

Contango ORE, Inc.  
Form 10-K  
August 30, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

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

**For the fiscal year ended June 30, 2018**

**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 000-54136**

**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)**

**Securities registered pursuant to Section 12(b) of the Act:**

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

Common Stock, Par Value \$0.01 per share OTCQB

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of December 31, 2017 the aggregate market value of the registrant's common stock held by non-affiliates (based upon the closing sale price of such common stock as reported on the OTCQB) was \$49,235,814. As of August 30, 2018, there were 6,153,266 shares of the registrant's common stock outstanding.

### **Documents Incorporated by Reference**

Items 10, 11, 12, 13 and 14 of Part III have been omitted from this report since registrant will file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement, pursuant to Regulation 14A. The information required by Items 10, 11, 12, 13 and 14 of this report, which will appear in the definitive proxy statement, is incorporated by reference into this Form 10-K.

Table of Contents

**CONTANGO ORE, INC.**

**ANNUAL REPORT ON FORM 10-K**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<u>Item 1. BUSINESS</u>	4
<u>Item 1A. RISK FACTORS</u>	10
<u>Item 1B. UNRESOLVED STAFF COMMENTS</u>	17
<u>Item 2. PROPERTIES</u>	17
<u>Item 3. LEGAL PROCEEDINGS</u>	34
<u>Item 4. MINE SAFETY DISCLOSURES</u>	34
<u>Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	35
<u>Item 6. SELECTED FINANCIAL DATA</u>	37
<u>Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	37
<u>Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	40
<u>Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	40
<u>Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	40
<u>Item 9A. CONTROLS AND PROCEDURES</u>	40
<u>Item 9B. OTHER INFORMATION</u>	41
<u>Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	42
<u>Item 11. EXECUTIVE COMPENSATION</u>	42
<u>Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	42
<u>Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	42
<u>Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	42
<u>Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	43

Table of Contents

**CAUTIONARY STATEMENT REGARDING 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 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 the Peak Gold Joint Venture Property;
- Operating costs and other expenses;
- Cash flow and anticipated liquidity;
- Prospect development; and
- 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 the Company's 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 the mining industry; and
- Risk related to title to properties.

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, the Company undertakes 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-K for some of the important factors that could affect the Company's financial performance or could cause actual results to differ materially from estimates contained in forward-looking statements.

Table of Contents

**PART I**

**Item 1. BUSINESS**

**Overview**

Contango ORE, Inc. (“CORE” or “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. The Company was formed on September 1, 2010 as a Delaware corporation. 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 Peak Gold Joint Venture Property (as defined below), which is prospective for gold and associated minerals. As of June 30, 2018, the Joint Venture Company leased or controlled an estimated 850,000 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. 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.

Contango Mining acquired an interest in properties from Juneau Exploration, L.P. (“JEX”) in exchange for \$1.0 million and a 3.0% overriding royalty interest in the properties granted to JEX. 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. 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 the Peak Gold Joint Venture 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 "JV LLCA"). The audited financial statements of Peak Gold, LLC for the years ended June 30, 2018 and 2017 are filed as an exhibit to this Form 10-K.

Upon Closing, Royal Gold initially contributed \$5.0 million to fund exploration activity of the Joint Venture Company. The initial \$5.0 million did not give Royal Gold an equity stake in the Joint Venture Company. In connection with the initial contribution, Royal Gold received an option to earn up to a 40% interest in the Joint Venture Company by investing up to \$30.0 million (inclusive of the initial \$5.0 million investment) prior to October 2018. As of June 30, 2018, Royal Gold has contributed \$31.7 million (including its initial \$5.0 million investment) to the Joint Venture Company and earned a 40.0% interest in the Joint Venture Company. The proceeds of Royal Gold's investment have been and will be used by the Joint Venture Company for additional exploration of the property it controls. Now that Royal Gold has funded \$30.0 million, the Company and Royal Gold are required to jointly fund the joint venture operations in proportion to their 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 reduced. As of June 30, 2018, the Company has approximately \$13.8 million of cash, cash equivalents, and short term investments. A capital budget of \$9.1 million has been approved for the calendar 2018 Exploration Program for the Joint Venture Company, of which the Company's share will be approximately \$5.1 million. The Company contributed \$2.6 million to the Joint Venture Company during the quarter ended June 30, 2018, and currently holds a 60.0% interest in the Joint Venture Company. The Company intends to participate for its full interest in the exploration program for 2018.

## 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.



Table of Contents

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 Tribal Council, 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 Tribal Council \$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 Tribal Council 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 "Peak Gold Joint Venture Property") held by the Joint Venture Company as of the date of this report:

<b>Property</b>	<b>Location</b>	<b>Commodities</b>	<b>Claims</b>	<b>Estimated Acres</b>	<b>Type</b>
Tetlin-Tok	Eastern Interior	Gold, Copper, Silver	131	10,900	State Mining Claims
Eagle	Eastern Interior	Gold, Copper, Silver	428	65,900	State Mining Claims
Bush	Eastern Interior	Gold, Copper, Silver	48	7,700	State Mining Claims
West Fork	Eastern Interior	Gold, Copper, Silver	48	7,700	State Mining Claims
Triple Z	Eastern Interior	Gold, Copper, Silver	45	7,200	State Mining Claims
Noah #1	Eastern Interior	Gold, Copper, Silver	224	34,400	State Mining Claims
Noah #2	Eastern Interior	Gold, Copper, Silver	258	41,000	State Mining Claims
Tetlin-Village	Eastern Interior	Gold, Copper, Silver	-	675,000	Lease

TOTALS:	1,182	849,800
---------	-------	---------

## 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 of the Company (the "Board") and its financial advisor, the Company determined to continue its exploration activities on the Peak Gold Joint Venture Property through a joint venture with an experienced industry participant. As a result, the Company formed the Joint Venture Company pursuant to a JV LLCA with Royal Gold. Under the JV LLCA, 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%) interest by October 31, 2018. Royal Gold has earned a 40.0% membership interest in the Joint Venture Company by making the full \$30.0 million investment, thus Royal Gold will continue to act as the manager of the Joint Venture Company. Royal Gold may resign as Manager. Royal Gold can also be removed as Manager for a material breach of the JV LLCA, 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 JV LLCA 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 JV LLCA, 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, employees and directors with those of its stockholders. Neither Brad Juneau, the Company's Chairman, President and Chief Executive Officer, nor any of the Company's non-executive directors have ever been paid a salary or cash compensation by the Company. As of June 30, 2018, the Company's directors and officers beneficially own approximately 14.5% of the Company's common stock. An additional 12.8% of the Company's common stock is beneficially owned by the Marital Trust of Mr. Kenneth R. Peak, the Company's former Chairman, who passed away on April 19, 2013.

## Table of Contents

### **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. 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.

### **Consulting Services provided by Avalon Development Corporation**

Until January 8, 2015, the Company was a party to a Professional Services Agreement (“PSA”) with Avalon Development Corporation (“Avalon”) to provide certain geological consulting services and exploration activities with respect to the Peak Gold Joint Venture Property. Pursuant to the PSA, Avalon provided geological consulting services and exploration activities, including all field work at the Tetlin Lease. In connection with the Transactions, the Company terminated the PSA with Avalon, and Avalon is now providing services to the Joint Venture Company.

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.

#### **Services Provided by Tetlin Village Members**

Since the start of the term of the Tetlin Lease, the Company has worked closely with the Tetlin Tribal Council to train and employ Tetlin residents during the Joint Venture Company's project exploration programs. During the Company's exploration programs, there were typically 10 to 15 Tetlin residents working on the Joint Venture Company's 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.

## Table of Contents

### **Community Affairs**

In April 2015, the Joint Venture Company entered into a Community Support Agreement (as amended, the "Support Agreement") with the Tetlin Village for a one year period, which was extended for an additional two year period under similar terms. Under the extended Support Agreement the Joint Venture Company provided payments to the Tetlin 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 Support Agreement was extended a second time for an additional two year period under similar terms. Under the second extension, the Joint Venture Company provides payments to the village four times during the year for an aggregate amount of \$100,000 through January 1, 2019 and an additional \$100,000 through January 1, 2020. The Support 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 Peak Gold Joint Venture 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 faces 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's 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.

### **Government Regulation**

The Joint Venture Company's mineral exploration activities are generally affected by various laws and regulations, including environmental, conservation, tax and other laws and regulations relating to the exploration of minerals.

Various Federal and Alaskan laws and regulations often require permits for exploration activities and also cover extraction of minerals. In addition, the Tetlin Lease is located on land leased from the Tetlin Village Council. Federally recognized Native American tribes are independent governments, with sovereign powers, except as those powers may have been limited by treaty or by 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 Company believes that the Joint Venture Company will continue to use its best efforts to ensure that it is in compliance with all applicable laws and regulations, but the denial of permits required to explore for or mine ore may prevent it from realizing any revenues arising from the presence of minerals on its properties.

## Environmental Regulation

The Company believes that the Joint Venture Company is currently operating in compliance with all environmental regulations. While the Alaska Department of Natural Resources, Office of Project Management and Permitting coordinates the permitting of mine projects on state lands, it has no jurisdiction on Native American land such as the Tetlin Lease. However, the Joint Venture Company has voluntarily elected, with the concurrence of the Tetlin Village Council, to conduct its mineral exploration activities under the same terms and conditions as required on State of Alaska mining claims.

Hard Rock Exploration Permits and Temporary Water Use Permits covering past and planned activities on the Peak Gold Joint Venture Property were issued by the Alaska Department of Natural Resources to the Joint Venture Company and consist of the following multi-year permits:

1. Alaska Hard Rock Exploration and Reclamation Permit #2626 covering exploration drilling activities on the Tetlin Lease. This permit now extends through December 31, 2020. Each year during the term of the permit, the Joint Venture Company will submit a reclamation statement detailing reclamation actions taken and a letter of intent to do reclamation for the following year.
2. Alaska Temporary Water Use Permit F2016-23, allowing a seasonal average water use of 21,600 gallons per day during the period May 20 to October 15. The permit expires December 31, 2020. These water use authorizations are specific to Alaska Hard Rock Exploration permit #2626.

Table of Contents

The above referenced State of Alaska permits were issued to the Company and assigned to the Joint Venture Company to cover its access road, drill pad and core drilling impacts. The Company does not anticipate that the Joint Venture Company will require additional permits from the State of Alaska for the remainder of the 2018 calendar year. Reclamation of surface disturbance, if any, associated with our exploration activities is conducted concurrently where required.

The Joint Venture Company also has received a Nationwide Permit #6, Permit #POA-2013-286, from the U.S. Department of the Army Corps of Engineers with respect to the Joint Venture Company's intended drilling and access-related disturbances on wetlands within the Tetlin Lease, which is valid through December 31, 2022. However, such lands were classified as wetlands more than 20 years ago and much of the land covered by such permit has since been burned by natural wildfires. As a consequence of the wildfires and natural habitat changes that have taken place since the wildfires, the Peak Gold Joint Venture Property may no longer be considered wetlands according to Corps of Engineers guidelines.

The Company began collecting baseline environmental data in 2012 and the Joint Venture Company has continued this process. The Joint Venture Company has not developed a comprehensive environmental permitting strategy as the Joint Venture Company remains in an exploration stage. If and when its exploration work is significantly advanced that additional baseline environmental studies and prefeasibility studies are desirable, the Joint Venture Company will be required to expend considerable funds and resources for an environmental impact statement and related studies to advance any mining project.

Any future mining operations are subject to local, state and federal regulation governing environmental quality and pollution control, including air quality standards, greenhouse gas, waste management, reclamation and restoration of properties, plant and wildlife protection, handling and disposal of radioactive substances, and employee health and safety. Extraction of mineral ore is subject to stringent environmental regulation by state and federal authorities, including the Environmental Protection Agency. Such regulation can increase the cost of planning, designing, installing and operating mining facilities or otherwise delay, limit or prohibit planned operations.

Significant fines and penalties may be imposed for failure to comply with environmental laws. Some environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances. In addition, the Joint Venture Company may be subject to claims alleging personal injury or property damages as a result of alleged exposure to hazardous substances.

The Federal Mine Safety and Health Act of 1977 and regulations promulgated thereunder, as well as, the State of Alaska Department of Labor and Workforce Development impose a variety of health and safety standards on numerous aspects of employee working conditions related to mineral extraction and processing operations, including the training of personnel, operating procedures and operating equipment. In addition, the Joint Venture Company may be subject to additional state and local mining standards. The Company believes that the Joint Venture Company

currently is in compliance with applicable mining standards; however, the Company cannot predict whether changes in standards or the interpretation or enforcement thereof will have a material adverse effect on the Joint Venture Company's business, financial condition or otherwise impose restrictions on its ability to conduct mining operations.

A typical time frame for baseline environmental studies and permitting for a gold mine in Alaska may consume a decade or more. There are numerous state and federal permits and authorizations required from many different state and federal agencies. Federal legislation and regulations adopted and administered by the U.S. Environmental Protection Agency, Forest Service, Bureau of Land Management, Fish and Wildlife Service, Mine Safety and Health Administration, and other federal agencies, legislation such as the Federal Clean Water Act, Clean Air Act, National Environmental Policy Act, Endangered Species Act, and Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and various laws and regulations administered by the State of Alaska including the Alaska Department of Fish and Game, the Alaska Department of Environmental Conservation, Alaska Department of Transportation and Public Facilities and the Alaska Department of Natural Resources, have a direct bearing on exploration and mining operations conducted in Alaska. These regulations will make the process for preparing and obtaining approval of a plan of operations much more time-consuming, expensive, and uncertain. The Alaska Department of Natural Resources coordinates the permitting of mining operations in the State of Alaska, has developed a process to integrate federal, state and local government requirements to obtain mine permits, and also provides an opportunity for public comment. Plans of operation will be required to include detailed baseline environmental information and address how detailed reclamation performance standards will be met. In addition, all activities for which plans of operation are required will be subject to a new standard of review by the U.S. Bureau of Land Management, which must make a finding that the conditions, practices or activities do not cause substantial irreparable harm to significant scientific, cultural, or environmental resource values that cannot be effectively mitigated.

CERCLA generally imposes joint and several strict liability for costs of investigation and remediation and for natural resource damages, with respect to the release of hazardous substances (as designated under CERCLA) into the environment. CERCLA also authorizes the EPA, and in some cases, third parties, to take action in response to threats to the public health or the environment and to seek to recover from the potentially responsible parties the costs of such action. The Joint Venture Company's mining operations may generate wastes that fall within CERCLA's definition of Hazardous Substances.



## Table of Contents

### **Employees**

The Company has three part-time employees. Of these, two are officers of the Company. Brad Juneau is the Chairman, President and Chief Executive Officer of the Company and is responsible for the management of the Company. Leah Gaines is the Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary of the Company and is responsible for the financial and accounting affairs of the Company. The Company also uses the services of independent consultants and contractors to perform various professional services, including land acquisition, legal, environmental and tax services. In addition, the Joint Venture Company utilizes the services of Avalon to perform geological, exploration and drilling operation services and independent third party engineering firms to evaluate any mineral resources identified.

### **Directors and Executive Officers**

The following table sets forth the names, ages and positions of the Company's directors and executive officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Brad Juneau	58	Chairman, President, and Chief Executive Officer
Leah Gaines	42	Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary
Joseph Compofelice	69	Director
Joseph G. Greenberg	57	Director
Richard Shortz	73	Director

*Brad Juneau.* Mr. Juneau, the Company's co-founder, was elected President and Chief Executive Officer in December 2012. Mr. Juneau was first appointed President, Acting Chief Executive Officer and director in August 2012 when the Company's Co-founder, Mr. Kenneth R. Peak received a medical leave of absence. Mr. Juneau was appointed Chairman of the Board in April 2013. Mr. Juneau is the sole manager of the general partner of JEX, an oil and gas exploration and production company. Prior to forming JEX in 1998, Mr. Juneau served as Senior Vice President of Exploration for Zilkha Energy Company from 1987 to 1998. Prior to joining Zilkha Energy Company, Mr. Juneau served as Staff Petroleum Engineer with Texas International Company for three years, where his principal responsibilities included reservoir engineering, as well as acquisitions and evaluations. Prior to that, he was a production engineer with Enserch Corporation in Oklahoma City. Mr. Juneau holds a Bachelor of Science degree in Petroleum Engineering from Louisiana State University. Mr. Juneau previously served as a Director of Contango from April 2012 to March 2014, and is currently a director of Talos Energy and Castex Energy.

