

Contango ORE, Inc.
Form 10-Q
May 05, 2016

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

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from _____ to _____

Commission file number 001-35770

CONTANGO ORE, INC.

(Exact name of registrant as specified in its charter)

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

3700 BUFFALO SPEEDWAY, SUITE 925
HOUSTON, TEXAS 77098

(Address of principal executive offices)

(713) 877-1311

(Registrant's telephone number, including area code)

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

Yes ✓ No "

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

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

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

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 May 5, 2016 was 3,958,540.

CONTANGO ORE, INC.

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CONTANGO ORE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

Item 1 - Financial Statements

	March 31, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash	\$1,346,337	\$1,947,046
Prepaid expenses	86,475	67,384
Total current assets	1,432,812	2,014,430
OTHER ASSETS:		
Investment in Peak Gold, LLC (Note 4)	—	—
Total other assets	—	—
TOTAL ASSETS	\$1,432,812	\$2,014,430
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$19,646	\$24,876
Accrued liabilities	14,171	78,104
Total current liabilities	33,817	102,980
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
SHAREHOLDERS' EQUITY:		
Common Stock, \$0.01 par value, 30,000,000 shares authorized; 3,958,540 shares issued and outstanding at March 31, 2016; 3,876,206 shares issued and outstanding at June 30, 2015	39,585	38,762
Additional paid-in capital	33,364,667	32,928,038
Accumulated deficit	(32,005,257)	(31,055,350)
SHAREHOLDERS' EQUITY	1,398,995	1,911,450
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,432,812	\$2,014,430

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,	
	2016	2015	2016	2015
EXPENSES:				
Claim rentals and minimum royalties	\$—	\$40,389	\$14,425	\$120,625
Exploration expense	—	140,402	—	354,902
General and administrative expense	181,257	752,369	935,482	2,156,053
Expense reimbursement	—	(750,000)		(750,000)
Total expenses	181,257	183,160	949,907	1,881,580
OTHER (INCOME)/EXPENSE				
Loss from equity investment in Peak Gold, LLC (Note 4)	—	163,026	—	163,026
NET LOSS	\$(181,257)	\$(346,186)	\$(949,907)	\$(2,044,606)
LOSS PER SHARE				
Basic and diluted	\$(0.05)	\$(0.09)	\$(0.24)	\$(0.53)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic and diluted	3,957,640	3,873,506	3,918,430	3,832,206

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,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(949,907)	\$(2,044,606)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	437,452	640,731
Loss from equity investment in Peak Gold, LLC	—	163,026
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	(19,091)	(42,190)
Decrease in accounts payable and accrued liabilities	(69,163)	(108,072)
Net cash used in operating activities	(600,709)	(1,391,111)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(600,709)	(1,391,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,947,046	3,448,501
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,346,337	\$ 2,057,390
NON-CASH INVESTING ACTIVITIES		
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, 2015	3,876,206	\$38,762	\$32,928,038	\$(31,055,350)	\$1,911,450
Stock-based compensation	—	—	437,452	—	437,452
Shares vested	82,334	823	(823)	—	—
Net loss for the period	—	—	—	(949,907)	(949,907)
Balance at March 31, 2016	3,958,540	\$39,585	\$33,364,667	\$(32,005,257)	\$1,398,995

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 ore and associated minerals through a joint venture company, Peak Gold, LLC. The Company was formed on September 1, 2010 as a Delaware corporation and through Peak Gold, LLC has leased or has control over 774,356 acres of State of Alaska properties.

On November 29, 2010, Contango Mining Company ("Contango Mining"), a wholly owned subsidiary of Contango Oil & Gas Company ("Contango"), assigned its properties and certain other assets and liabilities to Contango. Contango contributed the properties and \$3.5 million of cash to the Company, in exchange for approximately 1.6 million shares of the Company's common stock. The above transactions occurred among companies under common control and was accounted for as transactions among entities under common control, in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations" whereby the acquired assets and liabilities were recognized in the financial statements at their carrying amounts.

