



Contact Gold Corp.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Contact Gold Corp.:

Opinion

We have audited the consolidated financial statements of Contact Gold Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statement of shareholders' Equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that as of December 31, 2022, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 1, 2022.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia

April 4, 2023

MNP LLP

Chartered Professional Accountants

Contact Gold Corp.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at

	Notes	December 31, 2022	December 31, 2021
		\$	\$
Assets			
<i>Current assets</i>			
Cash and cash equivalents		141,305	2,684,939
Receivables, prepaids, and deposits	5	267,980	490,232
Total current assets		<u>409,285</u>	<u>3,175,171</u>
<i>Non-current assets</i>			
Marketable securities		-	22,500
Fixed assets	6	53,814	3,384
Exploration properties	6	30,890,965	28,915,805
Total non-current assets		<u>30,944,779</u>	<u>28,941,689</u>
Total assets		<u>31,354,064</u>	<u>32,116,860</u>
Liabilities and shareholders' equity			
<i>Current liabilities</i>			
Payables, accrued liabilities, and short-term advance	7, 10, 13(b)	643,218	307,585
Cobb Creek obligation	6(c)	-	32,595
Lease obligation	6, 7	8,671	-
Total current liabilities		<u>651,889</u>	<u>340,180</u>
<i>Non-current liabilities</i>			
Provision for site reclamation	6(a),6(b)	150,722	141,085
Lease obligation	6, 7	33,935	-
Total non-current liabilities		<u>184,657</u>	<u>141,085</u>
Total liabilities		<u>836,546</u>	<u>481,265</u>
<i>Shareholders' equity</i>			
Share capital	8	74,802,007	74,783,060
Contributed surplus	8	7,333,411	7,235,888
Accumulated other comprehensive loss		(227,333)	(2,253,867)
Accumulated deficit		(51,390,567)	(48,129,486)
Total shareholders' equity		<u>30,517,518</u>	<u>31,635,595</u>
Total liabilities and shareholders' equity		<u>31,354,064</u>	<u>32,116,860</u>
Nature of operations and going concern	1, 2		
Subsequent events	13		

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

Approved by the Board of Directors:

"Riyaz Lalani ", Director

"John Dorward ", Director

Contact Gold Corp.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except share amounts)

	Notes	Year ended	
		December 31, 2022	December 31, 2021
		\$	\$
Operating expenses:			
Exploration and evaluation expenditures	6	1,419,797	2,789,080
Wages and salaries		1,044,283	1,142,852
Professional, legal, and advisory fees		309,279	767,089
Administrative, office and general		246,411	252,019
Investor relations, promotion, and marketing		246,387	204,306
Stock-based compensation expense	8(c)	61,332	359,915
Accretion of Cobb Creek obligation	6(c)	5,583	10,522
Loss from operations		3,333,072	5,525,783
Other expenses (income)			
Loss on disposal of financial assets		11,250	161,733
Foreign exchange loss		937	23,696
Management fee earned on Centerra Farm-out		(4,674)	-
Interest and other income		(79,504)	(37,327)
		(71,991)	148,102
Loss before income taxes		3,261,081	5,673,885
Income taxes		-	-
Loss for the year		3,261,081	5,673,885
Other comprehensive loss			
Items that may be reclassified subsequently to net loss			
Exchange differences on translation of foreign operations	6	(2,026,534)	143,430
Items that will not be reclassified subsequently to net loss			
Net unrealized loss on financial assets	6(c)	-	65,000
Total loss and comprehensive loss for the year		1,234,547	5,882,315
Loss per Contact Share			
Basic and diluted loss per share	8(e)	\$ 0.01	\$ 0.02
Weighted average number of Contact Shares (basic and diluted)		301,408,873	246,897,920

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

Contact Gold Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	For the year ended	
		December 31, 2022	December 31, 2021
		\$	\$
Cash flows from operating activities			
Loss for the year		(3,261,081)	(5,673,885)
Adjusted for:			
Movements in working capital:			
Receivables	5	(25,279)	24,061
Prepays and deposits	5	247,531	(123,360)
Payables, accrued liabilities, and short-term advances	7	235,633	(52,180)
Stock-based compensation	8(c)	117,324	622,793
Loss recognized on disposal of financial assets		11,250	-
Write-down of exploration properties		-	161,733
Accretion of Cobb Creek obligation	6(c)	5,583	10,522
Foreign exchange impact on Cobb Creek obligation		555	(253)
Amortization		10,893	4,784
Other income		(39,038)	(36,882)
Net cash used in operating activities		(2,696,629)	(5,062,667)
Cash flows from investing activities			
Cash received from disposal of financial assets		11,250	-
Cash received from disposal of assets		5,200	-
Changes in working capital related to exploration property interests		-	18,863
Cash received from farm-out of South Carlin Projects	6(d)	6,414	25,432
Cash paid for Green Springs Option	6(a)	(203,205)	(61,970)
Cash received pursuant to Centerra Farm-out	6(a)	203,160	-
Cash received from Fremont for Cobb Creek Option	6(c)	25,656	25,324
Cash received from Wilson Peak Option		-	31,507
Net cash due to investing activities		48,475	39,156
Cash flows from financing activities			
Principal payments on lease liability	6	(18,189)	-
Short-term advance from related party	7, 10, 13	100,000	-
Changes in working capital attributable to share issue costs		-	-
Share issue costs paid on private placement	13(c)	(854)	(66,769)
Cash received from Private Placement		-	3,000,000
Interest income on cash and cash equivalents, net		2,734	719
Net cash from (used in) financing activities		83,691	2,933,950
Effects of exchange rate changes on the balance of cash held in foreign currencies		20,829	21,352
Net decrease in cash		(2,543,634)	(2,068,209)
Cash and cash equivalents, beginning of year		2,684,939	4,753,148
Cash and cash equivalents, end of the year		141,305	2,684,939

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

Contact Gold Corp.**Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in Canadian dollars, except share amounts)

