COMSTOCK (LODE) ANALYSIS

Hopefully you all had a good weekend and enjoyed Friday's newsletter. It certainly was not a boring weekend for me either because I spent part of it going through the recording of the recent Comstock tour and call a few times before sitting down to write this, partly because there is a lot to chew on and because it's an important part of the portfolio, not just because it's part of the 5 equities I am most enthusiastic about for 2026, but also because I believe there is a special risk/reward picture in place for this company if they deliver. Most of you will know about the company (especially following the extensive analysis I posted following that recent major raise) and I have always treated it as a sum-of-the-parts story wearing a miner's old coat, but this should finally be the 6-month span where the story stops being a slide deck full of promises and dilution, and starts being a running plant without it feeling like a miner that doesn't know what it wants to be when it grows up. To reach that point though, the company needs to deliver on various promises and goals and that is what makes this a pivotal window, and that is why I wanted to give it a proper going over. It took me quite some hours over the weekend, but it is finally done and as always, make sure to do your own due diligence as well.

Let me set the table first for the people that have not seen me write about the company before and if that's the case, welcome and I am very glad to have you here and I hope you are enjoying the content! Comstock has ~76 million shares outstanding, a share price around $4 (finally), and a market cap in the neighborhood of $315 million. The balance sheet shows something close to $41 million in cash, 0 debt, around $56 million in investments (on paper), and total assets a touch over $218 million. Zero debt on a company in the middle of building out an industrial platform is good, because they should in theory be set for getting to being cash flow positive before going out to invest in further expansions of facilities, storage spaces and other attached costs (especially if they get a good deal on the sale of the mining assets, but more on that later).

Before we dive into all of that though, who actually owns the company beyond us? After the start of the year, 34 of the top 40 holders had filed 13Fs, and the list reads like a who's who of capital, with Citadel, Point72, Millennium, Jane Street, Susquehanna, Vanguard, Geode, Davidson Kempner, Alyeska, MAK Capital, Gratia, Terra Capital and Titan Partners all showing up, and management noting there are more banks circling to pick up coverage. That is a real validation point and it helps with 'strong hands' in theory, and yet I would temper how much one reads into it, because from what I could find out about this game of who's who, a good chunk of those names are multi-strat quant shops, index complexes and market makers rather than deep-conviction long-term holders, and a 13F is a snapshot of a position on a single day, not a marriage certificate. So I take the institutional base as a positive for the plumbing of the stock and a modest positive for the narrative, and I would not build a thesis on it like you could maybe do with the majority holders of some other names.

What about the old mining business that gave the company its name and its identity crisis? It is on the way out, thank god. The sale of the legacy mining assets is targeted for the back half of the year and from what I can tell it is still on track and moving along well. A figure around $50 million has been floated before, though I would not assume that is all cash, because it sounds like it will land as some part cash and some part royalty and other equivalents. The cash matters, but the more interesting effect, at least in my opinion, is cosmetic in the best sense of that word. They are selling the mining and putting the proceeds into Metals, and I cannot stress that enough, because the moment the hard-rock mining is gone the company finally screens for what it is becoming, which is a US industrial greentech recycler, rather than a miner with a recycling hobby and a fuels subsidiary glued to the side. Plenty of generalist money (and some institutional as well of course) will not touch something filed under hard-rock mining, and removing that label is worth a lot in my opinion.

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Then there is the land, which is the part of this story that I think the market still does not really know how to price and honestly, neither do I at this point beyond some back of the napkin math. Comstock has been steadily taking up its stake in the Sierra Springs Opportunity Fund, the entity that holds the Silver Springs real estate, and it has gone from around 17% ownership up through the low-40s reported at the prior quarter and now to a controlling position just over 50%, according to the latest update and the call itself, with roughly \$4.5 million left of a \$9.5 million obligation to fully consolidate it. The reason they want the a big stake is simple, because a lot of people want the land, and the CEO said as much. We are talking about something north of 2,200 acres of primarily datacenter-centric ground sitting right next to the Tahoe Reno Industrial Center, which is the same corridor that has pulled in the likes of the big hyperscalers and chipmakers because of flat land, an exceptional fiber network, relatively flat, a qualified opportunity zone tax shelter, no corporate income tax in Nevada, and the one thing that actually gates a data center in this cycle, which is power.

