

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

**For the Quarterly Period Ended June 30, 2020**

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 No. 001-35200



COMSTOCK MINING INC.

(Exact name of registrant as specified in its charter)

Nevada

1040

65-0955118

(State or other jurisdiction of  
incorporation or organization)

(Primary Standard Industrial  
Classification Code Number)

(I.R.S. Employer  
Identification No.)

117 American Flat Road  
Virginia City, NV 89440  
(Address of principal executive offices)  
(775) 847-5272

(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 Web site, 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, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark of the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The registrant's number of outstanding Common Stock, \$0.000666 par value, at August 10, 2020, was 32,333,863.

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## Cautionary Notice Regarding Forward-Looking Statements

*Certain statements contained in this quarterly report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, are forward-looking statements. The words “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “should,” “intend,” “may,” “will,” “would,” “potential” and similar expressions identify forward-looking statements, but are not the exclusive means of doing so. Forward-looking statements include statements about matters such as: future industry market conditions; future explorations or acquisitions; future changes in our exploration activities; future prices and sales of, and demand for, our products; land entitlements and uses; permits; production capacity and operations; operating and overhead costs; future capital expenditures and their impact on us; operational and management changes (including changes in the board of directors); changes in business strategies, planning and tactics; future employment and contributions of personnel, including consultants; future land sales; investments, acquisitions, joint ventures, strategic alliances, business combinations, operational, tax, financial and restructuring initiatives; including the nature and timing and accounting for restructuring charges, derivative liabilities and the impact thereof; contingencies; litigation, administrative or arbitration proceedings; environmental compliance and changes in the regulatory environment; offerings, limitations on sales or offering of equity or debt securities; including asset sales and the redemption of the debenture and associated costs; future working capital, costs, revenues, business opportunities, debt levels, cash flows, margins, earnings and growth.*

*These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical and current trends, current conditions, possible future developments and other factors they believe to be appropriate. Forward-looking statements are not guarantees, representations or warranties and are subject to risks and uncertainties, many of which are unforeseeable and beyond our control and could cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements. Some of those risks and uncertainties include the risk factors set forth in this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and the following: adverse effects of climate changes or natural disasters; adverse effects of global or regional pandemic disease spread or other crisis; global economic and capital market uncertainties; the speculative nature of gold or mineral exploration, including risks of diminishing quantities or grades of qualified resources; operational or technical difficulties in connection with exploration or mining activities; contests over our title to properties; potential dilution to our stockholders from our stock issuances, recapitalization and balance sheet restructuring activities; potential inability to comply with applicable government regulations or law; adoption of or changes in legislation or regulations adversely affecting our businesses; permitting constraints or delays; business opportunities that may be presented to, or pursued by, us; acquisitions, joint ventures, strategic alliances, business combinations, asset sales, and investments that we may be party to in the future; changes in the United States or other monetary or fiscal policies or regulations; interruptions in our production capabilities due to capital constraints; equipment failures; fluctuation of prices for gold or certain other commodities (such as silver, zinc, cyanide, water, diesel fuel and electricity); changes in generally accepted accounting principles; adverse effects of war, mass shooting, terrorism and geopolitical events; potential inability to implement our business strategies; potential inability to grow revenues; potential inability to attract and retain key personnel; interruptions in delivery of critical supplies, equipment and raw materials due to credit or other limitations imposed by vendors; assertion of claims, lawsuits and proceedings against us; potential inability to satisfy debt and lease obligations; potential inability to maintain an effective system of internal controls over financial reporting; potential inability or failure to timely file periodic reports with the SEC; potential inability to list our securities on any securities exchange or market; inability to maintain the listing of our securities; and work stoppages or other labor difficulties. Occurrence of such events or circumstances could have a material adverse effect on our business, financial condition, results of operations or cash flows or the market price of our securities. All subsequent written and oral forward-looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Except as may be required by securities or other law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**COMSTOCK MINING INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 968,211	\$ 1,015,857
Assets held for sale, net (Note 2)	10,512,066	10,512,066
Prepaid expenses and other current assets (Note 3)	2,467,258	1,821,627
Total current assets	13,947,535	13,349,550
Mineral rights and properties, net (Note 4)	5,690,885	5,690,885
Properties, plant and equipment, net (Note 5)	7,651,495	7,935,021
Reclamation bond deposit	2,695,573	2,688,962
Retirement obligation asset (Note 6)	86,945	115,926
Investment in Tonogold shares (Note 19)	10,396,656	9,080,000
Investment in Pelen	602,500	—
Investment in Sierra Springs common shares	335,000	335,000
Contingent forward asset (Note 15)	2,646,334	—
Other assets	348,125	374,548
<b>TOTAL ASSETS</b>	<b>\$ 44,401,048</b>	<b>\$ 39,569,892</b>
<b><u>LIABILITIES AND EQUITY</u></b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,088,889	\$ 922,553
Accrued expenses and other liabilities (Note 7)	1,134,963	1,855,431
Deposits (Note 8)	1,762,790	318,384
Liabilities held for sale, net (Note 2)	1,019,705	1,019,705
Long-term debt— current portion (Note 9)	5,032,252	328,068
Total current liabilities	10,038,599	4,444,141
LONG-TERM LIABILITIES:		
Long-term debt (Note 9)	186,421	5,084,006
Long-term reclamation liability (Note 10)	6,044,563	6,034,208
Other liabilities	496,692	514,977
Total long-term liabilities	6,727,676	11,633,191
Total liabilities	16,766,275	16,077,332
COMMITMENTS AND CONTINGENCIES (Note 12)		
EQUITY:		
Preferred Stock, \$.000666 par value, 50,000,000 shares authorized, no shares issued	—	—
Common stock, \$.000666 par value, 158,000,000 shares authorized, 28,815,000 and 27,236,489 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	19,190	18,139
Additional paid-in capital	262,198,924	259,095,152
Accumulated deficit	(234,877,498)	(235,890,272)
Total Comstock Mining Inc. stockholders' equity	27,340,616	23,223,019
Noncontrolling interest	294,157	269,541
Total equity	27,634,773	23,492,560
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 44,401,048</b>	<b>\$ 39,569,892</b>

See accompanying notes to condensed consolidated financial statements.

**COMSTOCK MINING INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>				
Revenue - mining	\$ —	\$ —	\$ —	\$ —
Revenue - real estate	48,375	44,184	96,800	81,782
Total revenues	<u>48,375</u>	<u>44,184</u>	<u>96,800</u>	<u>81,782</u>
<b>COSTS AND EXPENSES</b>				
Costs applicable to mining revenue	47,332	505,393	173,225	1,010,785
Real estate operating costs	15,320	12,288	28,916	22,711
Exploration and mine development	151,666	241,538	288,387	466,379
Mine claims and costs	122,069	136,901	244,139	287,855
Environmental and reclamation	30,972	(362,826)	57,770	(308,349)
General and administrative	891,953	964,268	1,737,181	1,624,634
Total costs and expenses	<u>1,259,312</u>	<u>1,497,562</u>	<u>2,529,618</u>	<u>3,104,015</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,210,937)</u>	<u>(1,453,378)</u>	<u>(2,432,818)</u>	<u>(3,022,233)</u>
<b>OTHER INCOME (EXPENSE) (Note 17)</b>				
Change in estimated fair value of contingent forward asset	351,091	—	1,413,382	—
Interest expense	(91,656)	(181,907)	(142,244)	(643,045)
Other income (expense)	2,227,488	(442,459)	2,174,454	(247,531)
Total other income (expense), net	<u>2,486,923</u>	<u>(624,366)</u>	<u>3,445,592</u>	<u>(890,576)</u>
<b>NET INCOME (LOSS)</b>	1,275,986	(2,077,744)	1,012,774	(3,912,809)
Less: net income (loss) attributable to noncontrolling interest	—	—	—	—
<b>NET INCOME (LOSS) ATTRIBUTABLE TO COMSTOCK MINING INC.</b>	<u>\$ 1,275,986</u>	<u>\$ (2,077,744)</u>	<u>\$ 1,012,774</u>	<u>\$ (3,912,809)</u>
<b>Basic income per common share:</b>				
Net income (loss) per share	\$ 0.05	\$ (0.13)	\$ 0.04	\$ (0.24)
Weighted average common shares outstanding	28,253,242	16,594,983	27,758,899	16,199,927
<b>Diluted income per common share:</b>				
Net income (loss) per share	\$ 0.05	\$ (0.13)	\$ 0.04	\$ (0.24)
Weighted average common shares outstanding	28,264,472	16,594,983	27,764,514	16,199,927

See accompanying notes to condensed consolidated financial statements.

**COMSTOCK MINING INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(UNAUDITED)**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling interest in Subsidiary	Total
	Shares	Amount	Shares	Amount	Amount	Amount	Amount	
BALANCE - January 1, 2019	—	\$ —	15,067,655	\$50,175	\$241,419,897	\$(232,085,170)	\$ —	\$ 9,384,902
Issuance of common stock	—	—	1,090,400	3,631	809,930	—	—	813,561
Common stock issuance costs	—	—	—	—	(85,093)	—	—	(85,093)
Net Loss	—	—	—	—	—	(1,835,065)	—	(1,835,065)
BALANCE - March 31, 2019	0	\$ —	16,158,055	\$53,806	\$242,144,734	\$(233,920,235)	\$ —	\$ 8,278,305
Issuance of common stock	—	—	941,945	3,137	921,621	—	—	924,758
Common stock issuance costs	—	—	—	—	(374,885)	—	—	(374,885)
Issuance of convertible preferred stock	1,274	1	—	—	1,514,999	—	—	1,515,000
Net Loss	—	—	—	—	—	(2,077,744)	—	(2,077,744)
BALANCE - June 30, 2019	1,274	\$ 1	17,100,000	\$56,943	\$244,206,469	\$(235,997,979)	\$ —	\$ 8,265,434
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling interest in Subsidiary	Total
	Shares	Amount	Shares	Amount	Amount	Amount	Amount	
BALANCE - January 1, 2020	—	\$ —	27,236,489	\$18,139	\$259,095,152	\$(235,890,272)	\$ 269,541	\$23,492,560
Issuance of common stock	—	—	638,511	425	242,196	—	—	242,621
Common stock issuance costs	—	—	—	—	(50,070)	—	—	(50,070)
Initial value of contingent forward	—	—	—	—	1,232,952	—	—	1,232,952
Sale of membership interests in Comstock Mining, LLC	—	—	—	—	100,000	—	—	100,000
Net (Loss)	—	—	—	—	—	(263,212)	—	(263,212)
BALANCE - March 31, 2020	—	\$ —	27,875,000	\$18,564	\$260,620,230	\$(236,153,484)	\$ 269,541	\$24,754,851
Investment in Mercury Clean Up LLC	—	—	625,000	416	314,271	—	—	314,687
Director compensation	—	—	315,000	210	176,190	—	—	176,400
Investment in Pelen LLC	—	—	—	—	585,000	—	—	585,000
Employee share-based compensation	—	—	—	—	27,849	—	—	27,849
Sale of membership interests in Comstock Mining, LLC	—	—	—	—	475,384	—	24,616	500,000
Net Income	—	—	—	—	—	1,275,986	—	1,275,986
BALANCE - June 30, 2020	—	\$ —	28,815,000	\$19,190	\$262,198,924	\$(234,877,498)	\$ 294,157	\$27,634,773

See accompanying notes to condensed consolidated financial statements.



**COMSTOCK MINING INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 1,012,774	\$ (3,912,809)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization, and depletion	315,670	1,173,861
(Reduction) accretion of reclamation liability	10,355	(398,598)
Gain on sale of properties, plant, and equipment	(100,000)	(3,125)
Amortization of debt discounts and issuance costs	78,586	130,373
Net loss on early retirement of long-term debt	5,163	176,639
Payment-in-kind interest expense	—	470,246
Share-based compensation cost	204,249	—
Change in make-whole liabilities	(162,711)	(100,216)
Preferred shares issuance expense	—	432,000
Realized gain on sale of Tonogold common shares	(23,740)	—
Unrealized gain - Tonogold shares	(1,335,929)	—
Change in estimated fair value of contingent forward asset	(1,413,382)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(213,664)	(77,699)
Accounts payable	166,336	197,131
Accrued expenses and other liabilities	(269,336)	263,483
Deposits	1,344,405	—
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(381,224)</b>	<b>(1,648,714)</b>
<b>INVESTING ACTIVITIES:</b>		
Proceeds from principal payment on note receivable	276	217
Proceeds from sale of mineral rights and properties, plant, and equipment	100,000	3,125
Proceeds from deposits on Membership Interest Purchase Agreement	600,000	3,050,000
Proceeds from deposits on the sale of non-mining assets to Sierra Springs	100,000	—
Proceeds from sale of Tonogold common shares	43,013	—
Purchase of mineral rights, mining leases and properties, plant and equipment	(11,000)	(1,085,000)
Deposits for Mercury Clean Up investment	(250,000)	—
Advance to Sierra Springs Opportunity Fund, Inc.	(140,000)	—
Investment in Pelen LLC	(17,500)	—
Change in reclamation bond deposit	(6,611)	(46,667)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>418,178</b>	<b>1,921,675</b>
<b>FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(277,151)	(1,903,334)
Proceeds from the issuance of common stock	242,621	1,489,029
Common stock issuance costs	(50,070)	(210,688)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(84,600)</b>	<b>(624,993)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(47,646)</b>	<b>(352,032)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,015,857</b>	<b>488,657</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 968,211</b>	<b>\$ 136,625</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 280,831	\$ 55,588

See accompanying notes to condensed consolidated financial statements.

**COMSTOCK MINING INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Supplemental disclosure of non-cash operating, investing and financing activities:</b>		
Issuance of common shares for MCU make whole liability	\$ 314,687	\$ —
Issuance of common shares to purchase Pelen LLC membership interest	\$ 585,000	\$ —
Advance payment of Membership Interest Purchase Agreement (Note 19)	\$ —	\$ 4,995,000
Common stock issuance costs	\$ —	\$ 250,000
Transfer of mineral rights and properties to assets held for sale	\$ —	\$ 1,539,197
Issuance of preferred shares	\$ —	\$ 1,083,000
Preferred share receivable	\$ —	\$ 1,083,000

See notes to condensed consolidated financial statements.

**COMSTOCK MINING INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)**

**1. Interim Financial Statements**

**Basis of Presentation and Principles of Consolidation**

The interim condensed consolidated financial statements include the accounts of Comstock Mining Inc., and its wholly owned subsidiaries prepared in accordance with accounting principles generally accepted in the United States ("GAAP"): Comstock Processing LLC, Comstock Northern Exploration LLC, Comstock Exploration & Development LLC, Comstock Real Estate Inc., Comstock Industrial LLC, and Downtown Silver Springs LLC ("DTSS"), and its 45.43 percent membership interest in Comstock Mining LLC (collectively "Comstock", the "Company", "we", "our" or "us"). Inter-company transactions and balances have been eliminated.

Operating results for the three and six-month period ended June 30, 2020, may not be indicative of the results expected for the full year ending December 31, 2020. For further information, refer to the financial statements and footnotes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

**Liquidity and Going Concern**

The condensed consolidated financial statements are prepared on the going concern basis of accounting which assumes the realization of assets and the satisfaction of liabilities in the ordinary course of business. The Company's current capital resources include cash and cash equivalents and other net working capital resources, planned sales of Tonogold securities, and proceeds from the planned sale of Lucerne mineral properties and non-mining assets, primarily located in Silver Springs, NV.

The Company has recurring net losses from operations and an accumulated deficit of \$234.9 million as of June 30, 2020. For the six months ended June 30, 2020, the Company generated net income of \$1.0 million and used \$0.4 million of cash in operations. As of June 30, 2020, the Company had cash and cash equivalents of \$1.0 million. The Company also has a debt obligation of \$4.8 million that matures in December 2020, for which it does not currently have the ability to repay. Such condition raises substantial doubt regarding the Company's ability to continue as a going concern.

The Company intends to finance its operations over the next twelve months through its existing cash, proceeds from the planned sale of its Lucerne mineral properties, non-mining assets in Silver Springs, NV, and Tonogold securities, and the sale of common stock through its existing equity agreements to issue securities. These plans are outside of the control of management,

and therefore, substantial doubt exists about the Company's ability to continue as a going concern through 12 months from the issuance date of the condensed consolidated financial statements.

On April 30, 2020, the Company received a Paycheck Protection Program ("PPP") grant of \$0.3 million, as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), and the rules promulgated thereunder. The amounts received were all used for payroll costs and the Company expects all of the proceeds received to be forgiven.

On July 9, 2020, the Company entered into a common stock purchase agreement with Triton Funds L.P., ("Triton") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$1.25 million, from time to time, to Triton with aggregate unused capacity of \$1.25 million. On July 22, 2020, the Company issued 2,040,483 common shares to Triton for net proceeds of \$1.25 million, at a price of \$0.61 per common share.

On July 13, 2020, the Company entered into a new equity purchase agreement (the "Leviston Equity Agreement") with Leviston Resources LLC ("Leviston") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$2.5 million, from time to time, to Leviston, and paid 5% fee by issuing 173,611 restricted common shares. From July 13, 2020, through July 31, 2020, the Company raised \$0.65 million by issuing 1,029,741 common shares at a price of \$0.63 per common share. As of July 31, 2020, the Leviston Equity Agreement has an aggregate unused capacity of \$1.9 million.

### **Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures during the reported periods. Actual results could differ materially from those estimates. Estimates may include those pertaining to estimated useful lives and valuation of properties, plant, and equipment, assets held for sale, mineral rights, deferred tax assets, derivative assets and liabilities, valuation of Tonogold CPS, reclamation liabilities, stock-based compensation and payments, and contingent liabilities.

