

Contango ORE, Inc.  
Form 10-Q  
November 10, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-35770

CONTANGO ORE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 27-3431051  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

3700 BUFFALO SPEEDWAY, SUITE 925  
HOUSTON, TEXAS 77098

(Address of principal executive offices)

(713) 877-1311

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The total number of shares of common stock, par value \$0.01 per share, outstanding as of November 10, 2016 was 4,330,695.

CONTANGO ORE, INC.

TABLE OF CONTENTS

	Page
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Consolidated Balance Sheets (unaudited) as of September 30, 2016 and June 30, 2016	<u>3</u>
Consolidated Statements of Operations (unaudited) for the three months ended September 30, 2016 and 2015	<u>4</u>
Consolidated Statements of Cash Flows (unaudited) for the three months ended September 30, 2016 and 2015	<u>5</u>
Consolidated Statement of Shareholders’ Equity (unaudited) for the three months ended September 30, 2016	<u>6</u>
Notes to the Consolidated Financial Statements (unaudited)	<u>7</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>45</u>
Item 4. Controls and Procedures	<u>45</u>
<b>PART II – OTHER INFORMATION</b>	
Item 1. Legal Proceedings	<u>45</u>
Item 1A. Risk Factors	<u>46</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>46</u>
Item 4. Mine Safety Disclosures	<u>46</u>
Item 5. Other Information	<u>46</u>
Item 6. Exhibits	<u>48</u>
All references in this Form 10-Q to the “Company”, “CORE”, “we”, “us” or “our” are to Contango ORE, Inc.	

CONTANGO ORE, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

Item 1 - Financial Statements

	September 30, 2016	June 30, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$1,140,566	\$1,254,489
Prepaid expenses	29,743	58,165
Total current assets	1,170,309	1,312,654
<b>OTHER ASSETS:</b>		
Investment in Peak Gold, LLC (Note 4)	—	—
Total other assets	—	—
<b>TOTAL ASSETS</b>	<b>\$1,170,309</b>	<b>\$1,312,654</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$54,538	\$20,854
Accrued liabilities	244,161	92,884
Total current liabilities	298,699	113,738
<b>COMMITMENTS AND CONTINGENCIES (NOTE 12)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Common Stock, \$0.01 par value, 30,000,000 shares authorized; 4,073,403 shares issued and outstanding at September 30, 2016; 3,958,540 shares issued and outstanding at June 30, 2016	40,734	39,585
Additional paid-in capital	34,062,094	33,434,899
Accumulated deficit	(33,231,218)	(32,275,568)
<b>SHAREHOLDERS' EQUITY</b>	<b>871,610</b>	<b>1,198,916</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,170,309</b>	<b>\$1,312,654</b>

The accompanying notes are an integral part of these consolidated financial statements.

CONTANGO ORE, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

	Three Months ended September 30,	
	2016	2015
<b>EXPENSES:</b>		
Claim rentals and minimum royalties	\$—	\$14,425
General and administrative expense	955,650	436,067
Total expenses	955,650	450,492
<b>OTHER (INCOME)/EXPENSE</b>		
Loss from equity investment in Peak Gold, LLC (Note 4)	—	—
<b>NET LOSS</b>	<b>\$(955,650)</b>	<b>\$(450,492)</b>
<b>LOSS PER SHARE</b>		
Basic and diluted	\$(0.24 )	\$(0.12 )
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic and diluted	3,993,766	3,880,210

The accompanying notes are an integral part of these consolidated financial statements.

CONTANGO ORE, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Three Months Ended September 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(955,650 )	\$(450,492 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	628,344	220,623
Loss from equity investment in Peak Gold, LLC	—	—
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	28,422	31,087
Increase in accounts payable and accrued liabilities	184,961	35,211
Net cash used in operating activities	(113,923 )	(163,571 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(113,923 )</b>	<b>(163,571 )</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,254,489</b>	<b>1,947,046</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$1,140,566</b>	<b>\$1,783,475</b>

The accompanying notes are an integral part of these consolidated financial statements.

## CONTANGO ORE, INC.

## CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at June 30, 2016	3,958,540	\$39,585	\$33,434,899	\$(32,275,568)	\$1,198,916
Stock-based compensation	—	—	628,344	—	628,344
Shares vested	55,001	550	(550)	) —	—
Stock option exercises	42,817	428	(428)	) —	—
Stock warrant exercises	17,045	171	(171)	) —	—
Net loss for the period	—	—	—	(955,650)	(955,650)
Balance at September 30, 2016	4,073,403	\$40,734	\$34,062,094	\$(33,231,218)	\$871,610

The accompanying notes are an integral part of these consolidated financial statements.

CONTANGO ORE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Unaudited)

1. Organization and Business

Contango ORE, Inc. ("CORE" or the "Company") is a Houston-based company that engages in the exploration in Alaska for gold and associated minerals through a joint venture company, Peak Gold, LLC. The Company was formed on September 1, 2010 as a Delaware corporation for the purpose of engaging in the exploration in the State of Alaska for gold ore and associated minerals. The Company currently has two wholly owned subsidiaries, AU Core, Inc. and CORE Alaska, LLC. AU CORE, Inc. historically owned unpatented mining claims. Those claims were transferred to the Joint Venture Company in January 2015. CORE participates in the Joint Venture Company through its wholly owned subsidiary, CORE Alaska, LLC.

On November 29, 2010, Contango Mining Company ("Contango Mining"), a wholly owned subsidiary of Contango Oil & Gas Company ("Contango"), assigned its properties and certain other assets and liabilities to Contango. Contango contributed the properties and \$3.5 million of cash to the Company, in exchange for approximately 1.6 million shares of the Company's common stock, which were distributed to Contango's shareholders of record. The above transactions occurred among companies under common control and was accounted for as transactions among entities under common control, in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations" whereby the acquired assets and liabilities were recognized in the financial statements at their carrying amounts. Since the Company is still in an exploration stage, an investment in the Company involves a high degree of risk and uncertainty. The Company's fiscal year end is June 30.

The properties contributed by Contango included: (i) a 100% leasehold interest in an estimated 675,000 acres (the "Tetlin Lease") from the Tetlin Village Council, the council formed by the governing body for the Native Village of Tetlin, an Alaska Native Tribe (the "Tetlin Village Council"); (ii) approximately 18,021 acres in unpatented mining claims from the state of Alaska for the exploration of gold ore and associated minerals. If any of the properties are placed into commercial production, the Company would be obligated to pay a 3.0% production royalty to Royal Gold, Inc. ("Royal Gold"). On September 29, 2014, Juneau Exploration L.P. ("JEX") sold its 3.0% production royalty to Royal Gold. See Note 10 - Related Party Transactions.

In September 2012, the Company and JEX entered into an Advisory Agreement in which JEX assisted the Company in acquiring 474 unpatented state of Alaska mining claims consisting of 71,896 acres for the exploration of gold ore and associated minerals in exchange for a 2.0% production royalty on properties acquired after July 1, 2012. If any such properties are placed into commercial production, the Company would be obligated to pay JEX a 2.0% production royalty under the Advisory Agreement. On September 29, 2014, JEX sold its 2.0% production royalty to Royal Gold and the Company terminated its Advisory Agreement with JEX. See Note 10 - Related Party Transactions.

On September 29, 2014, the Company entered into a Master Agreement (the "Master Agreement") with Royal Gold, pursuant to which the parties agreed, subject to the satisfaction of various closing conditions, to form a joint venture to advance exploration and development of the Tetlin Properties (as defined below), prospective for gold ore and associated minerals (the "Transactions"). The Transactions closed on January 8, 2015 (the "Closing").

In connection with the Closing, the Company contributed its Tetlin Lease and state of Alaska mining claims near Tok, Alaska (the "Tetlin Property"), together with other property, to Peak Gold, LLC, a newly formed limited liability company (the "Joint Venture Company"). The Joint Venture Company is managed according to a Limited Liability Company Agreement between subsidiaries of Royal Gold and the Company. At the Closing, Royal Gold made an initial investment of \$5 million to fund exploration activity. The initial \$5 million does not give Royal Gold an equity stake in the Joint Venture Company. Royal Gold will have the option to obtain up to 40% economic interest in the joint venture by investing up to \$30 million (inclusive of the initial \$5 million investment) prior to October 2018. The proceeds of Royal Gold's investment will be used by the Joint Venture Company for additional exploration of the Tetlin Property. Royal Gold will initially serve as the Manager of the Joint Venture Company and will manage, direct,

and control operations of the Joint Venture Company. As of September 30, 2016, Royal Gold has contributed a total of \$13.4 million to the Joint Venture Company and has earned an economic interest of approximately 15.1%.

The Company has completed six years of exploration efforts on the Tetlin Properties, which has resulted in identifying two mineral deposits (Peak and North Peak) and several other gold and copper prospects. In 2016, two phases of exploration drilling were completed by the Joint Venture Company on the Tetlin Property. During the quarter ended September 30, 2016, the Joint Venture Company completed Phase II of the 2016 drilling program, which targeted three areas, North Peak, West Peak, and Connector Zones to better define the areas with known mineralization.



## 2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), including instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the consolidated financial statements have been included. All such adjustments are of a normal recurring nature. The consolidated financial statements should be read in conjunction with the audited financial statements and notes included in the Company’s Form 10-K for the fiscal year ended June 30, 2016. The results of operations for the three months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2017.

## 3. Summary of Significant Accounting Policies

The Company’s significant accounting policies are described below.

**Management Estimates.** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents.** Cash equivalents are considered to be highly liquid securities having an original maturity of 90 days or less at the date of acquisition.

**Stock-Based Compensation.** The Company applies the fair value method of accounting for stock-based compensation. Under this method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the award vesting period. The Company classifies the benefits of tax deductions in excess of the compensation cost recognized for the options (excess tax benefit) as financing cash flows. The fair value of each award is estimated as of the date of grant using the Black-Scholes option-pricing model.

**Income Taxes.** The Company follows the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences of (i) temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements and (ii) operating loss and tax credit carry-forwards for tax purposes. Deferred tax assets are reduced by a valuation allowance when, based upon management’s estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period. The Company recognized a full valuation allowance as of September 30, 2016 and June 30, 2016 and has not recognized any tax provision or benefit for any of the periods. The Company reviews its tax positions quarterly for tax uncertainties. The Company did not have any uncertain tax positions as of September 30, 2016 or June 30, 2016.

**Investment in the Joint Venture Company.** The Company’s consolidated financial statements include the investment in Peak Gold, LLC which is accounted for under the equity method. The Company has designated one of the three members of the Management Committee and on September 30, 2016 held an 84.9% ownership interest in Peak Gold. Royal Gold will initially serve as the Manager of the Joint Venture Company and will manage, direct, and control operations of the Joint Venture Company. The Company recorded its investment at the historical cost of the assets contributed. The cumulative losses of the Joint Venture Company exceed the historical cost of the assets contributed to the Joint Venture Company; therefore the Company's investment in Peak Gold, LLC as of June 30, 2016 is zero. The portion of the cumulative loss that exceeds the Company's investment will be suspended and recognized against earnings, if any, from the investment in the Joint Venture Company in future periods.

**Recently Issued Accounting Pronouncements.** In March 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update No. 2016-09: Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). ASU 2016 -09 is part of an initiative to reduce complexity in accounting standards. The areas of simplification in ASU 2016 -09 involve several aspects of

accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for financial statements issued for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early application is permitted. The provisions of this accounting update are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In November 2015, the FASB issued ASU No. 2015-17: Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. ASU No. 2015-17 provides guidance on the presentation of deferred income taxes that requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as non-current on the balance sheet. As a result,

each tax jurisdiction will now only have one net non-current deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The new guidance is effective for the Company's fiscal year beginning July 1, 2017 and will only result in a change in presentation of these deferred taxes on our consolidated balance sheets. Early adoption is permitted, and we are currently evaluating the impact of this guidance on our consolidated financial statement

The FASB has issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. The ASU will be effective for annual periods beginning after December 15, 2015; and for interim periods, within those fiscal years. Early adoption of this ASU is permitted for financial statements that have not been previously issued.

The FASB has issued ASU No. 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This ASU eliminates from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption of this ASU is permitted for financial statements that have not been previously issued.

The Company has evaluated all other recent accounting pronouncements and believes that none of them will have a significant effect on the Company's consolidated financial statements.

#### 4. Investment in Peak Gold, LLC

The Company recorded its investment at the historical book value of the assets contributed to the Joint Venture Company which was approximately \$1.4 million. As of September 30, 2016, Royal Gold has contributed a total of \$13.4 million to the Joint Venture Company, and earned a cumulative economic interest of approximately 15.1%. Of the \$13.4 million, \$2.7 million was contributed during the quarter ended September 30, 2016. Therefore, as of September 30, 2016, the Company holds a 84.9% economic interest in the Joint Venture Company. As of September 30, 2015, the Company held a 100% economic interest in the Joint Venture Company. The Royal Gold Initial Contribution did not entitle Royal Gold to a percentage interest in the Joint Venture Company.

The following table is a roll-forward of our investment in the Joint Venture Company from January 8, 2015 (inception) to September 30, 2016:

	Investment in Peak Gold, LLC
Investment balance at June 30, 2014	\$ —
Investment in Peak Gold, LLC, at inception January 8, 2015	1,433,886
Loss from equity investment in Peak Gold, LLC	(1,433,886)
Investment balance at June 30, 2015	\$ —
Investment in Peak Gold, LLC	—
Loss from equity investment in Peak Gold, LLC	—
Investment balance at June 30, 2016	\$ —
Investment in Peak Gold, LLC	—

Loss from equity investment in Peak Gold, LLC	—
Investment balance at September 30, 2016	\$ —

The following table presents the condensed balance sheet for Peak Gold, LLC as of September 30, 2016 and June 30, 2016:

	September 30, 2016	June 30, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$789,203	\$990,698
Mineral properties	1,433,886	1,433,886
<b>TOTAL ASSETS</b>	<b>\$2,223,089</b>	<b>\$2,424,584</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Accounts payable and other liabilities	\$2,226,154	\$1,674,956
<b>TOTAL LIABILITIES</b>	<b>2,226,154</b>	<b>1,674,956</b>
<b>MEMBERS' EQUITY</b>	<b>(3,065 )</b>	<b>749,628</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$2,223,089</b>	<b>\$2,424,584</b>

The Company's share of the Joint Venture Company's results of operations for the three months ended September 30, 2016 and 2015 was a loss of \$2.9 million and \$3.3 million, respectively. The Peak Gold, LLC loss does not include any provisions related to income taxes as Peak Gold, LLC is treated as a partnership for income tax purposes. As of September 30, 2016 and 2015, the Company's share of the Joint Venture Company's inception-to-date cumulative loss of \$13.8 million and \$5.6 million, exceeded the historical book value of our investment in Peak Gold, LLC, of \$1.4 million. Therefore the investment in Peak Gold, LLC had a balance of zero as of September 30, 2016 and 2015. The Company is not obligated to make additional capital contributions to the Joint Venture Company and therefore only records losses up to the point of the initial investment which was \$1.4 million. The portion of the cumulative loss that exceeds the Company's investment will be suspended and recognized against earnings, if any, from the investment in the Joint Venture Company in future periods.

The suspended losses for the period from inception to September 30, 2016 are \$12.4 million. The following table presents the condensed results of operations for Peak Gold, LLC for the three month periods ended September 30, 2016 and 2015:

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Inception to Date September 30, 2016
<b>EXPENSES:</b>			
Exploration expense	\$3,012,330	\$2,960,055	\$12,544,189
General and administrative	440,363	354,254	2,242,762
Total expenses	3,452,693	3,314,309	14,786,951
<b>NET LOSS</b>	<b>\$3,452,693</b>	<b>\$3,314,309</b>	<b>\$14,786,951</b>

#### 5. Costs Incurred

Costs to acquire and explore our Tetlin Lease and other properties were as follows:

Three  
Months  
Ended  
September  
30,  
2015

Edgar Filing: Contango ORE, Inc. - Form 10-Q

Exploration costs, claim rentals, and minimum royalties	\$-\$14,425
Total costs incurred	\$-\$14,425

The Tetlin Lease had an initial ten year term beginning July 2008 which was extended for an additional ten years to July 15, 2028, and for so long thereafter as the Company initiates and continues conducting mining operations on the Tetlin Lease. The

10

---

prior year expense relates to the amortization of claim rental payments with August 2015 expirations. The Joint Venture Company is responsible for making all future claim rental and minimum royalty payments.

## 6. Prepaid Expenses

The Company has prepaid expenses of \$29,743 and \$58,165 as of September 30, 2016 and June 30, 2016, respectively. Prepaid expenses primarily relate to prepaid insurance costs and prepaid XBRL filing costs.

## 7. Loss Per Share

A reconciliation of the components of basic and diluted net loss per share of common stock is presented below:

	Three Months ended September 30,				
	2016	2015	2016	2015	
	Loss	Weighted Average Shares	Loss Per Share	Weighted Average Shares	Loss Per Share
Basic Loss per Share:					
Net loss attributable to common stock	\$(955,650)	3,993,766	\$(0.24)	3,880,210	\$(0.12)
Diluted Loss per Share:					
Net loss attributable to common stock	\$(955,650)	3,993,766	\$(0.24)	3,880,210	\$(0.12)

Options and warrants to purchase 1,524,749 and 1,675,999 shares of common stock were outstanding as of September 30, 2016 and 2015, respectively. These options and warrants were not included in the computation of diluted earnings per share for each of the three month periods ended September 30, 2016 and 2015 because they are anti-dilutive as a result of the Company's net loss for all periods presented.

## 8. Shareholders' Equity

The Company's authorized capital stock consists of 30,000,000 shares of common stock and 15,000,000 shares of preferred stock. As of September 30, 2016, we had 4,073,403 shares of common stock outstanding. The Company also had an additional 147,331 shares of unvested restricted stock and options and warrants to purchase 1,524,749 shares of common stock outstanding as of September 30, 2016. No shares of preferred stock have been issued. The remaining restricted stock outstanding will vest between December 2016 and January 2019.

In September 2016, the Company distributed a Private Placement Memorandum to its warrant holders to give them the opportunity to exercise their warrants at a reduced exercise price and receive shares of common stock, par value \$0.01 per share of Contango ORE, Inc. by paying the reduced exercise price in cash and surrendering the original warrants. The offering applies to warrant holders with an exercise price of \$10.00 per share originally issued in March 2013. The offering gives the warrant holders the opportunity to exercise the warrants for \$9.00 per share. The offer will expire on November 15, 2016. See Note 13 - Subsequent Events. Proceeds from the exercise of the warrants will be used for working capital purposes and for funding future obligations to the Joint Venture Company.