And power is where the tour got really really interesting. The official line is that the company has secured natural gas-based power sources supporting somewhere around 250 to 300 megawatts of near-term capacity, with a target of around 1.2 gigawatt by 2030 I believe is what they noted. The more eye-opening number that came through on the tour was the framing of reserved gas access scaling toward 300 megawatts by 2028 and something like tha aforementioned 1.2 gigawatts by 2030, and the way I see it that is massive. Why? Because data center real estate is no longer priced by the acre, it is priced by the megawatt, and a parcel with bonded, deliverable gas-fired power next to the hottest industrial corridor in the western US is worth a great deal more than a parcel of dirt with a nice view (it also has that, but it is not commanding a potential \$1-2 million per MW on prime land). They now want to bond the power commitment so they can monetize it, and if they pull that off then SSOF stops being a legacy real estate footnote and becomes a serious chunk of the equity value. I will try to put a number on this later, with appropriate hedges, but firstly something far more important, because the recycling business is the load-bearing wall here and the reason I actually invested in it in the first place. This needs to be delivered upon, otherwise no land sale will save the share price in the near term I fear.

So, the Metals business. This is the engine, and the tour was essentially a chance to watch the engine being bolted together in real time. The first industry-scale facility in Silver Springs is rated at 100,000 tons per year, which works out to better than three million panels annually, and it is not fully commissioned yet despite earlier goals, with estimates of around three weeks to go at the time of the tour with one of the people at the site noting. One of the employees leading the walk-through put it about as memorably as anyone could, saying that come hell or high water it would be operating before mid-year is out, which is a line I love to hear to be fair, but also the kind of line that gets quoted back to management if the date slips, which it did before. From what attendees described, most of the equipment is on site but still needs installing, 13 ovens are in place with more due within a couple of weeks and visible gaps where the rest will sit, power still has to be run to some of the machines after a utility delay that has now been resolved, and gas lines were being run to the ovens with yellow pipe hanging from the ceiling. Oh and there were a lot of solar panels stacked up outside the plant, with the feedstock count apparently still climbing and some panels even sitting in Ohio, which tells you the supply side of this equation is doing decently well. The proverbial floor, by the way, was clean enough to eat off, which is a small detail and also exactly the sort of thing that matters when you are pitching yourself as the certified, zero-landfill, do-it-properly operator rather than the shred-it-and-ship-it crowd. I just wish Corrado would stop talking about the fact that they have a zamboni every time.

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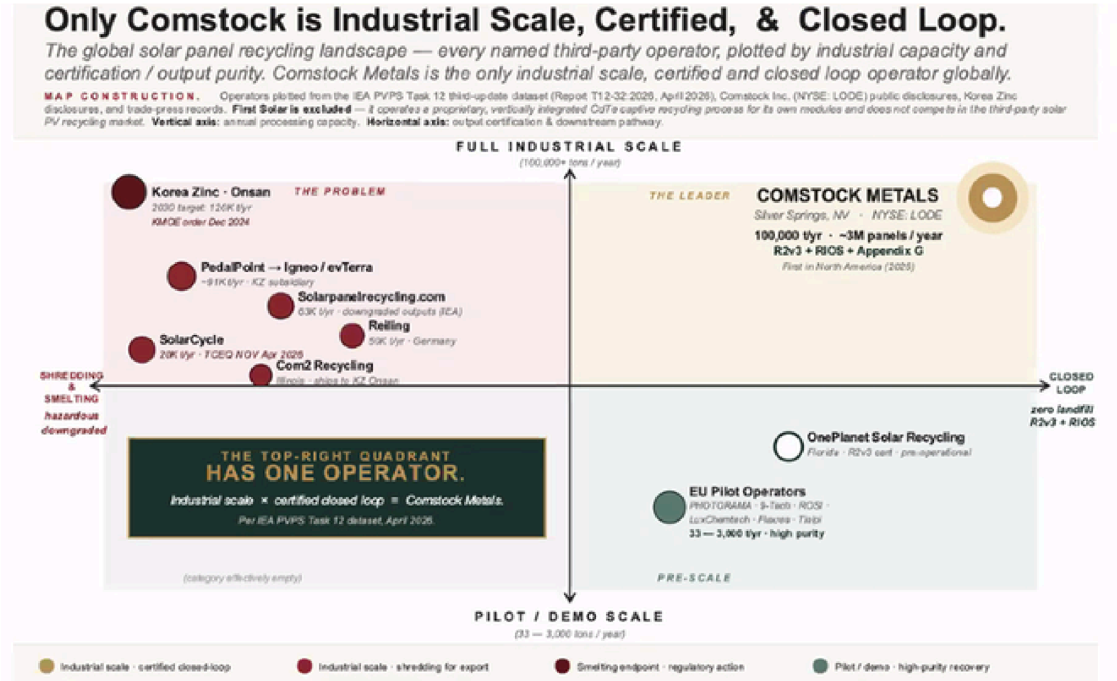
That positioning is the whole game, and again for the people in the back, Comstock Metals is the first operator in North America to carry both the R2v3 and RIOS responsible-recycling certifications for zero-landfill solar panel processing, and on the company's own competitive map it sits alone in the top-right quadrant, the only operator that is simultaneously industrial scale, certified, and closed-loop. Now, that map is the company's own framing and I would treat any self-drawn competitive landscape with a pinch of salt, but the certified, closed-loop, no-landfill angle is a real differentiator, especially as regulators tighten up, and it dovetails with something that came up in the Q&A that I found telling, which is how the regulators view Comstock relative to the field. The short version is that the agencies got overwhelmed by the battery-recycling rush, which is genuinely hazardous work, and against that backdrop they hold a very positive view of solar panel recycling done the Comstock way, with the company's excellence recognized by multiple separate regulators, and they are even asking whether Comstock could process other waste tailings. I will speculate mildly here and say that an operator regulators actively like, in a moment when regulators are nervous about everyone else, may well find doors opening to support or funding down the line, particularly for the in-house metals refinery I will get to shortly. That would be game-changing, but it's speculation today.



