

Resources: Metals & Mining

Company Update

Contango Ore, Inc. | CTGO - \$31.46 - NYSE American | Buy
Stock Data

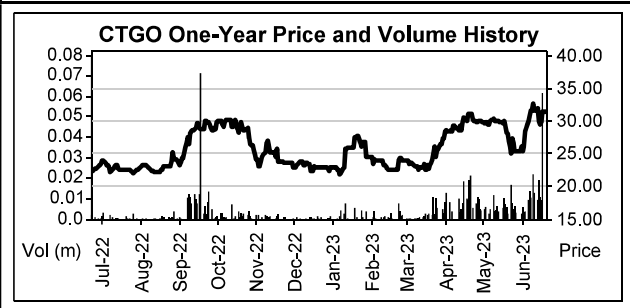
52-Week Low - High	\$21.56 - \$33.67
Shares Out. (mil)	7.62
Mkt. Cap.(mil)	\$239.72
3-Mo. Avg. Vol.	8,492
12-Mo.Price Target	\$38.00
Cash (mil)	\$2.9
Tot. Debt (mil)	\$19.3

Rev (C\$M)

Yr Jun	—2022—	—2023E—	—2024E—
		Curr	Curr
1Q	0.0A	0.0A	0.0E
2Q	0.0A	0.0A	0.0E
3Q	0.0A	0.0A	0.0E
4Q	0.0A	0.0E	0.0E
YEAR	0.0A	0.0E	0.0E

EPS C\$

Yr Jun	—2022—	—2023E—	—2024E—
		Curr	Curr
1Q	(0.68)A	(1.05)A	(1.00)E
2Q	(0.72)A	(2.10)A	(1.00)E
3Q	(1.01)A	(1.09)A	(1.00)E
4Q	(1.07)A	(1.04)E	(1.00)E
YEAR	(3.49)A	(5.29)E	(4.00)E



CTGO: Technical Report Lays Foundation

CTGO filed a technical report providing detail on its high-grade gold Lucky Shot Project near Anchorage, Alaska. The report describes the Lucky Shot Project, providing an update of the resource estimate on the Coleman segment and an initial resource estimate on the Lucky Shot segment on the Lucky Shot vein. The Lucky Shot Project is an example of a potential small-scale mine with competitive returns relative to larger mines due to its high grades and near-term production profile.

Closer to production than may appear. The 100% owned Lucky Shot Project is on patented land. As a previous operating underground mine, it is fully permitted, assuming that mineralized material is shipped offsite for processing. High-grade run-of-mine material may potentially be placed in a container and transported to nearby rail lines for shipping to existing mills or to port facilities. CTGO is advancing underground development and resource expansion to recommence production.

Technical report updates the historic resource. Effective May 26, 2023, CTGO filed a technical report with an indicated resource estimate of 226,963 tonnes grading 14.5 g/t gold with 105,620 ounces (oz) and an inferred resource estimate of 82,058 tonnes grading 9.5 g/t gold with 25,110 oz. An historic resource estimate measured and indicated resource of 206,600 tonnes grading 18.3 g/t gold with 121,000 oz and an inferred resource of 59,000 tonnes grading 18.5 g/t gold with 35,100 oz.

Resource estimate includes the Lucky Shot segment. The historic resource was based on ~171 drill holes on the Coleman segment. CTGO completed a total of 3,816m of underground drilling in 29 HQ drill holes on the Lucky Shot segment from the Enserch tunnel. While the updated resource estimate included the Lucky Shot segment, it did not contain measured resources in the Coleman segment due to disqualifying some historic drill data. The updated resource estimate reflects higher drill density in the Coleman segment, with 146 holes relative to the Lucky Shot with 35 holes.

Further drilling likely to lift rate capping grades. High-grade gold drill results may be capped arbitrarily and applied to reduce the “nugget effect” to reduce the risk of overestimation of resources. Increased drill density should improve confidence in estimating resources, which should lead to a more appropriate rate to cap grades. Further drilling should also provide additional information on structural constraints to guide drilling and improve resource estimation and provide data for metallurgical testwork to confirm potential high recoveries.

