Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Permitting Update

FORTITUDE GOLD CORP.

Fortitude Gold Corp.

(OTCQB: FTCO)

Report Date: 10/08/24

12- 24 month Price Target: $9.25

Allocation: 5

Closing Stock Price at Initiation (Closing Px: 04/14/21): $5.26

Closing Stock Price at Target Upgrade (Closing Px: 03/09/22): $7.36

Closing Stock Price at Allocation Upgrade (Closing Px: 03/06/23): $6.22

Closing Stock Price at This Update (Closing Px: 10/08/24): $5.17

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Disclosure: Portions of this report are excerpted from Fortitude Gold's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

On September 18, 2024, Fortitude Gold announced *"it received all regulatory approvals and permits to mine deeper in its Isabella Pearl deposit* ("Isabella Deep"). *Fortitude Gold is a gold producer, developer, and explorer with operations in Nevada, U.S.A. offering investors exposure to both gold production and dividend yield. A positive decision was granted by the Bureau of Land Management and the Nevada Division of Environmental Protection's Bureau of Mining Regulation and Reclamation allowing the Company to mine approximately 80 feet deeper than previously authorized in the Pearl portion of the Isabella Pearl deposit. Deeper oxide and oxide transitional ore in the Pearl zone may now be mined and sequenced for processing along with ore from the Civit Cat portion of the Isabella Pearl deposit. The Pearl deep contains high-grade oxide, oxide-transitional, and sulphide gold ores, a portion of the former two are expected to be processed using the Company's existing heap leach operation".*

Frankly, it's amazing to us that we are at a place where this type of announcement would be highly topical, but that is where we are…

Recall, for some time now, Fortitude has been anticipating several permits, that collectively address the extension of existing operations, such as the announcement above, as well as other more extensive permits addressing entirely new mines the Company is attempting to bring to production. In short, those operations have been stymied by the federal government's Bureau of Land Management's ('BLM") reluctance to provide the permits. Briefly, this appears to be an industry-wide problem that has persisted for the past few years, and the BLM's talking point is that they are understaffed, and perhaps specifically, in Nevada. We have our doubts about whether or not staffing is the entirely of the issue, as we are inclined to believe the current administration's view of domestic natural resource development may be part of the story as well. Whatever the reason, the fact that FTCO finally received a permit is highly topical (and worthy of announcement), because ostensibly, it may signal that BLM is in fact approving permits. We accept that view, however, we would argue that in the case of FTCO, a permit to extend an existing operation another 80 feet deep is perhaps markedly less complex than a permit to open an entirely new mine. That said, we will divide the following narrative along those lines: the value this permit may provide, and the prospects of for further permits (or the lack thereof) and the implications that those permits might have on future production.

Recognize, over the first half of F24, the Company's production/sales came from two sources. First, they have been able to produce nominally from their Civit Cat, which is a northern extension of their flagship Issabella Pearl, and they have produced the balance by continuing to leach the gold bearing rock that sits on their leach pad. For perspective, we *estimate* that for the first nine months of fiscal 2024 (ended September 30, 2024), Fortitude will have sold around 11,000 ounces of gold, or about 3,600 ounces per quarter. To edify, that would mean they will sell about 2,700 ounces in the current 3QF24 quarter (ended September 30, 2024), which if our permitting timelines are reasonable, we expect to be the low point for the foreseeable future. That brings us to some additional color around the leach pad inventory.

The Company has noted in previous collateral that they believed the leach pad inventory was about 51,000 ounces at calendar year end 2023. They have also noted along the way (in their presentation at our Spring 2024 conference for instance), that they believed that inventory included a *"~3yr residual leach".* From that bit of guidance, our model reflects the draw down of that inventory through calendar 2026, which in simple linear math amounts to about 4,200 ounces of gold per quarter through the end of calendar and fiscal 2026. That number alone approximates the sales level of the most recent Q2F24 quarter. According to our model, the stockpile inventory at the end of the current fiscal year (ended December 31, 2024) should approximate 40,000 ounces, and perhaps a bit more depending on the Q4F24 production from the recently permitted (deep) area of Isabella. Recognize, our model reflects assumptions about production from Isabella deep through the next *few* quarters, but we submit, the visibility around the amount and the grade of rock in the Isabelle deep is not good. *However*, again, we are confident that the Company can generate average sales of 4,000 to 4,500 ounces per quarter from the leach pad alone, and *that* number would generate results similar to those of 2QF24, wherein the Company generated positive EBITDA of roughly $1.5 million. We would add, for the current 3QF24 quarter, it looks to us like their selling price per ounce should be something closer to $2,500 than to the $2,341 they realized in 2QF24. To edify, for 2QF24, the higher gold price alone would have generated an additional $650,000 of profit and EBITDA.

