



Comstock Inc.

Recent Technical Reports Highlight Value of Comstock's Mineral Properties

Dec 06, 2022

Nat Resources

LODE

NYSEAM

Rating

Outperform

Unchanged

Current Price

\$0.35

Target Price

\$4.75

Market Capitalization

29.95M

Shares Outstanding

86.06M

Float

72.60M

Institutional Holdings

11.7%

12-Month Low/High

\$0.32/\$2.12

Average 90-Day Volume

362960

Fiscal Year End

12/31/2022

Initial resource estimate for Dayton. Comstock published a SEC S-K 1300 compliant initial technical report for the company's Dayton project. The estimated mineral resources include measured and indicated resources of 293,000 ounces of gold and 2,120,000 ounces of silver and inferred resources of 90,000 ounces of gold and 480,000 ounces of silver.

Plans for exploration and drilling. The Dayton resource is approximately one mile south of the company's Lucerne mining properties and includes the historic Dayton, Alhambra, Metropolitan, and Kossuth mines. Additional areas for exploration include Oest, the Amazon extension of Oest, and Spring Valley. Comstock intends to develop the Dayton resource through a series of phased drilling programs and engineering studies. The first phase of drilling could include up to 70 reverse circulation holes totaling 31,500 feet to test for high grade mineralization and step out exploration into Spring Valley.

More than meets the eye. In April, Tonogold Resources announced results of an independent resource estimate for the Lucerne Deposit which included indicated resources of 312,000 ounces of gold and 3,760,000 ounces of silver and inferred resources of 207,000 ounces of gold and 2,092,000 ounces of silver. Tonogold has an option to purchase the Lucerne mineral properties from Comstock for \$7,750,000 by December 31, 2022, or by July 1, 2023 with payment of a \$500,000 extension fee by December 31, 2022. Coupled with Tonogold Resource's recent SK-1300 report for Lucerne, the two properties host measured and indicated resources of 605,000 ounces of gold and 5,880,000 ounces of silver and inferred resources of 297,000 ounces of gold and 2,572,000 ounces of silver.

Rating is Outperform. While most of the company's focus has been on advancing its battery recycling and cellulosic fuels businesses, the recent technical reports for both Dayton and Lucerne highlight the resource potential and value of its mineral properties. Key near-term catalysts include monetizing non-core assets, announcing strategic partnerships and offtake agreements within cellulosic fuels, receipt of an air quality permit for its battery recycling business, and achieving development and deployment milestones.

Revenues (\$ MIL)

Period	2020A	2021A	2022E
Q1	\$0.0484A	\$0.0485 A	\$0.0546A
Q2	\$0.0484A	\$0.0546A	\$0.0529A
Q3	\$0.0494A	\$0.3627A	\$0.0399A
Q4	\$0.0555A	\$0.3963A	\$0.0414E
	\$0.2017A	\$0.8622A	\$0.1888E

EPS (\$)

Period	2020A	2021A	2022E
Q1	\$(0.01)A	\$0.22A	\$(0.09)A
Q2	\$0.05A	\$(0.15)A	\$(0.20)A
Q3	\$0.54A	\$(0.17)A	\$(0.07)A
Q4	\$(0.10)A	\$(0.39)A	\$(0.05)E
	\$0.49A	\$(0.49)A	\$(0.40)E

Equity Research

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Refer to the last two pages for Analyst Certification & Disclosures

Recent Technical Reports Highlight Value of Comstock's Mineral Properties

Comstock and its subsidiaries own, control, or retain an interest in 9,358 acres in Storey and Lyon Counties, Nevada, including 2,396 acres of patented claims and surface parcels, approximately 6,962 acres of unpatented claims administered by the U.S. Bureau of Land Management, five mineral leases, one joint venture, royalty interests, and fee ownership of real property that includes 126 patented and 392 unpatented mineral lode claims in addition to 39 unpatented placer claims. The Comstock Mineral Estate includes the Lucerne mineral properties which Tonogold Resources has an option to purchase for \$7,750,000 by December 31, 2022, or by July 1, 2023 with payment of a \$500,000 extension fee by December 31, 2022.

Comstock recently published a SEC S-K 1300 compliant initial technical report for the company's Dayton project. The estimated mineral resources include measured and indicated resources of 293,000 ounces of gold and 2,120,000 ounces of silver and inferred resources of 90,000 ounces of gold and 480,000 ounces of silver. The estimated resources are constrained within an open pit economic shell based on a gold price of \$1,800 per ounce and a cutoff grade of 0.007 ounces of gold per ton. The Dayton resource is approximately one mile south of the company's Lucerne mining properties and include the historic Dayton, Alhambra, Metropolitan, and Kossuth mines. Additional areas of exploration include Oest, the Amazon extension of Oest, and Spring Valley. Dayton consists of approximately 2,709 acres of mining claims and parcels in the Comstock and Silver City Mining Districts. The acreage is comprised of approximately 634 acres of patented mining claims increasing to 948 acres when combined with fee (private land) parcels, and 1,770 acres of unpatented claims administered by the United States Bureau of Land Management (BLM). Mineralization within the project is gold enriched, with a silver to gold ratio of approximately 10:1 compared to a 100:1 silver to gold ratio for the historic Comstock bonanza ore bodies.

