

Contango ORE, Inc.  
Form 10-Q  
May 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from            to

Commission file number 000-54136

**CONTANGO ORE, INC.**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**27-3431051**  
(IRS Employer  
Identification No.)

**3700 BUFFALO SPEEDWAY, SUITE 960**

**HOUSTON, TEXAS 77098**  
(Address of principal executive offices)  
**(713) 960-1901**

(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 April 30, 2012 was 2,480,269.

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**CONTANGO ORE, INC.**

**(An Exploration Stage Company)**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2012**

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*All references in this Form 10-Q to the Company, CORE, we, us or our are to Contango ORE, Inc.*

**Table of Contents****Item 1 Financial Statements****CONTANGO ORE, INC.****(An Exploration Stage Company)****BALANCE SHEETS****(Unaudited)**

|   | <b>March 31,<br/>2012</b> | <b>June 30,<br/>2011</b> |
|---|---------------------------|--------------------------|
| <b>ASSETS</b>   |                           |                          |
| <b>CURRENT ASSETS:</b>  |                           |                          |
| Cash  | \$ 8,329,712              | \$ 2,395,100             |
| Prepaid expenses  | 73,214                    | 78,158                   |
| Total current assets  | 8,402,926                 | 2,473,258                |
| <b>PROPERTY, PLANT AND EQUIPMENT:</b>   |                           |                          |
| Mineral properties  | 1,008,886                 | 1,008,886                |
| Accumulated depreciation, depletion and amortization  |                           |                          |
| Total property, plant and equipment, net  | 1,008,886                 | 1,008,886                |
| <b>OTHER ASSETS:</b>  |                           |                          |
| Other   | 225,000                   | 75,000                   |
| Total other assets  | 225,000                   | 75,000                   |
| <b>TOTAL ASSETS</b>   | <b>\$ 9,636,812</b>       | <b>\$ 3,557,144</b>      |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                           |                          |
| <b>CURRENT LIABILITIES:</b>   |                           |                          |
| Accounts payable  | \$ 285,162                | \$ 488,356               |
| Accrued liabilities   | 192,647                   | 156,408                  |
| Total current liabilities   | 477,809                   | 644,764                  |
| <b>SHAREHOLDERS EQUITY:</b>   |                           |                          |
| Common Stock, \$0.01 par value, 30,000,000 shares authorized, 2,480,269 and 1,566,467 shares issued and outstanding at March 31, 2012 and June 30, 2011, respectively | 24,803                    | 15,665                   |
| Additional paid-in capital  | 15,476,729                | 6,853,515                |
| Accumulated deficit during exploration stage  | (6,342,529)               | (3,956,800)              |
| <b>SHAREHOLDERS EQUITY</b>  | <b>9,159,003</b>          | <b>2,912,380</b>         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>  | <b>\$ 9,636,812</b>       | <b>\$ 3,557,144</b>      |

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

**Table of Contents****CONTANGO ORE, INC.****(An Exploration Stage Company)****STATEMENTS OF OPERATIONS****(Unaudited)**

|   | Three Months Ended<br>March 31, |                   | Nine Months Ended<br>March 31, |                     | Period from<br>Inception<br>(October 15, 2009)<br>to March 31, 2012 |
|---|---------------------------------|-------------------|--------------------------------|---------------------|---|
|   | 2012                            | 2011              | 2012                           | 2011                |   |
| <b>EXPENSES:</b>                                      |                                 |                   |                                |                     |   |
| Delay rentals and minimum royalties                   | \$ 87,345                       | \$ 29,277         | \$ 258,785                     | \$ 101,939          | \$ 732,915  |
| Exploration expenses                                  | 37,558                          | 24,236            | 1,736,695                      | 952,731             | 4,885,545   |
| Other operating expenses                              | 12,139                          |                   | 22,842                         | 82,355              | 140,494   |
| Stock-based compensation expense                      | 38,454                          | 27,292            | 154,430                        | 36,389              | 218,111   |
| General and administrative expenses                   | 67,583                          | 59,589            | 212,977                        | 125,345             | 365,464   |
| <b>Total expenses</b>                                 | <b>243,079</b>                  | <b>140,394</b>    | <b>2,385,729</b>               | <b>1,298,759</b>    | <b>6,342,529</b>  |
| <b>NET LOSS</b>                                       | <b>\$ 243,079</b>               | <b>\$ 140,394</b> | <b>\$ 2,385,729</b>            | <b>\$ 1,298,759</b> | <b>\$ 6,342,529</b>   |
| <b>LOSS PER SHARE</b>                                 |                                 |                   |                                |                     |   |
| Basic   | \$ (0.15)                       | \$ (0.09)         | \$ (1.49)                      | \$ (0.83)           | \$ (4.03)   |
| Diluted   | \$ (0.15)                       | \$ (0.09)         | \$ (1.49)                      | \$ (0.83)           | \$ (4.03)   |
| <b>WEIGHTED AVERAGE COMMON SHARES<br/>OUTSTANDING</b> |                                 |                   |                                |                     |   |
| Basic   | 1,641,894                       | 1,566,467         | 1,598,203                      | 1,566,467           | 1,575,105   |
| Diluted   | 1,641,894                       | 1,566,467         | 1,598,203                      | 1,566,467           | 1,575,105   |

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

**Table of Contents****CONTANGO ORE, INC.****(An Exploration Stage Company)****STATEMENTS OF CASH FLOWS****(Unaudited)**

|   | <b>Nine Months Ended<br/>March 31,</b> |                     | <b>Period from<br/>Inception<br/>(October 15, 2009)<br/>to March 31, 2012</b> |
|---|--|---------------------|---|
|   | <b>2012</b>                            | <b>2011</b>         |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |  |                     |   |
| Net loss  | \$ (2,385,729)                         | \$ (1,298,759)      | \$ (6,342,529)  |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |                     |   |
| Stock-based compensation  | 200,734                                | 48,519              | 213,939   |
| Changes in operating assets and liabilities:                                |  |                     |   |
| Decrease (increase) in prepaid expenses                                     | 4,944                                  | 31,888              | (73,214)  |
| Increase (decrease) in accounts payable and other accrued liabilities       | (166,955)                              | \$ (504,295)        | 477,809   |
| Net cash used for operating activities                                      | \$ (2,347,006)                         | \$ (1,722,647)      | \$ (5,723,995)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |  |                     |   |
| Acquisition of other assets   | (150,000)                              |                     | (225,000)   |
| Acquisition of properties   |  |                     | (1,008,886)   |
| Net cash used in investing activities                                       | \$ (150,000)                           | \$                  | \$ (1,233,886)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |  |                     |   |
| Shareholder s contributions   |  | 4,950,638           | 6,805,499   |
| Common stock issuance, net  | 8,431,618                              |                     | 8,482,094   |
| Short-term borrowings   | 500,000                                |                     | 500,000   |
| Repayment of short-term borrowings  | (500,000)                              |                     | (500,000)   |
| Net cash provided by financing activities                                   | \$ 8,431,618                           | \$ 4,950,638        | \$ 15,287,593   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                 | <b>5,934,612</b>                       | <b>3,227,991</b>    | <b>8,329,712</b>  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                       | <b>2,395,100</b>                       |                     |   |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                             | <b>\$ 8,329,712</b>                    | <b>\$ 3,227,991</b> | <b>\$ 8,329,712</b>   |

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

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## CONTANGO ORE, INC.

(An Exploration Stage Company)

## STATEMENT OF SHAREHOLDERS EQUITY

(Unaudited)

|                                      | Common Stock |           | Additional    | Accumulated    | Total        |
|--------------------------------------|--------------|-----------|---------------|----------------|--------------|
|                                      | Shares       | Amount    | paid-in       | Deficit        | Shareholders |
|                                      |              |           | Capital       | Exploration    | Equity       |
|                                      |              |           |               | Stage          |              |
| <b>Balance at June 30, 2011</b>      | 1,566,467    | \$ 15,665 | \$ 6,853,515  | \$ (3,956,800) | \$ 2,912,380 |
| Stock-based compensation             |              |           | 99,782        |                | 99,782       |
| Net loss for the period              |              |           |               | (1,650,170)    | (1,650,170)  |
| <b>Balance at September 30, 2011</b> | 1,566,467    | \$ 15,665 | \$ 6,953,297  | \$ (5,606,970) | \$ 1,361,992 |
| Shares of restricted stock vested    | 31,302       | 313       | (313)         |                |              |
| Stock-based compensation             |              |           | 50,476        |                | 50,476       |
| Net loss for the period              |              |           |               | (492,480)      | (492,480)    |
| <b>Balance at December 31, 2011</b>  | 1,597,769    | \$ 15,978 | \$ 7,003,460  | \$ (6,099,450) | \$ 919,988   |
| Issuance of common stock, net        | 882,500      | 8,825     | 8,422,793     |                | 8,431,618    |
| Stock-based compensation             |              |           | 50,476        |                | 50,476       |
| Net loss for the period              |              |           |               | (243,079)      | (243,079)    |
| <b>Balance at March 31, 2012</b>     | 2,480,269    | \$ 24,803 | \$ 15,476,729 | \$ (6,342,529) | \$ 9,159,003 |

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

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**CONTANGO ORE, INC.**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**1. Organization, Business and Basis of Presentation**

*Organization and Business.* Contango ORE, Inc. ( CORE or the Company ) is a Houston-based, exploration stage company. The Company was formed on September 1, 2010 as a Delaware corporation for the purpose of engaging in the exploration for (i) gold and associated minerals and (ii) rare earth elements in the State of Alaska.