Since the Company is still in an exploration stage, an investment in the Company involves a high degree of risk and uncertainty. The Company's fiscal year end is June 30.

The properties contributed by Contango included: (i) a 100% leasehold interest in 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"); (ii) approximately 18,021 acres in unpatented mining claims from the state of Alaska for the exploration of gold ore and associated minerals. If any of the properties are placed into commercial production, the Company would be obligated to pay a 3.0% production royalty to Royal Gold, Inc. ("Royal Gold"). On September 29, 2014, Juneau Exploration L.P. ("JEX") sold its 3.0% production royalty to Royal Gold. See Note 11 - Related Party Transactions.

In September 2012, the Company and JEX entered into an Advisory Agreement in which JEX assisted the Company in acquiring 474 unpatented state of Alaska mining claims consisting of 71,896 acres for the exploration of gold ore and associated minerals in exchange for a 2.0% production royalty on properties acquired after July 1, 2012. If any such properties are placed into commercial production, the Company would be obligated to pay JEX a 2.0% production royalty under the Advisory Agreement. On September 29, 2014, JEX sold its 2.0% production royalty to Royal Gold and the Company terminated its Advisory Agreement with JEX. See Note 11 - Related Party Transactions.

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

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

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. In 2015, two phases of exploration drilling were completed by the Joint Venture Company on the Tetlin Property. Additionally, the Joint Venture Company acquired 59 new state of Alaska claims consisting of 9,439 acres in the Eagle claim area. During the quarter ended March 31, 2016, the Joint Venture Company completed Phase I of the 2016 drilling program. During the program, an area located between the Peak Zone and North Peak Zone was tested, producing significant gold and copper assay intervals.

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, 2015. The results of operations for the nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016.

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, 2016 and June 30, 2015 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, 2016 or June 30, 2015.

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 but not control represented by one of three seats on the Management Committee, and its ownership in the Joint Venture Company. The assets contributed by the Company were initially 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. Investment in Peak Gold, LLC

The Company recorded its investment at the historical cost of the assets contributed to the Joint Venture Company which was approximately \$1.4 million. During the nine months ended March 31, 2016, Royal Gold contributed \$3.4 million to the Joint Venture Company and earned an interest of 6.8%. Therefore, as of March 31, 2016, the Company holds a 93.2% economic interest in the Joint Venture Company.

The following table is a roll-forward of our investment in the Joint Venture Company from January 8, 2015 (Inception) to March 31, 2016:

	Inception to March 31, 2016
Investment in Peak Gold, LLC at formation	\$1,433,886
Loss from equity investment in Peak Gold, LLC	(1,433,886)
Investment balance	\$—

The following table presents the condensed balance sheet for Peak Gold, LLC as of March 31, 2016:

	March 31, 2016
ASSETS	
Cash and cash equivalents	\$1,784,888
Mineral properties	1,433,886
TOTAL ASSETS	\$3,218,774
LIABILITIES AND MEMBERS' EQUITY	
Accounts payable and other liabilities	\$2,129,546
TOTAL LIABILITIES	\$2,129,546
MEMBERS' EQUITY	1,089,228
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$3,218,774

The Joint Venture Company's results of operations for the three and nine months ended March 31, 2016 was a loss of \$1.9 million and \$6.4 million, respectively. The Peak Gold, LLC loss does not include any provisions related to income taxes as Peak Gold, LLC is treated as a partnership for income tax purposes. As of March 31, 2016, the Joint Venture Company's inception-to-date cumulative loss of \$8.7 million, exceeds the historical cost of our investment in Peak Gold, LLC, of \$1.4 million. Therefore the investment in Peak Gold, LLC has a balance of zero as of March 31, 2016. The Company is not obligated to make additional capital contributions to the Joint Venture Company and therefore only records losses up to the point of the initial investment which was \$1.4 million. The portion of the

cumulative loss that exceeds the Company's investment will be suspended and recognized against earnings, if any, from the investment in the Joint Venture Company in future periods.