### Rights Plan

On December 19, 2012, the Company adopted a Rights Plan which was amended on March 21, 2013, September 29, 2014, December 18, 2014, and on November 11, 2015. Under the terms of the amended Rights Plan, each right (a "Right") will entitle the holder to purchase 1/100 of a share of Series A Junior Preferred Stock of the Company (the "Preferred Stock") at an exercise price of \$80 per share. The Rights will be exercisable and will trade separately from the shares of common stock only if a person or group, other than the Estate of Mr. Kenneth R. Peak and its affiliates, acquires beneficial ownership of 23% or more of the Company's common stock.

Under the terms of the Rights Plan, Rights have been distributed as a dividend at the rate of one Right for each share of common stock that was held as of the close of business on December 20, 2012. Stockholders will not receive certificates for the Rights, but the Rights will become part of each share of common stock. An additional Right will be issued along with each share



of common stock that is issued or sold by the Company after December 20, 2012. The Rights are scheduled to expire on December 19, 2018.

#### 9. Formation of Joint Venture Company

On January 8, 2015, the Company and Royal Gold, through their wholly-owned subsidiaries, consummated the Transactions contemplated under the Master Agreement, including the formation of a joint venture to advance exploration and development of the Company's Tetlin Properties, for gold ore and associated minerals prospects. In connection with the Closing of the Transactions, the Company formed the Joint Venture Company. The Company contributed to the Joint Venture Company its Tetlin properties near Tok, Alaska, together with other property (the "Contributed Assets") with a historical book value of \$1.4 million and an agreed fair value of \$45.7 million (the "Contributed Assets Value"). At the Closing, the Company and Royal Gold, through their wholly-owned subsidiaries, entered into a Limited Liability Company Agreement for the Joint Venture Company (the "Joint Venture Company LLC Agreement").

Royal Gold serves as manager of the Joint Venture Company ("the Manager") and will initially manage, direct, and control the operations of the Joint Venture Company.

As a condition to the Closing, the Company and the Tetlin Village Council entered into a Stability Agreement dated October 2, 2014, pursuant to which the Company and the Tetlin Village Council, among other things, acknowledged the continued validity of the Tetlin Lease and all its terms notwithstanding any future change in the status of the Tetlin Village Council or the property subject to the Tetlin Lease.

At Closing, Royal Gold, as an initial contribution to the Joint Venture Company, contributed \$5 million (the "Royal Gold Initial Contribution"). The Royal Gold Initial Contribution did not entitle Royal Gold to a percentage interest in the Joint Venture Company. Therefore, at Closing, Royal Gold's percentage interest in the Joint Venture Company equaled 0% and the Company's percentage interest in the Joint Venture Company equaled 100%. In addition, as part of the Closing, Royal Gold paid the Company \$750,000 which was utilized to partially reimburse the Company for costs and expenses incurred in the Transactions and is included as an expense reimbursement on our consolidated statements of operations.

The Joint Venture Company's LLC Agreement provides Royal Gold with the right, but not the obligation, to earn a percentage interest in the Joint Venture Company (up to a maximum of 40%) by making additional contributions of capital to the Joint Venture Company of up to \$30 million (inclusive of the Royal Gold Initial Contribution of \$5 million) during the period beginning on the Closing and ending on October 31, 2018. If Royal Gold funds its full \$30 million investment by October 31, 2018, it will receive a percentage interest of 40% in the Joint Venture Company, and the Company will retain a percentage interest of 60% in the Joint Venture Company. From inception through September 30, 2016, Royal Gold has contributed \$13.4 million (inclusive of the Royal Gold Initial Contribution of \$5 million) to the Joint Venture Company and earned a percentage interest of 15.1%.

The proceeds of Royal Gold's contributions to the Joint Venture Company (including the Royal Gold Initial Contribution) have been used by the Joint Venture Company to fund further exploration activities on the Tetlin Properties included in the Contributed Assets.

Both the Company and Royal Gold will have the right to transfer each of their respective percentage interests in the Joint Venture Company to a third party, subject to certain terms and conditions set forth in the Joint Venture Company's LLC Agreement. If either member intends to transfer all or part of its percentage interest to a bona fide third party purchaser, the other member will have the right to require the transferring member to include in the intended transfer the other member's proportionate share of its percentage interests at the same purchase price and terms and conditions. Once Royal Gold has earned a 40% interest in the Joint Venture Company, it will have the additional right to require the Company to sell up to 20% of the Company's interest in the Joint Venture Company in a sale of Royal Gold's entire 40% interest to a bona fide third party purchaser. If Royal Gold exercises this right, the Company will be obligated to sell the relevant portion of its percentage interest to a bona fide third party purchaser on

the same terms and conditions as the interest being sold by Royal Gold.

After October 31, 2018, or such earlier time as Royal Gold has earned a 40% interest in the Joint Venture Company, the members will contribute funds to approved programs and budgets in proportion to their respective percentage interests in the Joint Venture Company. If a member elects not to contribute to an approved program and budget or elects to contribute less than its proportionate interest, its percentage interest will be recalculated by dividing (i) the sum of (a) the value of its initial contribution plus (b) the total of all of its capital contributions plus (c) the amount of the capital contribution it elects to fund, by (ii) the sum of (a), (b) and (c) above for both members multiplied by 100.

The Joint Venture Company is a variable interest entity as defined by FASB ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The Company is not the primary beneficiary since it does not currently have the power to direct the activities of the Joint Venture Company. The Company's ownership interest in the Joint Venture Company is therefore accounted under the equity method.

#### 10. Related Party Transactions

Mr. Brad Juneau, the Company's Chairman, President and Chief Executive Officer, is also the sole manager of JEX, a private company involved in the exploration and production of oil and natural gas. JEX was responsible for securing and negotiating the Tetlin Lease and assisting in obtaining other properties and initially engaged Avalon Development Corporation ("Avalon") to conduct mineral exploration activities on the Tetlin Lease. In agreeing to transfer its interests in such properties to Contango Mining, a predecessor of the Company, JEX retained a 3.0% overriding royalty interest in the properties transferred.

In September 2012, the Company and JEX entered into an Advisory Agreement in which JEX provided assistance in acquiring additional properties in Alaska in exchange for an overriding royalty of 2.0% on properties acquired after July 1, 2012.

On September 29, 2014, pursuant to a Royalty Purchase Agreement between JEX and Royal Gold (the "Royalty Purchase Agreement"), JEX sold its entire overriding royalty interest in the Tetlin Property to Royal Gold. On the same date, the Company terminated its Advisory Agreement with JEX.

In September 2016, the Company and JEX entered into a Management Services Agreement effective October 1, 2016. Under the Management Services Agreement, JEX will manage the business and affairs of the Company and its interest in the Joint Venture Company, subject to the direction of the Board, including corporate finance, accounting, budget, SEC reporting, risk management, operations and stockholder relation functions of the Company for an initial term of one year for a monthly fee of \$32,000 which includes an allocation of approximately \$6,900 for office space and equipment. No part of the fee will be allocated for compensation of Brad Juneau who will be compensated separately as determined in the sole discretion of the independent Directors of the Company. JEX will also be reimbursed for its reasonable and necessary costs and expenses of third parties incurred for the Company. In addition, executives of JEX may be granted restricted stock, stock options or other forms of compensation by the independent directors of the Company. The Company has adopted this management and compensation program because employees of JEX have historically spent significant time and effort in managing and administering the affairs of the Company. While the Company remains a small exploratory stage entity whose shares are publicly traded, the successful drilling program of the Joint Venture Company has required a significant additional allocation of time and effort to the business and affairs of the Company by the three part time executives, two of whom are officers of the Company. The amount of time and expertise required to effectively manage and administer the business and affairs of the Company will continue to be monitored by the Board for necessary adjustments or modifications depending upon the amount of time required to be spent on the business and affairs of the Company by the executives and the progress of the Joint Venture Company in its exploratory programs in Alaska.

#### 11. Stock-Based Compensation

On September 15, 2010, the Company's Board of Directors (the "Board") adopted the Contango ORE, Inc. Equity Compensation Plan (the "2010 Plan"). Under the 2010 Plan, the Board may issue up to 1,000,000 shares of common stock and options to officers, directors, employees or consultants of the Company. Awards made under the 2010 Plan are subject to such restrictions, terms and conditions, including forfeitures, if any, as may be determined by the Board. As of September 30, 2016, there were 147,331 shares of unvested restricted common stock outstanding and options to purchase 325,000 shares of common stock outstanding issued under the 2010 Plan. Stock-based compensation expense for the three months ended September 30, 2016 and 2015 was \$628,344 and \$220,623, respectively. The amount of compensation expense recognized does not reflect compensation actually received by the individuals, but rather represents the amount recognized by the Company in accordance with GAAP.

Restricted Stock. In November 2010, the Company granted 70,429 restricted shares of common stock to its executives and directors and an additional 23,477 restricted shares to a former technical consultant. All of the restricted stock from this grant was fully vested as of September 30, 2016.

In December 2013, the Company's directors, executives, and a former technical consultant were granted an aggregate of 95,000 shares of restricted stock. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of September 30, 2016, all of the restricted stock granted in December 2013 was vested.

In November 2014, the Company granted 27,000 restricted shares of common stock to its executives. The restricted stock was originally set to vest over two years, beginning with one-third vesting on the date of grant. In September 2016, the restricted

stock agreements were modified. The final one-third of the grant will now vest in January 2019. As of September 30, 2016, there were 9,000 shares of such restricted stock that remained unvested.

In January 2015, the Company granted an aggregate of 30,000 restricted shares of common stock to two of its non-executive directors, 10,000 shares vested immediately and the remaining two-thirds will vest equally over two years. In addition, the Company granted 10,000 restricted shares of common stock to a former technical consultant which vested immediately. The Compensation Committee also elected to immediately vest all of the stock options and restricted stock previously issued to the former technical consultant. As of September 30, 2016, there were 10,000 shares of such restricted stock that remained unvested.

In September 2015, the Company granted 85,000 restricted shares of common stock to its executives. The restricted stock was originally set to vest over two years, beginning with one-third vesting on the date of grant. In September 2016, the restricted stock agreements for two executives were modified such that the final one-third of their restricted stock grant will vest in January 2019. As of September 30, 2016, there were 28,332 shares of such restricted stock that remained unvested.

In December 2015, the Company granted 40,000 restricted shares of common stock to two of its non-executive directors. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of September 30, 2016, there were 26,666 shares of such restricted stock that remained unvested.

In August 2016, the Company granted 100,000 restricted shares of common stock to its executives. A portion of the restricted stock granted vests over two years, beginning one-third on the date of grant. The remainder of the restricted stock granted vests in January 2019. As of September 30, 2016, there were 73,333 shares of such restricted stock that remained unvested.

As of September 30, 2016, the total compensation cost related to unvested awards not yet recognized was \$1,720,520. The remaining costs will be recognized over the remaining vesting period of the awards.

Stock Options. The option awards listed in the table below have been granted to directors, executives and consultants of the Company:

Option Awards

Period Granted	Options Granted	Weighted Average Exercise Price	Vesting Period <sup>(7)</sup>	Expiration Date
September 2011 <sup>(1)</sup>	50,000	\$13.13	Vests over two years, beginning with one-third on the grant date.	September 2016
July 2012 <sup>(2)</sup>	100,000	\$10.25	Vests over two years, beginning with one-third on the grant date.	July 2017
December 2012 <sup>(3)</sup>	250,000	\$10.20	Vests over two years, beginning with one-third on the grant date.	December 2017
June 2013 <sup>(4)</sup>	37,500	\$10.00	Vested Immediately	June 2018
July 2013 <sup>(5)</sup>	5,000	\$10.00	Vested Immediately	July 2018
September 2013 <sup>(6)</sup>	37,500	\$10.01	Vested Immediately	September 2018
September 2013 <sup>(6)</sup>	15,000	\$10.01	Vests over two years, beginning with one-third on the grant date.	September 2018

(1) The Company granted 40,000 stock options to its directors and executives and an additional 10,000 stock options to a former technical consultant, for services performed during fiscal year 2011.

## Edgar Filing: Contango ORE, Inc. - Form 10-Q

- (2) The Company granted 75,000 stock options to its directors and executives and an additional 25,000 stock options to a former technical consultant for services performed during fiscal year 2012. Of the total options granted as a part of this grant, 25,000 were later forfeited.
- (3) The Company granted 175,000 stock options to its directors and executives and an additional 75,000 stock options to a former technical consultant for services performed during fiscal year 2013. Of the total options granted as a part of this grant, 50,000 were later forfeited.
- (4) The Company granted 37,500 stock options to its executives for services performed during fiscal year 2013.
- (5) The Company granted 5,000 stock options to an employee of Avalon for services performed during fiscal year 2013.
- (6) The Company granted 52,500 stock options to its executives for services performed during the first quarter of fiscal year 2014.
- (7) If at any time there occurs a change of control, as defined in the 2010 Plan, any options that are unvested at that time will immediately vest. The Company's Compensation Committee has determined that the Transactions do not constitute a change of control under the 2010 Plan.

In August 2016, the Company's current and former executives, directors, and consultants cashless exercised 80,000 stock options resulting in no proceeds. The Company applies the fair value method to account for stock option expense. Under this method, cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) are classified as financing cash flows. See Note 3 – Summary of Significant Accounting Policies. All employee stock option grants are expensed over the stock option's vesting period based on the fair value at the date the options are granted. The fair value of each option is estimated as of the date of grant using the Black-Scholes options-pricing model. As of September 30, 2016, the stock options had a weighted-average remaining life of approximately 1 year. The total compensation cost related to these options had been fully recognized as of September 30, 2016 as all of the options are fully vested.

A summary of the status of stock options granted under the 2010 Plan as of September 30, 2016 and changes during the three months then ended, is presented in the table below:

	Three Months Ended September 30, 2016	
	Shares Under Options	Weighted Average Exercise Price
Outstanding, June 30, 2016	405,000	\$10.24
Granted	—	—
Exercised	(80,000	)\$11.20
Forfeited	—	—
Outstanding, September 30, 2016	325,000	\$10.00
Aggregate intrinsic value	\$1,936,550	
Exercisable, end of period	325,000	\$10.00
Aggregate intrinsic value	\$1,936,550	
Available for grant, end of period	114,094	

## 12. Commitments and Contingencies

**Tetlin Lease.** The Tetlin Lease had an initial ten year term beginning July 2008 which was extended for an additional ten years to July 15, 2028, and for so long thereafter as the Joint Venture Company initiates and continues to conduct mining operations on the Tetlin Lease.

Pursuant to the terms of the Tetlin Lease, the Joint Venture Company is required to spend \$350,000 per year until July 15, 2018 in exploration costs. However, the Company's exploration expenditures through the 2011 exploration program have satisfied this requirement because exploration funds spent in any year in excess of \$350,000 are credited toward future years' exploration cost requirements. Additionally, should the Joint Venture Company derive revenues from the properties covered under the Tetlin Lease, the Joint Venture Company is required to pay the Tetlin Tribal Council a production royalty ranging from 2.0% to 5.0%, depending on the type of metal produced and the year of production. As of June 30, 2012, the Company had paid the Tetlin Village Council \$225,000 in exchange for reducing the production royalty payable to them by 0.75%. These payments lowered the production royalty to a range of 1.25% to 4.25%. On or before July 15, 2020, the Tetlin Tribal Council has the option to increase their production royalty by (i) 0.25% by payment to the Joint Venture Company of \$150,000, (ii) 0.50% by payment to the Joint Venture Company of \$300,000, or (iii) 0.75% by payment to the Joint Venture Company of \$450,000. Until such time as production royalties begin, the Joint Venture Company must pay the Tetlin Tribal Council an advance minimum royalty of \$50,000 per year. On July 15, 2012, the advance minimum royalty increased to \$75,000 per year, and subsequent years are escalated by an inflation adjustment.

**Gold Exploration.** The Joint Venture Company's Triple Z, TOK/Tetlin, Eagle, Bush and ADC 2 claims are all located on state of Alaska lands. The annual claim rentals on these projects vary based on the age of the claims, and are due and payable in full by November 30 of each year. Annual claims rentals for the 2015-2016 assessment year totaled

\$93,485. The Joint Venture Company has met the annual labor requirements for the state of Alaska acreage for the next four years, which is the maximum time allowable by Alaska law.

Royal Gold Royalties. Pursuant to the Royalty Purchase Agreement, the Joint Venture Company will pay Royal Gold an overriding royalty of 3.0% should the Joint Venture Company derive revenues from the Tetlin Lease and certain other properties and an overriding royalty of 2.0% should the Joint Venture Company derive revenues from any additional properties.



### 13. Subsequent Events

In September 2016, the Company distributed a Private Placement Memorandum to its warrant holders to give them the opportunity to exercise their warrants at a reduced exercise price and receive shares of common stock, par value \$0.01 per share of Contango ORE, Inc. by paying the reduced exercise price in cash and surrendering the original warrants. The offering applies to warrant holders with an exercise price of \$10.00 per share originally issued in March 2013. The offering gives the warrant holders the opportunity to exercise the warrants for \$9.00 per share. The offer will expire on November 15, 2016. As of November 10, 2016 a total of 241,667 warrants have been exercised resulting in total cash to the Company of \$2.2 million. Of the total warrants exercised, 83,334 were exercised by entities controlled by Mr. Brad Juneau, the Company's Chairman, President and Chief Executive Officer. Proceeds from the exercise of the warrants will be used for working capital purposes and for funding future obligations to the Joint Venture Company.

#### Available Information

General information about the Company can be found on the Company's website at [www.contangoore.com](http://www.contangoore.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file or furnish them to the Securities and Exchange Commission ("SEC").

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes and other information included elsewhere in this Form 10-Q and in our Form 10-K, for the fiscal year ended June 30, 2016, previously filed with the SEC.