*Leah Gaines.* Ms. Gaines was appointed as the Company's Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary on October 1, 2013. Ms. Gaines has also served as Vice President and Chief Financial Officer of JEX since October 2010. Prior to joining JEX, she served as the Controller for Beryl Oil and Gas, LP and Beryl Resources LP from July 2007 to December 2009. From April 2006 to July 2007, Ms. Gaines held the position of Financial Reporting Manager at SPN Resources, a division of Superior Energy Services. From 2003 to 2006, Ms. Gaines was the Senior Financial Reporting Accountant at Hilcorp Energy. Ms. Gaines was a Principal

Accountant at El Paso Corporation in its Power Asset division from 2001 to 2003. Prior to that, Ms. Gaines worked at Deloitte and Touche, LLP for three years as a Senior Auditor. Ms. Gaines graduated Magna Cum Laude from Angelo State University with a Bachelor of Business Administration in Accounting and is a Certified Public Accountant with over twenty years of experience.

*Joseph Compofelice.* Mr. Compofelice has been a Director of the Company since its inception. Since January 1, 2014, Mr. Compofelice has been an Operating Partner at White Deer Energy, a private equity firm that targets investments in the energy business. Mr. Compofelice served as Managing Director of Houston Capital Advisors, a boutique financial advisory, mergers and acquisitions investment service from January 2004 to December 2013.

Mr. Compofelice served as Chairman of the Board of Directors of Trico Marine Service, a provider of marine support vessels serving the international natural gas and oil industry, from 2004 to 2010 and as its Chief Executive Officer from 2007 to 2010. Mr. Compofelice was President and Chief Executive Officer of Aquilex Services Corp., a service and equipment provider to the power generation industry, from October 2001 to October 2003. From February 1998 to October 2000 he was Chairman and CEO of CompX International Inc., a provider of components to the office furniture, computer and transportation industries. From March 1994 to May 1998 he was Chief Financial Officer of NL Industries, a chemical producer, Titanium Metals Corporation, a metal producer and Tremont Corp.

Mr. Compofelice received his Bachelor of Science from California State University at Los Angeles and his Masters of Business Administration from Pepperdine University.

*Joseph G. Greenberg.* Mr. Greenberg has been a Director of the Company since its inception. Mr. Greenberg is Founder and CEO of Alta Resources, L.L.C., an oil and gas exploration and production company. Prior to founding Alta Resources in 1999, Mr. Greenberg worked as an exploration geologist for Shell Oil Company and Edge Petroleum Company. Mr. Greenberg received a Bachelor of Science in Geology and Geophysics from Yale University in 1983, and a Masters in Geological Sciences from the University of Texas at Austin in 1986. He has over thirty years of diversified experience in oil and gas exploration and production.

*Richard Shortz.* Mr. Shortz is President and Chief Executive Officer of Pavia Capital, LLP, a family office investment company. Mr. Shortz served as a Partner of Morgan, Lewis & Bockius LLP, an international law firm ("Morgan Lewis") from 1995 through September 2016 and as a Partner with Jones Day Reavis & Pogue LLP, another international law firm, from 1983 through 1994. He previously was an executive of Tosco Corporation, an independent oil and gas company, from 1973 through 1983 where he became Senior Vice President, General Counsel and Secretary. Mr. Shortz has extensive experience in corporate finance, mergers and acquisitions and corporate governance, regularly advising both public and private energy companies. While a Partner at Morgan Lewis, Mr. Shortz served as Chairman of the firm's Energy Group and a member of its Board of Directors. Mr. Shortz received a Bachelor of Science degree in Accounting from Indiana University in 1967 and a Juris Doctor degree from Harvard Law School in 1970.

## Table of Contents

The Board is responsible for managing the Company, in accordance with the provisions of the Company's Bylaws and Certificate of Incorporation and applicable law. The number of directors which constitutes the Board is established by the Board, subject to a minimum of three and a maximum of seven directors. Except, as otherwise provided by the Bylaws for filling vacancies on the Company's Board, the Company's directors are elected at the Company's annual meeting of stockholders and hold office until their respective successors are elected, or until their earlier resignation or removal. The Company's executive officers are elected annually by the Board and serve until their successors are duly elected and qualified or until their earlier resignation or removal. There are no family relationships between the Company's directors or executive officers.

The Board elected Mr. Juneau as Chairman of the Board and Chief Executive Officer for a number of reasons. Mr. Juneau beneficially owns approximately 8.1% of the Company's common stock, making him one of the largest shareholders. Mr. Juneau has been an active entrepreneur who founded JEX, an exploration and production company.

## **Corporate Offices**

The Company currently subleases office space from JEX at 3700 Buffalo Speedway, Ste 925, Houston, TX 77098. The cost of the rent is included in the monthly management fee the Company pays to JEX (see Note 13 - Related Party Transactions).

## **Code of Ethics**

The Company adopted a Code of Ethics for senior management in September 2010. A copy of our Code of Ethics is filed as an Exhibit to this Form 10-K and is also available on the Company's website at [www.contangoore.com](http://www.contangoore.com).

## **Available Information**

You may read and copy all or any portion of this annual report 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, without charge at the office of the SEC in Public Reference Room, 100 F Street NE, Washington, DC, 20549. Information regarding the operation of the public reference rooms may be obtained by calling the SEC at 1-800-SEC-0330. In addition, filings made with the SEC electronically are publicly available through the SEC's website at <http://www.sec.gov>, and at the Company's website at <http://www.contangoore.com>. This annual report on Form 10-K, including all exhibits and amendments, has been filed electronically with the SEC.

## Item 1A. RISK FACTORS

*In addition to other information set forth elsewhere in this Form 10-K, you should carefully consider the following factors when evaluating the Company. An investment in the Company is subject to risks inherent in the mining business as an exploration stage company. The value of an investment in the Company may decrease, resulting in a complete loss of your investment. The risk factors below are not all inclusive.*

### **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 of the three designates to the Management Committee of the Joint Venture Company (the “Management Committee”). The Company has appointed one designate to the Management Committee. Royal Gold has earned a 40.0% membership interest in the Joint Venture Company by making the full \$30.0 million investment, in accordance with the JV LLCA, and, therefore, will continue to have the right to appoint two designates to the Management Committee with the Company appointing 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, which will include the level of expenditures.

### **There can be no assurance that the Company will be capable of raising additional funding required to continue development of the Peak Gold Joint Venture Property and meet its funding obligations under the JV LLCA.**

Now that Royal Gold has funded \$30.0 million, the Company and Royal Gold are required to jointly fund the joint venture operations in proportion to their 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 reduced. The capital costs of developing a large gold mining facility could exceed \$1 billion. The Company’s ability to contribute funds sufficient to retain its membership interests in the Joint Venture Company may be limited. To date, neither the Company nor the Joint Venture Company has generated any revenue from mineral sales or operations. 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 Peak Gold Joint Venture Property. The Company does not expect the Joint Venture Company to generate revenue from mineral sales in the foreseeable future. Further, neither the Company nor the Joint Venture Company has any recurring source of revenue other than Royal Gold’s contributions in connection with the Transactions. As a result, the Company’s ability to contribute funds to the Joint Venture Company and retain its interest will depend on its ability to raise capital. 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 Peak Gold Joint Venture Property, as well as the market price of metals. The Company cannot be certain that financing will be available to the Company on acceptable terms, if at all. If the Company is unable to fund its contributions to the approved programs and budgets for the Joint Venture Company, its interest in the Joint Venture Company will be diluted. In addition,

now that Royal Gold has earned a 40.0% interest in the Joint Venture Company, it has the option to require the Company to sell an additional 20.0% of the Company's interest in the Joint Venture Company in a sale by Royal Gold of its entire percentage interest of 40.0% to a bona fide third party purchaser.

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.

**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 and other parties. The Company has historically had part-time employees, none of whom are mineral geoscientists or have experience in the mining industry, and has previously depended upon third party consultants for the success of its exploration projects. The Company must now depend upon Royal Gold for its expertise in planning work programs, conducting field work, evaluating drilling results and preparing development programs.

Table of Contents

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

Now that Royal Gold has funded \$30.0 million, 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 Peak Gold Joint Venture Property, if Royal Gold fails to contribute additional amounts to the Joint Venture Company.

**The Company's interest in the Joint Venture Company may be reduced.**

Pursuant to the JV LLCA, on October 31, 2018 or such earlier time as Royal Gold has earned a 40.0% 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. As of the end of April 2018, Royal Gold had earned a 40.0% interest in the Joint Venture Company. Going forward, the Company's ability to contribute funds sufficient to maintain the current level of its membership interests in the Joint Venture Company may be limited. In addition, now that Royal Gold has earned a percentage interest of 40.0% in the Joint Venture Company, the Company's interest in the Joint Venture Company may also be reduced if Royal Gold exercises its right to require the Company to sell up to 20.0% of the Company's interest in the Joint Venture Company in a sale by Royal Gold of its entire percentage interest to a bona fide third party purchaser.

**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 \$5.4 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 JV LLCA restricts the Company's right to transfer or encumber its interests in the Joint Venture Company.**

The JV LLCA 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.

Table of Contents

**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 Peak Gold Joint Venture Property will be successful, any additional resource will be discovered or a commercial deposit of gold ore and associated minerals will 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 Peak Gold Joint Venture 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 Peak Gold Joint Venture 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 declines in the past several years.**

Gold prices are affected by many factors beyond the Company's control, including U.S. dollar strength or weakness, speculation, global currency values, the price of products that incorporate gold, global and regional demand and production, political and economic conditions and other factors. With the volatility of gold prices 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. A significant decline in the price of gold may result in the Company having to reassess the feasibility of its projects and could negatively affect the value of the Peak Gold Joint Venture Property and the Company's securities.

**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 Peak Gold Joint Venture Property, which may negatively impact the Company's ability to achieve its business objectives.**

Since the acquisition of the Peak Gold Joint Venture Property, the Company and the Joint Venture Company have conducted only exploration activities and to date none of the Joint Venture Company's properties have any proven or probable reserves as defined by SEC Industry Guide 7. 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 Peak Gold Joint Venture 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 the Company's 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 Peak Gold Joint Venture 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 Peak Gold Joint Venture 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 Peak Gold Joint Venture 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 Peak Gold Joint Venture 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 Peak Gold Joint Venture 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.

Table of Contents

**The Peak Gold Joint Venture 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 Peak Gold Joint Venture Property and the Company's securities.

**Concentrating capital investment in the Peak Gold Joint Venture 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 Peak Gold Joint Venture 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 Peak Gold Joint Venture Property, it would then be solely dependent upon a single mining operation for its revenue and profits. Because of this concentration in a limited geographic area, the success and profitability of our operations may be disproportionately exposed to regional factors relative to competitors that have more geographically dispersed operations.

**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 it 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 175,000 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. In addition, in connection with the assignment of the Tetlin Lease from the Company to the Joint Venture Company, the Company and the Native Village of Tetlin entered into an Estoppel and Agreement and a Stability Agreement (the "Agreements") that were approved by the Tetlin Village Council and the Native Village of Tetlin members. The Agreements approved the assignment of the Tetlin Lease to the Joint Venture Company and, among other things, confirmed the validity and effectiveness of the Tetlin Lease. Nevertheless, a deficiency in title or claims by a third party may not be curable. It does happen, from time to time, that the title to a property 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 any such deficiency or claim.

Table of Contents

**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 their 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.

Table of Contents

**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. The Company and the Joint Venture Company do not have any programs to hedge against fluctuating commodity prices, and as such are highly exposed to those fluctuations.

**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 CERCLA. 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, among other things:

- ✦ 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; and
- ✦ 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.



Table of Contents

**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 adopted a shareholder rights plan (as amended from time to time, 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 on December 19, 2019. 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 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; and
- Impose restrictions on business combinations with some interested parties.

**The Company's common stock is thinly traded.**

As of June 30, 2018, there were approximately 6.2 million shares of the Company's common stock outstanding, with directors and officers beneficially owning approximately 14.5% of our common stock, The Marital Trust of Mr. Kenneth R. Peak, the Company's former Chairman, beneficially owning approximately 12.8% of our common stock, and Royal Gold owning approximately 13.2% of our common stock. Our common stock is quoted on the OTCQB tier of the OTC Markets Group Inc. under the symbol "CTGO". Although our common stock is quoted on the OTCQB, trading has been irregular and with low volumes and therefore the market price of our common stock may be difficult to ascertain. Since the Company's common stock is thinly traded (average trading volume of 528 shares of common stock per day for fiscal year 2018), 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.

Table of Contents

**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 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.

**The Company is dependent upon information technology systems, which are subject to disruption, damage, failure and risks associated with implementation and integration.**

The Company is dependent upon information technology systems in the conduct of its operations. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. Cybersecurity incidents, in particular, are evolving and include, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. The Company believes that it has implemented appropriate measures to mitigate potential risks. However, given the unpredictability of the timing, nature and scope of information technology disruptions, the Company could be subject to manipulation or improper use of its systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on its financial condition and results of operations.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

The Company does not directly hold title to any material property. In connection with the closing of the Transactions with Royal Gold in January 2015 (the "Closing"), the Company contributed (or caused to be contributed) to the Joint Venture Company the Peak Gold Joint Venture Property and other related assets. At the Closing, the Company and Royal Gold, through their wholly-owned subsidiaries, entered into the JV LLCA. The Joint Venture Company now

holds title to the Peak Gold Joint Venture Property. The Peak Gold Joint Venture Property is located in the State of Alaska, and consists of the Tetlin Lease and unpatented mining claims. The Peak Gold Joint Venture Property is the only material property of the Joint Venture Company. None of the known prospects on the Peak Gold Joint Venture Property are known to host quantifiable mineral reserves as defined by SEC Industry Guide 7.

The Company believes that the Joint Venture Company holds good title to its properties in accordance with standards generally accepted in the minerals industry. As is customary in the mining industry, the Company conducted only a preliminary title examination at the time the Company acquired the Tetlin Lease. The Joint Venture Company also 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 mining activities, however, it might conduct a full title examination and perform curative work on any defects that it deems significant.

### **Lease with Tetlin Village Council**

JEX entered into the Tetlin Lease with the Tetlin Tribal Council, effective as of July 15, 2008. In November 2010, the Tetlin Lease was assigned to the Company and in January 2015, the Tetlin Lease was assigned to the Joint Venture Company.

The Tetlin Lease covers an estimated 675,000 acres of land for an initial term of ten years which was extended for ten years to July 5, 2028 and so long thereafter as the Joint Venture Company continues conducting exploration or mining operations on the Tetlin Lease. The Joint Venture Company is required to spend \$350,000 annually until July 15, 2018 in exploration costs pursuant to the Tetlin Lease. However, exploration expenditures to date have already satisfied this work commitment requirement for the full lease term through 2018 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% depending on the type of metal produced and the year of production. As of June 30, 2018, the Company has 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% depending on the type of metal produced and the year of production. 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.

Until such time as production royalties begin, the Joint Venture Company will pay the Tetlin Village Council an advance minimum royalty of approximately \$75,000 per year, plus an inflation adjustment. Additionally, the Joint Venture Company will pay Royal Gold a production royalty of 3.0% should it deliver to a purchaser on a commercial basis gold or associated minerals derived from the Tetlin Lease.

### **Gold Mining Claims**

A listing of the Joint Venture Company's State of Alaska unpatented mining claims as of June 30, 2018 for gold and associated minerals are listed in Exhibits 99.1, 99.3, 99.4, 99.5, 99.6, and 99.8. These mining claims are not known to host quantifiable mineral reserves as defined by SEC Industry Guide 7.

Table of Contents

**Location of and Access to our Properties**

The Peak Gold Joint Venture Property is located in the Tetlin Hills and Mentasta Mountains of eastern interior Alaska, 300 kilometers southeast of the city of Fairbanks and 20 kilometers southeast of Tok, Alaska. The Tetlin Lease covers an area measuring approximately 80 kilometers north-south by 60 kilometers east-west in eastern Interior Alaska.

The Peak Gold Joint Venture Property is accessible via helicopter and via road. The 23-mile long Tetlin Village Road is an all-weather gravel road connecting the village with the town of Tok on the Alaska Highway. The majority of our Peak Gold Joint Venture Property is accessible only via helicopter, although many winter trails exist in the Tetlin Hills and Mentasta Mountains in the northern and southwestern parts of the Properties, respectively. Winter trails link Tetlin Village to the village of Old Tetlin and continue south to the Tetlin River airstrip, a 1,500 foot long unmaintained gravel strip located in the Tetlin River Valley. Winter trails also provide access to the Tuck Creek valley from the village of Mentasta on the Tok Cutoff Highway.

Two seasonal dirt roads have been permitted and constructed to allow surface access to the Chief Danny gold-copper-silver prospect in the northern Tetlin Hills. Both of these roads begin along the Tetlin Village Road and extend to the Chief Danny project and access to both roads is controlled by gates at their junction with the Tetlin Village Road.

