

CONTANGO ORE INC.

Feasibility Study Results at Manh Choh

EVENT

Contango released the Technical Report Summary (TRS) at its 30%-owned Manh Choh gold project.

BOTTOM LINE

Modest Negative – While Contango’s TRS/ Feasibility Study (FS) is an important de-risking event, in general the project economics reconciled negatively to our estimates on higher costs. Our previous estimates did account for inflationary cost pressures, but clearly not to a sufficient degree.

FOCUS POINTS

- **CAPEX, AISC Creep Higher** – CTGO estimates its 30%-share of initial CAPEX will total \$65 MM vs. the \$55 MM based on the Q3/22 FS completed by Kinross (KGC-NYSE, Not Covered) and our \$58 MM estimate. AISC are expected to average \$1,116/oz vs. the \$900/oz outlined in KGC’s FS and our \$978/oz estimate. Note that AISC outlined in CTGO’s FS include the toll milling charges at KGC’s Fort Knox mill. Initial production remains on schedule for H2/24 (in-line with our estimate).
- **Project Economics** – At a \$1,600/oz gold price deck, CTGO’s FS on Manh Choh returns an after-tax NPV_{5%} net to its 30%-interest of just \$30 MM. At Cantor’s gold price deck of \$2,000/oz, and one additional year of mine life (unchanged vs. our previous DCF), we calculate a project NPV_{5%} net to CTGO of \$142 MM.
- **Maintaining Buy Rating, Trimming Target** – Bringing our Manh Choh project inputs in-line with CTGO’s FS and boosting our target multiple from 1.50x to 1.75x NAVPS (reflecting the recent expansion of the gold royalty company peer group multiples), we maintain our Buy rating on CTGO but are trimming our price target from \$35 to \$30/share.

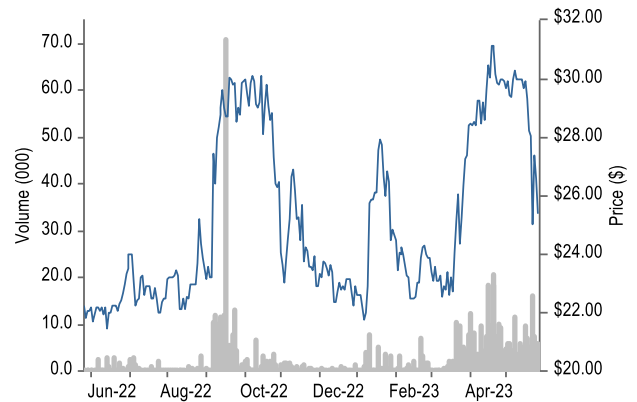
Recommendation:

BUY

Symbol/Exchange: CTGO-NYSE
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$25.31
One-year target: \$30.00↓
Return to target: 18.5%
Cash & equivalents*: \$73 MM

Financial Summary:

| | | | |
|-----------------------|--------------|----------------------|-------------------|
| Shares O/S (MM) | 7.6 | 52-week range | \$21.00 - \$32.94 |
| Market cap (MM\$) | \$193 | 30D avg. vol. ('000) | 7.97 |
| Market float (MM\$) | \$79 | Fiscal year-end | 31-Dec |
| Manh Choh-100% | MMt | g/T Au | MMoz Au |
| P&P | 3.94 | 7.90 | 1.00 |
| M&I (incl. P&P) | 9.20 | 4.10 | 1.21 |
| Inferred | 1.34 | 2.70 | 0.12 |
| Total Resource | 10.55 | 3.92 | 1.32 |



Company profile: Contango Ore holds a 30% minority interest in the Manh Choh open-pit gold project being advanced by Kinross. Ore from the high-grade open-pit project will be treated at Kinross’ Fort Knox milling facility, making the Manh Choh project comparatively lower risk.

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See disclosure and a description of our recommendation structure at the end of this report.

FEASIBILITY STUDY RESULTS AT MANH CHOH

Before the open on May 26, Contango released the Technical Report Summary (TRS) / Feasibility Study (FS) at its 30%-owned Manh Choh gold project. While the FS is an important de-risking event, in general the project economics reconciled negatively to our estimates on higher initial CAPEX, operating costs and sustaining CAPEX. Our previous estimates did account for inflationary cost pressures, but clearly not to a sufficient degree. CTGO estimates its 30%-share of initial CAPEX will total \$65 MM vs. the \$55 MM based on the Q3/22 FS completed by Kinross (KGC-NYSE, Not Covered) and our \$58 MM estimate. AISC are expected to average \$1,116/oz vs. the \$900/oz outlined in KGC's FS and our \$978/oz estimate. Note that AISC outlined in CTGO's FS include the toll milling charges at KGC's Fort Knox mill. Other than the higher costs, most of the other key components of the Manh Choh mine plan outlined in CTGO's FS are effectively the same as outlined by KGC in its 2022 FS, and in-line with our previous model. These include the peak mining rate (13.0 ktpd), average annual production rate (58.7 Koz Au/year net to CTGO's interest), strip ratio (11.6:1), grade profile (7.9g/t Au LOM), and mine life (4.6 years, in-line with 4.5 years in the KGC FS, but we continue to expect modest near-mine exploration success driving one additional year of operation). Construction is underway and initial production is on schedule for H2/24 (in-line with our estimate).