### Cautionary Statement about Forward-Looking Statements

Some of the statements made in this report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. The words and phrases "should be", "will be", "believe", "expect", "anticipate", "estimate", "forecast", "goal" and similar expressions identify forward-looking statements and express our expectations about future events. These include such matters as:

- The Company's financial position
- Business strategy, including outsourcing
- Meeting Company forecasts and budgets
- Anticipated capital expenditures
- Prices of gold and associated minerals
- Timing and amount of future discoveries (if any) and production of natural resources on our Tetlin Property
- Operating costs and other expenses
- Cash flow and anticipated liquidity
- Prospect development
- New governmental laws and regulations

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such expectations may not occur. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results expressed or implied by the forward-looking statements. These factors include among others:

- Ability to raise capital to fund capital expenditures
- Operational constraints and delays
- The risks associated with exploring in the mining industry
- The timing and successful discovery of natural resources
- Availability of capital and the ability to repay indebtedness when due
- Declines and variations in the price of gold and associated minerals
- Price volatility for natural resources
- Availability of operating equipment
- Operating hazards attendant to the mining industry
- Weather
- The ability to find and retain skilled personnel
- Restrictions on mining activities
- Legislation that may regulate mining activities
- Impact of new and potential legislative and regulatory changes on mining operating and safety standards
- Uncertainties of any estimates and projections relating to any future production, costs and expenses.
- Timely and full receipt of sale proceeds from the sale of any of our mined products (if any)
- Stock price and interest rate volatility
- Federal and state regulatory developments and approvals
- Availability and cost of material and equipment
- Actions or inactions of third-parties
- Potential mechanical failure or under-performance of facilities and equipment
- Environmental risks
- Strength and financial resources of competitors
- Worldwide economic conditions

Expanded rigorous monitoring and testing requirements

Ability to obtain insurance coverage on commercially reasonable terms

Competition generally and the increasing competitive nature of our industry

You should not unduly rely on these forward-looking statements in this report, as they speak only as of the date of this report. Except as required by law, we undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

See the information under the heading “Risk Factors” in this Form 10-Q for some of the important factors that could affect our financial performance or could cause actual results to differ materially from estimates contained in forward-looking statements.

## Overview

The Company is a Houston-based company, whose primary business is the participation in a joint venture to explore in the State of Alaska for gold ore and associated minerals. On January 8, 2015, the Company and Royal Gold, Inc. (“Royal Gold”), through their wholly-owned subsidiaries, consummated the transactions (the “Transactions”) contemplated under the Master Agreement, dated as of September 29, 2014 (the “Master Agreement”), including the formation of a joint venture, Peak Gold, LLC (the “Joint Venture Company”), to advance exploration of the Company's Tetlin Property, which is prospective for gold and associated minerals. As of September 30, 2016, the Joint Venture Company had leased or had control over an estimated 775,000 acres for the exploration of gold ore and associated minerals.

## Background

Contango Mining Company (“Contango Mining”), a wholly owned subsidiary of Contango Oil & Gas Company (“Contango”), was formed for the purpose of mineral exploration in the State of Alaska. Contango Mining initially acquired a 50% interest in properties from Juneau Exploration, L.P., (“JEX”) in exchange for \$1 million and a 1.0% overriding royalty interest in the properties under a Joint Exploration Agreement (the “Joint Exploration Agreement”). On September 15, 2010, Contango Mining acquired the remaining 50% interest in the properties by increasing the overriding royalty interest in the properties granted to JEX to 3.0% pursuant to an Amended and Restated Conveyance of Overriding Royalty Interest (the “Amended ORRI Agreement”), and JEX and Contango Mining terminated the Joint Exploration Agreement. JEX assisted the Company in acquiring additional properties in Alaska pursuant to an Advisory Agreement dated September 6, 2012, and the Company granted to JEX a 2% overriding royalty interest in the additional properties acquired. On September 29, 2014, pursuant to a Royalty Purchase Agreement between JEX and Royal Gold (the “Royalty Purchase Agreement”), JEX sold its entire overriding royalty interest in the properties to Royal Gold. On the same date, the Company terminated the Advisory Agreement with JEX.

The Company was formed on September 1, 2010 as a Delaware corporation and on November 29, 2010, Contango Mining assigned all its properties and certain other assets and liabilities to Contango. Contango contributed the properties and \$3.5 million of cash to the Company, pursuant to the terms of a Contribution Agreement (the “Contribution Agreement”), in exchange for approximately 1.6 million shares of the Company’s common stock. The transactions occurred between companies under common control. Contango then distributed all of the Company’s common stock to Contango’s stockholders of record as of October 15, 2010, promptly after the effective date of the Company’s Registration Statement Form 10 on the basis of one share of common stock for each ten (10) shares of Contango’s common stock then outstanding.

In connection with the closing of the Transactions with Royal Gold (the “Closing”), the Company formed Peak Gold, LLC and contributed to the Joint Venture Company its Tetlin Property near Tok, Alaska, together with other personal property (the “Contributed Assets”) with a historical cost of \$1.4 million and an agreed value of \$45.7 million (the “Contributed Assets Value”). At the Closing, the Company and Royal Gold, through their wholly-owned subsidiaries, entered into a Limited Liability Company Agreement for the Joint Venture Company (the “Joint Venture Company LLC Agreement”).

Upon Closing, Royal Gold initially invested \$5 million to fund exploration activity. The initial \$5 million did not give Royal Gold an equity stake in the Joint Venture Company. Royal Gold has the option to earn up to a percentage interest of 40% in the Joint Venture Company by investing up to \$30 million (inclusive of the initial \$5 million investment) prior to October 2018. As of September 30, 2016, Royal Gold has contributed a total of \$13.4 million

(including the initial \$5 million investment) to the Joint Venture Company and earned a percentage interest of 15.1%. The proceeds of Royal Gold's investment have been and will be used by the Joint Venture Company for additional exploration of the Tetlin Property.

#### Properties

Since 2009, the Company's primary focus has been the exploration of a mineral lease with the Native Village of Tetlin whose governmental entity is the Tetlin Tribal Council ("Tetlin Tribal Council") for the exploration of minerals near Tok, Alaska on a currently estimated 675,000 acres (the "Tetlin Lease") and almost all of the Company's resources have been directed to that end. All significant work presently conducted by the Company has been directed at exploration of the Tetlin Lease and increasing understanding of the characteristics of, and economics of, any mineralization. There are no known quantifiable mineral reserves on the Tetlin Lease or any of the Company's other properties as defined by the Securities and Exchange Commission ("SEC") Industry Guide 7.

The Tetlin Lease originally had a ten year term beginning July 2008 which was extended for an additional ten years to July 15, 2028. If the properties under the Tetlin Lease are placed into commercial production, the Tetlin Lease will be held throughout production and the Company would be obligated to pay a production royalty to the Tetlin, which varies from 2.0% to 5.0%, depending on the type of metal produced and the year of production. In June 2011, the Company paid the Tetlin \$75,000 in exchange for reducing the production royalty payable to them by 0.25%. In July 2011, the Company paid the Tetlin Tribal Council an additional \$150,000 in exchange for further reducing the production royalty by 0.50%. These payments lowered the production royalty to a range of 1.25% to 4.25%, depending on the type of metal produced and the year of production. On or before July 15, 2020, the Tetlin has the option to increase its production royalty by (i) 0.25% by payment to the Joint Venture Company of \$150,000, or (ii) 0.50% by payment to the Joint Venture Company of \$300,000, or (iii) 0.75% by payment to the Joint Venture Company of \$450,000.

The Joint Venture Company also holds certain State of Alaska unpatented mining claims for the exploration of gold ore and associated minerals. The Company believes that the Joint Venture Company holds good title to its properties, in accordance with standards generally accepted in the mineral industry. As is customary in the mineral industry, the Company conducts only a preliminary title examination at the time it acquires a property. The Joint Venture Company conducted a title examination prior to the assignment of the Tetlin Lease to the Joint Venture Company and performed certain curative title work. Before the Joint Venture Company begins any mine development work, however, the Joint Venture Company is expected to again conduct a full title review and perform curative work on any defects that it deems significant. A significant amount of additional work is likely required in the exploration of the properties before any determination as to the economic feasibility of a mining venture can be made.

The following table summarizes the Tetlin Lease and unpatented mining claims (the "Tetlin Property") held by the Joint Venture Company as of September 30, 2016:

Property	Location	Commodities	Claims	Estimated Acres	Type
Tetlin-Tok	Eastern Interior	Gold, Copper	131	10,900	State Mining Claims
Eagle	Eastern Interior	Gold, Copper	428	66,000	State Mining Claims
Bush	Eastern Interior	Gold, Copper	48	7,700	State Mining Claims
West Fork	Eastern Interior	Gold, Copper	48	7,700	State Mining Claims
Triple Z	Eastern Interior	Gold, Copper	45	7,200	State Mining Claims
Tetlin-Village	Eastern Interior	Gold, Copper	-	675,000	Lease
TOTALS:			700	774,500	

## Strategy

Partnering with strategic industry participants to expand future exploration work. In connection with an evaluation of the Company's strategic options conducted by the Board of Directors and its financial advisor, the Company determined to continue its exploration activities on the Tetlin Property through a joint venture with an experienced industry participant. As a result, the Company formed the Joint Venture Company pursuant to a Joint Venture Company's LLC Agreement with Royal Gold. Under the Joint Venture Company's LLC Agreement, Royal Gold is appointed as the manager of the Joint Venture Company (the "Manager"), initially, with overall management responsibility for operations of the Joint Venture Company through October 31, 2018, and, thereafter, provided Royal Gold earns at least a forty percent (40%) percentage interest by October 31, 2018. Royal Gold may resign as Manager and can be removed as Manager for a material breach of the Joint Venture Company LLC Agreement, a material failure to perform its obligations as the Manager, a failure to conduct the Joint Venture Company operations in accordance with industry standards and applicable laws, and other limited circumstances. The Manager will manage, and direct the operation of the Joint Venture Company, and will discharge its duties, in accordance with approved programs and budgets. The Manager will implement the decisions of the Management Committee of the Joint Venture Company (the "Management Committee") and will carry out the day-to-day operations of the Joint Venture Company.

Except as expressly delegated to the Manager, the Joint Venture Company's LLC Agreement provides that the Management Committee has exclusive authority to determine all management matters related to the Company. Initially, the Management Committee consists of one appointee designated by the Company and two appointees designated by Royal Gold. Each designate on the Management Committee is entitled to one vote. Except for the list of specific actions set forth in the Joint Venture Company's LLC Agreement, the affirmative vote by a majority of designates is required for action.

Structuring Incentives to Drive Behavior. The Company believes that equity ownership aligns the interests of the Company's executives and directors with those of its stockholders. The Company's directors and executives have not received cash compensation for their work for the Company. As of September 30, 2016, the Company's directors and executives beneficially

own approximately 16.9% of the Company's common stock. An additional 19.8% of the Company's common stock is beneficially owned by the Estate of Mr. Kenneth R. Peak, the Company's former Chairman, who passed away on April 19, 2013.

**Restricted Stock.** In November 2010, the Company's directors, executives, and a former technical consultant were granted an aggregate of 93,906 shares of restricted stock. The restricted stock vests over three years, beginning in November 2011, the one-year anniversary of the date the shares were granted. As of September 30, 2016, all of the restricted stock granted in November 2010 was vested.

In December 2013, the Company's directors, executives, and a former technical consultant were granted an aggregate of 95,000 shares of restricted stock. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of September 30, 2016, all of the restricted stock granted in December 2013 was vested.

In November 2014, two executives of the Company were granted an aggregate of 27,000 shares of restricted stock. The restricted stock was originally set to vest over two years, beginning with one-third vesting on the date of grant. In September 2016, the restricted stock agreements were modified. The final one-third of the grant will now vest in January 2019. As of September 30, 2016, there were 9,000 shares of such restricted stock that remained unvested.

In January 2015, two of the Company's non-executive directors were granted an aggregate of 30,000 shares of restricted stock, of which 10,000 shares vested immediately and the remaining 20,000 shares will vest over the next two years. In addition, a former technical consultant was granted an aggregate of 10,000 shares of restricted stock which vested immediately. The Compensation Committee also elected to immediately vest all of the stock options and restricted stock previously issued to the former technical consultant. As of September 30, 2016, there were 10,000 shares of such restricted stock that remained unvested.

In September 2015, the Company granted 85,000 restricted shares of common stock to its executives. The restricted stock was originally set to vest over two years, beginning with one-third vesting on the date of grant. In September 2016, the restricted stock agreements for two executives were modified such that the final one-third of their restricted stock grant will vest in January 2019. As of September 30, 2016, there were 28,332 shares of such restricted stock that remained unvested.

In December 2015, the Company granted 40,000 restricted shares of common stock to two of its non-executive directors. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of September 30, 2016, there were 26,666 shares of such restricted stock that remained unvested.

In August 2016, the Company granted 100,000 restricted shares of common stock to its executives. A portion of the restricted stock granted vests over two years, beginning one-third on the date of grant. The remainder of the restricted stock granted vests in January 2019. As of September 30, 2016, there were 73,333 shares of such restricted stock that remained unvested.

**Stock Options.** As of the date of this report, the option awards listed in the table below have been granted to directors, officers, employees and consultants of the Company:

Option Awards

Period Granted	Options Granted	Weighted Average Exercise Price	Vesting Period <sup>(7)</sup>	Expiration Date
September 2011 <sup>(1)</sup>	50,000	\$13.13	Vests over two years, beginning with one-third on the grant date.	September 2016
July 2012 <sup>(2)</sup>	100,000	\$10.25	Vests over two years, beginning with one-third on the grant date.	July 2017



Edgar Filing: Contango ORE, Inc. - Form 10-Q

December 2012 (3)	250,000	\$10.20	Vests over two years, beginning with one-third on the grant date.	December 2017
June 2013 (4)	37,500	\$10.00	Vested Immediately	June 2018
July 2013 (5)	5,000	\$10.00	Vested Immediately	July 2018
September 2013 (6)	37,500	\$10.01	Vested Immediately	September 2018
September 2013 (6)	15,000	\$10.01	Vests over two years, beginning with one-third on the grant date.	September 2018

20

---

- (1) The Company granted 40,000 stock options to its directors and executives and an additional 10,000 stock options to its technical consultant, the owner of Avalon, for services performed during fiscal year 2011.
- (2) The Company granted 75,000 stock options to its directors and executives and an additional 25,000 stock options to its technical consultant for services performed during fiscal year 2012. Of the total options granted as a part of this grant, 25,000 were later forfeited.
- (3) The Company granted 175,000 stock options to its directors and executives and an additional 75,000 stock options to its technical consultant for services performed during fiscal year 2013. Of the total options granted as a part of this grant, 50,000 were later forfeited.
- (4) The Company granted 37,500 stock options to its executives for services performed during fiscal year 2013.
- (5) The Company granted 5,000 stock options to an employee of Avalon for services performed during fiscal year 2013.
- (6) The Company granted 52,500 stock options to its executives for services performed during the first quarter of fiscal year 2014.
- (7) If at any time there occurs a change of control, as defined in the 2010 Plan, any options that are unvested at that time will immediately vest. The Company's Compensation Committee has determined that the Transactions do not constitute a change in control under the 2010 Plan.

In August 2016, the Company's current and former executives, directors, and consultants cashless exercised 80,000 stock options resulting in no proceeds.

#### Exploration and Mining Property

Exploration and mining rights in Alaska may be acquired in the following manner: public lands, private fee lands, unpatented Federal or State of Alaska mining claims, patented mining claims, and tribal lands. The primary sources for acquisition of these lands are the United States government, through the Bureau of Land Management and the United States Forest Service, the Alaskan state government, tribal governments, and individuals or entities who currently hold title to or lease government and private lands.

Tribal lands are those lands that are under control by sovereign Native American tribes, such as land constituting the Tetlin Lease or Alaska Native corporations established by the Alaska Native Claims Settlement Act of 1971 (ANSCA). Areas that show promise for exploration and mining can be leased or joint ventured with the tribe controlling the land, including land constituting the Tetlin Lease.

The State of Alaska government owns public lands. Mineral resource exploration, development and production are administered primarily by the State Department of Natural Resources. Ownership of the subsurface mineral estate, including alluvial and lode mineral rights, can be acquired by staking a 40 acre or 160 acre mining claim, which right is granted under Alaska Statute Sec. 38.05.185 to 38.05.275, as amended (the "Alaska Mining Law"). The State government continues to own the surface estate, subject to certain rights of ingress and egress owned by the claimant, even though the subsurface can be controlled by a claimant with a right to extract through claim staking. A mining claim is subject to annual assessment work requirements, the payment of annual rental fees and royalties due to the State of Alaska after commencement of commercial production. Both private fee-land and unpatented mining claims and related rights, including rights to use the surface, are subject to permitting requirements of Federal, State, Tribal and local governments.

#### Gold Exploration

The Joint Venture Company controls an estimated 775,000 acres consisting of the Tetlin Lease and State of Alaska mining claims for the exploration of gold and associated minerals. To date, our gold exploration has concentrated on the Tetlin Lease, with only a limited amount of work performed on the TOK, Eagle, Bush, AD and Triple Z claims.

The Joint Venture Company initiated a summer of 2015 exploration program on the Tetlin Lease. The work program anticipated spending \$5 million with a possible expansion of the work program in early fall if drilling results warranted further work. The drilling program included exploration targets that were helicopter-supported at the Tors, Saddle, North Saddle and Saddle Skarn targets and road-supported work at the Peak Zone area. Most of the initial work program (Phase I) was completed by early August with assay results received by early September. On August 31, 2015, the Joint Venture Company approved a budget of up to approximately \$4 million for additional exploration

work to be completed before the drilling season ended in October and incurred aggregate cost of approximately \$6.8 million for the calendar 2015 exploration program.

The Joint Venture Company initiated a 2016 Phase I exploration program consisting of drilling the North Peak target area beginning in February 2016 on the Tetlin Lease with an approved budget of \$4.4 million. The Joint Venture Company initiated a 2016 Phase II exploration drilling program in May, which was completed in September. The project has incurred an aggregate cost in calendar 2016 of approximately \$8.0 million.

From inception to date, the Joint Venture Company has incurred \$12.4 million in exploration program expenditures. As of September 30, 2016, Royal Gold has funded a total of \$13.4 million (including the initial investment of \$5 million) and earned an 15.1% interest in the Joint Venture Company. An additional budget was approved for spending up to an additional \$6.8 million during the remainder of calendar 2016.

The exploration effort on the Tetlin Lease has resulted in identifying two mineral deposits (Peak and North Peak) and several other gold and copper prospects following drilling programs starting in 2011. Surface, bedrock, and stream sediment data on the Tetlin Lease as well as on the Eagle and Tok state of Alaska claims adjacent to the Tetlin Lease have been gathered during the summer exploration programs. There was no exploration program in 2014. None of the exploration targets are known to host quantifiable commercial mineral reserves and none are near or adjacent to other known significant gold or copper deposits. There has been no recorded past placer or lode mining on Tetlin project, and the Company and the Joint Venture Company are the only entities known to have conducted drilling operations on the Tetlin project.