The paved Alaska Highway passes near the northern edge of the Peak Gold Joint Venture Property as does the southern terminus of the Taylor Highway where it joins the Alaska Highway at Tetlin Junction. The 23-mile long Tetlin Village road provides year-round access to the northern Tetlin Hills, linking Tetlin Village to the Alaska Highway. Buried electrical and fiber-optic communications cables follow this road corridor and link Tetlin Village to the Tok power and communications grid. The Tok public electric facility is capable of generating up to 2 megawatts of power, and the nearest high capacity public electric facilities to the Peak Gold Joint Venture Property are in Delta Junction, 107 road miles northwest of the Peak Gold joint venture project and Glennallen, 138 road miles southwest of the Peak Gold Joint Venture Property. The Company does not have any plant or equipment at the Peak Gold Joint Venture Property, and relies on contractors for the Joint Venture Company to perform work. The Company does not believe the Peak Gold Joint Venture Property was explored for minerals prior to exploration activities of the Company and the Joint Venture Company.

Table of Contents

The map below depicts the Peak Gold Joint Venture Property:

Table of Contents

**Gold Exploration**

The Joint Venture Company controls an estimated 850,000 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, West Fork, Triple Z, and Noah claims.

The Joint Venture Company initiated a summer of 2015 exploration program on the Tetlin Lease. The work program anticipated spending \$5.0 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 \$4.0 million for additional exploration work to be completed before the drilling season ended in October 2015 and incurred aggregate cost of approximately \$6.8 million for the calendar 2015 exploration program.

The Joint Venture Company initiated a calendar 2016 Phase I exploration program consisting of drilling the North Peak target area which began in February 2016 on the Tetlin Lease with an approved budget of \$4.4 million. An additional budget was approved for spending up to an additional \$6.8 million during the remainder of calendar 2016. The Joint Venture Company initiated a 2016 Phase II exploration drilling program in May 2016, which was completed in September 2016. A Phase III exploration drilling program was initiated in October 2016 and completed in November. The project incurred an aggregate cost in calendar 2016 of approximately \$10.6 million.

The Joint Venture Company initiated a calendar 2017 Phase I exploration program consisting of drilling the North Peak target area and testing the True Blue Moon target area which began in February 2017 on the Tetlin Lease with an approved budget of \$5.3 million. The 2017 Phase I program was completed in April 2017. The Joint Venture Company initiated a 2017 Phase II exploration drilling and reconnaissance program in May 2017, which was completed in July 2017. The Joint Venture Company initiated Phase III of the 2017 drilling program, which consisted of exploration drilling in the West Peak, West Peak Extension, 7 O'clock, Forks, and North Peak areas in September 2017. Phase III was completed in October 2017. The calendar 2017 Phase I, Phase II, and Phase III programs and associated technical work incurred an aggregate cost through December 31, 2017 of approximately \$12.2 million.

From inception to June 30, 2018, the Joint Venture Company has incurred \$34.1 million in exploration program expenditures. As of June 30, 2018, Royal Gold had funded a total of \$31.7 million (including the initial investment of \$5.0 million) and earned a 40.0% interest in the Joint Venture Company.



The Joint Venture Management Committee has approved a budget for calendar year 2018 of \$9.1 million, of which the Company's share will be approximately \$5.1 million. Of the approved budget amount, the Joint Venture Company had spent approximately \$4.6 million as of June 30, 2018. The budget includes an extensive 74 line kilometers of ground geophysics program utilizing both Induced Polarization (IP) and Titan EM techniques. Surveys will be carried out on targets within an 8-kilometer radius of Main Peak to identify targets similar to Main and North Peak. Titan EM surveys will be carried out on three targets identified from airborne magnetics surveys as porphyry type signatures. The program will drill test a number of targets within an 8 kilometer radius of the Main Peak deposit and have budgeted 6,900 meters of drilling. In addition to the exploration work, engineering studies are being prepared along with metallurgical testing to support the preparation of a Preliminary Economic Assessment, covering the defined mineralized material in the Main and North Peak deposits.

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 Peak Gold joint venture project, and the Company and the Joint Venture Company are the only entities known to have conducted drilling operations on the Peak Gold Joint Venture Project.

The majority of the Peak Gold Joint Venture Property is hosted within the Yukon-Tanana Terrane (YTT), a regionally extensive package of metamorphic rocks. Rocks of the YTT on the Peak Gold Joint Venture Property consist primarily of more deformed, higher temperature metamorphic rocks on the northern third of the project and less deformed, lower temperature metamorphic rocks to the south. Country rocks on the Peak Gold Joint Venture Property are intruded by granitic rocks which have not been well mapped.

Large-scale structural features within the Peak Gold Joint Venture Property are closely tied to movements along the Tintina-Kaltag and Denali-Farewell fault systems, two continental-scale faults between which are a series of district and prospect-scale northeast, northwest and east-west structures. Limited exposures in the northern half of the property make identification of these structures difficult. Prospect to hand-sample scale folding has been noted throughout the project area.

Although alpine glaciation has affected elevations above 4,500 feet on the southern edge of the Peak Gold Joint Venture Property, most of the Peak Gold Joint Venture Property escaped Pleistocene continental glaciation. However, due to its proximity to continental glaciers to the north and east, the Peak Gold Joint Venture Property was covered by a variable thickness of wind-blown silt ranging up to 10 meters thick. This extremely fine-grained, metal-barren silt effectively masks the geochemical signature of underlying bedrock containing gold-copper-silver mineralization. Following deposition of this silt layer, the Peak Gold Joint Venture Property was subject to an extensive period of surface weathering, which now extends 200-300 feet below surface.

From a regional perspective, the Peak Gold Joint Venture Property is located in the Tintina Gold Belt in rocks that are highly prospective for gold deposits as well as porphyry copper-molybdenum-gold deposits. These two genetically different types of mineralization overlap in eastern Interior Alaska and the western Yukon Territory and are host to

dozens of known prospects, deposits and active mines. In addition, rocks on the southern edge of the Peak Gold Joint Venture Property are prospective for nickel-copper-platinum group element deposits. Prior to its discovery in 2009, the style of mineralization discovered on the Chief Danny prospect on the Peak Gold Joint Venture Property was unknown in Interior Alaska. Diamond drilling results from 2011 through 2016 have revealed the presence of a distinctive suite of elements and minerals at the Main Peak, North Peak and Discovery Zones that do not match the typical characteristics of gold deposits of the Tintina Gold Belt but do share several diagnostic characteristics of gold-copper-silver skarn deposits, possibly as part of a larger porphyry copper-molybdenum-gold system. Skarn is a term that refers to a distinctive class of mineral deposits formed where limestone-bearing rocks are intruded by hot, fluid-bearing granitic rocks. The Main Peak and North Peak Zones mineralization most closely resembles the gold-sulfide skarns mined at the Fortitude deposit in the Battle Mountain Mining District of central Nevada.

### Chief Danny Prospect

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, Saddle Zone and the 7 O'clock area. 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, and 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 June 30, 2018, 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 Silt Samples	Core (feet)	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	—	—	36,004	—	—
2013	Chief Danny	8,970	14	1,406	85	278	47,079	2,414	—
2014	Chief Danny	—	—	—	—	—	—	—	—
2015	Chief Danny	8,352	133	—	—	—	46,128	—	—
2016	Chief Danny	10,450	21	694	—	—	67,336	24	—
2017	Chief Danny	11,864	112	975	408	408	59,347	48	—
2018	Chief Danny	787	24	—	—	—	5,781	41	—
		46,913	1,977	5,585	1,255	1,492	269,732	6,498	2,330



The map below depicts the grade times thickness in the Main Peak, North Peak, and West Peak zones:

*2018 Exploration Program - Phase I.* During the quarter ending June 30, 2018, 30.6 line-kilometers of IP surveys, 10.6 line-kilometers of Titan DCIP/MT surveys and 1,762 meters of core drilling were completed. The Joint Venture Company spent an estimated \$4.0 million, during the quarter, on program activities, including drilling, geochemical analyses, landholding fees and other related expenses. Exploration drilling consisted of 1,518 meters in ten holes in the 2 O'clock area and 244 meters in two holes in the 8 O'clock area. To date, the Joint Venture Company has also completed 1,370 meters of core drilling at Copper Hill, and is currently drilling the North Saddle Zone for porphyry prospects.

Metallurgical testing of 19 composite samples from the Main Peak orebody and 19 composite samples from the North Peak orebody have been the subject of ongoing metallurgical testing in support of the Preliminary Economic Evaluation being prepared by JDS Energy & Mining. Test results support the processing of Main and North Peak materials in a conventional gold processing plant using cyanide.

The map below depicts the location of the core holes drilled in the 8 O'clock, 2 O'clock, and North Saddle zones during the 2018 Phase I Program:

22

---

The map below depicts the location of the core holes drilled in the Copper Hill zone during the 2018 Phase I Program:

*Significant Drill Intercepts from the 2018 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%. For the assays received to date, no significant intervals were encountered in the drilling. We are awaiting assays for the holes drilled at Copper Hill and the Saddle Zone.

*2017 Exploration Program - Phase III.* The Phase III exploration drilling completed by the Joint Venture Company on the Peak Gold Joint Venture Property totaled 2,966 meters (9,731 feet) in 16 holes. The Joint Venture Company spent an estimated \$4.7 million, during the quarters ended September and December, 2017 combined, on program activities, including drilling, geochemical analyses, landholding fees and other related expenses. Phase III drilling consisted of exploration drilling West Peak and West Peak Extension (1,707 meters), 7 O'clock (203 meters), Forks (729 meters), and North Peak (327 meters). The 2017 Phase III program was completed October 18, 2017, and statistics represent the full Phase III program.

A total of 363 pan concentrate, 364 stream sediment and 5 grab rock samples were collected over the Noah and southern Eagle claims in July and early August 2017. Results from these efforts were received in the third quarter and revealed three large areas where anomalous gold, arsenic, and copper were concentrated. Gold, arsenic and copper in stream sediment samples range up to 377 ppb, 161 ppm and 412 ppm, respectively. Gold, arsenic and copper in pan concentrates range up to 9,929 ppb, 803 ppm and 206 ppm, respectively.

The map below depicts the location of the core holes drilled during the 2017 Phase III program:

*Significant Drill Intercepts from the 2017 Phase III 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 III of the 2017 Program:

<u>DrillHole</u>	<u>Zone</u>	<u>From (meters)</u>	<u>To (meters)</u>	<u>Interval (meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
TET17408	West Peak Ext	78.05	82.01	3.96	1.35	0.039	0.1	0.006
and	West Peak Ext	88.33	93.75	5.42	1.33	0.039	0.3	0.013
TET17408	West Peak Ext	150.08	151.93	1.85	2.50	0.073	1.9	0.021
TET17409	West Peak Ext	113.07	117.54	4.47	0.86	0.025	1.3	0.010
TET17411	West Peak Ext	161.17	162.78	1.61	4.55	0.133	10.0	0.116
TET17412	West Peak Ext	140.19	141.22	1.03	4.79	0.140	2.1	0.018
and	West Peak Ext	148.44	151.19	2.75	0.76	0.022	0.9	0.005
TET17412	West Peak Ext	156.50	157.44	0.94	1.61	0.047	0.0	0.010
TET17413	West Peak Ext	140.50	142.57	2.07	1.68	0.049	2.97	0.082
TET17415	West Peak Ext	201.73	202.98	1.25	2.95	0.086	12.3	0.004

*2017 Exploration Program - Phase II.* The Phase II exploration drilling completed by the Joint Venture Company on the Peak Gold Joint Venture Property totaled 9,761 meters (32,038 feet) in 44 holes. The Joint Venture Company spent an estimated \$4.7 million, during the June quarter, on program activities, including drilling, geochemical analyses, landholding fees and other related expenses. Drilling, through the end of July, consisted of exploration drilling West Peak (461 meters), West Peak Extension (2,603 meters) Discovery (1,034 meters), 7 O'clock (1,443 meters), New Moon (1,398 meters), Waterpump (1,161 meters), Main Peak (570 meters) and North Peak (1,095 meters). Soils auger sampling and IP geophysical surveys were conducted in the Chief Danny area. Stream sediment and pan concentrate samples were collected across the Noah group of claims. The 2017 Phase II program was completed July 31, 2017, and statistics represent the full Phase II program.



The map below depicts the location of the core holes drilled during the 2017 Phase II program:

**2017 PHASE II CORE HOLES DRILLED**

*Significant Drill Intercepts from the 2017 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 2017 Program:

<u>DrillHole</u>	<u>Zone</u>	<u>From</u> <u>(meters)</u>	<u>To</u> <u>(meters)</u>	<u>Interval</u> <u>(meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
TET17351	Main Peak	16.30	18.55	2.25	1.88	0.055	1.0	0.025
TET17353	True Blue Moon	91.97	93.73	1.76	9.15	0.267	2.0	0.375
Including	True Blue Moon	91.97	92.14	0.17	81.60	2.380	2.4	0.249
TET17357	True Blue Moon	56.43	61.77	5.34	0.87	0.025	1.5	0.249
TET17362	New Moon	66.01	68.58	2.57	1.03	0.030	2.6	0.084
TET17363	New Moon	39.48	41.76	2.28	1.78	0.052	0.0	0.016
and	New Moon	213.59	215.31	1.72	0.95	0.028	1.1	0.017
TET17367	Discovery	44.65	45.11	0.46	4.33	0.126	6.1	0.069
and	Discovery	182.06	183.80	1.74	1.11	0.032	1.9	0.102
and	Discovery	253.68	257.10	3.42	1.28	0.037	1.0	0.052
and	Discovery	313.34	315.15	1.81	1.44	0.042	1.6	0.121
TET17368	West Peak Ext	117.15	118.00	0.85	2.70	0.079	17.7	0.063
and	West Peak Ext	123.75	126.70	2.95	0.70	0.020	2.9	0.073
and	West Peak Ext	142.35	147.22	4.87	0.76	0.022	1.2	0.021
and	West Peak Ext	175.41	178.11	2.70	1.14	0.033	0.7	0.020
TET17369	West Peak Ext	172.82	186.91	14.09	2.75	0.080	3.1	0.101
Including	West Peak Ext	172.82	173.79	0.97	9.57	0.279	4.7	0.022
and	West Peak Ext	174.94	176.17	1.23	9.51	0.277	5.1	0.206
TET17370	Discovery	100.30	103.03	2.73	0.66	0.019	2.4	0.058
and	Discovery	166.73	167.73	1.00	6.30	0.184	1.3	0.041
and	Discovery	221.36	223.04	1.68	0.93	0.027	0.0	0.002
TET17371	West Peak Ext	196.94	199.75	2.81	0.74	0.022	3.2	0.075
TET17372	Discovery	292.78	298.19	5.41	0.58	0.017	1.7	0.047
and	Discovery	304.01	305.65	1.64	1.87	0.055	1.8	0.077
TET17375	Seven o'clock	218.14	219.54	1.40	13.20	0.385	24.7	0.594
TET17377	Seven o'clock	246.66	249.10	2.44	4.25	0.124	59.6	0.540
TET17379	West Peak Ext	103.24	111.40	8.16	5.22	0.152	0.7	0.010
Including	West Peak Ext	108.36	109.14	0.78	18.20	0.531	1.5	0.025
and	West Peak Ext	116.60	145.70	29.10	2.53	0.074	0.6	0.030
Including	West Peak Ext	143.16	143.86	0.70	8.93	0.260	2.4	0.091
TET17381	West Peak Ext	135.90	138.17	2.27	1.27	0.037	1.7	0.012
TET17385	West Peak Ext	154.53	160.07	5.54	2.06	0.060	80.5	0.278