On November 29, 2010, Contango Mining Company ( Contango Mining ), a wholly owned subsidiary of Contango Oil & Gas Company ( Contango ), assigned the Properties (defined below) 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 between companies under common control. Contango subsequently distributed the Company s common stock to Contango s stockholders. The Company had no operating history prior to the contribution of assets and liabilities by Contango. The financial statements of the Company include the financial position, results of operations, and cash flows of Contango Mining since Contango Mining s inception on October 15, 2009 (the Inception date or the Inception ). The equity structure (i.e. the number and type of equity interests issued), however, was retroactively adjusted to reflect the capital structure of the Company.

The Company is an exploration stage company as defined by Accounting Standards Codification ( ASC ) 915, Development Stage Entities. An investment in the Company involves a high degree of risk. The Company s fiscal year end is June 30.

The Company owns a 100% leasehold interest in approximately 675,000 acres from the Tetlin Village Council, the council formed by the governing body for the Native Village of Tetlin, an Alaska Native Tribe ( Tetlin Lease ). The Tetlin Lease has a 10 year term beginning July 2008 with an option to renew for an additional 10 years.

Additionally, the Company holds 18,560 acres in unpatented mining claims from the State of Alaska for the exploration of gold and associated minerals (together with the Tetlin Lease, the Gold Properties ). The Company also holds interests in and to 3,440 acres in unpatented Federal mining claims and 97,280 acres in unpatented mining claims from the State of Alaska for the exploration of rare earth elements (the REE Properties ), and together with the Gold Properties, the Properties ). If any of the Properties are placed into commercial production, the Company would be obligated to pay a 3% production royalty to Juneau Exploration LLC ( JEX ).

*Basis of Presentation.* The accompanying unaudited 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 financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the financial statements have been included. All such adjustments are of a normal recurring nature. The 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, 2011. The results of operations for the three and nine months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2012.



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**CONTANGO ORE, INC.**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

Financial statements for the periods from October 15, 2009 to November 29, 2010 represent financial statements of Contango Mining. The Company used a carryover historical cost basis for all assets and liabilities contributed from Contango Mining on November 29, 2010.

**2. Summary of Significant Accounting Policies**

The Company's significant accounting policies are described below.

*Management Estimates.* The preparation of 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.

*Revenue Recognition.* CORE has yet to realize any revenues. Expenses are presented on the accrual basis of accounting.

*Capitalized Costs.* 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. 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.

*Common Stock.* The Company's certificate of incorporation authorizes us to issue up to 30,000,000 shares of common stock, par value \$0.01. As of March 31, 2012, approximately 2.5 million shares of common stock were issued and outstanding, all of which were 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. The Company's equity structure for all periods prior to November 29, 2010 was retroactively adjusted to reflect the equity structure of the Company.

*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.

*Reclassifications.* Certain prior period amounts have been reclassified to conform to current year presentation. These reclassifications were not material and had no effect on cash flows or net loss.

**Table of Contents****CONTANGO ORE, INC.****(An Exploration Stage Company)****NOTES TO FINANCIAL STATEMENTS (Continued)****(Unaudited)**

*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 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, 2012 and June 30, 2011 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, 2012 or June 30, 2011.

*Recently Issued Accounting Pronouncements*

We have reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe that the future adoption of any such pronouncements will cause a material impact on our financial condition or the results of our operations.

**3. Costs Incurred**

Costs to acquire and explore the Properties were as follows:

|                                     | Nine Months Ended<br>March 31, |                     | Period from<br>Inception<br>(October 15, 2009)<br>to March 31,<br>2012 |
|-------------------------------------|--------------------------------|---------------------|--|
|                                     | 2012                           | 2011                |  |
| Acquisition of mineral interests    | \$                             | \$                  | \$ 1,008,886   |
| Exploration costs and delay rentals | 1,995,480                      | 1,054,670           | 5,618,460  |
| <b>Total costs incurred</b>         | <b>\$ 1,995,480</b>            | <b>\$ 1,054,670</b> | <b>\$ 6,627,346</b>  |

**4. Prepaid Expenses**

The Company's prepaid expenses of \$73,214 and \$78,158 as of March 31, 2012 and June 30, 2011, respectively, relate to prepaid insurance costs, delay rentals and certain geological consulting services and exploration activities conducted by Avalon Development Corporation, an Alaska-domiciled domestic corporation. In October 2011, the Company prepaid the \$75,000 advance minimum royalty that is due to the Tetlin Village Council on July 15, 2012, as further explained in Note 11 Commitments and Contingencies.

**5. Other Assets**

If the Tetlin Lease is placed into commercial production, the Company would be obligated to pay a production royalty to the Native Village of Tetlin, which varies from 2% to 5%, 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 CORE of \$150,000, or (ii) 0.50% by payment to CORE of \$300,000, or (iii) 0.75% by payment to CORE of \$450,000. The Company has classified these payments as Other Assets in

the financial statements of the Company.

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## CONTANGO ORE, INC.

(An Exploration Stage Company)

## NOTES TO FINANCIAL STATEMENTS (Continued)

(Unaudited)

**6. Loss Per Share**

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

|                                       | Three Months Ended March 31, 2012 |                               |              | Three Months Ended March 31, 2011 |                               |              |
|---------------------------------------|-----------------------------------|-------------------------------|--------------|-----------------------------------|-------------------------------|--------------|
|                                       | Loss                              | Weighted<br>Average<br>Shares | Per<br>Share | Loss                              | Weighted<br>Average<br>Shares | Per<br>Share |
| <b>Basic Loss per Share:</b>          |                                   |                               |              |                                   |                               |              |
| Net loss attributable to common stock | \$ (243,079)                      | 1,641,894                     | \$ (0.15)    | \$ (140,394)                      | 1,566,467                     | \$ (0.09)    |

Effect of potential dilutive securities:  
Stock options, net of shares assumed purchased

|                                       |              |           |           |              |           |           |
|---------------------------------------|--------------|-----------|-----------|--------------|-----------|-----------|
| <b>Diluted Loss per Share:</b>        |              |           |           |              |           |           |
| Net loss attributable to common stock | \$ (243,079) | 1,641,894 | \$ (0.15) | \$ (140,394) | 1,566,467 | \$ (0.09) |

|                                       | Nine Months Ended March 31, 2012 |                               |              | Nine Months Ended March 31, 2011 |                               |              |
|---------------------------------------|----------------------------------|-------------------------------|--------------|----------------------------------|-------------------------------|--------------|
|                                       | Loss                             | Weighted<br>Average<br>Shares | Per<br>Share | Loss                             | Weighted<br>Average<br>Shares | Per<br>Share |
| <b>Basic Loss per Share:</b>          |                                  |                               |              |                                  |                               |              |
| Net loss attributable to common stock | \$ (2,385,729)                   | 1,598,203                     | \$ (1.49)    | \$ (1,298,759)                   | 1,566,467                     | \$ (0.83)    |

Effect of potential dilutive securities:  
Stock options, net of shares assumed purchased

|                                       |                |           |           |                |           |           |
|---------------------------------------|----------------|-----------|-----------|----------------|-----------|-----------|
| <b>Diluted Loss per Share:</b>        |                |           |           |                |           |           |
| Net loss attributable to common stock | \$ (2,385,729) | 1,598,203 | \$ (1.49) | \$ (1,298,759) | 1,566,467 | \$ (0.83) |

|                                       | Period from Inception (October 15, 2009)<br>to March 31, 2012 |                               |              |
|---------------------------------------|---|-------------------------------|--------------|
|                                       | Loss  | Weighted<br>Average<br>Shares | Per<br>Share |
| <b>Basic Loss per Share:</b>          |   |                               |              |
| Net loss attributable to common stock | \$ (6,342,529)  | 1,575,105                     | \$ (4.03)    |

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Effect of potential dilutive securities:

Stock options, net of shares assumed purchased

**Diluted Loss per Share:**

|                                       |                |           |           |
|---------------------------------------|----------------|-----------|-----------|
| Net loss attributable to common stock | \$ (6,342,529) | 1,575,105 | \$ (4.03) |
|---------------------------------------|----------------|-----------|-----------|

Options to purchase 50,000 shares of common stock were outstanding as of March 31, 2012, but were not included in the computation of diluted earnings per share for the three and nine months ended March 31, 2012, due to being anti-dilutive as a result of the Company's net loss for all periods.