The suspended losses for the period from inception to March 31, 2016 are \$7.1 million. The following table presents the condensed results of operations for Peak Gold, LLC for the three and nine month periods ended March 31, 2016:

	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2016	Inception to Date March 31, 2016
EXPENSES:			
Exploration expense	\$1,667,889	\$5,612,119	\$7,519,550
General and administrative	274,454	829,257	1,225,108
Total expenses	1,942,343	6,441,376	8,744,658
NET LOSS	\$1,942,343	\$6,441,376	\$8,744,658

5. Costs Incurred

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

	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2016	2015
Exploration costs, claim rentals, and minimum royalties	\$-\$180,791	\$14,425	475,527
Total costs incurred	\$-\$180,791	\$14,425	\$475,527

The Tetlin Lease had an initial ten year term beginning July 2008 which was extended for an additional ten years to July 15, 2028, or so long as the Company initiates and continues conducting mining operations on the Tetlin Lease. The current year expense relates to the amortization of claim rental payments with August 2015 expirations. The Joint Venture Company is responsible for making all future claim rental and minimum royalty payments.

6. Prepaid Expenses

The Company has prepaid expenses of \$86,475 and \$67,384 as of March 31, 2016 and June 30, 2015, respectively. Prepaid expenses primarily relate to prepaid insurance costs and prepaid XBRL filing costs.

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. 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,					
	2016			2015		
	Loss	Weighted Average Shares	Loss Per Share	Loss	Weighted Average Shares	Loss Per Share
Basic Loss per Share:						
Net loss attributable to common stock	\$(181,257)	3,957,640	\$(0.05)	\$(346,186)	3,873,506	\$(0.09)
Diluted Loss per Share:						
Net loss attributable to common stock	\$(181,257)	3,957,640	\$(0.05)	\$(346,186)	3,873,506	\$(0.09)

	Nine Months ended March 31,					
	2016			2015		
	Loss	Weighted Average Shares	Loss Per Share	Loss	Weighted Average Shares	Loss Per Share
Basic Loss per Share:						
Net loss attributable to common stock	\$(949,907)	3,918,430	\$(0.24)	\$(2,044,606)	3,832,206	\$(0.53)
Diluted Loss per Share:						
Net loss attributable to common stock	\$(949,907)	3,918,430	\$(0.24)	\$(2,044,606)	3,832,206	\$(0.53)

Options and warrants to purchase 1,675,999 and 1,675,999 shares of common stock were outstanding as of March 31, 2016 and 2015, respectively. These options and warrants were not included in the computation of diluted earnings per share for each of the three and nine month periods ended March 31, 2016 and 2015 because they are anti-dilutive as a result of the Company's net loss for all periods presented.

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, 2016, we had 3,958,540 shares of common stock outstanding. The Company also had an additional 102,332 shares of unvested restricted stock and options and warrants to purchase 1,675,999 shares of common stock outstanding as of March 31, 2016. No shares of preferred stock have been issued. The remaining restricted stock outstanding will vest in September 2016 through September 2018.

Rights Plan

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

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

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 ore and associated minerals prospects. In connection with the Closing of the Transactions, the Company formed the Joint Venture Company. The Company contributed to the Joint Venture Company its Tetlin properties near Tok, Alaska, together with other property (the "Contributed Assets") with a historical cost of \$1.4 million and an agreed fair value of \$45.7 million (the "Contributed Assets Value"). At the Closing, the Company and Royal Gold, through their wholly-owned subsidiaries, entered into a Limited Liability Company Agreement for the Joint Venture Company (the "Joint Venture Company LLC Agreement"). Royal Gold 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 did not entitle Royal Gold to a percentage interest in the Joint Venture Company. Therefore, at Closing, Royal Gold's percentage interest in the Joint Venture Company equaled 0% and the Company's percentage interest in the Joint Venture Company equaled 100%. In addition, as part of the Closing, Royal Gold paid the Company \$750,000 which was utilized to partially reimburse the Company for costs and expenses incurred in the Transactions and is included as an expense reimbursement on our consolidated statements of operations. During the nine months ended March 31, 2016, Royal Gold contributed \$3.4 million to the Joint Venture Company and earned a percentage interest of 6.8%.