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

TET17388	West Peak Ext	6.71	12.48	5.77	0.67	0.020	0.8	0.162
and	West Peak Ext	20.47	22.08	1.61	2.59	0.076	0.0	0.080
and	West Peak Ext	127.56	133.50	5.94	0.55	0.016	0.4	0.013
and	West Peak Ext	151.66	166.73	15.07	1.66	0.048	1.3	0.027
TET17389	West Peak Ext	162.60	166.12	3.52	0.66	0.019	2.1	0.042
TET17390	West Peak Ext	57.15	60.33	3.18	1.92	0.056	1.6	0.258
and	West Peak Ext	206.96	213.17	6.21	1.31	0.038	0.8	0.031
and	West Peak Ext	264.99	266.49	1.50	6.31	0.184	0.0	0.004
TET17393	Main Peak	2.13	20.51	18.38	3.22	0.094	2.0	0.082
Including	Main Peak	3.96	5.18	1.22	10.60	0.309	2.1	0.073
and	Main Peak	19.04	19.51	0.47	15.10	0.440	8.6	0.205
TET17393	Main Peak	27.98	71.82	43.84	6.93	0.202	1.9	0.057
Including	Main Peak	39.06	40.08	1.02	92.70	2.704	33.9	0.127
and	Main Peak	50.06	52.00	1.94	19.70	0.575	2.2	0.088
TET17393	Main Peak	78.33	102.72	24.39	2.29	0.067	1.1	0.010
Including	Main Peak	82.75	83.54	0.79	8.75	0.255	1.5	0.019
and	Main Peak	93.57	94.38	0.81	11.40	0.333	6.5	0.014
TET17393	Main Peak	111.86	134.99	23.13	12.56	0.366	9.0	0.086
Including	Main Peak	127.91	128.83	0.92	48.70	1.420	25.7	0.131
and	Main Peak	133.20	134.99	1.79	71.20	2.077	15.9	0.157
TET17395	Main Peak	34.11	36.15	2.04	4.55	0.133	0.0	0.031
and	Main Peak	51.80	55.13	3.33	0.90	0.026	3.6	0.141
and	Main Peak	62.55	73.59	11.04	4.72	0.138	5.7	0.147
TET17395	Main Peak	78.51	219.37	140.86	13.27	0.387	42.6	0.609
Including	Main Peak	116.62	118.70	2.08	49.20	1.435	94.7	0.997
and	Main Peak	118.70	120.25	1.55	93.40	2.724	175.0	1.830
and	Main Peak	155.39	158.37	2.98	44.30	1.292	78.0	1.180
TET17396	Waterpump	33.77	35.55	1.78	1.07	0.031	2.3	0.264
TET17397	Main Peak	23.47	47.89	24.42	12.42	0.362	7.8	0.236
Including	Main Peak	24.89	25.62	0.73	71.60	2.088	14.8	0.137
and	Main Peak	30.14	32.29	2.15	49.50	1.444	8.0	0.283
and	Main Peak	32.29	32.65	0.36	40.80	1.190	24.4	0.907
TET17397	Main Peak	56.87	94.03	37.16	1.70	0.050	4.2	0.093
Including	Main Peak	61.80	63.55	1.75	7.02	0.205	20.3	0.148
and	Main Peak	66.14	67.24	1.10	10.20	0.298	8.6	0.280
TET17397	Main Peak	99.44	165.21	65.77	20.14	0.587	8.8	0.260
Including	Main Peak	124.66	124.94	0.28	162.70	4.745	23.8	0.613
and	Main Peak	124.94	125.75	0.81	68.00	1.983	11.4	0.237
and	Main Peak	148.44	149.12	0.68	57.00	1.663	31.0	1.000

*2017 Exploration Program - Phase I.* During the quarter ended March 31, 2017, exploration drilling was completed by the Joint Venture Company on the Peak Gold Joint Venture Property totaling 5,236 meters (17,179 feet) in 47 holes. The Joint Venture Company spent an estimated \$2.8 million, during the quarter, on program activities, including drilling, geochemical analyses, landholding fees and other related expenses. Drilling consisted of infilling and expanding the mineralized zone in North Peak totaling 3,703 meters, target testing in West Peak totaling 282 meters and target testing of True Blue Moon totaling 1,251 meters.

The map below depicts the location of the core holes drilled during the 2017 Phase I program:

## 2017 PHASE I CORE HOLES DRILLED

*Significant Drill Intercepts from the 2017 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 for the complete Phase I of the 2017 Program:

<u>DrillHole</u>	<u>Zone</u>	<u>From (meters)</u>	<u>To (meters)</u>	<u>Interval (meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
TET17312	North Peak	4.27	33.39	29.12	7.12	0.208	69.4	0.121
Including	North Peak	16.46	18.92	2.46	24.10	0.703	368.0	0.044
and	North Peak	22.95	24.08	1.13	57.40	1.674	72.9	0.237
TET17312	North Peak	36.79	37.59	0.80	4.93	0.144	37.6	0.190
TET17313	North Peak	3.66	31.70	28.04	8.80	0.257	83.8	0.147
Including	North Peak	18.29	20.27	1.98	55.25	1.611	443.3	0.072
TET17313	North Peak	37.62	39.92	2.30	4.67	0.136	27.5	0.110
TET17313	North Peak	79.07	84.43	5.36	3.20	0.093	39.0	0.231
TET17313	North Peak	85.34	85.65	0.31	18.95	0.553	588.0	1.055
TET17313	North Peak	85.95	86.87	0.92	9.03	0.263	266.0	1.140
TET17314	North Peak	137.02	139.90	2.88	1.23	0.036	217.1	0.102
TET17315	North Peak	81.95	83.06	1.11	2.43	0.071	17.4	0.084
TET17316	North Peak	20.49	26.44	5.95	2.56	0.075	23.5	0.296
TET17316	North Peak	87.03	87.97	0.94	2.79	0.081	13.4	0.178
TET17316	North Peak	100.18	105.16	4.98	1.00	0.029	21.3	0.243
TET17317	North Peak	38.95	46.57	7.62	8.72	0.254	4.1	0.086

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

Including	North Peak	44.48	46.57	2.09	27.80	0.811	11.2	0.149
TET17318	North Peak	116.91	117.16	0.25	64.20	1.873	14.5	0.008
TET17320	North Peak	2.44	6.46	4.02	2.59	0.076	26.0	0.054
TET17320	North Peak	50.90	57.52	6.62	7.81	0.228	170.0	0.323
TET17321	North Peak	49.99	52.20	2.21	2.28	0.067	258.0	0.430
TET17322	North Peak	29.01	32.46	3.45	0.88	0.026	39.3	0.193
TET17323	North Peak	1.27	7.32	6.05	2.34	0.068	40.3	0.016
TET17325	North Peak	5.49	6.20	0.71	22.00	0.642	9.5	0.128
TET17325	North Peak	10.04	14.83	4.79	3.63	0.106	2.0	0.036
Including	North Peak	12.68	13.22	0.54	21.50	0.627	7.7	0.162
TET17325	North Peak	19.11	20.32	1.21	41.10	1.199	17.4	0.145
TET17325	North Peak	24.88	25.60	0.72	5.40	0.158	56.0	0.308
TET17326	North Peak	3.73	9.99	6.26	11.98	0.349	172.7	0.038
Including	North Peak	7.40	7.67	0.27	84.50	2.465	656.0	0.115
TET17328	North Peak	17.68	19.20	1.52	2.25	0.066	1.6	0.008
TET17331	North Peak	2.13	18.98	16.85	8.68	0.253	5.1	0.023
Including	North Peak	8.53	9.79	1.26	22.40	0.653	7.0	0.048
and	North Peak	17.84	18.98	1.14	28.80	0.840	8.8	0.029
TET17331	North Peak	23.77	33.45	9.68	2.58	0.075	2.0	0.045
TET17331	North Peak	44.74	46.20	1.46	5.43	0.158	2.2	0.056
TET17333	North Peak	4.54	7.64	3.10	0.58	0.017	1.6	0.004
TET17335	North Peak	50.32	75.83	25.51	4.87	0.142	2.6	0.137
Including	North Peak	53.64	55.70	2.06	12.25	0.357	2.8	0.112
and	North Peak	60.19	61.32	1.13	18.80	0.548	4.3	0.202
and	North Peak	63.06	63.81	0.75	11.30	0.330	6.3	0.297
TET17335	North Peak	81.06	93.37	12.31	14.04	0.410	3.0	

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

							0.158
Including	North Peak	87.88	89.61	1.73	56.30	1.642	5.6 0.192
TET17336	North Peak	20.42	22.46	2.04	0.75	0.022	4.2 0.095
TET17336	North Peak	106.91	119.89	12.98	1.33	0.039	3.3 0.122
Including	North Peak	111.25	112.31	1.06	8.46	0.247	13.7 0.403
TET17339	North Peak	73.28	75.56	2.28	4.66	0.136	38.1 0.105
Including	North Peak	73.28	73.92	0.64	12.40	0.362	74.1 0.216
TET17340	North Peak	82.87	84.04	1.17	8.33	0.243	18.7 0.080
TET17342	North Peak	9.42	17.37	7.95	0.50	0.015	1.0 0.055
TET17342	North Peak	20.94	21.37	0.43	4.36	0.127	4.4 0.034
TET17343	North Peak	52.88	57.32	4.44	0.60	0.018	39.5 0.524
TET17344	North Peak	10.82	33.38	22.56	3.64	0.106	79.3 0.206
Including	North Peak	15.70	16.38	0.68	10.90	0.318	103.0 1.330
and	North Peak	31.09	32.00	0.91	19.35	0.564	152.0 0.024
TET17345	North Peak	4.71	22.86	18.15	2.99	0.087	31.4 0.330
Including	North Peak	14.87	16.53	1.66	12.75	0.372	73.3 0.983
TET17345	North Peak	28.04	31.70	3.66	9.07	0.265	118.6 0.056
Including	North Peak	31.09	31.70	0.61	23.50	0.685	56.9 0.049
TET17346	North Peak	4.57	7.45	2.88	6.37	0.186	58.8 0.080
TET17348	North Peak	11.28	12.53	1.25	21.10	0.615	62.2 0.431
TET17348	North Peak	16.30	17.21	0.91	5.09	0.148	79.1 0.182

*2016 Exploration Program - Phase III.* During the quarter ended December 31, 2016, exploration drilling was completed by the Joint Venture Company on the Peak Gold Joint Venture Property totaling 3,883 meters (12,739 feet) in 37 holes. The Joint Venture Company spent an estimated \$2.6 million, during the quarter, on program activities, including drilling, geochemical analyses, landholding fees and other related expenses. Drilling was all completed in the North Peak area with the objective of infilling the mineralized area to support a resource estimation.

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

**2016 PHASE III CORE HOLES DRILLED**

*Significant Drill Intercepts from the 2016 Phase III 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 III of the 2016 Program:

<u>DrillHole</u>	<u>Zone</u>	<u>From (meters)</u>	<u>To (meters)</u>	<u>Interval (meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
TET16274	North Peak	10.65	18.67	8.02	5.56	0.162	73.5	0.297
Including	North Peak	17.37	18.67	1.30	23.90	0.697	82.5	0.146
TET16274	North Peak	32.62	39.09	6.47	0.99	0.029	42.9	0.241
TET16274	North Peak	46.40	46.78	0.38	4.56	0.133	65.4	0.475
TET16275	North Peak	33.07	36.88	3.81	0.90	0.026	19.1	0.321
TET16275	North Peak	70.76	71.84	1.08	2.04	0.060	9.4	0.226
TET16276	North Peak	30.30	34.80	4.50	1.21	0.035	13.3	0.048
TET16276	North Peak	38.99	55.00	16.01	3.23	0.094	51.1	0.046
Including	North Peak	45.57	46.10	0.53	12.35	0.360	39.5	0.066
and	North Peak	52.58	55.00	2.42	11.75	0.343	237.0	0.020
TET16276	North Peak	71.68	78.24	6.56	1.67	0.049	47.5	0.150
TET16276	North Peak	82.90	86.36	3.46	1.53	0.045	50.1	0.166
TET16276	North Peak	90.68	94.66	3.98	0.70	0.020	8.2	0.141
TET16276	North Peak	99.30	104.88	5.58	1.19	0.035	4.1	0.119
TET16277	North Peak	7.45	9.75	2.30	1.66	0.048	37.2	0.160
TET16277	North Peak	16.90	18.14	1.24	1.84	0.054	55.0	0.163
TET16277	North Peak	41.15	42.95	1.80	1.49	0.043	45.4	0.018
TET16277	North Peak	65.02	67.13	2.11	1.02	0.030	21.1	0.124
TET16277	North Peak	83.27	95.79	12.52	2.56	0.075	128.1	0.091
Including	North Peak	93.88	95.79	1.91	9.51	0.277	479.0	0.200
TET16277	North Peak	121.47	123.70	2.23	1.91	0.056	11.8	0.129
TET16277	North Peak	129.97	134.00	4.03	1.45	0.042	17.7	0.042
TET16278	North Peak	31.81	45.86	14.05	10.58	0.309	16.5	0.137
Including	North Peak	31.81	32.99	1.18	26.00	0.758	10.7	0.292
and	North Peak	38.73	39.88	1.15	30.60	0.893	42.6	0.239
and	North Peak	42.38	43.11	0.73	31.50	0.919	29.8	0.175
and	North Peak	44.42	45.86	1.44	30.00	0.875	38.4	0.163
TET16278	North Peak	55.81	59.03	3.22	1.56	0.046	11.3	0.076
TET16278	North Peak	73.02	83.97	10.95	3.08	0.090	26.5	0.025
TET16278	North Peak	104.62	105.77	1.15	1.46	0.042	66.5	0.982
TET16278	North Peak	119.33	120.33	1.00	1.90	0.055	57.7	0.880
TET16278	North Peak	142.97	148.53	5.56	2.78	0.081	19.1	0.060
TET16278	North Peak	156.32	157.87	1.55	2.14	0.062	43.7	0.136
TET16279	North Peak	129.88	134.47	4.59	1.75	0.051	5.6	0.022
TET16279	North Peak	160.22	163.75	3.53	1.52	0.044	2.9	0.014
TET16279	North Peak	169.94	173.50	3.56	5.06	0.148	17.6	0.027
Including	North Peak	172.88	173.50	0.62	17.60	0.513	93.8	0.138
TET16279	North Peak	176.61	178.79	2.18	5.40	0.158	28.3	0.025
TET16280	North Peak	141.16	143.23	2.07	1.07	0.031	10.8	0.017



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

TET16280North Peak 165.74	167.70	1.96	1.15	0.034	94.0	0.220
TET16280North Peak 198.15	200.08	1.93	1.96	0.057	5.9	0.032
TET16280North Peak 205.20	205.70	0.50	5.95	0.174	3.1	0.004
TET16280North Peak 210.98	212.89	1.91	0.91	0.027	3.6	0.010
TET16281North Peak 14.33	22.86	8.53	22.01	0.642	63.0	0.060
Including North Peak 17.37	19.51	2.14	43.90	1.280	96.5	0.055
and North Peak 22.37	22.86	0.49	57.40	1.674	227.0	0.017
TET16285North Peak 7.32	21.63	14.31	11.59	0.338	6.2	0.096
Including North Peak 11.58	16.15	4.57	26.63	0.777	8.2	0.116
TET16286North Peak 37.80	56.58	18.78	5.02	0.146	6.2	0.044
Including North Peak 48.07	52.75	4.68	14.44	0.421	12.1	0.083
TET16287North Peak 75.60	81.72	6.12	7.35	0.214	1.9	0.069
Including North Peak 81.17	81.72	0.55	20.00	0.583	4.0	0.211
TET16288North Peak 96.32	105.77	9.45	1.11	0.032	27.3	0.029
Including North Peak 101.29	102.72	1.43	3.28	0.096	3.9	0.050
TET16289North Peak 10.52	36.00	25.48	18.73	0.546	8.3	0.071
TET16289North Peak 39.12	55.70	16.58	13.52	0.394	7.4	0.044
TET16291North Peak 0.60	4.63	4.03	6.39	0.186	10.3	0.028
TET16291North Peak 11.28	33.21	21.93	4.69	0.137	10.9	0.064
Including North Peak 22.85	25.33	2.48	18.03	0.526	31.7	0.245
and North Peak 26.52	26.92	0.40	28.40	0.828	28.9	0.178
TET16291North Peak 42.30	44.98	2.68	2.05	0.060	3.5	0.016
Including North Peak 44.33	44.98	0.65	7.00	0.204	8.8	0.044
TET16291North Peak 50.90	53.27	2.37	5.48	0.160	11.7	0.056
TET16292North Peak 5.79	21.18	15.39	1.58	0.046	22.3	0.108
Including North Peak 8.53	10.97	2.44	5.55	0.162	55.3	0.215
TET16292North Peak 24.63	28.80	4.17	0.83	0.024	22.9	0.034
TET16293North Peak 7.11	11.89	4.78	1.26	0.037	50.5	0.133
Including North Peak 11.48	11.89	0.41	5.15	0.150	66.6	0.073
TET16294North Peak 9.10	16.71	7.61	6.56	0.191	86.2	0.233
Including North Peak 12.03	12.60	0.57	17.05	0.497	141.0	0.051
TET16295North Peak 5.66	20.65	14.99	11.67	0.340	11.5	0.111
Including North Peak 7.94	10.35	2.41	32.40	0.945	14.1	0.317
TET16296North Peak 6.13	9.80	3.67	1.78	0.052	40.7	0.267
TET16296North Peak 24.13	26.28	2.15	0.87	0.025	45.3	0.059
TET16297North Peak 6.91	30.09	23.18	3.72	0.109	10.9	0.196
Including North Peak 16.06	17.78	1.72	9.51	0.277	10.3	0.139
and North Peak 24.85	26.91	2.06	12.80	0.373	21.9	0.419
TET16297North Peak 39.91	41.44	1.53	11.50	0.335	505.0	0.131
TET16298North Peak 6.75	14.30	7.55	4.37	0.127	17.0	0.106
Including North Peak 8.91	10.79	1.88	13.60	0.397	20.2	0.218
TET16298North Peak 24.82	31.57	6.75	15.53	0.453	33.2	0.383
Including North Peak 31.27	31.57	0.30	108.00	3.150	33.8	0.282
TET16298North Peak 34.90	37.94	3.04	1.40	0.041	35.8	0.295
TET16298North Peak 44.18	59.02	14.84	3.08	0.090	25.6	0.302
Including North Peak 52.00	53.19	1.19	8.78	0.256	12.6	0.267
TET16299North Peak 24.77	39.32	14.55	5.46	0.159	66.0	0.348
Including North Peak 31.39	33.68	2.29	17.05	0.497	93.2	0.476
and North Peak 39.05	39.32	0.27	60.00	1.750	428.0	0.964
TET16299North Peak 47.85	50.90	3.05	9.83	0.287	156.0	0.062
TET16299North Peak 53.95	54.71	0.76	9.49	0.277	120.0	0.093

