



**Contact Gold Corp.**  
**(formerly Winwell Ventures Inc.)**  
An exploration stage company

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three and six months ended June 30, 2018

*Unaudited*

*(Expressed in Canadian dollars)*

**Contact Gold Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**

Unaudited

(Expressed in Canadian dollars, except per share amounts)

As at

	June 30, 2018	December 31, 2017
	\$	\$
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	3,725,964	6,176,258
Receivables and prepaids (Note 5)	373,198	586,976
Total current assets	<u>4,099,162</u>	<u>6,763,234</u>
<i>Non-current assets</i>		
Deposit (Note 5)	197,520	188,545
Fixed assets	34,243	-
Exploration properties and deferred acquisition costs (Note 6)	40,450,286	38,472,499
Total non-current assets	<u>40,682,049</u>	<u>38,661,044</u>
<b>Total assets</b>	<u>44,781,211</u>	<u>45,424,278</u>
<b>Liabilities and shareholders' equity</b>		
<i>Current liabilities</i>		
Payables and accrued liabilities (Notes 7 and 10)	527,369	491,960
Other current liabilities (Note 6(d))	36,903	32,252
Total current liabilities	<u>564,272</u>	<u>524,212</u>
<i>Non-current liabilities</i>		
Convertible preferred shares (Note 8)	10,078,111	9,466,747
Other non-current liabilities (Note 6(d))	97,358	85,089
Total non-current liabilities	<u>10,175,469</u>	<u>9,551,836</u>
<b>Total liabilities</b>	<u>10,739,741</u>	<u>10,076,048</u>
<i>Shareholders' Equity</i>		
Share capital (Note 9)	41,113,059	41,000,559
Contributed surplus (Note 9(d))	1,407,822	650,284
Accumulated other comprehensive loss	(889,547)	(2,790,375)
Accumulated deficit	(7,589,864)	(3,512,238)
Total shareholders' equity	<u>34,041,470</u>	<u>35,348,230</u>
<b>Total liabilities and shareholders' equity</b>	<u>44,781,211</u>	<u>45,424,278</u>

Basis of presentation and going concern (Note 2)

*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.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

Unaudited  
(Expressed in Canadian dollars, except share amounts)

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
	\$	\$	\$	\$
Operating expenses:				
Listing Expense	-	2,200,747	-	2,200,747
Exploration and evaluation expenditures (Note 6)	1,349,598	74,077	1,958,461	74,077
Accretion of Preferred Share obligation (Note 8)	449,558	97,038	878,741	97,038
Stock based compensation (Note 9(d))	381,534	43,192	667,269	43,192
Wages and salaries	220,781	80,107	412,935	80,107
Administrative, office and general	117,351	34,867	234,690	54,054
Investor relations, promotion and advertising	108,364	10,945	202,384	54,900
Write down of exploration properties (Note 6(e))	84,286	-	84,286	-
Foreign exchange (gain) loss	67,996	(332,670)	108,337	(332,670)
Professional, legal & advisory fees	95,010	48,249	123,882	449,596
Accretion of Cobb Creek obligation (Note 6(d))	5,470	-	10,765	-
Interest and other income	(7,354)	(17,474)	(11,436)	(17,474)
Gain relating to change in fair value of embedded derivatives (Note 8)	(28,083)	(1,866,120)	(592,688)	(1,866,120)
Loss before income taxes	2,844,511	372,958	4,077,626	837,447
Income taxes	-	-	-	-
Net loss for the period	2,844,511	372,958	4,077,626	837,447
Other comprehensive income / loss				
Exchange difference on translation of foreign operations	811,019	(1,568,878)	1,900,828	(1,568,878)
Comprehensive loss for the period	2,033,492	1,941,836	2,176,798	2,406,325
Loss per Contact Share (Note 9(d))				
Basic and diluted loss per share	\$ 0.06	\$ 0.01	\$ 0.08	\$ 0.04
Weighted average number of Contact Shares (basic and diluted)	50,596,986	33,545,000	50,547,262	20,689,722

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

**Contact Gold Corp.****Condensed Interim Consolidated Statement of Shareholders' Equity**

Unaudited

(Expressed in Canadian dollars, except share amounts)

	Common Shares					
	Shares (Notes 4 and 9(b))	Amount	Contributed Surplus (Note 9(c))	Accumulated other comprehensive loss (income)	Accumulated Deficit	Total Shareholders' Equity
	#	\$			\$	\$
Balance as at December 31, 2016	2,769,486	250	-	-	(274,048)	(273,798)
Shares issued pursuant to private placements	23,815,000	21,157,500	-	-	-	21,157,500
Equity attributable to RTO	5,000,000	2,769,486	-	-	-	2,769,486
Shares issued pursuant to acquisition of Clover	18,550,000	18,550,000	-	-	-	18,550,000
Stock-based compensation	-	-	47,419	-	-	47,419
Restricted shares	100,000	-	1,389	-	-	1,389
Share issue costs	-	(1,561,052)	-	-	-	(1,561,052)
Cumulative translation adjustment	-	-	-	(1,568,878)	-	(1,568,878)
Loss for the period	-	-	-	-	(837,447)	(837,447)
Balance as at June 30, 2017	50,234,486	40,916,184	48,808	(1,568,878)	(1,111,495)	38,284,619
Balance as at December 31, 2017	50,346,986	41,000,559	650,284	(2,790,375)	(3,512,238)	35,348,230
Shares issued pursuant to acquisition of East Bailey property (Note 6(a))	250,000	112,500	-	-	-	112,500
Stock-based compensation (Note 9(c))	-	-	757,538	-	-	757,538
Cumulative translation adjustment	-	-	-	1,900,828	-	1,900,828
Loss for the period	-	-	-	-	(4,077,626)	(4,077,626)
Balance as at June 30, 2018	50,596,986	41,113,059	1,407,822	(889,547)	(7,589,864)	34,041,470

