of 1986, as amended (the "Code") if the Redemption:

1. is not essentially equivalent to a dividend;
2. is a substantially disproportionate redemption of stock with respect to the shareholder; or
3. is a complete redemption of all of the stock of the corporation owned by the shareholder.

Alternatively, the Placement combined with the Redemption may also be treated as a recapitalization in exchange for common stock and CA\$5,000,000. Any gain or loss realized by Waterton on the Redemption is not recognized to the extent of the value of the Corporation's common stock; however, it gains are taxable to the extent of the cash received.

Waterton is advised to consult their own tax advisors to determine the appropriate tax treatment of the Redemption to them.

Q16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates

Shareholders may recognize a gain or loss on the Redemption. Waterton must determine its adjusted tax basis to calculate whether there is a recognized gain or loss. Waterton should consult with their qualified tax advisor to determine their specific tax consequences of the Redemption.

Q17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based

The applicable Internal Revenue Code Sections include §301, §302(b), §316, §354, §356, §358, §368(a)(1) and §1001.

Q18 Can any resulting loss be recognized?

The Redemption may result in recognizable loss if the tax basis exceeds the net proceeds of redemption received by Waterton on the Redemption.

Q19 Provide any other information necessary to implement the adjustment, such as the reportable tax year

The Redemption is detailed in an offering statement on Form 1-A, which includes an offering circular filed with the US S.E.C. pursuant to Regulation A under the United States' Securities Act of 1933, as amended.

Link to the circular: <http://www.contactgold.com/resources/pdf/Contact-Gold-Form-1-A-Rule-253-Offering-Circular.pdf>