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

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

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

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

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

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 other properties and initially engaged Avalon Development Corporation ("Avalon") to conduct mineral exploration activities on the Tetlin Lease. In agreeing to transfer its interests in such properties to Contango Mining, a predecessor of the Company, JEX retained a 3.0% overriding royalty interest in the properties transferred.

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

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

The Company subleases office space from JEX at 3700 Buffalo Speedway, Ste 925, Houston, TX 77098. The Company recently extended its lease expiration to February 2019 and renegotiated the rent to approximately \$13,800 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, 2016, there were 102,332 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, 2016	
	2016	2015	2016	2015
Stock-based compensation included in:				
Exploration expense ⁽¹⁾	\$—	\$136,429	\$—	\$241,663
Stock-based compensation expense ⁽²⁾	70,232	127,025	437,452	399,068
Total stock-based compensation expense	\$70,232	\$263,454	\$437,452	\$640,731

(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, 2016.

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, 2016, all of the restricted stock granted in December 2013 was vested.

In November 2014, the Company granted 27,000 restricted shares of common stock to its employees. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2016, there were 9,000 shares of such restricted stock that remained unvested.

In January 2015, the Company granted an aggregate of 30,000 restricted shares of common stock to two of its non-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, 2016, there were 10,000 shares of such restricted stock that remained unvested.

In September 2015, the Company granted 85,000 restricted shares of common stock to its employees. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2016, there were 56,666 shares of such restricted stock that remained unvested.

In December 2015, the Company granted 40,000 restricted shares of common stock to its directors. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2016, there were 26,666 shares of such restricted stock that remained unvested.

As of March 31, 2016, the total compensation cost related to unvested awards not yet recognized was \$350,343. 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 ⁽⁷⁾	Expiration Date
September 2011 ⁽¹⁾	50,000	\$13.13	Vests over two years, beginning with one-third on the grant date.	September 2016
July 2012 ⁽²⁾	100,000	\$10.25	Vests over two years, beginning with one-third on the grant date.	July 2017
December 2012 ⁽³⁾	250,000	\$10.20	Vests over two years, beginning with one-third on the grant date.	December 2017
June 2013 ⁽⁴⁾	37,500	\$10.00	Vested Immediately	June 2018
July 2013 ⁽⁵⁾	5,000	\$10.00	Vested Immediately	July 2018
September 2013 ⁽⁶⁾	37,500	\$10.01	Vested Immediately	September 2018
September 2013 ⁽⁶⁾	15,000	\$10.01	Vests over two years, beginning with one-third on the grant date.	September 2018

(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.

(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, 2016, the stock options had a weighted-average remaining life of approximately 2 years. The total compensation cost related to these options had been fully recognized as of March 31, 2016 as all of the options are fully vested.

A summary of the status of stock options granted under the 2010 Plan as of March 31, 2016 and changes during the nine months then ended, is presented in the table below:

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	Nine Months Ended March 31, 2016	
	Shares Under Options	Weighted Average Exercise Price
Outstanding, June 30, 2015	445,000	\$10.41
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding, March 31, 2016	445,000	\$10.41
Aggregate intrinsic value	\$	—
Exercisable, end of period	445,000	\$10.41
Aggregate intrinsic value	\$	—
Available for grant, end of period	174,094	

13. Commitments and Contingencies

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

Pursuant to the terms of the Tetlin Lease, the Joint Venture Company is required to spend \$350,000 per year 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 2028. 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, 2016, 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.

Gold Exploration. The Joint Venture Company's Triple Z, TOK/Tetlin, Eagle, Bush and ADC 2 claims are all located on state of Alaska lands. The annual claim rentals on these projects vary based on the age of the claims, and are due and payable in full by November 30 of each year. Annual claims rentals for the 2015-2016 assessment year totaled \$93,485. The Joint Venture Company has met the annual labor requirements for the state of Alaska acreage for the next four years, which is the maximum time allowable by Alaska law.

