

Contango ORE, Inc.  
Form 10-Q/A  
October 09, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended March 31, 2015

OR

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

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

Commission file number 001-35770

CONTANGO ORE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

27-3431051

(IRS Employer  
Identification No.)

3700 BUFFALO SPEEDWAY, SUITE 925

HOUSTON, TEXAS 77098

(Address of principal executive offices)

(713) 877-1311

(Registrant's telephone number, including area code)

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

Yes  No

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

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

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

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

The total number of shares of common stock, par value \$0.01 per share, outstanding as of October 9, 2015 was 3,904,540.

Explanatory Note

Contango ORE, Inc. is filing this amendment on Form 10-Q/A ("Form 10-Q/A") to amend its Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 originally filed with the SEC on May 15, 2015 (the "Original Filing"), to restate its unaudited consolidated financial statements and related footnote disclosures for the three and nine month periods ended March 31, 2015.

Restatement. 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 ("the Master Agreement"), dated as of September 29, 2014, including the formation of Peak Gold, LLC ("the Joint Venture Company"), to advance exploration of the Company's Tetlin properties, which are prospective for gold and associated minerals. The purpose of this Form 10-Q/A is to change the accounting method used to account for the Company's investment in the Joint Venture Company. At Closing, Royal Gold, as an initial contribution to the Joint Venture Company, contributed \$5 million (the "Royal Gold Initial Contribution") for an option to earn a membership interest with additional contributions. The Royal Gold Initial Contribution did not entitle Royal Gold to a percentage interest in the Joint Venture Company. Royal Gold also had the right, in its sole discretion, to resign from the Company, at any time, prior to the date that Royal Gold contributed in excess of \$5 million to the Joint Venture Company. On March 31, 2015, Royal Gold's percentage interest in the Joint Venture Company was zero. Since inception, Royal Gold has had the right to appoint two of the three members to the Management Committee of the Joint Venture Company. The Joint Venture Company is a variable interest entity since it is dependent on the financial support from its members to continue its exploration activities. 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 previously consolidated the results of Peak Gold, LLC; however, the Company has now concluded that Royal Gold has the ability to initially direct and control operations of the Joint Venture Company and that the Company's position on the Joint Venture Company's Management Committee gives it significant influence but not control; therefore, the Company determined that the Joint Venture Company should be accounted for under the equity method. The assets contributed to the Joint Venture Company by the Company were recorded at historical cost. The Company is restating to appropriately reflect the Transactions on this Form 10-Q/A.

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. This reimbursement was recorded as revenue in the Original Filing and has been reclassified to a contra expense account in this Form 10-Q/A to more appropriately reflect the nature of the reimbursement.

See "Note 4 - Restatement of Previously Issued Financial Statements" of this Form 10-Q/A for more information regarding the impact of the above described adjustments.

Items Amended in Form 10-Q/A. This Form 10-Q/A sets forth the Original Filing, in its entirety, as modified and superseded as necessary to reflect the restatement. The following items in the Original Filing have been amended as a result of, and to reflect the restatement:

- A. Part I, Item 1. Financial Statements
- B. Part I, Item 2. Management's Discussion of Financial Condition and Results of Operations
- C. Part I, Item 4. Controls and Procedures





CONTANGO ORE, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

Item 1 - Financial Statements

	March 31, 2015 (Restated)	June 30, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$2,057,390	\$3,448,501
Prepaid expenses	141,096	98,906
Total current assets	2,198,486	3,547,407
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Mineral properties	—	1,208,886
Accumulated depreciation, depletion and amortization	—	—
Total property, plant and equipment, net	—	1,208,886
<b>OTHER ASSETS:</b>		
Investment in Peak Gold, LLC	1,270,860	—
Other	—	225,000
Total other assets	1,270,860	225,000
<b>TOTAL ASSETS</b>	<b>\$3,469,346</b>	<b>\$4,981,293</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$30,524	\$140,133
Accrued liabilities	48,037	46,500
Total current liabilities	78,561	186,633
<b>COMMITMENTS AND CONTINGENCIES (NOTE 11)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Common Stock, \$0.01 par value, 30,000,000 shares authorized; 3,876,206 shares issued and outstanding at March 31, 2015; 3,805,539 shares issued and outstanding at June 30, 2014	38,762	38,055
Additional paid-in capital	32,844,026	32,204,002
Accumulated deficit	(29,492,003	) (27,447,397 )
<b>SHAREHOLDERS' EQUITY</b>	<b>3,390,785</b>	<b>4,794,660</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$3,469,346</b>	<b>\$4,981,293</b>

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015 (Restated)	2014	2015 (Restated)	2014
<b>EXPENSES:</b>				
Claim rentals and minimum royalties	\$40,389	\$39,576	\$120,625	\$139,820
Exploration expense	140,402	214,598	354,902	6,734,888
Stock-based compensation expense	127,025	122,951	399,068	689,747
General and administrative expense	625,344	302,399	1,756,985	907,530
Expense reimbursement	(750,000)	) —	(750,000)	) —
Total expenses	183,160	679,524	1,881,580	8,471,985
<b>OTHER (INCOME)/EXPENSE</b>				
Loss from equity investment in Peak Gold, LLC	163,026	—	163,026	—
<b>NET LOSS</b>	<b>\$346,186</b>	<b>\$679,524</b>	<b>\$2,044,606</b>	<b>\$8,471,985</b>
<b>LOSS PER SHARE</b>				
Basic and diluted	\$0.09	\$0.18	\$0.53	\$2.24
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic and diluted	3,873,506	3,805,539	3,832,206	3,774,576

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

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

	Nine Months Ended March 31,	
	2015 (Restated)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(2,044,606	) \$(8,471,985 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	640,731	986,317
Loss from equity investment in Peak Gold, LLC	163,026	—
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(42,190	) 7,767
Decrease in accounts payable and accrued liabilities	(108,072	) (1,607,540 )
Net cash used for operating activities	(1,391,111	) (9,085,441 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Note receivable from Tetlin Village	—	(100,000 )
Repayment of note receivable by Tetlin Village	—	100,000
Acquisition of other assets	—	—
Acquisition of properties	—	—
Net cash used in investing activities	—	—
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,391,111</b>	<b>) (9,085,441 )</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>3,448,501</b>	<b>13,027,932</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$2,057,390</b>	<b>\$3,942,491</b>
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Assets contributed to Peak Gold, LLC	\$1,433,886	\$—

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

CONTANGO ORE, INC.  
 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
 (Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at June 30, 2014	3,805,539	\$38,055	\$32,204,002	\$(27,447,397)	\$4,794,660
Stock-based compensation	—	—	640,731	—	640,731
Shares vested	70,667	707	(707 )	—	—
Net loss for the period	—	—	—	(2,044,606 )	(2,044,606 )
Balance at March 31, 2015	3,876,206	\$38,762	\$32,844,026	\$(29,492,003)	\$3,390,785

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

CONTANGO ORE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Unaudited)

1. Organization and Business

Contango ORE, Inc. ("CORE" or the "Company") is a Houston-based company that engages in the exploration in Alaska for gold and associated minerals through a joint venture company, Peak Gold, LLC. The Company was formed on September 1, 2010 as a Delaware corporation for the purpose of engaging in the exploration in the State of Alaska for gold ore and associated minerals.

On November 29, 2010, Contango Mining Company ("Contango Mining"), a wholly owned subsidiary of Contango Oil & Gas Company ("Contango"), assigned the Original Properties (defined below) and certain other assets and liabilities to Contango. Contango contributed the Original Properties and \$3.5 million of cash to the Company, in exchange for approximately 1.6 million shares of the Company's common stock. The above transactions occurred between companies under common control and was accounted for as transactions between 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 Original Properties contributed by Contango included: i) a 100% leasehold interest in approximately 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 (collectively, the "Original Properties"). If any of the Original Properties are placed into commercial production, the Company would be obligated to pay a 3.0% production royalty to Juneau Exploration, L.P. ("JEX"), a private company involved in the exploration and production of oil and natural gas. On September 29, 2014, JEX sold its 3.0% production royalty to Royal Gold, Inc. ("Royal Gold"). See Note 10 - Related Party Transactions. The Tetlin Lease is the Company's only material property.

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 and associated minerals in exchange for a 2.0% production royalty on properties acquired after July 1, 2012 (any such properties, the "Additional Properties"). If any of the Additional Properties are placed into commercial production, the Company would be obligated to pay JEX a 2.0% production royalty under the Advisory Agreement. On September 29, 2014, JEX sold its 2.0% production royalty to Royal Gold and the Company terminated its Advisory Agreement with JEX. See Note 10 - Related Party Transactions.

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

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

The Company has completed five years of exploration efforts on the Tetlin Properties, which has resulted in the discovery of the Peak Zone mineralization within the Chief Danny prospect area on the Tetlin Lease. While no significant field exploration was conducted on the Tetlin Properties in 2014, the Joint Venture Company anticipates spending approximately \$5 million in exploration work on the Tetlin Properties during the summer of 2015 and may expand the amount of exploration work in the late Summer of 2015, if drilling results warrant further work. Additionally, the Joint Venture Company acquired 59 new state of Alaska claims consisting of 9,439 acres in the Eagle claim area.

## 2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), including instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the consolidated financial statements have been included. All such adjustments are of a normal recurring nature. The consolidated financial statements should be read in conjunction with the audited financial statements and notes included in the Company's Form 10-K for the fiscal year ended June 30, 2014, as amended. The results of operations for the three and nine months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2015.

## 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.

**Mineral Properties.** The amount capitalized includes costs paid to acquire mineral property interests as well as the costs paid for federal and state of Alaska unpatented mining claims. Exploration costs are expensed as incurred. Development costs are expensed as incurred until the Company obtains proven and probable reserves within its commercially minable properties. Costs of abandoned projects are charged to earnings upon abandonment. Any properties determined to be impaired are written-down to their estimated fair value. The Company periodically evaluates whether events or changes in circumstances indicate that the carrying value of mineral property interests and any related property, plant and equipment may not be recoverable.

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

**Income Taxes.** The Company follows the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences of (i) temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements and (ii) operating loss and tax credit carry-forwards for tax purposes. Deferred tax assets are reduced by a valuation allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period. The Company recognized a full valuation allowance as of March 31, 2015 and June 30, 2014 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 March 31, 2015 or June 30, 2014.

**Restatement of Prior Period Financial Statements.** See Note 4 "Restatement of Previously Issued Financial Statements for a discussion of changes made to the accompanying consolidated financial statements.

**Investment in the Joint Venture Company.** The Company's consolidated financial statements include the investment in Peak Gold, LLC utilizing the equity method as the Company has significant influence through its one seat on the Management Committee. The assets contributed by the Company were recorded at historical cost.

Recently Issued Accounting Pronouncements. The Financial Accounting Standards Board (“FASB”) has issued Accounting Standards Update (“ASU”) No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years.

The FASB has issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. The ASU will be effective for annual periods beginning after December 15, 2016; and for interim periods, within those fiscal years.

The FASB has issued ASU No. 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This ASU eliminates from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015.