### **Income Taxes**

The Company's income tax expense and deferred tax assets and liabilities reflect management's best assessment of estimated future taxes to be paid. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the Company's ability to recover its deferred tax assets, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company develops assumptions including the amount of future federal pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and the assumptions are consistent with the plans and estimates that the Company is using to manage the underlying businesses. The Company provides a valuation allowance for deferred tax assets that the Company does not consider more likely (than not) to be realized. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

### **Variable-Interest Entity**

During 2018 and 2019, Comstock's board approved the Company to enter into an investment in certain opportunity zone funds in northern Nevada. During 2019, Comstock invested \$0.3 million into a qualified opportunity zone fund named Sierra Springs Opportunity Fund Inc. ("SSOF") and a qualified opportunity zone business named Sierra Springs Enterprises Inc. ("SSE" solely owned by SSOF.) It is anticipated that the Company could own approximately 9% of SSOF upon issuance of all 75 million authorized shares to investors.

On September 26, 2019, as amended on November 30, 2019, December 26, 2019, and March 31, 2020, the Company entered into agreements with SSE to sell two properties in Silver Springs, NV. The agreements include the sale of 98 acres of industrial land and senior water rights for \$6.5 million and 160 acres of commercial land along with its rights in the membership interests in Downtown Silver Springs, LLC for \$3.6 million.

During June 2020, the Company advanced SSOF \$0.1 million for deposits and payments on land purchases in Silver Springs, NV. The Company advanced an additional \$0.3 million on July 1, 2020. The funds will be repaid in addition to the

approximately \$10 million in expected proceeds during the third quarter of 2020, from the sale of the Company's non-mining assets, located in Silver Springs, NV, to the wholly owned subsidiary of SSOF, called Sierra Springs Enterprises, Inc ("SSE").

The Company's chief executive officer is the president and a director of SSOF and an executive of SSE.

In conjunction with its investment in SSOF, the Company evaluated whether consolidation is required according to Accounting Standards Codification ("ASC") 810, Consolidation. As SSOF is a legal entity, does not meet any scope exceptions, the Company has both operational and equity risk related to SSOF, and SSOF currently has insufficient equity at risk, the Company concluded SSOF is a variable interest entity ("VIE".) However, the Company has concluded it does not meet the power threshold even though the Company's chief executive officer is an executive of SSOF as no one individual has unilateral control over significant decisions of SSOF and consent is required from other current investors.

Comstock's \$0.3 million investment in SSOF is recorded in the consolidated balance sheets at June 30, 2020, and December 31, 2019, in Investments. The Company's advance of \$0.1 million is recorded in the consolidated balance sheets at June 30, 2020, in Other Current Assets. Comstock's maximum exposure to loss as a result of its involvement with SSE at June 30, 2020, is limited to the total of its current investment in and advance to SSOF. The investment is held at cost and fair value was not estimated as there were no identified events or changes in circumstances that might have had a significant adverse effect on the fair value of the investment. Management concluded it was impractical to estimate fair value due to the fund being in the early stages.

### **Comprehensive Income (Loss)**

The only component of comprehensive income (loss) for the three and six-month periods ended June 30, 2020, and 2019 was our net income (loss).

### **Reverse Stock Split**

Effective November 28, 2019, the Company completed a 5-for-1 reverse stock split of its authorized and outstanding common stock, as approved by its Board of Directors. All common shares and per share amounts set forth herein give effect to this reverse stock split.

### **Income (Loss) per Common Share**

Basic net income (loss) per common share is computed by dividing net income (loss), by the weighted average number of common shares outstanding. Dilutive income (loss) per share includes any additional dilution from common stock equivalents, such as stock options, warrants, and convertible instruments, if the impact is not antidilutive.

### **Derivative Instruments**

The Financial Accounting Standards Board ("FASB") provides guidance that requires derivative instruments to be recognized as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of derivative instruments depends on their intended use and resulting hedge designations. Changes in the fair value of derivative instruments not designated as hedges are recorded in the consolidated statements of operations, generally as a component of other income (expense).

### **Equity Investments**

Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in Investment in Pelen on the Condensed Consolidated Balance Sheet. Under this method of accounting, our share of the net earnings or losses of the investee are closely aligned with the operations of the business segment holding the investment. We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

### **Recently Issued Accounting Pronouncements**

In January 2020, the FASB issued Accounting Standards Update No. 2020-01 ("ASU 2020-01"), Clarifying the Interactions Between Topic 321, Topic 323 and Topic 815. ASU 2020-01 makes improvements related to accounting for certain equity securities when the equity method of accounting is applied or discontinued, and scope considerations related to forward

contracts and purchased options on certain securities. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities ("ASU 2018-17"), which expands the application of a specific private company alternative related to VIEs and changes the guidance for determining whether a decision-making fee is a variable interest. Under the new guidance, to determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportionate basis, rather than in their entirety. ASU 2018-17 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted in any interim period. ASU 2018-17 is required to be applied retrospectively from the date the guidance is first applied. The Company has adopted this standard, which has not had a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which removes, modifies and adds various disclosure requirements related to fair value disclosures. Disclosures related to transfers between fair value hierarchy levels will be removed and further detail around changes in unrealized gains and losses for the period and unobservable inputs used in determining level 3 fair value measurements will be added, among other changes. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company modified its disclosures beginning in the first quarter of 2020 to conform to this guidance. The adoption of this standard and the associated changes to the disclosures, have not had a material impact on its consolidated financial statements.

### **COVID-19**

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, including the implementation of social distancing measures, quarantine periods and travel bans that have caused material disruptions to many businesses and negatively impacted economic activities. Global equity markets have experienced significant volatility. Governments and their central banks have reacted with significant fiscal and monetary interventions designed to mitigate the impacts and stabilize economic conditions. The impact and ultimate duration of the COVID-19 outbreak is currently unknown, as is the efficacy of these governmental and central bank interventions. On August 3, 2020, Nevada's governor unveiled a new long-term mitigation strategy for the State of Nevada to help provide predictability and stability moving forward. The plan was developed recognizing the State of Nevada and the nation are still in response mode to the COVID-19 pandemic and will be for the foreseeable future. The Governor's guidance for the mining industry includes limiting gatherings to no more than 10 people, maintaining social distancing protocols where 10 or less are gathered, limiting travel, and working remotely when possible.

The Company is operating in alignment with these guidelines for protecting the health of our employees, partners, and suppliers, and limiting the spread of COVID-19, that have already resulted in delays of MCU's plans for commencing mercury recovery testing and Tonogold's plans for exploration drilling during the third quarter of 2020. It is not currently possible to reliably estimate the length and severity of these developments and the impact on the Company's financial condition, and that of its subsidiaries and partners, in future periods.

### **2. Assets and Liabilities Held for Sale**

The Company has committed to a plan to sell certain land, buildings, and water rights ("the Non-mining assets"). In January 2019, the Company also committed to a plan to sell certain mining properties. As of both June 30, 2020, and December 31, 2019, the Company has assets with a net book value of \$10.5 million, which met the criteria to be classified as assets held for sale. Those criteria specify that the asset must be available for immediate sale in its present condition (subject only to terms that are usual and customary for sales of such assets), the sale of the asset must be probable, and its transfer expected to qualify for recognition as a completed sale generally within one year. Proceeds from the sale of these assets are required to be used to satisfy obligations due under the terms of the debenture described in Note 9.

Assets held for sale include:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
DTSS (Land)	\$ 3,589,876	\$ 3,589,876
Industrial Park (Land and water rights)	2,738,462	2,738,462
Daney Ranch (Land and buildings)	2,146,575	2,146,575
Lucerne Mine (Mineral rights and properties) (Note 19)	1,539,197	1,539,197
Lucerne Properties (Reclamation asset, net)	19,590	19,590
Gold Hill Hotel (Land and buildings)	478,366	478,366
<b>Total assets held for sale</b>	<b>\$ 10,512,066</b>	<b>\$ 10,512,066</b>

Liabilities held for sale include:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Lucerne Properties (Reclamation liabilities)	\$ 1,019,705	\$ 1,019,705
<b>Total liabilities held for sale</b>	<b>\$ 1,019,705</b>	<b>\$ 1,019,705</b>

#### *Non-mining Assets Held for Sale - Silver Springs, NV*

On September 26, 2019, as amended on November 30, 2019, December 26, 2019, March 31, 2020, and June 30, 2020, the Company entered into agreements with SSE to sell two properties in Silver Springs, NV. The agreements include the sale of 98 acres of industrial land and senior water rights for \$6.5 million and 160 acres of commercial land along with its rights in the membership interests in Downtown Silver Springs, LLC (“DTSS”) for \$3.6 million. The carrying value of the 160 acres of commercial land and DTSS membership rights was adjusted to the contract value of \$3.6 million less estimated costs to sell, resulting in an impairment of \$0.5 million, charged to other expense in the consolidated statements of operations as of December 31, 2019. As of June 30, 2020, the Company received \$0.4 million in escrowed deposits for the purchase of these assets and expects the sales to close during the third quarter of 2020.

#### *Non-mining Assets Held for Sale - Dayton and Gold Hill, NV*

The Company owns a 225 acre residential property (the “Daney Ranch”) along Highway 50 in Dayton, NV, listed for sale, in two components, for a total of \$3.7 million and a historic, operating hotel (the “Gold Hill Hotel”) including 19 leasable rooms, 4 cottages, a bar and a restaurant listed for sale for \$1.5 million.

### **3. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Land and property deposits	\$ 10,100	\$ 10,100
Deposit for Mercury Clean Up	1,751,050	1,501,050
Surety bond and insurance	169,043	110,558
Advance to Sierra Springs Opportunity Fund	140,000	—
Permit bond	100,000	—
Investor relations subscription	39,694	—
Other	257,371	199,919
<b>Total prepaid expenses and other current assets</b>	<b>\$ 2,467,258</b>	<b>\$ 1,821,627</b>



#### 4. Mineral Rights and Properties, Net

Mineral rights and properties consisted of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Dayton resource area	\$ 2,932,226	\$ 2,932,226
Occidental area	1,002,172	1,002,172
Spring Valley area	810,000	810,000
Oest area	260,707	260,707
Northern extension	157,205	157,205
Northern targets	121,170	121,170
Other mineral properties	317,405	317,405
Water rights	90,000	90,000
<b>Total mineral rights and properties</b>	<b>\$ 5,690,885</b>	<b>\$ 5,690,885</b>

These mineral rights and properties are segmented based on the Company's identified mineral resource areas and exploration targets.

On February 25, 2020, the Company sold two patented mining claims and five unpatented mining claims (the "Wild Horse" properties) to Hercules Gold USA LLC ("Hercules") for a total purchase price of \$100,000 plus a 2% net smelter returns royalty on future mineral production from these properties. Hercules has the option to purchase the royalty for \$75,000 per each one percent (1%) per each patented or unpatented claim. There was no book value for the Wild Horse properties, so the entire purchase price was recorded in Other Income.

On May 5, 2020, the Company renewed the lease with Fred Garrett et al for one patented mining claim located in Storey County, Nevada. The new terms provide for a five-year Exploration Term followed by a fifteen-year Development Term. The lease remains in effect as long as exploration, development, mining, or processing operations are being conducted on a continuous basis, without a lapse of activity for more than 180 days. The lease fee is \$250 per month, increasing to \$1,000 per month when all permits for placing the property into production have been obtained.

On May 21, 2020, the Company exercised its option with New Daney Company, Inc. ("New Daney") to purchase seven unpatented lode mining claims located in Spring Valley, south of our Dayton resource area. These claims have been leased from New Daney since 2010. The claims are being purchased for a total of \$100,000, inclusive of a 3% royalty. The Company paid \$10,000 upon signing, and \$1,000 on June 4, 2020. Additional payments of \$1,000 per month will be made, with a final \$85,000 at closing, on or before November 26, 2020. Until closing, these payments are shown on the balance sheet in prepaid expenses and other current assets.

On July 9, 2020, the Company amended the lease with Renegade Mineral Holdings for 26 unpatented mining claims in the area of our Occidental exploration target. Under the terms of the amendment, the Additional Term was lengthened to ten years, and an optional ten-year Second Additional Term was added, which would extend the lease through September 30, 2029. The lease payment will increase to \$3,000 per quarter in the Second Additional Term. The work commitment was increased to \$250,000 by September 30, 2021 and a cumulative \$500,000 by September 30, 2023.

#### 5. Properties, Plant and Equipment

Properties, plant and equipment consisted of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Land and building	\$ 9,140,805	\$ 9,140,805
Vehicle and equipment	2,267,916	2,267,916
Processing and laboratory	21,113,177	21,113,177
Furniture and fixtures	549,860	549,860
	33,071,758	33,071,758
Less accumulated depreciation	(25,420,263)	(25,136,737)
<b>Total properties, plant and equipment</b>	<b>\$ 7,651,495</b>	<b>\$ 7,935,021</b>

During the three and six-month periods ended June 30, 2020, the Company recognized depreciation expense of \$0.1 million and \$0.3 million, respectively. During the three and six month periods ended June 30, 2019, the Company recognized depreciation expense of \$0.7 million and \$1.1 million, respectively.

## 6. Retirement Obligation Asset

Following is a reconciliation of the aggregate retirement obligation asset associated with our mining reclamation plans:

	<b>Six Months Ended</b> <b>June 30, 2020</b>	<b>Twelve Months Ended</b> <b>December 31, 2019</b>
Retirement obligation asset — beginning of period	\$ 115,926	\$ 203,274
Additional obligations incurred	—	—
Amounts reclassified to assets held for sale	—	(19,590)
Amortization of retirement obligation asset	(28,981)	(67,758)
Retirement obligation asset — end of period	<u>\$ 86,945</u>	<u>\$ 115,926</u>

## 7. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Accrued make-whole for Mercury Clean Up LLC (Note 18)	\$ —	\$ 452,740
Accrued interest expense	252,059	264,268
Accrued insurance liabilities	41,288	—
Accrued Northern Comstock Joint Venture	407,083	180,833
Accrued payroll costs	144,450	165,543
Accrued make-whole for Pelen LLC (Note 18)	—	222,602
Accrued Board of Directors fees	90,000	120,000
Accrued vendor liabilities	140,604	309,515
Other accrued expenses	59,479	139,930
Total accrued expenses and other liabilities	<u>\$ 1,134,963</u>	<u>\$ 1,855,431</u>

The accrued expense for the Northern Comstock Joint Venture represents the difference in timing of expense recognition and required and actual monthly payments to Northern Comstock LLC.

## 8. Deposits

Deposits consisted of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Deposits toward sale of non-mining assets	\$ 410,100	\$ 310,100
Prepaid Tonogold expense reimbursements	1,071,732	—
Prepayment of placement proceeds	205,000	—
Paycheck Protection Program grant	67,624	—
Lease income	8,334	8,284
Total deposits	<u>\$ 1,762,790</u>	<u>\$ 318,384</u>

## 9. Long-Term Debt

Long-term debt consisted of the following:

Note Description	June 30, 2020	December 31, 2019
Senior Secured Debenture (GF Comstock 2) - 11% interest, due Dec 2020.	\$ 4,756,901	\$ 4,929,277
Note Payable (Caterpillar Financial Services) - 5.75% interest.	541,116	645,891
Total debt	5,298,017	5,575,168
Less: long-term debt discounts and issuance costs	(79,344)	(163,094)
Total debt, net of discounts and issuance costs	5,218,673	5,412,074
Less: current maturities	(5,032,252)	(328,068)
Long-term debt, net of discounts and issuance costs	\$ 186,421	\$ 5,084,006

### Debt Obligations

#### GF Comstock 2 LP

On January 13, 2017, the Company issued an 11% Senior Secured Debenture (the "Debenture") to GF Comstock 2 LP due January 13, 2021, in an aggregate principal amount of \$10,723,000. Interest is payable semi-annually. The Debenture is collateralized by (1) substantially all of the assets of the Company, and (2) a pledge of 100% of the equity of its subsidiaries. The use of proceeds included refinancing substantially all of the Company's obligations, except the amount due to Caterpillar Finance. The Debenture was issued at a discount of approximately \$568,000 and the Company incurred issuance costs of approximately \$528,000. The Debenture required an additional "Make Whole" obligation totaling approximately \$688,000 if paid any time prior to or at maturity. At June 30, 2020, the remaining balance on the Make Whole obligation was \$232,070. The Debenture requires acceleration of payment of accrued interest, principal, and the related Make Whole obligation from all net proceeds received upon the sale of any of the assets of the Company.

Hard Rock Nevada Inc., an employee owned entity, and another related party who is a significant shareholder of the Company, participated in this financing. A director of the Company is a manager and member of the general partner of GF Capital 2 LP.

The Company applied for and received a Paycheck Protection Program grant ("PPP") in the amount of \$261,170. On May 8, 2020, GF Comstock 2 LP executed an amendment acknowledging and waiving any event of default arising from or related to the PPP. The amendment also changes the maturity date of the debenture to December 25, 2020, from January 13, 2021, representing a maturity acceleration of 19 days. All other terms and conditions related to the debenture remain unchanged. Unamortized loan fees and costs associated are amortized over the term of the modified loan term using the interest method.

#### Caterpillar Equipment Facility

On June 27, 2016, the Company completed an agreement with Caterpillar Financial Services Corporation ("CAT") relating to certain finance and lease agreements (the "CAT Agreement"). Under the terms of the CAT Agreement, the obligations to CAT bear interest at 5.7% and will be paid off on a monthly payment schedule of \$29,570 per month.

On June 29, 2020, Comstock entered into a modification of the CAT agreement allowing for four months of deferred payments with no extension of terms beginning with the May 1, 2020, payment and extending through the August 1, 2020, payment. Interest payable for the four deferred payments is added to principal after which monthly payment amounts are increased to \$37,817 per month beginning with the September 1, 2020 payment. The interest rate and maturity date remain unchanged at 5.7% and November 1, 2021, respectively.