#### Chief Danny Prospect Area

The Chief Danny Prospect Area currently is the most advanced exploration target on the Tetlin Lease and is comprised of several distinct mineralized areas: the Main Peak Zone, Discovery Zone, West Peak Zone, North Peak Zone, Connector Zone and the Saddle Zone. The Chief Danny prospect was discovered during rock, stream sediment and pan concentrate sampling in 2009 and since then has been explored using top of bedrock soil auger sampling, trenching, ground induced polarization (IP) geophysics, airborne magnetic and resistivity surveys and core drilling. Results from this work indicate the presence of a zoned metal-bearing system consisting of a gold-copper-iron enriched core covering six square miles at Chief Danny South (includes Main Peak, Discovery, West Peak, North Peak/Blue Moon) and a fault-offset arsenic-gold enriched zone to the north covering three square miles at the Saddle Zone. The Company has conducted extensive drilling on the Main Peak, North Peak, and Connector Zones. The Company has also conducted some environmental base line studies on the areas surrounding the Chief Danny prospect, as well as airborne magnetic and resistivity programs. From 2009 through 2016, the Company conducted field-related exploration work at the Chief Danny Prospect, including collecting the following samples:

Year	Program	Core Samples	Rock Samples	Soil Samples	Pan Con Samples	Stream Samples	Silt (feet)	Core (kilometers)	IP/Geophysics (kilometers)	Trenching (feet)
2009	Chief Danny	—	958	33	94	11	—	—	—	2,330
2010	Chief Danny	—	613	760	668	795	—	14	—	—
2011	Chief Danny	1,267	20	688	—	—	8,057	3,957	—	—
2012	Chief Danny	5,223	82	1,029	—	—	36,006	—	—	—
2013	Chief Danny	8,970	14	1,406	85	278	47,081	2,414	—	—
2014	Chief Danny	—	—	—	—	—	—	—	—	—
2015	Chief Danny	8,352	133	—	—	—	46,128	—	—	—
2016	Chief Danny	9,421	14	669	—	—	54,600	24	—	—
	Total	33,233	1,834	4,585	847	1,084	191,872	6,409	—	2,330

2016 Exploration Program - Phase II. During the quarter ending September 30, 2016, exploration drilling was completed by the Joint Venture Company on the Tetlin Property totaling 6,498 meters (22,795 feet) in 30 holes, a continuation of the 2016 Phase II program, started in the prior quarter. The Phase II program, which was initiated in the quarter ended June 30, 2016, has completed 12,601 meters (41,342 ft) of exploration drilling in 63 holes. The Joint Venture Company spent an estimated \$3.9 million, during the quarter, on program activities, including drilling, geochemical analyses, landholding fees and other related expenses. Drilling targeted three areas, North Peak, West Peak, and Connector Zones to better define the areas with known mineralization. During the full program, high grade-gold mineralization was drilled in the area that joins North Peak to the Connector Zone mineralization identified in the 2016 Phase I program. Several holes drilled revealed significant grade-thickness intervals of gold such as drill

Edgar Filing: Contango ORE, Inc. - Form 10-Q

hole 16235 which intercepted 38.88 meters grading 51.62 gpt gold starting at 14.50 meters, drill hole 16237 which intercepted 14.19 meters grading 45.33 gpt gold starting at 9.75 meters, drill hole 16271 which intercepted 17.12 meters grading 51.89 gpt gold starting at 24.08 meters, and drill hole 16256 which intercepted 13.20 meters grading 48.59 gpt gold starting at 7.92 meters.

The map below depicts the location of 63 core holes drilled during the 2016 Phase II program:

2016 PHASE II CORE HOLES DRILLED

Significant Drill Intercepts from the 2016 Phase II Program. Sample intervals are calculated using 0.5 grams per tonne (gpt) lower cut off for gold with no internal waste less than cutoff grade that is greater than 3 meters in thickness.

Intercepts shown are drill intercept lengths. True width of mineralization is unknown. The grade cutoff for gold (Au) is 0.5 gpt; for silver (Ag) is 10 gpt; and for copper (Cu) is 0.1%. The following table summarizes the significant drilling results obtained for the complete Phase II of the 2016 Program:

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16211	Connector	16.11	26.42	10.31	3.500	0.102	34.4	0.299
Including	Connector	20.57	21.00	0.43	13.650	0.398	45.6	0.199
TET16211	Connector	29.87	42.82	12.95	3.090	0.090	58.9	0.295
Including	Connector	41.61	42.82	1.21	14.350	0.419	251.0	0.681
TET16211	Connector	50.04	54.25	4.21	2.700	0.079	18.0	0.147
TET16211	Connector	114.76	121.05	6.29	1.440	0.042	66.3	0.09
TET16212	North Peak	52.88	55.85	2.97	0.900	0.026	2.5	0.151
TET16212	North Peak	142.22	144.57	2.35	1.560	0.046	—	0.028
TET16213	North Peak	115.98	127.84	11.86	0.610	0.018	1.0	0.042
TET16214	North Peak	54.67	56.49	1.82	1.400	0.041	5.6	0.025

Edgar Filing: Contango ORE, Inc. - Form 10-Q

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16214	North Peak	140.47	143.77	3.30	1.270	0.037	20.5	0.730
Including	North Peak	140.47	141.10	0.63	4.890	0.143	83.1	2.970
TET16215	North Peak	50.58	66.20	15.62	2.400	0.070	42.0	0.520
TET16215	North Peak	86.10	89.68	3.58	0.930	0.027	7.5	0.012
TET16216	North Peak	17.28	32.99	15.71	1.840	0.054	19.4	0.107
Including	North Peak	17.28	18.17	0.89	9.720	0.284	74.5	0.317
TET16216	North Peak	55.85	69.79	13.94	0.900	0.026	48.8	0.384
TET16216	North Peak	110.33	112.00	1.67	0.940	0.027	22.3	0.044
TET16217	West Peak	50.02	52.64	2.62	0.780	0.023	—	0.007
TET16217	West Peak	88.30	89.40	1.10	1.470	0.043	2.9	0.093
TET16218	West Peak	49.53	55.42	5.89	1.980	0.058	—	0.005
TET16218	West Peak	60.76	63.82	3.06	1.760	0.051	—	0.009
TET16218	West Peak	77.11	85.80	8.69	2.250	0.066	0.7	0.008
TET16218	West Peak	191.47	206.48	15.01	7.100	0.207	8.9	0.325
Including	West Peak	194.18	194.91	0.73	73.500	2.144	37.0	1.550
TET16218	West Peak	215.60	216.96	1.36	1.280	0.037	0.6	0.018
TET16219	West Peak	37.65	47.55	9.90	1.370	0.040	0.2	0.019
TET16219	West Peak	195.24	199.32	4.08	0.640	0.019	9.0	0.025
TET16219	West Peak	207.11	210.16	3.05	0.910	0.027	0.8	0.025
TET16220	North Peak	23.27	56.23	32.96	4.870	0.142	2.4	0.045
Including	North Peak	27.70	29.41	1.71	12.300	0.359	7.3	0.124
and	North Peak	32.96	33.99	1.03	15.150	0.442	4.5	0.138
and	North Peak	33.99	34.98	0.99	14.950	0.436	5.7	0.108
and	North Peak	42.72	44.37	1.65	12.900	0.376	5.3	0.040
and	North Peak	51.89	53.24	1.35	11.900	0.347	5.9	0.110
TET16220	North Peak	64.16	66.14	1.98	6.810	0.199	6.0	0.111
TET16220	North Peak	71.72	73.75	2.03	1.340	0.039	2.3	0.064
TET16221	North Peak	21.61	39.53	17.92	8.230	0.240	3.0	0.035
Including	North Peak	30.82	32.90	2.08	18.300	0.534	3.1	0.067
and	North Peak	37.50	39.53	2.03	17.150	0.500	5.0	0.063
TET16221	North Peak	74.07	92.63	18.56	2.910	0.085	3.3	0.023
Including	North Peak	74.07	77.27	3.20	9.730	0.284	2.8	0.019
TET16221	North Peak	97.82	99.86	2.04	3.060	0.089	11.7	0.127
TET16221	North Peak	105.71	117.65	11.94	2.740	0.080	10.3	0.035
TET16221	North Peak	125.10	129.54	4.44	4.430	0.129	3.3	0.051
TET16223	North Peak	50.93	57.63	6.70	1.770	0.052	9.7	0.028
TET16223	North Peak	74.36	85.80	11.44	1.070	0.031	30.6	0.184
TET16223	North Peak	93.42	95.48	2.06	3.390	0.099	42.0	0.476
TET16223	North Peak	103.10	109.08	5.98	2.920	0.085	4.3	0.093
TET16224	North Peak	109.07	115.61	6.54	2.500	0.073	8.8	0.168
TET16225	North Peak	55.60	64.90	9.30	11.770	0.343	51.1	0.041
Including	North Peak	63.09	64.90	1.81	36.200	1.056	171.0	0.093
TET16225	North Peak	87.64	105.14	17.50	2.950	0.086	33.7	0.187
Including	North Peak	102.41	105.14	2.73	8.630	0.252	19.7	0.103
TET16226	North Peak	11.58	13.46	1.88	0.960	0.028	88.4	0.016
TET16226	North Peak	18.75	26.09	7.34	16.970	0.495	6.7	0.040
Including	North Peak	18.75	20.20	1.45	71.300	2.080	18.2	0.045
TET16226	North Peak	35.51	36.88	1.37	1.430	0.042	8.3	0.028

Edgar Filing: Contango ORE, Inc. - Form 10-Q

TET16226 North Peak	54.08	57.81	3.73	1.430	0.042	5.8	0.035
TET16227 North Peak	21.56	32.31	10.75	18.620	0.543	10.2	0.083
Including North Peak	24.00	25.20	1.20	81.900	2.389	19.3	0.116
and North Peak	25.20	26.14	0.94	43.400	1.266	15.0	0.140
TET16227 North Peak	88.11	90.22	2.11	1.320	0.039	0.6	0.002

24

---



Edgar Filing: Contango ORE, Inc. - Form 10-Q

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16228	North Peak	25.42	40.23	14.81	4.640	0.135	21.7	0.257
Including	North Peak	33.81	35.95	2.14	17.900	0.522	41.9	0.602
TET16228	North Peak	43.89	51.47	7.58	3.540	0.103	12.3	0.255
TET16228	North Peak	56.86	59.74	2.88	3.140	0.092	1.3	0.022
TET16228	North Peak	62.94	75.23	12.29	1.090	0.032	26.6	0.234
TET16230	North Peak	42.95	50.22	7.27	4.170	0.122	24.0	0.303
TET16231	North Peak	53.89	57.32	3.43	0.730	0.021	7.0	0.053
TET16231	North Peak	68.17	70.83	2.66	7.730	0.225	26.1	0.118
TET16231	North Peak	75.61	81.16	5.55	3.090	0.090	21.1	0.235
TET16231	North Peak	88.19	90.34	2.15	1.110	0.032	4.3	0.031
TET16231	North Peak	101.08	102.64	1.56	3.810	0.111	5.5	0.054
TET16231	North Peak	128.15	132.89	4.74	2.000	0.058	9.3	0.139
Including	North Peak	131.41	131.97	0.56	6.930	0.202	6.7	0.125
TET16232	North Peak	43.28	50.90	7.62	1.180	0.034	55.4	0.054
TET16232	North Peak	117.35	121.62	4.27	0.710	0.021	64.0	0.355
TET16232	North Peak	138.53	152.21	13.68	5.520	0.161	12.4	0.067
Including	North Peak	139.47	139.75	0.28	32.400	0.945	52.7	0.117
and	North Peak	142.29	143.89	1.60	18.400	0.537	12.8	0.260
and	North Peak	146.94	147.36	0.42	28.100	0.820	93.8	0.095
TET16233	North Peak	23.11	24.14	1.03	7.890	0.230	13.3	0.032
TET16233	North Peak	38.23	42.98	4.75	2.060	0.060	16.4	0.070
TET16233	North Peak	56.10	70.69	14.59	5.760	0.168	35.2	0.389
TET16234	North Peak	16.00	17.75	1.75	8.280	0.242	27.2	0.016
TET16234	North Peak	23.90	35.63	11.73	8.760	0.256	14.8	0.034
TET16234	North Peak	58.67	65.60	6.93	5.530	0.161	15.8	0.015
TET16235	North Peak	14.50	53.38	38.88	51.620	1.506	216.0	0.020
Including	North Peak	17.68	20.73	3.05	320.000	9.333	589.0	0.025
and	North Peak	23.93	24.47	0.54	371.000	10.821	3,210.00	0.006
and	North Peak	24.47	25.76	1.29	109.000	3.179	265.0	0.016
and	North Peak	28.85	29.34	0.49	116.000	3.383	151.0	0.003
and	North Peak	52.98	53.38	0.40	125.000	3.646	143.0	0.014
TET16235	North Peak	59.50	65.92	6.42	8.730	0.255	43.4	0.053
TET16235	North Peak	70.05	73.00	2.95	4.970	0.145	13.1	0.019
TET16236	North Peak	4.67	7.23	2.56	0.830	0.024	2.1	0.007
TET16236	North Peak	60.45	63.09	2.64	2.930	0.085	51.4	0.012
TET16237	North Peak	9.75	23.94	14.19	45.330	1.322	9.3	0.078
Including	North Peak	11.58	13.56	1.98	97.000	2.829	19.6	0.248
and	North Peak	13.56	14.80	1.24	166.000	4.842	14.3	0.019
TET16237	North Peak	28.81	33.23	4.42	2.170	0.063	4.7	0.014
TET16237	North Peak	41.15	42.95	1.80	6.720	0.196	1.9	0.021
TET16237	North Peak	50.90	53.82	2.92	1.550	0.045	—	0.003
TET16237	North Peak	57.38	61.18	3.80	1.660	0.048	0.9	0.014
TET16238	North Peak	68.42	74.68	6.26	4.980	0.145	34.3	0.099
TET16238	North Peak	77.90	93.57	15.67	3.170	0.092	3.1	0.023
Including	North Peak	79.92	81.35	1.43	18.200	0.531	3.1	0.034
TET16239	North Peak	35.66	38.45	2.79	1.230	0.036	5.1	0.005
TET16239	North Peak	50.79	54.72	3.93	7.760	0.226	23.3	0.023
Including	North Peak	50.79	51.27	0.48	26.800	0.782	104.0	0.129

Edgar Filing: Contango ORE, Inc. - Form 10-Q

TET16239 North Peak 109.41	116.13	6.72	1.420	0.041	9.6	0.071
TET16240 North Peak 119.33	132.85	13.52	1.590	0.046	1.7	0.020
TET16241 North Peak 56.43	56.79	0.36	11.450	0.334	172.0	0.066
TET16242 North Peak 19.38	25.45	6.07	2.720	0.079	70.5	0.236
TET16242 North Peak 31.04	34.41	3.37	5.720	0.167	64.4	0.541

25

---

Edgar Filing: Contango ORE, Inc. - Form 10-Q

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16242	North Peak	37.58	63.93	26.35	5.550	0.162	39.3	0.134
Including	North Peak	50.44	53.15	2.71	18.300	0.534	75.5	0.097
and	North Peak	58.18	63.09	4.91	12.050	0.351	38.8	0.149
TET16242	North Peak	151.88	152.58	0.70	3.860	0.113	56.7	0.070
TET16242	North Peak	156.00	157.25	1.25	3.170	0.092	66.5	0.376
TET16243	North Peak	10.93	12.30	1.37	14.950	0.436	28.8	0.105
TET16243	North Peak	15.85	21.55	5.70	4.300	0.125	47.6	0.247
TET16243	North Peak	25.82	34.29	8.47	3.990	0.116	49.6	0.391
TET16243	North Peak	39.68	57.19	17.51	4.970	0.145	61.2	0.116
TET16243	North Peak	99.42	104.70	5.28	2.600	0.076	18.7	0.210
TET16244	North Peak	35.08	51.00	15.92	11.740	0.342	51.1	0.183
TET16244	North Peak	62.14	67.55	5.41	2.050	0.060	34.6	0.152
TET16244	North Peak	76.60	87.06	10.46	2.580	0.075	4.9	0.035
TET16245	North Peak	43.11	46.02	2.91	0.630	0.018	2.5	0.022
TET16245	North Peak	50.36	52.65	2.29	1.210	0.035	12.0	0.047
TET16245	North Peak	63.55	71.74	8.19	2.160	0.063	30.0	0.161
TET16245	North Peak	83.27	86.11	2.84	2.600	0.076	26.5	0.030
TET16246	North Peak	90.80	92.49	1.69	2.180	0.064	26.1	0.113
TET16246	North Peak	126.39	128.51	2.12	0.900	0.026	2.2	0.010
TET16247	North Peak	14.31	16.56	2.25	1.560	0.046	88.5	0.064
TET16247	North Peak	61.30	66.74	5.44	3.970	0.116	12.6	0.104
TET16247	North Peak	71.78	74.18	2.40	0.670	0.020	18.1	0.094
TET16247	North Peak	77.39	83.97	6.58	1.220	0.036	23.2	0.127
TET16247	North Peak	107.49	108.58	1.09	3.180	0.093	38.1	0.080
TET16247	North Peak	137.78	145.02	7.24	1.970	0.057	0.5	0.003
TET16248	North Peak	9.38	10.75	1.37	9.290	0.271	25.2	0.063
TET16248	North Peak	13.83	22.89	9.06	5.020	0.146	6.1	0.035
Including	North Peak	18.36	19.35	0.99	13.400	0.391	5.8	0.054
TET16248	North Peak	30.78	36.56	5.78	1.790	0.052	4.4	0.081
TET16248	North Peak	43.22	45.96	2.74	10.620	0.310	3.8	0.052
TET16248	North Peak	52.75	57.73	4.98	5.530	0.161	5.7	0.037
Including	North Peak	52.75	53.95	1.20	17.100	0.499	5.9	0.045
TET16248	North Peak	61.23	72.02	10.79	4.050	0.118	13.0	0.042
Including	North Peak	67.80	70.55	2.75	10.400	0.303	32.5	0.042
and	North Peak	71.48	72.02	0.54	11.350	0.331	10.7	0.087
TET16251	North Peak	118.21	120.82	2.61	0.800	0.023	0.8	0.025
TET16252	North Peak	49.43	51.94	2.51	2.220	0.065	1.7	0.010
TET16253	North Peak	105.65	107.96	2.31	0.860	0.025	0.8	0.033
TET16255	North Peak	35.30	44.72	9.42	5.530	0.161	56.2	0.230
Including	North Peak	36.90	37.43	0.53	16.700	0.487	113.0	1.165
and	North Peak	43.35	44.72	1.37	19.200	0.560	80.6	0.071
TET16256	North Peak	7.92	21.12	13.20	48.590	1.417	112.2	0.053
Including	North Peak	8.55	10.66	2.11	222.000	6.475	316.0	0.021
TET16257	North Peak	73.82	74.33	0.51	3.300	0.096	526.0	0.080
TET16261	East Peak	215.78	216.57	0.79	3.940	0.115	11.7	0.004
TET16262	West Peak	35.05	35.72	0.67	4.040	0.118	35.8	0.084
TET16262	West Peak	60.22	63.09	2.87	1.730	0.050	0.6	0.029
TET16262	West Peak	151.08	159.61	8.53	5.750	0.168	37.6	0.136