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. Restatement of Previously Issued Financial Statements

**Overview.** In conjunction with the preparation of the consolidated financial statements for the year ended June 30, 2015, the Company has determined that a different accounting method should have been used to account for the Joint Venture Company and has determined that the change in accounting method and related accounting matters is material to previously issued unaudited consolidated financial statements for the three and nine month periods ended March 31, 2015. As a result, these statements have been presented on a restated and amended basis in this Form 10-Q/A.

**Background of Restatement.** On January 8, 2015, the Company and Royal Gold through their wholly-owned subsidiaries, consummated the Transactions contemplated under the Master Agreement, dated as of September 29, 2014, including the formation of a joint venture company, to advance exploration of the Company's Tetlin properties, which are prospective for gold and associated minerals. The purpose of this Form 10-Q/A is to change the accounting method used to account for the Company's investment in the Joint Venture Company. At Closing, Royal Gold, as an initial contribution to the Joint Venture Company, contributed \$5 million. The Royal Gold Initial Contribution did not entitle Royal Gold to a percentage interest in the Joint Venture Company. Royal Gold also had the right, in its sole discretion, to resign from the Company at any time prior to the date that Royal Gold contributed in excess of \$5 million to the Joint Venture Company. On March 31, 2015, Royal Gold's percentage interest in the Joint Venture Company was zero. Since inception, Royal Gold has had the right to appoint two of the three members to the Management Committee of the Joint Venture Company. The Joint Venture Company is a variable interest entity since it is dependent on the financial support from its members to continue its exploration activities. 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 previously consolidated the results of Peak Gold, LLC; however, the Company has now concluded that Royal Gold has the ability to initially direct and control operations of the Joint Venture Company and that the Company's position on the Joint Venture Company's Management Committee gives it significant influence but not control; therefore, the Company determined that the Joint Venture Company should be accounted for under the equity method. The assets contributed to the Joint Venture Company by the Company were recorded at historical cost. The Company is restating to appropriately reflect the Transactions and associated accounting matters on this Form 10-Q/A.

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. This reimbursement was recorded as revenue in the

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

Original Filing and has been reclassified to a contra expense account in this Form 10-Q/A to more appropriately reflect the nature of the reimbursement.

The impact of the restatement on the financial statement line items is shown in the tables below. The changes impacted the financial statements as of and for the three and nine months ended March 31, 2015 and not prior periods.

The following table presents the impact of the restatement to the consolidated balance sheet as of March 31, 2015:

	March 31, 2015 As Reported	Adjustment	As Restated
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$2,057,390	\$—	\$2,057,390
Restricted cash	4,985,239	(4,985,239)	—
Prepaid expenses	141,096	—	141,096
Total current assets	7,183,725	(4,985,239)	2,198,486
<b>PROPERTY AND EQUIPMENT:</b>			
Mineral properties	1,208,886	(1,208,886)	—
Accumulated depreciation, depletion and amortization	—	—	—
Total property, plant and equipment, net	1,208,886	(1,208,886)	—
<b>OTHER ASSETS:</b>			
Investment in Peak Gold, LLC	—	1,270,860	1,270,860
Other	225,000	(225,000)	—
Total other assets	225,000	1,045,860	1,270,860
<b>TOTAL ASSETS</b>	<b>\$8,617,611</b>	<b>\$(5,148,265)</b>	<b>\$3,469,346</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$171,026	\$(140,502)	\$30,524
Accrued liabilities	55,800	(7,763)	48,037
Deferred option	5,000,000	(5,000,000)	—
Total current liabilities	5,226,826	(5,148,265)	78,561
<b>COMMITMENTS AND CONTINGENCIES (NOTE 13)</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Common Stock, \$0.01 par value, 30,000,000 shares authorized; 3,876,206 shares issued and outstanding at March 31, 2015; 3,805,539 issued and outstanding at June 30, 2014	38,762	—	38,762
Additional paid-in capital	32,844,026	—	32,844,026
Accumulated deficit	(29,492,003)	—	(29,492,003)
<b>SHAREHOLDERS' EQUITY</b>	<b>3,390,785</b>	<b>—</b>	<b>3,390,785</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$8,617,611</b>	<b>\$(5,148,265)</b>	<b>\$3,469,346</b>



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

The following table represents the impact of the restatement on the consolidated statement of operations for the three and nine months ended March 31, 2015:

	Three months ended March 31, 2015			Nine months ended March 31, 2015		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
<b>REVENUES</b>						
Expense reimbursement	\$ 750,000	\$ (750,000 )	\$—	\$ 750,000	\$ (750,000 )	\$—
Total revenues	750,000	(750,000 )	—	750,000	(750,000 )	—
<b>EXPENSES:</b>						
Delay rentals and minimum royalties	40,389	—	\$40,389	\$ 120,625	\$—	\$ 120,625
Exploration expense	278,390	(137,988 )	140,402	492,890	(137,988 )	354,902
Stock-based compensation expense	127,025	—	127,025	399,068	—	399,068
General and administrative expense	650,382	(25,038 )	625,344	1,782,023	(25,038 )	1,756,985
Expense reimbursement	—	(750,000 )	(750,000 )	—	(750,000 )	(750,000 )
Total expenses	1,096,186	(913,026 )	183,160	2,794,606	(913,026 )	1,881,580
<b>OTHER EXPENSES</b>						
Equity loss from Peak Gold, LLC	—	163,026	163,026	—	163,026	163,026
NET LOSS	\$(346,186 )	\$—	\$(346,186 )	\$(2,044,606 )	\$—	\$(2,044,606 )
<b>LOSS PER SHARE</b>						
Basic and diluted	\$(0.09 )	—	\$(0.09 )	\$(0.53 )	\$—	\$(0.53 )
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>						
Basic and diluted	3,873,506	—	3,873,506	3,832,206	—	3,832,206



The following table represents the impact of the restatement on the consolidated statement of cash flows for the nine months ended March 31, 2015:

	Nine Months Ended March 31, 2015		
	As Reported	Adjustment	As Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (2,044,606 )	\$—	\$ (2,044,606)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	640,731	—	640,731
Loss from equity investment in Peak Gold, LLC	—	163,026	163,026
Changes in operating assets and liabilities:			
Increase in prepaid expenses	(42,190 )	—	(42,190 )
Decrease in accounts payable and accrued liabilities	40,193	(148,265 )	(108,072 )
Net cash used for operating activities	(1,405,872 )	14,761	(1,391,111 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Restricted cash	(4,985,239 )	4,985,239	—
Deferred option	5,000,000	(5,000,000 )	—
Net cash provided by financing activities	14,761	(14,761 )	—
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,391,111 )</b>	<b>—</b>	<b>(1,391,111 )</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>3,448,501</b>	<b>—</b>	<b>3,448,501</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 2,057,390</b>	<b>\$—</b>	<b>\$ 2,057,390</b>
<b>NON-CASH INVESTING ACTIVITIES:</b>			
Assets contributed to Peak Gold, LLC	\$—	\$ 1,433,886	\$ 1,433,886

There were no changes to the consolidated statement of shareholders' equity for the nine months ended March 31, 2015.

In addition, Note 3 "Summary of Significant Accounting Policies," Note 5 "Costs Incurred," "Note 7 "Other Assets," and Note 10 "Formation of Joint Venture Company" were updated for the restatement adjustments above.

#### 5. Costs Incurred

Costs to acquire and explore the Original Properties and Additional Properties were as follows:

	Three Months Ended March 31, 2015		Nine Months Ended March 31, 2015	
	(Restated)	2014	(Restated)	2014
Acquisition of mineral interests	\$—	\$—	\$—	\$—
Exploration costs, claim rentals, and minimum royalties	180,791	254,174	475,527	6,874,708
Total costs incurred	\$ 180,791	\$ 254,174	\$ 475,527	\$ 6,874,708

The Tetlin Lease has a ten year term beginning July 2008 with an option to renew for an additional ten years, or so long as the Company initiates and continues conducting mining operations on the Tetlin Lease. Originally, the Tetlin Lease allowed the Company to only renew 50% of the acreage, but in December 2012, the Company paid the Tetlin

Village Council \$200,000 in

13

---

exchange for removing this 50% restriction. The Joint Venture Company is now able to renew its entire lease, consisting of 675,000, acres in July 2018.

## 6. Prepaid Expenses

The Company has prepaid expenses of \$141,096 and \$98,906 as of March 31, 2015 and June 30, 2014, respectively. Prepaid expenses relate to prepaid insurance costs, XBRL filing costs, claim rentals and certain geological consulting services and exploration activities.

## 7. Other Assets

If the Tetlin Lease is placed into commercial production, the Joint Venture Company would be obligated to pay a production royalty to the Tetlin Village 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 Village Council \$75,000 in exchange for reducing the production royalty payable to them by 0.25%. In July 2011, the Company paid the Tetlin Village Council \$150,000 in exchange for further reducing the production royalty by 0.50%. These payments lowered the production royalty payable 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 Village Council has the option to increase their 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 Company has classified these payments as "Other Assets" on the consolidated balance sheet of the Company. This asset was included in the assets contributed to the Joint Venture Company upon consummation of the transactions.

## 8. Loss Per Share

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

	Three Months Ended March 31, 2015			2014		
	Loss	Weighted Average Shares	Loss Per Share	Loss	Weighted Average Shares	Loss Per Share
Basic Loss per Share:						
Net loss attributable to common stock	\$346,186	3,873,506	\$0.09	\$679,524	3,805,539	\$0.18
Diluted Loss per Share:						
Net loss attributable to common stock	\$346,186	3,873,506	\$0.09	\$679,524	3,805,539	\$0.18
	Nine Months Ended March 31, 2015			2014		
	Loss	Weighted Average Shares	Loss Per Share	Loss	Weighted Average Shares	Loss Per Share
Basic Loss per Share:						
Net loss attributable to common stock	\$2,044,606	3,832,206	\$0.53	\$8,471,985	3,774,576	\$2.24
Diluted Loss per Share:						
Net loss attributable to common stock	\$2,044,606	3,832,206	\$0.53	\$8,471,985	3,774,576	\$2.24

Options and warrants to purchase 1,675,999 shares of common stock were outstanding as of March 31, 2015, and options and warrants to purchase 1,692,666 shares of common stock were outstanding as of March 31, 2014. These options and warrants were not included in the computation of diluted earnings per share for each three and nine month periods ended March 31, 2015 and 2014 because they are anti-dilutive as a result of the Company's net loss for all

periods presented.

14

---

## 9. 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 March 31, 2015, we had 3,876,206 shares of common stock outstanding. The Company also had an additional 59,666 shares of unvested restricted stock and options and warrants to purchase 1,675,999 shares of common stock outstanding as of March 31, 2015. No shares of preferred stock have been issued. The remaining restricted stock outstanding will vest in March 2015 through November 2016.

### Rights Plan

On December 19, 2012, the Company adopted a Rights Plan which was amended on March 21, 2013, September 29, 2014 and on December 18, 2014. Under the terms of the amended Rights Plan, each right (a "Right") will entitle the holder to purchase 1/100 of a share of Series A Junior Preferred Stock of the Company (the "Preferred Stock") at an exercise price of \$80 per share. The Rights will be exercisable and will trade separately from the shares of common stock only if a person or group, other than the Estate of Mr. Kenneth R. Peak, acquires beneficial ownership of 20% 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, 2016.