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

TET16299North Peak 59.74	65.46	5.72	2.14	0.062	59.1	0.159
Including North Peak 64.95	65.46	0.51	13.95	0.407	301.0	0.741
TET16299North Peak 81.38	84.43	3.05	7.82	0.228	53.0	0.095
TET16300North Peak 0.00	1.52	1.52	1.08	0.032	10.4	0.073
TET16300North Peak 16.63	21.41	4.78	0.90	0.026	16.8	0.289
TET16300North Peak 24.73	39.78	15.05	5.15	0.150	62.7	0.299
Including North Peak 36.27	38.79	2.52	22.10	0.645	175.0	0.060
TET16300North Peak 44.81	47.70	2.89	2.90	0.085	64.5	0.030
TET16300North Peak 51.00	67.00	16.00	3.43	0.100	64.8	0.141
Including North Peak 51.51	53.96	2.45	10.57	0.308	61.1	0.032
and North Peak 57.91	58.52	0.61	10.20	0.298	180.0	0.070
TET16300North Peak 70.10	71.78	1.68	2.19	0.064	41.3	0.366
TET16301North Peak 147.29	151.66	4.37	1.37	0.040	7.6	0.084
TET16302North Peak 7.14	9.14	2.00	10.98	0.320	7.2	0.041
TET16302North Peak 14.31	37.05	22.74	26.61	0.776	5.2	0.035
Including North Peak 19.31	21.95	2.64	103.50	3.019	12.5	0.069
and North Peak 27.09	29.20	2.11	58.70	1.712	9.2	0.075
TET16302North Peak 44.36	48.44	4.08	7.78	0.227	3.4	0.065
Including North Peak 45.67	46.36	0.69	22.90	0.668	6.3	0.070
TET16302North Peak 52.54	57.60	5.06	1.05	0.031	6.2	0.049
Including North Peak 52.54	53.64	1.10	3.40	0.099	19.7	0.143
TET16303North Peak 59.45	60.96	1.51	1.64	0.048	28.5	0.041
TET16303North Peak 91.95	97.70	5.75	1.03	0.030	0.2	0.009
Including North Peak 91.95	92.27	0.32	3.92	0.114	0.9	0.012
TET16304North Peak 16.31	37.51	21.20	11.86	0.346	3.9	0.044
Including North Peak 24.26	26.12	1.86	35.40	1.033	8.1	0.123
and North Peak 28.31	30.94	2.63	27.62	0.806	5.8	0.050
TET16304North Peak 46.97	69.52	22.55	5.49	0.160	12.5	0.051
Including North Peak 48.01	48.62	0.61	21.50	0.627	3.2	0.105
and North Peak 64.31	65.42	1.11	19.05	0.556	3.8	0.078
and North Peak 67.42	67.72	0.30	22.40	0.653	8.7	0.169
TET16304North Peak 75.52	77.70	2.18	2.78	0.081	1.5	0.064
TET16304North Peak 80.93	82.79	1.86	5.88	0.172	4.1	0.343
TET16304North Peak 87.01	87.30	0.29	28.80	0.840	13.6	0.133
TET16305North Peak 11.13	13.41	2.28	4.43	0.129	4.3	0.051
TET16305North Peak 17.70	47.24	29.54	7.17	0.209	1.6	0.032
Including North Peak 18.14	19.66	1.52	24.93	0.727	3.0	0.085
and North Peak 21.34	22.86	1.52	36.76	1.072	5.9	0.061
and North Peak 30.18	30.48	0.30	21.80	0.636	4.0	0.075
TET16306North Peak 58.83	60.50	1.67	1.31	0.038	39.8	0.035
TET16306North Peak 65.65	68.19	2.54	3.13	0.091	94.8	0.143
Including North Peak 67.67	68.19	0.52	9.15	0.267	174.0	0.087
TET16306North Peak 93.94	94.63	0.69	6.79	0.198	18.9	0.090
TET16306North Peak 113.00	122.53	9.53	3.79	0.111	117.1	0.147
Including North Peak 121.96	122.53	0.57	17.80	0.519	92.2	0.099
TET16307North Peak 58.03	68.88	10.85	3.29	0.096	41.2	0.187
Including North Peak 60.07	61.12	1.05	9.32	0.272	79.6	0.442
and North Peak 64.58	65.32	0.74	9.00	0.263	82.3	0.091
TET16307North Peak 139.64	141.31	1.67	1.23	0.036	60.6	0.237
TET16308North Peak 41.68	51.36	9.68	1.79	0.052	20.3	0.055
TET16310North Peak 38.56	43.40	4.84	1.88	0.055	0.4	0.013

Including	North Peak	38.56	39.10	0.54	13.80	0.403	3.7	0.055
-----------	------------	-------	-------	------	-------	-------	-----	-------

*2016 Exploration Program - Phase II.* During the quarter ended September 30, 2016, exploration drilling was completed by the Joint Venture Company on the Peak Gold Joint Venture 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 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:

<u>DrillHole</u>	<u>Zone</u>	<u>From (meters)</u>	<u>To (meters)</u>	<u>Interval (meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
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
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

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

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 56.44	57.63	1.19	2.670	.078	20.4	0.070
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
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
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 18.61	23.52	4.91	0.990	0.029	5.3	0.062
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

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

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
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
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

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

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
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



<u>DrillHole</u>	<u>Zone</u>	<u>From (meters)</u>	<u>To (meters)</u>	<u>Interval (meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
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	8.700	0.254	3.8	0.146
Including	Main Peak	118.97	127.41	8.44	22.520	0.657	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

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

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
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
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 Peak Gold Joint Venture 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**

Table of Contents

*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:

<u>DrillHole</u>	<u>Zone</u>	<u>From (meters)</u>	<u>To (meters)</u>	<u>Interval (meters)</u>	<u>Au gpt</u>	<u>Au opt</u>	<u>Ag gpt</u>	<u>Cu %</u>
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
and	Connector	56.57	57.15	0.58	10.550	0.308	50.4	2.280
TET16210	Connector	131.83	135.60	3.77	2.614	0.076	52.5	0.140



## Table of Contents

### **Geochemical Analysis and Security**

All samples submitted for the 2016 and Phase I 2017 programs were prepared for assay by ALS Minerals at their facilities in Fairbanks, Alaska and analyzed at their Vancouver, British Columbia and Reno, Nevada facilities. Analytical work consisted of gold by fire assay with atomic absorption finish plus multi-element inductively coupled plasma atomic emission spectrography (ICP-AES) analyses using 4-acid digestion. All samples collected in 2016 and Phase I 2017 were cataloged in the field and shipped via ground transport directly to ALS Minerals' preparation facility in Fairbanks by an Avalon contractor. The Company believes the parties working on sampling of the Peak Gold Joint Venture Property followed industry accepted procedures for sample preparation, analysis and security.

All samples from the Phase II and III 2017 program and the Phase I 2018 program were prepared for assay by Bureau Veritas Minerals at their facilities in Fairbanks, Alaska and analyzed at their Vancouver, British Columbia and Reno, Nevada facilities. Analytical work consisted of gold by fire assay with atomic absorption finish plus multi-element inductively coupled plasma atomic emission spectrography (ICP-AES) analyses using 4-acid digestion. All samples collected in the Phase II and III 2017 and Phase I 2018 were cataloged in the field and shipped via ground transport directly to Bureau Veritas Minerals' preparation facility in Fairbanks by an Avalon contractor. The Company believes the parties working on sampling of the Peak Gold Joint Venture Property followed industry accepted procedures for sample preparation, analysis and security.

### **Sampling, Analysis and Security**

During the 2016 programs, Avalon personnel inserted 1,986 blanks, standards and replicates into the flow of soil, rock, and drill core samples prior to shipment to the analytical labs. For the 2017 programs, through June 30, 2017, Avalon inserted 1,103 blanks, standards and replicates into the flow of soil, rock, and drill core samples prior to shipment to the analytical labs. Blanks consisted of Browns Hill Quarry basalt. Twenty five different commercial standards provided by Analytical Solutions were used during 2016. Values in these standards ranged from 0.012 ppm to 7.15 ppm gold. Four different commercial standards provided by Rock Labs were used during 2016. Values in these standards ranged from 0.077 ppm to 1.802 ppm gold. The quality assurance/quality control procedure was completed on-site at the Avalon warehouse in Tok, Alaska.

During 2017 programs, Avalon inserted 1,973 blanks, standards, duplicates and replicates into the flow of soil, rock, pan concentrate, stream sediment and drill core samples prior to shipment to the analytical labs. Blanks consisted of Browns Hill Quarry basalt. Twenty two different commercial standards provided by Analytical Solutions were used during 2017. Values in these standards ranged from 0.012 ppm to 14.18 ppm gold. Three different commercial standards provided by Rock Labs were used during 2017. Values in these standards ranged from 0.077 ppm to 1.802 ppm gold. The quality assurance/quality control procedure was completed on-site at the Avalon warehouse in Tok, Alaska.

During the first half of 2018, Avalon inserted 116 blanks, standards, duplicates and replicates into the flow of rock and drill core samples prior to shipment to the analytical labs. Blanks consisted of Browns Hill Quarry basalt. Ten

different commercial standards provided by Analytical Solutions were used during the first half of 2018. Values in these standards ranged from 0.309 ppm to 5.49 ppm gold. The quality assurance/quality control procedure was completed on-site at the Avalon warehouse in Tok, Alaska.

### **Rare Earth Elements**

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

### **Acquisition of Other Properties**

The Joint Venture Company anticipates from time to time acquiring additional properties in Alaska for exploration, subject to the availability of funds. The acquisitions may include leases or similar rights from Alaska Native corporations or may include filing Federal or State of Alaska mining claims by staking claims for exploration. Acquiring additional properties will likely result in additional expense to the Company for minimum royalties, minimum rents and annual exploratory work requirements.

### **Item 3. LEGAL PROCEEDINGS**

As of the date of this Form 10-K, the Company is not a party to any legal proceedings.

### **Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

Table of Contents**PART II****Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's common stock is traded on the OTCQB tier of the OTC Markets Group Inc. under the symbol "CTGO". The table below shows the high and low prices of the Company's common stock for the periods indicated.

	<b>High</b>	<b>Low</b>
Fiscal Year 2017:		
Quarter ended September 30, 2016	\$24.50	\$7.51
Quarter ended December 31, 2016	\$22.75	\$14.75
Quarter ended March 31, 2017	\$24.20	\$17.25
Quarter ended June 30, 2017	\$20.50	\$17.00
Fiscal Year 2018:		
Quarter ended September 30, 2017	\$20.25	\$15.50
Quarter ended December 31, 2017	\$20.25	\$17.25
Quarter ended March 31, 2018	\$20.00	\$17.21
Quarter ended June 30, 2018	\$29.49	\$17.51

As of June 30, 2018, there were 6,153,266 shares of Contango ORE, Inc. common stock outstanding held by approximately 70 registered shareholders.

The Company does not intend to declare or pay any dividends and currently intends to retain any available funds generated by its operations for the development and growth of its business. It does not currently anticipate paying any cash dividends on its outstanding shares of common stock in the foreseeable future. Any future decision to pay dividends on its common stock will be at the discretion of its Board and will depend on its financial condition, results of operations, capital requirements, and other factors the Board may deem relevant.

The following table sets forth information about the Company's equity compensation plans at June 30, 2018:

Plan Category	Number of securities	Weighted-average exercise price of	Number of securities
---------------	----------------------	------------------------------------	----------------------



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

	to be issued upon exercise	outstanding options	remaining available for future  issuance under equity  compensation plans (excluding securities  reflected in column(b))
Equity compensation plans approved by security holders	35,625	\$ 10.01	384,094
Equity compensation plans not approved by security holders	—	—	—

On September 15, 2010, the Board adopted the Contango ORE, Inc. Equity Compensation Plan (the “2010 Plan”), which was approved by the Company’s shareholders. Under the 2010 Plan, the Board may grant restricted stock and option awards 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. On November 14, 2017, the Stockholders of the Company approved and adopted the Contango ORE, Inc. Amended and Restated 2010 Equity Compensation Plan (the “Amended Equity Plan”). The amendments to the 2010 Plan included (a) increasing the number of shares of common stock that the Company may issue under the plan by 500,000 shares; (b) extending the term of the plan until September 15, 2027; and (c) allowing the Company to withhold shares to satisfy the Company’s tax withholding obligations with respect to grants paid in Company Stock. Under the Amended Equity Plan, the Board may issue up to 1,500,000 shares of common stock and options to officers, directors, employees or consultants of the Company. Awards made under the Amended Equity Plan are subject to such restrictions, terms and conditions, including forfeitures, if any, as may be determined by the Board.

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 is fully 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 was set to vest over two years, beginning with one-third vesting on the date of grant. All of the restricted stock granted in December 2013 is fully 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 June 30, 2018, 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. All of the restricted stock granted in January 2015 is fully vested.

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 June 30, 2018, there were 13,332 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. All of the restricted stock granted in December 2015 is fully vested.

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 June 30, 2018, there were 46,666 shares of such restricted stock that remained unvested.

In November 2016, the Company granted 75,000 restricted shares of common stock to its non-executive directors. The restricted stock granted vests in January 2019. As of June 30, 2018, there were 75,000 shares of such restricted stock that remained unvested.

In November 2017, the Company granted 155,000 restricted shares of common stock to its executives and non-executive directors. The restricted stock granted vests in January 2020. As of June 30, 2018, there were 155,000 shares of such restricted stock that remained unvested.

As of June 30, 2018, the total compensation cost related to unvested awards not yet recognized was \$2,771,361. The remaining costs will be recognized over the remaining vesting period of the awards.

Table of Contents

The option awards listed in the table below have been granted to directors, officers, employees and consultants of the Company.

**Option Awards**

<b>Period Granted</b>	<b>Options Granted</b>	<b>Weighted Average Exercise Price</b>	<b>Vesting Period <sup>(7)</sup></b>	<b>Expiration Date</b>
September 2011 (1)	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 (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

(1) The Company granted 40,000 stock options to its directors and officers and an additional 10,000 stock options to its technical consultant, the owner of Avalon, for services performed during fiscal year 2011. Of the total options granted as a part of this grant, 15,000 were later forfeited, and the rest have been exercised.

(2) The Company granted 75,000 stock options to its directors and officers 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, and the rest have been exercised.

(3) The Company granted 175,000 stock options to its directors 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 employees 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. All of these stock options have been exercised.

(6) The Company granted 52,500 stock options to its employees 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.

During fiscal year 2018, the Company's current and former executives, directors, and consultants cashless exercised 229,375 stock options, resulting in the issuance of 118,508 shares of common stock to the exercising parties and no

proceeds to the Company. During fiscal year 2017, the Company's current and former executives, directors, and consultants cashless exercised 140,000 stock options, resulting in the issuance of 71,454 shares of common stock to the exercising parties and no proceeds to the Company.

Table of Contents

**Item 6. SELECTED FINANCIAL DATA**

Not applicable.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the related notes and other information included elsewhere in this report.*

**Overview**

The Company was formed on September 1, 2010 as a Delaware corporation. The Company is Houston-based company, whose primary business is to explore in the state of Alaska for gold ore and associated minerals. In connection with the closing of the Transactions with Royal Gold in January 2015, the Company formed the Joint Venture Company and contributed to the Joint Venture Company the Peak Gold Joint Venture Property and other related assets. At the Closing, the Company and Royal Gold, through their wholly-owned subsidiaries, entered into the Joint Venture Company LLC Agreement. The Joint Venture Company now holds title to the Tetlin Lease and unpatented mining claims.