The Lucky Shot vein is a structurally controlled orogenic deposit with the potential for relatively consistent grades extending deeper. As past production on the Lucky Shot segment was reported to be 252,000 oz of gold from 169,000 tons, with an average head grade of 40 g/t (1.6 oz/t) gold, we believe that further drilling should both increase resources and lift grades.

Exhibit 1 shows the mineral resource estimate from the 2016 prefeasibility study. The estimate applied a cutoff grade of 5.0 g/t gold, estimated operating costs, historical recoveries and a \$1,265 per oz gold price.

Exhibit 1: Mineral Resource Estimate from the 2016 Prefeasibility Study

Classification	Tonnes (x1000)	Gold		Silver	
		g/t	oz.	g/t	oz.
Measured	57.9	26.8	49,900	2.5	4,700
Indicated	148.6	15.0	71,600	1.6	7,400
Measured + Indicated	206.6	18.3	121,500	1.8	12,100
Inferred	59.0	18.5	35,100	1.5	2,900

Source: Contango Ore, Inc., website ([link](#))

Exhibit 2 shows the updated resource estimate including resources for the Coleman and Lucky Shot segments. The updated resource may be more conservative, as it does not classify resources in the measured classification and caps high grades.

Exhibit 2: Mineral Resource Estimate of Coleman and Lucky Shot Segments

Classification	Tonnes	Au Grade	Au Ounces
		(g/t)	
Measured	-	-	-
Indicated	190,092	15.6	95,036
TOTAL	190,092	15.6	95,036
Inferred	74,265	9.9	23,642

Table 1 COLEMAN SEGMENT Mineral Resource Estimate

Classification	Tonnes	Au Grade	Au Ounces
		(g/t)	
Measured	-	-	-
Indicated	36,871	8.9	10,584
TOTAL	36,871	8.9	10,584
Inferred	7,793	5.9	1,468

Table 2 LUCKY SHOT SEGMENT MINERAL Resource Estimate

Classification	Tonnes	Au Grade	Au Ounces
		(g/t)	
Measured	-	-	-
Indicated	226,963	14.5	105,620
TOTAL	226,963	14.5	105,620
Inferred	82,058	9.5	25,110

Table 3 COMBINED COLEMAN & LUCKY SHOT MINERAL

Source: Contango Ore, Inc., Press Release dated June 12, 2023 ([link](#))

Exhibit 3 shows the impact on average grades and material content by capping grades.