## 10. Formation of Joint Venture Company

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

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

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

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

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

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

Other than the Royal Gold's Initial Contribution, Royal Gold is not under any obligation to make capital contributions, to the Joint Venture Company by October 31, 2018 or thereafter. If Royal Gold does not make any additional capital contributions to the Joint Venture Company by October 31, 2018, and assuming there are no other new investors in the Joint Venture Company,

the Company's percentage interest in the Joint Venture Company would continue to be 100% and Royal Gold will be deemed to have resigned as a member of the Joint Venture Company effective as of October 31, 2018.

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

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

#### 11. 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 the Original Properties and initially engaged Avalon to conduct mineral exploration activities on the Tetlin Lease. In agreeing to transfer its interests in the Original Properties to Contango Mining, a predecessor of the Company, JEX retained a 3.0% overriding royalty interest in the Original 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 a production 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 Original Properties and the Additional Properties to Royal Gold. On the same date, the Company terminated its Advisory Agreement with JEX.

The Company currently subleases office space from JEX at 3700 Buffalo Speedway, Ste 925, Houston, TX 77098 for approximately \$11,000 per quarter.

#### 12. Stock-Based Compensation

On September 15, 2010, the Company's Board of Directors (the "Board") adopted the Contango ORE, Inc. Equity Compensation Plan (the "2010 Plan"). Under the 2010 Plan, the Board may issue up to 1,000,000 shares of common stock and options to officers, directors, employees or consultants of the Company. Awards made under the 2010 Plan are subject to such restrictions, terms and conditions, including forfeitures, if any, as may be determined by the Board. As of March 31, 2015, there were 59,666 shares of unvested restricted common stock outstanding and options to purchase 445,000 shares of common stock outstanding issued under the 2010 Plan.

Stock-based compensation expense for the periods reflected was as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Stock-based compensation included in:				
Exploration expense <sup>(1)</sup>	\$ 136,429	\$ 69,625	\$ 241,663	296,571

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

Stock-based compensation expense <sup>(2)</sup>	127,025	122,951	399,068	689,746
Total stock-based compensation expense	\$263,454	\$192,576	\$640,731	\$986,317

(1) Related to restricted stock and stock option awards to a former technical consultant.

(2) Related to restricted stock and stock option awards to the Company's directors and employees.

The amount of compensation expense recognized does not reflect compensation actually received by the individuals, but rather represents the amount recognized by the Company in accordance with GAAP.

**Restricted Stock.** In November 2010, the Company granted 70,429 restricted shares of common stock to its officers and directors and an additional 23,477 restricted shares to a former technical consultant. All of the restricted stock from this grant was fully vested as of March 31, 2015.

In December 2013, the Company's directors, executive officers and a former technical consultant were granted an aggregate of 95,000 shares of restricted stock. The restricted stock vests over two years, beginning with one-third vesting on the date of grant.

In November 2014, the Company granted 27,000 restricted shares of common stock to its employees. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2015, there were 18,000 shares of such restricted stock that remained unvested. As of March 31, 2015, there were 21,666 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-employee directors, 10,000 shares vested immediately and the remaining two-thirds will vest equally over two years. In addition, the Company granted 10,000 restricted shares of common stock to a former technical consultant which vested immediately. The Compensation Committee also elected to immediately vest all of the stock options and restricted stock previously issued to the former technical consultant. As of March 31, 2015, there were 20,000 shares of such restricted stock that remained unvested.

As of March 31, 2015, the total compensation cost related to unvested awards not yet recognized was \$311,710. The remaining costs will be recognized over the remaining vesting period of the awards.

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

Option Awards

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

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

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

- (2) The Company granted 75,000 stock options to its directors and officers and an additional 25,000 stock options to a former technical consultant for services performed during fiscal year 2012.
- (3) The Company granted 175,000 stock options to its directors and an additional 75,000 stock options to a former technical consultant for services performed during fiscal year 2013.
- (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.
- (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. The Company's Compensation Committee has determined that the Transactions do not constitute a change of control under the 2010 Plan.

The Company applies the fair value method to account for stock option expense. Under this method, cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) are classified as financing cash flows. See Note 3 – Summary of Significant Accounting Policies. All employee stock option grants are expensed over the stock option’s vesting period based on the fair value at the date the options are granted. The fair value of each option is estimated as of the date of grant using the Black-Scholes options-pricing model. As of March 31, 2015, the stock options had a weighted-average remaining life of approximately 3 years. The total compensation cost related to unvested options not yet recognized as of March 31, 2015 was \$10,348.

A summary of the status of stock options granted under the 2010 Plan as of March 31, 2015 and changes during the nine months then ended, is presented in the table below:

	Nine Months Ended March 31, 2015	
	Shares Under Options	Weighted Average Exercise Price
Outstanding, June 30, 2014	445,000	\$10.41
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding, March 31, 2015	445,000	\$10.41
Aggregate intrinsic value	\$—	
Exercisable, end of period	440,000	\$10.42
Aggregate intrinsic value	\$—	
Available for grant, end of period	299,094	

### 13. Commitments and Contingencies

**Tetlin Lease.** The Tetlin Lease has a ten year term beginning July 2008 with an option to renew for an additional ten years, or so long as the Joint Venture Company initiates and continues to conduct mining operations on the Tetlin Lease. Originally, the Tetlin Lease allowed the Joint Venture Company to only renew 50% of the acreage, but in December 2012, the Joint Venture Company paid the Tetlin Village Council \$200,000 in exchange for removing this 50% restriction. The Joint Venture Company is now able to renew all 675,000 acres in 2018. The Tetlin Lease is the Company's only material property.

Pursuant to the terms of the Tetlin Lease, the Joint Venture Company is required to spend \$350,000 per year in exploration costs until July 15, 2018. However, because exploration funds spent in any year in excess of \$350,000 are credited toward future years’ exploration cost requirements, the Joint Venture Company’s exploration expenditures to date have already satisfied this work commitment requirement for the full lease term, through 2018. 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 Village 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 March 31, 2015, the Joint Venture Company has paid the Tetlin Village Council an aggregate of \$225,000 in exchange for reducing the production royalty payable to it 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 Village 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 pays the Tetlin Village Council an advance minimum royalty each year. On July 15, 2012, the advance minimum royalty increased from \$50,000 to \$75,000 per year, and after July 15, 2013, the advance minimum royalty is escalated by an inflation adjustment. As of March 31, 2015, the Joint Venture

Company had prepaid \$40,000 of the \$75,000 advance minimum royalty that is due to the Tetlin Village Council on July 15, 2015.

Gold Exploration. The Joint Venture Company's Triple Z, TOK/Tetlin, Eagle, Bush and ADC 2 claims are all located on state of Alaska lands. The annual claim rentals on these projects total 94,815 per year, and are due and payable in full by November 30 of each year. 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 any of the Original Properties and an overriding royalty of 2.0% should the Joint Venture Company derive revenues from any of the Additional Properties.

Available Information

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes and other information included elsewhere in this Form 10-Q and in our Form 10-K, as amended, for the fiscal year ended June 30, 2014, previously filed with the SEC.

### Cautionary Statement about Forward-Looking Statements

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

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

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

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

- ⊖ Expanded rigorous monitoring and testing requirements
- ♣ Ability to obtain insurance coverage on commercially reasonable terms
- ⊖ Competition generally and the increasing competitive nature of our industry

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

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

## Overview

We are a Houston-based company, whose primary business is the participation in a joint venture to explore in the State of Alaska for gold ore and associated minerals. On January 8, 2015, the Company and Royal Gold, Inc. (“Royal Gold”), through their wholly-owned subsidiaries, consummated the transactions (the “Transactions”) contemplated under the Master Agreement, dated as of September 29, 2014 (the “Master Agreement”), including the formation of a joint venture to advance exploration and development of the Company’s Tetlin Properties, which are prospective for gold and associated minerals. As of March 31, 2015, the Joint Venture Company had leased or had control over State of Alaska properties totaling approximately 774,356 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 on October 15, 2009 for the purpose of engaging in exploration in the State of Alaska for (i) gold ore and associated minerals and (ii) rare earth elements. Contango Mining initially acquired a 50% interest in the Original Properties (defined below) from Juneau Exploration, L.P., (“JEX”) in exchange for \$1 million and a 1.0% overriding royalty interest in the Properties under a Joint Exploration Agreement (the “Joint Exploration Agreement”). On September 15, 2010, Contango Mining acquired the remaining 50% interest in the Original Properties by increasing the overriding royalty interest in the Original Properties granted to JEX to 3.0% pursuant to an Amended and Restated Conveyance of Overriding Royalty Interest (the “Amended ORRI Agreement”), and JEX and Contango Mining terminated the Joint Exploration Agreement. JEX assisted the Company in acquiring land 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 Original Properties and Additional Properties to Royal Gold. On the same date, we terminated our Advisory Agreement with JEX.

The Company was formed on September 1, 2010 as a Delaware corporation and on November 29, 2010, Contango Mining assigned the Original Properties and certain other assets and liabilities to Contango. Contango contributed the Original 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 above took place between companies under common control.

Contango 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 on Form 10 on the basis of one share of common stock for each ten (10) shares of Contango's common stock then outstanding.

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

Upon Closing, Royal Gold initially invested \$5 million to fund exploration activity. The initial \$5 million does not give Royal Gold an equity stake in the Joint Venture Company. Royal Gold has the option to earn up to a 40% economic interest in the Joint Venture Company by investing up to \$30 million (inclusive of the initial \$5 million investment) prior to October 2018. The proceeds of Royal Gold's investment will be used by the Joint Venture Company for additional exploration and development of the Tetlin Properties.

#### Properties

Since 2009, the Company's primary focus has been the exploration and development of its Tetlin Lease and almost all of the Company's resources have been directed to that end. Our State of Alaska claims are not material properties. All work presently conducted by the Company has been directed at exploration of our Tetlin Properties 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 SEC Industry Guide 7.

The Tetlin Lease originally had a ten year term beginning July 2008 with an option to renew 50% of the acreage for an additional ten years. In December 2012, the Tetlin Lease was amended, allowing the Company to renew 100% of the acreage in 2018, in exchange for \$200,000, which the Company paid to the Tetlin Village Council. 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 Native Village of Tetlin, which varies from 2.0% to 5.0%, depending on the type of metal produced and the year of production. In June 2011, the Company paid the Tetlin Village Council \$75,000 in exchange for reducing the production royalty payable to them by 0.25%. In July 2011, the Company paid the Tetlin Village 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 Tribe of Tetlin has the option to increase its production royalty by (i) 0.25% by payment to the Joint Venture Company of \$150,000, or (ii) 0.50% by payment to the Joint Venture Company of \$300,000, or (iii) 0.75% by payment to the Joint Venture Company of \$450,000.

Our Tetlin Lease is the Joint Venture Company's only material property. 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 perfunctory title examination at the time it acquires a property. Before the Joint Venture Company begins any mine development work, however, the Joint Venture Company will conduct a full title examination 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. Due to harsh weather conditions in Alaska, the Joint Venture Company's exploration field work will be normally restricted to May through October.