	Common Shares					Total shareholders' equity
	Shares	Amount	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	
	(Note 8)		(Note 8)			
	#	\$	\$	\$	\$	\$
Balance as at January 1, 2021	240,757,892	72,387,426	6,075,498	(2,045,437)	(42,455,601)	33,961,886
Shares issued pursuant to exercise of RSUs	79,735	15,150	(15,150)	-	-	-
Shares issued pursuant to exercise of DSUs	444,445	37,778	(37,778)	-	-	-
Shares issued pursuant to 2021 Private Placement	60,000,000	2,409,475	590,525	-	-	3,000,000
Share issue costs	-	(66,769)	-	-	-	(66,769)
Stock-based compensation	-	-	622,793	-	-	622,793
Cumulative translation adjustment	-	-	-	(208,430)	-	(208,430)
Loss for the year	-	-	-	-	(5,673,885)	(5,673,885)
Balance as at December 31, 2021	301,282,072	74,783,060	7,235,888	(2,253,867)	(48,129,486)	31,635,595
Shares issued pursuant to exercise of RSUs	133,379	19,801	(19,801)	-	-	-
Share issue costs	-	(854)	-	-	-	(854)
Stock-based compensation	-	-	117,324	-	-	117,324
Cumulative translation adjustment	-	-	-	2,026,534	-	2,026,534
Loss for the year	-	-	-	-	(3,261,081)	(3,261,081)
Balance as at December 31, 2022	301,415,451	74,802,007	7,333,411	(227,333)	(51,390,567)	30,517,518

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Originally incorporated as Winwell Ventures Inc. ("Winwell") under the *Business Corporations Act (Yukon)* on May 26, 2000, Contact Gold Corp. (the "Company," or "Contact Gold") was continued under the laws of the State of Nevada on June 7, 2017 as part of a series of transactions that included a reverse acquisition of a non-operating company (the "RTO Transaction"), and the acquisition of a 100% interest in Clover Nevada II LLC ("Clover"), a Nevada limited liability company holding a portfolio of gold properties (the "Contact Properties") located on Nevada's Carlin, Independence and Northern Nevada Rift gold trends (the "Clover Acquisition").

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

On June 4, 2021, the Company completed an internal reorganization designed to continue and redomicile Contact Gold Corp. from incorporation in the State of Nevada to the Province of British Columbia ("BC").

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.

2. BASIS OF PRESENTATION AND GOING CONCERN

a. Basis of Presentation

These consolidated financial statements for the years ended December 31, 2022 and 2021 (the "Financial Statements"), have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company uses the same accounting policies and methods of computation across all periods presented in the Financial Statements.

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

In the opinion of management, the Financial Statements reflect all normal and recurring adjustments necessary for the fair presentation of the Company's financial position as at December 31, 2022 and December 31, 2021, and results of its operations for each of the years ended December 31, 2022 and 2021.

The Company's Board of Directors (the "Board") authorized the Financial Statements for issuance on April 4, 2023.

b. Going concern

The 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.

Recent global events including the impacts remaining from the response to the coronavirus COVID-19 pandemic ("COVID-19"), concerns arising on the potential liquidity issues appearing in the US banking industry, and the conflict in Ukraine may have far reaching impacts on commodity prices, foreign currency exchange rates, and the price of publicly traded companies. The uncertainty and increasing volatility in the capital markets arising from these and other global events may impact the Company's business and the ability to raise new capital.

Contact Gold recorded a loss of \$3.26 million and a comprehensive loss of \$1.23 million for the year ended December 31, 2022. As at December 31, 2022, Contact Gold has an accumulated deficit of \$51.39 million, and a working capital deficit of \$0.24 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 capital. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company; therefore giving rise to a material uncertainty which may cast significant 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 of these Financial Statements. Consequently, management is pursuing various financing alternatives 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. In order to satisfy its capital requirements and undertake its planned exploration program into 2023 the Company acknowledges that it will likely be necessary to raise funds through the issuance of new common share of Contact Gold (a "Contact Share"). There is no guarantee that any contemplated transaction will be concluded.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)

c. Basis of consolidation

The Financial Statements include the financial statements of the parent company, Contact Gold Corp., and its subsidiaries, as listed below:

Name of subsidiary	Principal activity	Location	Ownership interest
Carlin Opportunities Inc. ("Carlin")	Holding company	Canada	100%
Contact Gold US Holding Corp. ("CGUS")	Holding company	United States	100%
Clover Nevada II LLC ("Clover")	Mineral exploration	United States	100%

All significant intercompany transactions are eliminated on consolidation.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a. Foreign exchange

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). Each of Carlin and Contact Gold Corp. raise financing and incur expenditures in Canadian dollars, giving rise to a \$ functional currency; Clover and CGUS generally incur expenditures and receive funding from the Company in United States dollars ("USD"), and accordingly have a USD functional currency. The determination of functional currency involves certain judgments to determine the primary economic environment in which the company operates, and management of the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

In preparing the Financial Statements, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the parent entity that are in a currency other than \$ are retranslated at the rates prevailing at that date, giving rise to foreign exchange gains and losses in the consolidated statements of loss and comprehensive loss. The translation of the assets and liabilities of Clover and CGUS is done using exchange rates prevailing at the end of the reporting period, with such differences recognized in other comprehensive loss as cumulative translation adjustments.

Foreign currency non-monetary items that are measured in terms of historical cost are not retranslated.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used.

b. Exploration property acquisition costs

Exploration property acquisition costs are capitalized. The application of the Company's accounting policy for exploration property acquisition and transaction costs requires judgment to determine the type and amount of such costs to be capitalized. Capitalized acquisition costs are written down in the period in which it is determined that the exploration property has no future economic value. Capitalized amounts may be impaired if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of Contact Gold reviews the carrying value of each exploration property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, the amount is adjusted. Judgment is required to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

The acquisition of title to exploration 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 transfer, agreements or net smelter returns ("NSR") royalty interests, and/or 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 abandonment or disposal (including farm-out transaction), any consideration received is credited against the carrying amount of the exploration and evaluation property interests, with any excess consideration greater than the carrying amount included as a gain in profit or loss.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c. Exploration property claims maintenance fees

Claims maintenance fees paid to the United States' Department of Interior's Bureau of Land Management (the "BLM"), the United States Department of Agriculture Forest Service (the "USFS"), and similar fees paid to county, 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.

Such fees, paid 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. Should the Company determine to impair a particular exploration property, the remaining amount of Prepaid Claims Maintenance fees for that property are written down in the same period.

Fees paid pursuant to private property lease and other similar land use arrangements are expensed in the period in which they are due and paid.

d. Exploration and evaluation expenditures

With the exception of Claims Maintenance fees, exploration expenditures, including property lease, and advance royalty payments, are expensed as incurred. When it has been established that a mineral deposit can be commercially mined and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine prior to the start of mining operations will be capitalized. Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to an exploration property are estimated to be less than the carrying value of the property.

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. Capital expenditures to bring a property to a commercial production stage are also significant. To date, no amounts have been capitalized in respect of development activities. 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.