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 generated any revenue from mineral sales or operations. Neither the Company nor the Joint Venture Company has any recurring source of revenue other than Royal Gold's contributions in connection with the Transactions. The Company's ability to continue as a going concern is dependent on the Company's ability to raise capital to fund 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 Peak Gold Joint Venture Property. The Company does not expect the Joint Venture Company to generate revenue from mineral sales in the foreseeable future. If the Peak Gold Joint Venture Property fails to contain any proven reserves, the Company's ability to generate future revenue, and the Company's 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 the Company's stock, joint ventures, or alternative methods such as mergers or sale of our assets. No assurances can be given, however, that the Company will be able to obtain any of these potential sources of cash. The Company will need to generate significant revenues to achieve profitability and the Company may never do so.

*General and Administrative Expense.* General and administrative expense for the fiscal year ended June 30, 2018 and 2017 were \$3,767,586 and \$2,836,453, respectively. Current year general and administrative expenses primarily relate to audit fees, management fees, legal fees, payroll taxes, and stock-based compensation expense. We recognized \$2,468,645 of stock-based compensation expense for the fiscal year ended June 30, 2018, related to restricted stock granted to our officers and directors in November 2017, November 2016, August 2016, December 2015, September 2015, and November 2014 all pursuant to either the Amended Equity Plan or the Company's 2010 Equity Compensation Plan. We recognized \$1,787,558 of stock-based compensation expense for the fiscal year ended June 30, 2017, related to restricted stock granted to our officers and directors in November 2016, August 2016, December 2015, September 2015, January 2015, and November 2014 all pursuant to the Company's 2010 Equity Compensation Plan. Additionally, in September 2016, the Company and JEX entered into a Management Services Agreement. We incurred \$384,000 in management fees related to the Management Services Agreement in fiscal year 2018, compared to \$288,000 in fiscal year 2017. Under the Management Services Agreement, JEX manages 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. No part of the fee is allocated for compensation of Brad Juneau who is compensated separately as determined by the independent Directors of the Company.

*Loss from Equity Investment in Peak Gold, LLC.* The loss from the Company's equity investment in Peak Gold, LLC for the fiscal year ended June 30, 2018 and 2017 was \$2,580,000 and \$0, respectively. Now that Royal Gold has funded \$30.0 million, the Company and Royal Gold are required to jointly fund the joint venture operations in proportion to their interests in the Joint Venture Company to avoid dilution. However, the Company is currently not obligated to make additional capital contributions to the Joint Venture Company and therefore only records losses up to the point of its cumulative investment. The Company invested \$2,580,000 million in the Joint Venture Company during fiscal year 2018, and \$0 during fiscal year 2017. The Company made no contributions to the Joint Venture Company during fiscal year 2017 because Royal Gold was still in the process of funding \$30.0 million to earn a 40.0% interest in the Joint Venture Company. The portion of the cumulative loss that exceeds the Company's cumulative investment will be suspended and recognized against earnings, if any, from the Company's investment in the Joint Venture Company in future periods. The suspended losses for the period from inception to *June* 30, 2018 are \$22.9 million.

## Table of Contents

### **Liquidity and Capital Resources**

Prior to the Closing with Royal Gold, the Company's primary cash requirements were for exploration-related expenses. Since the Closing, the Company's primary cash requirements have been for general and administrative expenses. The Company's sources of cash have been from common stock offerings. The Peak Gold Joint Venture Property is 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 Peak Gold Joint Venture Property. 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 the Company by paying the reduced exercise price in cash and surrendering the original warrants. The offering applied to warrant holders with an exercise price of \$10.00 per share originally issued in March 2013. The offering gave the warrant holders the opportunity to exercise the warrants for \$9.00 per share. The offer expired on November 15, 2016. In conjunction with the offering a total of 587,500 warrants were exercised resulting in total cash to the Company of \$5.3 million. On October 13, 2017, 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 applied to warrant holders with an exercise price of \$10.00 per share originally issued in March 2013. The offering gave the warrant holders the opportunity to exercise the warrants for \$9.50 per share. The offer expired on November 10, 2017. In conjunction with the offering a total of 124,999 warrants were exercised resulting in total cash to the Company of \$1.2 million. Proceeds from the exercise of the warrants will be used for working capital purposes and for funding future obligations to the Joint Venture Company.

As of June 30, 2018, the Company has approximately \$13.8 million of cash, cash equivalents, and short term investments. A capital budget of \$9.1 million has been approved for the calendar 2018 Exploration Program for the Joint Venture Company, of which the Company's share will be approximately \$5.1 million. Through June 30, 2018, the Joint Venture Company has spent approximately \$4.6 million of the approved budget. On October 23, 2017, the Company completed the issuance and sale of an aggregate of 553,672 shares of common stock, par value \$0.01 per share, of the Company at a purchase price of \$19.00 per share of common stock, in a private placement to certain purchasers pursuant to a Stock Purchase Agreement dated as of October 23, 2017, by and among the Company and each Purchaser. Brad Juneau, the Company's President and Chief Executive Officer, purchased 13,200 shares of common stock, at an aggregate purchase price of \$250,800, in the Private Placement on the same terms and conditions as all other Purchasers. The Private Placement resulted in approximately \$10.5 million of gross proceeds and approximately \$10.0 million of net proceeds. The Company will use the net proceeds from the Private Placement to fund its exploration and development program and for general corporate purposes. Petrie Partners Securities, LLC ("Petrie") acted as sole placement agent in connection with the Private Placement and received a placement agent fee equal to 6.50%, which was reduced to 3.25% for existing stockholders and other Purchasers referred by those existing stockholders, or a total of \$0.5 million in placement agent fees. The Company believes that its current cash balances will be sufficient to meet its working capital requirements for the next twelve months.

On January 8, 2015, Royal Gold invested \$5.0 million to fund exploration activity, and will have the option to earn up to a 40.0% interest in the Joint Venture Company by investing up to \$30.0 million (inclusive of the initial \$5.0 million investment) prior to October 31, 2018. As of June 30, 2018, Royal Gold had funded approximately \$31.7 million (including the initial investment of \$5.0 million) and earned a 40.0% interest in the Joint Venture Company. The proceeds of Royal Gold's investment have been used by the Joint Venture Company for additional exploration of the Peak Gold Joint Venture Property. For additional information regarding the Joint Venture Company's capital budget and expenditures, see the "Gold Exploration" section above.

Now that Royal Gold has funded \$30.0 million, the Company and Royal Gold are required to jointly fund the joint venture operations in proportion to their 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 reduced. The capital costs of developing a large gold mining facility could exceed \$1 billion. The Company's ability to contribute funds sufficient to retain its membership interests in the Joint Venture Company may be limited. To date, neither the Company nor the Joint Venture Company has generated any revenue from mineral sales or operations. 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 Peak Gold Joint Venture Property. The Company does not expect the Joint Venture Company to generate revenue from mineral sales in the foreseeable future. Further, neither the Company nor the Joint Venture Company has any recurring source of revenue other than Royal Gold's contributions in connection with the Transactions. As a result, the Company's ability to contribute funds to the Joint Venture Company and retain its interest will depend on its ability to raise capital. 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 Peak Gold Joint Venture Property, as well as the market price of metals. The Company cannot be certain that financing will be available to the Company on acceptable terms, if at all. 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. In addition, now that Royal Gold has earned a percentage interest of 40.0% in the Joint Venture Company, it has the option to require the Company to sell an additional 20.0% of the Company's interest in the Joint Venture Company in a sale by Royal Gold of its entire percentage interest of 40.0% to a bona fide third party purchaser.

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.

#### **Off-Balance Sheet Arrangements**

None





## Table of Contents

### **Contractual Obligations**

The Tetlin Lease had an initial ten year term beginning in 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 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 June 30, 2018, 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 2017-2018 assessment year, claims rentals totaled \$155,505. 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. The Company has identified below the policies that are of particular importance to the portrayal of the Company's 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, 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 option award is estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value of each restricted stock award is equal to the Company's stock price on the date the award is granted.

*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 June 30, 2018, held a 60.0% ownership interest in the 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, 2018 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. The audited financial statements of Peak Gold, LLC as of the year ended June 30, 2018 are filed as an exhibit to this Form 10-K.

Table of Contents

*Recently Issued Accounting Pronouncements.* See “Part II. Item 8. “Financial Statements and Supplementary Data - Note 3 - Summary of Significant Accounting Policies” of this Annual Report on Form 10-K.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements and supplemental information required to be filed under Item 8 of Form 10-K are presented on pages F-1 through F- 16 of this Form 10-K.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures.* As required by Rule 13a-15(b) of the Exchange Act, under the supervision and with the participation of our management, including 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 June 30, 2018. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018 at the reasonable assurance level.

*Management's Report on Internal Control Over Financial Reporting.* The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system was designed to provide reasonable assurance to our management and the Board regarding the preparation and fair presentation of published financial statements. As of June 30, 2018, under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *2013 Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in *2013 Internal Control-Integrated Framework*, the Company's management concluded that its internal control over financial reporting was effective as of June 30, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Changes in Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We may make changes in our internal control procedures from time to time in the future.

This Annual Report on Form 10-K does not include an attestation report from Moss Adams LLP, the Company's independent registered public accounting firm, regarding internal control over financial reporting. Management's report was not subject to attestation by Moss Adams, LLP, pursuant to SEC rules that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Table of Contents

**Item 9B. OTHER INFORMATION**

None.

41

---

Table of Contents

**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information regarding directors, executive officers, promoters and control persons required under Item 10 of Form 10-K will be contained in the Company's Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders (the "Proxy Statement") under the headings "Election of Directors", "Executive Compensation", "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance" and is incorporated herein by reference. The Proxy Statement will be filed with the SEC pursuant to Regulation 14A of the Exchange Act, not later than 120 days after June 30, 2018.

**Item 11. EXECUTIVE COMPENSATION**

The information required under Item 11 of Form 10-K will be contained in the Proxy Statement under the heading "Executive Compensation" and is incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required under Item 12 of Form 10-K will be contained in the Proxy Statement under the heading "Security Ownership of Certain Other Beneficial Owners and Management" and is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required under Item 13 of Form 10-K will be contained in the Proxy Statement under the heading "Certain Relationships and Related Transactions, and Director Independence" and "Executive Compensation" and is incorporated herein by reference.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required under Item 14 of Form 10-K will be contained in the Proxy Statement under the heading “Principal Accountant Fees and Services” and is incorporated herein by reference.



Table of Contents

**PART IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Financial Statements and Schedules:**

The consolidated financial statements of the Company are set forth in pages F-1 to F-19 of this Form 10-K. The financial statements of the Company's subsidiary, Peak Gold, LLC, are included as an exhibit to this Form 10-K. No other financial statement schedules have been filed since they are either not required, not applicable, or the information is otherwise included.

**(b) Exhibits:**

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

**Exhibit**

<b>Number</b>	<b><u>Description</u></b>
3.1	<u>Certificate of Incorporation of Contango ORE, Inc.</u> <sup>(1)</sup>
3.2	<u>Bylaws of Contango ORE, Inc.</u> <sup>(1)</sup>
4.1	<u>Form of Certificate of Contango ORE, Inc. Common Stock.</u> <sup>(8)</sup>
4.2	<u>Certificate of Designation of Series A Junior Preferred Stock of Contango ORE, Inc.</u> <sup>(4)</sup>
4.3	<u>Rights Agreement, dated as of December 20, 2012, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent.</u> <sup>(4)</sup>
4.4	<u>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.</u> <sup>(5)</sup>
4.5	<u>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.</u> <sup>(9)</sup>
4.6	<u>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.</u> <sup>(10)</sup>
4.7	<u>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.</u> <sup>(11)</sup>
4.8	<u>Amendment No. 5 to Rights Agreement, dated as of April 22, 2018, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent.</u> <sup>(14)</sup>
4.9	<u>Registration Rights Agreement dated November 15, 2016, between Contango ORE, Inc. and the several purchasers named therein.</u> <sup>(13)</sup>
4.10	

Registration Rights Agreement dated October 23, 2017, among Contango ORE, Inc. and the several purchasers named therein.<sup>(15)</sup>

4.11 Registration Rights Agreement dated November 10, 2017, among Contango ORE, Inc. and the investors named therein.<sup>(16)</sup>

10.1 Form of 2010 Equity Compensation Plan. <sup>(1)</sup>

10.2 Contribution Agreement, dated as of November 1, 2010, between Contango Oil & Gas Company and Contango ORE, Inc. <sup>(1)</sup>

43

---

Table of Contents

10.3	<u>Warrant, dated as of March 22, 2013, issued by Contango ORE, Inc. in favor of the Holders named therein.</u> <sup>(5)</sup>
10.4	<u>Master Agreement, by and between Contango ORE, Inc. and Royal Gold, Inc., dated September 29, 2014.</u> <sup>(9)</sup>
10.5	<u>Management Services Agreement by and between Contango ORE, Inc. and Juneau Exploration effective October 1, 2016.</u> <sup>(12)</sup>
10.6	<u>Contango ORE, Inc. Amended and Restated 2010 Equity Compensation Plan.</u> <sup>(16)</sup>
10.7	<u>Peak Gold, LLC Limited Liability Company Agreement, dated as of January 8, 2015, between CORE Alaska, LLC and RG Alaska, LLC.</u> <sup>(18)</sup>
10.8	<u>Amendment No. 1 to the Peak Gold, LLC Limited Liability Company Agreement, dated as of November 10, 2017 between CORE Alaska, LLC and Royal Alaska, LLC.</u> <sup>(17)</sup>
10.9	<u>Stock Purchase Agreement, dated October 23, 2017, among Contango ORE, Inc. and the Purchasers named therein.</u> <sup>(15)</sup>
14.1	<u>Code of Ethics.</u> <sup>(7)</sup>
23.1	<u>Consent of Moss Adams LLP, Independent Registered Public Accounting Firm.</u> <sup>†</sup>
23.2	<u>Consent of Hein &amp; Associates LLP, Independent Registered Public Accounting Firm.</u> <sup>†</sup>
23.3	<u>Consent of Moss Adams LLP, Independent Auditor for the Audited Financial Statements of Peak Gold, LLC as of June 30, 2018</u> <sup>†</sup>
23.4	<u>Consent of Hein &amp; Associates LLP, Independent Auditor for the Audited Financial Statements of Peak Gold, LLC as of June 30, 2017</u> <sup>†</sup>
31.1	<u>Section 302 CEO Certification.</u> <sup>†</sup>
31.2	<u>Section 302 CFO Certification.</u> <sup>†</sup>
32.1	<u>Section 906 CEO Certification.</u> <sup>†</sup>
32.2	<u>Section 906 CFO Certification.</u> <sup>†</sup>
99.1	<u>Original Schedule of Gold Properties (Excluding Tetlin Lease).</u> <sup>(2)</sup>
99.2	<u>Original Schedule of REE Properties.</u> <sup>(2)</sup>
99.3	<u>Schedule of Revised TOK Claims.</u> <sup>(6)</sup>
99.4	<u>Schedule of Bush Claims.</u> <sup>(6)</sup>
99.5	<u>Schedule of Revised Eagle Claims.</u> <sup>(6)</sup>
99.6	<u>Schedule of ADC 2 Claims.</u> <sup>(6)</sup>
99.7	<u>2011 Report of Behre Dolbear &amp; Company (USA).</u> <sup>(3)</sup>
99.8	<u>Schedule of Noah Claims.</u> <sup>(19)</sup>
99.9	<u>Voting Agreement, dated as September 29, 2014, between Royal Gold, Inc. and the stockholders thereto.</u> <sup>(9)</sup>
99.10	<u>Audited Financial Statements of Peak Gold, LLC as of June 30, 2018.</u> <sup>†</sup>
101	Interactive Data Files <sup>†</sup>

<sup>†</sup> Filed herewith

Table of Contents

- 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 December 31, 2011, as filed with the Securities and Exchange Commission on February 6, 2012.
- 4 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.
- 5 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.
- 6 Filed as an exhibit to the Company's report on Form 10-Q for the three months ended March 31, 2013, as filed with the Securities and Exchange Commission on May 15, 2013.
- 7 Filed as an exhibit to the Company's 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.
- 8 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.
- 9 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.
- 10 Filed as an exhibit to the Company's report on Form 8-K, as with the Securities and Exchange Commission on December 18, 2014.
- 11 Filed as an exhibit to the Company's report on Form 10-Q for the three months ended September 30, 2015, as filed with the Securities and Exchange Commission on November 12, 2015.
- 12 Filed as an exhibit to the Company's report on Form 10-Q for the three months ended September 30, 2016, as filed with the Securities and Exchange Commission on November 10, 2016.
- 13 Filed as an exhibit to the Company's report on Form 8-K, as filed with Securities and Exchange Commission on November 21, 2016.
- 14 Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on April 25, 2018.
- 15 Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on October 26, 2017.
- 16 Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on November 16, 2017.
- 17 Filed as an exhibit to the Company's report on Form 10-Q for the three months ended December 31, 2017, as filed with the Securities and Exchange Commission on November 30, 2018.
- 18 Filed as an exhibit to the Company's report on Form 8-K, as filed with the Securities and Exchange Commission on January 8, 2015.
- 19 Filed as an exhibit to the Company's report on Form 10-K for the fiscal year ended June 30, 2017, as filed with the Securities and Exchange Commission on September 15, 2017.