## 10. Long-Term Reclamation Liability

Following is a reconciliation of the aggregate reclamation liability associated with our reclamation plan for our mining projects:

	<b>Six Months Ended</b>	<b>Twelve Months Ended</b>
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Long-term reclamation liability — beginning of period	\$ 6,034,208	\$ 7,441,091
Reduction of obligation	—	(410,018)
Amount reclassified to liabilities held for sale	—	(1,019,705)
Accretion of reclamation liability	10,355	22,840
Long-term reclamation liability — end of period	<u>\$ 6,044,563</u>	<u>\$ 6,034,208</u>

### Reclamation Liability Reduction by NDEP

On April 30, 2019, the Company was notified by the Nevada Division of Environmental Protection ("NDEP") that the Company's successful reclamation of parts of the Lucerne mine area had reduced the Lucerne project reclamation cost estimate with an updated reclamation bond requirement of \$6.8 million. Our total reclamation liability also includes cost estimates for our Dayton project and enhanced reclamation obligations in Storey County, NV.

### 11. Leases

The Company has an operating lease for a property located adjacent to the Gold Hill Hotel, which is primarily used as a room rental. The lease runs from 2018 until 2028. The monthly rent is \$750 with automatic annual increases of \$25 per month every November, beginning in 2020. The operating lease is sub-leased to Crown Point Management LLC, the operators of the Gold Hill Hotel, and not separately valued within the Gold Hill Hotel lease.

For the three and six-month periods ended June 30, 2020, the fixed operating lease expense was \$2,250 and \$4,500 with 8.3 years remaining.

Supplemental information related to the Company's operating lease, for the six months ended June 30, 2020, follows:

Cash paid for amounts included in the measurement of lease liabilities	\$ 4,500
Right-of-use assets obtained in exchange for operating lease obligations	\$ 1,978

The Company has the following lease balances recorded in the condensed consolidated balance sheet as follows:

<b>Lease Assets and Liabilities</b>	<b>Classification</b>	<b>June 30, 2020</b>
Operating lease right-of-use asset	Other assets	<u>\$ 53,353</u>
Operating lease liability - current	Accrued expenses and other liabilities	\$ 3,310
Operating lease liability - long-term	Other liabilities	51,691
Total operating lease liabilities		<u>\$ 55,001</u>

Maturities of lease liabilities by fiscal year for the Company's operating leases are as follows:

Remainder of 2020	\$ 4,550
2021	9,350
2022	9,650
2023	9,950
2024	10,250
Thereafter	42,050
Total operating lease payments	<u>85,800</u>
Less: Imputed interest	30,799
Present value of lease liabilities	<u>\$ 55,001</u>

## 12. Commitments and Contingencies

### *Royalty Agreements*

The Company has minimum royalty obligations with certain of its mineral properties and leases. For most of the mineral properties and leases, the Company is subject to a range of royalty obligations once production commences. These royalties range from 0.5% to 5% of net smelter revenues ("NSR") from minerals produced on the properties, with the majority being under 3%. Some of the factors that will influence the amount of the royalties include ounces extracted and the price of gold.

### *Regulatory Compliance*

The Company's mining and exploration activities are subject to various laws and regulations for protecting the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are in compliance with applicable laws and regulations in all material respects. The Company has made and expects to continue making expenditures to comply with such laws and regulations, but cannot fully predict such future expenditures.

### *Comstock Residents Association*

On January 31, 2014, the Comstock Residents Association (the "CRA") and two of its members filed a civil action in the Third Judicial District Court in Lyon County, Nevada (the "District Court") against the Lyon County Board of Commissioners (the "Commissioners") and the Company, asking the District Court to reverse the Commissioners' decision to grant an application for master plan amendment and zone change submitted and approved by the Commissioners in 2014 (the "Application").

Prior to the approval of the Application, the master plan designation and zoning precluded mining on certain property of the Company in the area of Silver City, Nevada. In April 2015, the District Court ruled in favor of the Company and the Commissioners. The written Order Denying Petition for Judicial Review was filed and mailed to all parties on June 15, 2015. On July 14, 2015, the CRA and one individual (together "Appellants") filed a Notice of Appeal of the Court Order, appealing the decision to the Nevada Supreme Court. On December 9, 2015, Appellants filed their Opening Brief in the Nevada Supreme Court, generally repeating the arguments that were made at the District Court. On January 15, 2016, the Company and the Commissioners jointly filed an Answering Brief. Briefing in the Nevada Supreme Court was completed with the Appellants' filing of a Reply Brief on March 3, 2016. Oral arguments before a three-judge panel took place on September 14, 2016.

On December 2, 2016, the Nevada Supreme Court entered an order affirming all three of the District Court's decisions associated with 1) the Commissioners' discretion and authority for changing master plans and zoning, 2) their compliance with Nevada's Open Meeting Law and 3) their compliance with Nevada statutory provisions. Specifically, the Supreme Court affirmed the District Court's conclusions that Lyon County did not abuse its discretion and that it acted with substantial evidence in support of their decision, that the County did not violate Nevada's Open Meeting Law or any other statutes.

The Supreme Court reversed the District Court's dismissal of CRA's claim of a due process violation, concluding that this claim should not have been dismissed and that further proceedings are necessary in the District Court on this single claim. The District Court concluded that the Supreme Court's reversal of CRA's due process claim required that CRA be afforded the opportunity to conduct discovery and allowed CRA the time to conduct discovery on its due process claim. The Company responded to the CRA discovery request on February 20, 2018, and the District Court held a hearing on April 23, 2018. Additional discovery was also allowed by the District Court. On May 14, 2019, the Court held a hearing on CRA's due process claim and issued its ruling from the bench. The Court concluded that CRA, having been afforded the opportunity to conduct discovery, was unable to meet its burden to establish by a preponderance of the evidence that Lyon County had denied CRA of its due process rights. The Court, therefore, denied CRA's due process claim. On July 11, 2019, the Court issued and filed a formal judgment in favor of Lyon County and Comstock Mining. The Company and Lyon County have filed a motion to recover attorney's fees and costs from the CRA.

On August 14, 2019, the CRA filed a Notice of Appeal, appealing the judgment to the Nevada Supreme Court. CRA filed their Opening Brief on January 24, 2020. The Company's Answering Brief was filed on March 25, 2020. The appellate briefing was completed with the filing of CRA's Reply Brief on May 8, 2020. To date, the Nevada Supreme Court has taken no action.

### *OSHA Complaint*

On or about February 27, 2020, the Company received notice that three former employees had filed a complaint with the U.S. Department of Labor - Occupational Safety and Health Administration ("OSHA") regarding alleged wrongful termination of employment in 2019, seeking backpay, frontpay and other compensatory damages, including interest and legal costs. On April

10, 2020, the Company filed its reply to the complaint, and believes that those terminations were appropriate and lawful and intends to vigorously defend the complaint.

From time to time, we are involved in claims, investigations and proceedings that arise in the ordinary course of business. There are no other matters pending that we expect to have a material adverse impact on our business, results of operations, financial condition or cash flows.

### 13. Equity

#### *Equity Offering Program*

In October 2019, the Company entered into a new equity purchase agreement, (the “2019 Sales Agreement”), with Leviston Resources LLC (“Leviston”), to sell up to \$1.25 million in shares of the Company’s common stock from time to time at the Company’s option. Pursuant to the 2019 Sales Agreement, the Company agreed to deliver additional shares of common stock with a value of 5% of the aggregate offering price to Leviston as a commitment fee. As of June 30, 2020, the Company has issued shares with an aggregate sales price of \$1.0 million under the 2019 Sales Agreement. The Company issued 284,852 shares in commitment fees to Leviston in 2019.

In February 2019, the Company filed a new shelf registration statement on Form S-3 (the “S-3 Shelf”), for the purchase of up to \$50.0 million of the Company’s securities, from time to time. In February 2019, the Company also entered into an equity purchase agreement (the "2019 Equity Agreement") with the Murray Family Office ("Murray FO") for the sale of up to \$5.0 million in shares of the Company's common stock from time to time, at the Company’s option, subject to certain restrictions and at a 10% discount to a volume weighted average price.

Effective August 2018, the Company entered into an equity sales agreement with Leviston Resources LLC (the "2018 Sales Agreement") for the sale of up to \$2.25 million of the Company's common stock. Through June 30, 2019, the Company had issued 2,327,400 common shares at an average price of \$0.74 per share, totaling \$1.7 million under the 2018 Sales Agreement. Final proceeds from the 2018 Sales Agreement were received in February 2019, and the 2018 Sales Agreement was terminated.

Following is a reconciliation of the common stock transactions under the 2019 Sales Agreement and the 2018 Sales Agreement for six months ended June 30, 2020, and 2019, respectively:

	<b>Six Months Ended</b>	<b>Six Months Ended</b>
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Number of shares sold	638,511	2,032,345
Gross cash proceeds	\$ 242,621	\$ 1,738,319
Fees	50,070	459,978
Net proceeds	<u>\$ 192,551</u>	<u>\$ 1,278,341</u>
Average price per share	<u>\$ 0.38</u>	<u>\$ 0.86</u>

#### *Share-Based Compensation*

On May 28, 2020, Comstock’s board of directors resolved to grant certain share-based compensation payable to the board of directors, in lieu of cash, in consideration of certain past and current service to the Company and also resolved to grant certain share-based compensation to members of management, including the chief executive officer and other key employees of the company, in consideration of service to the Company. These share-based payments are granted under the previously approved 2011 Equity Compensation Plan. The grant date for both the shares and the options is May 28, 2020.

Board members were granted a total of 135,000 common shares for past services and 180,000 common shares for current services for a total of 315,000 shares. The fair value of common shares issued to board members is \$0.56 per share, based on the closing price of Comstock Mining common shares (NYSE: LODE) on May 28, 2020. Compensation cost totaling \$176,400 is recorded as a general and administrative expense in the condensed consolidated statements of operations in the three and six months ended June 30, 2020.

Employees were granted 138,800 options to acquire common shares with an exercise price equal to the closing sales price on the date of the grant, or \$0.56 per share, and expiring on the second anniversary date of the grant. Fair value of stock options was calculated using a Black-Scholes model with the following inputs: stock price on the grant date and exercise price - \$0.56 per share; expected term - 1 year; annualized risk-free rate - 0.17%; and, annualized volatility - 92.91%. Based on these inputs, the fair-value option price is \$0.20 per share. Compensation cost for the options issued totaled \$27,849 and is recorded in the statements of operations for the three and six months ended June 30, 2020. No options were exercised at June 30, 2020.

#### 14. Net Income (Loss) Per Common Share

Basic income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share reflects the potential dilution that could occur if stock options were exercised.

The following is a reconciliation of the numerator and denominator used in the basic and diluted computation of net income (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Numerator:</b>				
Net income (loss) attributable to Comstock Mining Inc.	\$ 1,275,986	\$ (2,077,744)	\$ 1,012,774	\$ (3,912,809)
<b>Denominator:</b>				
Basic and diluted weighted average shares outstanding	28,253,242	16,594,983	27,758,899	16,199,927
Incremental shares	11,231	—	5,615	—
Diluted weighted average shares outstanding	28,264,472	16,594,983	27,764,514	16,199,927
<b>Net income (loss) per common share:</b>				
Basic EPS	\$ 0.05	\$ (0.13)	\$ 0.04	\$ (0.24)
Diluted EPS	\$ 0.05	\$ (0.13)	\$ 0.04	\$ (0.24)

#### 15. Fair Value Measurements

##### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents our assets at June 30, 2020, measured at fair value on a recurring basis:

	Fair Value Measurements at June 30, 2020			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Convertible preferred shares of Tonogold (Note 19)	\$ 7,935,000	\$ —	\$ —	\$ 7,935,000
Common shares of Tonogold (Note 19)	2,461,656	2,461,656	—	—
Contingent forward asset	2,646,334	—	—	2,646,334
<b>Total Assets</b>	<b>\$ 13,042,990</b>	<b>\$ 2,461,656</b>	<b>\$ —</b>	<b>\$ 10,581,334</b>



The following table presents our assets and liabilities at December 31, 2019, measured at fair value on a recurring basis:

	<b>Fair Value Measurements at December 31, 2019</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Convertible preferred shares of Tonogold (Note 19)	\$ 9,080,000	\$ —	\$ —	\$ 9,080,000
<b>Total Assets</b>	<b>\$ 9,080,000</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 9,080,000</b>
<b>Liabilities:</b>				
Accrued make-whole for Pelen LLC (Note 18)	\$ 222,602	\$ —	\$ 222,602	\$ —
Accrued make-whole for Mercury Clean Up LLC (Note 18)	452,740	—	452,740	—
<b>Total Liabilities</b>	<b>\$ 675,342</b>	<b>\$ —</b>	<b>\$ 675,342</b>	<b>\$ —</b>

The following tables provide reconciliation between the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 11,090,243	\$ —	\$ 9,080,000	\$ —
Total gains or losses recognized in earnings	591,091	—	1,368,382	—
Additions		4,995,000	1,232,952	4,995,000
Transfers to Level 1	(1,100,000)	—	(1,100,000)	—
Ending balance	<b>\$ 10,581,334</b>	<b>\$ 4,995,000</b>	<b>\$ 10,581,334</b>	<b>\$ 4,995,000</b>

Following is a description of the valuation methodologies used for the Company's financial instruments measured at fair value on a recurring basis as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Convertible preferred shares of Tonogold** - The value of the Tonogold convertible preferred shares (CPS) is based on a Monte Carlo model with various inputs that include the Tonogold common share price of \$0.41, volatility of 98%, risk-free rate of 0.18%, cost of debt of 14.44%, private placement conversion price ceiling of \$0.18, redemption probability of 50%, and illiquidity discount of 5% - 15%. The convertible preferred shares are classified within Level 3 of the valuation hierarchy.

The CPS was convertible into Tonogold common stock on May 22, 2020, at the lowest of (1) \$0.18 per share, or (2) 85% of Tonogold's 20-day volume-weighted closing price prior to conversion. Under U.S. GAAP, the Company has the irrevocable option to elect to report certain financial assets and liabilities at fair value on an instrument by instrument basis, with changes in fair value reported in net earnings. This option was elected for the treatment of the CPS received on May 31, 2019 (\$3.92 million), August 30, 2019 (\$0.83 million), October 14, 2019 (\$0.75 million), December 19, 2019 (\$0.50 million), and December 30, 2019 (\$0.10 million). The Company recorded the receipt of the CPS at a fair value of \$7.6 million when received and recorded an additional \$0.3 million in other income and \$0.1 million in other expense, for the changes in fair market value, for the three months and six months ended June 30, 2020, respectively.

**Common shares of Tonogold** - On May 22, 2020, the Company converted \$1.1 million of CPS (that is, 1,100 Tonogold preferred shares) into 6,111,111 Tonogold common shares. The fair value of the common shares (OTC: TNGI) is based on the \$0.41 closing stock price on June 30, 2020.



**Contingent forward** - On March 20, 2020, Tonogold issued a senior secured convertible note with a principal amount of \$5.475 million to the Company reflecting Tonogold's intent to purchase additional membership interest in Comstock Mining LLC in the future at a specified price (the "Contingent Forward".) The Contingent Forward includes the following features: 1) conversion feature allowing Comstock, at the Company's sole option, to elect payment in Tonogold common shares upon certain events; 2) change of control redemption right allowing Comstock, to redeem the note in cash at a 125 percent premium; 3) event of default redemption right allowing Comstock the right to redeem the note in cash at a 118 percent premium; and 4) a payment modification included in the Contingent Forward. The value of the Contingent Forward is based on a Monte Carlo model with various inputs. These inputs include the Tonogold common share price of \$0.41, volatility of 94.0%, risk-free rate of 0.16%, cost of debt of 14.44%, required conversion premium of 30.0%, probability of prepayment of 5%, probability of change in control of 5% and probability of default of 29%. Subsequent to the issuance of the Company's condensed consolidated financial statements for the period ended March 31, 2020, the Company determined the initial fair value of the Contingent Forward was \$1.2 million rather than zero, and should have been recorded with a corresponding increase to additional paid in capital, as the transaction is deemed to be between related parties given the common ownership in CML. Additionally, the Company determined there was a \$1.1 million change in fair value of the Contingent Forward for the period ended March 31, 2020 that should have been recorded. As a result, the accompanying condensed consolidated statement of changes in equity for the period ended March 31, 2020 has been corrected from amounts previously reported for this matter. The Company recorded an additional \$0.4 million in other income for changes in the fair market value for the three months ended June 30, 2020.

**Accrued make-whole for Pelen** - The accrued make-whole is valued based on the difference between the valuation of the outstanding shares held by the seller of the membership interests at the volume-weighted price per share for five consecutive trading days preceding the date of determination of \$0.47 at December 31, 2019, as compared to the remaining aggregate proceeds due. Because the inputs are observable market-based inputs, this instrument is classified within Level 2 of the valuation hierarchy. In April 2020, the Company purchased the membership interest in Pelen LLC, settling all amounts due.

**Accrued make-whole for MCU** - During the second quarter of 2020, MCU sold 900,000 Comstock shares for net proceeds of \$465,127, reducing the remaining make-whole liability to \$384,873 as of May 26, 2020. On May 15, 2020, the Company issued an additional 625,000 shares to MCU. The accrued make-whole is zero at June 30, 2020 because the value of Comstock shares held by MCU at the Company's closing stock price of \$0.95 exceeds the remaining liability. The inputs are observable and market-based, so the instrument is classified within Level 2 of the valuation hierarchy.

The carrying amount of cash and cash equivalents and trade payables approximates fair value because of the short-term maturity of these financial instruments. At June 30, 2020, and December 31, 2019, the fair value of long-term debt approximated \$5.2 million and \$5.1 million, respectively, as determined by borrowing rates estimated to be available to the Company for debt with similar terms and conditions. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash and cash equivalents (Level 1).