Contact Gold's election to expense exploration and evaluation expenditures, will likely result in the Company reporting larger losses than other companies in the exploration stage who have elected to capitalize expenditures relating to the exploration and advancement of mineral property interests. As a result, the Company's financial results may not be directly comparable to the financial statements of companies in the exploration stage.

e. Fixed assets

Fixed assets are carried at cost, less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Contact Gold and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statements of loss during the period in which they are incurred. Depreciation expense is charged to the consolidated statements of loss.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment.

f. Impairment

At each reporting date, the value of the Company's exploration properties is evaluated for impairment by management or whenever events or changes in circumstances indicate that the carrying value is impaired and may not be recoverable.

Contact Gold follows the guidance in IFRS 6, *Exploration for and Evaluation of Mineral Resources* to determine whether capitalized exploration property costs are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not led to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations.

If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration property's value is less than the carrying amount, an impairment loss will be recorded in the financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

e. Impairment (continued)

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period.

The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized. Additionally, the review of impairment indicators takes into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding its exploration property interests.

f. Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount has been reasonably estimated. Provisions are not recognized for future operating losses.

Constructive obligations are obligations that derive from actions of Contact Gold where:

- An established pattern of past practice, published policies, or a sufficiently specific current statement in which the Company has indicated to other parties that it will accept certain responsibilities; and
- As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contact Gold records provisions for closure and reclamation on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The estimate for such costs are capitalized to the corresponding asset. The provision for closure and reclamation is estimated using expected cash flows and discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation, the offset of which is charged to the consolidated statements of loss and comprehensive loss, and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Expenditures of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the later of i) the determination to abandon a property, or ii) the end of the life of the mine.

g. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset.

At initial recognition, Contact Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVOCI"), 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 FVOCI. 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g. Financial instruments (*continued*)

Classification and measurement

The Company's financial assets and liabilities are comprised of:

- i. *Cash and Cash Equivalents:* Cash and cash equivalents comprise cash on hand, and deposits in banks that are readily convertible into a known amount of cash, or with an initial maturity of 90 days or fewer. Cash and cash equivalents are classified as subsequently measured at amortized cost.
- ii. *Loans and Receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Contact Gold's loans and receivables are comprised of 'Receivables' and 'Deposits' and are classified respectively as appropriate in current or non-current assets according to their nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost. Trade receivables are recorded net of lifetime expected credit losses.
- iii. *Other Financial Assets:* Other financial assets consist of investments in marketable equity securities of publicly traded entities which are classified as subsequently measured at fair value through other comprehensive income (loss). Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the balance sheet date. Changes in fair value are recognized in the statement of loss.
- iv. *Other Financial Liabilities:* Other financial liabilities are recorded initially at fair value and subsequently at amortized cost using the effective interest rate method. Subsequently, these other financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period. Other financial liabilities include payables and accrued liabilities, the lease liability, and the short-term advance (Level 2), and in the comparative period, the Cobb Creek obligation (Level 3). Other financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.
- v. *Expected Credit Losses:* Contact Gold applies the simplified approach provided in IFRS 9, *Financial Instruments* to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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 loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVOCI remain within the accumulated other comprehensive income (loss).

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 loss and comprehensive loss.

Impairment of financial assets

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g. Share-based payments

The Company grants share-based awards as an element of compensation. Share-based awards granted by the Company under the "Contact Gold Omnibus Stock and Incentive Plan" (the "Incentive Plan") can include stock options to purchase a Contact Share ("Options"), restricted shares ("Restricted Shares"), deferred share units ("DSUs"), or restricted share units ("RSUs"; and together with DSUs, "Units").

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Compensation expense for share-based payments granted to employees and directors is determined based on estimated fair values of the such instruments at the time of grant using the Black-Scholes option-pricing model ("Black-Scholes"), which takes into account, as of the grant date, the fair market value of the shares, and assumptions about expected volatility, expected hold period before exercise, expected dividend yield and the risk-free interest rate over the expected life of the instrument. The determination of compensation expense also accounts for forfeitures related to service conditions by estimating the number of awards expected to be forfeited and adjusting the estimate when subsequent information indicates that the estimate is likely to change. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8(c).

The compensation amount, equal to the instrument's fair value, is recognized as an expense as part of either "Stock-Based Compensation", or as part of "Exploration and Evaluation Expenditures" on the consolidated statements of loss and comprehensive loss over the vesting period, with a corresponding increase in contributed surplus. On the exercise of such instruments, the consideration received, together with the compensation expense previously recorded to contributed surplus, is credited to share capital. Options and Units are settled in Contact Shares issued from treasury.

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

h. Loss per share

Loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of Contact Shares outstanding during the reporting period. The calculation of diluted earnings per share assumes that outstanding Options, RSUs, DSUs, and Contact Share purchase warrants ("Warrants"), if any, are exercised and the proceeds are used to repurchase Contact Shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share relative to basic earnings per share and is only recognized when the effect is dilutive.

i. Comprehensive loss

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

j. Recently adopted accounting standards and pronouncements

On February 12, 2021, the IASB issued, "*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*" providing guidance intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1, "*Presentation of Financial Statements*" has been amended in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of what was outlined as a 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

Although the amendment guidance is effective for annual periods beginning on or after January 1, 2023, the Company has early adopted this updated disclosure beginning January 1, 2021.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

k. Accounting policies not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. On July 15, 2020, the IASB issued an amendment to defer the effective date by one year. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that:

- settlement of a liability includes transferring a company's own equity instruments to the counterparty, and
- when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently assessing the impact of the standard on the financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier adoption permitted. The Company is currently assessing the potential impact of these amendments.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – *Income Taxes* to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the potential impact of these amendments.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND RISKS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of expenses during the reporting period. 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. Actual results could differ from the amounts estimated in these 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. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

The more significant areas requiring the use of management's judgments, estimates, and assumptions include: the determination of a going concern risk, the type and amount of exploration property acquisition and transaction costs eligible for capitalization; the assessment of indicators of impairment of exploration properties; the determination and valuation of any reclamation obligation, the valuation of share-based compensation; and whether accounting policies are material enough to merit disclosure or not.

Further information on management's judgments, estimates, and assumptions and how they may impact results are described in the relevant notes to these financial statements.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

5. RECEIVABLES, PREPAIDS, AND DEPOSITS

The amounts receivable relate to recoverable provincial sales taxes.

Prepaid expenses include \$145,316 (December 31, 2021: \$208,908) in Claims Maintenance fees.

The Company is party to a surety bonding arrangement with a third-party (the "Surety Agent") whereby the Company's reclamation bonding obligations are met by deposits made by the Surety Agent. A finance fee of \$16,347 (USD 12,562) for the year ended December 31, 2022 (year ended December 31, 2021: \$22,729 (USD 16,763)) was charged on the balance of the amount advanced and deposited by the Surety Agent. As at December 31, 2022, a total of \$756,798 (USD558,770) (December 31, 2021: USD558,770) in bonding had been placed by the Surety Agent.

