



Jul 07, 2023

Nat Resources

LODE

NYSEAM

Rating

Outperform

Unchanged

Current Price

\$0.68

Target Price

\$4.25

Market Capitalization

69.72M

Shares Outstanding

102.71M

Float

89.58M

Institutional Holdings

4.02%

12-Month Low/High

\$0.24/\$0.99

Average 90-Day Volume

933930

Fiscal Year End

12/31/2023

Comstock Inc.

Optimizing the Value of Comstock's Mining Asset Portfolio

Lease agreement with Mackay Precious Metals. Comstock's wholly owned subsidiary, Comstock Northern Exploration, entered into a mineral exploration and mining lease agreement, dated June 30, 2023, with Mackay Precious Metals. The lease encompasses Comstock's northernmost mining claims, mineral exploration rights, and town lots referred to as the Northern Targets, including the Gold Hill and northern Occidental Lode claim groups in the Comstock Mining District.

Primary lease term is 20 years. Mackay is expected to explore the properties through geophysical surveys, geochemical sampling, exploration drilling, and other means of exploration. The mineral lease has a term of 20 years and will continue once mine feasibility is established and for so long as Mackay is engaged in mining operations and is in compliance with the lease.

Recurring revenue and long-term upside. The fees associated with the mineral lease include a \$1.25 million initiation fee that was paid at signing and \$1.5 million per year, or \$375 thousand quarterly, for the first four years and \$1 million per year thereafter, or \$250 thousand quarterly, plus property carrying cost reimbursements of approximately \$200,000 per year. Comstock retains a 1.5% net smelter return royalty on all future precious metal production.

Rating is Outperform. We view the lease agreement with Mackay as a positive step toward generating revenue and maximizing the value of its mining properties. We expect additional catalysts for the stock this year, including potential licensing agreement(s) associated with Comstock's biorefining technologies, advancement of Comstock Metals' technology readiness for broader material recycling, and publication of preliminary economic assessments for the Lucerne and Dayton resource areas.

Equity Research

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Revenues (\$ MIL)

Period	2021A	2022A	2023E
Q1	\$0.0485 A	\$0.0546A	\$0.0308A
Q2	\$0.0546A	\$0.0529A	\$0.0939E
Q3	\$0.3627A	\$0.0399A	\$15.7E
Q4	\$0.3963A	\$0.0308A	\$30.3E
	\$0.8622A	\$0.1782A	\$46.1E

EPS (\$)

Period	2021A	2022A	2023E
Q1	\$0.22A	\$(0.09)A	\$(0.06)A
Q2	\$(0.15)A	\$(0.20)A	\$(0.02)E
Q3	\$(0.17)A	\$(0.07)A	\$0.01E
Q4	\$(0.39)A	\$(0.24)A	\$0.09E
	\$(0.49)A	\$(0.62)A	\$0.03E

**Refer to the last two pages for
Analyst Certification & Disclosures**

Comstock Executes Mineral Exploration and Mining Lease with Mackay Precious Metals Inc.

Comstock's wholly owned subsidiary, Comstock Northern Exploration, entered into a mineral exploration and mining lease agreement, dated June 30, 2023, with Mackay Precious Metals. The lease encompasses Comstock's northernmost mining claims, mineral exploration rights, and town lots referred to as the Northern Targets, including the Gold Hill and northern Occidental Lode claim groups in the Comstock Mining District. Mackay is expected to explore the properties through geophysical surveys, geochemical sampling, exploration drilling, and other means of exploration. The mineral lease has a term of 20 years and will continue once mine feasibility is established and for so long as Mackay is engaged in mining operations and is in compliance with the lease. Mining operations include development, extraction, processing, leaching or sale of ores, concentrates or derivatives produced from the properties.

The Gold Hill group of exploration targets represent highly prospective exploration targets that include many historic mining operations, including the Overman, Con Imperial, and Yellow Jacket mines. The Occidental Lode runs parallel to the Comstock Lode and historic underground mining was relatively shallow compared to Comstock Lode mines that were developed to depths of more than 3,000 feet.