## 16. Segment Reporting

Our management organizes the Company into two operating segments: mining and real estate. Our mining segment consists of all activities and expenditures associated with exploration, mineral development and mining. Our real estate segment consists of land, real estate rental properties and the Gold Hill Hotel. We evaluate the performance of our operating segments based on operating income (loss). All intercompany transactions have been eliminated. Financial information relating to our reportable operating segments and reconciliation to the consolidated totals follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenue</b>				
Mining	\$ —	\$ —	\$ —	\$ —
Real estate	48,375	44,184	96,800	81,782
Total revenue	48,375	44,184	96,800	81,782
<b>Costs and Expenses</b>				
Mining	(1,243,992)	(1,485,274)	(2,500,702)	(3,081,304)
Real estate	(15,320)	(12,288)	(28,916)	(22,711)
Total costs and expenses	(1,259,312)	(1,497,562)	(2,529,618)	(3,104,015)
<b>Operating Income (Loss)</b>				
Mining	(1,243,992)	(1,485,274)	(2,500,702)	(3,081,304)
Real estate	33,055	31,896	67,884	59,071
Total loss from operations	(1,210,937)	(1,453,378)	(2,432,818)	(3,022,233)
Change in estimated fair value of contingent forward	351,091	—	1,413,382	—
Interest expense	(91,656)	(181,907)	(142,244)	(643,045)
Other income (expense) (Note 17)	2,227,488	(442,459)	2,174,454	(247,531)
<b>Net income (loss)</b>	<b>\$ 1,275,986</b>	<b>\$ (2,077,744)</b>	<b>\$ 1,012,774</b>	<b>\$ (3,912,809)</b>
<b>Capital Expenditures</b>				
Mining	\$ 11,000	\$ —	\$ 11,000	\$ —
Real estate	—	720,000	—	1,085,000
Total capital expenditures	\$ 11,000	\$ 720,000	\$ 11,000	\$ 1,085,000
<b>Depreciation, Amortization, and Depletion</b>				
Mining	\$ 110,268	\$ 584,475	\$ 303,751	\$ 1,168,931
Real estate	5,960	2,465	11,919	4,930
Total depreciation, amortization, and depletion	\$ 116,228	\$ 586,940	\$ 315,670	\$ 1,173,861

	As of June 30, 2020	As of December 31, 2019
<b>Assets</b>		
Mining	\$ 34,902,878	\$ 30,106,865
Real estate	9,498,170	9,463,027
Total assets	<u>\$ 44,401,048</u>	<u>\$ 39,569,892</u>

## 17. Other Income and Expense

Other income (expense) net consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Change in estimated fair value of contingent forward	\$ 351,091	\$ —	\$ 1,413,382	\$ —
Interest expense	(91,656)	(181,907)	(142,244)	(643,045)
Interest income	179,558	13,239	186,026	62,275
Mining lease income	10,000	—	20,000	—
Unrealized gain on Tonogold shares	1,620,929	—	1,335,929	—
Realized gain on sale of Tonogold shares	23,740	—	23,740	—
Preferred shares issuance cost	—	(432,000)	—	(432,000)
Make whole obligations	198,487	(34,946)	162,711	100,216
Recognition of PPP proceeds	193,546	—	193,546	—
Gain on sale of assets and mining claims	—	6,250	100,000	6,250
Reimbursement from Tonogold	—	—	150,000	—
All other	1,228	4,998	2,502	15,728
Total other income (expense)	2,227,488	(442,459)	2,174,454	(247,531)
Total other income (expense), net	\$ 2,486,923	\$ (624,366)	\$ 3,445,592	\$ (890,576)

## 18. Acquisition Agreements

### *Mercury Clean Up LLC*

On June 21, 2019, as amended July 3, 2019, the Company entered into a Mercury Remediation Pilot, Investment and Joint Venture Agreement (the “MCU Agreement”) with Mercury Clean Up LLC (“MCU”). Pursuant to the MCU Agreement, the Company committed \$2.0 million of capital contributions payable in cash of \$1.15 million and stock of \$0.85 million, in exchange for 15% of the fully-diluted equity ownership of MCU and the first right to participate in 50% of the equity of any future joint ventures formed with MCU (the “Joint Ventures”).

On July 18, 2019, the Company issued 900,000 shares of restricted common stock to fund \$751,050 of the MCU acquisition, that were subsequently liquidated for approximately \$0.5 million. On May 15, 2020, the Company issued MCU an additional 625,000 of restricted common stock to fund the difference between proceeds received and the required \$0.85 million. The Company has also paid MCU a total of \$0.90 million in cash as of June 30, 2020. The contract requires additional payments totaling \$0.25 million during the third quarter of 2020 and expects to close the MCU transactions in the third quarter of 2020.

The Company and MCU are evaluating numerous Comstock locations containing historical, mercury-contaminated tailings, and developing a detailed schedule for the pilot testing. MCU will receive the mercury remediation and recovery system at the Company’s American Flat facility during the third quarter of 2020. The goal of the pilot is to process approximately two to twenty-five tons of tailings and sediment per hour, and thoroughly test and confirm the technical and commercial viability of the system and its processes.

Based on successful proof of economic viability, the Company has the rights to coordinate an additional \$3.0 million in financing for the Joint Ventures, and MCU would then contribute the 25-ton-per-hour system, based on an agreed upon capital plan (equipment and working capital uses) and a time-specific project schedule, including the timing of the capital needs. Such financing entitles the Company to acquire an additional 10% of the fully-diluted equity interests of MCU.

The Company entered into a second amendment of the MCU Agreement, on April 10, 2020, wherein MCU and Comstock have identified an opportunity to remediate mercury in the Philippines, particularly in the province of Davao d' Oro (the “Philippine Opportunity”); where Comstock and MCU intend to form a new entity to engage profitably in the Philippine Opportunity. The

Company made a cash investment of \$0.1 million and committed a total of \$2 million equity investment in MCU and a joint venture with MCU, and up to an additional \$1 million in secured loans. The Company investments, when completed, will result in the full 25% interest in MCU and direct 50% joint venture participations in both the Philippine and Comstock Lode mercury remediation project opportunities.

#### *Pelen, LLC*

In January 2018, the Company issued 295,082 shares of restricted common stock as initial payment to acquire 25% of the total membership interests of Pelen, LLC ("Pelen"). Pelen is the 100% owner of the historic Sutro Tunnel Company that owns the Town of Sutro, the historic 6-mile Sutro Tunnel, the federal land grants and mining rights spanning 1,000 feet on each side of the 6-mile span, the rights to the tunnel's water and the patented mining claims and private lands on Gold Hill.

In November 2018, the Company issued 351,637 shares of restricted common stock as additional shares based on the shortfall on the aggregate proceeds for the initial shares. In December 2018, the agreement was amended to have a "Cut-Off" date of December 31, 2019, for closing the transaction and any unsold shares will be returned to the Company, with the Company required to make up any shortfall in cash.

On April 24, 2020, the Company completed the acquisition of 25% of the total membership interests of Pelen, which is accounted for as an equity method investment. The total purchase price was \$0.6 million, paid in stock and cash.

#### *Downtown Silver Springs, LLC*

The Company entered into an agreement to purchase 100% of the membership interests of Downtown Silver Springs, LLC ("DTSS") on May 30, 2018, as amended. DTSS held a contract to purchase approximately 160 acres of centrally located land in Silver Springs, Nevada. DTSS has no other assets, operations or employees.

On December 9, 2019, the Company purchased the membership interest in DTSS, including 160 acres of centrally located land in Silver Springs, Nevada, and related approvals for a commercial downtown development. The DTSS acquisition was accounted for as an asset acquisition as DTSS did not meet the definition of a business. The Company paid total consideration of \$4.1 million, consisting of (1) \$3.1 million cash payments toward the purchase price of the land parcel, (2) \$0.5 million in interest and closing costs and, (3) \$0.5 million cash payments to the former holders of DTSS, for the entity and related development approvals.

On September 26, 2019, DTSS entered into an agreement to sell the land parcel to Sierra Springs Enterprises, Inc. ("SSE"), as amended on November 30, 2019, December 26, 2019, January 29, 2020, March 31, 2020, and June 30, 2020, for \$3.6 million. Accordingly, the land is classified as an asset held for sale on the consolidated balance sheets at June 30, 2020 and December 31, 2019, and the carrying value of the land was adjusted to the contract value of \$3.6 million less estimated costs to sell, resulting in an impairment of \$0.5 million, charged to other expense in the consolidated statements of operations as of December 31, 2019.

As of June 30, 2020, the Company has received deposits in cash and escrow from SSE totaling \$0.4 million towards the purchase of the 160 acres of commercial lands and membership interests in DTSS, along with the 98 acres of industrial land and senior water rights in Silver Springs. The transactions are expected to close during the third quarter of 2020.

### **19. Sale, Option and Lease Agreements with Tonogold Resources Inc. ("Tonogold")**

There are three agreements between the Company and Tonogold: the Membership Purchase Agreement, the Mineral Exploration and Mining Lease, and a Lease Option Agreement for the Company's American Flat processing facility.

#### *Membership Interest Purchase Agreement*

On January 24, 2019, the Company entered into an agreement, as amended and restated on March 20, 2020, to sell its interests in Comstock Mining LLC ("CML"), its wholly-owned subsidiary whose sole net assets are the Lucerne properties and related permits, to Tonogold (the "Membership Purchase Agreement"), with the initial closing occurring on November 18, 2019.

At the initial closing, Tonogold received 50% of the membership interests of CML, in exchange for the cash and CPS considerations paid to date. The Company retains all management control and authority over CML until Tonogold has made all remaining payments in full. Accordingly, Tonogold's membership interest in CML is accounted for as a noncontrolling interest in the consolidated balance sheets. The Company has recorded the fair value received from Tonogold in excess of the non-controlling interest as additional paid in capital.

For the six months ended June 30, 2020, the Company received an additional \$0.6 million in cash payments, bringing the total cash consideration received to date to \$6.525 million and the total stock consideration received to date to \$6.1 million, in the form of Tonogold Convertible Preferred Stock ("CPS"). The CPS became convertible into Tonogold common shares on May 22, 2020. The conversion price for the CPS will be the lower of (1) 85% of the 20-day volume weighted closing price or (2) 0.18. Tonogold can redeem the CPS at any time prior to conversion, at a redemption price 120% of the face value of the CPS. On May 22, 2020, the Company exchanged \$1.1 million of CPS for 6,111,111 common shares (at \$0.18 per common share). The Company made its first sale of Tonogold common stock on June 19, 2020, and had sold 107,071 shares for net proceeds of \$43,013 by June 30, 2020.

Tonogold guaranteed the Company's remaining financial responsibility for its membership interest in Northern Comstock LLC, which owns and leases certain mineral properties in the Lucerne area, and assumed certain reclamation liabilities, both totaling approximately \$7.0 million. The Company also retains a 1.5% Net Smelter Returns ("NSR") royalty on the Lucerne properties.

On March 20, 2020 the Company and Tonogold restated the Membership Purchase Agreement to secure the remaining cash consideration with a 12% secured convertible note with an initial principal balance of \$5.475 million (the "Note"). The Note is initially secured by the membership interests held by Tonogold, and will be secured by all of CML's assets after the Company's debenture has been paid in full and the related liens released. Interest on the Note is payable on the first business day of each month, with a \$1.0 million payment of principal due on or before October 15, 2020, and the remaining principal due at maturity on September 20, 2021. The Note is convertible into common shares of Tonogold, at the Company's sole option, at a conversion price equal to the lower of (1) 85% of the twenty (20) consecutive trading day volume weighted average price of Tonogold common stock or (2) an applicable price stepping from an initial \$0.18 to \$0.40 at the maturity date.

On June 23, 2020, Tonogold made a payment of \$0.5 million, originally due on or before October 15, 2020, toward the principal of the Note, increasing their membership interest ownership to 54.57%. Membership interest will be delivered proportionately to additional cash payments toward principal that are received. In a letter agreement dated June 30, 2020, the Company agreed to reduce the amount of the principal payment due on October 15, 2020, by \$0.1 million. Interest will not accrue with respect to the \$0.1 million principal reduction from June 30, 2020. Tonogold also agreed to pay up to an additional \$0.3 million toward the reimbursement of additional expenses associated with certain mining properties.

The remaining of \$4.875 million of required cash consideration, after an incentivizing discount of \$0.1 million for an early payment of \$0.5 million in June 2020, is secured by a 12% Note (the "Note"), with interest payable monthly. In evaluating the accounting for the Note, the Company determined that although the Note represents legal form debt, it should be evaluated and accounted for based on the substance of the arrangement rather than its legal form. The Company concluded that the Note represents a contingent forward for the Company's right to sell its membership interests in CML to Tonogold at a future date in exchange for consideration, cash or common stock of Tonogold if certain options are elected (the "Contingent Forward"). The Company accounts for the Contingent Forward at fair value because the Contingent Forward does not meet the requirements in ASC 815-40 to be accounted for in equity. The Company recorded the initial fair value of the Contingent Forward in additional paid in capital since Tonogold, as a related party, owns 50% of the membership interests of CML as a capital contribution.

As a result, the Company has corrected the accounting for the initial fair value of the contingent forward of \$1.2 million by recording the asset with a corresponding increase to Additional paid-in capital. All subsequent changes in the fair value of the contingent forward are recorded as a gain or loss in the statement of operations. The Company subsequently recorded the change in fair value for the period ended March 31, 2020 of \$1.1 million in Change in estimated fair value of contingent forward asset, which had not been included in the previously issued financial statements as of and for the period ended March 31, 2020. Such corrections are reflected in the accompanying Condensed Consolidated Statement of Changes in Equity. The contingent forward has an aggregate fair asset value of \$2.6 million at June 30, 2020. The Company recorded changes in the estimated fair value of the contingent forward of \$0.4 million and \$1.4 million for the three and six months ended June 30, 2020, respectively.

#### *Mineral Exploration and Mining Lease for Storey County Properties*

Effective September 16, 2019, the Company entered into a ten-year, renewable mineral lease with Tonogold for certain mineral properties owned or controlled by the Company in Storey County, Nevada (the "Exploration Lease"). The Exploration Lease

grants Tonogold the right to use these properties for mineral exploration and development, and ultimately the production, removal and sale of minerals and certain other materials.

Tonogold will pay a quarterly lease fee of \$10 thousand. The lease fee will escalate 10% each year on the anniversary date of the Exploration Lease. Tonogold will also reimburse the Company for all costs associated with owning the properties. The Exploration Lease also provides for royalty payments after mining operations commence. For the first year following the commencement of mining, royalties will be paid at the rate of 3.0% of NSR for the properties. The rate will be reduced to 1.5% of NSR thereafter. The Company accounts for the Exploration Lease as an operating lease.

On December 23, 2019, the Company and Tonogold restated the Exploration Lease. The restated Exploration Lease provides that Tonogold's exploration spending, permitting, and engineering commitments are a minimum of \$1 million per year, for a cumulative total of \$20 million over 20 years. Tonogold also committed to specific milestones for issuing technical reports on their results, culminating in a published Feasibility report by the 20<sup>th</sup> anniversary of the Exploration Lease.

The initial term of the Exploration Lease (the "Exploration Term") is 5 years, with Tonogold committing to spending at least \$5 million for exploration, at the rate of \$1 million per year, and to producing an NI 43-101 compliant technical report by the end of the 5<sup>th</sup> year. The Exploration Lease will automatically renew for a second, 10-year term (the "Development Term") as long as the commitments have been met. During the Development Term, Tonogold is committed to \$10 million of additional expenditures for exploration, development, and technical reporting, at the rate of \$1 million per year, and to producing an economically viable mine plan and an NI 43-101 compliant Pre-Feasibility report before the agreement's 15<sup>th</sup> anniversary.

The Exploration Lease will automatically renew for a third, 5-year term ("the Planning Term") provided that the prior spending and reporting commitments have been met. During the Planning Term, Tonogold is committed to \$5 million in additional expenditures for exploration, development, permitting, and technical reporting, at the rate of \$1 million per year. By the 20<sup>th</sup> anniversary of the agreement, Tonogold also commits to producing an economically viable mine plan, and an NI 43-101 compliant Feasibility report, and will produce a mutually agreed-upon schedule for placing the properties into production.

If the spending and other commitments have been met during the Planning Term, the Exploration Lease will automatically continue in effect as long as development and permitting activities continue in compliance with a mutually agreed-upon schedule, or for so long as minerals are produced from the properties or from adjacent properties (the "Extended Term").

#### *Lease Option Agreement for the American Flat Processing Facility*

On November 18, 2019, the Company entered into a lease-option to lease its permitted American Flat property, plant and equipment to Tonogold for crushing, leaching and processing material from the Lucerne mine (the "Lease Option Agreement"). Under the Lease Option Agreement, Tonogold will be required to reimburse the Company approximately \$1.1 million in expenses, per year, to maintain the option. If such option is exercised, Tonogold will then pay the Company a rental fee of \$1.0 million per year plus \$1 per processed ton, in addition to all the costs of operating and maintaining the facility, up to and until the first \$15.0 million in rental fees are paid, and then stepping down to \$1.0 million per year and \$0.50 per processed ton for the next \$10.0 million paid to the Company. The Lease Option Agreement remains in effect, but has not yet been exercised.

#### *Other*

For the six-month period ended June 30, 2020, the Company received advance expense reimbursements from Tonogold totaling \$2.3 million, and invoiced actual expense reimbursements totaling \$1.2 million. The remaining \$1.1 million is recorded as a Deposit in the liability section of the Balance Sheet.

## **20. Subsequent Events**

#### *Equity Issuances*

On July 9, 2020, the Company entered into a common stock purchase agreement with Triton Funds L.P., (the "Triton") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$1.25 million, from time to time, to Triton with aggregate unused capacity of \$1.25 million. On July 22, 2020, the Company issued 2,040,483 common shares to Triton for net proceeds of \$1.25 million, at a price of \$0.61 per share.

On July 13, 2020, the Company entered into a new equity purchase agreement (the "Leviston Equity Agreement") with Leviston Resources LLC ("Leviston") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$2.5 million, from time to time, to Leviston, and paid 5% fee by issuing 173,611 restricted

common shares. From July 13, 2020, through July 31, 2020, the Company raised \$0.65 million by issuing 1,029,741 common shares at a price of \$0.63 per common share. As of July 31, 2020, the Leviston Equity Agreement has an aggregate unused capacity of \$1.9 million.