Pursuant to a farm-out agreement (the "Centerra Agreement") entered into with a wholly-owned subsidiary of Centerra Gold Inc. ("Centerra"), the Company recovered USD 31,433 (\$42,843) in Claims Maintenance fees in December 2022 (Note 6(a)). The amount was applied against the balance of prepaid Claims Maintenance fees on receipt.

6. EXPLORATION PROPERTIES

The Contact Properties include exploration property claims contiguous to the original tenure and new property interests ("Additions"). Since inception, the Company has also either vended, or determined to abandon or impair certain properties.

	Green Springs (a)	Pony Creek (b)	Cobb Creek (c)	Portfolio properties (d)	Total
	\$	\$	\$	\$	\$
December 31, 2020	574,510	26,150,458	27,356	2,470,054	29,222,378
Additions	61,970	-	-	-	61,970
Recovery from earn-in	-	-	(27,208)	(56,939)	(84,147)
Impairments	-	-	-	(161,733)	(161,733)
Foreign Exchange	(1,017)	(110,910)	(148)	(10,588)	(122,663)
December 31, 2021	635,463	26,039,548	-	2,240,794	28,915,805
Additions	203,205	-	-	-	203,205
Recovery from earn-in	(203,160)	-	-	-	(203,160)
Foreign Exchange	43,362	1,778,690	-	153,063	1,975,115
December 31, 2022	678,870	27,818,238	-	2,393,857	30,890,965

With the exception of the Cobb Creek property (nil%), the Contact Properties each carry an NSR royalty of between 2% and 4.5%, some of which include buy-down options.

Specific Contact Properties for which there were changes during the periods presented:

a) Green Springs

The past-producing Green Springs gold property ("Green Springs") is located at the southern end of Nevada's Carlin Trend, and encompasses 3 shallow past-producing open pits and numerous targets that were not mined.

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.

An estimate for reclamation costs of \$86,081 (December 31, 2021: \$80,577) is included in the value of Green Springs (Note 7).

Earn-in and acquisition

On July 23, 2019, Contact Gold and Clover entered into a purchase option agreement (the "Green Springs Option") with subsidiaries of Gold Royalty Corp. ("GRC"), whereby Clover had the option to purchase a 100% interest in the property.

A payment of 362,941 Contact Shares (\$66,960) was made to GRC on July 23, 2020, in satisfaction of the first anniversary payment obligation of USD 50,000. The USD 50,000 (\$61,970) second anniversary payment was made in cash in July 2021. In exchange for a payment of USD 2,500, GRC agreed to defer the third anniversary payment by one year. The final payment of USD 150,000 (\$203,160) was paid by the Company on December 13, 2022, satisfying the Green Springs Option.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

6. EXPLORATION PROPERTIES (continued)

Farm-out to Centerra

Pursuant to Centerra Agreement, dated December 8, 2022, Centerra has an option to acquire a 70% interest in Green Springs for cumulative earn-in exploration expenditures and aggregate cash payments to the Company as follows:

	Exploration Expenditures	Cash Payments to Contact Gold
On signing		USD 150,000 (paid)
On or before the 1st anniversary date	USD 1,500,000	USD 175,000
On or before the 2nd anniversary date	USD 2,000,000	USD 175,000
On or before the 3rd anniversary date	USD 2,750,000	USD 250,000
On or before the 4th anniversary date	USD 3,750,000	USD 250,000

Upon satisfaction of the USD 10,000,000 aggregate exploration expenditure commitment and payment to Contact Gold of the aggregate USD 1,000,000 in cash payments, the parties agreed they will form a joint venture to hold and operate the property, with each party proportionately funding future activities at Green Springs (subject to dilution provisions). Should Contact Gold's interest be diluted to less than 10%, then that interest will convert to a 1.5% NSR royalty interest.

Contact Gold will be the project manager for exploration at Green Springs for the first year of the Centerra Agreement (thereafter Centerra has the right to be project manager), and shall collect a management fee based on eligible expenditures through the earn-in.

In addition to making the contractual USD 150,000 initial payment following execution of the Centerra Agreement (\$203,160), Centerra reimbursed the Company an amount of USD 50,362 (\$68,643) representing a prorated amount of Claims Maintenance fees paid for the period covered by the first period of the Centerra Farm-out (USD 31,433 (\$42,843), and a recovery of certain other property-related fees and expenditures incurred to keep Green Springs in good standing (USD 18,929 (\$25,800)). The amount relating to Claims Maintenance fees has been applied against the prepaid value (Note 5), and the remaining balance has been applied as a recovery against the expense to which it applies. The total reimbursement is a qualified expenditure toward the first-year program.

An amount of USD 39,510 (\$53,512) relating to eligible expenditures incurred by the Company pursuant to the Centerra Farm-out in December 2022 was recognized as receivable as at December 31, 2022. Expenditures recovered or recoverable from Centerra (the "Centerra Recovery") are applied against the amount initially recognized as incurred by Contact Gold resulting in net impact of \$nil for the respective expenditure category.

b) Pony Creek

The Pony Creek project is located within the Pinion Range, in western Elko County, Nevada. There is a 3% NSR royalty in favour of an affiliate of Sandstorm Gold Ltd ("Sandstorm") on those claims that comprise Pony Creek acquired in the Clover Acquisition.

Pony Creek also includes the claim packages formerly known as Lumps, Umps, and East Bailey. There are NSR royalties of 2% and 3% on certain of these acquired claims, up to 2% of which can be bought back for USD 1,000,000 per 1%, prior to September 2030. Advance royalty payments ("ARP") are also due annually; the payment originally due in September 2022 was waived by the counterparty (2021: USD 25,000 (\$31,507)); the ARP due in September 2023 is USD 25,000.

An estimate for reclamation costs of \$64,641 (December 31, 2021: \$60,508) is included in the value of Pony Creek (Note 7).

c) Cobb Creek

The Cobb Creek exploration property ("Cobb Creek") is located along the Independence Trend in Elko County, Nevada. The Company acquired a 49% interest in Cobb Creek pursuant to the Clover Acquisition, and the remaining 51% interest, and related historic data in a separate transaction from the "Cobb Counterparty". Consideration due to the Cobb Counterparty was payable as six annual payments of USD 30,000, the first of which was paid on closing of the agreement (\$38,379), and the last of which was paid in November 2022. The Cobb Creek claims are held by Clover.

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%. The Cobb Creek obligation was extinguished during the year ended December 31, 2022. The Company recognized an accretion expense of \$5,583 and a foreign exchange gain of \$555 in loss and other comprehensive loss for the year ended December 31, 2022 (2021: \$10,522 and \$253, respectively).