The following table summarizes the property holdings of the Joint Venture Company as of March 31, 2015:

Property	Location	Commodities	Claims	Acres	Type
Tetlin-Tok	Eastern Interior	Gold, Copper	131	10,850	State Mining Claims
Eagle	Eastern Interior	Gold, Copper	428	65,946	State Mining Claims
Bush	Eastern Interior	Gold, Copper	48	7,680	State Mining Claims
West Fork	Eastern Interior	Gold, Copper	48	7,680	State Mining Claims
Triple Z	Eastern Interior	Gold, Copper	45	7,200	State Mining Claims
Tetlin-Village	Eastern Interior	Gold, Copper	-	675,000	Lease
	TOTALS:		700	774,356	

## Strategy

Partnering with strategic industry participants to expand our exploration work. In connection with an evaluation of the Company's strategic options conducted by the Board of Directors and its financial advisor, the Company determined to continue its exploration and development activities on the Tetlin Properties through a joint venture with an experienced industry participant. As a result, the Company formed the Joint Venture Company pursuant to a Joint Venture Company's LLC Agreement with Royal

Gold. Under the Joint Venture Company's LLC Agreement, Royal Gold is appointed as the Manager, initially, with overall management responsibility for operations of the Joint Venture Company through October 31, 2018, and, thereafter, provided Royal Gold earns at least a forty percent (40%) percentage interest by October 31, 2018. Royal Gold may resign as Manager and can be removed as Manager under certain circumstances as provided in the Joint Venture Company's LLC Agreement. The Manager will manage, and direct the operation of the Joint Venture Company, and will discharge its duties in accordance with approved programs and budgets. The Manager will implement the decisions of the Management Committee of the Joint Venture Company (the "Management Committee") and will carry out the day-to-day-operations of the Joint Venture Company. Except as expressly delegated to the

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

**Structuring Incentives to Drive Behavior.** The Company believes that equity ownership aligns the interests of our executives, employees and directors with those of our stockholders. The Company's directors, officers and employees do not receive cash compensation for their work for the Company. As of March 31, 2015, the Company's directors and employees beneficially own

approximately 10.7% of our common stock. An additional 21.6% of our common stock is beneficially owned by the Estate of Mr. Kenneth R. Peak, our former Chairman, who passed away on April 19, 2013.

**Restricted Stock.** In November 2010, the Company's directors, executive officers and a former technical consultant were granted an aggregate of 93,906 shares of restricted stock. The restricted stock vests over three years, beginning in November 2011, the one-year anniversary of the date the shares were granted. As of March 31, 2015, all of the restricted stock granted in November 2010 was vested.

In December 2013, the Company's directors, executive officers and a former technical consultant were granted an aggregate of 95,000 shares of restricted stock. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2015, there were 21,666 shares of such restricted stock that remained unvested.

In November 2014, two employees of the Company were granted an aggregate of 27,000 shares of restricted stock. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2015, there were 18,000 shares of such restricted stock that remained unvested.

In January 2015, the Company's non-employee directors were granted an aggregate of 30,000 shares of restricted stock, of which 10,000 shares vested immediately and the remaining 20,000 shares will vest over the next two years. In addition, a former technical consultant was granted an aggregate of 10,000 shares of restricted stock which vested immediately. The Compensation Committee also elected to immediately vest all of the stock options and restricted stock previously issued to the former technical consultant. As of March 31, 2015, there were 20,000 shares of such restricted stock that remained unvested.

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

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

(1) The Company granted 40,000 stock options to its directors and officers and an additional 10,000 stock options to its technical consultant, the owner of Avalon, for services performed during fiscal year 2011.

(2) The Company granted 75,000 stock options to its directors and officers and an additional 25,000 stock options to its technical consultant for services performed during fiscal year 2012.

(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.

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

- (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.
- (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. The Company's Compensation Committee has determined that the Transactions do not constitute a change in control under the 2010 Plan.

Ms. Leah Gaines was appointed Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary of the Company as of October 1, 2013. The appointment of Ms. Gaines followed the resignation of Mr. Sergio Castro and Ms. Yaroslava Makalskaya, as a result of the merger between Contango Oil & Gas Company and Crimson Exploration Inc. On June 28, 2013, the Compensation Committee elected to immediately vest all of the stock options of Mr. Castro and Ms. Makalskaya.

#### Exploration and Mining Property

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

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

The State of Alaska government owns public lands. Mineral resource exploration, development and production are administered primarily by the State Department of Natural Resources. Ownership of the subsurface mineral estate, including alluvial and lode mineral rights, can be acquired by staking a 40 acre or 160 acre mining claim, which right is granted under Alaska Statute Sec. 38.05.185 to 38.05.275, as amended (the "Alaska Mining Law"). The State government continues to own the surface estate, subject to certain rights of ingress and egress owned by the claimant, even though the subsurface can be controlled by a claimant with a right to extract through claim staking. Private fee lands are lands that are controlled in fee-simple title by private individuals or corporations. These lands can be acquired for mining and exploration activities by either leasing or purchasing the surface and subsurface rights from the private owner. Unpatented mining claims located on public land owned by another entity can be controlled by leasing or purchasing the claims outright from the owners.

With respect to unpatented mining claims, the State government continues to own the fee interest in real property while allowing private parties to stake claims for exploration, development and commercial extraction of minerals with rights of ingress and egress on the real property. Unpatented claims give the claimant the exclusive right, subject to permitting requirements, to explore for and to develop the underlying minerals and use the surface for such purpose. However, the claimant does not own unfettered title to either the minerals or the surface, and the mining claim is subject to annual assessment work requirements, the payment of annual rental fees which are established by the governing authority of the land on which the claim is located 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 also subject to permitting requirements of Federal, State, Tribal and Local governments, challenges by third parties or contests by government agencies.

#### Gold Exploration

In connection with the closing of the Transactions with Royal Gold in January 2015 (the "Closing"), the Company formed the Joint Venture Company and contributed to the Joint Venture Company the Tetlin Lease 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.

The Company, through its participation in the Joint Venture Company, controls a total of 774,356 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 our TOK, Eagle, Bush, AD and Triple Z claims. The Tetlin Lease is located in eastern interior Alaska, approximately 200 miles southeast of Fairbanks and 12 miles southeast of Tok, Alaska. The area is accessible via helicopter and via the 23 mile long Tetlin Village Road which provides year-round access to the Alaska Highway. Buried electrical and fiber-optic communications cables link the Tetlin Village to the Tok power and communications grid.

Through its joint venture agreement with Royal Gold, Peak Gold, LLC, the Company expects drilling activities to resume in the second quarter of 2015 on the Tetlin project. Several exploration prospects will be tested in addition to extension and deeper testing of the previously discovered Peak zone mineralization. The Company expects to have the results of the first phase of drilling by early in the third quarter, at which time a decision will be made as to the extent of further drilling activities on the lease.

The Company's exploration effort on the Tetlin Lease has resulted in identifying one mineral deposit (Peak) and several other gold and copper prospects. The Company has drilled certain of these other prospect as part of our 2011, 2012 and 2013 exploration programs. The Company gathered 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. The Company did not conduct drilling on the Eagle claims during the 2014 exploration program. None of our exploration targets are known to host quantifiable commercial mineral reserves and none are near or adjacent to other known significant gold or copper deposits. There has been no recorded past placer or lode mining on Tetlin project, and the Company is the only entity known to have conducted drilling operations on the Tetlin project.

The Joint Venture Company has prepared a summer of 2015 exploration program on the Tetlin Properties. The work program anticipates spending \$5 million in a first phase with a possible expansion of the work program in late summer, if drilling results warrant further work. The drilling program will include exploration targets that are helicopter-supported at the Tars, Saddle, North Saddle and Saddle Skarn targets and road-supported work at the Peak Zone. Most of the initial work program may be completed by the end of July with on-site sample preparation and assay results in early August.

#### Chief Danny Prospect

The Chief Danny Prospect currently is the most advanced exploration target on the Tetlin Lease and is comprised of several distinct mineralized areas, the Peak deposit, Discovery Zone, Roadcut Zone and the Saddle Zone. The Chief Danny prospect was discovered during rock, stream sediment and pan concentrate sampling in 2009 and since then has been explored using top of bedrock soil auger sampling, trenching, ground induced polarization (IP) geophysics, airborne magnetic and resistivity surveys and core drilling. Results from this work indicate the presence of a zoned metal-bearing system consisting of a gold-copper-iron enriched core covering six square miles at Chief Danny South (includes Peak, Discovery and Roadcut Zones) and a fault-offset arsenic-gold enriched zone to the north covering three square miles at the Saddle Zone. We have conducted extensive drilling on the Peak Zone. We have also conducted environmental base line studies on the areas surrounding the Chief Danny prospect, as well as conducted airborne magnetic and resistivity programs. From 2009 through 2013, 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	6	1,406	—	—	47,079	2,524	—
2014	Chief Danny	—	—	—	—	—	—	—	—
	Total	15,460	1,679	3,916	762	806	91,140	6,495	2,330

2014 Exploration Program. No field exploration programs were conducted on the Tetlin project during 2014. Work conducted in previous years was sufficient to satisfy work commitment requirements of the Tetlin Lease and annual work commitment requirements of State of Alaska mining claims that are part of the Tetlin project.

2013 Exploration Program. We completed 14,349 meters (47,079 ft) of core drilling in 69 core holes during the 2013 Tetlin project exploration program. Drilling included infill and step-out drilling in the Peak Zone (60 holes, 11,592 meters), and completion of 9 additional core holes on 5 other leads in the greater Chief Danny prospect (2,757 meters). We also completed approximately 2,500 line-kilometers of airborne magnetic and electromagnetic geophysics, completed or commenced all of the baseline water quality sampling, cultural resource assessments, wetlands mapping, preliminary metallurgical testing and acid rock drainage testing. We spent approximately \$9.0

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

million for this work which includes drilling, geochemical analyses, airborne geophysics, landholding fees and other related expenses. The following table summarizes the significant drilling results released to date for 2013:

Significant 2013 Drill Intercepts from the Peak Zone. Sample intervals are calculated using a 0.5 gpt lower cut off for gold with no internal waste greater than 3 meters less than cutoff grade. Intercepts shown are drill intercept lengths. True width of mineralization are unknown. The grade cutoff for gold (Au) is 0.5 gpt; for silver (Ag) is 10 gpt; and for copper (Cu) is 0.1%.