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

**Contact Gold Corp.**  
**Condensed Interim Consolidated Statement of Cash Flows**

Unaudited  
(Expressed in Canadian dollars)

	For the period of six months ended June 30, 2018	For the period of six months ended June 30, 2017
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(4,077,626)	(837,447)
Adjusted for:		
Movements in working capital:		
Receivables	(25,289)	(86,813)
Prepays (Note 5)	239,067	(51,373)
Payables and accrued liabilities (Note 7)	35,409	44,421
Gain relating to change in fair value of embedded derivatives (Note 8)	(592,688)	(1,866,120)
Accretion of Contact Preferred Shares-host (Note 8)	878,741	97,038
Foreign exchange relating to Contact Preferred Shares (Note 8)	325,311	(310,724)
Stock based compensation (Note 9(c))	757,538	48,808
Write down of exploration properties (Note 6(e))	84,286	-
Accretion of Cobb Creek obligation (Note 6(d))	10,765	-
Other income	4,125	-
Amortization (Note 6)	2,739	-
Interest income on cash and cash equivalents	7,311	-
Foreign exchange	(216,974)	(18,925)
Listing expense (Note 1)	-	2,200,747
Net cash used in operating activities	<u>(2,567,286)</u>	<u>(780,389)</u>
<b>Cash flows from investing activities</b>		
Acquisition of Clover	-	(6,800,000)
Purchase of Equipment	(36,982)	-
Transaction costs relating to acquisition of East Bailey property (Note 6(a))	(33,254)	(461,500)
Cash received from RTO (Note 1)	-	361,658
Cash deposits for bonding and exploration activities (Note 4)	-	(64,885)
Change in working capital attributable to deferred acquisition costs	-	(3,020)
Net cash used by investing activities	<u>(70,236)</u>	<u>(6,967,747)</u>
<b>Cash flows from financing activities</b>		
Cash received from issuances of Contact Shares (Note 9)	-	21,157,500
Share issue costs paid	-	(1,561,052)
Net cash generated by financing activities	<u>-</u>	<u>19,596,448</u>
Effects of exchange rates changes on the balance of cash held in foreign currencies	187,228	(36,151)
Net increase (decrease) in cash	(2,450,294)	11,812,161
Cash at beginning of period	<u>6,176,258</u>	<u>250</u>
Cash end of the period	<u>3,725,964</u>	<u>11,812,411</u>
Supplemental cash flow information (Note 12)		

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

## 1. NATURE OF BUSINESS

Contact Gold Corp. (the "Company", or "Contact Gold") (formerly Winwell Ventures Inc., "Winwell"), was incorporated under the Yukon Business Corporations Act on May 26, 2000, and was continued under the *Business Corporations Act (British Columbia)* (the "Act") on June 14, 2006.

Winwell was renamed Contact Gold and continued under the laws of the State of Nevada when the Transactions described at Note 4 closed on June 7, 2017. The Company began trading on the TSX Venture Exchange ("TSXV") under the symbol "C" on June 15, 2017.

The Company is an exploration stage business 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.

## 2. BASIS OF PRESENTATION AND GOING CONCERN

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 (the "Interim Financial Statements") have been prepared in accordance with IAS 34, *Interim financial reporting*.

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017 ("Annual Financial Statements"), which were prepared in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Except as described in Note 3, the Company uses the same accounting policies and methods of computation as in the Annual Financial Statements.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

The Company has not generated significant revenues or cash flows from operations. 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. The Company's ability to continue on a going concern basis 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. These Interim Financial Statements 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.

The Board of Directors of the Company (the "Board") authorised the Interim Financial Statements on August 21, 2018.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following revised standards were adopted January 1, 2018:

### *Amendments to Share-based Payments* ("IFRS 2")

In June 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled.

There was no consequential impact upon adoption.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*IFRS 9, Financial Instruments* ("IFRS 9")

IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a single, forward-looking "expected loss" impairment model.

As required by IAS 34, the nature and effect of these changes are disclosed below, which effectively restates previous period financial statements.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. There was no measurement or accounting impact upon adoption of IFRS 9 to any of the Company's financial liabilities.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets on transition date.

As there was no measurement or accounting impact upon adoption of IFRS 9 to any of the Company's accounts, the Company is not restating prior periods. Accordingly, there is also no impact on the statement of cash flows, nor any to basic and diluted EPS.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (IAS 39)	New classification (IFRS 9)
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts and other receivables	Amortized cost	Amortized cost
Bonding deposit	Amortized cost	Amortized cost
Payables and accrued liabilities	Amortized cost	Amortized cost
Other liabilities & Cobb Creek obligation	Amortized cost	Amortized cost
Convertible preferred share – "host" instrument	Amortized cost	Amortized cost
Convertible preferred share – Embedded Derivatives	FVTPL	FVTPL

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *IFRS 9, Financial Instruments ("IFRS 9") (continued)*

##### (b) Measurement

###### Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income.

###### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

###### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive (loss) income.

The Embedded Derivatives are classified as FVTPL and owing to the requirement that they be fair valued each period, there is no separate recognition of the Company's credit risk.

##### (c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

##### (d) Derecognition

###### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss) income.

###### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net (loss) income.

#### *Other new standards, interpretations and amendments adopted by the Company*

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Interim Financial Statements.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



#### **4. ARRANGEMENT AGREEMENT AND ACQUISITION OF CLOVER NEVADA II LLC**

On June 7, 2017 the Company closed a series of transactions including a reverse acquisition (an "RTO") of a non-operating company and the acquisition of a 100% interest in Clover Nevada II LLC, an entity holding mineral property interests in the State of Nevada.

##### Reverse Take-Over

The Company entered into an arrangement agreement dated December 8, 2016, as amended on January 31, 2017 (the "Arrangement Agreement"), with Carlin Opportunities Inc. ("Carlin"), a private British Columbia company, whereby, subject to the terms and conditions of the Arrangement Agreement, the following transactions occurred on June 7, 2017, pursuant to a court approved statutory plan of arrangement (the "Arrangement"):

1. a share consolidation (the "Consolidation") on the basis of one (1) new common share in the capital of Winwell (the "New Winwell Shares") for every eight (8) existing common shares of Winwell;
2. the conversion of 23,815,000 previously issued subscription receipts of Carlin (the "Subscription Receipts") into common shares of Carlin (the "Carlin Shares");
3. the acquisition by Winwell of 28,815,000 Carlin Shares (being all the then issued and outstanding Carlin Shares) (the "Acquisition") in exchange for the issuance of New Winwell Shares to shareholders of Carlin (the "Carlin Shareholders") on a one share for one share basis (the "Share Exchange"); and
4. the authorization for Winwell to continue into the State of Nevada and change its name to "Contact Gold Corp."

Following the name change and completion of the continuance of Winwell to the State of Nevada, holders of New Winwell Shares (which included the former holders of Carlin Shares) became holders of common shares of the Company ("Contact Shares").

Pursuant to the Acquisition, 91.2% of the Contact Shares were issued to the Carlin Shareholders, yielding them control of the Company. In accordance with applicable accounting guidance, the substance of the Acquisition was an RTO. As a non-operating company without any business processes, activities or assets, however, the transaction did not constitute a business combination in accordance with IFRS 3, *Business Combinations* ("IFRS 3"). As a result, the Acquisition was accounted for as a share-based payment transaction, with Carlin identified as the accounting acquirer, and the transaction being measured at the fair value of the equity consideration deemed to have been issued to the shareholders of Winwell by Carlin (2,769,486 Contact Shares). The difference between the fair value of the consideration paid, and the net of Winwell's assets acquired and liabilities assumed, was recognized as a non-cash "listing expense" in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2017.

##### Asset Acquisition

Winwell and Carlin, together with Waterton Nevada Splitter, LLC ("Waterton Nevada"), and Clover Nevada II LLC ("Clover") also entered into a securities exchange agreement dated December 8, 2016, as amended on January 31, 2017 (the "Securities Exchange Agreement"), pursuant to which Contact Gold, immediately following the completion of the Arrangement, acquired 100% of the membership interests of Clover, the entity holding a portfolio of 2,762 unpatented mining claims distributed over 13 exploration-stage gold properties covering 230 km<sup>2</sup> (after having adjusted for senior claims, private mineral rights and more accurately measured claims boundaries), located on Nevada's Carlin, Independence and Northern Nevada Rift gold trends (the "Contact Gold Properties")(Note 6), in exchange for:

- i) 18,550,000 Contact Shares (Note 9);
- ii) 11,111,111 non-voting preferred shares of Contact Gold ("Contact Preferred Shares") (Note 8); and
- iii) a cash payment of \$7,000,000 (the "Cash Payment")

(the "Asset Acquisition", and together with the Arrangement, the "Transactions").

The Asset Acquisition did not meet the definition of a business combination as (i) the Contact Gold Properties are at the exploration stage with no defined mineral reserves, and (ii) neither Contact nor Clover contain any business processes, thus not meeting the definition of a business. Consequently, the transaction was not characterized as a business combination, and was accounted for as an acquisition of an asset.

The total of consideration paid (\$40,537,020) and transaction costs ("Acquisition Costs") incurred (\$586,073) was allocated to the assets acquired, including the Contact Gold Properties (Note 6) and prepaid Claims Maintenance fees (Note 5) based on relative fair values.

**CONTACT GOLD CORP.** (formerly Winwell Ventures Inc.)  
**Notes to the Condensed Interim Consolidated Financial Statements**  
Three and six months ended June 30, 2018  
(Expressed in Canadian dollars, unless otherwise noted - unaudited)

**5. RECEIVABLES, PREPAIDS AND DEPOSITS**

	As at 30-Jun-18	As at 31-Dec-17
Receivables and sales taxes recoverable	\$ 60,023	\$ 34,734
Prepaid expenses	313,175	552,242
	<b>\$ 373,198</b>	<b>\$ 586,976</b>

Prepaid expenses include \$129,835 (December 31, 2017: \$445,003) relating to 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"). 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 twelve-month period of their respective anniversaries. Included in the balance reported as at December 31, 2017, is \$441,239 of acquired prepaid Claims Maintenance fees pursuant to the Asset Acquisition.