The above noted, we recognize that the market is fixated on the permitting, and more specifically, the production replacement those permits foreshadow. From that perspective, the following is a summary of the current properties and how we view the rollout of additional production.

- **Isabella Pearl (Deep)**

This is the recently permitted area noted above. The gold contribution from this new piece will not likely be substantial. We are modeling additional *total tonnage* from this addition at about 70% of the tonnage run rate the Company was gathering from Isabella as it was reaching the prior permitted bottom, which is essentially the tonnage figures from 3QF23 and 4QF24. Further, we are using a grade of 2 grams per tonne and the same recovery numbers we used in prior models. More specifically for comparison, in 3QF23, they mined 112,834 tonnes at 2.04 grams per tonne from Issabella, and for 4QF24, which we are assuming will have a full quarter of Isabella deep production, we are modeling a similar initial production profile, but we expect that rate to decline with final contributions in 2QF25. As a caveat, we have no visibility around Isabella deep, which is why we deferred to modeling something close to where it left off.

In general, the geology in this portion of the pit is described as "transitional", which means that the previously mined oxide structure is transitioning to a sulfide system. From the *10,000-foot view*, sulfides are not typically amenable to leaching. Rather, they have to be separated via floatation systems/mills, which is a bit more complex and more expensive than spreading the ore out on a pad and showering it with leaching chemicals. Unfortunately, today, there is not an operating mill in economic proximity where FTCO can ship the sulfides it will ultimately encounter at the bottom of Isabella. Moreover, the Company has limited data to ascertain where the oxides stop, and the sulfides begin. We would add, it is typical to find oxides closer to the surface and sulfides at depth so the transition in the bottom of Isabella is expected, which probably explains why they do not have much data regarding the potential remaining oxides. Put another way, if the permitting elsewhere had not been held up, we would not likely be talking about the last 80 feet of Isabella at all. As a positive aside, it is not atypical for oxide grades to improve at depth, which would be a positive surprise. To reiterate, the Company's lack of data regarding the last 80 feet of Isabella leaves us with little visibility around what they will encounter (or how we should model it), but we are comfortable modeling what we have because it is not largely material either way.

We would make two final points about Isabella Pearl because it represents a start to finish project that we think can provide some data points that are topical to the remainder of the discussion here and more specifically to the visibility of the Company's path forward.

First, in a fiscal year 2020 presentation, the Company noted that the Proven and Probable Reserves at Isabella Pearl were estimated to be "220,100 ounces @ 3.05 g/t avg". If our math is accurate, by the time they are done with Isabella Pearl, we think the total ounces they will have mined from the project will be something in the range of 220,000 ounces, and the 3.05 g/t avg. will be close as well. We mention that because in our modeling around the assumed rollout of other projects (those noted below), we have used the Company's established reserve calculations to frame that approach. Given the accuracy of the 2020 estimate relative to the actual results, we have confidence in the reserve estimates as a reasonable representation of expected yields.