### *Repayment of Senior Secured Debenture and Refinancing*

On August 6, 2020, Comstock Mining Inc. (the “Company”), agreed to enter into three promissory notes (the “Promissory Notes”) in order to refinance existing indebtedness on more favorable terms. The Promissory Notes are unsecured and have an aggregate principal amount of \$4,475,000 (net of an original discount of \$255,000), a per annum interest rate of 12% and a maturity date of September 20, 2021. Interest is payable monthly on the Promissory Notes. Principal is payable in full on the maturity date and contains covenants that prohibit the Company from incurring debt that matures prior to the maturity date or that is senior in right of their payment and require the Company to prepay the Promissory Notes with at least 80% of the net cash proceeds received by the Company with respect to the sale of the Company’s non-mining assets in Silver Springs, NV. The Company is permitted to defer payment of up to 34% of the principal payment due on the maturity date of the Promissory Note for an additional two years (i.e., until September 20, 2023), in exchange for two year warrants to purchase the Company’s common stock based on a 10% discount to the 20-day VWAP of the Company’s common stock on the maturity date of the Promissory Note.

The net proceeds of the Promissory Note will be used to fully repay the Company’s existing 11% Senior Secured Debenture due December 25, 2020 (the “Debenture”) and for general corporate purposes. Upon repayment of the Debenture all collateral previously securing the Debenture shall be released.

In addition, the Company received an accelerated \$400,000 amortization payment from Tonogold, originally due in October 2020. Tonogold still owes the Company \$4,475,000, which payment remains secured by all assets of Comstock Mining LLC, the entity that owns the Lucerne mine, until paid in full. The Tonogold obligation to us matures on the same day as the Promissory Notes discussed above.

Events of default on the Promissory Note include insolvency and failure to pay. The default interest rate on the Promissory Notes is an additional 5% above the stated rate. The Promissory Notes can be repaid at any time without penalty or premium. One of the Promissory Notes was sold to an employee of the Company.

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

The following discussion provides information that we believe is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company as of and for the six-month period ended June 30, 2020. It should be read in conjunction with the condensed consolidated financial statements and accompanying notes included in this Form 10-Q and our Annual Report on Form 10-K as of, and for the fiscal year ended December 31, 2019.

### ***Overview***

Unless the context otherwise indicates, the terms “Comstock,” “we,” “us,” “our,” “our Company” or “the Company” mean Comstock Mining Inc. and its consolidated subsidiaries.

The Company is a Nevada-based, gold and silver mining exploration, development and production company with extensive, contiguous property in the historic Comstock and Silver City mining districts (collectively, the “Comstock District”) and is an emerging leader in sustainable, responsible mining and is currently commercializing environment-enhancing, precious-metal-based technologies, products, and processes for precious metals recovery.

The Company began acquiring properties in the Comstock District in 2003. Since then, the Company has consolidated a significant portion of the Comstock District, amassed the single largest known repository of historical and current geological data on the Comstock region, secured permits, built an infrastructure and completed two phases of test production. The Company continues evaluating and acquiring properties inside and outside the district, expanding its footprint and evaluating all our existing and prospective opportunities for further exploration, development and mining. The Company’s goal is to grow per-share value by commercializing environment-enhancing, precious-metal-based products and processes that generate a rate of predictable cash flow (throughput) and increase the long-term enterprise value of our northern Nevada based platform.

The Company and its subsidiaries now own or control approximately 9,224 acres of mining claims and parcels in the broader Comstock District and surrounding area. The acreage includes approximately 2,365 acres of patented claims and surface parcels (private lands) and approximately 6,859 acres of unpatented mining claims (public lands), which the Bureau of



Land Management (“BLM”) administers. The Company's headquarters is on American Flat road, immediately north of the Lucerne resource area and just south of Virginia City, Nevada.

Because of the Comstock District’s historical significance, the geology is well known and has been extensively studied by the Company, our advisors and many independent researchers. We have expanded our understanding of the geology through vigorous surface mapping and drill hole logging. The volume of geologic data is immense, particularly in the Lucerne and Dayton resource areas. We have amassed a large library of historical data and detailed surface mapping of Comstock District properties and continue to obtain historical information from public and private sources. We integrate this data with information obtained from our recent mining operations, to target geological prospective exploration areas and plan exploratory drilling programs, including expanded surface and underground drilling.

Our Dayton resource area and the adjacent Spring Valley exploration targets are located in Lyon County, Nevada, approximately six miles south of Virginia City. Access to the properties is by State Routes 341 and 342, both paved roads.

Our Lucerne resource area is located in Storey County, Nevada, approximately three miles south of Virginia City and 30 miles southeast of Reno. The Lucerne resource area was host to the Company’s most-recent test mining operations from 2012 through 2015. The heap processing facility is in American Flat, approximately three quarters of a mile west of the Lucerne mine. Lucerne is the subject of ongoing assessment, exploration and development plans by Tonogold.

The Company achieved initial production and first poured gold and silver on September 29, 2012. The Company ceased mining in 2015 and concluded processing in 2016. From 2012 through 2016, the Company mined and processed approximately 2.6 million tons of mineralized material, and produced 59,515 ounces of gold and 735,252 ounces of silver.



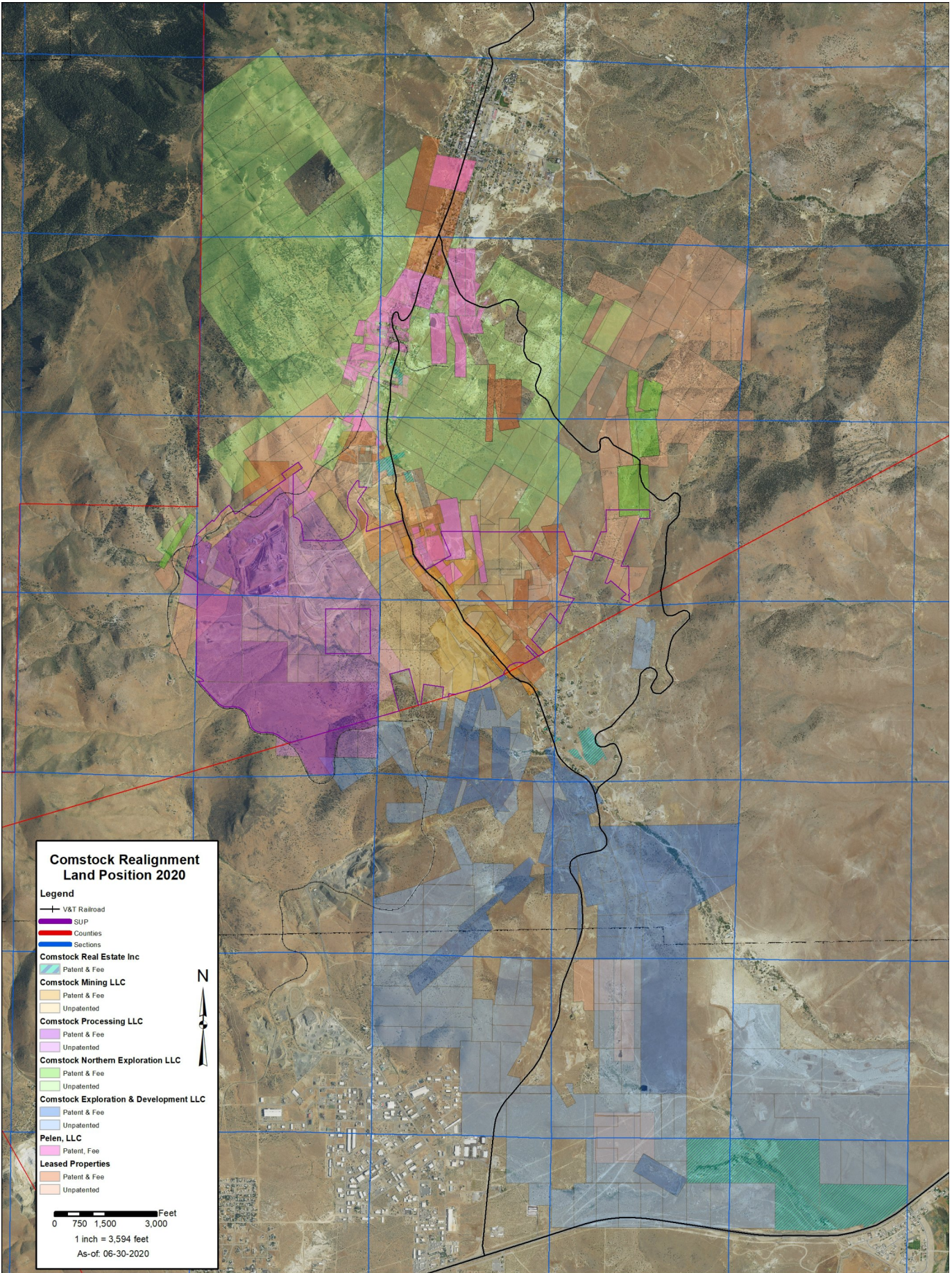


Figure 1 - Comstock Mining's Land Position in the Comstock District



During 2019, the Company’s Board of Directors approved a transformational strategy focused on high-value, cash-generating, precious metal-based activities, (the “Strategic Focus”) including, but not limited to, metals exploration, engineering, resource development, economic feasibility assessments, mineral production, metal processing and related ventures of environmentally friendly, and economically enhancing mining technologies.

The Company advanced the Strategic Focus by facilitating the formation of a qualified opportunity zone fund named Sierra Springs Opportunity Fund Inc. and a qualified opportunity zone business named Sierra Springs Enterprises Inc. Sierra Springs Enterprises, Inc. has formally agreed to acquire Comstock’s non-mining assets.

**Comstock Mining's Corporate Realignment**

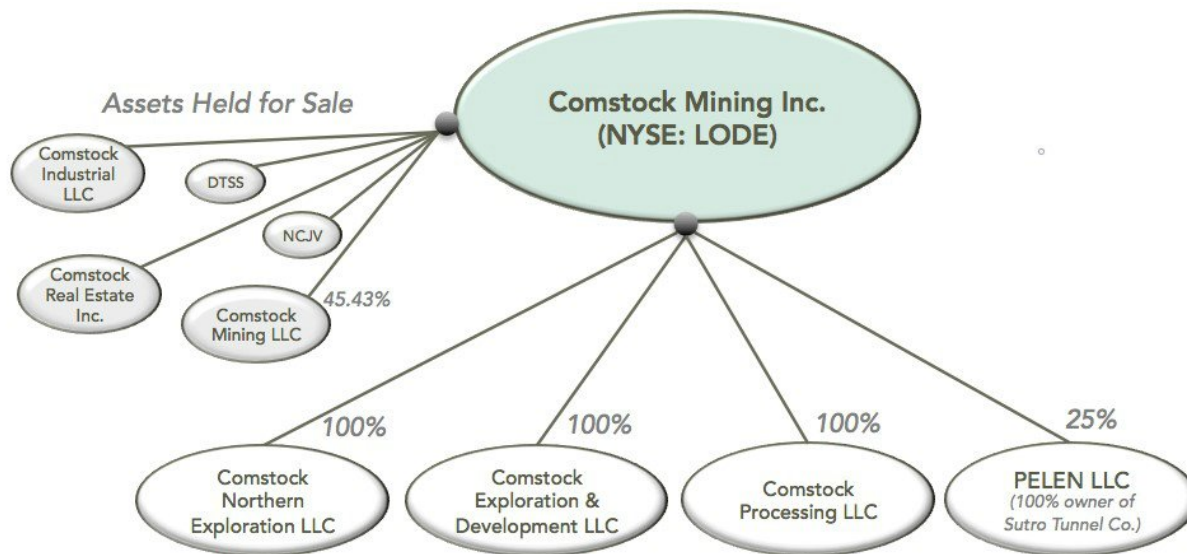


Figure 2 - Comstock's Corporate Realignment

## ***Current Projects***

The Company completed the realignment during 2019, such that the new corporate structure is now well aligned with the Strategic Focus. Comstock Mining Inc. remains as the parent company that wholly owns the realigned subsidiaries. Comstock Mining LLC owns or controls the Lucerne properties, including those contained in the Northern Comstock Joint Venture. Comstock Processing LLC owns the American Flat processing facility and additional land for potential expansion. Comstock Northern Exploration LLC owns or controls the remaining Storey County exploration targets, primarily located north of the Lucerne properties, including the Occidental Lode. Comstock Exploration & Development LLC owns or controls the Lyon County mining claims and exploration targets, including the Dayton Resource Area and the Spring Valley target. Comstock Industrial LLC owns the Silver Springs properties and water rights. Comstock Real Estate Inc. owns the Daney Ranch and the Gold Hill Hotel.

## ***Exploration and Development***

The Company has identified many exploration targets on its land holdings in the Comstock District, but has focused, to date, on the Dayton resource area and, through our collaboration with Tonogold Resources Inc. (“Tonogold”) the Lucerne resource area (including surface and underground exploration). We have also leased the remaining Storey County mineral claims, including the Occidental group and other exploration targets, to Tonogold, who has near-term plans for exploration and ultimately development towards economic feasibility on those assets. We are developing exploration plans for the remaining areas, primarily the Spring Valley group that we view as an extension of the Dayton resource area.

The Company's district-wide exploration and development plans contemplate three specific, geological areas that the Company has organized into wholly-owned subsidiaries called Comstock Exploration and Development LLC, Comstock Northern Exploration LLC, and the 45.43%-owned Comstock Mining LLC. Comstock Exploration and Development LLC includes the Dayton and Spring Valley areas. Comstock Northern Exploration LLC includes the Occidental and Gold Hill exploration targets now leased to Tonogold, and Comstock Mining LLC includes the Lucerne properties that Tonogold has agreed to acquire. These exploration targets represent over 7 miles of mineralized strike length, with current and historical grades of gold and silver, and significant historical mine production. Refer to Figure 3.

The Company retained royalties ranging from 1.5% to 3.0% on the Lucerne, Occidental and other properties.



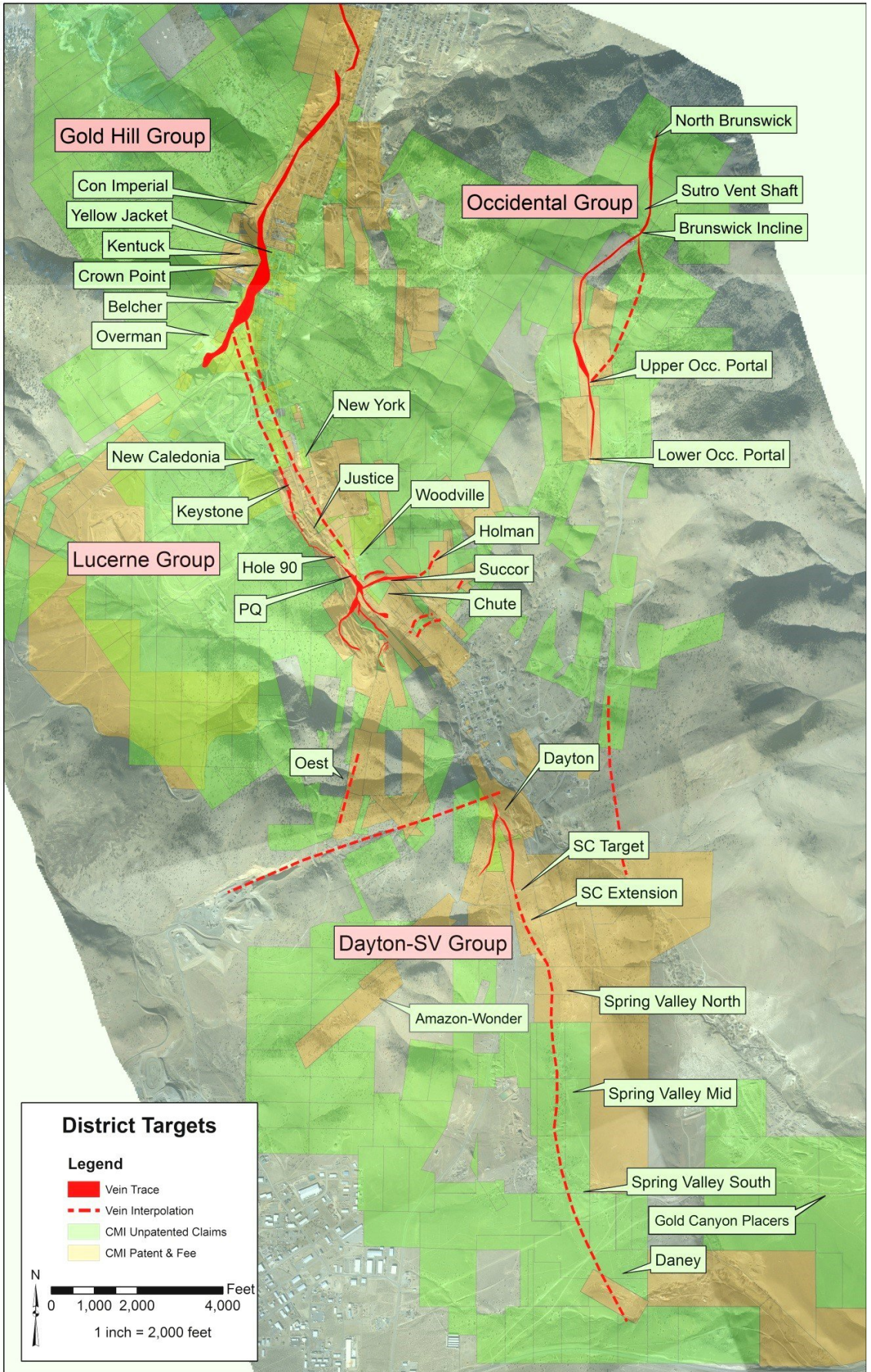


Figure 3 - General Overview of Priority Exploration Targets

### ***Comstock Processing LLC (100% owner of the American Flat Processing Facility)***

The processing facility is in the American Flat area of Gold Hill, NV, less than a mile west of Lucerne, and operated 24 hours per day, seven days per week, for substantially all of 2013 through 2016. During 2019, Comstock formed Comstock Processing LLC ("CPL"), a newly realigned, wholly-owned subsidiary that owns all of the property, plant, equipment and permits for the crushing, agglomerating, leaching, Merrill Crowe processing, mercury retort, refining, and metallurgical operations located at 1200 American Flat, Virginia City, NV. The facilities represent a fully permitted platform, best positioned for implementing our Strategic Focus on high-value, cash-generating, precious metal-based activities, including, but not limited to, metals exploration, engineering, resource development, economic feasibility assessments, mineral production, metal processing and related ventures of environmentally friendly, and economically enhancing mining technologies. To date, Comstock Processing has entered into two agreements that leverage its platform for nearer-term cash generation; first with Tonogold for the Lease-Option Agreement to lease and operate the facilities and second, with Mercury Clean Up LLC ("MCU") for the commercial pilot of the MCU mercury remediation system.