By an agreement dated September 27, 2019, as amended (the "Cobb Creek Option"), Clover agreed to farm-out 100% of its interest in Cobb Creek to Fremont Gold Ltd. and its U.S. subsidiary (together, "Fremont").

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

6. EXPLORATION PROPERTIES (continued)

c) Cobb Creek

Pursuant to the Cobb Creek Option, 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 royalty on Cobb Creek. Initial consideration included 750,000 common shares of Fremont ("Fremont Shares")(\$41,250), and reimbursement of (i) a portion of the prior year payment to the Cobb Counterparty, (ii) the November 2019 payment to the Cobb Counterparty, and (iii) certain claims-related holding costs.

In satisfaction of the first anniversary payment obligation under the Cobb Creek Option, Fremont issued 750,000 Fremont Shares to the Company on September 25, 2020 (USD 50,388 (\$67,500)).

Pursuant to an amendment to the Cobb Creek Option, Contact Gold agreed to defer the first anniversary cash payment to December 31, 2020, and also agreed to reduce the amount payable by Fremont from USD 30,000 to USD 15,000 for that year, in exchange for 500,000 additional Fremont Shares (the "Additional Shares"). The Additional Shares were issued to the Company on October 26, 2020 (\$45,000). Fremont paid the USD 20,000 second anniversary payment to the Company in September 2022 (2021: USD 20,000).

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

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 and cash amounts received from Fremont, including payments by Fremont to the Cobb Counterparty, was applied against the carrying value of Cobb Creek until the carrying value had been reduced to zero. Amounts in excess have been recognized within other income on the statement of loss and comprehensive loss.

During the year ended December 31, 2022, the Company disposed of the remaining balance of Fremont Shares for proceeds of \$11,250.

d) Portfolio Properties

South Carlin Projects (North Star, Dixie Flats, and Woodruff)

The Company's "South Carlin Projects" include the North Star property and the Dixie Flats property. The North Star property is located approximately eight km north of the northern-most point of Pony Creek, in western Elko County, Nevada. An affiliate of Sandstorm holds a 3% NSR on the North Star property. The Dixie Flats property sits immediately to the north of the North Star property. There is a 2% NSR on the Dixie Flats property payable to an affiliate of Sandstorm.

On January 11, 2021, Clover granted an arms' length private company (the "Optionor") the sole and exclusive option to acquire a 100% interest in the Dixie Flats, North Star, and Woodruff properties (the "South Carlin and Woodruff Option"), subject to a 0.25% NSR royalty on the Dixie Flats Claims, in addition to those payable to the Sandstorm affiliate. The Company received USD 20,000 (\$25,432) and a reimbursement of Claims Maintenance fees of USD 31,417 (\$39,950) upon execution of the agreement.

The Optionor subsequently entered into a sub-option agreement with another party Showcase Minerals Inc. ("Showcase"), at the time a private entity. Showcase consequently assumed the Optionor's obligations, which upon satisfaction, will result in the transfer of interest in the properties.

On August 18, 2022, the parties amended the agreement, adjusting the schedule of remaining payments required to keep the option in good standing as follows:

Amount	Due Date of Payment
USD 5,000	Upon execution of the amending agreement (received)
USD 10,000	second anniversary of the agreement (received, subsequent to year ended December 31, 2022)
USD 50,000	third anniversary of the agreement
USD 75,000	annually on each of the fourth through the eighth anniversaries of the agreement

CONTACT GOLD CORP.
(an exploration stage company)

**Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)**

6. EXPLORATION PROPERTIES (continued)

d) Portfolio Properties (continued)

South Carlin Projects (North Star and Dixie Flats and Woodruff)(continued)

Shares of the Sub-Optionee	Required Date of Issuance
The greater of 200,000 shares and the number of shares equal to 2% of the Sub-Optionee's issued and outstanding common shares on the date that its shares commence trading on a recognized stock exchange (the "Listing Date"). As a consequence of Showcase having completed its go-public transaction in January 2023, the Company was issued 225,646 common shares of Showcase ("Showcase Shares").	the Listing Date
The greater of 300,000 shares and the number of shares equal to 2% of the Sub-Optionee's issued and outstanding common shares on the date of issuance, including all shares that the Sub-Optionee has previously issued to Clover.	first anniversary of the Listing Date
The greater of 350,000 shares and the number of shares equal to 2% of the Sub-Optionee's issued and outstanding common shares on the date of issuance, including all shares that the Sub-Optionee has previously issued to Clover.	second anniversary of the Listing Date
The greater of 350,000 shares and the number of shares equal to 3% of the Sub-Optionee's issued and outstanding common shares on the date of issuance, including all shares that the Sub-Optionee has previously issued to Clover.	third anniversary of the Listing Date
The greater of 400,000 shares and the number of shares equal to 3% of the Sub-Optionee's issued and outstanding common shares on the date of issuance, including all shares that the Sub-Optionee has previously issued to Clover.	fourth anniversary of the Listing Date
The number of shares equal to 5% of the Sub-Optionee's issued and outstanding common shares on the date of issuance, including all shares that the Sub-Optionee has previously issued to Clover.	the Earn-In Date

Once the Optionor has made an aggregate of USD 500,000 in cash payments to the Company, it shall be deemed to have earned in to a 100% interest in the South Carlin Projects, subject to existing NSR royalties payable to Sandstorm, and an additional 0.25% NSR royalty on the Dixie Flats property, payable to the Company.

Pursuant to the Company's assessment of the value of the South Carlin Projects at December 31, 2020, the Company wrote-down the value of North Star by \$585,651 to \$nil, and Dixie Flats by \$2,612,547 to \$738,044. The value of the Woodruff property had previous been fully written-down further to a determination in that year to abandon the mineral claims, and was determined to represent \$nil value in the South Carlin and Woodruff Agreement. The amendment with the SubOptionor had no impact on the determination of value, nor has the receipt of the initial Showcase Shares subsequent to year end.

Remaining Portfolio

The remaining Contact Properties, described herein as the "Portfolio properties" includes the value of the Wilson Peak property, and the Rock Creek property.

Wilson Peak: With effect of November 20, 2020, the Company and a third-party entered into a lease agreement (the "Wilson Peak Option") relating to four of the Wilson Peak exploration property claims ("North Wilson"). Pursuant to the Wilson Peak Option, the Company received an initial payment of USD 25,000 (\$32,678), with a second payment of USD 25,000 (\$31,507) received on the first anniversary of the agreement. Accordingly, as of November 20, 2021, the third-party had acquired the claims known as North Wilson from the Company outright. There is an NSR royalty of 3% payable to an affiliate of Sandstorm.