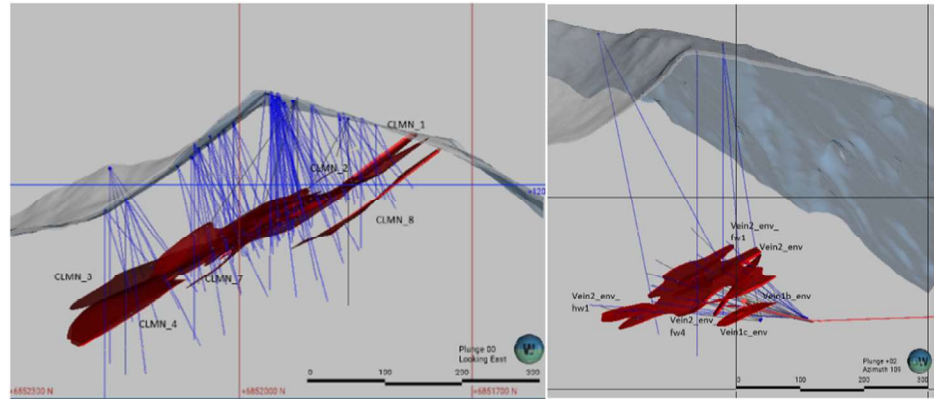
Exhibit 3: Uncapped vs. Capped Grades

CLMN Capped vs Uncapped Au							
Cut-off: Au_Final ≥ 4.30 g/t							
Filter: None							
Density: 2.65 g/cm ³							
GM 2023 3g/t CLM Mining Shapes	CLMN_2023_SR_Class	Mass t	Average Value		Material Content		Metal Loss Au Oz % Diff
			Au_Final g/t	Au_Final_Uncapped g/t	Au_Final t. oz	Au_Final_Uncapped t. oz	
Total	Indicated	190,092.05	15.55	20.82	95,036.34	127,236.67	28.97%
	Inferred	74,264.67	9.90	9.91	23,642.30	23,657.03	0.06%
Differences may occur in totals due to rounding.							
LS Capped vs Uncapped Au							
Cut-off: Au_Final ≥ 4.30 g/t							
Filter: None							
Density: 2.65 g/cm ³							
GM 3gt Stope Shapes 2023	2023 SR All Class	Mass t	Average Value		Material Content		Metal Loss Au Oz % Diff
			Au_Final g/t	Au_Final_Uncapped g/t	Au_Final t. oz	Au_Final_Uncapped t. oz	
Total	Indicated	36,871.48	8.93	13.15	10,583.96	15,583.18	38.21%
	Inferred	7,793.05	5.86	12.64	1,468.05	3,167.36	73.32%
Differences may occur in totals due to rounding.							

Source: Contango Ore, Inc., Corporate Presentation ([link](#))

Exhibit 4 shows the density of drill holes in both the Coleman and Lucky Shot segments of the Lucky Shot vein. The exhibit demonstrates the increased productivity of drilling the Lucky Shot segment from underground from the Enserch tunnel, shown as a horizontal red line, as opposed to from the surface.

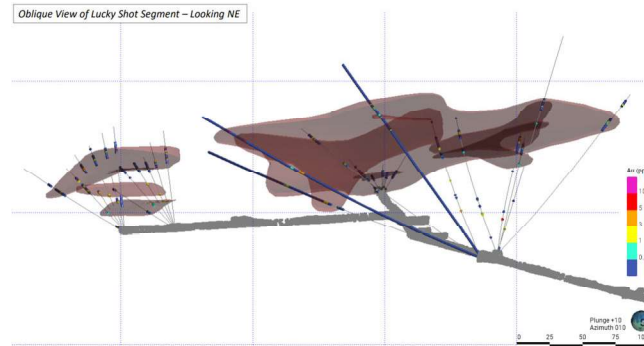
Exhibit 4: Cross-section of the Coleman Segment (left) and Lucky Shot (right)



Source: Contango Ore, Inc., Press Release dated June 12, 2023 ([link](#))

Exhibit 5 provides a view of increased resolution of drilling by CTGO for the Enserch tunnel on the Lucky Shot vein in the Lucky Shot segment. This includes drilling fans off the 2090W drift on the left and wider-spaced drilling from the tunnel on the right.

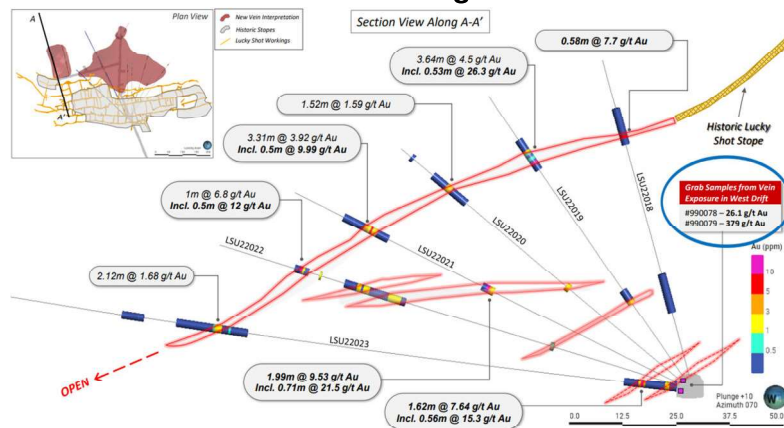
Exhibit 5: CTGO Drilling on the Lucky Shot Segment from the Enserch Tunnel



Source: Contango Ore, Inc., Corporate Presentation ([link](#))

Exhibit 6 shows the value and importance of drilling fans of numerous tightly spaced drill holes for resource estimation and mine planning.