**Table of Contents****CONTANGO ORE, INC.****(An Exploration Stage Company)****NOTES TO FINANCIAL STATEMENTS (Continued)****(Unaudited)****7. 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. The maximum aggregate number of shares of common stock of the Company with respect to which grants may be made to any individual is 100,000 shares during any calendar year. Awards made under the 2010 Plan are subject to such restrictions, terms and conditions, including forfeitures, if any, as may be determined by the Board. As of March 31, 2012, there were 62,604 restricted shares outstanding and 50,000 options outstanding issued under the 2010 Plan.

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

|  | Three Months Ended<br>March 31, |           | Nine Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|--------------------------------|-----------|
|  | 2012                            | 2011      | 2012                           | 2011      |
| Stock-based compensation included in:  |                                 |           |                                |           |
| Exploration expenses (1)               | \$ 12,022                       | \$ 9,098  | \$ 46,305                      | \$ 12,131 |
| Stock-based compensation expense (2)   | 38,454                          | 27,292    | 154,430                        | 36,389    |
| Total stock-based compensation expense | \$ 50,476                       | \$ 36,390 | \$ 200,735                     | \$ 48,520 |

(1) Related to restricted stock and stock option awards to the Company's 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 its technical consultant, the owner of Avalon Development Corporation, an Alaska corporation (Avalon). All shares of restricted stock vest over a three year period, beginning in November 2011, the one-year anniversary of when the restricted stock was issued. Compensation expense related to these shares will be recognized over the vesting period. A summary of the Company's restricted stock as of March 31, 2012 and the changes during the nine months then ended, is as follows:

|                                   | Number of<br>Shares | Weighted<br>Average<br>Fair Value<br>Per Share |
|-----------------------------------|---------------------|--|
| Nonvested balance at July 1, 2011 | 93,906              | \$ 4.65  |
| Granted                           |                     | \$   |

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|                                     |          |         |
|-------------------------------------|----------|---------|
| Vested                              | (31,302) | \$ 4.65 |
| Forfeited                           |          | \$      |
| Nonvested balance at March 31, 2012 | 62,604   | \$ 4.65 |

As of March 31, 2012, the total compensation cost related to nonvested awards not yet recognized was \$242,590. The remaining costs are expected to be recognized over the next two years.

**Table of Contents****CONTANGO ORE, INC.****(An Exploration Stage Company)****NOTES TO FINANCIAL STATEMENTS (Continued)****(Unaudited)***Stock Options*

In September 2011, the Company granted an aggregate of 50,000 options to its officers, directors and the owner of Avalon at a weighted-average exercise price of \$13.13 per share pursuant to the 2010 Plan, to be expensed over the vesting period which is one-third immediately; one-third in September 2012; and one-third in September 2013. The option awards were granted for services performed during the fiscal year ended June 30, 2011. Under the 2010 Plan, options granted must have an exercise price equal to or greater than the market price of the Company's common stock on the date of grant. The Company may grant key employees both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and stock options that are not qualified as incentive stock options. Stock option grants to non-employees, such as directors and consultants, may only be stock options that are not qualified as incentive stock options. Options generally expire after five years, but in no event may they exceed ten years. All options may only be exercised while a participant is employed by the Company or providing services as a consultant or non-employee director. As of March 31, 2012, the stock options had a weighted-average remaining life of 4.5 years.

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 2 – 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.

A summary of the status of stock options granted under the 2010 Plan as of March 31, 2012 and changes during the nine months then ended, is presented in the table below:

|                                    | <b>Nine Months Ended<br/>March 31, 2012</b> |  |
|------------------------------------|---|--|
|                                    | <b>Shares<br/>Under<br/>Options</b>         | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |
| Outstanding, beginning of period   |   | \$   |
| Granted                            | 50,000                                      | \$ 13.13   |
| Exercised                          |   | \$   |
| Forfeited                          |   | \$   |
| Outstanding, end of period         | 50,000                                      | \$ 13.13   |
| Aggregate intrinsic value          | \$ 29,750                                   |  |
| Exercisable, end of period         | 16,667                                      | \$ 13.13   |
| Aggregate intrinsic value          | \$ 9,917                                    |  |
| Available for grant, end of period | 856,094                                     |  |



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Weighted average fair value of options granted during the period (1) \$ 3.38

- (1) The fair value of each option is estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants during the nine months ended March 31, 2012: (i) risk-free interest rate of 0.42 percent; (ii) expected life of three years; (iii) expected volatility of 40 percent; and (iv) expected dividend yield of zero percent.

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**CONTANGO ORE, INC.**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**8. 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, 2012, we had 2,480,269 shares of common stock outstanding and an additional 112,604 shares of restricted stock and stock options outstanding. No shares of preferred stock have been issued.

On November 29, 2010, the Company issued approximately 1.6 million shares of common stock to Contango for distribution to Contango's stockholders of record as of October 15, 2010 on the basis of one share of common stock for each ten (10) shares of Contango's common stock then outstanding in exchange for the contribution by Contango of all of the assets and liabilities of Contango Mining, together with \$3.5 million in cash to the Company pursuant to the terms of a Contribution Agreement between Contango and the Company (the "Contribution Agreement"). The Company's equity structure for the periods prior to November 29, 2010 was retroactively adjusted to reflect the equity structure of the Company as of November 29, 2010.

On March 26, 2012, the Company completed selling 882,500 shares of Common Stock to accredited investors at a price of \$10.00 per share in a private placement for total proceeds of approximately \$8.8 million, including 400,000 shares that were purchased by Mr. Peak, the Company's Chairman and Chief Executive Officer. The placement agents used in connection with the transaction received aggregate placement fees and expenses of approximately \$0.4 million. After repaying approximately \$0.5 million of short-term debt under the Company's Revolving Line of Credit Promissory Note with Contango, the Company will use the remaining \$7.9 million to fund its 2012 exploration program in Alaska, estimated at \$6.75 million, and for general corporate purposes. The shares of Common Stock sold were not registered under the Securities Act of 1933, as amended, but are subject to a Registration Rights Agreement allowing the shares to be registered by the holders at a future date.

**9. Line of Credit**

On November 10, 2011, the Company entered into a \$1.0 million Revolving Line of Credit Promissory Note with Contango (the "CORE Note"). The Company and Contango share common executive officers. The CORE Note contains covenants limiting our ability to enter into additional indebtedness and prohibiting liens on any of our assets or properties. Borrowings under the CORE Note bear interest at 10% per annum. Principal and interest are due on December 31, 2012, and may be prepaid at any time with no prepayment penalty.

On March 30, 2012, the Company repaid the \$500,000 it had borrowed under the CORE Note, plus accrued interest of \$14,917 from the proceeds of the equity offering. The Company may re-borrow any portion of the \$1.0 million through December 31, 2012.

**10. Related Parties**

Contango and the Company share the same executive management team. Pursuant to the Contribution Agreement between Contango and the Company, effective as of November 29, 2010, Contango contributed the Properties and \$3.5 million in cash to the Company in exchange for shares of common stock of the Company in an amount equal to one share of common stock for each ten (10) shares of Contango's common stock outstanding as of October 15, 2010.

**11. Commitments and Contingencies**

*Tetlin Lease.* Pursuant to the terms of the Tetlin Lease, the Company is required to spend \$350,000 per year until July 15, 2018 in exploration costs. However, the Company's exploration expenditures through the 2011 exploration program have satisfied this requirement because exploration funds spent in any year in excess of \$350,000 are credited toward future years' exploration cost requirements. As of March 31, 2012, the total amount spent on exploration expenditures on the Tetlin Lease was approximately \$4.7 million. Additionally, should we derive revenues from the properties covered under the Tetlin Lease, the Company is required to pay the Tetlin Village Council a production royalty ranging from

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2.0% to 5.0%, depending on the type of metal produced and the year of production. As of March 31, 2012, the Company has paid the Tetlin Village Council \$225,000 in exchange

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**CONTANGO ORE, INC.**

**(An Exploration Stage Company)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

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 their production royalty by (i) 0.25% by payment to CORE of \$150,000, (ii) 0.50% by payment to CORE of \$300,000, or (iii) 0.75% by payment to CORE of \$450,000. Until such time as production royalties begin, the Company pays the Tetlin Village Council an advance minimum royalty each year. On July 15, 2012, the advance minimum royalty increases from \$50,000 to \$75,000 per year, and in subsequent years the advance minimum royalty is escalated by an inflation adjustment.

*Gold Properties.* The Company's Triple Z and TOK/Tetlin claims are both located on State of Alaska lands. The annual delay rentals on these two projects total \$12,140 per year, and are due and payable in full by November 30 of each year. The Company has met the annual labor requirements for the Triple Z and TOK/Tetlin claims for the next four years, which is the maximum time frame allowable by Alaska law.