Drill Hole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au_opt	Ag gpt	Cu %
TET13062	Peak	88.90	153.70	64.80	13.101	0.382	21.0	0.482

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

Drill Hole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au_opt	Ag gpt	Cu %
TET13063	Peak	131.11	171.60	40.49	16.550	0.483	36.1	0.732
TET13064	Peak	147.20	191.40	44.20	8.464	0.247	5.5	0.169
TET13065	Peak	184.45	206.93	22.48	1.160	0.034	10.5	0.403
TET13067	Peak	114.80	125.10	10.30	0.180	0.005	18.2	0.215
TET13068	Peak	—	112.80	112.80	0.196	0.006	13.5	0.267
TET13069	Peak	54.60	162.63	108.03	0.026	0.001	11.0	0.406
TET13070	Peak	116.80	154.92	38.12	1.815	0.053	1.8	0.040
TET13071	Peak	129.90	186.50	56.60	1.182	0.034	1.9	0.048
TET13072	Peak	170.99	199.82	28.83	1.173	0.034	6.4	0.133
TET13073	Peak	170.23	192.64	22.41	0.708	0.021	5.5	0.103
TET13074	Peak	78.90	105.80	26.90	0.079	0.002	17.9	0.336
TET13075	Peak	83.70	134.50	50.80	0.057	0.002	8.1	0.354
TET13076	Peak	107.80	163.50	55.70	0.044	0.001	17.0	0.661
TET13077	Peak	135.48	162.12	26.64	0.022	0.001	34.6	1.110
TET13078	Peak	77.06	105.00	27.94	2.648	0.077	3.1	0.123
TET13079	Peak	120.04	157.89	37.85	4.366	0.127	3.7	0.203
TET13080	Peak	135.41	157.38	21.97	5.378	0.157	2.7	0.070
TET13081	Peak	146.53	179.73	33.20	2.550	0.074	52.4	0.491
TET13082	Peak	5.79	93.38	87.59	4.025	0.117	19.3	0.300
TET13083	Peak	112.46	143.65	31.19	1.350	0.039	5.5	0.163
TET13084	Peak	134.95	160.33	25.38	5.086	0.148	9.0	0.244
TET13085	Peak	130.13	175.16	45.03	2.740	0.080	69.5	1.401
TET13088	Peak	19.18	157.20	138.02	3.626	0.106	11.4	0.113
TET13089	Peak	2.74	101.60	98.86	2.500	0.073	3.5	0.093
TET13090	Peak	127.60	159.20	31.60	0.087	0.003	24.3	0.882
TET13091	Peak	45.11	98.78	53.67	1.111	0.032	10.5	0.249
TET13092	Peak	77.90	87.63	9.73	0.004	—	3.5	0.157
TET13093	Peak	141.70	146.56	4.86	1.184	0.035	9.7	0.092
TET13094	Peak	129.90	153.60	23.70	0.415	0.012	106.6	0.716
TET13095	Peak	146.00	191.35	45.35	0.193	0.006	12.3	0.151
TET13096	Peak	85.04	86.70	1.66	1.968	0.057	0.9	0.013
TET13097	Peak	171.53	196.00	24.47	0.726	0.021	8.5	0.156
TET13098	Peak	9.75	94.18	84.43	4.988	0.145	16.7	0.167
TET13100	Peak	10.98	106.90	95.92	5.748	0.168	6.9	0.140
TET13102	Peak	6.35	30.90	24.55	0.758	0.022	5.9	0.223
TET13103	Peak	150.40	186.95	36.55	0.145	0.004	88.3	0.340
TET13104	Peak	—	142.60	142.60	2.529	0.074	2.4	0.082
TET13105	Peak	50.30	52.74	2.44	1.081	0.032	1.8	0.008
TET13106	Peak	57.45	103.33	45.88	0.016	—	35.1	0.070
TET13107	Peak	—	159.25	159.25	7.010	0.204	6.6	0.102
TET13108	Peak	14.33	73.25	58.92	1.058	0.031	10.8	0.130
TET13109	Peak	81.52	114.20	32.68	0.089	0.003	3.2	0.181
TET13110	Peak	2.13	99.06	96.93	9.060	0.264	4.3	0.093
TET13111	Peak	169.77	172.82	3.05	0.175	0.005	7.6	0.232
TET13113	Peak	82.60	97.50	14.90	0.946	0.028	66.3	0.086
TET13117	Peak	—	134.82	134.82	4.848	0.141	2.9	0.084
TET13119	Peak	6.10	80.70	74.60	1.303	0.038	2.9	0.130

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

TET13120 Peak	196.10	202.39	6.29	0.186	0.005	2.9	0.130
TET13121 Peak	46.70	55.26	8.56	5.671	0.165	10.8	0.121

27

---

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

Drill Hole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au_opt	Ag gpt	Cu %
TET13122	Peak	81.38	84.09	2.71	2.255	0.066	3.9	0.010
TET13124	Peak	33.22	168.72	135.50	3.240	0.095	3.6	0.115
TET13125	Peak	65.17	121.92	56.75	0.284	0.008	15.3	0.523
TET13128	Peak	116.12	119.17	3.05	0.489	0.014	2.5	0.157
TET13129	Peak	9.60	75.90	66.30	1.450	0.042	3.7	0.250
TET13130	Peak	9.14	31.39	22.25	2.348	0.068	1.1	0.082

2012 Exploration Program. The 2012 exploration program at the Chief Danny Prospect began in mid-May and was completed in mid-October 2012. We originally budgeted \$3.6 million to utilize one rig and drill 20,000 feet in 20 to 40 core holes. Initial results from the drilling program at Chief Danny resulted in reallocating funds from our other gold and copper leads to the Chief Danny Prospect, which enabled us to utilize two rigs to drill 36,004 feet in 50 core holes. We also conducted additional soil auger geochemical sampling on the western and southern margins of the Chief Danny zone and conducted baseline water quality sampling in drainage basins that have the potential to be impacted by the development of the Chief Danny Prospect. The total cost of our 2012 exploration program on our Chief Danny prospect was approximately \$4.6 million, compared to investing only \$1.0 million on our other gold and copper leads which also included geochemical analysis, claim rentals and other related expenses.

The 2012 exploration program expanded on previously drilled areas and intercepted high grade gold and copper mineralization in the newly designated Peak Zone discovery. The results from four holes contained high gold values over substantial widths, with the best section grading an average 192 feet grading 11.996 ppm gold, 9.1 ppm silver and 0.243% copper in one hole; 14.5 feet grading 46.148 ppm gold, 25.9 ppm silver and 0.518% copper in another hole; and 120 feet grading 0.309 ppm gold, 71.6 ppm silver and 1.114% copper in another hole (see table of results below). In general, all of the holes intercepted a 100 to 125 foot wide zone of alteration and mineralization. The mineralization dips at a low angle to the north and trends northwest-southeast. In addition to gold, silver and copper, other anomalous metals include arsenic, bismuth, cobalt, molybdenum and tin with lesser, more sporadic anomalous lead and zinc.

Significant 2012 Gold Drill Results from the Peak Zone. Sample intervals are calculated using a 0.5 ppm lower cut off for gold with no internal intervals below cutoff grade that are greater than ten feet thick. Intercepts shown are drill intercept lengths. True width of mineralization is not known.

Drill Hole	Zone	From (meters)	To (meters)	Interval (meters)	Au opt	Au gpt	Ag gpt	Cu %
TET1216	Peak	14.02	15.54	1.52	0.123	4.208	7.2	0.096
TET1216	Peak	19.96	45.72	25.75	0.228	7.832	23.5	0.061
including	Peak	25.91	28.95	3.05	0.634	21.75	34.8	0.086
And	Peak	42.67	44.19	1.52	1	34.3	50.9	0.01
TET1216	Peak	53.34	60.04	6.71	0.102	3.499	15.8	0.535
including	Peak	56.39	57.09	0.70	0.379	13	123	0.865
TET1216	Peak	64.61	78.33	13.72	0.081	2.766	1.4	0.053
including	Peak	70.31	70.62	0.30	0.274	9.385	4.8	0.809
And	Peak	76.81	78.33	1.52	0.252	8.632	4.2	0.117
TET1216	Peak	81.38	113.99	32.61	0.109	3.735	2.6	0.113
including	Peak	105.97	106.28	0.30	1.604	55	9.3	0.727
And	Peak	106.28	107.89	1.62	0.282	9.661	3.6	0.133
TET1217	Peak	7.92	56.99	49.07	0.327	11.218	21.6	0.085
including	Peak	7.92	32.31	24.38	0.574	19.677	16.9	0.082
including	Peak	14.02	18.59	4.57	1.255	43.033	15.5	0.142
And	Peak	23.16	26.21	3.05	0.844	28.95	19.9	0.051
And	Peak	27.74	32.31	4.57	0.726	24.9	37.6	0.054
TET1217	Peak	139.47	140.44	0.98	0.122	4.173	48.7	0.11

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

TET1218	Peak	85.34	143.86	58.52	0.422	14.452	9.1	0.243
including	Peak	103.93	106.67	2.74	0.945	32.393	8.9	0.324
And	Peak	107.13	111.55	4.42	1.459	50.007	25.9	0.518
And	Peak	136.15	142.33	6.19	0.941	32.249	13.2	0.347
TET1218	Peak	151.48	155.29	3.81	0.064	2.19	6.1	0.194
TET1219	Peak	31.24	32.61	1.37	0.036	1.223	20.9	0.072
TET1219	Peak	44.19	80.46	36.27	0.076	2.589	3.3	0.086
including	Peak	45.72	59.43	13.72	0.137	4.696	2.7	0.131

28

---

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

Drill Hole	Zone	From (meters)	To (meters)	Interval (meters)	Au opt	Au gpt	Ag gpt	Cu %
TET1219	Peak	89.91	92.65	2.74	0.041	1.4	13.7	0.26
including	Peak	89.91	90.43	0.52	0.157	5.372	29.2	0.106
TET1219	Peak	96.31	97.84	1.52	0.13	4.457	0.8	0.012
TET1219	Peak	108.50	122.22	13.72	0.053	1.821	3.2	0.218
TET1219	Peak	139.29	143.55	4.27	0.444	15.218	2.3	0.114
including	Peak	139.29	140.51	1.22	1.35	46.3	5.9	0.274
TET1235	Peak	168.61	185.92	17.31	0.635	21.766	7.4	0.319
including	Peak	171.65	176.17	4.51	1.977	67.797	10.2	0.363
including	Peak	171.65	173.12	1.46	2.713	93	14.2	0.459
And	Peak	173.12	174.64	1.52	2.287	78.4	10.9	0.392
TET1235	Peak	188.97	192.01	3.05	0.18	6.161	7.6	0.363
TET1235	Peak	198.11	199.63	1.52	0.154	5.29	55.8	2.12
TET1236	Peak	155.44	204.21	48.77	0.429	14.717	10.1	0.244
including	Peak	164.58	201.16	36.57	0.554	18.991	12.9	0.307
including	Peak	166.11	172.20	6.10	1.103	37.8	6	0.387
And	Peak	193.54	195.06	1.52	1.397	47.9	16.1	0.921
And	Peak	199.63	201.16	1.52	1.368	46.9	13.1	0.33
TET1238	Peak	123.44	128.01	4.57	0.019	0.636	47.1	1.158
TET1238	Peak	135.63	138.68	3.05	0.039	1.334	145.9	3.735
TET1239	Peak	118.56	121.61	3.05	0.043	1.477	13.4	0.444
TET1239	Peak	136.85	138.37	1.52	0.047	1.618	42.6	1.06
TET1241	Peak	36.27	39.62	3.35	0.094	3.213	3.4	0.088
TET1241	Peak	45.72	50.29	4.57	0.048	1.632	1.9	0.059
TET1241	Peak	60.35	64.61	4.27	0.028	0.95	2.6	0.023
TET1241	Peak	137.15	141.73	4.57	0.019	0.645	46.9	0.445
TET1242	Peak	19.51	28.65	9.14	0.047	1.611	3.7	0.105
TET1242	Peak	42.37	45.57	3.20	0.043	1.483	1.4	0.048
TET1242	Peak	115.82	118.26	2.44	0.026	0.9	0.3	0.011
TET1242	Peak	121.30	124.35	3.05	0.048	1.653	1.2	0.021
TET1242	Peak	142.94	162.45	19.51	0.08	2.756	2.6	0.154
including	Peak	149.04	151.94	2.90	0.207	7.098	2	0.1
and	Peak	161.63	162.45	0.82	0.44	15.1	11.5	0.232
TET1243	Peak	30.17	34.75	4.57	0.021	0.714	1.3	0.032
TET1243	Peak	100.27	101.80	1.52	0.103	3.534	0.8	0.018
TET1244	Peak	87.17	90.22	3.05	0.057	1.963	—	0.006
TET1244	Peak	96.31	103.93	7.62	0.095	3.273	0.8	0.013
TET1244	Peak	108.50	113.08	4.57	0.097	3.324	0.9	0.019
including	Peak	108.50	110.03	1.52	0.248	8.501	1	0.008
TET1244	Peak	157.57	160.62	3.05	0.02	0.689	—	0.004
TET1246	Peak	72.54	75.59	3.05	0.055	1.899	1.6	0.01
TET1246	Peak	341.36	342.67	1.31	0.114	3.919	2.6	0.299
TET1246	Peak	435.54	437.21	1.68	0.035	1.214	5.3	0.193
TET1247	Peak	17.83	20.42	2.59	0.046	1.561	0.3	0.015
TET1247	Peak	32.92	38.10	5.18	0.067	2.283	0.2	0.01
including	Peak	35.96	36.57	0.61	0.268	9.175	1.3	0.039
TET1247	Peak	44.80	45.26	0.46	0.108	3.713	0.6	0.015
TET1247	Peak	63.40	64.31	0.91	0.183	6.279	0.8	0.004