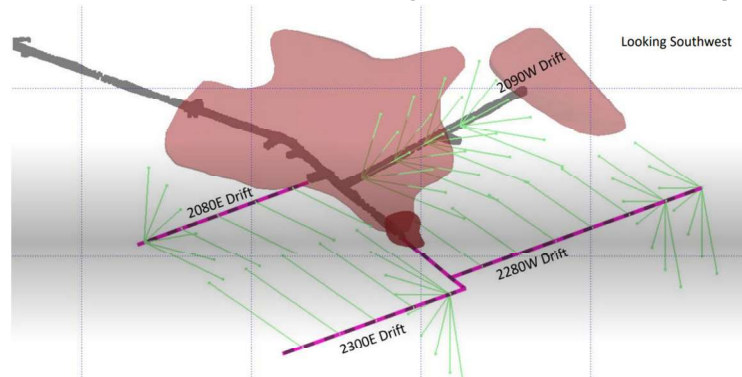
Exhibit 6: Detail on Fan Drilling from the 2090W Drift



Source: Contango Ore, Inc., Press Release dated June 12, 2023 ([link](#))

Exhibit 7 shows CTGOs plan for completing an appropriate drill program to rapidly advance the Lucky Shot segment to production. In addition to increasing the number of ounces leading to a mine plan, in our opinion, the data gained may result in an improved understanding of grade variability to assign a more appropriate capping rate to reduce the impact of the “nugget effect.”

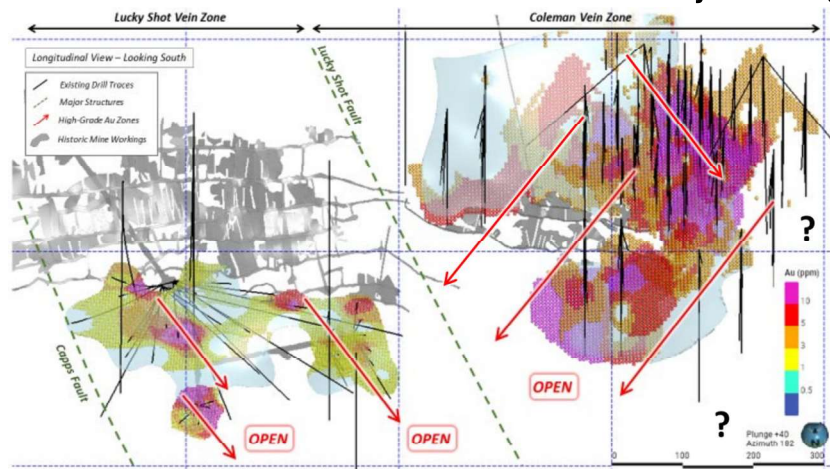
Exhibit 7: Planned In-Fill Drill Program for 15-20 Meter Spacing



Source: Contango Ore, Inc., Corporate Presentation ([link](#))

Exhibit 8 shows resource blocks in the geologic model for the Coleman and Lucky Shot segments. This demonstrates the resource as an unmined extension of historic mining on the Lucky Shot vein. The Lucky Shot vein is an east-west striking vein consistently dipping to the north. As orogenic veins can be consistently mineralized and extend to great depths, the exhibit provides the opportunity for resource growth that, in our opinion, far exceeds the recent updated resource estimate.

Exhibit 8: Block Model Grades of the Coleman and Lucky Shot Segments



Source: Contango Ore, Inc., Press Release dated June 12, 2023 ([link](#))

The deposits remain open with exploration potential beyond the current mineral resources. The area is underexplored and there is potential to locate additional resources at the Lucky Shot Project. Exhibit 9 shows the Lucky Shot project with a generalized one-mile outcropping of the Lucky Shot vein, shown by the red line.

Exhibit 9: View of the Lucky Shot Vein



Source: Contango Ore, Inc., Corporate Presentation ([link](#))

VALUATION

We completed our valuation estimate of CTGO on a sum-of-the-parts basis. We based our estimate of Manh Choh on our discounted cash flow analysis, and we estimate a value for its share of the PKJV to range from a NPV_{5%} of \$183.0 million, and a cumulative cash flow of \$271.5 million. In our opinion, the opportunity to process ore from Manh Choh at the Fort Knox mill complex provides PKJV an unusually rapid and low-risk path to monetize the deposits. This implies that CTGO's 30% share of PKJV may be valued at close to the cumulative value of revenues less AISC.