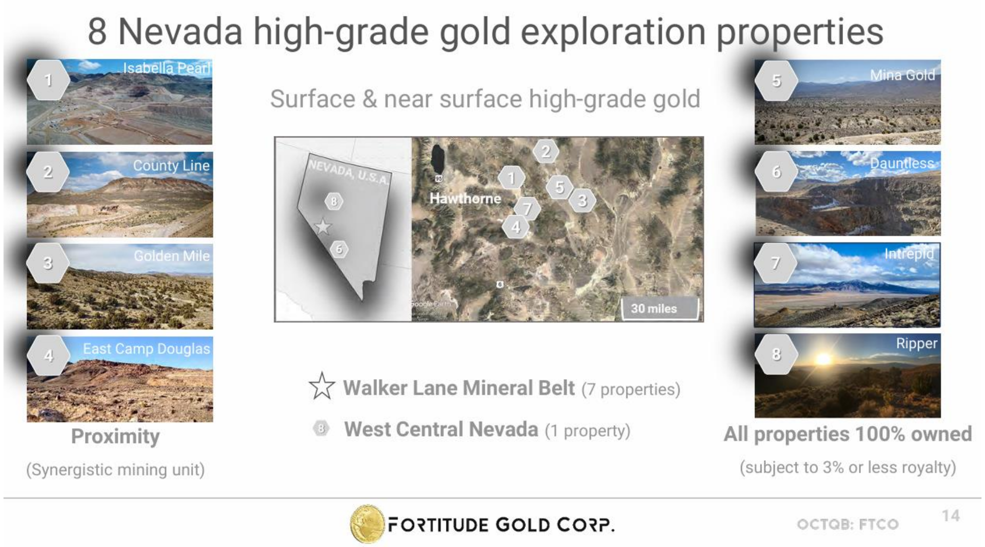
Second, as we look to the timing involved in bringing these new projects online (once permitting is achieved), we would remind readers that at Isabella Pearl, the Company produced its first ounce of gold *"approximately 10 months after breaking ground on the project"*. As a result, we think permitted projects can be moved to production relatively quickly if past performance in that regard is any indication.

- **Civit Cat.**

As we noted above, Civit Cat has provided most of the additional ore to the leach pad for 1HF24. Civit Cat is a permitted extension of the northern border of Isabella Pearl and sits about ½ mile southeast of Scarlet. We have modeled modest and decreasing production from Civic Cat through 1HF25. For reference, for 2QF24, 120,270 tonnes were mined at Civit Cat at .52 grams per tonne. Again, just for reference, 120,000 tonnes of mined ore at .52 grams per tonne of grade, with an 81% recovery would produce just under 1,800 ounces of recovered gold. At the (recent) gold price of $2,680 per ounce, that would generate roughly $4.5 million of net revenue.

The illustration below from Company collateral is provided for spatial reference of the following discussion of FTCO's properties and potential new projects.