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

TET1247	Peak	74.67	77.87	3.20	0.047	1.611	0.4	0.021
TET1247	Peak	233.16	234.68	1.52	0.039	1.345	0.6	0.012
TET1248	Peak	12.19	28.35	16.15	0.03	1.03	1.2	0.012
TET1249	Peak	16.76	22.55	5.79	0.022	0.757	1.7	0.008
TET1249	Peak	45.72	46.78	1.07	0.105	3.602	1.2	0.007
TET1257	Peak	17.07	24.08	7.01	0.03	1.012	23.2	0.006
TET1257	Peak	151.17	167.02	15.85	0.06	2.07	16.9	0.521
including	Peak	154.53	156.35	1.83	0.188	6.447	8.4	0.205
TET1257	Peak	171.35	173.36	2.01	0.065	2.219	27	0.827
TET1259	Peak	148.74	150.26	1.52	0.042	1.449	18.5	0.191

29

---

TET1261      Peak            87.47          89.00      1.52          0.093        3.193        —            0.037

Following discovery of the Peak Zone, additional drilling was completed along strike to the northwest and southeast, eventually extending gold and/or copper mineralization over approximately 1700 feet of strike. Gold grades in excess of 1 ppm were encountered in all of these holes. Alteration and sulfide mineralization styles were identical along the entire strike length drilled in 2012.

2011 Exploration Program. The 2011 exploration program at the Chief Danny Prospect consisted of 1,267 core samples taken over 8,057 feet of drilling in 11 core holes. The geophysics conducted in 2011 was airborne magnetics and resistivity surveys as opposed to the ground IP (induced polarization) that was done in 2010. Core drilling and trenching at the Chief Danny prospect in 2011 did not return significant grade-thickness intervals for holes number 1, 3, 6, 8, 9 and 11. For the remaining holes, intervals of gold and copper mineralization were as follows, in grams per ton (“gpt”) for gold and silver and percent for copper:

Hole No.	Depth	Footage with Returns	Grams of Gold	Grams of Silver	Percent Copper
2	328 feet	4 feet	4.94 gpt	143.0 gpt	0.56%
4	735 feet	10 feet	0.94 gpt	1.10 gpt	0.03%
5	1,416 feet	12 feet	3.10 gpt	300.2 gpt	0.26%
7	976 feet	21 feet	7.40 gpt	4.90 gpt	0.15%
10	139 feet	32 feet	1.18 gpt	3.1 gpt	0.04%
Trench	n/a	70 feet	0.69 gpt	8.60 gpt	0.38%

#### Rare Earth Elements

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

#### Consulting Services provided by Avalon Development Corporation

Until January 8, 2015, the Company was a party to a Professional Services Agreement (“PSA”) with Avalon to provide certain geological consulting services and exploration activities with respect to the properties. Pursuant to the PSA, Avalon provided geological consulting services and exploration activities, including all field work at the Tetlin Lease. The Company paid Avalon on a per diem basis and reimbursed Avalon for its expenses. As additional compensation, the owner of Avalon received restricted shares of common stock and stock options to purchase shares of common stock of the 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.

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

Services Provided by Tetlin Village Members

Since the start of the term of our Tetlin Lease, the Company has worked closely with the Tetlin Village Council to train and employ Tetlin residents during Tetlin project exploration programs. During the 2013 exploration program, there were more than 15 Tetlin residents working on the Tetlin project exploration program, employed on a seasonal basis through Avalon. Their duties included reconnaissance soil, stream sediment and pan concentrate sampling, diamond drill core processing, drill pad construction

and related tasks, expediting services, food services, database management, vehicle transportation and maintenance services, reclamation activities, and project management tasks.

On October 15, 2010, the Company entered into a consulting agreement (as amended, the "Consulting Agreement"), with the Chief of the Tetlin Village (the "Consultant"), which was terminated in January 2015 in connection with the Transactions. Under the terms of the Consulting Agreement, the Consultant assisted the Company in negotiations with other native tribes to lease additional properties and assisted the Company with State of Alaska and Federal governmental affairs issues. The Company paid the Consultant \$5,000 per month and certain lodging costs while the Consultant was in Fairbanks, Alaska, in exchange for his services.

#### Community Affairs

The Company's activities have increased road traffic and general activity on the Tetlin lands. During the fiscal year ended June 30, 2014, the Company expended approximately \$434,000 on road work, snow plowing, flood relief, winter fuel, village repairs and charitable contributions. From July 2014 through March 2015, the Company expended approximately \$30,000 on additional road work and other community-related efforts in the Tetlin community.

In August 2013, the Company advanced \$100,000 to the Tetlin Village Council under a Promissory Note (the "Tetlin Note") for road improvements. The terms of the Tetlin Note, required the advance be repaid without interest on the earlier of (i) October 1, 2013 or (ii) a date that is within five days following the date the Tetlin Village Council receives funds from the State of Alaska for road improvements. The Tetlin Note was repaid on October 4, 2013.

#### Adverse Weather Conditions

Weather conditions will affect our ability to conduct exploration activities and mine any ore from the Joint Venture Company's Properties in Alaska. While exploratory drilling and related activities may only be conducted from May to October on certain of our Properties, we believe development work and any subsequent mining may be conducted year-round.

#### Competition

We currently face strong competition for the acquisition of exploration-stage properties as well as extraction of any minerals in Alaska. Numerous larger mining companies actively seek out and bid for mining prospects as well as for the services of third party providers and supplies, such as mining equipment and transportation equipment. Our 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, we will compete with others in efforts to obtain financing to explore our mineral properties.

#### Off-Balance Sheet Arrangements

None.

#### Contractual Obligations

The Tetlin Lease provides for an initial term of ten years and so long after such initial term as we continue conducting exploration or mining operations on the Tetlin Lease. We are required to spend \$350,000 per year annually until July 15, 2018 in exploration costs pursuant to the Tetlin Lease. However, our exploration expenditures to date have already have 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 we will pay the Tetlin Village Council a production royalty ranging from 2.0% to 5.0% should we deliver to a purchaser on a commercial basis precious or non-precious metals derived from the properties under the Tetlin Lease. As of March 31, 2015, we have paid the Tetlin Village Council \$225,000 in exchange for reducing the production royalty payable to them by 0.75%. These payments lowered the production royalty to a range

of 1.25% to 4.25%. On or before July 15, 2020, the Tetlin Village 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 Village Council an advance minimum royalty of approximately \$75,000 per year, plus an inflation adjustment. As of March 2015, the Company had prepaid

\$40,000 of the \$75,000 advance minimum royalty that is due to the Tetlin Village Council on July 15, 2015. 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 Original Properties, and a production royalty of 2.0% should it deliver to a purchaser on a commercial basis precious metals, non-precious metals or hydrocarbons derived from the Additional Properties. The Joint Venture Company pays claim rentals of \$86,555 per year on state of Alaska acreage. Also, if the minimum work requirement is not performed on the property, additional minimum labor payments are due on certain state of Alaska acreage.

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

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

**Mineral Property Interests, Exploration and Development Costs:** Mineral property interests include interests in the exploration stage mineral properties acquired. The amount capitalized includes costs paid to acquire mineral property interest as well as the costs paid to obtain the lease rights. Exploration costs are expensed as incurred. Development costs are expensed as incurred until the Company obtains proven and probable reserves within its commercially minable properties. Costs of abandoned projects are charged to earnings upon abandonment. Properties determined to be impaired are written-down to the estimated fair value. The Company periodically evaluates whether events or changes in circumstances indicate that the carrying value of mineral property interests and related property, plant and equipment may not be recoverable.

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

**Investment in the Joint Venture Company.** The Company's consolidated financial statements include the investment in Peak Gold, LLC utilizing the equity method as the Company has significant influence through its one seat on the Management Committee. The assets contributed by the Company were recorded at historical cost.

#### Results of Operations

Neither the Company nor the Joint Venture Company has commenced mining or producing commercially marketable minerals. To date, neither the Company nor the Joint Venture Company has not generated any revenue from mineral sales or operations. Neither the Company nor the Joint Venture Company has any recurring source of revenue and other than Royal Gold's contributions in connection with the Transactions, the Company's ability to continue as a going concern is dependent on our ability to raise capital to fund our future exploration and working capital requirements. In the future, the Joint Venture Company may generate revenue from a combination of mineral sales and other payments resulting from any commercially recoverable minerals from the Tetlin Properties. We do not expect the Joint Venture Company to generate revenue from mineral sales in the foreseeable future. If the Tetlin Properties fail to contain any proven reserves, our ability to generate future revenue, and our results of operations and financial position, would be materially adversely affected. Other potential sources of cash, or relief of demand for cash, include external debt, the

sale of shares of our stock, joint ventures, or alternative methods such as mergers or sale of our assets. No assurances can be given, however, that we will be able to obtain any of these potential sources of cash. We will need to generate significant revenues to achieve profitability and we may never do so.

As described further in Note 4 to the accompanying unaudited consolidated financial statements, the Company has restated its unaudited consolidated financial statements and related disclosures for the three and nine-month periods ended March 31, 2015. The following discussion and analysis for the Company's financial condition and results of operations incorporates the restated amounts. For this reason, the data set forth in this Item 2 may not be comparable to the discussion and data in the Company's previously filed quarterly reports on Form 10-Q for the three and nine-month periods ended March 31, 2015.

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

**Claim Rentals and Minimum Royalties.** Claim rentals and minimum royalties consist of Federal and State of Alaska rental payments, annual labor payments, and minimum royalty payments payable to the Tetlin Village Council. We recognized claim rental and minimum royalties expense of \$40,389 for the three months ended March 31, 2015, compared to \$39,576 for the three months ended March 31, 2014.