Table of Contents

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CONTANGO ORE, INC.**

/s/ BRAD JUNEAU

**Brad Juneau President and Chief Executive Officer**

**(Principal Executive Officer)**

/s/ LEAH GAINES

**Leah Gaines**

**Chief Financial Officer**

**(Principal Financial and Accounting Officer)**

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
/s/ BRAD JUNEAU <b>BRAD JUNEAU</b>	Chairman, President, and Chief Executive Officer	August 30, 2018
/s/ JOSEPH COMPOFELICE <b>JOSEPH COMPOFELICE</b>	Director	August 30, 2018
/s/ JOSEPH G. GREENBERG <b>JOSEPH G. GREENBERG</b>	Director	August 30, 2018
/s/ RICHARD SHORTZ <b>RICHARD SHORTZ</b>	Director	August 30, 2018

Table of Contents

**CONTANGO ORE, INC.**

**INDEX TO FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firms</u>	F-2
<u>Consolidated Balance Sheets</u>	F-4
<u>Consolidated Statements of Operations</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Consolidated Statements of Shareholders' Equity</u>	F-7
<u>Notes to the Consolidated Financial Statements</u>	F-8

F-1

---

Table of Contents

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of

Contango Ore, Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Contango Ore, Inc. and subsidiaries (the “Company”) as of June 30, 2018, the related consolidated statements of operations, comprehensive income, stockholders’ equity and cash flows for the year then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2018, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial

statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/Moss Adams LLP

Houston, Texas

August 30, 2018

We have served as the Company's auditor since 2018.

F-2

---



**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders

Contango Ore, Inc.

We have audited the accompanying consolidated balance sheets of Contango Ore, Inc. and subsidiaries as of June 30, 2017, and the related consolidated statements of operations, Shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Contango Ore, Inc. and subsidiaries as of June 30, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/Hein & Associates LLP

Houston, Texas

September 15, 2017

Table of Contents**CONTANGO ORE, INC.****CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$13,810,805	\$5,191,749
Prepaid expenses and other	155,671	175,791
Total current assets	13,966,476	5,367,540
<b>OTHER ASSETS:</b>		
Investment in Peak Gold, LLC (NOTE 8)	—	—
<b>TOTAL ASSETS</b>	<b>\$13,966,476</b>	<b>\$5,367,540</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$11,192	\$50,858
Accrued liabilities	245,212	86,561
Total current liabilities	256,404	137,419
<b>COMMITMENTS AND CONTINGENCIES (NOTE 10)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred Stock, 15,000,000 shares authorized	—	—
Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,153,266 shares issued and outstanding at June 30, 2018; 4,930,231 shares issued and 4,921,163 outstanding at June 30, 2017;	61,533	49,303
Additional paid-in capital	54,949,370	40,500,239
Treasury shares at cost (0 shares at June 30, 2018; and 9,068 shares at June 30, 2017)	—	(207,400)
Accumulated deficit	(41,300,831)	(35,112,021)
<b>SHAREHOLDERS' EQUITY</b>	<b>13,710,072</b>	<b>5,230,121</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$13,966,476</b>	<b>\$5,367,540</b>

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

Table of Contents**CONTANGO ORE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>EXPENSES:</b>		
General and administrative expense	\$(3,767,586)	\$(2,836,453)
Total expenses	(3,767,586)	(2,836,453)
<b>OTHER INCOME/(EXPENSE):</b>		
Interest income	158,776	—
Loss from equity investment in Peak Gold, LLC	(2,580,000)	—
Total other (income)/expense	(2,421,224)	—
<b>LOSS BEFORE INCOME TAXES</b>	<b>(6,188,810)</b>	<b>(2,836,453)</b>
Benefit (provision) for income taxes	—	—
<b>NET LOSS</b>	<b>\$(6,188,810)</b>	<b>\$(2,836,453)</b>
<b>LOSS PER SHARE</b>		
Basic and diluted	\$(1.09 )	\$(0.62 )
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic and diluted	5,675,366	4,608,177

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

Table of Contents**CONTANGO ORE, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(6,188,810 )	\$(2,836,453)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	2,468,645	1,787,558
Loss from equity investment in Peak Gold, LLC	2,580,000	—
Changes in operating assets and liabilities:		
Decrease/(increase) in prepaid expenses	20,120	(117,626 )
Increase in accounts payable and other accrued liabilities	118,985	23,681
Net cash used in operating activities	(1,001,060 )	(1,142,840)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash invested in Peak Gold, LLC	(2,580,000 )	—
Net cash used by investing activities	(2,580,000 )	—
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash paid for shares withheld from employees for payroll tax withholding	—	(207,400 )
Cash from warrant exercises and capital raise, net	12,200,116	5,287,500
Net cash provided by financing activities	12,200,116	5,080,100
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,619,056</b>	<b>3,937,260</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>5,191,749</b>	<b>1,254,489</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$13,810,805</b>	<b>\$5,191,749</b>

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

Table of Contents**CONTANGO ORE, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	<b>Common Stock</b>		<b>Additional</b>	<b>Treasury</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b><i>Paid-in Capital</i></b>	<b><i>Stock</i></b>	<b><i>Deficit</i></b>	<b>Shareholders' Equity</b>
<b>Balance at June 30, 2016</b>	3,958,540	\$39,585	\$33,434,899	\$—	\$(32,275,568 )	\$ 1,198,916
Stock-based compensation	—	—	1,787,558	—	—	1,787,558
Restricted shares activity	280,067	2,801	(2,801 )	—	—	—
Treasury shares withheld for employee taxes	—	—	—	(207,400)	—	(207,400 )
Stock option exercises	71,454	715	(715 )	—	—	—
Stock warrant exercises	620,170	6,202	5,281,298	—	—	5,287,500
Net loss for the period	—	—	—	—	(2,836,453 )	(2,836,453 )
<b>Balance at June 30, 2017</b>	4,930,231	49,303	40,500,239	(207,400)	(35,112,021 )	5,230,121
Stock-based compensation	—	—	2,468,645	—	—	2,468,645
Restricted shares activity	155,000	1,550	(1,550 )	—	—	—
Treasury stock activity	(9,068 )	(91 )	(207,309 )	207,400	—	—
Issuance of common stock	553,672	5,537	10,514,231	—	—	10,519,768
Cost of common stock issuance	—	—	(642,143 )	—	—	(642,143 )
Stock option exercises	118,508	1,185	(1,185 )	—	—	—
Stock warrant exercises	404,923	4,049	2,318,442	—	—	2,322,491
Net loss for the period	—	—	—	—	(6,188,810 )	(6,188,810 )
<b>Balance at June 30, 2018</b>	6,153,266	\$61,533	\$54,949,370	\$—	\$(41,300,831 )	\$ 13,710,072

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

Table of Contents

**CONTANGO ORE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**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 “Joint Venture Company”). 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.

The Company is still in an exploration stage. The Company’s fiscal year end is *June 30*.

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 *1.6million* 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 were 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.

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”); and (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 Joint Venture 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 12 - 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*. 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 9 - Related Party Transactions. If any properties acquired after *July 1, 2012* are placed into commercial production, the Joint Venture Company would be obligated to pay Royal Gold a 2.0% production royalty.

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 Peak Gold Joint Venture Property, 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 “Peak Gold Joint Venture Property”), together with other property, to the Joint Venture Company, a newly formed limited liability company. The Joint Venture Company is managed according to the JV LLCA 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 \$5.0 million did *not* give Royal Gold an equity stake in the Joint Venture Company. As of *June 30, 2018*, Royal Gold has contributed \$31.7 million (including its initial \$5.0 million investment) to the Joint Venture Company and earned a 40.0% interest in the Joint Venture Company. The proceeds of Royal Gold’s investment have been used by the Joint Venture Company for additional exploration of the Peak Gold Joint Venture Property. Royal Gold serves as the Manager of the Joint Venture Company and manages, directs, and controls operations of the Joint Venture Company.

The Company has completed *eight* years of exploration efforts on the Peak Gold Joint Venture Property, which has resulted in identifying *two* mineral deposits (Peak and North Peak) and several other gold, silver, and copper prospects. The Joint Venture Company has completed *one* phase of drilling in *2018* on the Peak Gold Joint Venture Property. The Joint Venture Company has approved an exploration budget for calendar *2018* of \$9.1 million. As of *June 30 2018*, \$4.6 million of the approved budget had been spent.

On *November 10, 2017*, subsidiaries of Royal Gold and the Company entered into Amendment *No. 1* to the JV LLCA, which, among other things, amended the JV LLCA to add certain claims, previously purchased by the Joint Venture Company. The claims that were added consist of *541* unpatented state of Alaska mining claims over *84,840* acres for the exploration of gold ore and associated minerals (the “New Properties”). In return for locating the New Properties and incurring all related expenses, the Joint Venture Company granted to a subsidiary of Royal Gold a 3.0% production royalty on (i) the New Properties, (ii) prior to *October 31, 2018*, any additional properties contributed to the Joint Venture Company, and (iii) subsequent to *October 31, 2018*, any additional properties contributed to the Joint Venture Company if Royal Gold earns a 40.0% interest in the Joint Venture Company (all such properties subject to the 3.0% production royalty, “Additional Properties”). Royal Gold has earned a 40.0% membership interest in the Joint Venture Company by making the full \$30.0 million investment pursuant to the JV LLCA, and therefore the subsidiary of Royal Gold will continue to receive the 3.0% production royalty on the Additional Properties after *October 31, 2018*.

## **2. Basis of Presentation**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

F-8

---



Table of Contents

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. Since the Company's primary business is now the investment in and management of the Joint Venture Company, it expects that its ongoing cash requirements will only be related to general and administration expenses. Given this, the Company believes that its current cash balances will be sufficient to meet its working capital requirements for the next *twelve* months from the date of this report.

### **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 option award is estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value of each restricted stock award is equal to the Company's stock price on the date the award is granted.

*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 *June 30, 2018* and *June 30, 2017* 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 *June 30, 2018* or *June 30, 2017*. The Tax Cuts and Jobs Act was signed into law on *December 22, 2017*, and enacts significant changes to U.S. income tax and

related laws. Among other things, the Tax Cuts and Jobs Act reduces the top U.S. corporate income tax rate from 35.0% to 21.0%, and makes changes to certain other business-related exclusions, deductions and credits. The Company has assessed the impact of the tax bill on the financial statements as of *June 30, 2018*. Due to the Company's full valuation allowance, the changes to the income tax provision as a result of the bill are *not* expected to have a consolidated financial statement impact.

*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 *June 30, 2018* held a *60.0%* 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, 2018* and *2017* 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 August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-15: Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The main objective of this update is to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This update addresses *eight* specific cash flow issues with the objective of reducing the existing diversity in practice. The *eight* cash flow updates relate to the following issues: 1) debt prepayment or debt extinguishment costs; 2) settlement of *zero*-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) contingent consideration payments made after a business combination; 4) proceeds from the settlement of insurance claims; 5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; 6) distributions received from equity method investees; 7) beneficial interest in securitization transactions; and 8) separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for public business entities for fiscal years beginning after *December 15, 2017*, and interim periods within those fiscal years. The Company will continue to assess the impact this *may* have on its consolidated statement of cash flows.

Table of Contents

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. Prepaid Expenses and Other

The Company had prepaid expenses and other assets of \$155,671 and \$175,791 as of *June 30, 2018* and *2017*, respectively, related primarily to prepaid management fees and insurance costs.

#### 5. Loss Per Share

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

Year Ended June 30, 2018			
	Loss	Weighted Average Shares	Loss Per Share
<b>Basic and Diluted Loss per Share:</b>			
Net loss attributable to common stock	\$6,188,810	5,675,366	\$ 1.09

Year Ended June 30, 2017			
	Loss	Weighted Average Shares	Loss Per Share
<b>Basic and Diluted Loss per Share:</b>			
Net loss attributable to common stock	\$2,836,453	4,608,177	\$ 0.62

## Table of Contents

Options and warrants to purchase 35,625 and 845,999 shares of common stock were outstanding as of *June 30, 2018*, and *2017*, respectively. These options and warrants were *not* included in the computation of diluted earnings per share for the applicable fiscal year, due to being anti-dilutive as a result of the Company's net loss for all periods presented.

## **6. 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 *June 30, 2018*, we had 6,153,266 shares of common stock outstanding, including 298,998 shares of unvested restricted stock. The Company also has options and warrants to purchase 35,625 shares of common stock outstanding as of *June 30, 2018*. No shares of preferred stock have been issued. The remaining restricted stock outstanding will vest between *August 2018* and *January 2020*.

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 the Company by paying the reduced exercise price in cash and surrendering the original warrants. The offering applied to warrant holders with an exercise price of \$10.00 per share originally issued in *March 2013*. The offering gave the warrant holders the opportunity to exercise the warrants for \$9.00 per share. The offer expired on *November 15, 2016*. In conjunction with the offering a total of 587,500 warrants were exercised resulting in total cash to the Company of \$5.3 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.

On *October 13, 2017*, 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 the Company by paying the reduced exercise price in cash and surrendering the original warrants. The offering applied to warrant holders with an exercise price of \$10.00 per share originally issued in *March 2013*. The offering gave the warrant holders the opportunity to exercise the warrants for \$9.50 per share. The offer expired on *November 10, 2017*. In conjunction with the offering a total of 124,999 warrants were exercised resulting in total cash to the Company of \$1.2 million. Proceeds from the exercise of the warrants will be used for working capital purposes and for funding future obligations to the Joint Venture Company.

In connection with the exercise offer, the Company entered into a Registration Rights Agreement dated as of *November 10, 2017*, with each investor who exercised warrants in the offering. The Company agreed to file up to two demand registration statements with the SEC at any time after expiration of the offer but before *three* years after expiration of the offer in order to register the resale of shares of common stock, issued in the offer. In addition, the Registration Rights Agreement granted certain piggyback rights to the investors.

During fiscal year 2018, 580,999 warrants were exercised resulting in the issuance of 404,923 shares of common stock and total cash to the Company of \$2.3 million. All of the outstanding warrants have been exercised.

On *October 23, 2017*, the Company completed the issuance and sale of an aggregate of 553,672 shares of common stock, par value \$0.01 per share, of the Company at a purchase price of \$19.00 per share of common stock, in a private placement (the “Private Placement”) to certain purchasers (the “Purchasers”) pursuant to a Stock Purchase Agreement dated as of *October 23, 2017* (the “Purchase Agreement”), by and among the Company and each Purchaser. The Private Placement resulted in approximately \$10.5 million of gross proceeds and approximately \$10.0 million of net proceeds. The Company will use the net proceeds from the Private Placement for working capital purposes and for funding future obligations to the Joint Venture Company. Petrie Partners Securities, LLC (“Petrie”) acted as sole placement agent in connection with the Private Placement and received a placement agent fee equal to 6.50%, which was reduced to 3.25% for existing stockholders and other Purchasers referred by those existing stockholders, or a total of \$0.5 million in placement agent fees. Juneau Exploration L.P., which is controlled by Brad Juneau, the Company’s President and Chief Executive Officer, purchased 13,200 shares of common stock in the Private Placement for a price of \$250,800 and on the same terms and conditions as all other Purchasers.

The shares sold in the Private Placement were issued in reliance on an exemption from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. The bases for the availability of this exemption include the facts that the issuance was a private transaction which did *not* involve a public offering and the shares were offered and sold to a limited number of purchasers.

Pursuant to a Registration Rights Agreement dated as of *October 23, 2017* (the “Registration Rights Agreement”), by and among the Company and the Purchasers, the Company agreed to file up to *two* demand registration statements with the Securities and Exchange Commission at any time after *one* year after the Private Placement but before *three* years after the Private Placement in order to register the resale of the shares of common Stock. In addition, the Registration Rights Agreement granted certain piggyback rights to the Purchasers.