*REE Properties.* The Company's Stone Rock and Salmon Bay projects are both located on Federal land. The delay rentals on these two projects total \$24,080 per year, and are due and payable in full by August 31 of each year. The Company's Swift River, Wolf, and Alatna projects are all located on State of Alaska lands. The delay rentals on these three projects total \$61,880 per year, and are due and payable in full by November 30 of each year. Additionally, these three claims also have an annual labor payment totaling \$176,800 payable by November 30 of each year, unless the Company meets certain spending requirements for exploration work. The Company's Spooky project is located on State of Alaska lands, but an annual delay rental is not currently required.

We will also pay JEX a production royalty of 3% should we derive revenues from any of the existing Properties.

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### **Available Information**

General information about us can be found on our 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 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, 2011, 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 rare earth elements

Timing and amount of future discoveries (if any) and production of natural resources

Operating costs and other expenses

Cash flow and anticipated liquidity

Prospect development

New governmental laws and regulations

Although we believe 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

Low and/or declining prices for gold and rare earth elements

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.

Government subsidies to our competitors

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Timely and full receipt of sale proceeds from the sale of any of our mined products (if any)

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

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 to explore in the State of Alaska for (i) gold ore and associated minerals, and (ii) rare earth elements. We have leased or have control over Federal and State of Alaska properties totaling approximately 794,280 acres for the exploration of gold and associated minerals and rare earth elements. We anticipate that from time to time we will acquire additional acreage in Alaska for the exploration of gold and associated minerals and rare earth elements through leases or obtaining additional mining claims.

**Our Business**

The Company was formed on September 1, 2010 as a Delaware corporation. On November 29, 2010, Contango Mining Company ( "Contango Mining"), a wholly owned subsidiary of Contango Oil & Gas Company ( "Contango"), assigned the Properties (defined below) and certain other assets and liabilities to Contango. Contango Mining was formed on October 15, 2009 as a Delaware corporation for the purpose of engaging in exploration in the State of Alaska for (i) gold and associated minerals and (ii) rare earth elements. 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 above took place between companies under common control.

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

The Company had no operating history prior to the contribution of Contango Mining's assets and liabilities. The financial statements of the Company include the financial position, results of operations, and cash flows of Contango Mining since its inception. The equity structure was retroactively adjusted to reflect the capital structure of the Company. References that describe the operations of the Company include the operations of Contango Mining for the periods prior to November 29, 2010.

The Company owns a 100% leasehold interest in approximately 675,000 acres from the Tetlin Village Council, the council formed by the governing body for the Native Village of Tetlin, an Alaska Native Tribe ( Tetlin Lease ). The Tetlin Lease has a 10 year term beginning July 2008 with an option to renew for an additional 10 years. If the properties under the Tetlin Lease are placed into commercial production, the 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% to 5%, 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



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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 CORE of \$150,000, or (ii) 0.50% by payment to CORE of \$300,000, or (iii) 0.75% by payment to CORE of \$450,000.

Additionally, the Company holds 18,560 acres in unpatented mining claims from the State of Alaska for the exploration of gold and associated minerals (together with the Tetlin Lease, the Gold Properties). The Company also holds interests in and to 3,440 acres in unpatented Federal mining claims and 97,280 acres in unpatented mining claims from the State of Alaska for the exploration of rare earth elements (the REE Properties), and together with the Gold Properties, the Properties). If any of the Properties are placed into commercial production, the Company would be obligated to pay a 3% production royalty to Juneau Exploration LLC (JEX).

### **Strategy**

Our exploration strategy is predicated upon two core beliefs: (1) that the only competitive advantage in a commodity-based business is to be among the lowest cost producers and (2) that virtually all the mining industry's value creation occurs through the discovery of mineral deposits that can be developed to the state of a commercially viable producing mine. While we do not have previous experience in the gold or rare earth element industries, we plan to focus our business strategy on the following elements:

*Using our limited capital availability to increase our reward/ lower our risk potential on selective prospects.* We will concentrate our risk investment capital in our prospects in Alaska. We have leased approximately 675,000 acres and control another 18,560 acres consisting of 167 unpatented State of Alaska mining claims in Eastern Alaska for the exploration of gold and associated minerals. We also own 3,440 acres consisting of 172 unpatented Federal mining claims and 97,280 acres consisting of 608 unpatented State of Alaska mining claims for the exploration of rare earth elements.

Exploration prospects are inherently risky as they require large amounts of capital with no guarantee of success. Furthermore, we may never achieve a competitive advantage in the conduct of our business, since it is unlikely that our Properties will have commercially viable mineral deposits. Should the Properties prove to have known deposits, or mineral ore, we will be required to develop our own mining operations or contract with third parties to mine our mineral ore. We may only become a low cost producer if the mineral ore is of high quality and the cost of the infrastructure necessary to mine the mineral ore is low relative to other producers, including those competitors located in China if rare earth elements are mined.

Our strategic initiatives are to undertake cost efficient and effective exploration activities to discover mineralization and potential mineral reserves which may enhance the value of our Properties. If we are successful in our exploration activities, we may consider a joint venture or sales of our Properties to qualified mining companies.

*Structuring Incentives to Drive Behavior.* We believe that equity ownership aligns the interests of our consultants, executives and directors with those of our stockholders. The Company's directors and officers do not receive any cash compensation for their work for the Company. The Company's directors, executive officers and our technical consultant beneficially own approximately 27% of our common stock.

In September 2011, the Company granted 40,000 stock options to its directors and officers and an additional 10,000 stock options to its technical consultant. These options vest over two years, beginning in September 2011, the date of the grant. Additionally, the Company's directors, executive officers and our technical consultant were granted an aggregate of 93,906 shares of restricted stock in November 2010. The restricted stock vests over three years, beginning in November 2011, the one-year anniversary of the date the shares were granted. Upon full vesting of the restricted stock and options, the Company's directors, executive officers and our technical consultant will own approximately 30% of the Company.

*Alliance with JEX.* JEX is a private company formed primarily for the purpose of assembling natural gas and oil prospects. JEX has been responsible in securing and negotiating the Tetlin Lease and assisting in obtaining the Properties and initially engaged Avalon Development Corporation (Avalon) to conduct mineral exploration

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activities on the Tetlin Lease. JEX will continue to assist us in acquiring additional acreage in Alaska and provide other consulting services to the Company. We do not have a written agreement with JEX which contractually obligates them to provide us with their services. We anticipate providing JEX with an additional overriding royalty interest in property where JEX assists in the acquisition of such property.

**Properties**

Our Properties consist of mineral leases and unpatented mining claims. We believe that we hold good title to our Properties in accordance with standards generally accepted in the minerals industry. As is customary in both the gold and rare earths mining industry, we conduct only a perfunctory title examination at the time we lease a property. Before we begin any mining activities, however, we will conduct a full title examination and perform curative work on any defects that we deem significant. A significant amount of additional work and at least another two years is likely required in the exploration of our Properties before any determination as to the economic feasibility of a mining venture can be made. Due to the harsh weather in Alaska, our work months are restricted to May through October. The following table summarizes our property holdings as of April 30, 2012:

|                     | Jurisdiction           | Project Name | No. of Claims | Acreage        |
|---------------------|------------------------|--------------|---------------|----------------|
| Gold                |                        |              |               |                |
|                     | Tetlin Village Council | Tetlin Lease | n/a           | 675,000        |
|                     | State of Alaska        | TOK /Tetlin  | 122           | 11,360         |
|                     |                        | Triple Z     | 45            | 7,200          |
|                     |                        |              | <b>167</b>    | <b>693,560</b> |
| Rare Earth Elements |                        |              |               |                |
|                     | Federal                | Salmon Bay   | 123           | 2,460          |
|                     |                        | Stone Rock   | 49            | 980            |
|                     | State of Alaska        | Alatna       | 127           | 20,320         |
|                     |                        | Spooky       | 166           | 26,560         |
|                     |                        | Wolf         | 202           | 32,320         |
|                     |                        | Swift        | 113           | 18,080         |
|                     |                        |              | <b>780</b>    | <b>100,720</b> |
| <b>Grand Total</b>  |                        |              | <b>947</b>    | <b>794,280</b> |

**Gold Exploration**

To date, our gold exploration has been limited to the Tetlin Lease, with only a limited amount of work performed on our TOK 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.

The three-year exploration effort on the Tetlin Lease has resulted in identifying one mineral prospect (Chief Danny) and five other gold and copper leads (Copper Hill, Taixtsalda, MM, Chisana and W), as well as an exploration lead at Triple Z which is located 10 miles north of our Tetlin Lease. None of the newly discovered exploration targets are known to host quantifiable mineral resources, none have had metallurgical or mineral processing studies conducted on them and none are near or adjacent to other significant gold or copper deposits. There has been no recorded past placer or lode mining on these leads, and other than the core drilling completed by the Company in 2011, there has been no exploration drilling conducted on any exploration target within the Tetlin Lease. An unknown but small amount of drilling was conducted on the Triple Z lead in the early 1970 s but the details related to this work are not available to the Company.