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

Available Information

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes and other information included elsewhere in this Form 10-Q and in our Form 10-K, for the fiscal year ended June 30, 2015, previously filed with the SEC.

Cautionary Statement about Forward-Looking Statements

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

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

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

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

Expanded rigorous monitoring and testing requirements

Ability to obtain insurance coverage on commercially reasonable terms

Competition generally and the increasing competitive nature of our industry

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

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

Overview

The Company was formed on September 1, 2010 as a Delaware corporation. The Company is Houston-based company, whose primary business is to explore in the State of Alaska for gold ore and associated minerals. The Company has leased or has control over approximately 774,356 acres of State of Alaska properties. In connection with the closing of the Transactions with Royal Gold in January 2015, the Company formed the Joint Venture Company and contributed to the Joint Venture Company the 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.

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

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

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

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

investment) prior to October 2018. During the nine months ended March 31, 2016, Royal Gold contributed \$3.4 million to the Joint Venture Company and earned a percentage interest of 6.8%. The proceeds of Royal Gold's investment have been and will be used by the Joint Venture Company for additional exploration of the Tetlin Property.

Properties

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

The Tetlin Lease originally had a ten year term beginning July 2008 which was extended for an additional ten years to July 15, 2028. If the properties under the Tetlin Lease are placed into commercial production, the Tetlin Lease will be held throughout production and the Company would be obligated to pay a production royalty to the 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 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, or (ii) 0.50% by payment to the Joint Venture Company of \$300,000, or (iii) 0.75% by payment to the Joint Venture Company of \$450,000.

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

The following table summarizes the Tetlin Lease and unpatented mining claims (the "Tetlin Property") held by the Joint Venture Company as of March 31, 2016:

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

Except as expressly delegated to the Manager, the Joint Venture Company's LLC Agreement provides that the Management Committee has exclusive authority to determine all management matters related to the Company. Initially, the Management Committee consists of one appointee designated by the Company and two appointees designated by Royal Gold. Each designate on the Management Committee 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 the Company's executives, employees and directors with those of its stockholders. The Company's directors, officers and employees do not receive cash compensation for their work for the Company.

As of March 31, 2016, the Company's directors and officers beneficially own approximately 15.5% of the Company's common stock. An additional 21.1% of the Company's common stock is beneficially owned by the Estate of Mr. Kenneth R. Peak, the Company's former Chairman, who passed away on April 19, 2013.

Restricted Stock. In November 2010, the Company's directors, 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, 2016, 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, 2016, all of the restricted stock granted in December 2013 was vested.

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, 2016, there were 9,000 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, 2016, there were 10,000 shares of such restricted stock that remained unvested.

In September 2015, the Company granted 85,000 restricted shares of common stock to its employees. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2016, there were 56,666 shares of such restricted stock that remained unvested.

In December 2015, the Company granted 40,000 restricted shares of common stock to its directors. The restricted stock vests over two years, beginning with one-third vesting on the date of grant. As of March 31, 2016, there were 26,666 shares of such restricted stock that remained unvested.

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

Option Awards

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

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- (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.

(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.

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. However, the claimant does not own unfettered title to the minerals or the and the mining claim is subject to annual assessment work requirements, the payment of annual rental fees and royalties due to the State of Alaska after commencement of commercial production. Both private fee-land and unpatented mining claims and related rights, including rights to use the surface, are subject to permitting requirements of Federal, State, Tribal and Local governments.

Gold Exploration

The 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 Joint Venture Company initiated a summer of 2015 exploration program on the Tetlin Lease. The work program anticipated spending \$5 million with a possible expansion of the work program in early fall if drilling results warranted further work. The drilling program included exploration targets that were helicopter-supported at the Tors, Saddle, North Saddle and Saddle Skarn targets and road-supported work at the Peak Zone area. Most of the initial work program (Phase I) was completed by early August with assay results received by early September. On August 31, 2015, the Joint Venture Company approved a budget of up to approximately \$4 million for additional exploration work to be completed before the drilling season ended in October and incurred aggregate cost of approximately \$6.8 million for the 2015 exploration program.