**Exploration Expense.** We reported \$140,402 of exploration expense for the three months ended March 31, 2015, compared to \$214,598 for the three months ended March 31, 2014. This decrease is due to the fact that the Joint Venture Company incurred the majority of the costs related to the preliminary exploration work completed by Peak Gold, LLC for the 2015 exploration program. These exploration expenses are included within Loss from equity investment in Peak Gold, LLC on the consolidated statement of operations. Components of exploration expense included drilling, permits, field rentals and field supplies as well as helicopters, transportation and fuel.

**Stock-based Compensation Expense.** We recognized \$127,025 of stock-based compensation expense for the three months ended March 31, 2015, related to restricted stock granted to our officers and directors in January 2015 and December 2013, and stock option awards granted in July 2012, December 2012, July 2013, and September 2013, all pursuant to the Company's 2010 Equity Compensation Plan. We recognized \$122,951 of stock-based compensation expense for the three months ended March 31, 2014 related to the restricted stock granted in November 2010 and stock option awards granted in September 2011, July 2012, December 2012, July 2013 and September 2013.

**General and Administrative Expense.** General and administrative expense for the three months ended March 31, 2015 and 2014 were \$625,344 and \$302,399, respectively. The majority of the costs relate to professional and legal fees associated with the Transactions with Royal Gold which were consummated on January 8, 2015.

**Expense Reimbursement.** We recognized \$750,000 and \$0 for the three months ended March 31, 2015 and 2014, respectively. This amount relates to an expense reimbursement from Royal Gold to offset the costs associated with the Transactions.

Nine Months Ended March 31, 2015 Compared to Nine Months Ended March 31, 2014

**Claim Rentals and Minimum Royalties.** Claim rentals and minimum royalties consist of Federal and State of Alaska rental payments, annual labor payments, and minimum royalty payments payable to the Tetlin Village Council. We recognized claim rental and minimum royalties expense of \$120,625 for the nine months ended March 31, 2015, compared to \$139,820 for the nine months ended March 31, 2014. The decrease in claim rentals and minimum royalties is due to the abandonment of our Federal rare earth element claims to devote more time and resources to our gold exploration.

**Exploration Expense.** We reported \$354,902 of exploration expense for the nine months ended March 31, 2015, compared to \$6,734,888 for the nine months ended March 31, 2014. This decrease is due to only minimal exploration work that was completed during the 2014 exploration program. Additionally, since the consummation of the transactions in January 2015, the Joint Venture Company has incurred all of the exploration expenses for the Company. These exploration expenses are included within Loss from equity investment in Peak Gold, LLC on the consolidated statement of operations. Components of exploration expense included drilling, permits, field rentals and field supplies as well as helicopters, transportation and fuel.

**Stock-based Compensation Expense.** We recognized \$399,068 of stock-based compensation expense for the nine months ended March 31, 2015, related to restricted stock granted to our officers and directors in January 2015 and December 2013, and stock option awards granted in July 2012, December 2012, July 2013, and September 2013, all pursuant to the Company's 2010 Equity Compensation Plan. We recognized \$689,747 of stock-based compensation

expense for the nine months ended March 31, 2014 related to the restricted stock granted in November 2010 and stock option awards granted in September 2011, July 2012, December 2012, July 2013 and September 2013.

**General and Administrative Expense.** General and administrative expense for the nine months ended March 31, 2015 and 2014 were \$1,756,985 and \$907,530 respectively. The majority of the increase relates to increased legal and professional expenses during the 2014 period as compared to the prior 2013 period.

**Expense Reimbursement.** We recognized \$750,000 and \$0 for the nine months ended March 31, 2015 and 2014, respectively. This amount relates to an expense reimbursement from Royal Gold to offset the costs associated with the Transactions.

## Liquidity

The Tetlin Properties are still in the initial stages of exploration, and the longer term liquidity of the Company will be impaired to the extent the Joint Venture Company's exploration efforts are not successful in generating commercially viable mineral deposits on the Tetlin Properties. As of March 31, 2015, the Company has approximately \$2.0 million of cash, cash equivalents, and short term investments.

On January 8, 2015, Royal Gold invested \$5 million initially to fund exploration activity, and will have the option to earn up to a 40% economic interest in the joint venture by investing up to \$30 million (inclusive of the initial \$5 million investment) prior to October 2018. The proceeds of Royal Gold's investment will be used by the Joint Venture Company for additional exploration and development of the Tetlin Properties. As part of the Closing of the Transactions, Royal Gold paid the Company \$750,000 which was utilized to partially reimburse the Company for costs and expenses incurred in the Transactions.

## Risk Factors

In addition to the other information set forth elsewhere in this Form 10-Q and in our Form 10-K, as amended for the fiscal year ended June 30, 2014, you should carefully consider the following factors when evaluating the Company. An investment in the Company is subject to risks inherent in our business and involves a high degree of risk. The trading price of the shares of the Company is affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions. The value of an investment in the Company may decrease, resulting in a loss.

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

Royal Gold is the Manager of the Joint Venture Company and has appointed two designates to the Management Committee of the Joint Venture Company (the "Management Committee"). The Company has appointed one designate to the Management Committee. If, after October 31, 2018, Royal Gold has earned at least a 40% membership interest in the Joint Venture by making the full \$30 million investment, Royal Gold will continue to have the right to appoint two designates to the Management Committee and the Company will continue to have the right to appoint one designate thereto. 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 \$30 million investment.

We must depend upon Royal Gold management of the Joint Venture Company following termination of our third party consulting agreements.

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

There can be no assurance that Royal Gold will fund any amount after its initial contribution.

The Joint Venture Company's LLC Agreement contains earn-in periods where Royal Gold has the option to fund up to \$25 million on or before October 31, 2018 after its initial \$5 million investment at the Closing of the Master Agreement. There is no requirement that Royal Gold contribute any future amounts to the Joint Venture Company beyond its initial \$5 million investment, and the Company will have limited funds to continue exploration and development of its Tetlin Properties if Royal Gold fails to contribute additional amounts to the Joint Venture Company.

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

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

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

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

Further financing by the Company may include issuances of equity, instruments convertible into equity (such as the issuance of rights pursuant to a rights offering) or various forms of debt. The Company has issued common stock and other instruments convertible into equity in the past and cannot predict the size or price of any future issuances of common stock or other instruments convertible into equity, and the effect, if any, that such future issuances and sales will have on the market price of the Company's securities. Any additional issuances of common stock or securities convertible into, or exercisable or exchangeable for, common stock may ultimately result in dilution to the holders of common stock, dilution in any future earnings per share of the Company and may have a material adverse effect upon the market price of the common stock of the Company.

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

Royal Gold is an international company with approximately 198 properties on six continents and a market capitalization of approximately \$4.6 billion on January 8, 2015. Because of its vastly superior technical and financial resources, Royal Gold may adopt budgets and work programs for the Joint Venture Company that the Company will be unable to fund in the time frame required, and its interest in the Joint Venture Company may be substantially diluted.

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

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

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

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

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

The probability of finding economic mineral reserves on any of our properties is 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 our properties will contain commercial mineral reserves and that the Company will recover funds spent on exploration is remote.

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

With the price of gold declining over the past several years, many large mining companies have announced the closure of existing gold mines and a moratorium on new gold mine development. The decline in the price of gold and other minerals has made mining operations less attractive.

Our ability to successfully execute our business plan is dependent on our ability to obtain adequate financing.

Our business plan, which includes the drilling of the Joint Venture Company's exploration prospects, will require substantial capital expenditures. Our ability to raise capital will depend on many factors, including the status of various capital and industry markets at the time we seek such capital. Accordingly, we cannot be certain that financing will be available to us on acceptable terms, if at all. In the event additional capital resources are unavailable, we may be required to cease our exploration and development activities or be forced to sell all or some portion of our properties in an untimely fashion or on less than favorable terms.

We have no revenue to date from our properties, which may negatively impact our ability to achieve our business objectives.

Since the acquisition of the properties, we and our predecessors have conducted only very limited exploration activities and to date have not discovered any commercially viable mineral deposits. Our ability to become profitable will be dependent on the receipt of revenues from the extraction of minerals greater than our operational expenses. We and our predecessors have carried on our business of exploring the Tetlin properties at a loss since our inception and expect that the Joint Venture Company will continue to incur losses unless and until such time as one of its 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 our control. Whether any mineral deposits we discover 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, we may never generate revenues and will never become profitable.

Our continued viability depends on the exploration, permitting, development and operation of the Tetlin Lease, which is the only material property of the Joint Venture Company.

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

The Tetlin Properties do 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. To date, the Company has only engaged in material exploration activities on the Tetlin Properties. Accordingly, we do not have sufficient information upon which to assess the ultimate success of our exploration efforts. There is no assurance that the Joint Venture Company may ever locate any mineral reserves on the Tetlin Properties or if the Joint Venture Company finds mineral reserves, they may not be in economic quantities. Additionally, even if we find 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, we will be required to curtail or suspend our operations, in which case the market value of our common stock will decline, and you may lose all of your investment.

The Tetlin Properties are 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 most exploration activities to the period from May to October. 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 will increase the costs and time associated with our planned exploration activities and could negatively affect the value of the Tetlin Properties and our securities.

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

We have focused our capital investments in exploring for gold and associated mineral prospects on our Tetlin Properties in the State of Alaska. However, our exploration prospects in Alaska may not lead to any revenues or we may not be able to drill for mineral deposits at anticipated finding and development costs due to financing, environmental or operating uncertainties. Should

the Joint Venture Company be able to make an economic discovery on the Tetlin Properties, we would then be solely dependent upon a single mining operation for our revenue and profits.

We 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.

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

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

Our 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 our future cash flows and results of operations.

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

The Joint Venture Company holds 99,354 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 general examination of title to the mineral interest prior to executing the Tetlin Lease. Prior to conducting any mining activity, however, we expect that the Joint Venture Company will obtain a full title review of the Tetlin Lease to identify more fully any deficiencies in title to the lease and, if there are deficiencies, to identify measures necessary to cure those defects to the extent reasonably possible. However, such deficiencies may not be cured. It does happen, from time to time, that the examination made by title lawyers reveals that the title to properties is defective, having been obtained in error from a person who is not the rightful owner of the mineral interest desired. In these circumstances, the Joint Venture

Company may not be able to proceed with our exploration and development of the lease site or may incur costs to remedy a defect. It may also happen, from time to time, that the Joint Venture Company may elect to proceed with mining work despite defects to the title identified in a title opinion.

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. We cannot

assure you, however, that this choice of law clause would be enforceable, leading to uncertain interpretation of our rights and remedies under the Tetlin Lease.

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 Village 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.

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

The Joint Venture Company will compete with a broad range of mining companies with far greater resources in its exploration activities. Several mining companies concentrate drilling efforts on one type of mineral and thus may enjoy economies of scale and other efficiencies. However, the Joint Venture Company's drilling strategies currently include exploring for gold ore and associated minerals. As a result, the Joint Venture Company may not be able to compete effectively with such companies. The Joint Venture Company will also compete for the equipment and labor required to operate and to develop its Properties if its exploration activities are successful. Most competitors have substantially greater financial resources than the Joint Venture Company. These competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than the Joint Venture 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. We have no experience in the minerals processing industry.