They are also stacking up customers through master service agreements with what management described as mostly names you would recognize, and they have selected and are permitting a second industry-scale facility down in southern Nevada, in the Clark County area, while running logistics and aggregation hubs in Ohio and California to connect the two largest end-of-life solar geographies in the country. Comstock reckons there are something like 1.3 to 1.4 billion solar panels deployed today, with around 55% of the end-of-life market concentrated in the southwest United States, which is precisely where their facilities sit. The end-of-life volume math is looking at roughly 100,000 tons of panels reaching end of life this year, rising to about 1 million tons by 2030 and something like 8 million tons by 2050, with the southwest generating the majority of it. There is also an explosive demand for glass it seems, driven in part by AI capex, and management said they are meeting with entities looking for glass, that Comstock is meeting their expectations, and that the buyers will take all the glass they can supply. So you have a feedstock that is piling up for free outside the plant on one side, and buyers lining up for the recovered glass and metal on the other, which is the right shape for a business that wants to scale and supply critical materials. Can they? We will find out soon.

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Which brings me to the pro forma, and to the capex, because that one did not line up exactly with previous assumptions. The headline economics on a single 100,000-ton facility are... pretty great if the physical reality is the same as the paper reality so to speak. The company models roughly $45 million of revenue from tipping fees, another $45 million or so from mineral and metal recoveries, around $15 million of all-in costs, and a cash profit of about $75 million per facility, all assuming silver around $60 an ounce, about 92% recovery, and the plant running at 90% utilization. Sounds great right? Yes, but capex is running a little hot. The pro forma assumes a facility requires approximately $13 million of capital expenditure, but the actual breakdown adds up to about $15.3 million once you include the recycling production line at roughly $11 million, the power generating systems, the building leasehold improvements, and the storage facilities. It could be a case of that just being a case of one-time expenditures and I am not too worried, but I just wanted to mention it.

So the base build is coming in something like 15% to 20% above the pro forma assumption, and on top of that there is another roughly $1.6 million of offtake product upgrades and a $10 million metals recovery pilot system, the latter two being growth and development spend rather than part of the recurring per-facility cost. None of this breaks the model in any serious way of course, because even at $15.3 million of build cost a $75 million annual cash profit implies the plant pays for itself in a matter of months if the pro forma holds, which is an absurd return on capital by any normal industrial standard and I would not be surprised to see cost overruns or worsening economics, but the basis is there. However, it does mean the team has to actually hit those projected costs and throughput, and Corrado pointed to that being on him to execute, so let us hope he takes that responsibility, because the gap between a beautiful pro forma and a beautiful income statement is paved entirely with execution, blood, sweat, tears and more execution.

One more thing on the economics, that $60 an ounce silver assumption is conservative against where silver actually sits right now, which is up around $75 an ounce, well off the all-time high near $122 we saw at the start of the year (try running the calculations for cash flow at those prices, it gets pretty mind boggling), but still comfortably above the pro forma. Most of you know I have been banging the drum on silver for a while, and the point here is that the metal recoveries line in this model has upside to it at prevailing prices rather than downside, which is a nice place to be standing and especially considering I would not be surprised to see silver have another strong run over the coming 12-18 months. The flip side, of course, is that the more silver you bake into the value, the more the facility economics swing with the silver price, so this is a recycler with a bit of silver beta attached, which is something to take into account.