The Company also has non-current deposits of \$197,520 (December 31, 2017: \$188,545) made primarily in connection with securing exploration and disturbance bonding in the State of Nevada.

**6. EXPLORATION PROPERTIES AND DEFERRED ACQUISITION COSTS**

Pursuant to the Asset 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 was the sole member (Note 4). Clover is the legal entity that holds the mineral property rights and interests that comprise the Contact Gold Properties, located on Nevada's Carlin, Independence, and Northern Nevada Rift gold trends.

The total of consideration paid (Note 4), and Acquisition Costs incurred, to acquire Clover in June 2017 was allocated to the Contact Gold Properties and prepaid Claims Maintenance fees acquired based on relative fair values. Pursuant to an assessment of the fair values of the respective properties acquired, this total purchase consideration was attributed to the respective Contact Gold Properties.

The Company has subsequently acquired additional mineral property claims contiguous to the original tenure ("Additions"). At June 30, 2018, the Contact Gold Properties encompass approximately 265 km<sup>2</sup> of target-rich mineral tenure and hosts numerous known gold occurrences in Carlin-type gold systems, ranging from early to advanced exploration and resource definition stage.

	Pony Creek (a)	Dixie Flats (b)	North Star (c)	Cobb Creek (d)	Portfolio properties	<b>Total</b>
January 1, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset Acquisition	27,335,389	3,479,125	620,278	125,619	9,412,957	<b>40,973,369</b>
Additions/ (Write downs)	141,308	64,729	-	156,040	-	<b>362,077</b>
Foreign Exchange	(1,914,509)	(242,475)	(43,230)	(8,680)	(654,053)	<b>(2,862,947)</b>
<b>December 31, 2017</b>	<b>25,562,188</b>	<b>3,301,379</b>	<b>577,048</b>	<b>272,979</b>	<b>8,758,904</b>	<b>38,472,499</b>
Additions (Write downs)	151,482	-	-	-	(84,286)	<b>67,196</b>
Foreign Exchange	1,269,449	163,951	28,657	13,556	434,978	<b>1,910,591</b>
<b>June 30, 2018</b>	<b>\$ 26,983,119</b>	<b>\$ 3,465,330</b>	<b>\$ 605,705</b>	<b>\$ 286,535</b>	<b>\$ 9,109,596</b>	<b>\$ 40,450,286</b>

Balances presented as Portfolio properties include the remaining nine Contact Gold Properties.

**6. EXPLORATION PROPERTIES AND DEFERRED ACQUISITION COSTS (continued)**

*a) Pony Creek*

The Pony Creek project is located within the Pinion Range, in western Elko County, Nevada. The value assigned as part of the Clover acquisition for the Pony Creek property is \$27,147,164 plus \$188,225 in transaction costs. There is a 3% net smelter returns ("NSR") royalty on those claims that comprise Pony Creek acquired from Waterton Nevada, 1% of which can be bought-back for USD 1,500,000 prior to February 7, 2020.

On February 5, 2018 the Company acquired what was known as the East Bailey property, which is contiguous to Pony Creek, in exchange for 250,000 Contact Shares valued at \$112,500 and a 2% NSR royalty on certain of the claims. An amount of \$35,830 in directly attributable expenditures incurred relating to the East Bailey acquisition has also been included in "Additions". There is a 3% NSR royalty over other claims that comprise East Bailey, up to 2% of which can be bought-back for USD 1,000,000 per 1% prior to September 2030.

*b) Dixie Flats*

The Dixie Flats property sits approximately 11 kilometres to the north of the northern-most point of Pony Creek, in western Elko County, Nevada. The acquisition value assigned to the Dixie Flats property is \$3,412,500 plus \$66,625 in transaction costs.

There is a 2% NSR on the Dixie Flats property, 1% of which can be bought-back for USD 1,500,000 prior to February 7, 2020.

*c) North Star*

The North Star property is located approximately 8 kilometres north of the northern-most point of Pony Creek, in western Elko County, Nevada. The acquisition value assigned for this 4.68 km<sup>2</sup> property is \$608,400 plus \$11,878 in transaction costs. There is a 3% NSR on the North Star property.

*d) Cobb Creek*

Upon closing of the Asset Acquisition, the Company acquired a 49% interest in the 4.26 km<sup>2</sup> Cobb Creek property located in Elko County, Nevada. The acquisition value assigned to the Company's interest in Cobb Creek was \$125,619 including \$10,812 in transaction costs. At acquisition, Cobb Creek was governed pursuant to a partnership agreement dated October 23, 2002 that stipulated that the Company and the 51% counterparty, a private individual (the "Cobb Counterparty"), own the claims, related assets and rights as tenants-in-common. Cost and responsibility to maintain title to the properties was shared pro rata to each of the party's respective interest.

On November 7, 2017, the Company acquired the remaining 51% interest in the Cobb Creek property and related historic data from the Cobb Counterparty in exchange for six annual payments of USD 30,000; the first of which was paid (USD \$30,000) following closing of the agreement (remaining nominal balance of USD 150,000). The total value of the remaining obligation of \$134,261 (the "Cobb Creek obligation"), is recognized as a financial liability at amortized cost, and with reference to the effective interest rate determined for the Contact Preferred Shares, reflects an interest rate of 18.99%. The Cobb Creek obligation is recorded to the consolidated statements of financial position as a current and non-current amount (\$36,903 and \$97,358 respectively). In addition to a foreign exchange gain included in other comprehensive income, the statement of loss and comprehensive loss for the three and six months ended June 30, 2018, includes an accretion expense of \$5,470 and \$10,765, respectively, relating to the Cobb Creek obligation.