Pursuant to an assessment of the recoverable value of North Wilson, the Company recognized a write-down to the value of Wilson Peak of \$391,141 during the year ended December 31, 2020. As a consequent of the receipt of the first anniversary payment the Company no longer carries any value for the North Wilson claims.

Rock Creek: There was no change to the Company's assessment of the Rock Creek property during the year ended December 31, 2022, or 2021. There is an NSR royalty of 3% payable to an affiliate of Sandstorm on Rock Creek property.

Hot Creek, and Sno: During the year ended December 31, 2021, the Company wrote-off the remaining value of the Hot Creek (\$39,260), and Sno (\$122,473) properties. The Company concluded not to pursue any further exploration and deemed the value unrecoverable.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

6. EXPLORATION PROPERTIES (continued)

Exploration and evaluation expenditures, including ongoing amortization of prepaid Claims Maintenance fees (Note 5), have been expensed in the consolidated statements of loss and comprehensive loss. Details of exploration and evaluation activities, and related expenditures incurred (net of the Centerra Recovery for the respective period) are as follows:

	Year ended	
	December 31, 2022	December 31, 2021
Amortization of Claims Maintenance fees	\$ 382,219	\$ 441,092
Wages and salaries, including share-based compensation	351,723	463,481
Drilling, assaying & geochemistry	343,273	1,129,568
Permitting and environmental monitoring	200,003	167,080
Geological contractors/consultants & related crew care costs	142,579	587,859
Expenditures for the year	\$ 1,419,797	\$ 2,789,080
Cumulative balance	\$ 19,223,411	\$ 17,803,614

Wages and salaries during the year ended December 31, 2022, include non-cash stock-based compensation of \$15,992 (2021: \$85,378) (Note 8(c)).

An amount of \$10,893 (2021: \$4,784) in amortization expense arising from the use of a leased pick-up truck and an XRF machine (aggregate carrying value at December 31, 2022: \$53,814) at Pony Creek and Green Springs, and \$7,107 relating to the interest expense arising on that leased vehicle (December 31, 2021: \$nil) has been included in the amount reported as geological contractors/consultants & related crew care costs.

Details of exploration and evaluation expenditures incurred and expensed on the Contact Properties in the respective years ended, are as follows:

	Year ended	
	December 31, 2022	December 31, 2021
Green Springs	\$ 1,092,170	\$ 2,413,479
less, Centerra Recovery	(46,739)	-
Pony Creek	335,700	326,824
Cobb Creek	-	-
Portfolio properties	38,666	48,777
Expenditures for the year	\$ 1,419,797	\$ 2,789,080
Cumulative balance	\$ 19,223,411	\$ 17,803,614

7. PAYABLES, ACCRUED LIABILITIES, SHORT-TERM ADVANCE, AND NON-CURRENT LIABILITIES

	As at December 31, 2022	As at December 31, 2021
Payables	\$ 289,760	\$ 128,338
Accrued liabilities	353,458	179,247
	\$ 643,218	\$ 307,585

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.

Short-term Advance

An officer of the Company advanced \$100,000 in working capital to Contact Gold during the year-ended December 31, 2022, and a further \$100,000 in the period subsequent to year end. The short-term advance was unsecured, non-interest bearing, due on demand, and repaid in two tranches, February 17, 2023, and February 28, 2023 (Note 10).

Non-current liabilities

As at December 31, 2022, the Company recognised a reclamation obligation of \$150,722 (December 31, 2021: \$141,085) relating to disturbance at Green Springs and Pony Creek (Notes 6(a) and 6(b)). The balance has been included as a non-current obligation reflective of the estimated future timing of related reclamation and remediation activities.

The obligation arising on the pick-up truck lease was initially measured at the present value of the lease payments to be made over the 48-month lease term, using the implicit in the lease of 22% (annual). Lease liability calculations were based on the assumption that the purchase option will be exercised at the end of the lease term (Note 6).

CONTACT GOLD CORP.
(an exploration stage company)

**Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)**

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company's authorized share capital consists of an unlimited number of Contact Shares with no par value.

a) Issued and outstanding common shares

Changes in issued common share capital during the year ended December 31, 2022:

- (i) *Exercise of RSUs:* On January 18, 2022, 133,379 RSUs were exercised, resulting in the issuance of 133,379 Contact Shares (Note 8(c)(iii)).

The private placement financing of Contact Shares announced by the Company on June 21, 2022, was terminated with no Contact Shares issued. A subsequent private placement was completed on February 23, 2023 (see Note 13(b)).

Changes in issued common share capital during the year ended December 31, 2021:

- (ii) *Exercise of RSUs:* On March 10, 2021, 54,215 RSUs were exercised, and on March 31, 2021, a further 25,520 RSUs were exercised, resulting in the aggregate issuance of 79,735 Contact Shares (Note 8(c)(iii)).

- (iii) *Exercise of DSUs:* On June 24, 2021, 444,445 DSUs were exercised, resulting in the issuance of 444,445 Contact Shares (Note 8(c)(ii)).

- (iv) *2021 Private Placement:* The Company closed a non-brokered private placement in two tranches, November 25, 2021, and December 6, 2021, issuing 57,600,000 and 2,400,000 units of the Company, respectively, for total gross proceeds of \$3,000,000 (the "2021 Private Placement"). Each unit of the 2021 Private Placement was issued at a price of \$0.05 per unit, with each unit comprised of one Contact Share and one-half of one Contact Share purchase warrant. Each whole warrant issued in the 2021 Private Placement (a "2021 Warrant") entitles the holder thereof to acquire one Contact Share at a price of \$0.075 for a period of 24 months from the respective closing dates.

In the event that at any time between four months and one day following the closing date and the Expiry Date, the Common Shares trade on the TSXV at a closing price which is equal to or greater than \$0.15 for a period of ten consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date such notice is provided.

Share issue costs of \$66,769 associated with the 2021 Private Placement, were recognized in equity in the year ended December 31, 2021. The value ascribed to the 2021 Warrants of \$590,525 is reflected as a component of contributed surplus (Note 8(b)).

b) Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at January 1, 2021	53,550,125	\$ 0.24
Warrants issued November 25, 2021	28,800,000	\$ 0.075
Warrants issued December 6, 2021	1,200,000	\$ 0.075
Outstanding as at December 31, 2021	83,550,125	\$ 0.18
Expired, unexercised	(53,550,125)	\$ 0.24
Outstanding as at December 31, 2022	30,000,000	\$ 0.075

Warrants issued on November 24, 2021, and December 6, 2021, entitle the holder to purchase an additional Contact Share at a price of \$0.075 per share for a period of 24 months from the closing date of the respective tranche (the "Expiry Date"). 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 \$0.15 for a period of ten consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date such notice is provided.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Warrants (continued)

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

	2021 Warrants (November tranche)	2021 Warrants (December tranche)
Share price	\$0.05	\$0.05
Exercise price	\$0.075	\$0.075
Volatility ⁽¹⁾	94%	93%
Annual risk-free interest rate	1.05%	1.06%
Expiry dates	November-24-2023	Dec-6-2023
Fair value per Warrant	\$0.02	\$0.02
Total value of issued Warrants	\$567,008	\$23,518

⁽¹⁾ Volatility determined with reference to the Company's historical data matching the period of the Warrant's expected life.