#### *CPL's Lease Option with Tonogold*

On November 18, 2019, the Company entered into a Lease Option Agreement (the "Lease-Option") to lease its permitted American Flat mining property, plant and equipment to Tonogold for crushing, leaching and processing material from the Lucerne mine (the "Lease Option Agreement"). Under the Lease-Option, Tonogold is required to reimburse the Company approximately \$1.1 million in expenses to maintain the option. If the option is exercised, Tonogold will then pay the Company a rental fee of \$1.0 million per year plus \$1 per processed ton, in addition to all the costs of operating and maintaining the facility. After the first \$15.0 million in rental fees are paid, the rental fee will step down to \$1.0 million per year and \$0.50 per processed ton for the next \$10.0 million paid to the Company.

#### *CPL's Venture with Mercury Clean Up LLC*

The second agreement is with Mercury Clean Up LLC ("MCU"), to pilot test new, cleaner technologies, in collaboration with Oro Industries Inc. ("Oro"), for the manufacture and global deployment of mercury remediation systems with proprietary mechanical, hydro, electro-chemical and oxidation processes to reclaim and remediate mercury from soils, waste and tailings. MCU has the exclusive, world-wide rights to four patentable technologies and equipment that we believe will demonstrate feasible, economic mercury remediation. Comstock provides the platform for testing the mercury remediation system and MCU will conduct the trials that prove scalable feasibility. MCU plans to deploy the solution globally and has secured its first major, international remediation project in the Philippines. Comstock's award-winning mercury reclamation experience coupled with MCU's technology and processing know-how positions a new, global growth opportunity consistent with the Company's Strategic Focus.

Worldwide unregulated activity has released thousands of tons of mercury into the environment. The continued worldwide use of mercury in unregulated activities, primarily outside of the United States, is polluting air, soils, and waters and poisoning marine life and endangering lives. Ongoing, unregulated artisanal mining outside of the U.S. represents more than 40% of the ongoing mercury contamination and represents a tremendous opportunity for cleaning up the environment in a sustainable, profitable manner. Mercury will not go away by itself and must be removed to stop the pollution. Mercury can't be broken down or destroyed, and MCU, in collaboration with Oro and the Company, is pioneering an effective solution.

Pursuant to the MCU Agreement, the Company committed \$2.0 million of capital contributions payable in cash of \$1.15 million and stock of \$0.85 million, in exchange for 15% of the fully-diluted equity ownership of MCU and 50% of the equity of any future joint ventures formed with MCU. Through June 30, 2020, the Company has invested \$0.90 million in cash and over \$0.85 million in stock out of the 2.0 million commitment for MCU to demonstrate the feasibility of the Mercury Remediation System on CPL's permitted platform.

Over the past seven years, Comstock has implemented several approved plans, by the Nevada Division of Environmental Protection ("NDEP"), intended to address NDEP's and the U.S. Environmental Protection Agency ("EPA") protocols, guidance and goals for sampling, characterizing, transporting and managing mercury within the Carson River Mercury Superfund Site. These plans and CPL's existing, permitted infrastructure provide an ideal platform for evaluating the efficacy of the MCU process. MCU and the Company will work closely with NDEP for any additional approvals or permits.

The Company and MCU are evaluating numerous locations containing historical, mercury-contaminated tailings, and developing a detailed schedule for the pilot testing. MCU delivered sampling and testing equipment to the American Flat site in February 2020, and has begun taking samples of tailings at locations in the Carson River Mercury Superfund Site ("CRMSS")

to locate suitable material to commence testing. The remaining equipment began arriving at the Comstock on July 27, 2020, and should be assembled during August 2020 for initial test processing.

Based on successful proof of technical and economic viability, the Company and MCU would create a new, 50-50 venture called Comstock Mercury Remediation LLC for pursuing global business opportunities. The Company has the rights to invest in up to 25% of MCU and separately, 50% of the joint venture and expects to close on these transactions during the third and fourth quarters of 2020.

The Company entered into a second amendment of the MCU Agreement, on April 10, 2020, wherein, MCU and Comstock have identified an opportunity to remediate mercury in the Philippines, particularly in the province of Davao d' Oro (the "Philippine Opportunity"); where Comstock and MCU intend to form a new entity to engage profitably in the Philippine Opportunity. The Company made a cash investment of \$0.1 million and committed a total of \$3 million in equity and debt investments, and formed a new entity called MCU Philippines Inc. The Company investments, when completed, will result in the full 25% interest in MCU and direct 50% joint venture participations in both the MCU Philippines Inc. and Comstock Mercury Remediation LLC, the first two mercury remediation project opportunities.

#### *CPL and Development of Clean Technologies*

The ongoing testing of alternative technologies aligns with the Company's Strategic Focus on responsible development. A breakthrough with cleaner technologies could result in higher, faster recoveries with reduced waste, shorter permitting cycle times and lower reclamation costs.

The Company continues exploring other partners and ventures that can leverage this fully-permitted platform for the development of cash-generating, precious metal-based activities, including, but not limited to, metals exploration, engineering, resource development, economic feasibility assessments, mineral production, metal processing and related ventures of environmentally-friendly, and economically enhancing mining technologies.



***Comstock Exploration & Development (100% owner of the Dayton Resource and Spring Valley Exploration Areas)***

Our Dayton resource area and the adjacent Spring Valley exploration targets are located in Lyon County, Nevada, approximately six miles south of Virginia City. Access to the properties is by State Routes 341 and 342, both paved roads. The Dayton includes the historic Dayton, Kossuth and Alhambra patents, and the old Dayton Consolidated mine workings. The historic Dayton mine was the last meaningful underground mining operation in the Comstock District, before being closed after the War Act in October 1942, which closed down all gold mining operations in the United States and its territories.

The Dayton resource area ranks as the Company's top exploration and development target. In January 2014, the Lyon County Board of Commissioners approved strategic master plan and zoning changes on the Dayton, Kossuth and Alhambra mining patents and other properties located in the Dayton resource area, enabling a more practical, comprehensive feasibility study for mining. Geological studies and development planning are currently underway utilizing data from extensive metallurgical testing and assessment during 2017, an additional 30,818 feet of drilling completed in 2015, geophysical analysis and interpretation completed in 2013, and extensive geological data from pre-2013 drill programs.

The Company's technical staff is currently compiling a detailed structural interpretation of the Dayton resource area, which will provide the framework for a completely new resource model. The detailed interpretation is leading to a list of highly prospective drill targets to further define and expand the mineral resource.

The Company plans to advance the Dayton to full feasibility, towards a production ready mine plan. The plan includes expanding the current resource at the Dayton and continuing southerly into Spring Valley, with incremental expansion programs that include exploration and definition drilling of targets identified by the prior conventional percussion, RC and diamond core drill programs and magnetic, IP and resistivity geophysical surveys (see Figure 4).

The Spring Valley group of exploration targets lies adjacent to the Dayton resource area, trending south toward the southern-most end of the Comstock District that includes the southern portion of the Kossuth patented claim and the Dondero, Daney and New Daney claims and all of the Company's placer mining claims in Spring Valley and Gold Canyon. The Spring Valley mineralized structures lie mostly concealed beneath a veneer of sediment gravels and the volcanic host rocks and the structural controls of the mineralization defined for the Dayton resource area are known to continue south into Spring Valley.

On May 21, 2020, the Company enhanced its land position in Spring Valley by exercising its option with New Daney Company, Inc. ("New Daney") to purchase seven unpatented lode mining claims in Spring Valley. These claims have been leased from New Daney since 2010. The claims are being purchased for a total of \$100,000, inclusive of a 3% royalty. The Company paid \$10,000 upon signing, and \$1,000 on June 4, 2020. Additional payments of \$1,000 per month will be made, with a final \$85,000 at closing, on or before November 26, 2020. Until closing, these payments are shown on the balance sheet as prepaid expenses and other current assets.



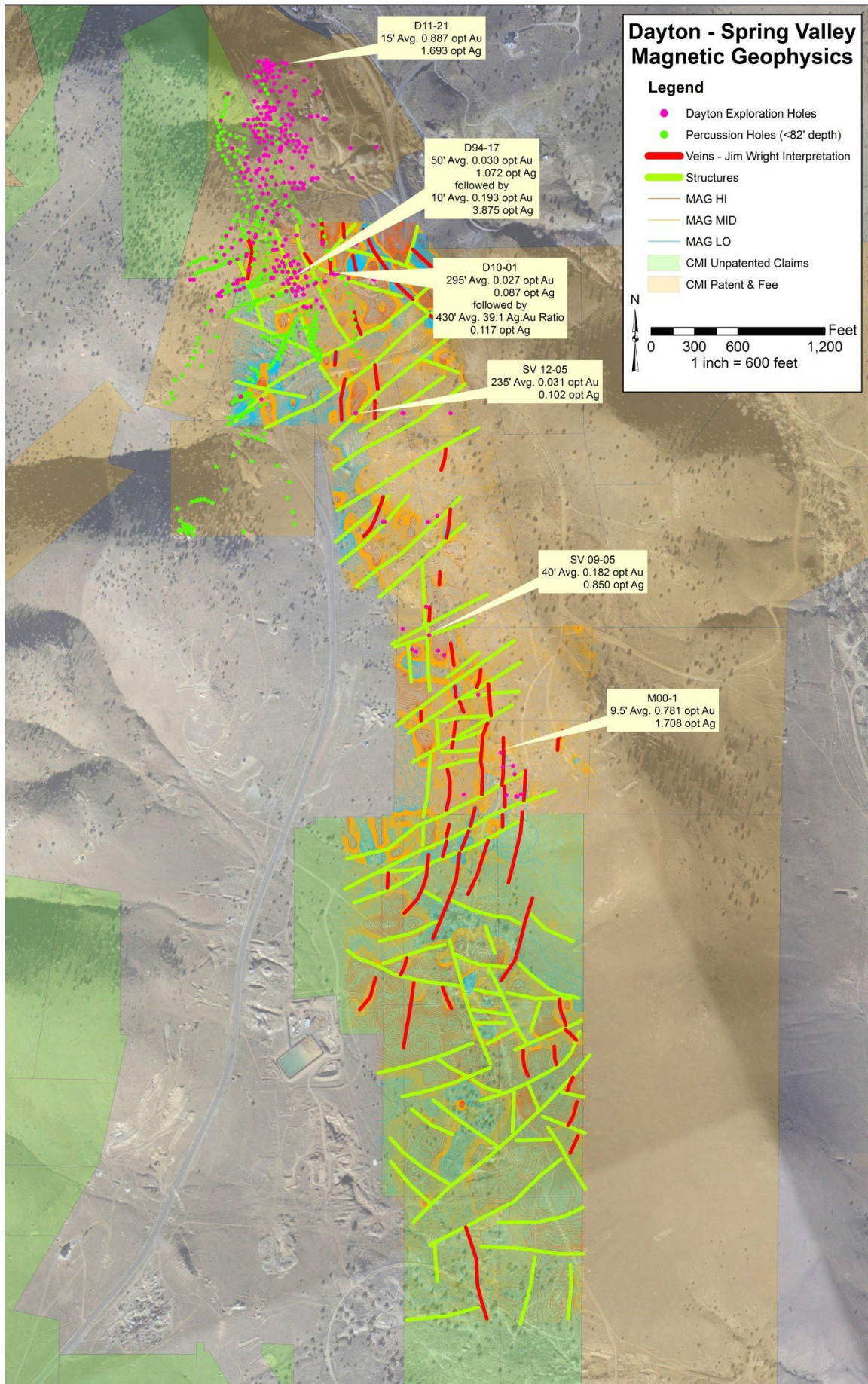


Figure 4 - Dayton and Spring Valley Magnetic Geophysics with Interpreted Veins and Structures



The Spring Valley exploration program is designed to target areas that have similar magnetic signatures of known economic grade mineralization. The magnetic geophysical survey was further studied and a structural interpretation was developed that illustrated multiple cross cutting structures (colored green) that are oblique to the southerly projected north/south vein trend (colored red), refer to Figure 4. Though rare due to alluvial cover, the outcropping quartz veins and outcropping crosscutting structures had definitive diagnostic magnetic signatures. The interpretation of the vein structures was derived by connecting specific magnetic attributes as identified on each 25-meter spaced survey lines. Similar structures have been identified in the Dayton and were important components for the development of economic grades of mineralization. The exploration of Spring Valley will include phased drilling programs that will continue southerly from SR 341 to the historic Daney mine site (Figure 5), with a potential strike length of approximately 9,600 feet.

In-house Dayton engineering and mine planning have resulted in profiling economic shells with multiple cutoff grade scenarios. Multiple layout plans for the mine and corresponding processing facilities have been conceptually developed and located on lands 100% privately held by the Company, thus simplifying and shortening the critical permitting chain.

The Company is proceeding to publish a separate NI 43-101 compliant, updated technical report for the Dayton resource that supports the subsequent scope of publishing a Preliminary Economic Assessment (“PEA”) for the Dayton project. The new technical report will provide not only a new resource estimate, but also a phased drilling plan for further defining and expanding the resource for sustainable, profitable mining.

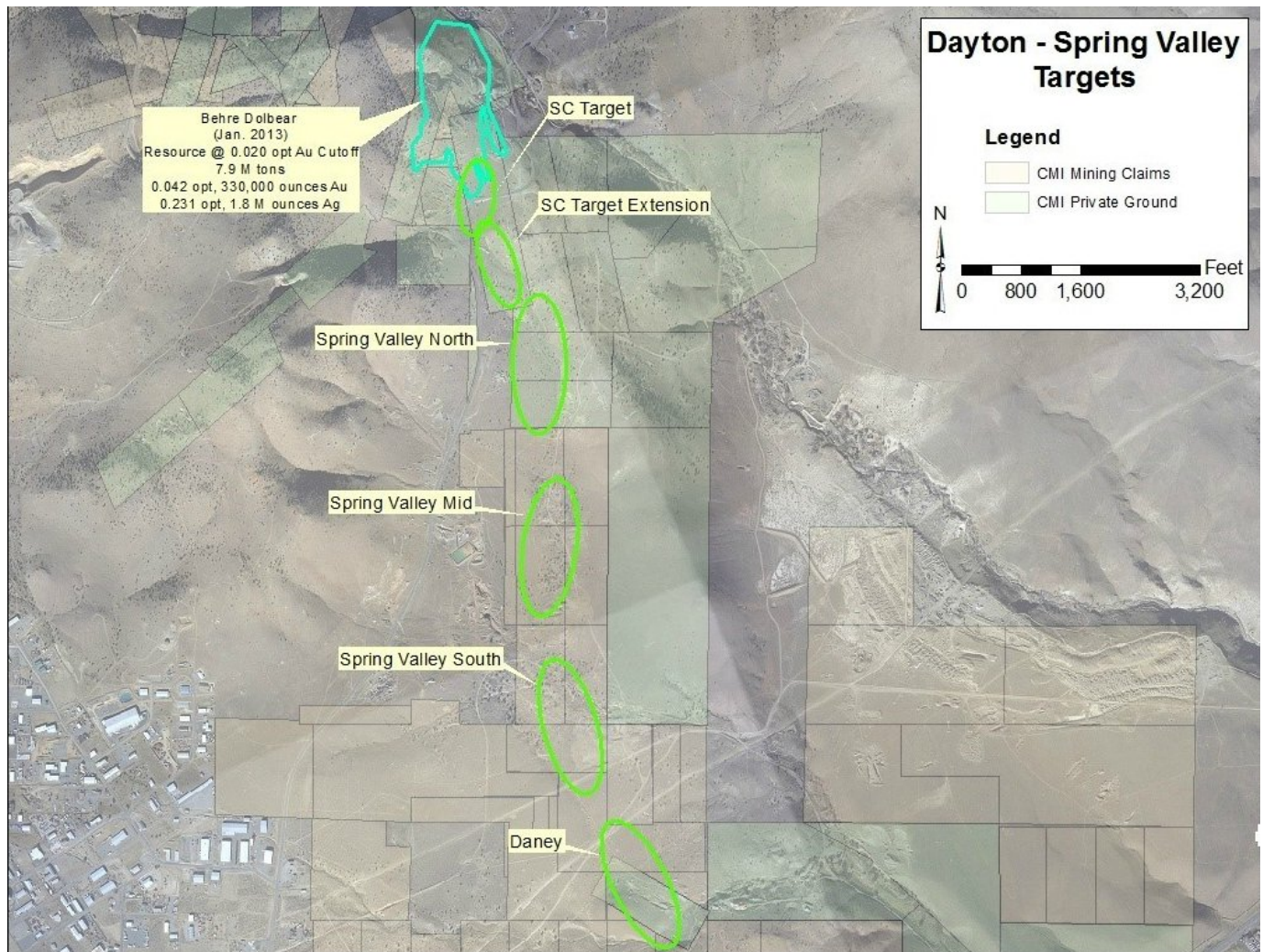


Figure 5 - Dayton and Spring Valley Group Targets

### ***Comstock Northern Exploration LLC (Occidental Lode and Other Northern Target Mineral Claims)***

Tonogold has commenced further, detailed analysis of our northern targets that correlates historical data with modern geological assessments and reveals a potentially much larger exploration opportunity. Accordingly, the Company signed a new Mineral Exploration and Mining Lease (the "Exploration Lease") with Tonogold for certain mineral properties in Storey County, Nevada. The lease is for an initial term of 5 years, with options to renew for an additional 15 years, so long as specific commitments are met, including spending of at least \$1.0 million per year on exploration and progressively validating progress through technical reports.