Edgar Filing: Contango ORE, Inc. - Form 10-Q

Including West Peak	151.65	152.57	0.92	16.500	0.481	55.4	0.260
and West Peak	152.57	153.73	1.16	13.850	0.404	92.9	0.191
TET16262 West Peak	195.76	198.19	2.43	1.720	0.050	5.7	0.111
TET16262 West Peak	210.69	216.02	5.33	4.560	0.133	5.7	0.199
TET16262 West Peak	221.50	222.90	1.40	1.510	0.044	96.2	0.151

26

---

Edgar Filing: Contango ORE, Inc. - Form 10-Q

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16263	West Peak	52.20	54.07	1.87	5.540	0.162	0.8	0.036
TET16263	West Peak	180.50	182.03	1.53	10.650	0.311	12.7	0.099
TET16263	West Peak	197.21	199.77	2.56	2.040	0.060	1.0	0.027
TET16263	West Peak	204.00	216.64	12.64	1.280	0.037	0.3	0.010
TET16264	West Peak	237.78	244.53	6.75	0.630	0.018	2.2	0.100
TET16265	West Peak	77.02	78.04	1.02	4.200	0.123	2.2	0.421
TET16265	West Peak	84.42	86.45	2.03	0.990	0.029	1.5	0.446
TET16265	West Peak	245.97	247.01	1.04	1.720	0.050	7.9	0.271
TET16265	West Peak	255.43	257.19	1.76	1.440	0.042	22.5	0.395
TET16265	West Peak	270.23	279.30	9.07	1.590	0.046	1.1	0.028
TET16266	North Peak	115.58	118.77	3.19	0.660	0.019	6.7	0.035
TET16266	North Peak	143.21	147.31	4.10	0.530	0.015	7.1	0.193
TET16266	North Peak	155.94	158.81	2.87	10.010	0.292	11.5	0.091
TET16266	North Peak	166.76	184.16	17.40	1.060	0.031	22.1	0.061
Including	North Peak	166.76	167.22	0.46	6.760	0.197	2.3	0.008
TET16267	Main Peak	110.39	161.24	50.85	12.050	0.351	11.5	0.184
Including	Main Peak	110.39	113.38	2.99	148.500	4.331	39.6	0.474
and	Main Peak	136.02	136.25	0.23	32.400	0.945	17.7	0.232
and	Main Peak	154.32	154.59	0.27	31.400	0.916	179.0	3.320
TET16267	Main Peak	165.04	170.93	5.89	14.740	0.430	14.1	0.392
Including	Main Peak	165.04	165.28	0.24	70.200	2.048	99.1	2.360
TET16268	Main Peak	16.61	19.05	2.44	0.660	0.019	47.0	0.258
TET16268	Main Peak	49.37	49.92	0.55	4.350	0.127	3.4	0.102
TET16268	Main Peak	90.31	93.66	3.35	11.860	0.346	4.3	0.157
Including	Main Peak	91.88	92.53	0.65	37.500	1.094	12.5	0.497
TET16268	Main Peak	105.39	173.28	67.89	8.390	0.245	3.8	0.146
Including	Main Peak	118.97	127.41	8.44	20.040	0.585	5.5	0.246
and	Main Peak	134.53	137.55	3.02	20.540	0.599	4.9	0.192
TET16269	North Peak	25.30	42.93	17.63	2.270	0.066	1.3	0.026
Including	North Peak	27.43	30.18	2.75	8.020	0.234	2.7	0.072
TET16269	North Peak	47.93	56.47	8.54	2.000	0.058	1.6	0.032
Including	North Peak	50.42	52.17	1.75	6.670	0.195	2.8	0.058
TET16269	North Peak	60.66	74.56	13.90	13.970	0.407	2.6	0.048
Including	North Peak	69.39	71.27	1.88	61.320	1.789	7.9	0.144
TET16269	North Peak	91.90	94.92	3.02	8.840	0.258	2.3	0.095
TET16269	North Peak	108.27	125.65	17.38	9.700	0.283	2.2	0.127
Including	North Peak	118.39	120.24	1.85	36.000	1.050	2.6	0.107
TET16270	North Peak	78.03	93.60	15.57	8.560	0.250	2.3	0.097
Including	North Peak	88.68	91.09	2.41	21.500	0.627	3.1	0.085
TET16270	North Peak	105.30	111.06	5.76	11.240	0.328	2.4	0.071
TET16270	North Peak	119.09	122.73	3.64	1.430	0.042	3.9	0.078
TET16271	North Peak	24.08	41.20	17.12	51.890	1.513	23.7	0.088
Including	North Peak	31.50	34.31	2.81	181.920	5.306	49.8	0.133
TET16271	North Peak	44.73	53.92	9.19	41.020	1.196	18.1	0.043
Including	North Peak	51.51	53.15	1.64	151.500	4.419	37.5	0.070
TET16271	North Peak	57.25	71.20	13.95	24.280	0.708	20.5	0.058
Including	North Peak	67.43	69.62	2.19	62.900	1.835	49.4	0.146
TET16271	North Peak	82.32	85.63	3.31	4.470	0.130	1.9	0.041

Edgar Filing: Contango ORE, Inc. - Form 10-Q

TET16272 North Peak 1.83	4.88	3.05	0.840	0.025	0.9	0.004
TET16272 North Peak 14.33	16.76	2.43	7.040	0.205	11.7	0.008
Including North Peak 16.16	16.76	0.60	19.150	0.559	33.8	0.006
TET16272 North Peak 23.13	32.96	9.83	49.010	1.429	146.7	0.015
Including North Peak 29.99	30.38	0.39	345.000	10.063	735.0	0.006

27

---

Edgar Filing: Contango ORE, Inc. - Form 10-Q

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16272	North Peak	37.39	38.98	1.59	1.760	0.051	2.7	0.004
TET16272	North Peak	43.09	51.05	7.96	15.990	0.466	49.0	0.035
Including	North Peak	45.50	47.10	1.60	39.700	1.158	160.0	0.136
TET16272	North Peak	55.92	59.31	3.39	1.550	0.045	25.9	0.129
TET16272	North Peak	84.90	87.84	2.94	1.530	0.045	2.2	0.030
TET16273	West Peak	163.78	166.98	3.20	0.740	0.022	6.1	0.024
TET16273	West Peak	176.67	178.70	2.03	2.960	0.086	14.0	0.168
TET16273	West Peak	188.36	191.00	2.64	1.030	0.030	3.2	0.045

2016 Exploration Program - Phase I. During the first three months of calendar year 2016, exploration drilling was completed by the Joint Venture Company on the Tetlin Property totaling 4,040 meters (13,255 feet) in 19 holes, referred to as the 2016 Phase I program. The Joint Venture Company spent an estimated \$1.9 million to complete the program including drilling, geochemical analyses, landholding fees and other related expenses. Drilling targeted two areas, North Peak and West Peak, with the objective of enhancing the understanding of mineralization geometry and geochemical variability. During the program, an area located between the Peak Zone and North Peak was tested, producing significant gold and copper assay intervals in a Connector Zone.





The map below depicts the location of 16 of the 19 core holes drilled during the 2016 Phase I program:  
**2016 PHASE I CORE HOLES DRILLED**

Significant Drill Intercepts from the 2016 Phase I Program. Sample intervals are calculated using 0.5 grams per tonne (gpt) lower cut off for gold with no internal waste less than cutoff grade that is greater than 3 meters in thickness. Intercepts shown are drill intercept lengths. True width of mineralization is unknown. The grade cutoff for gold (Au) is 0.5 gpt; for silver (Ag) is 10 gpt; and for copper (Cu) is 0.1%. The following table summarizes the significant drilling results obtained to date for Phase I of the 2016 Program:

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16192	North Peak	31.34	38.29	6.95	0.784	0.023	2.5	0.023
TET16192	North Peak	42.00	43.42	1.42	1.803	0.053	1.5	0.021
TET16192	North Peak	78.51	91.78	13.27	49.194	1.435	4.5	0.035
	including North Peak	80.96	81.59	0.63	416.000	12.133	26.7	0.066
TET16192	North Peak	102.84	105.46	2.62	2.536	0.074	4.5	0.151
TET16192	North Peak	122.07	123.79	1.72	3.850	0.112	1.1	0.067
TET16192	North Peak	139.90	143.78	3.88	3.992	0.116	3.1	0.119
TET16193	North Peak	85.91	90.62	4.71	12.452	0.363	3.6	0.065
	including North Peak	88.09	89.71	1.62	27.974	0.816	5.9	0.041
TET16195	North Peak	66.50	68.34	1.84	6.718	0.196	3.7	0.069
TET16196	North Peak	65.78	69.12	3.34	0.712	0.021	14.1	0.096
TET16199	West Peak	21.09	23.13	2.04	3.462	0.101	6.9	0.037
TET16199	West Peak	50.19	52.08	1.89	1.375	0.040	0.7	0.022
TET16199	West Peak	55.62	57.79	2.17	1.805	0.053	—	0.005
TET16199	West Peak	80.44	82.76	2.32	1.529	0.045	1.9	0.054
TET16199	West Peak	95.08	96.63	1.55	2.690	0.078	0.9	0.006
TET16199	West Peak	139.46	145.31	5.85	0.699	0.020	1.1	0.03
TET16204	North Peak	50.41	53.34	2.93	1.100	0.032	5.2	0.189
TET16204	North Peak	63.06	65.42	2.36	2.050	0.060	1.1	0.044
TET16204	North Peak	194.11	195.93	1.82	16.338	0.477	328.4	0.157
TET16205	North Peak	65.07	70.61	5.54	0.954	0.028	2.8	0.165
TET16205	North Peak	82.91	83.67	0.76	6.715	0.196	11.2	0.005
TET16205	North Peak	150.74	151.73	0.99	3.360	0.098	4.2	0.314
TET16206	North Peak	60.95	104.38	43.43	3.611	0.105	2.1	0.108
	including North Peak	98.34	100.04	1.70	30.700	0.895	2.3	0.108
TET16207	North Peak	92.88	95.92	3.04	2.590	0.076	1.4	0.057
TET16208	West Peak	55.02	58.20	3.18	2.543	0.074	0.5	0.005
TET16208	West Peak	88.66	108.65	19.99	2.822	0.082	0.1	0.006
	including West Peak	95.55	97.45	1.90	12.050	0.351	0.5	0.011
	and West Peak	98.93	100.02	1.09	14.200	0.414	0.7	0.013
TET16209	West Peak	46.33	48.95	2.62	2.222	0.065	0.8	0.007
TET16209	West Peak	52.73	58.98	6.25	4.863	0.142	0.5	0.014
	including West Peak	55.78	57.54	1.76	12.788	0.373	1.1	0.037
TET16210	Connector	16.95	60.91	43.96	3.275	0.096	30.6	0.402
	including Connector	18.12	22.29	4.17	9.006	0.263	51.5	0.291
	and Connector	51.90	53.26	1.36	10.150	0.296	19.6	0.583

Edgar Filing: Contango ORE, Inc. - Form 10-Q

and	Connector	56.57	57.15	0.58	10.550	0.308	50.4	2.28
TET16210	Connector	131.83	135.60	3.77	2.614	0.076	52.5	0.14

30

---

In 2015, two phases of exploration drilling were completed by the Joint Venture Company on the Tetlin Property totaling 14,059 meters (46,127 feet) in 61 holes. The Joint Venture Company spent \$6.8 million to complete both programs including drilling, geochemical analyses, landholding fees and other related expenses.

2015 Exploration Program - Phase II. The Joint Venture Company completed 6,897 meters (22,629 ft) of core drilling in 32 core holes during the 2015 Phase II drilling program on the Tetlin Property, which was completed October 19, 2015. Drilling targeted two areas, Peak West and North Peak/Blue Moon, with the objective of defining mineralization geometry and geochemical variability.

The map below depicts the location of the 32 core holes drilled during the 2015 Phase II drilling program:  
2015 PHASE II CORE HOLES DRILLED

Edgar Filing: Contango ORE, Inc. - Form 10-Q

Significant 2015 Drill Intercepts from the 2015 Phase II Program. Sample intervals are calculated using 0.5 grams per tonne (gpt) lower cut off for gold with no internal waste less than cutoff grade that is greater than 3 meters in thickness. Intercepts shown are drill intercept lengths. True width of mineralization is unknown. The grade cutoff for gold (Au) is 0.5 gpt; for silver (Ag) is 10 gpt; and for copper (Cu) is 0.1%. The following table summarizes the significant drilling results obtained to date for Phase II of the 2015 Program:

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET15161	Blue Moon	81.69	84.73	3.04	1.072	0.031	—	0.024
TET15162	Blue Moon	165.22	178.16	12.94	0.197	0.006	3.3	0.130
	including Blue Moon	175.80	178.16	2.36	0.894	0.026	4.0	0.147
TET15163	North Peak	138.44	155.06	16.62	0.851	0.025	3.4	0.179
	including North Peak	138.44	139.53	1.09	4.530	0.132	8.9	0.083
	and North Peak	143.20	146.08	2.88	2.350	0.069	3.2	0.122
TET15164	Blue Moon	79.20	81.14	1.94	2.560	0.075	2.5	0.089
TET15165	North Peak	30.42	32.34	1.92	70.898	2.068	39.0	0.015
TET15165	North Peak	55.17	57.93	2.76	1.805	0.053	0.9	0.017
TET15165	North Peak	102.11	111.25	9.14	2.800	0.082	3.8	0.058
	including North Peak	109.06	109.59	0.53	29.100	0.849	23.9	0.184
TET15166	Blue Moon	73.29	78.48	5.19	0.594	0.017	4.4	0.175
TET15167	North Peak	49.68	57.00	7.32	6.725	0.196	1.8	0.033
	including North Peak	49.68	51.00	1.32	33.700	0.983	6.0	0.061
TET15167	North Peak	105.72	113.15	7.43	0.731	0.021	1.5	0.074
TET15167	North Peak	118.45	126.21	7.76	12.414	0.362	3.0	0.097
	including North Peak	125.56	126.21	0.65	47.100	1.374	5.7	0.094
TET15167	North Peak	163.73	173.67	9.94	0.573	0.017	10.0	0.216
	including North Peak	163.73	164.14	0.41	2.890	0.084	12.1	0.345
	and North Peak	166.52	166.92	0.40	2.230	0.065	10.9	0.302
TET15168	Blue Moon	111.55	114.28	2.73	3.630	0.106	5.1	0.140
TET15169	North Peak	22.85	27.16	4.31	3.028	0.088	1.5	0.020
TET15169	North Peak	50.08	54.11	4.03	1.573	0.046	11.7	0.143
	including North Peak	50.08	50.63	0.55	8.100	0.236	38.6	0.052
TET15169	North Peak	110.78	132.62	21.84	1.414	0.041	2.0	0.141
	including North Peak	115.29	116.43	1.14	4.590	0.134	5.5	0.197
	and North Peak	118.78	121.02	2.24	5.736	0.167	3.4	0.221
TET15170	Blue Moon	176.01	189.74	13.73	0.645	0.019	5.2	0.212
	including Blue Moon	182.22	184.32	2.10	2.340	0.068	7.3	0.337
TET15171	North Peak	3.96	10.97	7.01	1.724	0.050	0.8	0.021
TET15171	North Peak	17.34	34.14	16.80	17.939	0.523	4.2	0.027
	including North Peak	20.73	22.63	1.90	61.300	1.788	10.1	0.071
	and North Peak	24.61	25.73	1.12	49.400	1.441	22.2	0.013
TET15171	North Peak	44.50	50.14	5.64	3.760	0.110	14.6	0.014
TET15173	North Peak	123.97	127.64	3.67	13.449	0.392	96.9	0.072
TET15174	Peak West	3.35	8.89	5.54	22.077	0.644	7.6	0.110
	including Peak West	5.49	7.36	1.87	62.400	1.820	19.3	0.158
TET15174	Peak West	14.78	21.03	6.25	6.451	0.188	3.3	0.126
	including Peak West	18.59	19.11	0.52	39.500	1.152	8.5	0.152
TET15174	Peak West	44.35	55.63	11.28	3.429	0.100	2.8	0.177
	including Peak West	44.78	46.95	2.17	7.878	0.230	4.2	0.217
TET15176	Peak West	7.92	76.39	68.47	5.457	0.159	0.4	0.059

Edgar Filing: Contango ORE, Inc. - Form 10-Q

including Peak West 44.85	76.39	31.54	9.029	0.263	0.4	0.055
TET15177North Peak 45.84	68.88	23.04	19.859	0.579	4.2	0.056
including North Peak 49.99	51.22	1.23	58.700	1.712	8.7	0.091
and North Peak 62.35	64.68	2.33	87.513	2.552	9.2	0.154
TET15177North Peak 74.68	79.55	4.87	4.746	0.138	2.8	0.057