The remaining contractual life of Warrants outstanding as at December 31, 2022, is 0.90 years (December 31, 2021 is 1.10 years).

c) Equity remuneration

Pursuant to the "Contact Gold Omnibus Stock and Incentive Plan" (the "Incentive Plan"), the Company has established an equity remuneration plan, that contemplates the award of stock options to purchase a Contact Share ("Options"), Restricted Shares, RSUs, DSUs, and certain other security-based compensation 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 (in aggregate) that number which is equal to 10% of the number of issued and outstanding Contact Shares.

Stock-based compensation expense of \$61,332 for the year ended December 31, 2022 (year ended December 31, 2021: \$359,915), reflects the reversal of \$77,261 previously recorded as a result of a forfeiture of certain Options, net of the impact of \$15,357 arising on the accelerated recognition of the expense of previously-awarded Options that were cancelled during the year ended December 31, 2022 pursuant to a determination not to continue with the engagement of certain option holders. An additional amount of stock-based compensation expense of \$15,992 was recognized in exploration and evaluation expenditures for the year ended December 31, 2022 (year ended December 31, 2021: \$85,378) (Note 6).

For the purposes of estimating the fair value of Options using the Black-Scholes option-pricing model ("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. For Options awarded through December 31, 2022, Contact Gold has based its expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of the Company's Options exceeded the Company's trading history at the those times when an award was made.

i) Options

Under the Incentive Plan, the exercise price of each Option shall not be less than the market price of the Contact Shares at the date of grant. All Options granted to date have a five-year expiry from the date of grant. Vesting of Options is determined by the Board at the time of grant, all Options awarded to date vest in thirds at the end of each year following the date of the particular grant.

A summary of the changes in Options is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding as at December 31, 2020	11,532,500	\$ 0.27
Granted	125,000	0.08
Forfeited or cancelled	(712,500)	0.27
Outstanding as at December 31, 2021	10,945,000	0.27
Granted	2,080,000	0.05
Forfeited or cancelled	(1,448,334)	0.22
Expired	(300,000)	0.64
Outstanding as at December 31, 2022	11,276,666	\$ 0.22

301,666 Options with a weighted average exercise price of \$0.26 were forfeited subsequent to year end.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

c) *Equity remuneration (continued)*

Options outstanding as of December 31, 2022

Grant Date	Number of Options	Exercise Price	Vesting
March 27, 2018 ¹	3,575,000	\$ 0.39	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	1,370,000	\$ 0.275	vesting in thirds over a period of three years
January 16, 2020	1,700,000	\$ 0.19	vesting in thirds over a period of three years
December 23, 2020	2,441,166	\$ 0.12	vesting in thirds over a period of three years
May 30, 2022	2,040,000	\$ 0.05	vesting in thirds over a period of three years
	<u>11,276,666</u>		

¹ Expired subsequent to year end.

As at December 31, 2022, 7,845,000 Options have vested (December 31, 2021: 7,013,333).

There were 2,080,000 Options awarded during the year ended December 31, 2022. The weighted average fair value of Options granted during 2022, determined using Black-Scholes was \$0.02 (weighted average fair value to date: \$0.22) per Option. The remaining average contractual life of Options outstanding is 1.98 years.

ii) *Deferred Share Units*

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

Outstanding as at December 31, 2020	1,429,494
Granted	2,083,122
Exercised	(444,445)
Outstanding as at December 31, 2021	3,068,171
Granted	888,887
Outstanding as at December 31, 2022	3,957,058

An expense of \$40,000 was recognized to the value of contributed surplus and included in wages and salaries relating to the award of DSUs during the year ended December 31, 2022 (2021: \$177,500).

Additional awards of DSU's related to the year ended December 31, 2022, were deferred, though the associated value of these awards have been accrued for as an obligation at December 31, 2022 (Notes 7 and 13(a)).

iii) *Restricted Share Units*

On May 30, 2022, the Board awarded 195,000 RSUs with an aggregate fair value of \$6,825 to certain officers and employees of the Company. The RSUs vest in thirds over a period of three years, and each has an expiry date of December 31, 2025.

Transactions relating to RSUs are summarised below:

Outstanding as at December 31, 2020	561,710
Granted	-
Exercised	(79,735)
Forfeited	(52,600)
Outstanding as at December 31, 2021	429,375
Granted	195,000
Exercised	(133,379)
Outstanding as at December 31, 2022	490,996

Subsequent to year end 131,277 RSUs were exercised and a further 225,000 RSUs were awarded to employees of the Company. (Note 13(a)).

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

d) *Escrowed Contact Shares and other restrictions and obligations*

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

e) *Gain or loss per share*

Gain or loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of Contact Shares outstanding during the reporting period. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase Common Shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share relative to basic earnings per share and is only recognized when the effect is dilutive.

The calculation of basic and diluted gain or loss per Contact Share for year ended December 31, 2021, was based on the loss attributable to common shareholders of \$3,329,831 (2021: \$5,673,885), and a weighted average number of common shares outstanding of 301,408,873 (2021: 246,897,920).

Diluted gain or loss per share did not include the effect of 11,276,666 Options (2021: 10,945,000) as they are anti-dilutive.

9. TAX

On June 4, 2021, Contact Gold completed an internal re-organization and continuance of Contact Gold's jurisdiction of incorporation from Nevada to British Columbia which was completed on June 4, 2021.

- a) Effective tax rate: The effective income tax rate differs from the statutory rate for the following reasons in the years ended December 31, 2022 and December 31, 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
	\$	\$
Loss before taxes	(3,261,081)	(5,673,885)
Statutory tax rate	<u>27.00%</u>	<u>27.00%</u>
Expected income tax recovery	(880,492)	(1,531,949)
Permanent differences	21,691	157,918
Income taxed in Canada and the United States	(456,981)	(406,993)
Difference in tax rates between Canada and the United States	195,601	355,037
Foreign exchange	114	129,383
Other	3,599	-
Change in unrecognized deferred tax assets	1,116,468	1,296,604
Income tax expense	-	-

The applicable statutory rate for 2022 is the Canadian federal rate of 27%. The Company may also be subject to Nevada Net Proceeds Tax ("NNPT"), currently calculated at a rate of 5% once a mineral property asset reaches production.