The lease has a quarterly fee of \$10,000 in the first year, escalating 10% per year thereafter. Tonogold is also required to reimburse all claim maintenance costs and other costs associated with owning the properties. The Company retains a 1.5% to 3.0% NSR royalty on future mineral production from the properties.

The Exploration Lease includes the Occidental group and Gold Hill group of exploration targets, which contain many historic mining operations, including the Overman, Con Imperial, and Yellow Jacket mines, as well as the historically under-developed Occidental Lode, parallel to the main Comstock trend. The Company believes this will accelerate the development of these targets and enhance the value of its mineral property and royalty portfolio. Tonogold is currently permitting an exploration drilling program for these areas, and expects to begin drilling in the third quarter of 2020.

### ***Comstock Mining LLC (100% owner of the Lucerne Resource Area)***

Our Lucerne resource area is located in Storey County, Nevada, approximately three miles south of Virginia City and 30 miles southeast of Reno, and has been the primary focus of the Company's exploration and development efforts since 2003. Lucerne includes the previously mined Billie the Kid, Hartford and Lucerne mining patents, and extends east and northeasterly to the area of the historic Woodville (southern-most of the historic Comstock bonanzas), Succor and Lager Beer patents and north to the historic Justice and Keystone mines. The Lucerne resource area is approximately one mile along strike, with explored widths from 600 to 1,800 feet, representing approximately 845 acres of the land holdings controlled by the Company. The Lucerne is the site of our previous mining activities and ongoing exploration and development by Tonogold, the company that has agreed to acquire Comstock Mining LLC ("CML"). The Company holds the key mining permits required to resume surface or underground mining of this area and processing.

The Company's prior exploration activities in the Lucerne area included open pit gold and silver test mining from 2004 through 2006, and from late 2012 through 2015. As defined by the Securities Exchange Commission ("SEC") Industry Guide 7 and by the 2018 amendments to Regulation S-K, the Company has not yet established any proven or probable reserves at the Lucerne mine. From 2012 to 2016, the Company processed approximately 2.6 million tons of mineralized material, producing 59,515 ounces of gold and 735,252 ounces of silver.

In December 2018, the Company received unanimous approval from the Storey County Board of Commissioners to extend its landmark Special Use Permit ("SUP") for mining and processing for the Lucerne Mine Project for the maximum allowable, 20-year term, extending the original, 10-year permit until September 2, 2034. The permit applies to both surface and underground mining, processing, milling, exploration and development, and other ancillary uses and represents one of the most significant, progressive and collaborative permit approvals in the Company's history, and its extension strengthens the foundation for the future growth of the Company and its partner in Lucerne's exploration and development, Tonogold.

In January 2019, the Company and Tonogold entered into a Purchase Agreement, as restated and amended in March 2020, to sell its interests in CML, a wholly-owned subsidiary of Comstock whose sole assets are the Lucerne properties and related permits, to Tonogold for total consideration of \$17.6 million. The consideration received to date includes \$6.525 million in cash and 6.1 million in Tonogold Convertible Preferred Stock ("CPS"). The remaining \$5.475 million of cash consideration is secured by a 12% Note, with interest payable monthly. Tonogold also guaranteed the Company's remaining financial responsibility for its membership interest in Northern Comstock LLC, which owns and leases certain mineral properties in the Lucerne area, and assumed certain reclamation liabilities, both totaling approximately \$7.0 million. The Company also retains a 1.5% NSR royalty on the Lucerne properties.

At closing on November 18, 2019, Tonogold received 50% of the membership interests of CML, representing the ownership contractually granted based on the cash and CPS consideration paid to date. Tonogold paid an additional \$0.6 million in the first six months of 2020, increasing their ownership to 54.57%, and will receive the remaining membership interests as it pays the Note in full. The Company retains all management control and authority over CML until that time.

Over the past two years, Tonogold, aided by the independent mining advisory firm of Mine Development Associates (“MDA”), has evaluated and remodeled the Lucerne resource estimate, and plans further exploration, development and economic feasibility assessments.

### ***Pelen-Sutro Tunnel Company Acquisition***

In January 2018, the Company issued 295,082 shares of restricted common stock as initial payment to acquire 25% of the total membership interests of Pelen, LLC ("Pelen"). Pelen is the 100% owner of the historic Sutro Tunnel Company that owns the Town of Sutro, the historic 6-mile Sutro Tunnel, the federal land grants and mining rights spanning 1,000 feet on each side of the 6-mile span, the rights to the tunnel's water and the patented mining claims and private lands on Gold Hill.

In November 2018, the Company issued 351,637 shares of restricted common stock as additional shares based on the shortfall on the aggregate proceeds for the initial shares. In December 2018, the agreement was amended to have a "Cut-Off" date of December 31, 2019, for closing the transaction and any unsold shares will be returned to the Company, with the Company required to make up any shortfall in cash.

On April 24, 2020, the Company completed the acquisition of 25% of the total membership interests of Pelen. The total purchase price was \$0.6 million, paid in stock and cash.

### ***Non-mining Real Estate***

On September 26, 2019, as amended on November 30, 2019, December 26, 2019, March 31, 2020, and June 30, 2020, the Company entered into agreements, with Sierra Springs Enterprises Inc., a qualified opportunity zone business, to sell the industrial land and senior water rights in Silver Springs, NV, (the "98 acres") for \$6.5 million and to sell its rights in the membership interests in Downtown Silver Springs, LLC ("DTSS") for \$3.6 million. The agreements anticipate the transactions to close in the third quarter of 2020. On September 15, 2019, and effective September 25, 2019, the Company terminated prior agreements to sell the 98 acres and DTSS to another third party.

The Gold Hill Hotel is listed for sale for \$1.5 million. The Gold Hill Hotel has been consistently profitable and cash positive over the past two years. The Daney Ranch is listed for sale, in two components, for a total of \$3.8 million.

### ***COVID-19***

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, including the implementation of social distancing measures, quarantine periods and travel bans, have caused material disruptions to many businesses and negatively impacted economic activities. Global equity markets have experienced significant volatility. Governments and their central banks have reacted with significant fiscal and monetary interventions designed to mitigate the impacts and stabilize economic conditions. The impact and ultimate duration of the COVID-19 outbreak is currently unknown, as is the efficacy of these governmental and central bank interventions. On August 3, 2020, Nevada's governor unveiled a new long-term mitigation strategy for the State of Nevada to help provide predictability and stability moving forward. The plan was developed recognizing the State of Nevada and the nation are still in response mode to the COVID-19 pandemic and will be for the foreseeable future. The Governor's guidance for the mining industry includes limiting gatherings to no more than 10 people, maintaining social distancing protocols where 10 or less are gathered, limiting travel, and working remotely when possible.

The Company is operating in alignment with these guidelines for protecting the health of our employees, partners, and suppliers, and limiting the spread of COVID-19, that have already resulted in delays of MCU's plans for commencing mercury recovery testing and Tonogold's plans for exploration drilling during the third quarter of 2020. It is not currently possible to reliably estimate the length and severity of these developments and the impact on the Company's financial condition, and that of its subsidiaries and partners, in future periods.

## ***Outlook***

Our annual operating expenditures, including other cash income and expenditures and excluding depreciation, are planned at approximately \$5.5 million, with approximately \$2.5 million of that amount reimbursed under the Tonogold Purchase Agreement, Lease-Option Agreement, and Mineral Exploration and Mining Lease Agreement, resulting in net operating expenses for 2020, excluding exploration spending, of \$3 million. During the first six months of 2020, the Company received approximately \$1.25 million in expense reimbursements and \$1.0 million in cash for prepaid reimbursements required under the Tonogold agreements and expects to receive another \$0.2 million during the fourth quarter of 2020.

As of June 30, 2020, Tonogold has earned 54.57% of the membership interest after making payments of over \$6.5 million in cash and \$6.1 million in CPS. The Company expects to monetize approximately \$0.5 million worth of common shares in the second half of 2020, depending on price and liquidity, under an existing 10b5-1 plan.

Tonogold is currently permitting a drilling program for the Storey County exploration targets, including the leased mineral claims, just north of the Lucerne area, and expects to begin drilling in the third quarter of 2020.

During the third quarter of 2020, the Company expects to close on the sale of certain non-mining assets located in Silver Springs, NV, to Sierra Springs Enterprises Inc., for total proceeds of approximately \$10 million. The agreements, as amended, included \$0.4 million of non-refundable deposits made and released to the Company from escrow. The Company will use at least 80% of the proceeds to paydown its Promissory Notes of approximately \$4.5 million, plus accrued interest of less than \$0.1 million.

The Company's second half 2020 plans also include updating Dayton's current resource estimate and continuing southerly into Spring Valley with incremental exploration programs that include exploration and definition drilling of targets identified by geophysical surveys, surface mapping, prior drilling and deeper geological interpretations that all lead to publishing a new, SK-1300 compliant, mineral resource estimate.

For 2020, the Company's plans include advancing the investment in and the commercialization of MCU's mercury remediation processing technologies. The Company expects to close on the MCU transactions during the fourth quarter of 2020, meaning, at that time, it will own 25% of MCU and 50% of its first joint venture in the Philippines. Oro has completed the manufacture of the 25-ton-per-hour mercury recovery plant and is preparing shipment of the system to the Comstock, including a 200 gallon-per-minute dissolved air flotation water treatment plant.

MCU has delivered the Comstock mercury remediation system and will commence trial operations that will continue throughout the second half of 2020, at the Company's American Flat processing facility, to validate and fine-tune the mercury extraction and remediation process, with the objective of reclaiming and remediating the Company's existing properties within the Carson River Mercury Superfund Site ("CRMSS"), enhancing the values of, and evaluating the potential economic feasibilities for, these properties and creating new global growth opportunities in mercury remediation by demonstrating MCU's technological and operational effectiveness, efficiency, and feasibility.

MCU-P has agreed to and plans to commence reclamation operations during the third quarter 2020, in the Philippines. MCU-P will operate under a joint venture agreement with Clean Ore Solutions, a Philippine Company, for mercury extraction and remediation of Mount Diwalwal and the Naboc River, one of the most mercury polluted, gold mining regions in the world. This represents the first real international opportunity for large-scale mercury remediation and environmental reclamations, using MCU's systems, with the objective of establishing MCU a leader in mercury remediation projects, and in particular, contaminations caused by Artisanal and Small-Scale Miners (ASM).

## ***Equity Raises***

For the six months ended June 30, 2020, the Company issued 638,511 common shares through the 2019 Equity Agreement with Leviston Resources. Gross proceeds were approximately \$0.24 million at an average share price of \$0.38. The Company issued 625,000 shares of restricted common stock to fund the difference between proceeds received and the required investment of \$0.85 million. The Company also granted 315,000 common shares to its directors for past and current services.

Following is a reconciliation of the common stock-based transactions as of June 30, 2020 and 2019:

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Shares outstanding as of beginning of period	27,236,489	15,067,655
Shares issued for:		
Equity issue agreements	638,511	2,032,345
Investment in Mercury Clean Up LLC	625,000	—
Director compensation	315,000	—
Shares outstanding as of end of period	<u>28,815,000</u>	<u>17,100,000</u>

### ***Comparative Financial Information***

The Company had two operating segments as of June 30, 2020 and 2019: mining and real estate. The comparative financial information is reflected in the following table:

*Three Months Ended:*

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Change</b>
Revenue - mining	\$ —	\$ —	\$ —
Revenue - real estate	48,375	44,184	4,191
Costs applicable to mining revenue	47,332	505,393	(458,061)
Real estate operating costs	15,320	12,288	3,032
Exploration and mine development	151,666	241,538	(89,872)
Mine claims and costs	122,069	136,901	(14,832)
Environmental and reclamation	30,972	(362,826)	393,798
General and administrative	891,953	964,268	(72,315)
Total costs and expenses	<u>1,259,312</u>	<u>1,497,562</u>	<u>(238,250)</u>
Loss from operations	<u>(1,210,937)</u>	<u>(1,453,378)</u>	<u>242,441</u>
<b>OTHER INCOME (EXPENSE)</b>			
Change in estimated fair value of contingent forward	351,091	—	351,091
Interest expense	(91,656)	(181,907)	90,251
Other income (expense)	2,227,488	(442,459)	2,669,947
Other income (expense), net	<u>2,486,923</u>	<u>(624,366)</u>	<u>3,111,289</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 1,275,986</u>	<u>\$ (2,077,744)</u>	<u>\$ 3,353,730</u>

The Company ceased processing material from its leach pad in December 2016, resulting in no mining revenues for the three months ended June 30, 2020, and 2019, respectively.

Real estate revenues for the three months ended June 30, 2020 increased \$4,191 as compared to the same period ended June 30, 2019, primarily related to the rentals of our metallurgical labs at the Company's processing site.

Real estate operating costs for the three months ended June 30, 2020, increased \$3,032 as compared to the same period ended June 30, 2019, due to higher utilities and depreciation expense, partially offset by lower maintenance expense.

Costs applicable to mining revenue decreased by \$0.5 million during the three months ended June 30, 2020, as compared to the same period ended June 30, 2019, as a result of certain assets becoming fully depreciated. These costs consist solely of depreciation expense on temporarily idled mining equipment, processing facilities and heap leach pads.



Exploration and mine development costs decreased by \$0.1 million during the three months ended June 30, 2020, as compared to the same period ended June 30, 2019, primarily due to decreases in maintenance and repair expenses and bond and insurance expense.

Mine claims and costs decreased by \$14,832 during the three months ended June 30, 2020, as compared to the same period ended June 30, 2019, primarily due to lower amortization of claim fees in the 2020 period.

Environmental and reclamation increased by \$0.4 million during the three months ended June 30, 2020, as compared to the same period ended June 30, 2019, primarily due to reduction in reclamation liability for Lucerne in the 2019 period.

General and administrative expenses decreased by \$0.1 million during the three months ended June 30, 2020, as compared to the same period ended June 30, 2019, primarily due to lower legal expenses.

Interest expense decreased by \$0.1 million during the three months ended June 30, 2020, as compared to the same period ended June 30, 2019, as a result of lower average debt balances from the pay-down on the Senior Secured Debentures in 2019, and interest reimbursements from Tonogold that began accruing on June 1, 2019, somewhat offset by an acceleration of discount and issuance costs recognized as a result of those pay-downs.

Other income, net was \$2.5 million for the three months ended June 30, 2020, primarily driven by unrealized gains on Tonogold preferred and common stock of \$1.7 million, unrealized gains of \$0.4 million for the change in estimated fair value of the contingent forward, \$0.2 million of Paycheck Protection Program proceeds used to cover qualifying expenses, \$0.2 million of interest income on the Tonogold secured convertible note. Other expense, net was \$0.6 million for the three months ended June 30, 2019, primarily resulting from \$0.4 million in preferred stock issuance costs.

Net income was \$1.3 million for the three months ended June 30, 2020, as compared to a net loss of \$2.1 million for the three months ended June 30, 2019. The \$3.4 million improvement in net income is primarily driven by \$2.7 million from gains resulting from the increase in fair value of Tonogold securities and on the contingent forward, and to a much lesser extent, \$0.2 million and \$0.1 million of lower operating and interest expenses, respectively.

*Six Months Ended:*

	June 30, 2020	June 30, 2019	Change
Revenue - mining	\$ —	\$ —	\$ —
Revenue - real estate	96,800	81,782	15,018
Costs applicable to mining revenue	173,225	1,010,785	(837,560)
Real estate operating costs	28,916	22,711	6,205
Exploration and mine development	288,387	466,379	(177,992)
Mine claims and costs	244,139	287,855	(43,716)
Environmental and reclamation	57,770	(308,349)	366,119
General and administrative	1,737,181	1,624,634	112,547
Total costs and expenses	<u>2,529,618</u>	<u>3,104,015</u>	<u>(574,397)</u>
Loss from operations	<u>(2,432,818)</u>	<u>(3,022,233)</u>	<u>589,415</u>
<b>OTHER INCOME (EXPENSE)</b>			
Change in estimated fair value of contingent forward asset	1,413,382	—	1,413,382
Interest expense	(142,244)	(643,045)	500,801
Other income (expense)	2,174,454	(247,531)	2,421,985
Other income (expense), net	<u>3,445,592</u>	<u>(890,576)</u>	<u>4,336,168</u>
<b>NET INCOME (LOSS)</b>	<u><u>\$ 1,012,774</u></u>	<u><u>\$ (3,912,809)</u></u>	<u><u>\$ 4,925,583</u></u>



The Company ceased processing material from its leach pad in December 2016, resulting in no mining revenues for the six months ended June 30, 2020, and 2019, respectively.

Real estate revenues for the six months ended June 30, 2020 increased \$15,018 as compared to the same period ended June 30, 2019, primarily due to the rental of an additional building at our processing site.

Real estate operating costs increased by \$6,205 for the six months ended June 30, 2020, as compared to the same period ended June 30, 2019, due to increased utilities and depreciation partially offset by lower maintenance and construction costs.

Costs applicable to mining revenue decreased by \$0.8 million during the six months ended June 30, 2020, as compared to the same period ended June 30, 2019 as a result of certain assets becoming fully depreciated. These costs consist solely of depreciation expense on temporarily idled mining equipment, processing facilities and heap leach pads.

Exploration and mine development costs decreased by \$0.2 million during the six months ended June 30, 2020, as compared to the same period ended June 30, 2019, primarily due to lower costs for permits, licenses and fees and lower payroll and related expenses.

Mine claim and costs decreased by \$43,716 during the six months ended June 30, 2020, as compared to the same period ended June 30, 2019, due to lower amortization of claim fees in the 2020 period.

Interest expense decreased by \$0.5 million during the six months ended June 30, 2020, as compared to the same period ended June 30, 2019, primarily due to lower outstanding debt on the Senior Secured Debenture and higher reimbursements of interest expense from Tonogold.

Other income, net was \$3.4 million for the six months ended June 30, 2020, primarily from \$1.3 million in unrealized gains on Tonogold convertible preferred and common shares, \$1.4 million in unrealized gains on the change in estimated fair value of the contingent forward, \$0.2 million in interest income on the Tonogold secured convertible note, \$0.2 million from Tonogold reimbursements and \$0.2 million from recognition of Paycheck Protection Program proceeds used for qualifying expenses.