Exhibit 1. CTGO FS Results Summary (30%-interest)

| Project Metric | | |
|--------------------------------------|---------------|----------|
| Gold price | (\$/oz) | \$1,600 |
| Mine life | (years) | 4.6 |
| Total ore tonnes mined | (MMt) | 1.2 |
| Total waste tonnes mined | (MMt) | 13.7 |
| Maximum mining rate (ore and waste) | (Ktpd) | 13.0 |
| Average gold head grade | (g/t Au) | 7.9 |
| Average silver head grade | (g/t Ag) | 13.6 |
| Average gold recovery | (%) | 90.3 |
| Average silver recovery | (%) | 69.2 |
| LOM Recovered gold | (Koz Au) | 270.0 |
| LOM Recovered silver | (Koz Ag) | 356.8 |
| Initial CAPEX | (MM\$) | \$64.6 |
| Sustaining CAPEX | (MM\$) | \$22.7 |
| Reclamation/Closure CAPEX | (MM\$) | \$31.7 |
| Unit mining costs (ore and waste) | (\$/t mined) | \$5.97 |
| Unit ore haulage costs | (\$/t milled) | \$63.39 |
| Unit processing (toll milling costs) | (\$/t milled) | \$52.26 |
| Unit G&A costs | (\$/t milled) | \$18.47 |
| Total unit operating costs | (\$/t milled) | \$183.43 |
| All-in sustaining cost (AISC) | (\$/oz AuEq) | \$1,116 |
| After-tax NPV _{5%} | (MM\$) | \$29.7 |
| After-tax IRR | (%) | 22.5 |

Source: Cantor Fitzgerald

MANH CHOH PROJECT ECONOMIC RESULTS

At the \$1,600/oz gold price deck used in CTGO's FS, Manh Choh returns an after-tax NPV_{5%} net to the Company's 30%-interest of just \$30 MM and an IRR of 22.5%. At Cantor's gold price deck of \$2,000/oz, fine-tuning for all the project

inputs from CTGO's FS (grade profile, unit costs, toll milling charges, CAPEX schedule, closure/reclamation costs, etc.) and keeping one additional year of mine life (unchanged vs. our previous DCF), we calculate an after-tax project NPV_{5%} net to CTGO of \$142 MM and an IRR of 57.8% vs. our previous estimates of \$173 MM and 125.0%.

Exhibit 2. Contango Ore Updated NAVPS Estimate

| Asset | | Value (\$MM) | \$ Per Share | % of NAV |
|---------------------------------------|----------|----------------|----------------|----------|
| Manh Choh - 30% | DCF-5.0% | \$142.2 | \$18.66 | 112% |
| Total Mining Assets | | \$142.2 | \$18.66 | |
| Cash (exit FYQ3/23)* | | \$72.9 | \$9.57 | 57% |
| Cash from ITM options/warrants | | \$1.2 | \$0.15 | 1% |
| Debt (exit FYQ3/23)* | | -\$89.4 | -\$11.73 | -70% |
| Cash fully financed | | \$0.0 | \$0.00 | |
| Debt fully financed | | \$0.0 | \$0.00 | |
| Net Asset Value, fully diluted | | \$126.9 | \$16.65 | |
| P/NAV | | | 1.52x | |

*adjusted for pending/post-quarter transactions
Source: Cantor Fitzgerald

MAIDEN P&P RESERVES

Proven & Probable mineral reserves at Manh Choh were calculated at a gold price of \$1,300/oz and net to CTGO's 30%-interest, now stand at 1.18 MMt grading 7.9 g/t Au and 13.6 g/t Ag for attributable recoverable metal of 299 koz Au and 516 koz Ag. Contango's Proven & Probable reserves and Measured & Indicated + Inferred Resources on a 100%-basis are summarized in Exhibit 3.

Exhibit 3. Contango Ore Reserve/Resource Inventory

| | Tonnage (Kt) | Grades (g/t) | | | Contained Metal (MMoz) | | |
|-------------------------------|---------------|--------------|-------------|-------------|------------------------|------------|-------------|
| | | Au | Ag | AuEq | Gold | Silver | Gold Equiv. |
| Manh Choh - 100% basis | | | | | | | |
| Proven & Probable | 3,936 | 7.9 | 13.6 | 8.0 | 1.0 | 1.7 | 1.0 |
| Measured & Indicated | 9,201 | 4.1 | 14.0 | 4.3 | 1.2 | 4.2 | 1.3 |
| Inferred | 1,344 | 2.7 | 16.0 | 2.9 | 0.1 | 0.7 | 0.1 |
| Total Consolidated | 10,545 | 3.9 | 14.3 | 4.1 | 1.3 | 4.9 | 1.4 |
| Lucky Shot - 100% | | | | | | | |
| Proven & Probable | | | | | | | |
| Measured & Indicated | 207 | 18.3 | 1.8 | 18.3 | 0.1 | 0.0 | 0.1 |
| Inferred | 59 | 18.5 | 1.5 | 18.5 | 0.0 | 0.0 | 0.0 |
| Total Consolidated | 266 | 18.3 | 1.7 | 18.4 | 0.2 | 0.0 | 0.2 |

Source: Cantor Fitzgerald

MAINTAINING BUY RATING, TRIMMING PRICE TARGET

Bringing our Manh Choh project inputs in-line with CTGO's FS and boosting our target multiple from 1.50x to 1.75x NAVPS (reflecting the recent expansion of the gold royalty company peer group multiples), we maintain our Buy rating on CTGO but are trimming our price target from \$35 to \$30/share.

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The analyst responsible for this report *has not* visited the material operations of Contango Ore Inc. No payment or reimbursement was received for related travel costs.

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BUY (Speculative): The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer-term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

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UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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