The other lever is refining, where the optionality gets even more interesting as you can see from the image on the next page as well. Comstock is bench-testing a reliable way to extract the various metals in-house this year, and if it works the economics improve a lot, because instead of selling offtake material to a third party in Korea, or China, or Brazil, or wherever, at a discount they capture the full value of the metal themselves. The pilot is small for now, with their TLR-stage system running about 1 ton a day at one level and 25 tons a day at the next, and the stated ambition is to get to 250 tons per day. That is a long road from a one-ton bench test, so I am filing the in-house refinery firmly under promising optionality rather than base case, but if it lands, and especially if it lands with regulatory support given how warmly the agencies appear to view them, it would be a meaningful step up in margin and in strategic value, because it would turn Comstock from a recycler that sells concentrate into a recycler that sells refined metal. It would be a real game changer.

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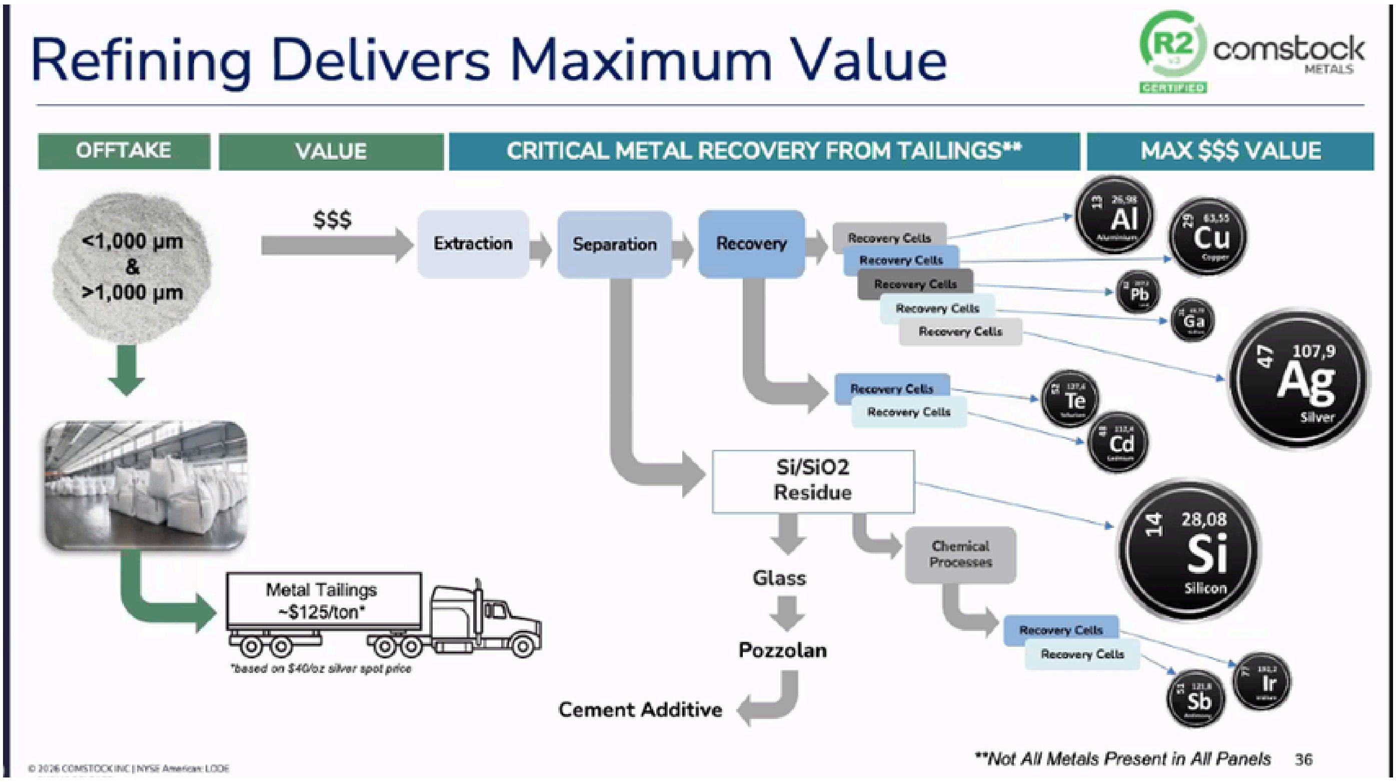