*e) Portfolio*

During the six-month period ended June 30, 2018, the Company determined to abandon those mineral property claims that comprise the Woodruff property. Contact Gold's interest in the Woodruff property will lapse August 31, 2018, the date on which the annual BLM claims fees are next due. Accordingly, the carrying value of Woodruff has been written-down by \$84,286 to \$nil.

**CONTACT GOLD CORP.** (formerly Winwell Ventures Inc.)  
**Notes to the Condensed Interim Consolidated Financial Statements**  
Three and six months ended June 30, 2018  
(Expressed in Canadian dollars, unless otherwise noted - unaudited)

**6. EXPLORATION PROPERTIES AND DEFERRED ACQUISITION COSTS (continued)**

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

Exploration and evaluation expenditures incurred by Contact Gold, including claims maintenance fees, have been cumulatively expensed in the statement of loss and comprehensive loss.

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

	<b>For the period from January 1, 2018 to June 30, 2018</b>	<b>For the period from June 7, 2017 to June 30, 2017</b>
Geological contractors/consultants & related crew care costs	\$485,701	\$7,134
Land claims fees	387,969	38,215
Wages and salaries, including share-based compensation	306,569	20,171
Drilling, assaying & geochemistry	667,303	7,270
Permitting and environmental monitoring	110,919	1,287
<b>Expenditures for the period</b>	<b>1,958,461</b>	<b>\$74,077</b>
Cumulative balance	\$6,175,277	\$74,077

There were no balances incurred on the respective properties in the period prior to June 7, 2017 reflecting the acquisition of the Contact Gold Properties upon closing of the Asset Acquisition.

Wages and salaries include share-based compensation of \$90,269 through June 30, 2018 (six months ended June 30, 2017, \$4,227) (Note 9(d)).

An amount of \$2,739 (six months ended June 30, 2017, -\$nil) 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, focal, Contact Gold Properties are as follows:

	<b>For the period from January 1, 2018 to June 30, 2018</b>	<b>For the period from June 7, 2017 to June 30, 2017</b>
Pony Creek	\$1,603,973	\$48,134
Dixie Flats	46,305	4,345
North Star	16,010	775
Cobb Creek	96,382	706
Portfolio properties	195,791	20,117
<b>Expenditures for the period</b>	<b>1,958,461</b>	<b>\$74,077</b>
Cumulative balance	\$6,175,277	\$74,077

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage. Waterton Nevada holds a right of first offer ("ROFO"), a right of first refusal ("ROFR") and other rights over the Contact Gold Properties (Note 8). A third-party holds a ROFO on certain of the Portfolio properties.

With the exception of the Cobb Creek property (-nil%), the Contact Gold Properties each carry an NSR of between 2% and 4%, some of which include buy-down options that expire February 7, 2020.

**7. PAYABLES AND ACCRUED LIABILITIES**

	As at June 30, 2018	As at December 31, 2017
Payables	\$478,646	\$403,344
Accrued liabilities	48,723	88,616
	<b>\$527,369</b>	<b>\$491,960</b>

Payables and accrued liabilities are non-interest bearing and are normally settled on 30-day terms.

## 8. CONVERTIBLE PREFERRED SHARES

On June 7, 2017, as partial consideration for the Asset 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.

As a contract to buy non-financial assets (the Contact Gold 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").

Pursuant to IFRS 9, an embedded derivative is a component of a hybrid instrument that also includes a non-derivative "host" contract, with the effect that some of the cash flows of the combined instrument vary, according to a specified interest rate, commodity price, foreign exchange rate or other such variable, in a way similar to a standalone derivative.

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 determining the fair value of the host and the Embedded Derivatives, utilizing a set of coupled partial differential two coupled equations solved numerically using finite-difference methods and the BlackScholes option-pricing model ("Black-Scholes"). 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.

### Preferred Shares (host)

The Carrying value has been recognized as a financial liability at amortized cost, reflective of the fixed rate Dividend, and the mandatory redemption feature, both payable in cash on the Maturity Date.

The host instrument was initially recorded at fair value and is revalued each period end using the same approach as described to revalue the Embedded Derivatives, resulting in a difference to the fair value that will vary from period-to-period. 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, 2018 is USD 7,634,601 (\$10,053,243).

Using the effective interest rate method, at a rate of 18.99%, the Contact Preferred Shares are remeasured at amortized cost each period end, with an accretion expense recorded to the consolidated statements of loss and comprehensive loss.

The impact from changes to the foreign exchange rate resulted in a gain for the period January 1, 2018 to June 30, 2018, reducing the preferred share obligation in that same period.

A summary of changes to the value of the Contact Preferred Shares host instrument for the period from June 7, 2017 to June 30, 2018 is set out below:

Value of the Contact Preferred Shares host instrument at Issuance of June 7, 2017	\$ 8,140,371
Change in carrying value from June 7 to June 30, 2017	
Accretion	97,038
Foreign exchange	(310,724)
<b>Carrying value of the Contact Preferred Shares host instrument at June 30, 2017</b>	<b>\$ 7,926,685</b>
Carrying value of the Contact Preferred Shares host instrument at December 31, 2017	\$ 8,419,705
Change in carrying value from January 1 to June 30, 2018	
Accretion	878,741
Foreign exchange	325,311
<b>Carrying value of the Contact Preferred Shares host instrument at June 30, 2018</b>	<b>\$ 9,623,757</b>

## 8. CONVERTIBLE PREFERRED SHARES (continued)

### Pref Share Rights

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 Company's common shares and volatility thereof, impact the conversion price and number of Contact Shares issuable on conversion). Accordingly, the Embedded Derivatives are valued together as one compound instrument.