Financial Terms

The fees associated with the mineral lease include a \$1.25 million initiation fee that was paid at signing and an additional \$1.5 million per year for the first four years, paid as a quarterly fee of \$375 thousand per quarter, in arrears, due on September 30, December 31, March 31, and June 30, except for the first two quarterly payments which are due on July 31, 2023, and August 31, 2023. The first two payments were accelerated and represent payments that would have been made by September 30 and December 31, respectively. Beginning with the first payment due in year five, and continuing thereafter, the fee will change to \$250 thousand per quarter. Comstock will retain a 1.5% net smelter return royalty on all future precious metal production. From a cash flow perspective, the \$1.25 million initiation fee payment was received in the second quarter of 2023 although it may get amortized over the life of the lease on the income statement. Quarterly payments will be recognized on the income statement in the quarter received.

As long as the agreement is in place, Mackay is required to reimburse Comstock for carrying costs associated with the properties, estimated to be approximately \$200 thousand per year. This includes all direct costs of owning the properties and maintaining third party leases, including property taxes, annual unpatented mining claim maintenance fees, environmental compliance, and third party lease payments.

Expectations of Mackay Precious Metals

The lease outlines expectations of Mackay to ensure the properties are advanced toward production, including minimum expenditures. Mackay will report on its activities at least annually.

During the primary 20-year term of the lease, Mackay will incur exploration expenses of \$1 million per year and \$20 million on a cumulative basis which means that \$1 million must be spent prior to the end of the first lease year, with any expenditures above \$1 million applying to the commitment for the second lease year and so on for each successive lease year but not past the primary term.

Mackay is expected to publish a NI 43-101 or S-K 1300 compliant technical report for the properties prior to end of the fifth lease year and a NI 43-101 preliminary economic assessment technical report or equivalent prior to the end of the tenth lease year. Mackay is also expected to produce a formal mine plan for the properties, documented by an NI 43-101 or S-K 1300 compliant preliminary feasibility report published no later than the end of the fifteenth lease year.

Mackay will produce a mutually agreed-upon schedule for placing the properties into production, documented in a technical report, before the end of the primary term.

The mineral lease contains non-competition restrictions prohibiting Mackay from staking property within two miles of any of the property owned or leased by Comstock in the Comstock District (including Lyon County and Storey County properties) and



mutual rights of first refusal with respect to the sale of certain mining assets for both parties.

Company Profile

Comstock Inc. innovates technologies that enable systemic decarbonization and circularity by efficiently converting under-utilized natural resources into renewable fuels and electrification products that contribute to balancing global uses and emissions of carbon. Comstock is commercializing material science-based technologies, products, and processes including carbon neutral cellulosic biofuels, and lithium-ion battery and solar panel recycling. The company also manages an extensive portfolio of mining and related assets, including ownership or control of 12 square miles of patented mining claims, unpatented mining claims, and surface parcels, covering over six miles of continuous mineral strike length in the historic Comstock and Silver City mining districts in Nevada. Comstock Inc. shares trade on the NYSE American under the ticker symbol "LODE."