- b) **Deferred Tax Assets and Liabilities:** The Company recognizes tax benefits on losses or other deductible amounts generated in jurisdictions, where it is more likely than not to realize the deferred tax assets. NNPT arises on production, generating a deduction at such time for federal income tax purposes.

There were no deferred tax assets (liabilities) realized with respect to the NNPT at December 31, 2022 or 2021.

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

	at December 31, 2022	at December 31, 2021
	\$	\$
Contact Gold Properties	4,815,064	3,116,215
Tax losses	4,558,886	3,449,242
Other	176,689	1,325,259
Total unrecognized deferred tax assets	9,550,639	7,890,717

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

9. TAX (continued)

As at December 31, 2022, the Company has Canadian non-capital tax loss carryforwards of approximately \$2,971,236 (2021 - \$1,319,827) and US non-capital tax loss carryforwards of approximately \$17,888,815 (US\$13,207,926) (2021 - \$14,861,607 (US\$11,722,835)).

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

	\$
2041	1,319,827
2042	1,651,409
	2,971,236

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

	\$
2037	1,952,641 (USD 1,441,702)
	1,952,641 (USD 1,441,702)

There are no income taxes owed by Contact Gold as at December 31, 2022 and 2021.

10. RELATED PARTIES

In addition to the offices and directors of the Company, Contact Gold's related party transactions include those with (i) its subsidiaries; (ii) Waterton as a reflection of its approximate 33.4% ownership interest in the Company at December 31, 2022, and the right it 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, is a principal.

Compensation of key management personnel

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

	Year ended	
	December 31, 2022	December 31, 2021
Salaries and other short-term employee benefits	\$ 804,990	\$ 866,933
Share-based payments and Restricted Shares	285,542	398,819
Total	\$ 1,090,532	\$ 1,265,752

Options have previously been granted, and director fees paid and payable to each of the independent members of the Board, including Mr. Charlie Davies, one of Waterton Nevada's Board nominees. Mr. Davies is an employee of an affiliate of Waterton.

The President & CEO advanced \$100,000 in working capital to Contact Gold during the year-ended December 31, 2022, and a further \$100,000 in the period subsequent to year end. The short-term advance was settled in two tranches, February 17, 2023, and February 28, 2023 (Note 7).

As at December 31, 2022, there was an amount of \$90,000 in compensation payable to the President & CEO (December 31, 2021: \$nil), and an amount of \$140,418 due in directors' fees. Subsequent to year end, the amount of compensation due to the President & CEO had been partially paid, with \$15,750 remaining to be paid as of the date of these Financial Statements; the amounts due to the directors were settled by issuance of DSUs (Note 13(a)).

An amount of \$25,000 (2021: \$60,000) was invoiced by Cairn for employee services; \$nil is payable at December 31, 2022 (December 31, 2021: \$nil). Prior to his stepping down from his position as an officer of the Company, Mr. Farncomb's base salary was paid in part directly, and in part to Cairn in consideration of general management and administrative services rendered through Cairn.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

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 one commercial and two geographic segments. The Contact Properties (Note 6), and prepaids relating to Claims Maintenance fees (Note 5), are held by the Company in Nevada. The remaining assets, including cash and cash equivalents, the remaining balance of prepaids, and receivables reside in both of the Company's two geographic locations.

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

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

	Year ended	
	December 31, 2022	December 31, 2021
Canada	\$ 1,693,167	\$ 2,626,998
United States	1,567,914	3,046,887
	\$ 3,261,081	\$ 5,673,885

Significant non-cash items reflected in the net loss attributable to Canada, include stock-based compensation expense, and non-cash items which are attributable to the United States includes stock-based compensation expense attributed to mineral properties.

12. 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 Contact Shares, and a deficit incurred through operations.

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

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2022.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's financial instruments consist of cash and cash equivalents, receivables, payables and accrued liabilities, and the Cobb Creek obligation. It is management's opinion that (i) the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments, and (ii) the fair values of these financial instruments approximate their carrying values.

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

12. MANAGEMENT OF CAPITAL AND FINANCIAL RISKS (continued)

Financial Risk Management (continued)

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

Liquidity Risk

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Contact Gold's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash with high credit quality banking institutions in Canada and the USA. The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

As at December 31, 2022, the balance of cash and cash equivalents held on deposit was \$141,305 (December 31, 2021: \$2,684,939). 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

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 \$568 increase or decrease respectively, in the Company's cash balance at December 31, 2022. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

13. SUBSEQUENT EVENTS

a) Equity awards

Exercise of RSUs

On January 16, 2023, 131,277 RSUs were exercised, resulting in the issuance of 131,277 Contact Shares

Issuance of Options, RSUs, and DSUs

On January 23, 2023, the Board awarded 2,950,000 Options, with an exercise price of \$0.025 to directors, officers, employees and certain consultants to the Company. These Options vest in thirds over three years, and expire after 5 years from the date of the award.

On January 23, 2023, the Board also awarded 225,000 RSUs to certain officers and employees of the Company. The RSUs vest annually in thirds, and have expiration dates at the end of the calendar year in which the final tranche vests.

A total of 6,409,061 DSUs were awarded on January 16, 2023, settling the accumulated balance of directors' fees due to that date (Note 10). DSUs granted under the Incentive Plan, have no expiration date and are redeemable upon termination of service.

CONTACT GOLD CORP.
(an exploration stage company)

Notes to the Consolidated Financial Statements
for the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

13. SUBSEQUENT EVENTS (continued)

b) 2023 Private Placement

On February 24, 2023, the Company closed a non-brokered private placement (the "2023 Private Placement") of 50,000,000 units ("2023 Units") at a price of \$0.02 per Unit for gross proceeds of \$1,000,000. Each 2023 Unit consists of one Contact Share") and one Contact Share purchase warrant (a "2023 Warrant"), with each 2023 Warrant entitling the holder to purchase an additional Contact Share at a price of \$0.05 per Contact Share until expiry on February 23, 2026.

A total of \$52,203 in share issue costs was recognized in connection with the 2023 Private Placement. An amount of \$854 was incurred in the year ended December 31, 2022.

In connection to the 2023 Private Placement, the Company issued 2,115,000 broker warrants to the eligible finders. Each broker warrant is exercisable to acquire one Unit of the Company at a price of \$0.05 per Unit, for a period of 12 months following the closing of the 2023 Private Placement.

The 2023 Private Placement received final approval from the TSXV on March 1, 2023.