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*Chief Danny Prospect.* The Chief Danny prospect currently is the most advanced exploration target on the Tetlin Lease and is comprised of two distinct mineralized areas, the Chief Danny South 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 IP geophysics, airborne magnetic and resistivity surveys and core drilling. Results from this work indicate the presence of a zoned hydrothermal system consisting of a gold-copper-iron enriched core covering six square miles at Chief Danny South and a fault-offset arsenic-gold enriched zone to the north covering three square miles at the Saddle zone. Mineralization remains open to expansion, particularly to the west and south. From 2009 through 2011, 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 | IP/Geophysics (meters) | Trenching (feet) |
|-------|-------------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009  | Chief Danny |              | 569          | 33           |                 |                     |                        | 2,330            |
| 2010  | Chief Danny |              | 251          | 610          | 1               |                     | 14,150                 |                  |
| 2011  | Chief Danny | 1,415        | 20           | 668          |                 |                     | 3,842,000              |                  |
| Total |             | 1,415        | 840          | 1,311        | 1               |                     | 3,856,150              | 2,330            |

The 1,415 core samples were taken over 8,057 feet of drilling in 11 core holes. The geophysics in 2010 was ground IP (induced polarization), while the geophysics in 2011 was airborne magnetics and resistivity surveys. All field operations were contracted through Avalon. Core drilling and trenching at the Chief Danny prospect 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%          |

For 2012, we have budgeted to drill an additional 20,000 feet in 15 to 30 core holes in the Chief Danny South area that could bring the area to the resource stage by the end of the year. Additionally, we will conduct baseline water quality sampling in drainage basins that have the potential to be impacted by the development of the Chief Danny prospect. We have budgeted approximately \$3.6 million for this work which includes drilling, geochemical analyses, landholding fees and other related expenses.

*Exploration Leads.* For 2012, we have budgeted to invest approximately \$2.75 million on our Copper Hill, Taixtsalda, MM, W, Chisana and Triple Z leads to better define potential drilling targets, which includes \$350,000 in project management fees and rental payments. All of these exploration targets were generated using a combination of geological, geochemical and geophysical data generated in 2009 through 2011.

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**Copper Hill** During 2010 and 2011, rock and soil sampling at the Copper Hill lead revealed that copper and gold were most anomalous south of a district-scale thrust fault. Streams draining the highland area generated up to 23 grams of gold per ton in pan concentrate samples, several of which contained visible gold. Field related exploration activities included collecting the following samples:

| Year  | Program     | Core Samples | Rock Samples | Soil Samples | Pan Con Samples | Stream Silt Samples | IP/Geophysics (meters) | Trenching (feet) |
|-------|-------------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009  | Copper Hill |              |              |              |                 |                     |                        |                  |
| 2010  | Copper Hill |              | 105          |              | 28              | 41                  |                        |                  |
| 2011  | Copper Hill |              | 16           | 290          | 5               | 1                   |                        |                  |
| Total |             |              | 121          | 290          | 33              | 42                  |                        |                  |

For 2012, we have budgeted to drill 2,000 feet in three to five core holes at our Copper Hill lead, at an estimated cost of \$400,000.

**Taixtsalda** The initial work at the Taixtsalda lead was prompted by magnetic highs on 1970 s airborne data that is suggestive of a porphyry copper signature. The airborne magnetics and resistivity collected in 2011 revealed coincident strong magnetic and resistivity highs. Field related exploration activities included collecting the following samples:

| Year  | Program    | Core Samples | Rock Samples | Soil Samples | Pan Con Samples | Stream Silt Samples | IP/Geophysics (meters) | Trenching (feet) |
|-------|------------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009  | Taixtsalda |              |              |              |                 |                     |                        |                  |
| 2010  | Taixtsalda |              | 4            |              |                 |                     |                        |                  |
| 2011  | Taixtsalda |              |              |              |                 |                     |                        |                  |
| Total |            |              | 4            |              |                 |                     |                        |                  |

For 2012, we have budgeted to perform top of bedrock soil auger sampling to better define drilling targets, and to drill 2,000 feet in three to five core holes at our Taixtsalda lead, at an estimated cost of \$575,000.

**MM** In 2009, gold in pan concentrates exceeded 1 gpt at the MM lead. Multiple drainages with over 0.1 gpt gold hits were discovered during our follow-up program in 2010. Our 2011 airborne magnetics data suggests that the area is underlain by a large felsic intrusive. Field related exploration activities included collecting the following samples:

| Year  | Program | Core Samples | Rock Samples | Soil Samples | Pan Con Samples | Stream Silt Samples | IP/Geophysics (meters) | Trenching (feet) |
|-------|---------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009  | MM      |              |              |              |                 |                     |                        |                  |
| 2010  | MM      |              |              |              |                 |                     |                        |                  |
| 2011  | MM      |              | 1            | 304          |                 |                     |                        |                  |
| Total |         |              | 1            | 304          |                 |                     |                        |                  |

For 2012, we have budgeted to perform top of bedrock soil auger sampling to better define our drilling targets, and to drill 3,000 feet in five to seven core holes at our MM lead, at an estimated cost of \$725,000.

**Chisana** Two streams draining in the eastern half of the Chisana lead have generated coarse visible gold. Field related exploration activities at the Chisana lead included collecting the following samples:

| Year | Program | Core Samples | Rock Samples | Soil Samples | Pan Con Samples | Stream Silt Samples | IP/Geophysics (meters) | Trenching (feet) |
|------|---------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009 | Chisana |              |              |              |                 |                     |                        |                  |

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|      |         |   |     |    |    |
|------|---------|---|-----|----|----|
| 2010 | Chisana | 4 | 35  | 17 | 19 |
| 2011 | Chisana |   | 327 |    |    |
|      | Total   | 4 | 362 | 17 | 19 |

While no drilling has been planned in this area for 2012, we have budgeted to perform rock and soil sampling to better define our drilling targets, at an estimated cost of \$50,000.

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W and Other Tetlin acreage Pan-stream sampling at the W lead in 2010 revealed one stream generating coarse visible gold. Field related exploration activities at the W lead, as well as at other acreage in the Tetlin Lease included collecting the following samples:

| Year  | Program                    | Core Samples | Rock Samples | Soil Samples | Pan Con Samples | Stream Silt Samples | IP Geophysics (meters) | Trenching (feet) |
|-------|----------------------------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009  | W and other Tetlin acreage |              | 411          |              | 94              | 111                 |                        |                  |
| 2010  | W and other Tetlin acreage |              | 251          | 90           | 646             | 763                 |                        |                  |
| 2011  | W and other Tetlin acreage |              | 1            |              |                 |                     |                        |                  |
| Total |                            |              | 663          | 90           | 740             | 874                 |                        |                  |

While no drilling has been planned at the W lead for 2012, we have budgeted to perform rock and soil sampling to better define our drilling targets, at an estimated cost of \$50,000.

Triple Z In 2009, rock and soil sampling revealed gold values up to 9.07 gpt along with anomalous copper, arsenic and bismuth at the Triple Z lead. Our 2011 airborne magnetics data supports drilling at this current stage. Field related exploration activities included collecting the following samples:

| Year  | Program  | Core Samples | Rock Samples | Soil Samples | Pan Con Samples | Stream Silt Samples | IP/Geophysics (meters) | Trenching (feet) |
|-------|----------|--------------|--------------|--------------|-----------------|---------------------|------------------------|------------------|
| 2009  | Triple Z |              | 85           | 115          |                 |                     |                        |                  |
| 2010  | Triple Z |              |              |              |                 |                     |                        |                  |
| 2011  | Triple Z |              | 29           | 21           | 6               | 7                   |                        |                  |
| Total |          |              | 114          | 136          | 6               | 7                   |                        |                  |

For 2012, we have budgeted to drill 3,000 feet in five to seven core holes at our Triple Z lead, at an estimated cost of \$600,000.

Behre Dolbear & Company (USA), Inc. has reviewed the results of our gold exploration program for the Tetlin Lease and provided us with a report which was filed with the Securities and Exchange Commission on February 6, 2012 as an exhibit to our report on Form 10-Q for the three months ended December 31, 2011.

**Rare Earth Elements Exploration**

During the summer of 2011, we conducted reconnaissance geologic mapping, soil sampling and rock sampling at our Salmon Bay and Stone Rock Bay projects on Prince of Wales Island in Southeast Alaska. Both projects are located at tidewater within the Tongass National Forest. Rare earth element mineralization was discovered at these projects by the U.S. Bureau of Mines in the late 1980 s but neither has received subsequent industry exploration until our work in the summer of 2011. Mineralization at both projects is light rare earth-dominant and both projects returned total rare earth element contents ranging from insignificant to greater than 1% in rocks and soils. Mineralization is hosted in mafic to felsic intrusive rocks and remains open to expansion at both projects. Additional exploration work will be required to advance these projects to the drilling stage. We have budgeted to invest approximately \$400,000 in rare earth element exploration during 2012.