Those Pref Share Rights for which there is separate accounting from the host contract are as follows:

- i. The "*Conversion Option*" (the "COOption"): 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 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.
- iii. The "*Change of Control Redemption Option*" (the "COCROption"): If a Change of Control (as such term is defined in the Securities Exchange Agreement, and 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 "COCR Option Amount", unless such change in control transaction is with Waterton Nevada.

The COCR Option Amount 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.

The total estimated fair value of the Embedded Derivatives at issuance was USD 5,066,520 (\$6,846,649). This amount has been recorded as part of the convertible redeemable Preferred Shares liability account on the consolidated statements of financial position. 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 Company's common share price, (ii) an average historical volatility of 49.7% (48.5% at inception), (iii) rates from the USD/CAD 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 determined probability weightings for the potential exercise and timing thereof of the (i) COCROption, and (ii) EROption.

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.

**8. CONVERTIBLE PREFERRED SHARES (continued)**

Pref Share Rights

During the period June 7, 2017 to June 30, 2017, and again during the period January 1, 2018 to June 30, 2018, the fair value of the Embedded Derivative decreased as a result of changes to these inputs and assumptions. The amount of this change is included in the gain on Embedded Derivatives account on the statements of loss and comprehensive loss.

A summary of changes to the value of the Embedded Derivatives for the period from issuance on January 1, 2018 to June 30, 2018 is set out below:

Value of Embedded Derivatives at issuance of June 7, 2017	\$ 6,846,649
Change in fair value of Embedded Derivatives for June 7 to June 30, 2017	(1,866,120)
Fair value of Embedded Derivatives at June 30, 2017	<b>\$ 4,980,529</b>
Fair value of Embedded Derivatives at December 31, 2017	\$ 1,047,042
Change in fair value of Embedded Derivatives for January 1 to June 30, 2018	(592,688)
Fair value of Embedded Derivatives at June 30, 2018	<b>\$ 454,354</b>

Other Pref Share Rights

In addition to the Embedded Derivatives, the Pref Share Rights include the following rights, privileges, restrictions and conditions ("Other Terms") for which there is no accounting impact:

- So long as Waterton Nevada and/or its affiliates beneficially own or control 33⅓% or more of the Contact Preferred Shares issued on closing of the Asset Acquisition, and subject to the provisions of the Contact Preferred Shares:
  - i. *Right of First Offer.* Contact Gold will be obligated to inform Waterton Nevada of its intention to sell, lease, exchange, transfer or otherwise dispose of any of its interests in the Contact Gold Properties that is not a sale of all or substantially all of Contact Gold's assets and provide Waterton Nevada with a summary of the essential terms and conditions by which it is prepared to sell any specified interest in the Contact Gold Properties. Upon receipt of such divesting notice, Waterton Nevada will have the right to elect to accept the offer to sell by Contact Gold on the terms contained on the divesting notice. If Waterton Nevada does not elect to accept the offer for such specified terms, Contact Gold shall be permitted to sell its specified interest in the Contact Gold Properties to a third party for a period of 180 days from the date of the original divesting notice on terms and conditions no less favourable to Contact Gold than those contained in the divesting notice.
  - ii. *Right of First Refusal.* If Contact Gold shall have obtained an offer from one or more third party buyers in respect of the sale, lease, exchange, transfer or other disposition of any of the Contact Gold Properties, in whole or in part, in any single transaction or series of related transactions, which offer Contact Gold proposes to accept, Contact Gold shall promptly provide written notice of such fact to Waterton Nevada and offer to enter into such a transaction with Waterton Nevada.
  - iii. *Sale of Substantially All of Contact Gold's Assets.* Contact Gold shall not sell, lease, exchange, transfer or otherwise dispose of all or substantially all of its assets without Waterton Nevada's prior written consent, which will not be unreasonably withheld or delayed.
  - iv. *Liquidation.* In the event of a liquidation, dissolution or winding-up of Contact Gold or other distribution of assets of Contact Gold 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 Transaction Costs (Note 4) as the Contact Preferred Shares were issued as partial consideration in exchange for the acquisition of Clover.

The number of Contact Shares to be issued would be 10,827,022 if all of the outstanding Contact Preferred Shares had been converted into Contact Shares based on the rate of foreign exchange of \$0.7594 on June 30, 2018. Diluted loss per share does not include the effect of such issuance (June 30, 2017: -nil) as the Contact Preferred Shares are currently anti-dilutive.

**9. 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;
- (ii) up to 15,000,000 Class A non-voting Contact Preferred Shares (Note 8).

*b) Issued and outstanding common shares*

Contact Shares

Changes in issued common share capital during the six months ended June 30, 2018:

- (i) On February 6, 2018, the Company issued 250,000 Contact Shares with a value of \$112,500 as partial consideration for the acquisition of the East Bailey properties (Note 6(a)).