32

---

Edgar Filing: Contango ORE, Inc. - Form 10-Q

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET15178	North Peak	14.85	15.88	1.03	2.240	0.065	3.0	0.020
TET15178	North Peak	45.21	46.61	1.40	2.020	0.059	4.3	0.147
TET15178	North Peak	81.38	83.60	2.22	1.760	0.051	0.8	0.017
TET15178	North Peak	126.89	134.72	7.83	0.234	0.007	2	0.106
TET15178	North Peak	157.81	167.81	10.00	0.017	—	2.1	0.163
	including North Peak	161.99	163.43	1.44	0.032	0.001	5.7	0.491
TET15179	Peak West	26.52	31.24	4.72	0.595	0.017	0.2	0.040
TET15179	Peak West	50.14	68.28	18.14	1.512	0.044	—	0.017
	including Peak West	66.14	68.28	2.14	5.650	0.165	—	0.017
TET15179	Peak West	98.92	112.32	13.40	2.283	0.067	0.4	0.012
	including Peak West	109.16	110.29	1.13	8.210	0.239	1.2	0.02
TET15179	Peak West	117.96	126.34	8.38	2.115	0.062	1.2	0.029
TET15180	Discovery	153.92	159.85	5.93	0.543	0.016	19.7	0.286
	including Discovery	153.92	154.57	0.65	4.100	0.120	22.1	0.424
	and Discovery	158.11	159.85	1.74	0.085	0.002	54.2	0.747
TET15180	Discovery	187.40	189.05	1.65	1.988	0.058	25.2	0.356
TET15181	Peak West	15.88	17.05	1.17	6.440	0.188	2.9	0.071
TET15181	Peak West	22.71	31.09	8.38	3.948	0.115	2	0.056
TET15181	Peak West	49.83	60.05	10.22	4.635	0.135	1.1	0.03
	including Peak West	56.42	57.30	0.88	33.800	0.986	1.1	0.03
TET15181	Peak West	112.20	116.60	4.40	1.154	0.034	—	0.013
TET15181	Peak West	141.43	161.24	19.81	4.116	0.120	7	0.101
	including Peak West	147.45	148.19	0.74	9.990	0.291	15.5	0.103
	and Peak West	154.89	159.21	4.32	14.635	0.427	9.7	0.115
TET15182	Peak West	138.07	141.12	3.05	2.700	0.079	5.7	0.087
TET15182	Peak West	158.27	160.82	2.55	58.056	1.693	38.9	1.932
TET15184	Peak West	150.53	152.82	2.29	1.010	0.029	0.9	0.008
TET15185	Peak West	13.60	16.63	3.03	0.825	0.024	1.8	0.099
TET15185	Peak West	31.63	36.04	4.41	3.321	0.097	1.3	0.026
TET15185	Peak West	98.42	113.75	15.33	0.190	0.006	1.4	0.13
	including Peak West	100.58	101.53	0.95	1.760	0.051	3.6	0.312
TET15186	Peak West	75.16	104.38	29.22	0.280	0.008	2.6	0.160
TET15186	Peak West	126.16	128.77	2.61	1.730	0.050	—	0.01
TET15186	Peak West	152.59	161.68	9.09	0.838	0.024	0.3	0.025
TET15187	Peak West	69.66	76.27	6.61	0.124	0.004	2.9	0.122
	including Peak West	74.11	74.46	0.35	0.285	0.008	16.1	0.596
TET15187	Peak West	173.89	178.75	4.86	0.234	0.007	3.9	0.203
TET15187	Peak West	222.04	227.69	5.65	0.216	0.006	42.3	0.06
TET15188	Peak West	26.77	34.14	7.37	1.866	0.054	3.7	0.152
TET15188	Peak West	41.76	44.81	3.05	1.715	0.050	8.5	0.103
TET15188	Peak West	115.17	119.76	4.59	0.138	0.004	6.2	0.127
TET15188	Peak West	128.39	131.73	3.34	1.497	0.044	6.3	0.085
TET15189	Peak West	0.00	9.67	9.67	2.376	0.069	0.2	0.027
TET15189	Peak West	46.12	57.85	11.73	0.520	0.015	3.3	0.345
	including Peak West	51.86	53.75	1.89	2.880	0.084	4.3	0.415
TET15189	Peak West	66.78	69.56	2.78	0.128	0.004	4.1	0.341
TET15189	Peak West	74.72	78.33	3.61	2.003	0.058	—	0.008
TET15189	Peak West	87.48	96.62	9.14	0.572	0.017	1.2	0.06

Edgar Filing: Contango ORE, Inc. - Form 10-Q

TET15189 Peak West	126.45	128.32	1.87	0.254	0.007	4.0	0.329
TET15191 Peak West	42.67	44.35	1.68	1.835	0.054	—	0.02
TET15191 Peak West	70.83	74.38	3.55	2.682	0.078	2.0	0.143



2015 Exploration Program - Phase I. The Joint Venture Company completed 7,162 meters (23,498 ft) of core drilling in 29 core holes during the 2015 Phase I drilling program on the Tetlin Property, which was completed August 9, 2015. Drilling targeted seven areas identified through prior geophysical surveys and geochemical sampling outside the Peak Zone in the greater Chief Danny prospect.

The map below depicts the location of the 29 core holes drilled during the 2015 Phase I drilling program:  
2015 PHASE I CORE HOLES DRILLED

Significant 2015 Drill Intercepts from the 2015 Phase 1 Program. Sample intervals are calculated using 0.5 grams per tonne (gpt) lower cut off for gold with no internal waste less than cutoff grade that is greater than 3 meters in thickness. Intercepts shown are drill intercept lengths. True width of mineralization is unknown. The grade cutoff for gold (Au) is 0.5 gpt; for silver (Ag) is 10 gpt; and for copper (Cu) is 0.1%. The following table summarizes the significant drilling results obtained to date for Phase I of the 2015 Program:

Drill Hole Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET15134 Saddle	44.50	46.02	1.52	6.380	0.186	3.1	0.011
TET15135 Saddle	46.33	47.24	0.91	6.580	0.192	4.8	0.008
TET15136 Saddle	82.46	85.90	3.44	0.404	0.012	20.2	0.005
including Saddle	82.91	83.46	0.55	0.362	0.011	77.3	0.004
TET151438 O'clock	77.78	81.38	3.60	1.742	0.051	1.0	0.171
TET15145 Discovery	86.26	89.31	3.05	1.385	0.040	41.0	0.010
TET151467 O'clock	21.79	26.82	5.03	1.075	0.031	1.4	0.151
TET151467 O'clock	163.98	169.77	5.79	0.788	0.023	4.9	0.115
TET15147 Peak/Peak Deep	9.39	51.28	41.89	6.072	0.177	4.6	0.198
including Peak/Peak Deep	22.56	26.37	3.81	16.736	0.488	4.2	0.181
and Peak/Peak Deep	40.15	43.78	3.63	16.423	0.479	6.6	0.222
and Peak/Peak Deep	44.29	45.61	1.32	12.700	0.370	8.7	0.293
TET15147 Peak/Peak Deep	77.26	78.94	1.68	2.170	0.063	0.5	0.016
TET15147 Peak/Peak Deep	84.58	97.73	13.15	4.061	0.118	6.3	0.274
TET15147 Peak/Peak Deep	101.70	150.12	48.42	4.980	0.145	12.0	0.338
including Peak/Peak Deep	130.45	132.98	2.53	11.940	0.348	37.4	1.192
and Peak/Peak Deep	140.08	141.25	1.17	16.150	0.471	35.5	1.120
and Peak/Peak Deep	148.74	150.12	1.38	11.700	0.341	8.8	0.356
TET15147 Peak/Peak Deep	551.13	555.10	3.97	1.055	0.031	1.1	0.086
TET15148 North Peak	229.60	235.45	5.85	4.630	0.135	19.1	0.012
TET15148 North Peak	240.84	243.84	3.00	1.843	0.054	1.6	0.034
TET15149 North Peak	32.92	42.69	9.77	0.552	0.016	56.0	0.013
including North Peak	39.47	40.84	1.37	0.828	0.024	189.0	0.034
TET15149 North Peak	56.08	57.30	1.22	6.040	0.176	17.2	0.058
TET15149 North Peak	173.61	182.27	8.66	1.401	0.041	16.1	0.097
TET15151 North Peak	11.58	14.63	3.05	1.770	0.052	1.2	0.009
TET15151 North Peak	31.27	39.47	8.20	0.679	0.020	1.2	0.012
TET15153 North Peak	10.20	32.92	22.72	9.378	0.274	1.9	0.045
including North Peak	20.73	25.29	4.56	24.105	0.703	4.4	0.085
TET15153 North Peak	42.06	55.35	13.29	6.524	0.190	15.1	0.035
including North Peak	53.80	55.35	1.55	39.900	1.164	7.0	0.085
TET15153 North Peak	68.07	68.70	0.63	18.700	0.545	2.9	0.063
TET15153 North Peak	113.61	121.63	8.02	0.744	0.022	1.5	0.058
TET15154 Peak Deep	21.79	48.58	26.79	0.175	0.005	53.9	0.139
including Peak Deep	28.92	31.44	2.52	0.932	0.027	50.4	0.143
and Peak Deep	32.43	34.22	1.79	0.035	0.001	239.0	0.102
TET15154 Peak Deep	132.57	153.92	21.35	0.138	0.004	22.0	0.813
including Peak Deep	137.31	142.87	5.56	0.281	0.008	50.1	2.253
TET15157 SW Discovery	306.08	326.33	20.25	0.016	0.000	4.5	0.142
TET15158 Blue Moon	25.89	31.82	5.93	0.731	0.021	0.0	0.012
TET15158 Blue Moon	66.00	72.24	6.24	2.883	0.084	4.5	0.146
including Blue Moon	69.87	70.41	0.54	21.600	0.630	17.8	0.254



#### Rare Earth Elements

While the Company previously acquired state of Alaska and federal unpatented mining claims for the exploration of rare earth elements, we abandoned our rare earth element claims to devote more time and resources to our gold exploration.

#### Consulting Services provided by Avalon Development Corporation

Until January 8, 2015, the Company was a party to a Professional Services Agreement (“PSA”) with Avalon to provide certain geological consulting services and exploration activities with respect to the Tetlin Property. Pursuant to the PSA, Avalon provided geological consulting services and exploration activities, including all field work at the Tetlin Lease.

Avalon is a Fairbanks, Alaska based mineral exploration consulting firm, which has conducted mineral exploration in Alaska since 1985. The President of Avalon is Curtis J. Freeman who graduated from the College of Wooster, Ohio, with a B.A. degree in Geology (1978) and graduated from the University of Alaska with an M.S. degree in Economic Geology (1980). From 1980 to the present Mr. Freeman has been actively employed in various capacities in the mining industry in numerous locations in North America, Central America, South America, New Zealand and Africa. Avalon's team of engineers and geoscientists combined with its geographic information systems (GIS) database allows Avalon to synthesize existing geological, geochemical and geophysical data and identify specific target areas for ground evaluation and/or acquisition. Avalon's exploration team has identified or conducted discovery drilling on several gold deposits in Alaska and has completed digital GIS compilations of the Tintina Gold Belt, a regional-scale mineral province stretching from southwest Alaska to the southern Yukon Territory. Avalon also has experience exploring for copper, nickel and platinum group elements (“Cu-Ni-PGE”) deposits and also created a comprehensive GIS compilation of Cu-Ni-PGE prospects in Alaska, an internally-owned database that contains data on over 200 PGE occurrences in Alaska.

In connection with the Transactions, the Company terminated the PSA with Avalon, and Avalon is now providing services to the Joint Venture Company.

#### Services Provided by Tetlin Village Members

Since the start of the term of our Tetlin Lease, the Company has worked closely with the Tetlin Tribal Council to train and employ Tetlin residents during Tetlin project exploration programs. During the Company's exploration programs, there were 10 to 15 Tetlin residents working on the Tetlin project employed on a seasonal basis through Avalon. Their duties included reconnaissance soil, stream sediment and pan concentrate sampling, diamond drill core processing, drill pad construction and related tasks, expediting services, food services, database management, vehicle transportation and maintenance services, reclamation activities, and project management tasks.

On October 15, 2010, the Company entered into a consulting agreement (as amended, the “Consulting Agreement”), with the former Chief of the Tetlin Village (the “Consultant”), which was terminated in January 2015 in connection with the Transactions. Under the terms of the Consulting Agreement, the Consultant assisted the Company in negotiations with other native tribes to lease additional properties and assisted the Company with State of Alaska and Federal governmental affairs issues. The Consultant was very supportive of the project, and his contribution to it's progress is deeply appreciated. Sadly, the Consultant passed away on November 17, 2015.

#### Community Affairs

In April 2015, the Joint Venture Company entered into a Community Support Agreement with the Tetlin Village for a one year period, which has been extended for an additional two year period under the same terms. Under the extended agreement the Joint Venture Company provides payments to the village four times during the year for an aggregate amount of \$110,000 through January 1, 2017 and an additional \$100,000 through January 1, 2018. The agreement

defines agreed uses for the funds and auditing rights regarding use of funds. In addition, the Joint Venture Company supports the Tetlin Village in maintenance of the village access road, which is used by the Joint Venture Company.

#### Adverse Climate Conditions

Weather conditions affect the Joint Venture Company's ability to conduct exploration activities and mine any ore from the Tetlin Property in Alaska. While the Company believes exploration, development work and any subsequent mining may be conducted year-round, the arctic climate limits many exploration and mining activities during certain seasons.

### Competition

The Company currently face strong competition for the acquisition of exploration-stage properties as well as extraction of any minerals in Alaska. Numerous larger mining companies actively seek out and bid for mining prospects as well as for the services of third party providers and supplies, such as mining equipment and transportation equipment. The Company competitors in the exploration, development, acquisition and mining business will include major integrated mining companies as well as numerous smaller mining companies, almost all of which have significantly greater financial resources and in-house technical expertise. In addition, the Company will compete with others in efforts to obtain financing to explore our mineral properties.

### Off-Balance Sheet Arrangements

None.

### Contractual Obligations

The Tetlin Lease had an initial ten year term beginning July 2008 which was extended for an additional ten years to July 15, 2028, or so long as the Joint Venture Company initiates and continues to conduct mining operations on the Tetlin Lease. The Joint Venture Company is required to spend \$350,000 per year annually until July 15, 2018 in exploration costs pursuant to the Tetlin Lease. However, exploration expenditures to date under the lease have already satisfied this work commitment requirement for the full lease term, through 2028, because exploration funds spent in any year in excess of \$350,000 are credited toward future years' exploration cost requirements. The Tetlin Lease also provides that the Joint Venture Company will pay the Tetlin Tribal Council a production royalty ranging from 2.0% to 5.0% should the Joint Venture Company deliver to a purchaser on a commercial basis precious or non-precious metals derived from the properties under the Tetlin Lease. As of September 30, 2016, the Company had paid the Tetlin Tribal Council \$225,000 in exchange for reducing the production royalty payable to them by 0.75%. These payments lowered the production royalty to a range of 1.25% to 4.25%. On or before July 15, 2020, the Tetlin Tribal Council has the option to increase its production royalty by (i) 0.25% by payment to the Joint Venture Company of \$150,000, (ii) 0.50% by payment to the Joint Venture Company of \$300,000, or (iii) 0.75% by payment to the Joint Venture Company of \$450,000.

On January 8, 2015, the Company assigned the Tetlin Lease to the Joint Venture Company in connection with the Transactions.

Until such time as production royalties begin, the Joint Venture Company will pay the Tetlin Tribal Council an advance minimum royalty of approximately \$75,000 per year, plus an inflation adjustment. Additionally, the Joint Venture Company will pay Royal Gold an overriding royalty of 3.0% should it deliver to a purchaser on a commercial basis gold or associated minerals derived from the Tetlin Lease and certain other properties, and an overriding royalty of 2.0% should it deliver to a purchaser on a commercial basis precious metals, non-precious metals or hydrocarbons derived from additional properties. The Joint Venture Company pays claim rentals on state of Alaska mining claims which vary based on the ages of the claims. For the 2015 - 2016 assessment year, claims rentals totaled \$93,485. Also, if the minimum work requirement is not performed on the property, additional minimum labor payments are due on certain state of Alaska acreage.

### Application of Critical Accounting Policies and Management's Estimates

The discussion and analysis of the Company's financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified below the policies that are of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by management. The Company analyzes its estimates, including those related to its mineral reserve estimates, on a periodic basis and bases its estimates on historical experience, independent third party engineers and various other assumptions that management believes to be

reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the Company's consolidated financial statements:

**Stock-Based Compensation.** The Company applies the fair value method of accounting for stock-based compensation. Under this method, the Company measures and recognizes compensation expense for all stock-based payments at fair value at the date of grant and amortize the amount over the employee's service period. Management is required to make assumptions including stock price volatility and employee turnover that are utilized to measure compensation expense.

Investment in the Joint Venture Company. The Company's consolidated financial statements include the investment in Peak Gold, LLC which is accounted for under the equity method. The Company has designated one of the three members of the Management Committee and on September 30, 2016 held an 84.9% ownership interest in Peak Gold. Royal Gold will initially serve as the Manager of the Joint Venture Company and will manage, direct, and control operations of the Joint Venture Company. The Company recorded its investment at the historical cost of the assets contributed. The cumulative losses of the Joint Venture Company exceed the historical cost of the assets contributed to the Joint Venture Company; therefore the Company's investment in Peak Gold, LLC as of June 30, 2016 is zero. The portion of the cumulative loss that exceeds the Company's investment will be suspended and recognized against earnings, if any, from the investment in the Joint Venture Company in future periods.

#### Results of Operations

Neither the Company nor the Joint Venture Company has commenced mining or producing commercially marketable minerals. To date, neither the Company nor the Joint Venture Company has not generated any revenue from mineral sales or operations. Neither the Company nor the Joint Venture Company has any recurring source of revenue and other than Royal Gold's contributions in connection with the Transactions, the Company's ability to continue as a going concern is dependent on our ability to raise capital to fund our future exploration and working capital requirements. In the future, the Joint Venture Company may generate revenue from a combination of mineral sales and other payments resulting from any commercially recoverable minerals from the Tetlin Properties. We do not expect the Joint Venture Company to generate revenue from mineral sales in the foreseeable future. If the Tetlin Properties fail to contain any proven reserves, our ability to generate future revenue, and our results of operations and financial position, would be materially adversely affected. Other potential sources of cash, or relief of demand for cash, include external debt, the sale of shares of our stock, joint ventures, or alternative methods such as mergers or sale of our assets. No assurances can be given, however, that we will be able to obtain any of these potential sources of cash. We will need to generate significant revenues to achieve profitability and we may never do so.

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Claim Rentals and Minimum Royalties. Claim rentals and minimum royalties consist of Federal and State of Alaska rental payments, annual labor payments, and minimum royalty payments payable to the Tetlin Village Council. We recognized claim rental and minimum royalties expense of \$0 for the three months ended September 30, 2016, compared to \$14,425 for the three months ended September 30, 2015. The Joint Venture Company is responsible for making all future claim rental and minimum royalty payments.

General and Administrative Expense. General and administrative expense for the three months ended September 30, 2016 and 2015 were \$955,650 and \$436,067, respectively. Current year general and administrative expenses primarily relate to audit fees, legal fees, payroll taxes, and stock-based compensation expense. We recognized \$628,344 of stock-based compensation expense for the three months ended September 30, 2016, related to restricted stock granted to our officers and directors in August 2016, December 2015, September 2015, and January 2015 all pursuant to the Company's 2010 Equity Compensation Plan. We recognized \$220,623 of stock-based compensation expense for the three months ended September 30, 2015 related to the restricted stock granted in September 2015, January 2015, and December 2013, and stock option awards granted in September 2013.

#### Liquidity

Historically, the Company's primary cash requirements have been for exploration-related expenses and the Company's sources of cash have been from common stock offerings. The Tetlin Properties are still in the initial stages of exploration, and the longer term liquidity of the Company will be impaired to the extent the Joint Venture Company's exploration efforts are not successful in generating commercially viable mineral deposits on the Tetlin Properties. As of September 30, 2016, the Company has approximately \$1.1 million of cash, cash equivalents, and short term investments.



On January 8, 2015, Royal Gold invested \$5 million to fund exploration activity, and will have the option to earn up to a 40% economic interest in the Joint Venture Company by investing up to \$30 million (inclusive of the initial \$5 million investment) prior to October 2018. As of September 30, 2016, Royal Gold has funded a total of \$13.4 million (including the initial investment of \$5 million) and earned an 15.1% interest in the Joint Venture Company. The proceeds of Royal Gold's investment has been used by the Joint Venture Company for additional exploration of the Tetlin Property.