**Consulting Services**

*Avalon Development Corporation.* The Company is a party to a Professional Services Agreement ( PSA ) with Avalon to provide certain geological consulting services and exploration activities with respect to the Properties from time to time as requested by the Company. Pursuant to the PSA, Avalon will continue to provide certain geological consulting services and exploration activities. The Company pays Avalon on a per diem basis and reimburses Avalon for its expenses. As additional compensation, the owner of Avalon received 23,477 restricted shares of common stock in November 2010 and stock options to purchase 10,000 shares of common stock of the Company in September 2011. The restricted shares vest over three years beginning in November 2011, the one-year anniversary of the date the shares were granted and the stock options vest over two years beginning in September 2011, the date the options were granted.



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Avalon is a Fairbanks, Alaska based mineral exploration consulting firm, which has conducted mineral exploration in Alaska since 1985. Its 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. Work schedules vary widely from a 7 day per week, 30-day minimum schedule for field related geologists and geological engineers to 40-hours per week schedules for geographic information system and management staff. Because the Company does not have experience exploring or evaluating gold or rare earth element prospects in Alaska, we rely on Avalon's exploration expertise to determine whether our exploration activities will be likely to develop commercially viable deposits. Avalon's mineral exploration services include pre-field planning, in-progress evaluation/modification and post-field critical review. Avalon will continue to work in conjunction with the Company to identify new properties and will conduct the initial exploration for such properties.

*Tetlin Village Council.* On October 15, 2010, the Company entered into a consulting agreement (the "Consulting Agreement") with the Chief of the Tetlin Indian Tribe (the "Consultant"). The Consultant has special knowledge and experience with governmental affairs and tribal affairs issues and operates an independent consulting practice. Under the terms of the Consulting Agreement, the Consultant assists the Company in negotiations with other native tribes to lease additional properties and assists the Company with State of Alaska and Federal governmental affairs issues. The Company pays the Consultant \$5,000 per month in exchange for his services, and can pay discretionary bonuses from time to time for successful negotiations.

## **Marketing and Pricing**

Should our exploratory drilling activities prove to be successful, the Company expects to mine ore and derive its revenue principally from the sale of gold and associated minerals or rare earth elements. We may also enter into joint ventures or sell some or all of our Properties to qualified mining companies. We do not currently have a market for any minerals that may be derived from our Properties. As a result, the Company's revenues are expected to be determined by the success of our exploration and any subsequent mining activities and by prevailing prices for gold and rare earth elements. Market prices are dictated by supply and demand, and the Company cannot predict or control the price it will receive for gold ore and rare earth elements.

## **Adverse Weather Conditions**

Weather conditions will affect the Company's ability to conduct exploration activities and mine any ore from its Properties in Alaska. While exploratory drilling and related activities may only be conducted from May to October on certain of our Properties, the Company believes 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.

While there are few rare earth mining companies in the United States, the global rare earth mining and processing markets are competitive. China currently accounts for over 90% of rare earth mineral production and manufacturing, and should our rare earth mining efforts prove to be successful, we may not be able to implement the processing technologies and capabilities that our Chinese counterparts have already established. Our Chinese competitors may have greater financial resources, as well as other strategic advantages to maintain, improve and expand their mining programs. In addition, Chinese domestic economic policies may allow the Chinese companies to produce at relatively lower costs.



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Competitive conditions may be substantially affected by various forms of legislation and regulation considered from time to time by the government of the United States and the State of Alaska, as well as factors that we cannot control, including international political conditions, overall levels of supply and demand for minerals, and currency fluctuations.

### **Employees**

The Company has three part-time employees. Kenneth R. Peak is the Chairman, Chief Executive Officer and President of the Company and is responsible for the management of the Company. Sergio Castro is the Vice President, Chief Financial Officer, Treasurer and Secretary of the Company and is responsible for the financial affairs of the Company. Yaroslava Makalskaya is the Vice President, Controller and Chief Accounting Officer of the Company and is responsible for the Company's accounting.

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

None

### **Contractual Obligations**

The Tetlin Lease provides for an initial term of ten (10) years and so long after such initial term as we continue conducting exploration or mining operations on the Tetlin Lease. The Company is required to spend \$350,000 per year annually until July 15, 2018 in exploration costs pursuant to the Tetlin Lease. However, exploration expenditures through the 2011 exploration program have satisfied this requirement because exploration funds spent in any year in excess of \$350,000 are credited toward future years' exploration cost requirements. As of March 31, 2012, the Company had invested approximately \$4.7 million on the Tetlin Lease. 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, 2012, the Company has 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 CORE of \$150,000, (ii) 0.50% by payment to CORE of \$300,000, or (iii) 0.75% by payment to CORE of \$450,000. Until such time as production royalties begin, the Company pays the Tetlin Village Council an advance minimum royalty of approximately \$50,000 per year, which increases to \$75,000 per year beginning on July 15, 2012. Additionally, we will pay JEX a production royalty of 3% should we deliver to a purchaser on a commercial basis precious metals, non-precious metals or hydrocarbons derived from the Properties. The Company also pays delay rentals of \$98,100 per year on Federal and State of Alaska acreage, as well as minimum labor payments of \$176,800 per year on certain State of Alaska acreage, which is described in Note 11 "Commitments and Contingencies" in the Notes to the Financial Statements on this Report on Form 10-Q.

### **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 financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these 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 financial statements:

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*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, we measure and recognize 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.

## **Results of Operations**

The Company is a newly-formed company that has not commenced mining or producing commercially marketable minerals. To date, we have not generated any revenue from mineral sales or operations. We have no recurring source of revenue and our 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, we may generate revenue from a combination of mineral sales and other payments resulting from any commercially recoverable minerals from the Properties. We do not expect to generate revenue from mineral sales in the foreseeable future. If our 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.

## **Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011**

*Delay Rentals and Minimum Royalties.* Delay rentals and minimum royalties consist of Federal and State of Alaska rental payments, annual labor payments, and minimum royalty payments payable to the Native Village of Tetlin. We recognized delay rental and minimum royalties expense of \$87,345 for the three months ended March 31, 2012, compared to \$29,277 for the three months ended March 31, 2011. The higher level of delay rentals and minimum royalties is due to an increase in the advance minimum royalty payable to the Tetlin Village Council to \$75,000 per year and additional lands acquired, slightly offset by the fact that once the initial rental is paid on State of Alaska lands, yearly rentals are reduced by 50% for the following year, and return to normal amounts thereafter.

*Exploration Expenses.* We reported \$37,558 of exploration expense for the three months ended March 31, 2012, compared to \$24,236 for the three months ended March 31, 2011. This increase is primarily attributable to our summer 2011 work program. Components of exploration expense include drilling, permits, field rentals and field supplies as well as staking, mapping, logging, surveying and plotting expenses. The increase is also attributable to stock-based compensation expense related to issuing restricted stock in November 2010 and stock options in September 2011 to our technical consultant, pursuant to the Company's 2010 Equity Compensation Plan. Stock-based compensation expense included in exploration expense totaled \$12,022 for the three months ended March 31, 2012 as compared to \$9,098 for the three months ended March 31, 2011.

*Other Operating Expenses.* For the three months ended March 31, 2012, we incurred \$12,139 in other operating expenses related to the Behre Dolbear & Company (USA), Inc. review of the results of our gold exploration program for the Tetlin Lease.

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*Stock-based Compensation Expenses.* We recognized \$38,454 of stock-based compensation expense for the three months ended March 31, 2012, related to restricted stock granted to our officers and directors in November 2010, and stock option awards granted in September 2011, both pursuant to the Company's 2010 Equity Compensation Plan. We recognized \$27,292 of stock-based compensation expense for the three months ended March 31, 2011 related to the restricted stock granted in November 2010.

*General and Administrative Expenses.* General and administrative expenses for the three months ended March 31, 2012 and 2011 were \$67,583 and \$59,589, respectively. This increase is primarily attributable to higher costs and accounting fees as a result of implementing XBRL reporting.

### **Nine Months Ended March 31, 2012 Compared to Nine Months Ended March 31, 2011**

*Delay Rentals and Minimum Royalties.* Delay rentals and minimum royalties consist of Federal and State of Alaska rental payments, annual labor payments, and minimum royalty payments payable to the Native Village of Tetlin. We recognized delay rental and minimum royalties expense of \$258,785 for the nine months ended March 31, 2012, compared to \$101,939 for the nine months ended March 31, 2011. The higher level of delay rentals and minimum royalties is due to an increase in the advance minimum royalty payable to the Tetlin Village Council to \$75,000 per year and additional lands acquired, slightly offset by the fact that once the initial rental is paid on State of Alaska lands, the following year's rental is reduced by 50% for the following year, and return to normal amounts thereafter.