Changes in issued common share capital and equity reserves during the year ended December 31, 2017:

- (ii) On June 7, 2017, the Company consolidated the existing 22,155,978 common shares on an 8:1 basis such that shareholders of the Company held 2,769,486 New Winwell Shares, which automatically became Contact Shares with a value of \$2,769,486, on completion of the continuance.
- (iii) Pursuant to the Acquisition, on June 7, 2017, 28,815,000 Carlin Shares with a value of \$21,157,750, being all of those then issued and outstanding, were exchanged for New Winwell Shares, which automatically became Contact Shares pursuant to the Share Exchange, on completion of the continuance.
- (iv) Pursuant to the Asset Acquisition, on June 7, 2017, the Company issued 18,550,000 Contact Shares, with a value of \$18,550,000, to Waterton Nevada (Note 4).

In connection with the Subscription Receipts financing, which was completed in two tranches, on March 17, 2017, and March 22, 2017, consideration was paid to agents and financial advisors in the amount of \$952,500.

The aggregate of fees and disbursements reimbursed to the agents and advisors (including the fees and disbursements of the agents' and advisors' legal counsel, including HST, thereon), and those fees and expenses incurred directly by the Corporation relating to the share issuance and Share Exchange, was an additional \$608,552.

- (v) On June 13, 2017, the Company issued 100,000 Restricted Shares to an officer of the Company.
- (vi) On September 11, 2017, the Company issued 112,500 Contact Shares with a value of \$84,375 as partial consideration for the acquisition of what were known as the Pony Spur and Dixie Flats properties, respectively now part of the Pony Creek and Dixie Flats properties.

*c) Escrowed Contact Shares*

As at June 30, 2018, 14,046,148 (December 31, 2017, 17,557,685) of the Contact Shares were held in escrow and restricted from trading, pursuant to the rules of the TSXV. These trading restrictions expire as follows:

December 14, 2018	3,511,537
June 14, 2019	3,511,537
December 14, 2019	3,511,537
June 14, 2020	3,511,537
	14,046,148

As a condition to the completion of the Transactions, and in addition to the escrow provisions imposed by the TSXV, Waterton Nevada's shareholdings in Contact Gold (18,500,000 Contact Shares) are subject to a lock-up whereby it shall not sell or otherwise dispose of its security holdings in Contact Gold for a period of 24 months from the closing of the Transactions, other than in limited circumstances.

In addition, the Contact Shares held by certain directors and officers of the Company (in aggregate, 5,785,248 Contact Shares) are also subject to a lock-up period ending 24 months following the closing of the Transactions.



**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

*d) Equity remuneration*

Pursuant to the "2017 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 contemplates the award of stock options to purchase Contact Shares ("Options"), restricted shares, deferred share units ("DSUs"), and restricted share units ("RSUs"), all in compliance with the TSXV's policy for granting such awards.

Under the Incentive Plan, the maximum number of Contact Shares reserved for issuance may not exceed 10,026,899 Contact Shares, together with any other security-based compensation arrangements, and further subject to certain maximums to individual optionees on a yearly basis.

Stock options

A summary of the changes in Options during the six-month periods ended June 30, 2017 and 2018 is presented below:

	Number of Options	Weighted Average Exercise Price
<u>Outstanding at December 31, 2016</u>	-	-
Granted	3,233,000	\$ 1.00
Expired	-	-
Forfeit or cancelled	-	-
Exercised	-	-
<u>Outstanding at June 30, 2017</u>	3,233,000	\$ 1.00
<u>Outstanding at December 31, 2017</u>	3,583,000	\$ 0.97
Granted	4,615,000	0.39
Expired	-	-
Forfeit or cancelled	-	-
Exercised	-	-
<u>Outstanding at June 30, 2018</u>	8,198,000	\$ 0.64

Options have expiry dates of no later than 5 years after the grant date. Vesting of Options is determined by the Board at the time of grant. As at June 30, 2018, no Options have vested.

On June 13, 2017, subsequent to closing of the Transactions, and prior to the listing of the Contact Shares on the TSXV, the Company granted 3,233,000 Options to its directors and officers, exercisable at \$1.00 with a five-year expiry. 2,900,000 of these Options vest in thirds over a period of three years, and the remaining 333,000 Options vest in quarters over a period of four years.

On September 11, 2017, the Company granted 150,000 Options to certain finance and geological personnel, exercisable at \$0.75 with a five-year expiry; vesting in thirds over a period of three years.

On November 24, 2017, the Company granted 200,000 Options to employees, exercisable at \$0.58 with a five-year expiry; vesting in thirds over a period of three years.

On March 27, 2018, the Company granted 3,985,000 Options to its directors and officers and employees, exercisable at \$0.39 with a five-year expiry; vesting in thirds over a period of three years.

On April 17, 2018, the Company granted 480,000 Options to its consultants and a new employee, exercisable at \$0.415 with a five-year expiry; vesting in thirds over a period of three years.

On May 28, 2018, the Company granted 150,000 Options to a new employee, exercisable at \$0.295 with a five-year expiry; vesting in thirds over a period of three years.

Share-based compensation expense during the three and six months ended June 30, 2018 is \$381,534 and \$667,269 (June 30, 2017: \$43,192 and \$97,038). An additional amount of \$57,126 and \$90,269 was charged to exploration and evaluation on the consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2018 (June 30, 2017: \$4,227 and \$4,227) (Note 6).