CTGO filed an SK 1300 Technical Report on its Lucky Shot project. Subject to funding, CTGO is making rapid progress on developing the Lucky Shot project. We can foresee a scenario where KGC could also process high-grade Lucky Shot ores through the Fort Knox mill on a tolling basis. The mineralized material is reminiscent of material heap leached at the Fort Knox Mill Complex but is of a much higher grade. In addition, Lucky Shot is only 15 miles from the Alaska Railroad, which could transport high-grade ores to Fairbanks at potentially less than half that of transporting by truck. In our opinion, CTGO may find an additional rapid and low-risk path to production. Based on our discounted cash flow analysis of a mine at Lucky Shot, at 0.3x NPV_{10%}, we estimate a value of \$107 million.

Our estimate is based on CTGO's 30% ownership of the PKJV, 100% of the value of the Lucky Shot project, plus the potentially significant contributions of the expansion potential of Manh Choh and the Lucky Shot, the State of Alaska claims area and the Shamrock project at a total value of \$314 million. We maintain a price target for CTGO of \$38.00 per share.

Factors that could impede CTGO from achieving our price target include but are not limited to: performance of partners in the PKJV, complexity of developing high-grade narrow-vein underground mines, inability to define additional resources, declining gold and silver prices, inability to access additional capital and exploration risk.

RISKS

Political risk. Natural resource companies are subject to significant political risk. Although most mining jurisdictions have known laws, potential exists for these laws to change.

Commodity price risk. All natural resource companies have some form of commodity price risk. This risk is not only related to final products, but can also be in regards to input costs and substitute goods.

Operational and technical risk. Natural resources companies have significant operational and technical risks. Despite completing NI 43-101 compliant (or similar) resource estimates, deposits can still vary significantly compared to expectations. Additionally, numerous unforeseeable issues can occur with operations and exploration activities.

Pre-revenue risk. Pre-revenue natural resource companies are dependent on available cash, marketable assets and the ability to borrow or sell equity into capital markets to fund development, including exploration and construction. There is no guarantee that the company will become cash flow positive.

Market risk. Although most natural resource companies are more closely tied to individual commodity price performance, large business cycle forces or economic crises can impact a company's valuation significantly.

Cautionary Note to US Investors: Estimates of Measured, Indicated and Inferred Resources

"Measured Mineral Resources" and "Indicated Mineral Resources." U.S. investors are advised that although these terms are required by Canadian regulations, the U.S. Securities and Exchange Commission (SEC) does not recognize them, and describes the equivalent as "Mineralized Material." U.S. investors are cautioned not to assume that these terms are any form of guarantee.

"Inferred Mineral Resources." U.S. Investors are advised that while this term is required by Canadian regulations, the SEC does not recognize it. "Inferred Mineral Resources" are not delineated with a great deal of certainty and should not be considered likely to be brought into production in whole or in part.

COMPANY DESCRIPTION

Contango ORE, Inc. is engaged in the exploration of gold ore and associated minerals in Alaska. The Company conducts its operations through three primary means. The Company has approximately 30% membership interest in Peak Gold, LLC (the Peak Gold JV), which leases approximately 675,000 acres from the Tetlin Tribal Council and holds approximately 13,000 additional acres of State of Alaska mining claims for exploration and development. The Company, through its wholly owned subsidiary Contango Minerals Alaska, LLC (Contango Minerals), separately owns the mineral rights to approximately 214,600 acres of State of Alaska mining claims for exploration, including approximately 139,100 acres located immediately northwest of the Peak Gold JV Property (the Eagle/Hona Property), approximately 14,800 acres located northeast of the Peak Gold JV Property (the Triple Z Property), Shamrock Property and approximately 8,000 acres located to the north and east of the Lucky Shot Property.