*Exploration Expenses.* We reported approximately \$1.7 million of exploration expense for the nine months ended March 31, 2012, compared to approximately \$1.0 million for the nine months ended March 31, 2011. This increase is primarily attributable to our summer 2011 work program. Components of exploration expense include drilling, permits, field rentals and field supplies as well as staking, mapping, logging, surveying and plotting expenses. The increase is also attributable to stock-based compensation expense related to issuing restricted stock in November 2010 and stock options in September 2011 to our technical consultant, pursuant to the Company's 2010 Equity Compensation Plan. Stock-based compensation expense included in exploration expense totaled \$46,305 for the nine months ended March 31, 2012 as compared to \$12,131 for the nine months ended March 31, 2011.

*Other Operating Expenses.* For the nine months ended March 31, 2012, we incurred \$22,842 in other operating expenses, compared to \$82,355 for the nine months ended March 31, 2011. This decrease is mainly attributable to fewer travel expenses and fees.

*Stock-based Compensation Expenses.* We recognized \$154,430 of stock-based compensation expense for the nine months ended March 31, 2012, related to restricted stock granted to our officers and directors in November 2010, and stock option awards granted in September 2011, both pursuant to the Company's 2010 Equity Compensation Plan. We recognized \$36,389 of stock-based compensation expense for the nine months ended March 31, 2011 related to the restricted stock granted in November 2010.

*General and Administrative Expenses.* General and administrative expenses for the nine months ended March 31, 2012 and 2011 were \$212,977 and \$125,345, respectively. This increase is primarily attributable to increased legal and other professional services costs during the period.

### **Liquidity and Capital Resources**

The Company is in the initial stage of conducting exploration activities on its Properties, and our liquidity will be impaired to the extent our exploration efforts are not successful in generating commercially viable mineral deposits on the Properties.

*Liquidity Outlook.* Our initial source of funding was the \$3.5 million in cash contributed by Contango which has been fully expended. On March 26, 2012, the Company completed selling 882,500 shares of Common Stock to accredited investors at a price of \$10.00 per share in a private placement for total proceeds of approximately \$8.8 million, including 400,000 shares that were purchased by Mr. Peak, the Company's Chairman and Chief Executive Officer. The placement agents used in connection with the transaction received aggregate placement fees and expenses of approximately \$0.4 million. After repaying approximately \$0.5 million of short-term debt under the Company's Revolving Line of Credit Promissory Note, the Company will use the remaining \$7.9 million to fund its 2012 exploration program in Alaska, estimated at \$6.75 million, and for general corporate purposes.

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*Revolving Line of Credit Promissory Note.* On November 10, 2011, the Company entered into a \$1.0 million Revolving Line of Credit Promissory Note with Contango (the "CORE Note"). The Company and Contango share common executive officers. The CORE Note contains covenants limiting our ability to enter into additional indebtedness and prohibiting liens on any of our assets or properties. Borrowings under the CORE Note bear interest at 10% per annum. Principal and interest are due on December 31, 2012, and may be prepaid at any time with no prepayment penalty.

On March 30, 2012, the Company repaid the \$500,000 it had borrowed under the CORE Note, plus accrued interest of \$14,917 from the proceeds of the equity offering. The Company may re-borrow any portion of the \$1.0 million through December 31, 2012.

*Capital Budget.* During the summer of 2012, our capital expenditure budget calls for us to invest approximately \$6.75 million as follows:

| Program  | Budget       |
|--|--------------|
| Chief Danny Prospect exploration and drilling              | \$ 3,600,000 |
| Copper Hill, Taixtsalsa, MM, Chisana, W and Triple Z Leads | \$ 2,750,000 |
| Rare earth elements exploration                            | \$ 400,000   |
|  | \$ 6,750,000 |

We plan to have two exploration rigs drilling with one rig focused on our Chief Danny prospect (20 - 30 core holes planned), and one rig dedicated to drilling another approximately 20 core holes to mature four of our six leads to either the prospect stage or condemnation.

*Dissolution of the Company.* While the Company was successful in selling shares of Common Stock sufficient to fund its 2012 exploration program, after completion of the 2012 exploration program, the Company anticipates requiring additional funding. If the 2012 exploration program is successful, the Company will be required to seek additional debt or equity funding or capital reorganization. If the 2012 exploration program is not successful, the Company may be required to cease operations, dissolve and wind-up the business of the Company.

**Risk Factors**

*In addition to the other information set forth elsewhere in this Form 10-Q and in our Form 10-K for the fiscal year ended June 30, 2011, 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.*

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

The probability of finding economic mineral reserves on any of our Properties is extremely small. It is common to spend millions of dollars on an exploration prospect and complete many phases of exploration and still not obtain mineral reserves that can be economically exploited. Therefore, the possibility that our Properties will contain commercial mineral reserves and that the Company will recover funds spent on exploration is extremely remote.

**We may not have sufficient capital to operate our business following the completion of our 2012 exploration program and may be required to cease operations.**

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The Company will have a limited amount of cash to fund its operations following our 2012 exploration program. Without additional funds to support the Company's exploratory drilling activities, we may be required to cease operations and you may lose your entire investment in the Company.

### **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 exploration prospects, will require substantial capital expenditures. We will require financing to fund any exploration activities beyond 2012. Our ability to raise capital will depend on many factors, including the success, if any, of our 2012 exploration program and 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 our Properties at a loss since our inception and expect to continue to incur losses unless and until such time as one of our Properties enters into commercial production and generates sufficient revenues to fund our 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 we cannot discover commercially viable deposits or commence actual mining operations, we may never generate revenues and will never become profitable.

### **The Properties in which we have an interest do not have any proven or probable reserves and we may never identify any commercially exploitable mineralization.**

None of our Properties have any proven or probable reserves. To date, we have engaged in only limited preliminary exploration activities on the Properties, and our exploration activities of our REE Properties are based upon prior preliminary surveys conducted by the Federal government. Accordingly, we do not have sufficient information upon which to assess the ultimate success of our exploration efforts. There is no assurance that we may ever locate any mineral resources on our Properties or if we find mineral resources, 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 we do 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.

### **Our Properties are located in the remote regions of Alaska and exploration activities may be limited by weather and limited access and existing infrastructure.**

Our focus is on the exploration of our Properties in the State of Alaska. The arctic climate limits certain exploration activities to the period from May to October. In addition, the remote location of our Gold Properties as well as our REE Properties may limit access and increase exploration expenses. Higher costs associated with exploration activities and limitation on the annual periods in which we can carry on exploration activities will increase the costs and time associated with our planned exploration activities and could negatively affect the value of our Properties and securities.

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**We are highly dependent on the technical services provided by our consultant, Avalon, including the exploration of the Properties and exploratory drilling activities, and could be seriously harmed if Avalon terminated the services with us or became otherwise unavailable.**

Because we have only three part-time employees, none of whom are mineral geoscientists or have experience in the mining industry, we depend upon our consultant, Avalon, for the success of our exploration projects and expect to remain so for the foreseeable future. Our ability to continue conducting exploration activities is in large part dependent upon the efforts of our consultant. As a result, we have limited control over the exploratory operations on the Properties. In addition, highly qualified explorationists and engineers are difficult to attract and retain. We are dependent upon Avalon for assistance in acquiring acreage for our exploration projects in Alaska, planning work programs, conducting field work and interpreting assay results, and expect to remain dependent for the foreseeable future. As a result, the loss of the services of our consultant could have a material adverse effect on us and could prevent us from pursuing our business plan.

**We are dependent on the services provided by the Chief of the Tetlin Indian Tribe, and could be seriously harmed if the Chief terminated his services or became otherwise unavailable.**

We are dependent upon the knowledge and experience provided by the Chief of the Tetlin Indian Tribe regarding governmental affairs and tribal affairs issues. The loss of the services of the Chief could have a material adverse effect on us and could prevent us from pursuing our business plan.

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

We expect to focus our capital investments in gold and rare earth mineral prospects 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 we be able to make an economic discovery on our 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 outside consultants and engineers.**

We have no in-house mineral engineering capability, and therefore will rely on the accuracy of reserve reports provided to us by our 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 our 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 our participation in exploratory drilling activities may not be successful.**

Our future success will largely depend on the success of our exploration drilling program. 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;

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Shortages or delays in the availability and delivery of equipment; and

Lack of adequate infrastructure, including access to roads, electricity and available housing.

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Poor results from our drilling activities would materially and adversely affect our future cash flows and results of operations.

**We have no assurance of title to our Properties.**

We hold 115,840 acres in the form of State of Alaska unpatented mining claims, for both gold and REE exploration. We also hold approximately 3,440 acres in unpatented U.S. Federal mining claims. Unpatented mining claims are unique property interests, in that they are subject to the paramount title of, the State of Alaska or the U.S. Federal government, as applicable, 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. These uncertainties relate to matters such as:

The existence and sufficiency of a discovery of valuable minerals;

Proper posting and marking of boundaries in accordance with state statutes;

Making timely payments of annual rentals for the right to continue to hold the mining claims in accordance with state statutes;

Whether sufficient annual assessment work has been timely and properly performed; and

Possible conflicts with other claims not determinable from descriptions of records.