<u>Illustration 1.</u>

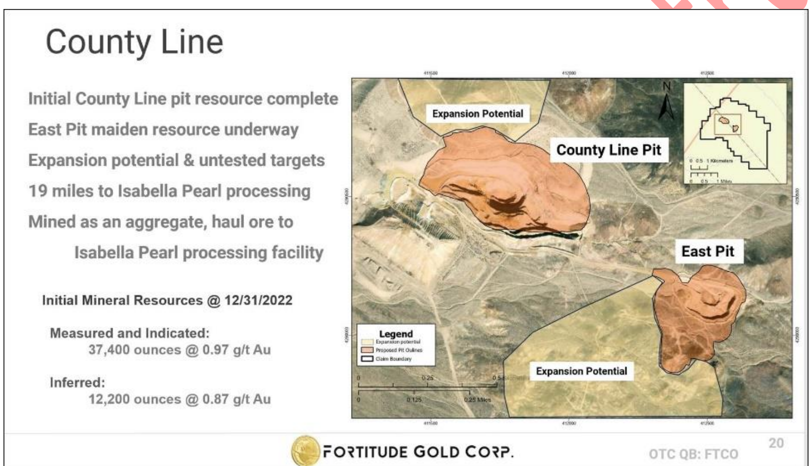


- **County Line**

County Line is the "next up" in terms of new projects at FTCO. While the Company has multiple permits in the que, we think it is fair to say that (given the Isabella deep permit was just received) this one is the basis for much of the current consternation around permits. We think that is the case for two related reasons. Specifically, County Line is located about 19 miles northeast of the Company's current project at Isabella. As such, the plan includes using the existing Isabella leach infrastructure by trucking ore from County Line to the leach pad. That advantage is why County Line is the next up, as getting it into production and processing does not require a new process facility. We think *that* factor also embodies some of the permitting concerns in general. On the face, from an environmental perspective, creating a new open pit mine without having to add a new leaching facility should provide a better environmental footprint than creating the same pit *that requires a new leaching facility*. Granted, we could certainly argue the environmental pros and cons of a new leach pad versus trucking the ore 19 miles, but from strictly a permitting perspective, a new mine *without* a new leach pad should be easier to permit than the same mine *with* a new leach pad. So then, the concern for FTCO becomes, if the BLM is having trouble providing a permit that does not require a new leaching facility, how difficult is it going to be to permit those that *do require* a new leaching facility? That holds some implications we will address further below.

The above noted, we think County Line remains the "low hanging" fruit in terms of the next project up. That view is the result of the issues we just addressed, but in addition, recognize, there are already two open pits on County Line each of which, much like Isabella, have ore remaining where the prior mining stopped. However, beyond that potential, FTCO intends to mine the extensions of these pits as reflected in Illustration 2. below. Here again, conceptually, it seems to us that extending existing pits, may be an easier permit than creating an entirely new pit, for a variety of reasons.

Illustration 2.



We would also note, we believe the Company presented permit requests for Isabella Pearl (deep), County Line and Golden Mile and in or around the same time, and as we understand it, that time frame was mid-2023. We also understand that at the time, the BLM asked FTCO to prioritize those, which they did in the same order we just reflected. Here again, we think that request (prioritizing the permits) has some implications we will address further below.

Lastly and perhaps most importantly, as the narrative in **Illustration 2** above reflects, the most current resource estimate from County Line reflects Measured & Indicated of 37,400 ounces and an additional Inferred resource of 12,200 ounces. For reference, as we noted above the resources estimates for Isabella turned out to be quite accurate. That being the case, we are comfortable modeling 40,000 to 50,000 recovered ounces from County Line post permitting. However, recognize this particular resource estimate is about two years old, and it is applicable only to the original "County Line Pit". In contrast, the Company's 2023 drilling program included holes in the East Pit expansion, as did its 2024 drilling program. Press Releases regarding those results are available below:

- https://www.fortitudegold.com/news/news-releases/fortitude-gold-expands-county-line-feeder-drilling-457-meters-grading-477-gt-gold-within--2438-meters-grading-173-gt-gold

- https://www.fortitudegold.com/news/news-releases/fortitude-gold-drills-1676-meters-grading--219-gt-gold-at-county-line

To edify, while again, we are comfortable suggesting that County Line likely includes 40,000 to 50,000 ounces, it seems to us that there is a considerable likelihood that the resource estimate will be expanded as additional drilling information is gathered, analyzed and concluded. Again, for reference, at $2600 per ounce, an additional 40,000 ounces of gold creates about $104 million of gross revenue, and if we back test that with prior operating results, it would generate EBITDA of around $60 million. For instance, in the second half of fiscal 2023, FTCO sold 20,300 ounces of gold and generated EBITDA of about $13.5 million. If we annualize that (which assumes the sale of 40,600 ounces) it generates EBITDA of $27 million. However, if we go back to that period and assume $2600 gold, EBITDA climbs to over $60 million. We are comfortable suggesting that the current value of FTCO shares does not reflect the value of this defined resource at County Line, so it certainly does not include any value of the resource in the East Pit that is in the process of being defined. The reason for that seems to be a prevailing view that FTCO *will never get a permit* at County Line. We think that risk is largely overstated, and frankly, although perhaps anecdotal, we believe the recent success with the Isabella deep permit supports that view. While we submit there is zero visibility around the timing of the permit at County Line, we are modeling a permit in Q2F25 and initial production shortly thereafter. Again, we will revisit that below.