Fundamental Analysis - 3.0/5.0 Checks

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

Valuation Summary

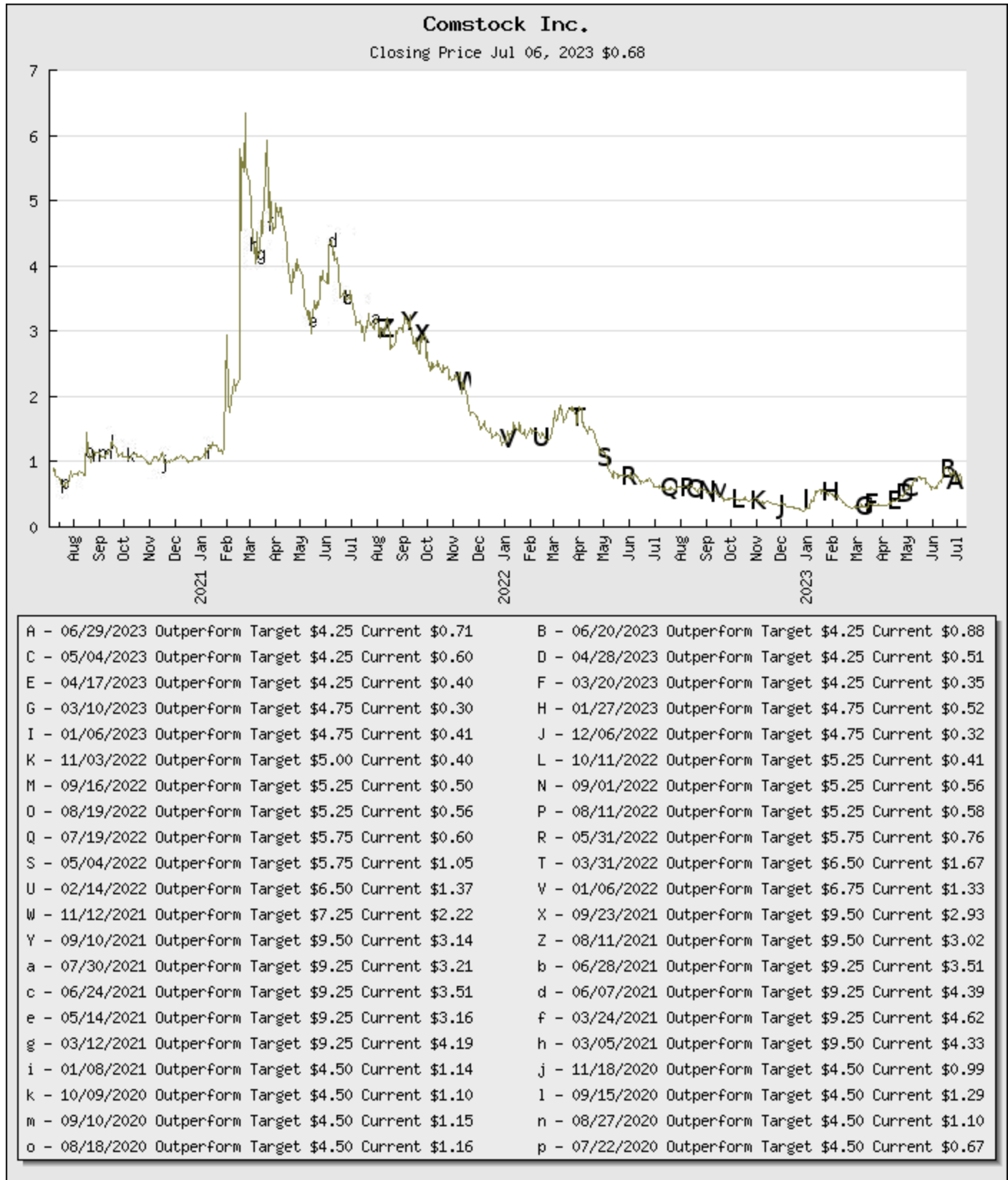
Our price target is \$4.25 per share. We currently use a book value multiple approach using the company's book value as of March 31, 2023, along with incorporating our estimate of the incremental value of the company's investments, including LiNiCo and the relative value the company's in situ precious metals resources, on a per share basis. Our price target is sensitive to and influenced by changes in Comstock's and peer group valuations. Total stockholder's equity as of March 31, 2023 was \$54,318,405, including total equity for Comstock Inc. in the amount of \$51,611,371 and non-controlling interest in the amount of \$2,707,034.