Comstock intends to develop the Dayton resource through a series of phased drilling programs and engineering studies. The first phase of drilling could include up to 70 reverse circulation holes totaling 31,500 feet to test for high grade mineralization and step out exploration into Spring Valley.

Summary of Mineral Resources

	Cut-Off Gold Ounces Per Ton	Tons	Gold Ounces Per Ton	Silver Ounces Per Ton	Contained Gold Ounces	Contained Silver Ounces
Dayton Estimated Mineral Resources						
Measured	0.007	2,650,000	0.030	0.252	80,000	670,000
Indicated	0.007	7,620,000	0.028	0.190	213,000	1,450,000
Measured and Indicated	0.007	10,270,000	0.029	0.206	293,000	2,120,000
Inferred	0.007	3,740,000	0.024	0.129	90,000	480,000
Lucerne Estimated Mineral Resources						
Indicated	0.005	14,118,000	0.022	0.270	312,000	3,760,000
Inferred	0.005	9,489,000	0.022	0.220	207,000	2,092,000

Sources:

Technical Report Summary of the Dayton Consolidated Project, Lyon County, Nevada, USA, Report Date: November 30, 2022,

Effective Date: November 1, 2022

Technical Report Summary of the Comstock Project, Storey County, Nevada, USA, Report Date: March 16, 2022,

Effective Date: September 6, 2021

Sources: Noble Capital Markets Inc. based on technical reports filed by Comstock and Tonogold Resources

In April, Tonogold Resources announced results of an independent resource estimate for the Lucerne Deposit which include indicated resources of 312,000 ounces of gold and 3,760,000 ounces of silver and inferred resources of 207,000 ounces of gold and 2,092,000 ounces of silver. Tonogold has an option to purchase the Lucerne mineral properties from Comstock for \$7,750,000. Coupled with Tonogold Resource's recent SK-1300 report for Lucerne, the two properties host measured and indicated resources of 605,000 ounces of gold and 5,880,000 ounces of silver and inferred resources of 297,000 ounces of gold and 2,572,000 ounces of silver. Factors used in defining cut-off grades were based on a gold price of \$1,750 per ounce.

Capital Structure and Liquidity

As of September 30, the company reported cash and cash equivalents in the amount of \$1,156,512 and debt of \$3,887,933. Outstanding common shares were 82,388,289. Comstock expects to realize gross proceeds of \$18 million from the sale of non-core assets to the Silver Springs Opportunity Fund with closing expected in the first quarter of 2023. Coupled with potential sale of other non-core assets, the company could realize gross proceeds greater than \$25 million in 2023. At quarter end, assets amounted to \$116,499,012, while total stockholders' equity amounted to \$73,351,132.

Company Profile

Comstock Inc. innovates technologies that enable systemic decarbonization and circularity by efficiently converting under-utilized natural resources into renewable fuels and electrification products that contribute to balancing global uses and emissions of carbon. Comstock is commercializing material science-based technologies, products, and processes including carbon neutral cellulosic biofuels, and lithium-ion battery metal recycling. The company also manages an extensive portfolio of mining and related assets, including 9,358 acres of contiguous property in the historic Comstock and Silver City mining districts in Nevada. Comstock Inc. shares trade on the NYSE American under the ticker symbol "LODE."