Alright, where does this all leave us right now with the first facility almost ready and a plan for five facilities over the coming five years? Again, there is the caveat that they will actually need to show that the facility works at scale, that they can secure the feedstock they advertize as being there in the US and that the economics are anywhere close to as good as they are on paper, but let's run this thought experiment. Five facilities at roughly $75 million of cash profit each is about $375 million of facility-level cash profit a year at full ramp. That is not a free cash flow number, it is a facility-level figure before corporate overhead, research spend, additional maintenance capital that may not be included right now, the fact that economics simply could disspoint a bit, metals prices may drop and tax needs to be accounted as well, so the honest move is to haircut it, and if I knock off something like $25 million, it would land us at $250 million a year in cash flow from 5 facilities. Make sure to keep in mind that this could be far, *far*, higher if the economics are actually as good as they appear to be on paper and especially if the refiner is put in place down the road, but I would rather be too conservative and be positively surprised to the upside than to have that the other way around.

Now, what multiple does the market hang on that? The mature, boring, blue-chip recyclers and waste handlers like Republic Services and Waste Management trade somewhere around 12 to 16x EV to EBITDA, because they are predictable annuity machines with pricing power. Comstock would not get that multiple on day one, because it would still be smaller, more concentrated, more exposed and carrying the scar tissue of being a former penny-stock conglomerate, so a discount is entirely fair. Let me give you an example of the valuation model, or at least the scribbling on the napkin. At a conservative 6x, $250 million of cash earnings is worth $1.5 billion, at 8x it is $2 billion, at 10x we are talking about $2.5 billion, and if it ever earned a full sector multiple in the low-to-mid teens you are looking at around $3.5 billion and up. Set even the most conservative 6x case against where the whole company trades today, which is a market cap of around $315 million, and that $1.5 billion is nearly 5x the entire market cap as it stands, and that is before you consider refining, higher metal prices and/or have given the land or the investments or the fuels business a single dollar of credit.

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If we are being conservative anyway, I should probably be clear-eyed that five facilities is itself an aggressive assumption, because five plants at 100,000 tons each is 500,000 tons of capacity against a projected US end-of-life market of around 1 million tons in 2030, so this assumption is implicitly handing Comstock roughly half the national market. Management did say they would be disappointed to end up with only around 25% of the US recycling market share, which tells you how they think about their own ceiling, and with the southwest concentration and the first-mover certified position there is a directional case for it, but I would treat this five-facility (they have noted they are aiming for seven, as well as potential overseas licensing deals), half-the-market scenario as the bull case rather than the expectation, but I would note that the runway keeps growing well past 2030 as that 1 million tons heads toward 8 million by 2050, so it may not stop there if the facility operates as advertized and Comstock becomes the solar recycler of choice. There is still a large to-do list before they get to that point though, but the future runway is there for an incredible amount of business.

In Progress

- Receive, deploy, assemble and commission **and showcase** our first industry-scale facility in Silver Springs, NV.
- Operate our first industry-scale facility in Silver Springs profitably.
- Secure additional Master Service Agreements (MSA) with **strategic**, national and regional customers.
- **Advance development efforts with strategic partners, to recover higher-purity materials from recycled streams.**
- Select and secure additional sites, expand storage capabilities and secure permits for these additional sites.
- Complete site selection for at least three additional solar panel recycling locations and commence permitting.
- **Upgraded downstream production lines for enhanced recoveries, including high specification glass and silver.**
- Submit permits for our second industry-scale facility in southern, NV.
- Procure our second industry-scale recycling equipment and processing facility and commence commissioning.

Then there is Bioleum, the renewable fuels business, and here I have to be honest that the news out of the tour was not great, though it was not a huge deal or much of a surprise either. The quick refresher is that Comstock separated the fuels segment into Bioleum a while back, closed an initial $20 million Series A as the first slice of a larger planned raise, brought in Marathon Petroleum on a structure pegged to a $700 million valuation cap, and also folded in the RenFuel esterification technology and the Hexas energy-crop platform, which together make for a far more complete picture than the segment had a year ago. By the third quarter of last year the business was being talked about around a $1 billion valuation (again, only on paper though), and the company was careful on the call to say that the valuation should be set by the market through further capital raises rather than by the strategic partners who came in, which is the correct posture even if it is a touch frustrating for those of us who would like a clean mark, which is not there even if the potential is great.