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

Comstock Inc.
Fiscal Year End - December
(US\$)

	2020A	2021A	2022A	1Q2023A	2Q2023E	3Q2023E	4Q2023E	2023E
Income Statement								
Revenue	201,700	862,165	178,150	30,750	93,868	15,682,500	30,317,500	46,124,618
Cost of sales	(51,890)	(272,082)	0	0	0	(7,449,188)	(14,400,813)	(21,850,000)
Gross profit	149,810	590,083	178,150	30,750	93,868	8,233,313	15,916,688	24,274,618
Operating Expenses:								
Selling, general, and administrative expenses	(4,401,633)	(5,546,767)	(10,243,353)	(3,386,972)	(3,437,777)	(3,489,343)	(3,541,683)	(13,855,775)
Research and development	0	(414,751)	(7,023,132)	(1,268,379)	(1,668,500)	(1,710,213)	(1,752,968)	(6,400,059)
Depreciation and amortization	(1,222,438)	(1,034,486)	(3,328,570)	(631,041)	(640,507)	(650,114)	(659,866)	(2,581,528)
Gain on sale of property	0	0	1,055,623	178,193	5,000,000	0	0	5,178,193
Total Operating Expenses	(5,624,071)	(6,996,004)	(19,539,432)	(5,108,199)	(746,783)	(5,849,670)	(5,954,517)	(17,659,169)
Income (loss) from operations	(5,474,261)	(6,405,921)	(19,361,282)	(5,077,449)	(652,915)	2,383,643	9,962,170	6,615,449
Other Income (Expense)								
Gain (loss) on investments	3,152,702	(2,244,951)	7,310	0	0	0	0	0
Gain on sale of membership interests in Comstock Mining, LLC	18,275,846	0	0	0	0	0	0	0
Change in estimated fair value of contingent forward asset	765,880	0	0	0	0	0	0	0
Interest expense	(421,887)	(168,881)	(1,651,435)	(615,178)	(618,254)	(621,345)	(624,452)	(2,479,229)
Interest income	473,681	1,017,947	387,608	45,857	46,774	47,710	48,664	189,005
Change in fair value of derivative instruments	427,838	(13,155,948)	(7,727,638)	698,595	0	0	0	698,595
Loss on conversion of debt	0	0	0	(270,456)	0	0	0	(270,456)
Impairment of goodwill and intangible assets	0	(6,394,610)	(13,126,706)	0	0	0	0	0
Impairment of investment, net recovery	0	0	(2,204,715)	0	0	0	0	0
Other income (expense)	(2,267,829)	(2,979,363)	(3,061,401)	(463,111)	(465,427)	(467,754)	(470,092)	(1,866,384)
Total Other Income (Expense), net	20,406,231	(23,925,806)	(27,376,977)	(604,293)	(1,036,906)	(1,041,389)	(1,045,881)	(3,728,469)
Net income (loss)	14,931,970	(30,331,727)	(46,738,259)	(5,681,742)	(1,689,822)	1,342,253	8,916,290	2,886,980
Deferred income tax benefit	0	5,748,105	0	0	0	0	0	0
Net income (loss) attributable to noncontrolling interest	0	0	(789,515)	(12,805)	(12,869)	(12,933)	(12,998)	(51,605)
Net income (loss)	14,931,970	(24,583,622)	(45,948,744)	(5,668,937)	(1,676,952)	1,355,187	8,929,288	2,938,585
Earnings (loss) per share	0.49	(0.49)	(0.62)	(0.06)	(0.02)	0.01	0.09	0.03
Weighted average common shares outstanding, diluted	30,561,168	50,417,979	74,458,028	102,707,603	102,964,372	103,221,783	103,479,837	103,093,399

Comstock Inc. (LODE) | Current Price: \$0.68 | Outperform | Jul 07, 2023



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Noble has managed or co-managed a public offering in the past 12 months. Noble expects to receive compensation for investment banking services in the next 3 months. The Company has attended Noble investor conference(s) in the last 12 months. Noble has arranged non-deal roadshow(s) with investors in the last 12 months.

Noble intends to seek compensation for investment banking services and non-investment banking services (securities and non-securities related) within the next 3 months.

Noble is not a market maker in the Company.

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

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

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

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

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

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

Corporate Governance/Management

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

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

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

The Market Opportunity Analysis

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

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

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

Competitive Position

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

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

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

Operating Leverage

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

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

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

Financial Leverage

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

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

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

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

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

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

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

NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	96%	24%
Market Perform: potential return is -15% to 15% of the current price	4%	0%
Underperform: potential return is >15% below the current price	0%	0%

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

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

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