#### Risk Factors

In addition to the other information set forth elsewhere in this Form 10-Q and in our Form 10-K for the fiscal year ended June 30, 2016, you should carefully consider the following factors when evaluating the Company. An investment in the Company is subject to risks inherent in our business and involves a high degree of risk. The trading price of the shares of the Company is

affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions. The value of an investment in the Company may decrease, resulting in a loss.

Royal Gold will have discretion regarding the use and allocation of funds for further exploration of the Contributed Assets.

Royal Gold is the Manager of the Joint Venture Company and has appointed two designates to the Management Committee of the Joint Venture Company (the "Management Committee"). The Company has appointed one designate to the Management Committee. If, after October 31, 2018, Royal Gold has earned at least a 40% membership interest in the Joint Venture by making the full \$30 million investment, Royal Gold will continue to have the right to appoint two designates to the Management Committee and the Company will continue to have the right to appoint one designate. The affirmative vote of a majority of designates will determine most decisions of the Management Committee, including the approval of programs and budgets and the expenditure of Royal Gold's investments.

The Company must depend upon Royal Gold's management of the Joint Venture Company following termination of the Company's third party consulting agreements.

On September 29, 2014, the Company terminated its advisory agreement with JEX. In addition, the Company terminated its services agreements with Avalon Development Corporation and the Chief of the Tetlin Village in January 2015. Because the Company has historically had part-time employees, none of whom are mineral geoscientists or have experience in the mining industry, the Company has previously depended upon consultants, Avalon Development Corporation and the Chief of the Tetlin Village, for the success of its exploration projects. The Company must depend upon Royal Gold for its expertise in planning work programs, conducting field work, evaluating drilling results and preparing development programs.

There can be no assurance that Royal Gold will continue to fund the Joint Venture Company to continue exploration work.

The Joint Venture Company's LLC Agreement contains earn-in periods where Royal Gold has the option to fund up to \$25 million on or before October 31, 2018 after its initial \$5 million investment at the Closing of the Master Agreement. As of September 30, 2016, Royal Gold has funded a total of \$13.4 million (including the initial investment of \$5 million) and earned a 15.1% interest in the Joint Venture Company. There is no requirement that Royal Gold contribute any future amounts to the Joint Venture Company to continue exploration work, and the Company will have limited funds to continue exploration of its Tetlin Property, if Royal Gold fails to contribute additional amounts to the Joint Venture Company.

The Company may retain only a 60% interest in the Joint Venture Company and its interest could be diluted further.

The Company's only significant asset is its interest in the Joint Venture Company. If Royal Gold makes the full \$30 million capital contribution, it will receive a percentage interest of 40% in the Joint Venture Company, and the Company will retain a 60% interest in the Joint Venture Company. In addition, once Royal Gold has earned a percentage interest of 40% in the Joint Venture Company, it has the option to require the Company to sell an additional 20% of the Company's interest in the Joint Venture Company in a sale by Royal Gold of its entire percentage interest of 40% to a bona fide third party purchaser. Furthermore, if the Company were unable to fund its contributions to the approved programs and budgets for the Joint Venture Company, its interest in the Joint Venture Company would be diluted further.

There can be no assurance that the Company will be capable of raising additional funding required to continue development of the Tetlin Property and meet its funding obligations under the Joint Venture Company's LLC Agreement.

Upon the later of the investment by Royal Gold of \$30 million into the Joint Venture Company or October 31, 2018, the Company and Royal Gold will jointly fund the joint venture operations in proportion to their interests in the Joint Venture Company. The capital costs of developing a large gold mining facility could exceed \$1 billion. The Company has limited financial resources and the ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions, the exploration results achieved at the Tetlin Property, as well as the market price of metals. There is no assurance that sources of financing will be available to the Company on acceptable terms, if at all. Failure to obtain additional financing on a timely basis will cause the Company's interest in the Joint Venture Company to be diluted.

Further financing by the Company may include issuances of equity, instruments convertible into equity (such as warrants) or various forms of debt. The Company has issued common stock and other instruments convertible into equity in the past and cannot predict the size or price of any future issuances of common stock or other instruments convertible into equity, and the effect, if any, that such future issuances and sales will have on the market price of the Company's securities.

Any additional issuances of common stock or securities convertible into, or exercisable or exchangeable for, common stock may ultimately result in dilution to the holders of common stock, dilution in any future earnings per share of the Company and may have a material adverse effect upon the market price of the common stock of the Company.

Royal Gold has far greater technical and financial resources than the Company.

Royal Gold is an international precious metals royalty and streaming company with interests in approximately 193 properties on six continents and a market capitalization of approximately \$4.8 billion. Because of its vastly superior technical and financial resources, Royal Gold may adopt budgets and work programs for the Joint Venture Company that the Company will be unable to fund in the time frame required, and its interest in the Joint Venture Company may be substantially diluted.

The Joint Venture Company's LLC Agreement restricts the Company's right to transfer or encumber its interests in the Joint Venture Company.

The Joint Venture Company's LLC Agreement contains certain limitations on transferring or encumbering interests in the Joint Venture Company including any transfer that would cause termination of the Joint Venture Company as a partnership for Federal income tax purposes except none of the restrictions limit the transfer of any capital stock of the Company.

The formation of the Joint Venture Company and appointment of Royal Gold as Manager do not provide assurance that further exploration efforts will be successful.

The formation of the Joint Venture Company and appointment of Royal Gold as Manager do not provide assurance that further exploration of the Tetlin Property will be successful, any additional resource will be discovered or a commercial deposit of gold ore and associated minerals may be located. The results of any further exploration work will be assayed and analyzed to determine if additional work should be performed and additional funds expended.

The probability that an individual prospect will contain commercial grade reserves is extremely remote.

The probability of finding economic mineral reserves on the Tetlin Property is extremely small. It is common to spend millions of dollars on an exploration prospect and complete many phases of exploration and still not obtain mineral reserves that can be economically exploited. Therefore, the possibility that the Tetlin Property will contain commercial mineral reserves and that the Company will recover funds spent on exploration is extremely remote.

The price of gold and the gold mining industry have suffered dramatic declines in the past several years.

With the price of gold declining over the past several years, many large mining companies have announced the closure of existing gold mines and a moratorium on new gold mine development.

The Company's ability to successfully execute its business plan is dependent on its ability to obtain adequate financing.

The Company's business plan, which includes drilling and developing the Joint Venture Company's exploration prospects, will require substantial capital expenditures. The Company's ability to raise capital will depend on many factors, including the status of various capital and industry markets at the time it seeks such capital. Accordingly, the Company cannot be certain that financing will be available to us on acceptable terms, if at all. In the event additional capital resources are unavailable, the Company may be unable to fund expenditures by the Joint Venture Company for exploration and development activities or be forced to sell all or some portion of its interest in the Joint Venture

Company in an untimely fashion or on less than favorable terms.

The Company has no revenue to date from the Tetlin Property, which may negatively impact the Company's ability to achieve its business objectives.

Since the acquisition of the Tetlin Property, the Company and the Joint Venture Company have conducted only limited exploration activities and to date have not discovered any commercially viable mineral deposits. The Company's ability to become profitable will be dependent on the receipt of revenues from the extraction of minerals greater than operational expenses. The Company and the Joint Venture Company have carried on their business of exploring the Tetlin Property at a loss since inception and expect that the Company and the Joint Venture Company will continue to incur losses unless and until such time as one of the properties enters into commercial production and generates sufficient revenues to fund its continuing operations. The amounts and timing of expenditures will depend on the progress of ongoing exploration, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, and other factors, many of which are beyond control. Whether any mineral deposits discovered would be commercially viable depends on a number of factors, which include, without limitation,

the particular attributes of the deposit, market prices for the minerals, and governmental regulations. If the Joint Venture Company cannot discover commercially viable deposits or commence actual mining operations, the Company and the Joint Venture Company may never generate revenues and may never become profitable.

The Company's continued viability depends on the exploration, permitting, development and operation of the Tetlin Property, which is the only material property of the Joint Venture Company.

The Joint Venture Company's only material project at this time is the Tetlin Property, which is in the exploration stage. The Company's continued viability is based on successfully implementing its strategy, which will require the Joint Venture Company to perform appropriate exploratory and engineering work and evaluate such work, and the permitting and construction of a mine and processing facilities in a reasonable time frame.

The Tetlin Property does not have any proven or probable reserves and the Joint Venture Company may never identify any commercially exploitable mineralization.

None of the Joint Venture Company's properties have any proven or probable reserves as defined by SEC Industry Guide 7. To date, the Company and the Joint Venture Company have only engaged in exploration activities on the Tetlin Property. Accordingly, the Company does not have sufficient information upon which to assess the ultimate success of their exploration efforts. There is no assurance that the Joint Venture Company may ever locate any mineral reserves on the Tetlin Property. Additionally, even if the Joint Venture Company finds minerals in sufficient quantities to warrant recovery, such recovery may not be economically profitable. Mineral exploration is highly speculative in nature, involves many risks and is frequently non-productive. Unusual or unexpected geologic formations and the inability to obtain suitable or adequate machinery, equipment or labor are risks involved in the conduct of exploration programs. If the Joint Venture Company does not establish reserves, it might be required to curtail or suspend operations, in which case the market value of the Company's common stock will decline, and you might lose all of your investment.

The Tetlin Property is located in the remote regions of Alaska and exploration activities may be limited by weather and limited access and existing infrastructure.

The Joint Venture Company is focused on the exploration of its properties in the State of Alaska. The arctic climate limits many exploration and mining activities during certain seasons. In addition, the remote location of the properties may limit access and increase exploration expense. Higher costs associated with exploration activities and limitation on the annual periods in which the Joint Venture Company can carry on exploration activities might increase the costs and time associated with our planned exploration activities and could negatively affect the value of the Tetlin Property and the Company's securities.

Concentrating capital investment in the Tetlin Property in the State of Alaska increases exposure to risk.

The Company and the Joint Venture Company have focused their capital investments in exploring for gold and associated mineral prospects on the Tetlin Property in the State of Alaska. However, the exploration prospects in Alaska may not lead to any revenues or the Joint Venture Company may not be able to drill for mineral deposits at anticipated costs due to financing, environmental or operating uncertainties. Should the Joint Venture Company be able to make an economic discovery on the Tetlin Property, it would then be solely dependent upon a single mining operation for its revenue and profits.

The Company will rely on the accuracy of the estimates in reports provided to the Company by Royal Gold and the Joint Venture Company's outside consultants and engineers.

The Company has no in-house mineral engineering capability, and therefore will rely on the accuracy of reports provided to us by the Joint Venture Company's independent third party consultants. If those reports prove to be inaccurate, the Company's financial reports could have material misstatements. Further, the Company will use the reports of such independent consultants in its financial planning. If the reports prove to be inaccurate, we may also make misjudgments in its financial planning.

Exploration activities involve a high degree of risk, and the Joint Venture Company's exploratory drilling activities may not be successful.

The Company's future success will largely depend on the success of the exploration drilling programs of the Joint Venture Company. Participation in exploration drilling activities involves numerous risks, including the significant risk that no commercially marketable minerals will be discovered. The mining of minerals and the manufacture of mineral products involves numerous hazards, including:

Ground or slope failures;

Pressure or irregularities in formations affecting ore or wall rock characteristics;

Equipment failures or accidents;

Adverse weather conditions;

- Compliance with governmental requirements and laws, present and future;

Shortages or delays in the availability and delivery of equipment; and

- Lack of adequate infrastructure, including access to roads, electricity and available housing.

Poor results from the Joint Venture Company's drilling activities would materially and adversely affect the Company's future cash flows and results of operations.

The Joint Venture Company has no assurance of title to its properties.

The Joint Venture Company holds approximately 99,500 acres in the form of State of Alaska unpatented mining claims, for gold ore exploration. Unpatented mining claims are unique property interests, in that they are subject to the paramount title of, the State of Alaska and rights of third parties to uses of the surface within their boundaries, and are generally considered to be subject to greater title risk than other real property interests. The rights to deposits of minerals lying within the boundaries of the unpatented state claims are subject to Alaska Statutes 38.05.185 - 38.05.280, and are governed by Alaska Administrative Code 11 AAC 86.100 - 86.600. The validity of all State of Alaska unpatented mining claims is dependent upon inherent uncertainties and conditions.

With respect to the Tetlin Lease, the Company retained title lawyers to conduct a preliminary examination of title to the mineral interest prior to executing the Tetlin Lease. The Joint Venture Company conducted a title examination prior to the assignment of the Tetlin Lease to the Joint Venture Company and performed certain curative title work. Prior to conducting any mining activity, however, the Joint Venture Company might obtain a further title review of the Tetlin Lease to identify more fully any deficiencies in title to the lease and, if there are deficiencies, to identify measures necessary to cure those defects to the extent reasonably possible. However, such deficiencies might not be cured. It does happen, from time to time, that the examination made by title lawyers reveals that the title to properties is defective, having been obtained in error from a person who is not the rightful owner of the mineral interest desired. In these circumstances, the Joint Venture Company might not be able to proceed with exploration of the lease site or might incur costs to remedy a defect. It might also happen, from time to time, that the Joint Venture Company might elect to proceed with mining work despite defects to the title identified in further title review.

The Tetlin Lease was executed with a Native American tribe for the exploration of gold ore and associated minerals. The enforcement of contractual rights against Native American tribes with sovereign powers may be difficult.

Federally recognized Native American tribes are independent governments with sovereign powers, except as those powers may have been limited by treaty or the United States Congress. Such tribes maintain their own governmental systems and often their own judicial systems and have the right to tax, and to require licenses and to impose other forms of regulation and regulatory fees, on persons and businesses operating on their lands. As sovereign nations, federally recognized Native American tribes are generally subject only to federal regulation. States do not have the authority to regulate them, unless such authority has been specifically granted by Congress, and state laws generally do not directly apply to them and to activities taking place on their lands, unless they have a specific agreement or compact with the state or Federal government allowing for the application of state law. The Tetlin Lease provides that it will be governed by applicable federal law and the law of the State of Alaska. The Company and the Tetlin Tribal Council entered into a Stability Agreement, dated October 2, 2014, that was assigned by the Company to the Joint Venture Company. However, no assurance may be given that the choice of law clause in the Tetlin Lease or the agreements with the Tetlin Tribal Council in the Stability Agreement will be enforceable.



Federally recognized Native American tribes also generally enjoy sovereign immunity from lawsuit similar to that of the states and the United States federal government. In order to sue a Native American tribe (or an agency or instrumentality of a Native American tribe), the Native American tribe must have effectively waived its sovereign immunity with respect to the matter in dispute. Moreover, even if a Native American tribe effectively waives its sovereign immunity, there exists an issue as to the forum in which a lawsuit can be brought against the tribe. Federal courts are courts of limited jurisdiction and generally do not have jurisdiction to hear civil cases relating to matters concerning Native American lands or the internal affairs of Native American governments. Federal courts may have jurisdiction if a federal question is raised by the lawsuit, which is unlikely in a typical contract dispute. Diversity of citizenship, another common basis for federal court jurisdiction, is not generally present in a suit against a tribe because a Native American tribe is not considered a citizen of any state. Accordingly, in most commercial disputes with tribes, the jurisdiction of the federal courts, may be difficult or impossible to obtain. The Tetlin Lease contains a provision in which the Tetlin Tribal Council expressly waives its sovereign immunity to the limited extent necessary to permit judicial review in the courts in Alaska of certain issues affecting the Tetlin Lease and the Stability Agreement contains, among other things, agreement that any disputes under the Tetlin Lease will be submitted to the jurisdiction of the federal and state courts.

Competition in the mineral exploration industry is intense, and the Company is smaller and has a much more limited operating history than most of its competitors.

The Company will compete with a broad range of mining companies with far greater resources in its exploration activities. Several mining companies concentrate drilling efforts on one type of mineral and thus may enjoy economies of scale and other efficiencies. However, the Company's drilling strategies currently include exploring for gold ore and associated minerals. As a result, the Company may not be able to compete effectively with such companies. Most competitors have substantially greater financial resources than the Company. These competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than the Company can. In addition, most competitors have been operating for a much longer time than the Company has and have substantially larger staffs. Processing of gold and associated minerals requires complex and sophisticated processing technologies. The Company has no experience in the minerals processing industry.

No member of the Company's management has any technical training or experience in minerals exploration or mining. Because of the Company's limited operating history, the Company has limited insight into trends that may emerge and affect its business. The Company may make errors in predicting and reacting to relevant business trends and will be subject to the risks, uncertainties and difficulties frequently encountered by early-stage companies.

The mining industry is historically a cyclical industry and market fluctuations in the prices of minerals could adversely affect the Company's and Joint Venture Company's business.

Prices for minerals tend to fluctuate significantly in response to factors beyond the Company's control. These factors include:

- Global economic conditions;
- Domestic and foreign tax policy;
- The price of gold;
- The cost of exploring for, producing and processing gold;
- Available transportation capacity; and
- The overall supply and demand for gold.

Changes in gold prices would directly affect revenues and may reduce the amount of funds available to reinvest in exploration activities. Reductions in gold prices not only reduce revenues and profits, but could also reduce the quantities of resources that are commercially recoverable. Declining metal prices may also impact the operations of the Joint Venture Company by requiring a reassessment of the commercial feasibility of any of its mining work.

Because the Company's and Joint Venture Company's sole source of revenue, if its exploration efforts are successful, will be the sale of gold and associated minerals, changes in demand for, and the market price of, gold and associated minerals could significantly affect the Company's and the Joint Venture Company's profitability. The value and price of the Company's common stock may be significantly affected by declines in the prices of gold minerals and products.

Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, fluctuation in the relative value of the United States dollar against foreign currencies on the world market, global and regional supply and demand for gold, and the political and economic conditions of gold producing countries throughout the world.

An increase in the global supply of gold and associated minerals may adversely affect the Company's and Joint Venture Company's business.

The pricing and demand for gold and associated minerals is affected by a number of factors beyond the Joint Venture Company's control, including global economic conditions and the global supply and demand for gold and associated minerals and products. Increases in the amount of gold and associated minerals sold by competitors of the Joint Venture Company may result in price reductions, reduced margins and the Joint Venture Company may not be able to compete effectively against current and future competitors.

The Joint Venture Company is subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

The Joint Venture Company's exploratory mining operations are subject to numerous laws and regulations governing its operations and the discharge of materials into the environment, including the Federal Clean Water Act, Clean Air Act, Endangered Species Act, and the Comprehensive Environmental Response, Compensation, and Liability Act. Federal initiatives are often also

administered and enforced through state agencies operating under parallel state statutes and regulations. Failure to comply with such rules and regulations could result in substantial penalties and have an adverse effect on the Joint Venture Company. These laws and regulations may:

- Require that the Joint Venture Company obtain permits before commencing mining work;
- Restrict the substances that can be released into the environment in connection with mining work;
- Impose obligations to reclaim land in order to minimize long term effects of land disturbance;
- Limit or prohibit mining work on protected areas.