- **Golden Mile**

As we recall, in mid-2022, the Company began purchasing equipment and moving it to Nevada in anticipation of getting Golden Mile into production. Perhaps it was just a matter of emphasis (Golden Mile will likely be a measurably more prolific project than County Line), but for some time, we were operating under the assumption that Golden Mile would be the second mine (behind Isabella). In retrospect, the reality is that Golden Mile was always going to take longer to stand up than County Line, (something along the lines of the 10 months it took to get Isabella producing), and since County Line did not require near the infrastructure (a new leach pad for instance), it could be brought on in weeks. Obviously, the pace of permitting may have impacted the relative starts of Golden Mile vs. County Line, and its only topical to our research because we initially modeled it in what looks like will be the wrong order. Regardless of the actual order, the permitting for Golden Mile was submitted roughly along with County Line and Isabella Deep, so clearly getting Golden Mile into production as quickly as possible remains a high agenda item for FTCO.

For reference, Golden Mile includes a *"district size land position"* encompassing 11,971 acres. By comparison, that is about 15% larger than the Isabella Pearl which includes Civit Cat, Civit Cat NW and Scarlet and again just for reference, is about 80% of the size of Manhattan (New York). In terms of resources, the most recent exploration compilations reflect that Golden Mile holds 2,160,000 Indicated tonnes @ 1.13g/t (78,500 Au oz) and 2,400,000 Inferred tonnes @ 1.10g/t (84,500 Au oz). That compilation notes that the deposit remains "open at strike" which suggests that the project may contain additional resources beyond these estimates. Assuming permitting and reasonable accuracy around the identified resource estimate, Golden Mile would extend FTCO's 40,000 ounces per year goal another four+ years.

Here again, the wild card is the timing of the permit. While we submit that variable lacks visibility, we would reiterate, we think the recent provisioning of the Isabella deep permit, which was submitted around the same time as the Golden Mile permit is constructive. We would add, once that permit is received, we expect Golden Mile to progress quickly due in part to the notion we touched on above, which is that much of the infrastructure and associated equipment required to bring Golden Mile to production has already been purchased and delivered near the site. Further, as we also noted above, Management has proven adept at bringing projects from first shovel to commercial production rather quickly.

Succinctly, like some other parts of FTCO's business, we believe Golden Mile carries considerable *identifiable* value that the market is simply ignoring. We submit, if the assumption is that the Company is *never going to* *get a permit to mine Golden Mile*, then perhaps the street is correct. If they are not allowed to mine the 2.2 million tonnes of Indicated resources than perhaps the resource is worth zero. There is little question that the permitting process in Nevada is perhaps taking longer than it has in the past, and there may be multiple reasons for those delays. However, we just believe that the more likely outcome here is a permit, eventually, rather than no permit at all. If that is the case, one would need to apply some value to the resource at Golden Mile (and others), and that value in our view, and in the context of current gold prices, would almost certainly have to be more than is reflected in the current share price.

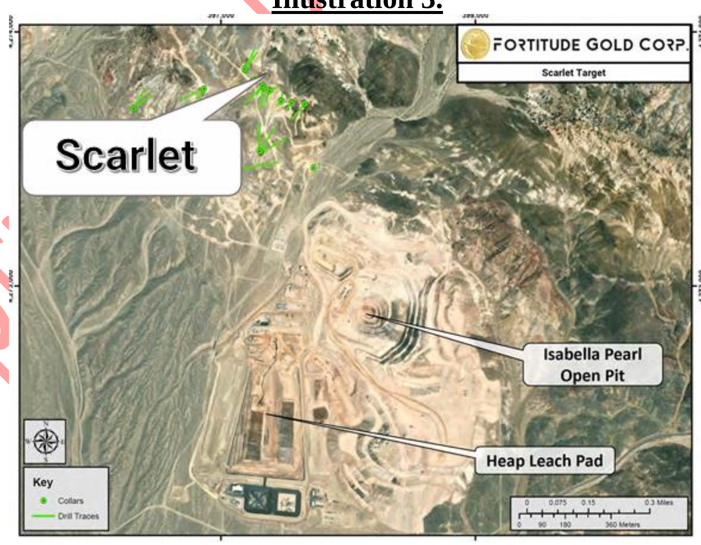
The above noted, here is the rub. Our model assumes that Golden Mile will be permitted in 2HF25 (September, 2025and we have in turn assumed an initial start in Q2F26 (June 30, 2026). Recognize, that assumption would mean that the permitting for Golden Mile will have taken 2+ years, which historically, would be quite extended, but in the new world, maybe not. If it happens sooner, our model will likely prove conservative, and if it happens later, our model may be aggressive.