The Company and the Joint Venture Company have only owned mining properties since the acquisition by its predecessors of the properties in 2009 and 2010. Furthermore, no member of our management has any technical training or experience in minerals exploration or mining. Because of our limited operating history, we have limited insight into trends that may emerge and affect our business. We 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 in evolving markets such as ours. We may not be able to compete effectively with more experienced companies or in such a highly competitive environment.

The mining industry is historically a cyclical industry and market fluctuations in the prices of minerals could adversely affect our business.

Prices for minerals tend to fluctuate significantly in response to factors beyond our control. These factors include:

- Global economic conditions;
- Domestic and foreign tax policy;
- The price of foreign imports of gold, and products derived from the foregoing;
- The cost of exploring for, producing and processing mineral ore;
- Available transportation capacity; and

The overall supply and demand for minerals.

Changes in commodity prices would directly affect revenues and may reduce the amount of funds available to reinvest in exploration and development activities. Reductions in mineral prices not only reduce revenues and profits, but could also reduce the quantities of reserves 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 its 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 Joint Venture Company's profitability. The value and price of our 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 our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the relative value of the United States dollar against foreign currencies on the world market, global and regional supply and demand for gold, and the political and economic conditions of gold producing countries throughout the world.

An increase in the global supply of gold and associated minerals may adversely affect our business.

The pricing and demand for gold and associated minerals is affected by a number of factors beyond our 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 we may not be able to compete effectively against current and future competitors.

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

The Joint Venture Company's exploratory mining operations are subject to numerous laws and regulations governing its operations and the discharge of materials into the environment, including the Federal Clean Water Act, Clean Air Act, Endangered Species Act, and the Comprehensive Environmental Response, Compensation, and Liability Act. Federal initiatives are often also administered and enforced through state agencies operating under parallel state statutes and regulations. Failure to comply with such rules and regulations could result in substantial penalties and have an adverse effect on the Joint Venture Company. These laws and regulations may:

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

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

The Joint Venture Company is subject to the Federal Mine Safety and Health Act of 1977 and regulations promulgated thereto, which impose stringent health and safety standards on numerous aspects of our 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 our 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 our 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, our Board of Directors adopted a shareholder rights plan, which was amended on March 21, 2013, September 29, 2014 and December 18, 2014 (as amended, the "Rights Plan"), pursuant to which one preferred stock purchase right was distributed as a dividend on each share of our common stock held of record as of the close of business on December 20, 2012. 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 our 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 our outstanding common stock, and thereby adversely affect the market price of our common stock.

In addition, our 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 our common stock that could result from actual or rumored takeover attempts, preventing changes in our management or limiting the price that investors may be willing to pay for shares of common stock. Among other things, these provisions:

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

The Company's common stock is thinly traded.

As of March 31, 2015, there are approximately 3.9 million shares of our common stock outstanding, with directors, officers and employees beneficially owning approximately 10.7% of our common stock and the Estate of Mr. Kenneth R. Peak, our former Chairman, beneficially owning approximately 21.6% of our common stock. Since our common stock is thinly traded, the purchase or sale of relatively small common stock positions may result in disproportionately large increases or decreases in the price of our common stock.

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

For the foreseeable future, we intend to retain any earnings to finance the development of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our 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 our Board of Directors considers relevant. Accordingly, investors must rely on sales of their common stock after any price appreciation, which may never occur, as the only way to realize a return on their investment.

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

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

### Item 4. Controls and Procedures

Restatement. In connection with preparing the Company's Form 10-K, the Company reviewed its accounting for its transaction with Royal Gold, Inc. ("Royal Gold") and the formation of a joint venture, Peak Gold, LLC (the "Joint Venture Company"). The Company had previously consolidated the results of the Joint Venture Company as of March 31, 2015. However, Royal Gold currently serves as Manager of the Joint Venture Company and has designated two of the three members on the Joint

40

---

Venture Company's Management Committee, allowing Royal Gold to control the Joint Venture Company. The Company's position on the Joint Venture Company's Management Committee gives it significant influence. Therefore, the Company determined that the Joint Venture Company should be accounted for under the equity method resulting in the restatement of its Original Form 10-Q filed on May 15, 2015. For a further discussion of this change and its impact on our unaudited consolidated financial statements contained in the Original Filing, see "Note 4 - Restatement of Previously Issued Financial Statements" in the notes to unaudited consolidated financial statements in this Form 10-Q/A.

Description of Material Weakness as of March 31, 2015. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the restatement described above, management, including our President and Chief Executive Officer and Chief Financial and Accounting Officer, concluded that, as of March 31, 2015, there was a material weakness in our internal control over financial reporting with respect to complex, non-recurring transactions. Therefore we have concluded that our internal control over financial reporting was not effective as of June 30, 2015.

Evaluation of Disclosure Controls and Procedures. Management of the Company, with the participation of our President and Chief Executive Officer and Chief Financial and Accounting Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2015.

However, as described above, it has recently been determined that a material weakness existed in the Company's internal control over financial reporting with respect to complex, non-recurring transactions. Accordingly, the Company's President and Chief Executive Officer and Chief Financial and Accounting Officer have since concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2015. The Company is remediating the material weakness by implementing accounting controls related to the Joint Venture Company and, among other things, implementing an enhanced review of non-routine transactions of a complex nature. These actions are subject to ongoing senior management review and Audit Committee oversight.

Notwithstanding the identified material weakness, management believes the unaudited condensed combined and consolidated financial statements included in this Quarterly Report on Form 10-Q/A fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Changes in Internal Control Over Financial Reporting. Other than described above, there have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2015, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

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

#### Item 1A. Risk Factors

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

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

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

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

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

Authorized and outstanding capital stock. The Company’s authorized capital stock consists of 30,000,000 shares of common stock and 15,000,000 shares of preferred stock. As of March 31, 2015, we had 3,876,206 shares of common stock outstanding, all of which are fully paid and non-assessable. Holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders and are not entitled to cumulative voting for the election of directors. Upon the liquidation, dissolution or winding up of our business, after payment of all liabilities and payment of preferential amounts to the holders of preferred stock, if any, the shares of common stock are entitled to share equally in our remaining assets. Pursuant to our certificate of incorporation, no stockholder has any preemptive rights to subscribe for our securities. The common stock is not subject to redemption.

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

#### Item 4. Mine Safety Disclosures

None.

#### Item 5. Other Information

On December 19, 2012, the Company adopted a Rights Plan which was amended on March 21, 2013, September 29, 2014 and December 18, 2014, that is designed to ensure that all stockholders of the Company receive fair value for their shares of common stock in the event of any proposed takeover of the Company and to guard against the use of partial tender offers or other coercive tactics to gain control of the Company without offering fair value to all of the Company’s stockholders. The Rights Plan is not intended, nor will it operate, to prevent an acquisition of the Company on terms that are favorable and fair to all stockholders.

Under the terms of the Rights Plan, each right (a “Right”) will entitle the holder to purchase 1/100 of a share of Series A Junior Preferred Stock of the Company (the “Preferred Stock”) at an exercise price of \$80 per share. The Rights will be exercisable and will trade separately from the shares of common stock only if a person or group, other

than the Estate of Mr. Kenneth Peak, which currently beneficially owns approximately 20% of the Company, acquires beneficial ownership of 20% or more of the Company's common stock or commences a tender or exchange offer that would result in such a person or group owning 20% or more of the common stock (the "Triggering Event"). Only when one or more of these events occur will stockholders receive certificates for the Rights.

Under the terms of the Rights Plan, Rights have been distributed as a dividend at the rate of one Right for each share of common stock that was held as of the close of business on December 20, 2012. Stockholders will not actually receive certificates for the Rights at this time, but the Rights will become part of each share of common stock. An additional Right will be issued along with each share of common stock that is issued or sold by the Company after December 20, 2012. The Rights are scheduled to expire on December 19, 2016. Upon a Triggering Event, stockholders of the Company will receive certificates for the Rights.

If any person actually acquires 20% or more of shares of common stock other than through a tender or exchange offer for all shares of common stock that provides a fair price and other acceptable terms for such shares or if a 20% or more stockholder engages in certain “self-dealing” transactions or engages in a merger or other business combination in which the Company survives and its shares of common stock remain outstanding, the other stockholders will be able to exercise the Rights and buy shares of common stock of the Company having approximately twice the value of the exercise price of the Rights. Additionally, if the Company is involved in certain other mergers where its shares are exchanged or certain major sales of its assets occur, stockholders will be able to purchase a certain number of the other party's common stock in an amount equal to approximately twice the value of the exercise price of the Rights.

The Company will be entitled to redeem the Rights at \$0.01 per Right at any time until the earlier of (i) the tenth day following public announcement that a person has acquired a 20% ownership position in shares of common stock of the Company or (ii) the final expiration date of the Rights. The Company in its discretion may extend the period during which it may redeem the Rights.

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

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

Item 6. Exhibits

(a) Exhibits:

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

Exhibit Number	Description
3.1	Certificate of Incorporation of Contango ORE, Inc. <sup>(1)</sup>
3.2	Bylaws of Contango ORE, Inc. <sup>(1)</sup>
4.1	Form of Certificate of Contango ORE, Inc. Common Stock. <sup>(11)</sup>
4.2	Certificate of Designation of Series A Junior Preferred Stock of Contango ORE, Inc. <sup>(8)</sup>
4.3	Rights Agreement, dated as of December 20, 2012, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(8)</sup>
4.4	Amendment No. 1 to Rights Agreement, dated as of March 21, 2013, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(10)</sup>
4.5	Amendment No. 2 to Rights Agreement, dated as of September 29, 2014, between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(13)</sup>
4.6	Amendment No. 3 to Rights Agreement, dated as of December 18, 2014 between Contango ORE, Inc. and Computershare Trust Company, N.A., as Rights Agent. <sup>(14)</sup>
10.1	Mineral Lease, effective as of July 15, 2008, between Native Village of Tetlin and Juneau Exploration Company, d/b/a Juneau Mining Company, as amended by Amendment No. 1 to Mineral Lease, effective as of October 1, 2009. <sup>(1)</sup>
10.2	Amendment No. 2 to Mineral Lease, effective as of June 1, 2011. <sup>(2)</sup>
10.3	Amendment No. 3 to Mineral Lease, effective as of July 1, 2011. <sup>(2)</sup>
10.4	Amendment No. 4 to Mineral Lease, effective as of December 3, 2012. <sup>(9)</sup>
10.5	Chairman Agreement dated as of November 1, 2010, between Contango ORE, Inc. and Kenneth R. Peak. <sup>(1)</sup>
10.6	Form of 2010 Equity Compensation Plan. <sup>(1)</sup>
10.7	

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

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

10.8 Amended and Restated Professional Services Agreement, dated as of November 1, 2010, between Avalon Development Corporation and Contango ORE, Inc. <sup>(1)</sup>

44

---

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

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

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

99.3	Report of Behre Dolbear & Company (USA), Inc. <sup>(4)</sup>
99.4	Promissory Note from Tetlin Village Council to Contango ORE, Inc. dated August 1, 2013 <sup>(11)</sup>
45	

---

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

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

<sup>†</sup> Filed herewith.

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

SIGNATURES

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

CONTANGO ORE, INC.

Date: October 9, 2015

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

Date: October 9, 2015

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