**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

*d) Equity remuneration (continued)*

Stock Options (continued)

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

The weighted average fair value of Options granted during the six-month period ended June 30, 2018, determined using Black-Scholes, was C\$0.39 per Option. The remaining average contractual life of Options outstanding is 4.42 years. For the purposes of estimating the fair value of Options using the Black-Scholes model, certain assumptions are made such as the expected dividend yield (0%), risk-free interest rates (range between 1.15% 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 65.8%-71% 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. There have been no Options cancelled or exercised, nor have any expired.

Restricted Shares

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

Transactions relating to Restricted Shares are summarised below:

	Number of Restricted Shares
Balance at January 1, 2017	-
Granted	100,000
<b>Outstanding at June 30, 2017</b>	<b>100,000</b>
<u>Outstanding at December 31, 2017</u>	<u>100,000</u>
Granted	-
Vested	-
<b>Outstanding at June 30, 2018</b>	<b>100,000</b>

*e) Income (loss) per share*

The calculation of basic and diluted loss per Contact Share for the three and six months ended June 30, 2018 was based on the loss attributable to common shareholders of \$0.06, and \$0.08, (June 30, 2017: \$0.01, and \$0.04) respectively, and a weighted average number of Contact Shares outstanding of 50,596,986, and 50,547,262, (June 30, 2017: 33,545,000, and 20,689,722) respectively, including the restricted shares.

Diluted loss per share did not include the effect of 8,198,000 Options as they are anti-dilutive.

## 10. RELATED PARTY TRANSACTIONS

### *Compensation of key management personnel*

Key management includes members of the Board, the President and Chief Executive Officer, the Chief Financial Officer & VP Strategy, the Company's Executive Vice-President, and the VP Exploration. The aggregate total compensation paid, or payable to key management for employee services is shown below:

	Six months ended	
	June 30, 2018	June 30, 2017
Salaries and other short-term employee benefits	\$ 402,534	\$ 80,107
Share-based payments and Restricted Shares	688,462	48,808
<b>Total</b>	<b>\$ 1,090,996</b>	<b>\$ 128,915</b>

An amount of \$30,000 (six months ended June 30, 2017: \$16,250) was also paid to a corporation controlled by an officer of the Company relating to management services rendered. At June 30, 2018 an amount of \$97,500 was paid to the directors of the Company relating to directors' fees payable for the first six months of 2018 (June 30, 2017: \$-nil)

In addition to the above, Contact Gold's related parties include its subsidiaries, and Waterton Nevada as a reflection of its 37% ownership interest in the Company, its preferred shareholding and the right Waterton Nevada holds to place two nominees to the Board.

With the exception of the Transactions (Notes 4, 8 and 9), and the Option grants and Director fees paid to Waterton Nevada's Board appointee, there were no transactions amongst the Company and Waterton Nevada.

## 11. 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 two geographic (Canada and the USA) and only one commercial segments.

The total assets attributable to the geographic locations, with the exception of cash and cash equivalents, the balance of receivables, and a portion of the balance of prepaids each of which is in Canada, relate entirely to: Deposits (Note 5), Fixed assets and capitalized acquisition costs for the Contact Gold Properties held by the Company in Nevada (Note 6).

The Contact Preferred Shares are held by, and are an obligation of, Contact Gold in Canada.

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

	Six months ended		Three months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Canada	\$1,991,381	\$758,384	\$1,387,473	\$293,895
United States	\$2,086,245	\$79,063	\$1,457,038	\$79,063
	<b>\$4,077,626</b>	<b>\$837,447</b>	<b>\$2,844,511</b>	<b>\$372,958</b>

The Company is in the exploration stage and accordingly, has no reportable segment revenues.

## 12. SUPPLEMENTAL CASH FLOW INFORMATION

	June 30, 2018	June 30, 2017
Non-cash financing and investing transactions		
Issuances of Common Shares pursuant to Asset Acquisition	\$ -	\$ 18,550,000
Issuances of Contact Preferred Shares	-	14,987,020
Issuances of Common Shares pursuant to acquisition of East Bailey	112,500	-
	<b>\$ 112,500</b>	<b>\$ 33,537,020</b>

### **13. 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, accounts payable 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 Financial Statements.

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 (Note 8).

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

#### *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 the bonding deposit, are with the Canadian and United States government, respectively. As at June 30, 2018, the balance of cash and cash equivalents held on deposit was \$3,725,964 (December 31, 2017: \$6,176,258).

The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash and cash equivalents in bank accounts.

#### *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 manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash. The Company's most significant area of potential liquidity risk relates to the obligation to satisfy the Contact Preferred Shares upon redemption. There will be significant equity dilution upon satisfaction of the Redemption Amount; there is no certainty that the Company would be able to raise sufficient capital to meet this obligation. In general, the Company will have to issue additional Contact Shares to ensure there is sufficient capital to meet long term objectives. The Company's financial liabilities of payables and accrued liabilities are payable within a 90-day period and are to be funded from cash on hand.

#### *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.

#### *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 \$16,967 increase or decrease respectively, in the Company's cash balance. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

#### *Fair Value Estimation*

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value due to their short-term nature.

#### **14. MANAGEMENT OF CAPITAL RISK**

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's current capital consists of equity funding through private issuances of common shares, preferred shares and a deficit incurred through operations.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To facilitate the management of its capital requirements, the Company undertakes an annual budget process that will be updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

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 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 is currently not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the six-month period ended June 30, 2018.