The validity of an unpatented mining claim also depends on (1) the claim having been located on Alaska state land open to appropriation by mineral location, which is the act of physically entering the land and making a claim by putting stakes in the ground, (2) compliance with all applicable state statutes in terms of the contents of claim location notices or certificates and the timely filing and recording of such notices or certificates, (3) timely payment of annual claim rental fees, and (4) the timely filing and recording of proof of annual assessment work. In the absence of a discovery of valuable minerals, the ground covered by an unpatented mining claim is open to location by others unless the owner is in actual possession of and diligently working the claim. The unpatented state mining claims we own or control may be invalid, or the title to those claims may not be free from defects. In addition, the validity of our claims may be contested by the Alaska state government or challenged by third parties.

With respect to our Tetlin Lease, we retained title lawyers to conduct a general examination of title to the mineral interest prior to executing the lease. Prior to conducting any mining activity, however, we will obtain a full title review of the applicable 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 by us. 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, we 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 we may elect to proceed with mining work despite defects to the title identified in a title opinion.

**We have entered into the Tetlin Lease with a Native American tribe for the exploration of gold 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. Our Tetlin Lease provides that it will be governed by applicable federal law and the law of the State of



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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.

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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. Our 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 Company is smaller and has a much more limited operating history than most of its competitors.**

We will compete with a broad range of mining companies with far greater resources in our exploration activities. Several mining companies concentrate drilling efforts on one type of mineral and thus may enjoy economies of scale and other efficiencies. However, our drilling strategies include both mining of gold ore and rare earth elements. As a result, we may not be able to compete effectively with such companies. We will also compete for the equipment and labor required to operate and to develop our Properties if our exploration activities are successful. Most of our competitors have substantially greater financial resources than we do. These competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than we can. In addition, most of our competitors have been operating for a much longer time than we have and have substantially larger staffs. Gold and rare earth minerals processing requires complex and sophisticated processing technologies. We have no experience in the minerals processing industry.

We have only owned mining properties since the acquisition by our 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.

With respect to our rare earth mining activities, our Chinese competitors have been exploring for, mining and producing rare earth minerals long before our entry into the industry, and have far greater financial capabilities, as well as other processing technologies and resources to improve and expand their facilities. Additionally, the Chinese have enjoyed economies of scale and favorable domestic policies. We may not be able to overcome any strategic advantages our Chinese competitors may have over us.

### **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 rare earth elements, and products derived from the foregoing;

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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 our operations by requiring a reassessment of the commercial feasibility of any of our mining work.

Because our sole source of revenue, if our exploration efforts are successful, will be the sale of gold and rare earth minerals, changes in demand for, and the market price of, gold and rare earth minerals could significantly affect our profitability. The value and price of our common stock may be significantly affected by declines in the prices of gold and rare earth 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.

Demand for rare earth minerals may also be impacted by fluctuations in demand for downstream products incorporating rare earth minerals, including wind power technology and hybrid and electric vehicles. Lack of growth in the clean technology or automotive industries may adversely affect the demand for rare earth minerals. The success of our business also depends on the creation of new products that may incorporate rare earth minerals. A prolonged or significant economic contraction in the United States or worldwide could also put downward pressure on market prices of rare earth minerals and products.

### **An increase in the global supply of minerals may adversely affect our business.**

The pricing and demand for gold and rare earth minerals is affected by a number of factors beyond our control, including global economic conditions and the global supply and demand for gold and rare earth minerals and products. Increases in the amount of gold and rare earth minerals sold by our competitors may result in price reductions, reduced margins and we may not be able to compete effectively against current and future competitors.

### **We depend upon our management team and our consultant, Avalon.**

The successful implementation of our business strategy and handling of other issues integral to the fulfillment of our business strategy depends, in part, on our management team, as well as our consultant, Avalon, and its geoscientists, geologists, engineers and other professionals engaged by Avalon. The loss of key members of our management team or the professional staff at Avalon could have a material adverse effect on our business, financial condition and operating results.

### **We are subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.**

Our exploratory mining operations are subject to numerous laws and regulations governing our 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 us. These laws and regulations may:

Require that we obtain permits before commencing mining work;

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Restrict the substances that can be released into the environment in connection with mining work;

Limit or prohibit mining work on protected areas.

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Under these laws and regulations, we 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, we may be subject to liability, or we may be required to cease production from properties in the event of environmental damages. These laws and regulations have been changed frequently in the past. In general, these changes have imposed more stringent requirements that increase operating costs or require capital expenditures in order to remain in compliance. Any such changes could have an adverse effect on our business, financial condition and results of operations.

### **We are 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.**

Our 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. Our failure to comply with these standards could have a material adverse effect on our business, financial condition or otherwise impose significant restrictions on our ability to conduct mining work.

### **We 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 our business, financial condition or results of operation.**

We 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 our current and future operations. To obtain certain permits, we 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 our 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 our 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 our business, our plans of operation, and properties in that we may not be able to proceed with our exploration, development or mining programs.

### **Anti-takeover provisions of our certificate of incorporation, bylaws and Delaware law could adversely affect potential acquisition by third parties.**

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.

**Our common stock is thinly traded.**

There are approximately 2.5 million shares of our common stock outstanding with directors, officers and our technical consultant owning approximately 27% 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.

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### **We do 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***

Kenneth R. Peak, our Chairman and Chief Executive Officer, together with our Chief Financial Officer and Controller, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of December 31, 2011. Based upon that evaluation, the Company's management concluded that, as of December 31, 2011, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman and Chief Executive Officer, Chief Financial Officer, and Controller, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes to the Company's internal control over financial reporting (as that term is defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected or are reasonably likely to materially affect, the Company's 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 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, those 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.

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On March 26, 2012, the Company completed its private offering of 882,500 shares of common stock to accredited investors. See the description of the equity offering contained in Note 8 Shareholders' Equity in the Notes to the Financial Statements on this Report on Form 10-Q and 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.

*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 April 30, 2012, we had 2,480,269 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**

#### *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 person transaction before it is consummated.

Each Board member other than Mr. Peak is an independent director as defined in Section 5605 of the Nasdaq listing standards.



**Table of Contents****Item 6. Exhibits****(a) Exhibits:**

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

**Exhibit**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 3.1           | Certificate of Incorporation of Contango ORE, Inc. (1)   |
| 3.2           | Bylaws of Contango ORE, Inc. (1)   |
| 4.1           | Form of Certificate of Contango ORE, Inc. Common Stock. (1)  |
| 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. (1) |
| 10.2          | Amendment No. 2 to Mineral Lease, effective as of June 1, 2011. (2)  |
| 10.3          | Amendment No. 3 to Mineral Lease, effective as of July 1, 2011. (2)  |
| 10.4          | Chairman Agreement dated as of November 1, 2010, between Contango ORE, Inc. and Kenneth R. Peak. (1)   |
| 10.5          | Form of 2010 Equity Compensation Plan. (1)   |
| 10.6          | Contribution Agreement, dated as of November 1, 2010, between Contango Oil & Gas Company and Contango ORE, Inc. (1)  |
| 10.7          | Amended and Restated Professional Services Agreement, dated as of November 1, 2010, between Avalon Development Corporation and Contango ORE, Inc. (1)  |
| 10.8          | Consulting Agreement, dated as of October 15, 2010, between Mr. Donald Adams and Contango ORE, Inc. (2)  |
| 10.9          | Revolving Line of Credit Promissory Note dated as of November 10, 2011, between Contango ORE, Inc. and Contango Oil & Gas Company. (3)   |
| 10.10         | Securities Purchase Agreement, dated as of March 22, 2012, between Contango ORE, Inc. and the Purchasers named therein. (5)  |
| 10.11         | Registration Rights Agreement, dated as of March 22, 2012, between Contango ORE, Inc. and the Purchasers named therein. (5)  |
| 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          | Schedule of Gold Properties (Excluding Tetlin Lease). (2)  |
| 99.2          | Schedule of REE Properties. (2)  |
| 99.3          | Report of Behre Dolbear & Company (USA), Inc. (4)  |
| 101           | Interactive Data Files   |

Filed herewith.

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- 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.

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**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: May 9, 2012

By: /s/ KENNETH R. PEAK  
Kenneth R. Peak  
Chairman and Chief Executive Officer

(Principal Executive Officer)

Date: May 9, 2012

By: /s/ SERGIO CASTRO  
Sergio Castro  
Chief Financial Officer

(Principal Financial Officer)

Date: May 9, 2012

By: /s/ YAROSLAVA MAKALSKAYA  
Yaroslava Makalskaya  
Vice President and Controller

(Principal Accounting Officer)