- **Scarlet**

We are going to cover Scarlet here because we think it is topical in the near/intermediate term, but recognize, beyond the properties we are covering in this update specifically, the Company has four additional prospective properties that they will presumably develop further (See **Illustration 1**. above).

As we addressed and as **Illustration 3**. reflects, Scarlet represents the northwest boundary of the Isabella Pearl concessions. As a result, unlike for instance either County Line or Golden Mile, mining Scarlet would not require a new mine permit, but rather a Mine plan boundary expansion permit, which is essentially the permit they just received for Isabella Deep.

Illustration 3.



Without rehashing all the detail again, we (and we think FTCO management) are operating under the assumption that, all other things remaining equal, a mine plan boundary expansion permit, should be easier to obtain than a permit for an entirely new mine. Further, any potential production from Scarlet would be processed at the existing Isabella leach site leach site, so like County Line, it removes several layers of complexity vis-à-vis a new mine.

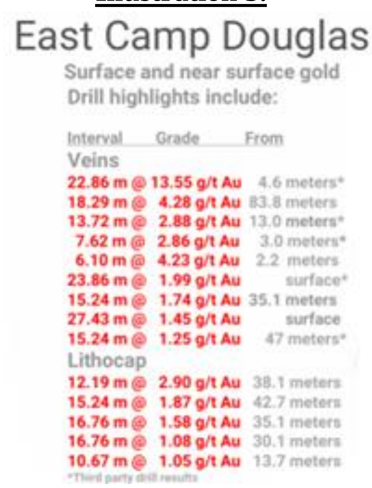
The above said, and again recognizing that the permitting delay paradigm has caused the Company to rethink the new development calendar, we believe the Company is in the process of filing a mine plan boundary expansion permit for Scarlet, and if Golden Mile is pushed out further than, for instance our assumptions noted above, we think the Company could potentially fast track Scarlet and tuck its production in between County Line and Golden Mile. As we said, our model is assuming a Q2F26 start at Golden Mile, so we are not modeling a Scarlet start. Frankly, while drill results at Scarlet have been constructive, we think they would prefer to do more exploration at Scarlet before they attempt to produce there, however, we believe an early start at Scarlet (assuming permitting) is a contingency that could be triggered by further permitting delays at Golden Mile.

- **East Camp Douglas**

We have noted in past updates of FTCO, that we believe East Camp Douglas *could* ultimately prove to be the "Crown Jewel" of Fortitude Gold, which is based in part on some geology (the "lithocap") that perhaps sets it apart from the other properties. **Illustrations 4 and 5**, provide some color that may support our initial, albeit speculative, enthusiasm.