Amounts in US\$ million	CTGO Income Statements														
	1Q22A	2Q22A	3Q22A	4Q22A	2Q22A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Expenses	(3.1)	(4.2)	(5.4)	(7.0)	(19.6)	(7.0)	(4.6)	(2.4)	(2.4)	(16.4)	(2.4)	(2.4)	(2.4)	(2.4)	(9.6)
Operating Income	(3.1)	(4.2)	(5.4)	(7.0)	(19.6)	(7.0)	(4.6)	(2.4)	(2.4)	(16.4)	(2.4)	(2.4)	(2.4)	(2.4)	19.2
Other Expenses	(1.5)	(0.7)	(1.5)	(0.3)	(4.0)	(0.1)	(9.7)	(5.5)	(5.5)	(21.2)	(5.5)	(5.5)	(5.5)	(5.5)	(22.1)
Pretax Income	(4.6)	(4.9)	(6.9)	(7.2)	(23.6)	(7.1)	(14.3)	(7.9)	(7.9)	(37.6)	(7.9)	(7.9)	(7.9)	(7.9)	(2.9)
Taxes	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	(4.6)	(4.9)	(6.8)	(7.2)	(23.5)	(7.1)	(14.3)	(7.9)	(7.9)	(37.6)	(7.9)	(7.9)	(7.9)	(7.9)	19.2
Basic EPS	(\$0.68)	(\$0.72)	(\$1.01)	(\$1.07)	(\$3.49)	(\$1.05)	(\$2.10)	(\$1.09)	(\$1.04)	(\$5.29)	(\$1.00)	(\$1.00)	(\$1.00)	(\$1.00)	(\$4.00)
Diluted EPS	(\$0.68)	(\$0.72)	(\$1.01)	(\$1.07)	(\$3.49)	(\$1.05)	(\$2.10)	(\$1.09)	(\$1.04)	(\$5.29)	(\$1.00)	(\$1.00)	(\$1.00)	(\$1.00)	(\$4.00)
Shares outstanding	6.7	6.8	6.7	6.8	6.7	6.8	6.8	7.2	7.6	7.1	7.9	7.9	7.9	7.9	7.9

Source: CTGO company reports on FreeEdgar and ROTH MKM estimates

Note: Company reports under U.S. GAAP

Quarterly EPS may not sum to annual EPS due to rounding

Mike Niehuser

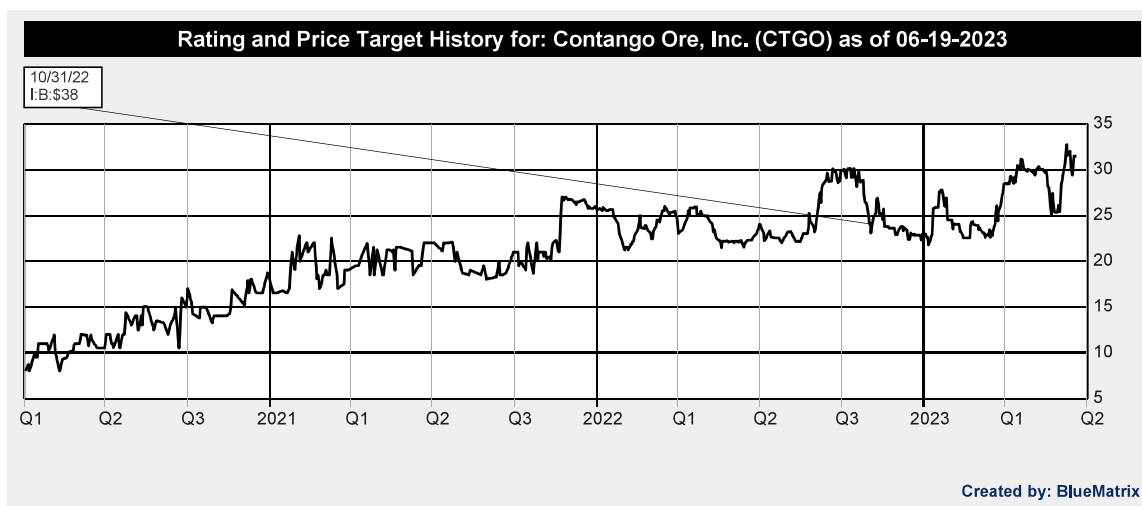
mniehuser@roth.com

(949) 402-5336

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ROTH makes a market in shares of Contango Ore, Inc. and as such, buys and sells from customers on a principal basis.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 06/20/23	
			Count	Percent
Buy [B]	375	75.76	225	60.00
Neutral [N]	96	19.39	32	33.33
Sell [S]	3	0.61	0	0
Under Review [UR]	21	4.24	5	23.81

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH MKM employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH MKM does not publish research or have an opinion about this security.

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