### *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*, *November 11, 2015*, and *April 22, 2018*. On *April 22, 2018*, the Company and Computershare Trust Company, N.A., as Rights Agent, entered into an Amendment No. 5 (the “Amendment”) to the Rights Plan. The Amendment, among other things, amends the Rights Plan to (i) extend the term of the Rights Agreement for *one* year until *December 19, 2019*; and (ii) decrease the stock ownership threshold at which the rights become exercisable from *twenty-three* percent (23%) to *fifteen* percent (15%), the original percentage when the Rights Plan was adopted in 2012. The Amendment also provides for certain other conforming and technical amendments to the terms and provisions of the Rights Plan. The Company has engaged advisors to assist in determining the strategic direction of the Company and its alternatives.

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 if a person, or group, acquires beneficial ownership of *15%* 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, 2019*.

F-11

---

## 7. 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 Peak Gold Joint Venture Property, 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 the Peak Gold Joint Venture Property 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 the JV LLCA.

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 \$5.0 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 JV LLCA 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 \$30.0 million (inclusive of the Royal Gold Initial Contribution of \$5 million) during the period beginning on the Closing and ending on *October 31, 2018*. Now that Royal Gold has funded its full \$30.0 million investment, it has a percentage interest of 40.0% in the Joint Venture Company, and the Company has a percentage interest of 60.0% in the Joint Venture Company. From inception through *June 30, 2018*, Royal Gold has contributed

approximately \$31.7 million (inclusive of the Royal Gold Initial Contribution of \$5.0 million) to the Joint Venture Company and earned a percentage interest of 40.0%.

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 Peak Gold Joint Venture Property.

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 JV LLCA. 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 40.0% interest in the Joint Venture Company, it will have the additional right to require the Company to sell up to 20.0% of the Company's interest in the Joint Venture Company in a sale of Royal Gold's entire 40.0% 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.

Now that Royal Gold has funded \$30.0 million, the Company and Royal Gold are required to jointly fund the joint venture operations in proportion to their 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.



Table of Contents

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.

**8. 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 *June 30, 2018*, Royal Gold has contributed approximately \$31.7 million to the Joint Venture Company, and earned a cumulative interest of approximately 40.0%. Therefore, as of *June 30, 2018*, the Company holds a 60.0% interest in the Joint Venture Company. As of *June 30, 2017*, the Company held a 70.5% 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. During fiscal year 2018 the Company contributed \$2.6 million to the Joint Venture Company. The Company did *not* make any contributions during fiscal year 2017.

The following table is a roll-forward of our investment in the Joint Venture Company from *January 8, 2015* (inception) to *June 30, 2018*:

	<b>Investment in Peak Gold, LLC</b>
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	—
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 June 30, 2017	—
Investment in Peak Gold, LLC	2,580,000
Loss from equity investment in Peak Gold, LLC	(2,580,000)
Investment balance at June 30, 2018	\$—

Table of Contents

The following table presents the condensed balance sheet for Peak Gold, LLC as of *June 30, 2018* and *2017*:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$2,628,195	\$58,955
Mineral properties	1,433,886	1,433,886
<b>TOTAL ASSETS</b>	<b>\$4,062,081</b>	<b>\$1,492,841</b>
<b>LIABILITIES AND MEMBERS' (DEFICIT) EQUITY</b>		
Accounts payable and other liabilities	\$2,403,257	\$1,754,009
<b>TOTAL LIABILITIES</b>	<b>2,403,257</b>	<b>1,754,009</b>
<b>MEMBERS' (DEFICIT) EQUITY</b>	<b>1,658,824</b>	<b>(261,168 )</b>
<b>TOTAL LIABILITIES AND MEMBERS' (DEFICIT) EQUITY</b>	<b>\$4,062,081</b>	<b>\$1,492,841</b>

The Company's share of the Joint Venture Company's results of operations for the year ended *June 30, 2018* was a loss of \$5.8 million. The Company's share in the results of operations for the year ended *June 30, 2017* was a loss of \$10.3 million. 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 *June 30, 2018* and *June 30, 2017*, the Company's share of the Joint Venture Company's inception-to-date cumulative loss of \$27.0 million and \$21.2 million, respectively, exceeds the sum of the historical book value of our initial investment in Peak Gold, LLC, of \$1.4 million and our subsequent contributions of \$2.6 million. Therefore, the investment in Peak Gold, LLC had a balance of *zero* as of *June 30, 2018*. The investment also had a balance of *zero* at *June 30, 2017*. The Company is currently *not* obligated to make additional capital contributions to the Joint Venture Company and therefore only records losses up to the point of its cumulative investment which is \$4.0 million. The portion of the cumulative loss that exceeds the Company's investment will be suspended and recognized against earnings, if any, from the Company's investment in the Joint Venture Company in future periods. The suspended losses for the period from inception to *June 30, 2018* are \$22.9 million.

The following table presents the condensed results of operations for Peak Gold, LLC for the periods ended *June 30, 2018* and *2017*:

<b>Year Ended</b>	<b>Year Ended</b>	<b>Period from Inception January 8, 2015 to</b>
-----------------------	-------------------	-----------------------------------------------------------------

	June 30, 2018	June 30, 2017	June 30, 2018
EXPENSES:			
Exploration expense	\$7,652,107	\$11,326,289	\$28,510,255
General and administrative	1,741,791	2,034,507	5,578,697
Total expenses	9,393,898	13,360,796	34,088,952
NET LOSS	\$9,393,898	\$13,360,796	\$34,088,952

## 9. 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*"), which was approved by shareholders on *December 8, 2011*. 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. The maximum aggregate number of shares of common stock of the Company with respect to which grants *may* be made to any individual is *100,000* shares during any calendar year. 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. Stock-based compensation expense for the years ended *June 30, 2018* and *June 30, 2017* was \$2,468,645 and \$1,787,558, respectively. The amount of compensation expense recognized does *not* reflect cash compensation actually received by the individuals during the current period, but rather represents the amount of expense recognized by the Company in accordance with GAAP.

Under the *2010 Plan*, options granted must have an exercise price equal to or greater than the market price of the Company's common stock on the date of grant. The Company *may* grant key employees both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and stock options that are *not* qualified as incentive stock options. Stock option grants to non-employees, such as directors and consultants, *may* only be stock options that are *not* qualified as incentive stock options. Options generally expire after *five* years. Upon option exercise, the Company's policy is to issue new shares to option holders.

Table of Contents

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. Expected volatilities are based on the historical weekly volatility of the Company's stock with a look back period equal to the expected term of the options. The expected dividend yield is *zero* as the Company has never declared and to does *not* anticipate declaring dividends on its common stock. The expected term of the options granted represent the period of time that the options are expected to be outstanding. The simplified method is used for estimating the expected term, due to the lack of historical stock option exercise activity. The risk-free interest rate is based on U.S. Treasury bills with a duration equal to or close to the expected term of the options at the time of grant. The total fair value of stock options vested in fiscal year 2018 and 2017 was approximately \$0. As of *June 30, 2018*, the total unrecognized compensation cost related to nonvested stock options was \$0. As of *June 30, 2018* the stock options had a weighted average remaining life of 0.2 years.

A summary of the status of stock options granted under the 2010 Plan as of *June 30, 2018* and 2017, and changes during the fiscal years then ended, is presented in the table below:

	Year Ended June 30, 2018		2017	
	Shares Under Options	Weighted Average Exercise Price	Shares Under Options	Weighted Average Exercise Price
<b>Outstanding, beginning of year</b>	265,000	\$ 10.00	405,000	\$ 10.24
Granted	—	\$ —	—	\$ —
Exercised	(229,375)	\$ 10.00	(140,000)	\$ 10.69
Forfeited	—	\$ —	—	\$ —
Cancelled	—	\$ —	—	\$ —
Outstanding, end of year	35,625	\$ 10.01	265,000	\$ 10.00
Aggregate intrinsic value	\$454,937		\$2,232,848	
<b>Exercisable, end of year</b>	35,625	\$ 10.01	265,000	\$ 10.00
Aggregate intrinsic value	\$454,937		\$2,232,848	
<b>Available for grant, end of year</b>	384,094		39,094	
<b>Weighted average fair value of options granted during the year</b>	\$—		\$—	
(1)				

(1) There were *no* options granted during the years ended *June 30, 2018* and 2017.

F-15

---

Table of Contents

The following table summarizes information regarding stock options granted under the Company's 2010 Plan that were outstanding at *June 30, 2018*:

<i>Range of Exercise Price</i>	Options Outstanding			Options Exercisable		
	Number of Shares Under	Weighted Average Remaining	Weighted Average Exercise	Number of Shares Under	Weighted Average Remaining	Weighted Average Exercise
	Outstanding	Contractual Life	Price	Outstanding	Contractual Life	Price
	Options			Options		
\$10.00-\$10.99	35,625	0.2	\$ 10.01	35,625	0.2	\$ 10.01

*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 its former technical consultant, the owner of Avalon. In *December 2013*, the Company's directors, executives and technical consultant were granted an aggregate of 95,000 shares of restricted stock. All of the restricted stock from both of those grants are fully vested. In *November 2014*, the Company granted 27,000 restricted shares of common stock to its executives. In *January 2015*, the Company granted an aggregate of 30,000 restricted shares of common stock to *two* of its non-executive directors. In addition, the Company granted 10,000 restricted shares of common stock to a former technical consultant. In *September 2015*, the Company granted 85,000 shares to its executives, and in *December 2015* the Company granted 40,000 shares to its non-executive directors. In *August 2016*, the Company granted 100,000 restricted shares of common stock to its executives. In *November 2016*, the Company granted 75,000 restricted shares of common stock to its non-executive directors, and in *November 2017* the Company granted 155,000 restricted shares to its executives and non-executive directors. As of *June 30, 2018*, there were 298,998 shares of such restricted stock that remained unvested. All restricted stock grants are expensed over the applicable vesting period based on the fair value at the date the stock is granted. The grant date fair value *may* differ from the fair value on the date the individual's restricted stock actually vests.

A summary of the Company's restricted stock as of *June 30, 2018* and *June 30, 2017* and the change during the years then ended, is as follows:

	Number of Shares	Weighted Average Fair Value Per Share
Nonvested balance at June 30, 2016	102,332	\$ 4.54

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

Granted	175,000	\$ 21.29
Vested	(78,335 )	\$ 10.22
Forfeited	—	\$ —
Nonvested balance at June 30, 2017	198,997	\$ 17.03
Granted	155,000	\$ 19.50
Vested	(54,999 )	\$ 11.72
Forfeited	—	\$ —
Nonvested balance at June 30, 2018	298,998	\$ 19.12

As of *June 30, 2018*, the total compensation cost related to nonvested restricted share awards *not* yet recognized was \$2,771,361. The remaining costs are expected to be recognized over the remaining vesting period of the awards.

F-16

---

Table of Contents

**10. 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, 2018*, 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 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, West Fork, and Noah 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 *2017-2018* assessment year totaled \$155,505. 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.

**11. Income Taxes**



	<b>Year Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Income tax benefit at statutory tax rate	\$(1,736,580)	\$(992,759 )
State tax benefit	(498,648 )	(175,228 )
Permanent differences	(81,455 )	30,213
Stock based compensation	(251,074 )	(41,218 )
Impact of federal rate change	4,868,970	—
Valuation allowance for remeasurement and changes relating to the Tax Cuts and Jobs Act	(4,868,970)	—
Other valuation allowance	2,567,757	1,178,992
Income tax provision/(benefit)	\$—	\$—

The benefit for income taxes for the periods indicated below are comprised of the following:

	<b>Year Ended June 30, 2018</b>		<b>2017</b>	
Current:				
Federal	\$ —	\$ —		
State	\$ —	\$ —		
Deferred:				
Federal	\$ —	\$ —		
State	\$ —	\$ —		

Table of Contents

The net deferred tax asset is comprised of the following:

	<b>Year Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax asset:		
Investment in the Joint Venture Company	\$5,851,376	\$8,747,508
State deferred tax assets	3,122,042	2,118,225
Stock option expenses	523,249	125,855
Net operating losses	2,454,203	3,260,495
Valuation allowance	(11,950,870)	(14,252,083)
Net deferred tax assets	\$—	\$—

On *December 22, 2017*, the United States enacted tax reform legislation known as the *H.R.1*, commonly referred to as the “Tax Cuts and Jobs Act” (the “Act”), resulting in significant modifications to existing law. The Company has completed the accounting for the effects of the Act during the fiscal year ending *June 30, 2018*. Our financial statements for the year ending *June 30, 2018* reflect certain effects of the Act which includes a reduction in the corporate tax rate from 35% to 21% effective *January 1, 2018*, as well as other changes. The Act became effective upon passage, so our statutory rate for the current fiscal year ending *June 30, 2018* is a blended rate of 28.06%. Due to the Company’s valuation allowance position and as a result of changes in tax law and rates under the Act, the Company recorded a net tax benefit due primarily to the remeasurement of deferred tax assets and liabilities from 35% to 21%. The valuation allowance decreased by \$4.9 million in the fiscal year ending *June 30, 2018* due to the changes in tax laws and rates under the Act and increased by \$2.6 million for normal operations.

The Company follows the guidance in SEC Staff Accounting Bulletin 118 (“SAB 118”), which provides additional clarification regarding the application of ASC Topic 740 in situations where the Company does *not* have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act for the reporting period in which the Act was enacted. SAB 118 provides for a measurement period beginning in the reporting period that includes the Act’s enactment date and ending when the Company has obtained, prepared, and analyzed the information needed in order to complete the accounting requirements but in *no* circumstances should the measurement period extend beyond *one* year from the enactment date. We have calculated the impact of the Act in our year end income tax provision in accordance with our understanding of the Act and guidance available as of the date of this filing. We will continue to gather and evaluate the income tax impact of the Act. The ultimate impact of the Act on our reported results in the fiscal year ending *June 30, 2018* and beyond *may* differ, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that *may* be issued, and other actions we *may* take as a result of the Act.

During fiscal year 2018, we had a change in our valuation allowance of approximately \$2.3 million. At *June 30, 2018*, we have U.S. federal tax loss carry-forwards of approximately \$11.7 million. These net operating loss carry-forwards (“NOL”) will begin expiring in 2031. Use of NOLs, however, *may* be limited if we undergo an ownership change. Generally, an ownership change occurs if certain persons or groups, increase their aggregate ownership in us by more than 50 percentage points looking back over a rolling *three*-year period. If an ownership change occurs, our ability to

use our NOLs to reduce income taxes is limited to an annual amount, or the Section 382 limitation, equal to the fair market value of our common stock immediately prior to the ownership change multiplied by the long term tax-exempt interest rate, which is published monthly by the Internal Revenue Service. In the event of an ownership change, NOLs can be used to offset taxable income for years within a carry-forward period subject to the Section 382 limitation. The Company performed an evaluation as of *June 30, 2018*. The Company experienced an ownership change on *March 22, 2013*. Based upon the Company's determination of its annual limitation related to this ownership change, management believes that Section 382 should *not* otherwise limit the Company's ability to utilize its federal or state NOLs during their applicable carryforward periods.

F-18

---

## 12. 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 Peak Gold Joint Venture 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 by 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.

On *October 23, 2017*, the Company completed the issuance and sale of an aggregate of 553,672 shares of common stock, par value \$0.01 per share, of the Company at a purchase price of \$19.00 per share of common stock, in a private placement (the “Private Placement”) to certain purchasers (the “Purchasers”) pursuant to a Stock Purchase Agreement dated as of *October 23, 2017* (the “Purchase Agreement”), by and among the Company and each Purchaser. The Private Placement resulted in approximately \$10.5 million of gross proceeds and approximately \$10.0 million of net proceeds. The Company will use the net proceeds from the Private Placement for working capital purposes and for funding future obligations to the Joint Venture Company. Petrie Partners Securities, LLC (“Petrie”) acted as sole placement agent in connection with the Private Placement and received a placement agent fee equal to 6.50%, which was reduced to 3.25% for existing stockholders and other Purchasers referred by those existing stockholders, or a total of \$0.5 million in placement agent fees. JEX, which is controlled by Brad Juneau, the Company’s President and Chief Executive Officer, purchased 13,200 shares of common stock, in the Private Placement for a price of \$250,800 and on the same terms and conditions as all other Purchasers.

On *April 16, 2018*, Royal Gold filed a Schedule 13D with the Securities and Exchange Commission to reflect Royal Gold’s acquisition from an existing stockholder of 13.2% of the Company’s outstanding common stock at a price of \$26 per share, subject to certain adjustments. Royal Gold is the parent company of Royal Alaska LLC, CORE’s joint venture partner in the Joint Venture Company.