The Joint Venture Company continued its exploration program in February and March 2016 on the Tetlin Lease with an approved budget of \$4.4 million of which an estimated \$1.9 million was spent during the quarter. The Joint Venture Company expects to continue the 2016 exploration program in May when roads permit truck passage.

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

Chief Danny Prospect

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, Peak West, North Peak/Blue Moon 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, Peak West, North Peak/Blue Moon) and a fault-offset arsenic-gold enriched zone to the north covering three square miles at the Saddle Zone. The Company has conducted extensive drilling on the Peak Zone. The Company has also conducted environmental base line studies on the areas surrounding the Chief Danny prospect, as well as airborne magnetic and resistivity programs. From 2009 through 2015, the Company conducted field-related exploration work at the Chief Danny Prospect, including collecting the following samples:

Year	Program	Core Samples	Rock Samples	Soil Samples	Pan Con Samples	Stream Samples	Silt (feet)	Core (feet)	IP/Geophysics (kilometers)	Trenching (feet)
2009	Chief Danny	—	958	33	94	11	—	—	—	2,330
2010	Chief Danny	—	613	760	668	795	—	14	—	—
2011	Chief Danny	1,267	20	688	—	—	8,057	3,957	—	—
2012	Chief Danny	5,223	82	1,029	—	—	36,004	—	—	—
2013	Chief Danny	8,970	14	1,406	85	278	47,079	2,414	—	—
2014	Chief Danny	—	—	—	—	—	—	—	—	—
2015	Chief Danny	8,352	133	—	—	—	46,127	—	—	—
2016	Chief Danny	2,546	—	—	—	—	13,255	—	—	—
	Total	26,358	1,820	3,916	847	1,084	150,522	6,385	—	2,330

2016 Exploration Program - Phase I. During the quarter ended March 31, 2016, exploration drilling was completed by the Joint Venture Company on the Tetlin Property totaling 4,040 meters (13,255 feet) in 19 holes, referred to as the 2016 Phase I program. The Joint Venture Company spent an estimated \$1.9 million to complete the program including drilling, geochemical analyses, landholding fees and other related expenses. Drilling targeted two areas, North Peak and West Peak, with the objective of enhancing the understanding of mineralization geometry and geochemical variability. During the program, an area located between the Peak Zone and North Peak was tested, producing significant gold and copper assay intervals in a Connection Zone.