<u>Illustration 4.</u>

<u>Illustration 5.</u>

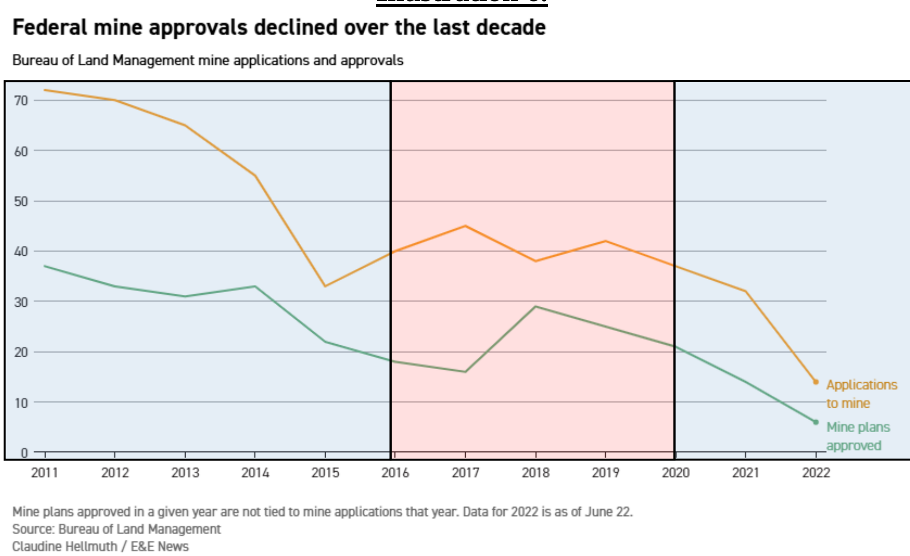


To be clear, we fully submit that East Camp Douglas is in the early innings in terms of development and further exploration, and there is little that can be definitively gleaned from these initial drill results. On the other hand, these are compelling initial drill results, which make us much or optimistic than if they had been far less compelling. Here again, our position is that the street is massively discounting Fortitude's non-producing/prospective assets under the assumption that they are not going to get these properties permitted. We understand the basis for that assessment, we just do not believe it is accurate, which brings us to our summation.

While those who have followed Fortitude for some time now would likely attest, the permitting issue was not something we gave much thought, and that may have even been a reasonable approach give the "mining friendly" nature of Nevada. However, the reality is that the permitting process in question is a federal issue, so mining friendly Nevada doesn't matter much, and if we are honest, the extension of BLM permitting times has been topical in portions of the industry for some time now. That may have not have been apparent for those of us following Fortitude because as we noted, Fortitude did not start their new permitting processes until mid-2023, and it took some months thereafter to realize that the Bureau was not responding in a typical/timely manner. To that end, we think a bit of color around what we have been able to find out about BLM permitting in Nevada might be helpful.

First, from the 10,000 foot view **Illustration 6**. provides an interesting view of the BLM permitting landscape over the past decade+. From this vantage point, while the argument that the BLM is providing fewer permits appears valid, it also appears that some of the trajectory stems from the fact that during that same period, the industry applied for fewer permits. Logic might dictate that fewer requests would likely result in fewer permits.

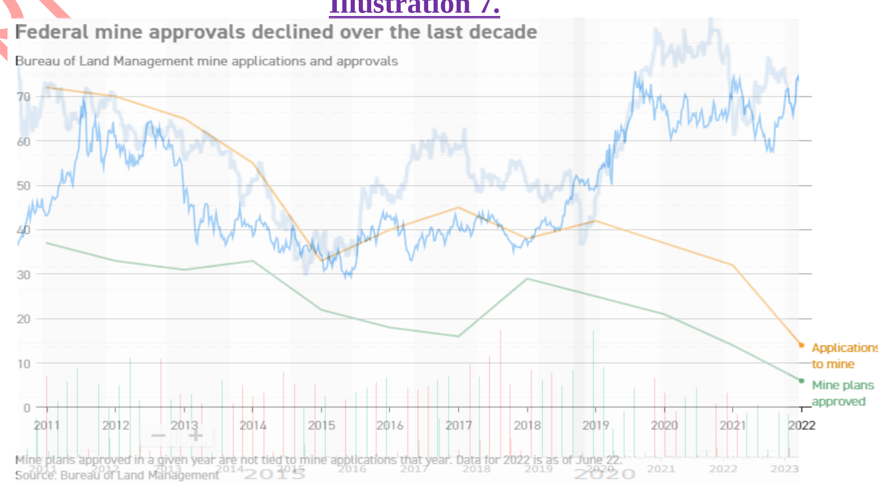
<u>Illustration 6.</u>



[Biden wants minerals, but mine permitting lags - E&E News by POLITICO (eenews.net)]

Digging a bit deeper, there could certainly be a handful of reasons why applications to mine fell during portions of the identified period. For instance, **Illustration 7**. provides the same BLM applications/permits approved chart from **Illustration 6**. Above, except we overlayed that chart with a chart of gold prices and copper prices (the lighter of the blue lines) over the same period. Certainly through 2020, one could argue that part of the reason for fewer permit requests (and by extension fewer permits) was the path of metal prices. Granted, we did not test this for all metals prices, but we suspect the results will be similar. On the other hand, that explanation might work for part of this period, but the paths begin to diverge in 2019 and beyond, which brings us to another point.