The catch, and it is the thing I do not love yet, is the runway. Bioleum is burning around $700,000 a month with cost improvements underway and has something like three months of cash, and while management feels good about Bioleum securing its own financing, they acknowledged that if the Series A does not close in the next few months Comstock may need to step in with a bridge of a few months of cash collateral to keep it stable. That is not catastrophic, but it is a live funding question hanging over a subsidiary, and until that Series A closes I am keeping that in the back of my mind as a real but unfinanced biofuel call option priced at $0 EV rather than a billion-dollar line item I am comfortable underwriting. The global inbound interest they described, with the world apparently waking up to feedstock being the bottleneck for biofuels, is encouraging, and it's a case of ‘see it to believe it’ for the next round of outside money. They need to step this up.

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Finally, and then I promise we we will get to the conclusion before yet another company analysis piece turns into a double digit paged report, some color on the land that the company provided in the presentation. This paints a clearer picture with regards to how the land is divided, what comes with it and what it could possibly be valued at. I am seen valuations ranging from $200-400 million all the way up to $1 billion or more for Comstock's stake if you value it by how much 1MW of secured power is worth in this region and for the right buyer. Whatever the final valuation will be though, it's clear that it could add a lot of value to the company.

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A couple of the smaller Q&A details are worth keeping in your back pocket as well. On the question of housing for workers, the industrial center itself does not allow residential housing, but Silver Springs has plenty of capacity to add it, so labor supply did not come across as a binding constraint. On cash and funding more broadly, the company is focused on being fully funded through to cash flow, the cash position should get a lift from the mining sale in the back half of the year, and the stock-based compensation for the team is performance based and tied to a roughly three-year set of goals around selling the non-core assets, recycling the panels and selling the recovered material, which is a reasonable answer to the perennial gripe about management not being aligned with shareholders. It does not fully solve the SSOF related-party tension that was brought up before, but it does at least tie a meaningful chunk of management's payday to the things shareholders actually care about, and that is more than a lot of companies at this stage bother to do. Oh and we know about Bioleum and the potential need to fund part of it, as I noted earlier as well.

So where does that leave me on the whole thing? The way I see it, Comstock has spent years as a confusing bundle of a mining legacy, a pile of strategically located dirt, a fuels moonshot and a recycling business that was mostly a slide deck and a demo facility, which it still is right now to be fair, but it is slowly but surely turning into something far more legible, which is a certified industrial greentech recycler with a genuinely large and growing feedstock market, a real silver kicker, a hugely valuable power-and-land option on the side, and a potentialfuels kicker attached. The asymmetry is there as I mentioned at the start as well, because if the first facility runs at anything close to its pro forma, the path to a multi-billion-dollar enterprise value on recycling alone is on the cards and the market is currently paying for a fraction of that. However, the entire thing turns on execution that has not happened yet, the first plant is not fully commissioned, the economic numbers are not clear just yet, Bioleum needs money it does not have, the mine monetiziation needs to happen in Q3 and land monetization does not have a timeline nor a clear price tag attached to it and every facility they build between here and that 5+ plant dream will be a test, so let's see if they can clear the first hurdle.

This is the reason to watch the second half of the year very closely, because the proof points are right in front of us, with the plant either running as advertized or not, several other MSAs being signed or not, the mining sale either closing or slipping, the power either getting bonded and monetized or staying unclear and Bioleum's Series A either landing or forcing a bridge. The slide deck and the investor tour, from what I heard, has done its job and it has done it well, but now the plant has to, and we are about to find out over the coming months. In the meantime, regarding those $7.50 'lottery ticket' call options that expire on December 18th and I have received some messages from people asking what to do with those, given that the options are now up 133% in just over a month at the time of writing. To that I would say... it depends, as is so often the answer when it comes to investing. The prudent stategy would be to sell half, take a bit of profit on top of it as a pat on the back for a good trade and then let the remainder of the position ride for free. You could sell the entire stake if you're in need of bolstering the cash position, given we are still facing a fairly uncertain macro environment that could turn on a dime and take down risk assets with it (yes, even with so much potential, the company is still considered a risk asset given the market still sometimes appears to view it as a non-cashflowing miner with a personality issue). If you want to let it all ride, you can do that and if it reaches the $8-10 range, which is very much possible, it would appreciate greatly, but just keep in mind this is still far out of the money and it is risky. As always, do you own due diligence and consider what fits your strategy best and in the meantime I hope this was informative and that you have a good and healthy rest of your day! ~Mart

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