Under these laws and regulations, the Joint Venture Company could be liable for personal injury and clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. The Company and the Joint Venture Company maintain only limited insurance coverage for sudden and accidental environmental damages. Accordingly, the Joint Venture Company may be subject to liability, or it may be required to cease production from properties in the event of environmental damages. Compliance with environmental laws and regulations and future changes in these laws and regulations may require significant capital outlays, cause material changes or delays in the Joint Venture Company's current and planned operations and future activities and reduce the profitability of operations. It is possible that future changes in these laws or regulations could increase operating costs or require capital expenditures in order to remain in compliance. Any such, changes could have an adverse effect on the Joint Venture Company's business, financial condition and results of operations.

The Joint Venture Company is subject to the Federal Mine Safety and Health Act of 1977 and regulations promulgated thereto, which impose stringent health and safety standards on numerous aspects of its operations.

The Joint Venture Company's exploration and mining work in Alaska is subject to the Federal Mine Safety and Health Act of 1977, which impose stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. The Joint Venture Company's failure to comply with these standards could have a material adverse effect on its business, financial condition or otherwise impose significant restrictions on its ability to conduct mining work.

The Joint Venture Company may be unable to obtain, maintain or renew permits necessary for the exploration, development or operation of any mining activities, which could have a material adverse effect on its business, financial condition or results of operation.

The Joint Venture Company must obtain a number of permits that impose strict conditions, requirements and obligations relating to various environmental and health and safety matters in connection with its current and future operations. To obtain certain permits, the Joint Venture Company may be required to conduct environmental studies, collect and present data to governmental authorities and the general public pertaining to the potential impact of its current and future operations upon the environment and take steps to avoid or mitigate the impact. The permitting rules are complex and have tended to become more stringent over time. Accordingly, permits required for mining work may not be issued, maintained or renewed in a timely fashion or at all, or may be conditioned upon restrictions which may impede its ability to operate efficiently. The failure to obtain certain permits or the adoption of more stringent permitting requirements could have a material adverse effect on its business, its plans of operation, and properties in that the Joint Venture Company may not be able to proceed with its exploration, development or mining programs.

Anti-takeover provisions of the Company's certificate of incorporation, bylaws and Delaware law could adversely affect a potential acquisition by third parties.

In December 2012, the Board of Directors adopted a shareholder rights plan, which was amended on March 21, 2013, September 29, 2014, December 18, 2014, and November 11, 2015 (as amended, the "Rights Plan"), pursuant to which one preferred stock purchase right was distributed as a dividend on each share of the Company's common stock held of record. The Rights Plan is scheduled to expire in December 19, 2018. The Rights Plan is designed to deter coercive takeover tactics and to prevent an acquirer from gaining control of the Company without offering a fair price to all of the Company's stockholders. The existence of the Rights Plan, however, could have the effect of making it more difficult for a third party to acquire a majority of Company's outstanding common stock, and thereby adversely affect the market price of the Company's common stock.

In addition, the Company's certificate of incorporation, bylaws and the Delaware General Corporation Law contain provisions that may discourage unsolicited takeover proposals. These provisions could have the effect of inhibiting fluctuations in the market price of the Company's common stock that could result from actual or rumored takeover attempts, preventing changes in the Company's management or limiting the price that investors may be willing to pay for shares of common stock. Among other things, these provisions:

- ☒ Limit the personal liability of directors;
- ☒ Limit the persons who may call special meetings of stockholders;
- ☒ Prohibit stockholder action by written consent;
- ☒ Establish advance notice requirements for nominations for election of the board of directors and for proposing matters to be acted on by stockholders at stockholder meetings;
- ☒ Require us to indemnify directors and officers to the fullest extent permitted by applicable law;
- ☒ Impose restrictions on business combinations with some interested parties.

The Company's common stock is thinly traded.

As of September 30, 2016, there were approximately 4.1 million shares of the Company's common stock outstanding, with directors and officers and beneficially owning approximately 16.9% of the common stock and the Estate of Mr. Kenneth R. Peak and its affiliates, the Company's former Chairman, beneficially owning approximately 19.8% of our common stock. Since the Company's common stock is thinly traded, the purchase or sale of relatively small common stock positions may result in disproportionately large increases or decreases in the price of the Company's common stock.

The Company does not intend to pay dividends in the foreseeable future.

For the foreseeable future, the Company intends to retain any earnings to finance the development of its business, and the Company does not anticipate paying any cash dividends on its common stock. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent upon then-existing conditions, including our operating results and financial condition, capital requirements, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant. Accordingly, investors must rely on sales of their common stock after any price appreciation, which may never occur, as the only way to realize a return on their investment.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company”, we are not required to provide this information.

### Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures.** Under the supervision and with the participation of our President and Chief Executive Officer and Chief Financial and Accounting Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of September 30, 2016. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016.

**Changes in Internal Control Over Financial Reporting.** There have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2016, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we are party to litigation or other legal and administrative proceedings that we consider to be a part of the ordinary course of business. As of the date of this Form 10-Q, we are not a party to any material legal proceedings and we are not aware of any material proceedings contemplated against us, that could individually or in the aggregate, reasonably be expected to have a material adverse effect on our financial condition, cash flows or results of operations.



#### Item 1A. Risk Factors

As a “smaller reporting company”, we are not required to provide this information. See Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which identifies and discloses certain risks and uncertainties including, without limitation, certain “Risk Factors.”

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 1, 2010, the Company was formed as a Delaware corporation and issued 100 shares of its common stock to Contango. We relied on the provisions of Section 4(2) of the Securities Act of 1933, as amended (the “Securities Act”), in claiming exemption for the offering, sale and delivery of such securities from registration under the Securities Act. On November 29, 2010, the Company issued approximately 1.6 million shares of its common stock to Contango for distribution to individuals who were shareholders of Contango on October 15, 2010.

On March 26, 2012, the Company completed its private offering of 882,500 shares of common stock to accredited investors, as previously reported in the Company’s report on Form 8-K filed March 27, 2012. We relied on the provisions of Section 4(2) and Regulation D of the Securities Act in claiming an exemption from the offering, sale and delivery of such securities from registration under the Securities Act.

On March 22, 2013, the Company completed the issuance and sale of an aggregate of 1,230,999 units (“Units”) with each Unit consisting of (i) one share of the Company’s common stock and (ii) a five-year warrant to purchase one (1) share of Common Stock at \$10.00 per share. See the Company’s Form 8-K filed on March 25, 2013. We relied on the provisions of Section 4(2) and Regulation D of the Securities Act in claiming an exemption from the offering, sale and delivery of such securities from registration under the Securities Act. In August 2016, 31,250 of the five-year warrants were exercised.

In September 2016, the Company distributed a Private Placement Memorandum to its warrant holders to give them the opportunity to exercise their warrants at a reduced exercise price and receive shares of common stock, par value \$0.01 per share of Contango ORE, Inc. by paying the reduced exercise price in cash and surrendering the original warrants. The offering applies to warrant holders with an exercise price of \$10.00 per share originally issued in March 2013. The offering gives the warrant holders the opportunity to exercise the warrants for \$9.00 per share. The offer will expire on November 15, 2016. As of November 10, 2016 a total of 241,667 warrants have been exercised resulting in total cash to the Company of \$2.2 million. Of the total warrants exercised, 83,334 were exercised by entities controlled by Mr. Brad Juneau, the Company’s Chairman, President and Chief Executive Officer. Proceeds from the exercise of the warrants will be used for working capital purposes and for funding future obligations to the Joint Venture Company.

Authorized and outstanding capital stock. The Company’s authorized capital stock consists of 30,000,000 shares of common stock and 15,000,000 shares of preferred stock. As of September 30, 2016, we had 4,073,403 shares of common stock outstanding, all of which are fully paid and non-assessable. Holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders and are not entitled to cumulative voting for the election of directors. Upon the liquidation, dissolution or winding up of our business, after payment of all liabilities and payment of preferential amounts to the holders of preferred stock, if any, the shares of common stock are entitled to share equally in our remaining assets. Pursuant to our certificate of incorporation, no stockholder has any preemptive rights to subscribe for our securities. The common stock is not subject to redemption.

We do not intend to declare or pay any cash dividends on our common stock. We currently intend to retain any future earnings in excess of preferred stock dividends, if any, for operations and to develop and expand our business. We do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination with respect to the payment of dividends on the common stock will be at the discretion of the Board and will depend on, among other things, operating results, financial condition and capital requirements, the terms of then-existing indebtedness, general business conditions and other factors the Board deems relevant.

#### Item 4. Mine Safety Disclosures



None.

Item 5. Other Information

On December 19, 2012, the Company adopted a Rights Plan which was amended on March 21, 2013, September 29, 2014, December 18, 2014, and November 11, 2015 that is designed to ensure that all stockholders of the Company receive fair value for their shares of common stock in the event of any proposed takeover of the Company and to guard against the use of partial

46

---

tender offers or other coercive tactics to gain control of the Company without offering fair value to all of the Company's stockholders. The Rights Plan is not intended, nor will it operate, to prevent an acquisition of the Company on terms that are favorable and fair to all stockholders.

Under the terms of the Rights Plan, each right (a "Right") will entitle the holder to purchase 1/100 of a share of Series A Junior Preferred Stock of the Company (the "Preferred Stock") at an exercise price of \$80 per share. The Rights will be exercisable and will trade separately from the shares of common stock only if a person or group, other than the Estate of Mr. Kenneth Peak and its affiliates, which currently beneficially owns approximately 23% of the Company, acquires beneficial ownership of 23% or more of the Company's common stock or commences a tender or exchange offer that would result in such a person or group owning 23% or more of the common stock (the "Triggering Event"). Only when one or more of these events occur will stockholders receive certificates for the Rights.

Under the terms of the Rights Plan, Rights have been distributed as a dividend at the rate of one Right for each share of common stock that was held as of the close of business on December 20, 2012. Stockholders will not actually receive certificates for the Rights at this time, but the Rights will become part of each share of common stock. An additional Right will be issued along with each share of common stock that is issued or sold by the Company after December 20, 2012. The Rights are scheduled to expire on December 19, 2018. Upon a Triggering Event, stockholders of the Company will receive certificates for the Rights.

If any person actually acquires 23% or more of shares of common stock other than through a tender or exchange offer for all shares of common stock that provides a fair price and other acceptable terms for such shares or if a 23% or more stockholder engages in certain "self-dealing" transactions or engages in a merger or other business combination in which the Company survives and its shares of common stock remain outstanding, the other stockholders will be able to exercise the Rights and buy shares of common stock of the Company having approximately twice the value of the exercise price of the Rights. Additionally, if the Company is involved in certain other mergers where its shares are exchanged or certain major sales of its assets occur, stockholders will be able to purchase a certain number of the other party's common stock in an amount equal to approximately twice the value of the exercise price of the Rights.

The Company will be entitled to redeem the Rights at \$0.01 per Right at any time until the earlier of (i) the tenth day following public announcement that a person has acquired a 23% ownership position in shares of common stock of the Company or (ii) the final expiration date of the Rights. The Company in its discretion may extend the period during which it may redeem the Rights.

#### Certain Relationships and Related Transactions, and Director Independence

The Company has instituted policies and procedures for the review, approval and ratification of "related person" transactions as defined under SEC rules and regulations. Our Audit Committee Charter requires management to inform the Audit Committee of all related person transactions. In order to identify any such transactions, among other measures, the Company requires its directors and officers to complete questionnaires identifying transactions with any company in which the officer or director or their family members may have an interest. In addition, our Code of Ethics requires that the Audit Committee review and approve any related party transaction before it is consummated. Each Board member other than Mr. Juneau is an independent director as defined in the listing standards.

Item 6. Exhibits

(a) Exhibits:

The following is a list of exhibits filed as part of this Form 10-Q. Where so indicated by a footnote, exhibits, which were previously filed, are incorporated herein by reference.

Exhibit Number	Description
3.1	Certificate of Incorporation of Contango ORE, Inc. <sup>(1)</sup>
3.2	Bylaws of Contango ORE, Inc. <sup>(1)</sup>
4.1	Form of Certificate of Contango ORE, Inc. Common Stock. <sup>(11)</sup>
4.2	Certificate of Designation of Series A Junior Preferred Stock of Contango ORE, Inc. <sup>(8)</sup>
4.3	Rights Agreement, dated as of December 20, 2012, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(8)</sup>
4.4	Amendment No. 1 to Rights Agreement, dated as of March 21, 2013, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(10)</sup>
4.5	Amendment No. 2 to Rights Agreement, dated as of September 29, 2014, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(13)</sup>
4.6	Amendment No. 3 to Rights Agreement, dated as of December 18, 2014 between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(14)</sup>
4.7	Amendment No. 4 to Rights Agreement, dated as of November 11, 2015 between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(16)</sup>
10.1	Mineral Lease, effective as of July 15, 2008, between Native Village of Tetlin and Juneau Exploration Company, d/b/a Juneau Mining Company, as amended by Amendment No. 1 to Mineral Lease, effective as of October 1, 2009. <sup>(1)</sup>
10.2	Amendment No. 2 to Mineral Lease, effective as of June 1, 2011. <sup>(2)</sup>
10.3	Amendment No. 3 to Mineral Lease, effective as of July 1, 2011. <sup>(2)</sup>
10.4	Amendment No. 4 to Mineral Lease, effective as of December 3, 2012. <sup>(9)</sup>

Edgar Filing: Contango ORE, Inc. - Form 10-Q

- 10.5 Chairman Agreement dated as of November 1, 2010, between Contango ORE, Inc. and Kenneth R. Peak. <sup>(1)</sup>
- 10.6 Form of 2010 Equity Compensation Plan. <sup>(1)</sup>
- 10.7 Contribution Agreement, dated as of November 1, 2010, between Contango Oil & Gas Company and Contango ORE, Inc. <sup>(1)</sup>
- 10.8 Amended and Restated Professional Services Agreement, dated as of November 1, 2010, between Avalon Development Corporation and Contango ORE, Inc. <sup>(1)</sup>

48

---

Edgar Filing: Contango ORE, Inc. - Form 10-Q

- 10.9 Consulting Agreement, dated as of October 15, 2010, between Mr. Donald Adams and Contango ORE, Inc. <sup>(2)</sup>
- 10.10 Revolving Line of Credit Promissory Note dated as of November 10, 2011, between Contango ORE, Inc. and Contango Oil & Gas Company. <sup>(3)</sup>
- 10.11 Securities Purchase Agreement, dated as of March 22, 2012, between Contango ORE, Inc. and the Purchasers named therein. <sup>(5)</sup>
- 10.12 Registration Rights Agreement, dated as of March 22, 2012, between Contango ORE, Inc. and the Purchasers named therein. <sup>(5)</sup>
- 10.13 Advisory Agreement, dated as of September 6, 2012, between Contango ORE, Inc. and Juneau Exploration L.P. <sup>(6)</sup>
- 10.14 Subscription Agreement, dated as of March 22, 2013, between Contango ORE, Inc. and the Purchasers named therein. <sup>(10)</sup>
- 10.15 Registration Rights Agreement, dated as of March 22, 2013, between Contango ORE, Inc. and the Purchasers named therein. <sup>(10)</sup>
- 10.16 Warrant, dated as of March 22, 2013, issued by Contango ORE, Inc. in favor of the Holders named therein. <sup>(10)</sup>
- 10.17 Engagement Letter with Petrie Partners, LLC dated January 23, 2014<sup>(12)</sup>
- 10.18 Master Agreement, by and between Contango ORE, Inc. and Royal Gold, Inc., dated September 29, 2014<sup>(13)</sup>
- 10.19 Stability Agreement by and between Contango ORE, Inc and the Native Village of Tetlin, dated October 2, 2014<sup>(15)</sup>
- 10.20 Master Services Agreement by and between Contango ORE, Inc. and Juneau Exploration effective October 1, 2016. †
- 31.1 Certification of Chief Executive Officer required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934. †
- 31.2 Certification of Chief Financial Officer required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934. †
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
- 99.1 Original Schedule of Gold properties (Excluding Tetlin Lease). <sup>(2)</sup>
- 99.2 Original Schedule of REE properties. <sup>(2)</sup>

99.3 Report of Behre Dolbear & Company (USA), Inc. <sup>(4)</sup>

49

---

99.4 Promissory Note from Tetlin Village Council to Contango ORE, Inc. dated August 1, 2013 <sup>(11)</sup>

99.5 Voting Agreement, dated as of September 29, 2014, between Royal Gold, Inc. and the stockholders thereto <sup>(13)</sup>

101 Interactive Data Files<sup>†</sup>

Filed herewith.

1. Filed as an exhibit to the Company's report on Amendment No. 2 to Registration Statement on Form 10, as filed with the Securities and Exchange Commission on November 26, 2010.
2. Filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2011, as filed with the Securities and Exchange Commission on September 19, 2011.
3. Filed as an exhibit to the Company's report on Form 10-Q for the three months ended September 30, 2011, as filed with the Securities and Exchange Commission on November 14, 2011.
4. Filed as an exhibit to the Company's report on Form 10-Q for the three months ended December 31, 2011, as filed with the Securities and Exchange Commission on February 6, 2012.
5. Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on March 27, 2012.
6. Filed as an exhibit to the Company's annual report on Form 10-K, for the fiscal year ended June 30, 2012, as filed with the Securities and Exchange Commission on September 11, 2012.
7. Filed as an exhibit to the Company's report on Form 10-Q, for the three months ended September 30, 2012, as filed with the Securities and Exchange Commission on November 14, 2012.
8. Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on December 21, 2012.
9. Filed as an exhibit to the Company's report on Form 10-Q, for the three months ended December 31, 2012, as filed with the Securities and Exchange Commission on February 14, 2013.
10. Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on March 25, 2013.
11. Filed as an exhibit to the Company's report on Form 10-Q for the three months ended September 30, 2013, as filed with the Securities and Exchange Commission on November 14, 2013.
12. Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on January 29, 2014.
13. Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on October 2, 2014.
14. Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on December 18, 2014.  
Filed as an exhibit to the Company's report on Form 10-Q for the six months ended December 31, 2014, as filed
15. with the Securities and Exchange Commission on February 6, 2014.  
  
Filed as an exhibit to the Company's report on Form 10-Q for the three months ended September 30, 2015, as filed
16. with the Securities and Exchange Commission on November 12, 2015.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

CONTANGO ORE, INC.

Date: November 10, 2016     By: /s/ BRAD JUNEAU  
Brad Juneau  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Date: November 10, 2016     By: /s/ LEAH GAINES  
Leah Gaines  
Vice President, Chief Financial Officer, Chief Accounting Officer and Controller  
(Principal Financial and Accounting Officer)