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

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

DrillHole	Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET16192	North Peak	31.34	38.29	6.95	0.784	0.023	2.5	0.023
TET16192	North Peak	42.00	43.42	1.42	1.803	0.053	1.5	0.021
TET16192	North Peak	78.51	91.78	13.27	49.194	1.435	4.5	0.035
TET16192	including North Peak	80.96	81.59	0.63	416.000	12.133	26.7	0.066
TET16192	North Peak	102.84	105.46	2.62	2.536	0.074	4.5	0.151
TET16192	North Peak	122.07	123.79	1.72	3.850	0.112	1.1	0.067
TET16192	North Peak	139.90	143.78	3.88	3.992	0.116	3.1	0.119
TET16193	North Peak	85.91	90.62	4.71	12.452	0.363	3.6	0.065
TET16193	including North Peak	88.09	89.71	1.62	27.974	0.816	5.9	0.041
TET16195	North Peak	66.50	68.34	1.84	6.718	0.196	3.7	0.069
TET16196	North Peak	65.78	69.12	3.34	0.712	0.021	14.1	0.096
TET16199	West Peak	21.09	23.13	2.04	3.462	0.101	6.9	0.037
TET16199	West Peak	50.19	52.08	1.89	1.375	0.040	0.7	0.022
TET16199	West Peak	55.62	57.79	2.17	1.805	0.053	—	0.005
TET16199	West Peak	80.44	82.76	2.32	1.529	0.045	1.9	0.054
TET16199	West Peak	95.08	96.63	1.55	2.690	0.078	0.9	0.006
TET16199	West Peak	139.46	145.31	5.85	0.699	0.020	1.1	0.03
TET16204	North Peak	50.41	53.34	2.93	1.100	0.032	5.2	0.189
TET16204	North Peak	63.06	65.42	2.36	2.050	0.060	1.1	0.044
TET16204	North Peak	194.11	195.93	1.82	16.338	0.477	328.4	0.157
TET16205	North Peak	65.07	70.61	5.54	0.954	0.028	2.8	0.165
TET16205	North Peak	82.91	83.67	0.76	6.715	0.196	11.2	0.005
TET16205	North Peak	150.74	151.73	0.99	3.360	0.098	4.2	0.314
TET16206	North Peak	60.95	104.38	43.43	3.611	0.105	2.1	0.108
TET16206	including North Peak	98.34	100.04	1.70	30.700	0.895	2.3	0.108
TET16207	North Peak	92.88	95.92	3.04	2.590	0.076	1.4	0.057
TET16208	West Peak	55.02	58.20	3.18	2.543	0.074	0.5	0.005
TET16208	West Peak	88.66	108.65	19.99	2.822	0.082	0.1	0.006
TET16208	including West Peak	95.55	97.45	1.90	12.050	0.351	0.5	0.011
TET16208	and West Peak	98.93	100.02	1.09	14.200	0.414	0.7	0.013
TET16209	West Peak	46.33	48.95	2.62	2.222	0.065	0.8	0.007
TET16209	West Peak	52.73	58.98	6.25	4.863	0.142	0.5	0.014
TET16209	including West Peak	55.78	57.54	1.76	12.788	0.373	1.1	0.037
TET16210	Connector	16.95	60.91	43.96	3.275	0.096	30.6	0.402
TET16210	including Connector	18.12	22.29	4.17	9.006	0.263	51.5	0.291
TET16210	and Connector	51.90	53.26	1.36	10.150	0.296	19.6	0.583
TET16210	and Connector	56.57	57.15	0.58	10.550	0.308	50.4	2.28
TET16210	Connector	131.83	135.60	3.77	2.614	0.076	52.5	0.14

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

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

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

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

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

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

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

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

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

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

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

Drill Hole Zone	From (meters)	To (meters)	Interval (meters)	Au gpt	Au opt	Ag gpt	Cu %
TET15134 Saddle	44.50	46.02	1.52	6.380	0.186	3.1	0.011
TET15135 Saddle	46.33	47.24	0.91	6.580	0.192	4.8	0.008
TET15136 Saddle	82.46	85.90	3.44	0.404	0.012	20.2	0.005
including Saddle	82.91	83.46	0.55	0.362	0.011	77.3	0.004
TET151438 O'clock	77.78	81.38	3.60	1.742	0.051	1.0	0.171
TET15145 Discovery	86.26	89.31	3.05	1.385	0.040	41.0	0.010
TET151467 O'clock	21.79	26.82	5.03	1.075	0.031	1.4	0.151
TET151467 O'clock	163.98	169.77	5.79	0.788	0.023	4.9	0.115
TET15147 Peak/Peak Deep	9.39	51.28	41.89	6.072	0.177	4.6	0.198
including Peak/Peak Deep	22.56	26.37	3.81	16.736	0.488	4.2	0.181
and Peak/Peak Deep	40.15	43.78	3.63	16.423	0.479	6.6	0.222
and Peak/Peak Deep	44.29	45.61	1.32	12.700	0.370	8.7	0.293
TET15147 Peak/Peak Deep	77.26	78.94	1.68	2.170	0.063	0.5	0.016
TET15147 Peak/Peak Deep	84.58	97.73	13.15	4.061	0.118	6.3	0.274
TET15147 Peak/Peak Deep	101.70	150.12	48.42	4.980	0.145	12.0	0.338
including Peak/Peak Deep	130.45	132.98	2.53	11.940	0.348	37.4	1.192
and Peak/Peak Deep	140.08	141.25	1.17	16.150	0.471	35.5	1.120
and Peak/Peak Deep	148.74	150.12	1.38	11.700	0.341	8.8	0.356
TET15147 Peak/Peak Deep	551.13	555.10					