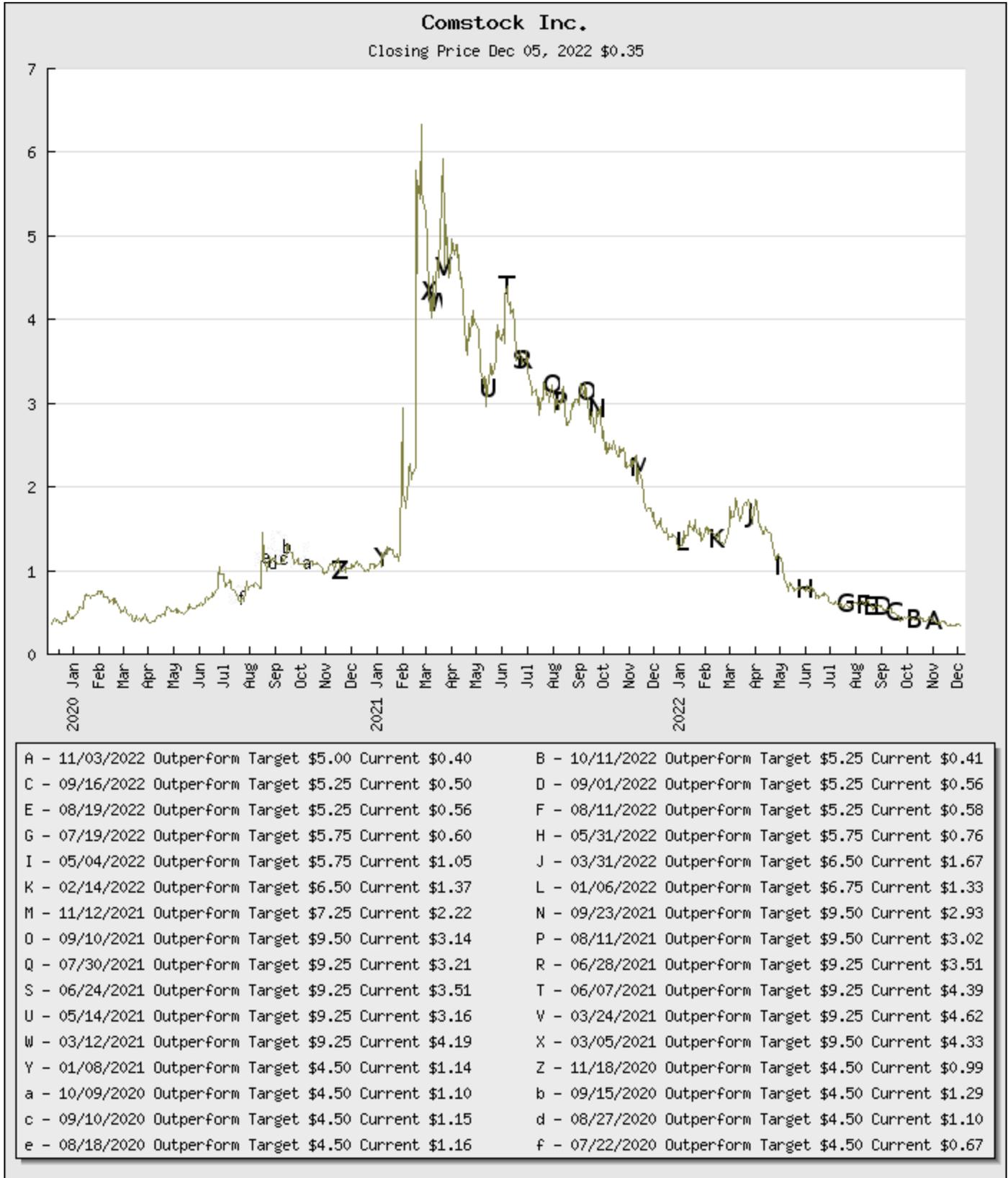
Fundamental Analysis - 3.0/5.0 Checks

Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. We assign 3.0 checks out of 5.0, which falls within our "Average" range of 2.5 to 3.0 checks. In our opinion, the company's corporate governance practices are shareholder friendly with the company's seven-member board of directors being comprised of five independent directors and two from management. Our rating reflects the fact that the company comprises most of its revenue from real estate and recently acquired businesses in nascent industries that offer significant growth potential albeit with higher risk profiles. For further explanation of our fundamental analysis, please refer to the disclosures at the end of this report.

Valuation Summary

Our price target is \$4.75 per share. We currently use a book value multiple approach using the company's book value as of September 30, 2022, along with incorporating our estimate of the incremental value of the company's investments, including LiNiCo, on a per share basis. Our price target is sensitive to and influenced by changes in Comstock's and peer group valuations.

Investment risks, including those relevant to achieving our price target, include but are not limited to: 1) failure to execute planned asset divestitures expected terms, 2) failure to develop economic mineral resources, 3) global economic and capital market uncertainties, 4) uncertainties associated with the availability and costs of future financing, 5) changes in capital market and macroeconomic environments, 6) fluctuations in exchange rates, 7) changes in supply and demand fundamentals for minerals, including gold and silver, 8) delays in the development of projects, 9) uncertainties associated with operational execution, 10) changes in regulation or actions taken by various regulatory entities including the Bureau of Land Management, the Nevada Department of Environmental Protection and the U.S. Environmental Protection Agency, 11) the potential for operating costs and financing costs to vary from management expectations, and 12) unexpected claims or financial obligations associated with environmental and/or reclamation duties. An investment in Comstock Inc. should be considered speculative with high return potential and high risk.



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Noble is not a market maker in the Company.

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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicalities, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Analyst focusing on Basic Materials & Mining. 20 years of experience in equity research. BA in Business Administration from Westminster College. MBA with a Finance concentration from the University of Missouri. MA in International Affairs from Washington University in St. Louis.

Named WSJ 'Best on the Street' Analyst and Forbes/StarMine's "Best Brokerage Analyst."

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Neither I nor anybody in my household has a financial interest in the securities of the subject company or any other company mentioned in this report.

NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	89%	26%
Market Perform: potential return is -15% to 15% of the current price	11%	3%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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