Other expense, net was \$0.9 million for the six months ended June 30, 2019, primarily from \$0.6 million of interest expense and \$0.4 million of Comstock preferred stock issuance costs.

Net income was \$1.0 million for the six months ended June 30, 2020, as compared to a net loss of \$3.9 million for the six months ended June 30, 2019. This \$4.9 million improvement resulted from decreased operating expenses of \$0.6 million, decreased interest expense of \$0.5 million and an improvement in other income (expense), net of \$2.4 million.

### ***Liquidity and Capital Resources***

The financial statements are prepared on the going concern basis of accounting which assumes the realization of assets and the satisfaction of liabilities in the ordinary course of business. The Company's current capital resources include cash and cash equivalents and other net working capital resources, planned investment sales of Tonogold securities, and proceeds from the planned sale of Lucerne mineral properties and non-mining assets.

The Company has recurring net losses from operations and an accumulated deficit of \$234.9 million as of June 30, 2020. For the six-month period ended June 30, 2020, the Company generated net income of \$1.0 million and used \$0.4 million of cash in operations. As of June 30, 2020, the Company had cash and cash equivalents of \$1.0 million. The Company also has debt of \$4.8 million that matures in December 2020, for which it does not currently have the ability to repay. Such condition raises substantial doubt regarding the Company's ability to continue as a going concern.

The Company intends to finance its operations over the next twelve months through its existing cash, the sale of common stock through its existing equity agreements to issue securities, proceeds from the planned sale of its Lucerne mineral properties, non-mining assets, and Tonogold securities. These plans are outside of the control of management, and therefore, substantial doubt exists about the Company's ability to continue as a going concern through 12 months from the issuance date of the financial statements.

On February 18, 2019, the Company filed a new shelf registration statement on Form S-3 (the "S-3 Shelf"), for the sale of up to \$50.0 million of the Company's securities, from time to time, and used \$4.8 million of that capacity through

June 30, 2020, leaving an aggregate unused capacity of \$45.2 million as of June 30, 2020. So long as the aggregate market value of the Company's voting and non-voting common equity held by non-affiliates is less than \$75 million, the aggregate market value of securities sold by or on behalf of the Company pursuant to the S-3 Shelf during the period of 12 calendar months immediately prior to, is limited from being no more than one-third of the aggregate market value of the Company's non-affiliated voting and non-voting common equity. On July 31, 2020, these limitations resulted in approximately \$5.3 million of unrestricted, available S-3 Shelf capacity.

On October 1, 2019, and as amended and restated on October 9, 2019, the Company entered into a new equity purchase agreement (the "Leviston Equity Agreement") with Leviston Resources LLC ("Leviston") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$1.25 million, from time to time, to Leviston with aggregate unused capacity of \$0.2 million as of June 30, 2020.

On September 26, 2019, as amended November 30, 2019, December 26, 2019, March 31, 2020, and June 30, 2020, the Company entered into agreements with SSE to sell two properties in Silver Springs, NV, including 98 acres of industrial land and senior water rights (the "98 acres") for \$6.5 million and 160 acres of commercial land contained with its rights in the membership interests in Downtown Silver Springs, LLC ("DTSS") for \$3.6 million. As of June 30, 2020, the Company received \$0.4 million in escrowed deposits for the purchase of these assets and expects the sales to close during the third quarter of 2020.

On April 30, 2020, the Company received a Paycheck Protection Program ("PPP") grant of \$0.3 million, as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), and the rules promulgated thereunder. The amounts received were all used for payroll costs and the Company expects all of the proceeds received to be forgiven.

On July 9, 2020, the Company entered into a common stock purchase agreement with Triton Funds L.P., (the "Triton") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$1.25 million, from time to time, to Triton with aggregate unused capacity of \$1.25 million. On July 22, 2020, the Company issued 2,040,483 common shares to Triton for net proceeds of \$1.25 million, at a price per share of \$0.61 per common share.

On July 13, 2020, the Company entered into a new equity purchase agreement (the "Leviston Equity Agreement") with Leviston Resources LLC ("Leviston") and filed a prospectus supplement to offer and sell shares of common stock at an aggregate offering price of up to \$2.5 million, from time to time, to Leviston, and paid 5% fee by issuing 173,611 restricted common shares. From July 13, 2020, through July 31, 2020, the Company raised \$0.65 million by issuing 1,029,741 common shares at a price of \$0.63 per common share. As of July 31, 2020, the Leviston Equity Agreement has aggregate unused capacity of \$1.9 million.

Net cash used in operating activities for the six months ended June 30, 2020, was \$0.4 million as compared to net cash used in operating activities of \$1.6 million for the comparable prior period. The Company's use of cash in the six months ended June 30, 2020, and 2019, was primarily related to general and administrative, exploration, mine claim cost and environmental expenditures. The decrease resulted from a lower net loss due to lower operating expenses and a higher net source of cash from working capital, primarily due to \$1.1 million of accelerated reimbursements from Tonogold.

Net cash provided by investing activities for the six months ended June 30, 2020, was \$0.4 million, primarily from \$0.6 million of proceeds from Tonogold for deposits on the purchase of the membership interest, proceeds from deposits on the sale of non-mining assets to Sierra Springs of \$0.1 million, and proceeds from the sale of certain mineral rights of \$0.1 million, partially offset by additional deposits made for investment in MCU of \$0.3 million and an advance to Sierra Springs of \$0.1 million. Net cash provided by investing activities for the six months ended June 30, 2019, was \$1.9 million, primarily from \$3.1 million in proceeds from Tonogold for deposits on the purchase of the membership interest, offset by \$1.1 million in property purchases.

Net cash used in financing activities for the six months ended June 30, 2020, was \$0.1 million, primarily from net proceeds from the sale of common stock of \$0.2 million, offset by principal payments on long term debt of approximately \$0.3 million. Net cash used in financing activities for the six months ended June 30, 2019, was \$0.6 million, primarily from net principal payments on long-term debt of \$1.9 million, offset by net proceeds from the sale of common stock of \$1.3 million.

Future operating expenditures above management's expectations, including exploration and mine development expenditures, or in excess of amounts to be raised from the issuance of equity or new debt facilities, declines in the market value of properties held for sale, or declines in the share price of the Company's common stock, would adversely affect the Company's results of operations, financial condition and cash flows. If the Company was unable to obtain any necessary additional funds, the Company could be required to limit or discontinue certain business plans, activities or operations, reduce

or delay certain capital expenditures and investments or sell certain assets or businesses. There can be no assurance that the Company would be able to take any such actions on favorable terms, in a timely manner or at all.

### **Critical Accounting Policies and Estimates**

There have not been any material changes to the critical accounting policies and estimates previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risks discussed in Item 7A of our Annual Report on Form 10-K.

### ITEM 4. CONTROLS AND PROCEDURES.

#### A. Disclosure

##### *Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this Quarterly Report on Form 10-Q, with the participation of our Principal Executive Officer and Principal Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act was conducted. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Exchange Act and SEC's rules, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Our Principal Executive Officer and Principal Financial Officer concluded that, as of June 30, 2020, despite the implementation of additional reviews and additional resources, certain procedures were not effective at the reasonable assurance level due to a material weakness described below.

The Company did not maintain effective monitoring controls over the determination of the valuation of a complex accounting transaction. The Company's control did not sufficiently determine the estimated fair value of a contingent forward contract, including certain default, redemption, and conversion features at March 31, 2020. The Company did extend the valuation and estimation process and more completely valued all features of the contingent forward during the quarter ended June 30, 2020, and fully accounted for the estimated value of the contingent forward at June 30, 2020. The misstatement of the estimated fair value of the contingent forward at March 31, 2020 was not material.

##### *Changes in Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company in accordance with and as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the board of directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets of the company that could have a material effect on its financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Subsequent to the issuance of the Company's interim financial statements for the period ended March 31, 2020, the Company determined they had misstatements related to the accounting for an amended arrangement with Tonogold that occurred during the same period. Management determined that they have a material weakness in its internal control over financial reporting regarding the control to determine the valuation of this contract. As a result, the Company has determined that its internal control over financial reporting is not effective due to the material weakness.

##### *Status of Material Weakness*

Since identification of the misstatement described above, management has been actively engaged in the planning for, and implementation of, remediation efforts. During the quarter ended June 30, 2020, the Company implemented a more formalized process for reviewing complex transactions and validating the accuracy of related calculations. Subsequent to the quarter, management and the audit committee have engaged additional, third-party competencies over complex accounting transactions. This process now includes the use of these external resources, when deemed necessary.

Management believes the measures described above will remediate the material weakness that existed as of June 30, 2020, and strengthen its internal control over financial reporting.

Management is committed to continuous improvement of the Company's internal control processes. Under the direction of the Audit Committee, management will continue to review and make changes it deems necessary to the overall design of the Company's internal control over financial reporting, including implementing further improvements in policies and procedures and taking additional measures to address any control deficiencies.

Except as described above, there have been no changes during the quarter ended June 30, 2020 in the Company's internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) and 15d-15(d) that have material affected, or are reasonably likely to materially affect, our internal controls over our financial reporting.

### ***Officer Certifications***

We have attached as exhibits to this Annual Report the certifications of our Principal Executive Officer and Principal Financial Officer, which are required in compliance with the Exchange Act.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

The Company's mining and exploration activities are subject to various laws and regulations governing environmental protection. These laws and regulations are frequently changing and generally becoming more restrictive. The Company believes its operations are in compliance with applicable laws and regulations, in all material respects. The Company continuously makes expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures.

#### *Comstock Residents Association*

On January 31, 2014, the Comstock Residents Association (the "CRA") and two of its members filed a civil action in the Third Judicial District Court in Lyon County, Nevada (the "District Court") against the Lyon County Board of Commissioners (the "Commissioners") and the Company, asking the District Court to reverse the Commissioners' decision to grant a master plan amendment and zone changes that were approved by the Commissioners in 2014 (the "Application").

Prior to the approval of the Application, the master plan designation and zoning precluded mining on certain property of the Company in the area of Silver City, Nevada. In April 2015, the District Court ruled in favor of the Company and the Commissioners. The written Order Denying Petition for Judicial Review was filed and mailed to all parties on June 15, 2015. On July 14, 2015, the CRA and one individual (together "Appellants") filed a Notice of Appeal of the Court Order, appealing the decision to the Nevada Supreme Court. On December 9, 2015, Appellants filed their Opening Brief in the Nevada Supreme Court, generally repeating the arguments that were made at the District Court. On January 15, 2016, the Company and the Commissioners jointly filed an Answering Brief. Briefing in the Nevada Supreme Court was completed with the Appellants' filing of a Reply Brief on March 3, 2016. Oral arguments before a three-judge panel took place on September 14, 2016.

On December 2, 2016, the Nevada Supreme Court entered an order affirming all three of the District Court's decisions associated with 1) the Commissioners' discretion and authority for changing master plans and zoning, 2) their compliance with Nevada's Open Meeting Law, and 3) their compliance with Nevada statutory provisions. Specifically, the Supreme Court affirmed the District Court's conclusions that Lyon County did not abuse its discretion and that it acted with substantial evidence in support of their decision, that the County did not violate Nevada's Open Meeting Law or any other statutes.

The Supreme Court reversed the District Court's dismissal of CRA's claim of a due process violation, concluding that this claim should not have been dismissed and that further proceedings are necessary in the District Court on this single claim. The District Court concluded that the Supreme Court's reversal of CRA's due process claim required that CRA be afforded the opportunity to conduct discovery and allowed CRA the time to conduct discovery on its due process claim. The Company responded to the CRA discovery request on February 20, 2018, and the District Court held a hearing on April 23, 2018. Additional discovery was also allowed by the District Court. On May 14, 2019, the Court held a hearing on CRA's due process claim and issued its ruling from the bench. The Court concluded that CRA, having been afforded the opportunity to conduct discovery, was unable to meet its burden to establish by a preponderance of the evidence that Lyon County had denied CRA of its due process rights. The Court, therefore, denied CRA's due process claim. On July 11, 2019, the Court issued and filed a formal judgment in favor of Lyon County and Comstock Mining. The Company and Lyon County have filed a motion to recover attorney's fees and costs from the CRA.

On August 14, 2019, the CRA filed a Notice of Appeal, appealing the judgment to the Nevada Supreme Court. CRA filed their Opening Brief on January 24, 2020. The Company's Answering Brief was filed on March 25, 2020. The appellate briefing was completed with the filing of CRA's Reply Brief on May 8, 2020. To date, the Nevada Supreme Court has taken no action in this matter.

#### *OSHA Complaint*

On or about February 27, 2020, the Company received notice that three former employees had filed a complaint with the U.S. Department of Labor - Occupational Safety and Health Administration ("OSHA") regarding alleged wrongful termination of employment in 2019, seeking backpay, frontpay and other compensatory damages as well as interest and legal fees and costs. On April 10, 2020, the Company filed its reply to the complaint, and believes that those terminations were appropriate and lawful and intends to vigorously defend the complaint.

From time to time, we are involved in claims, investigations and proceedings that arise in the ordinary course of business. There are no other matters pending that we expect to have a material adverse impact on our business, results of operations, financial condition or cash flows.

#### **Item 1A. Risk Factors.**

In addition to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019;

***We are exposed to global health economic and market risks that are beyond our control, which could adversely affect our financial results and capital requirements.***

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19,” has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, including the implementation of travel bans, quarantine periods and social distancing, have caused material disruptions to global business and an economic downturn. Global equity markets have experienced significant volatility and weakness. Governments and their central banks have reacted with significant fiscal and monetary interventions designed to mitigate the impacts and stabilize economic conditions.

Attempts at containment of COVID-19 have resulted in decreased economic activity which has adversely affected the broader global economy. Many countries around the world as well as the majority of the states in the United States have ordered their citizens to stay home in order to contain the spread of the virus. As part of the “shelter in place” and “stay at home” orders, fewer businesses than normal are open and massive unemployment has resulted from business declines. At this time, the full extent to which COVID-19 will negatively impact the global economy and our business is uncertain, but pandemics or other significant public health events will most likely have a material adverse effect on our business and results of operations.

Uncertainties regarding the global economic and financial environment could lead to an extended national or global economic recession. A slowdown in economic activity caused by a recession would likely reduce demand for assets that we hold for sale and result in lower commodity prices for long periods of time. Costs of exploration, development and production have not yet adjusted to current economic conditions, or in proportion to the significant reduction in product prices.

In the past several years, capital and credit markets have experienced volatility and disruption. Given the levels of market volatility and disruption, the availability of funds from those markets may diminish substantially. Further, arising from concerns about the stability of financial markets generally and the solvency of borrowers specifically, the cost of accessing the credit markets has increased as many lenders have raised interest rates, enacted tighter lending standards, or altogether ceased to provide funding to borrowers. Due to these potential capital and credit market conditions, the Company cannot be certain that funding will be available in amounts or on terms acceptable to the Company.

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

On May 15, 2020, the Company issued Mercury Clean Up LLC ("MCU") 625,000 shares of restricted common stock to fund the difference between proceeds previously received and the required \$0.85 million investment. The value of such issued shares on the date of issuance was \$314,687. Such shares are the consideration of the Company's to be contributed to its joint venture with MCU. The issuance was exempt from the Securities Act pursuant to Section 4(a)(2) of the Securities Act. No underwriters participated in such transaction

#### **Item 3. Defaults Upon Senior Securities.**

None.

#### **Item 4. Mine Safety Disclosures.**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 104 of Regulation S-K, we are required to disclose items believed to be violations of the Federal Mine Safety and Health Act of 1977, any health and safety standard, or any regulation, as administered by the Federal Mine Safety and Health Administration. The required information is included in Exhibit 95 to this report.

**Item 5. Other Information.**

None.



## Item 6. Exhibits.

The exhibits required to be filed as a part of this Report on Form 10-Q are listed in the Exhibit Index attached hereto, which is incorporated herein by reference.

(1) Financial statements filed as part of this Report:

<a href="#">Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019 (Unaudited)</a>	<a href="#">5</a>
<a href="#">Condensed Consolidated Statements of Operations for the three and six month periods ended June 30, 2020 and 2019 (Unaudited)</a>	<a href="#">7</a>
<a href="#">Condensed Consolidated Statements of Changes in Equity for the three and six month periods ended June 30, 2020 and 2019 (Unaudited)</a>	<a href="#">8</a>
<a href="#">Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 2020 and 2019 (Unaudited)</a>	<a href="#">9</a>
<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>	<a href="#">12</a>

(2) Exhibits filed as part of this Report:

See Exhibits for which the Exhibit number is noted with an asterisk on the Exhibit Index attached hereto.

Exhibit Number	Exhibit
10.1	<a href="#">Amended and Restated Membership Interest Purchase Agreement, dated March 20, 2020 between Comstock Mining Inc. and Tonogold Resources, Inc. (previously filed with the Securities and Exchange Commission on March 25, 2020 as exhibit 10.1 to the Company's Form 8-K (file number 001-35200/film number 20743365) and incorporated herein by reference)</a>
31*	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended.</a>
32*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
95*	<a href="#">Mine Safety Disclosures.</a>
101*	Interactive Data File (Quarterly Report on Form 10-Q, for the periods ended June 30, 2020, furnished in XBRL (extensible Business Reporting Language)).

Attached as Exhibit 101 to this report are the following documents formatted in XBRL: (i) the Condensed Consolidated Balance Sheets at June 30, 2020 and December 31, 2019, (ii) the Condensed Consolidated Statements of Operations for the three months ended June 30, 2020 and 2019, (iii) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019 and (iv) the Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

\* Filed herewith.

## 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 thereunto duly authorized.

Date: August 13, 2020

COMSTOCK MINING INC.

(Registrant)

By: /s/ Corrado De Gasperis

Name: Corrado De Gasperis

Title: Executive Chairman and Chief Executive  
Officer (Principal Executive, Financial, and Accounting  
Officer)