<u>Illustration 7.</u>



We think it is fair to say that FTCO management is of the view that some of the BLM's permitting issues are related to the political winds. In short, in our view, over the addressed period Democrat administrations have generally been more restrictive to domestic natural resource development, while their Republican counterparts have been more accommodating. Revisiting **Illustration 6.** above, we shaded the graph blue to denote Democrat administrations and Red to denote Republicans. We will let readers come to their own conclusions about how those might correlate, but narrative from the article that **Illustration 6** above was taken from (Biden wants minerals, but mine permitting lags - E&E News by POLITICO (eenews.net)) provides some color around the issue that perhaps permitting includes some political undertones:

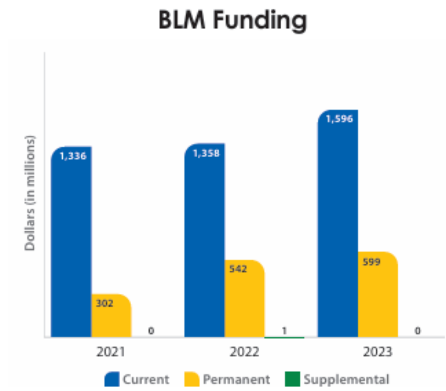
> "*Whether this country takes far too long to permit mines — as industry maintains — or is sensibly rigorous with projects that could irreparably harm landscapes — as environmentalists insist — is a debate that could soon take center stage…Representatives of the mining industry say the legal challenges to prominent projects like the proposed Twin Metals copper mine, combined with the permitting backlog — BLM's is at more than 280 projects — has reduced investors' interest in financing mine development. The actions we have seen from the administration have really been contrary to providing that domestic mineral production," said Mark Compton, executive chairman for the American Exploration and Mining Association. "Right now, permitting is still creating an unfavorable environment for attracting mining investment in the United States."*

On the other hand, while we think politics may in fact be part of the permitting issue, staffing issues at the BLM have probably borne most of the load when it comes to assessing the reasons for slow BLM permitting. Biden mining order won't change biggest hurdle: Permits - E&E News by POLITICO (eenews.net)

> *EPA has some discretion in how fast it permits a mine, said Mark Ryan, who worked as counsel for EPA's Regional 10 office, but "throwing money" at projects "doesn't make their regulatory burdens go away." "As a reviewer, you can be super persnickety or you can say 'this is enough,'" Ryan said. "If the Biden administration decides, 'Hey, mining is important, we're doing mining,' EPA will definitely make it easier than harder. [But] it doesn't mean that [NEPA] or the Clean Water Act go away."*
>
> *Some experts also say there is a way for Biden to keep all of these requirements in place and still clear a path to an American-made minerals future:* ***Staff up permit offices****.*
>
> *A 2019 report from the Commerce Department found BLM and U.S. Forest Service have historically faced challenges recruiting and retaining a workforce well-versed in mining projects, including biologists, archaeologists, geologists and engineers. Ted Boling, an environmental lawyer and partner at the law firm Perkins Coie LLP, said the time taken to permit a mine will ultimately be the result of staffing decisions in the federal government. If more people are allowed to work on permitting, the job will get done faster. "It becomes a question of how the administration is going to prioritize resources. The people that work on environmental reviews for mining are in short supply, and the speed with which they work and the priorities set are important considerations," Boling said.*

To be clear, the Company has noted on several occasions that the BLM's reasoning for slower processing of mine applications is a matter of staffing. Clearly, that seems to be a view that at least some in the industry have embraced. Further, if *funding* is any indication, recent data around BLM funding *might suggest* that someone recognizes the need for more personnel:

Illustration 8.



[Fiscal Year 2023 The Interior Budget in Brief Bureau of Land Management (doi.gov)](#)

As an additional note to the above, it is important to recognize, as **Illustration 9.** notes the BLM's focus is largely concentrated in the western half of the US, further, as **Illustration 10**. Reflects, Nevada, along with Wyoming, are the focus of the preponderance of BLM's permitting focus. We submit, these data are from 2010 thru 2014, but these jurisdictions, along with others in the west, remain the focus of BLM's permitting challenges. Our point here is that if BLM understaffing is going to impact miners, there is a good chance that miners in the west will bear much of that circumstance, and that apparently applies further to miners in Nevada and Wyoming.

Illustration 9.

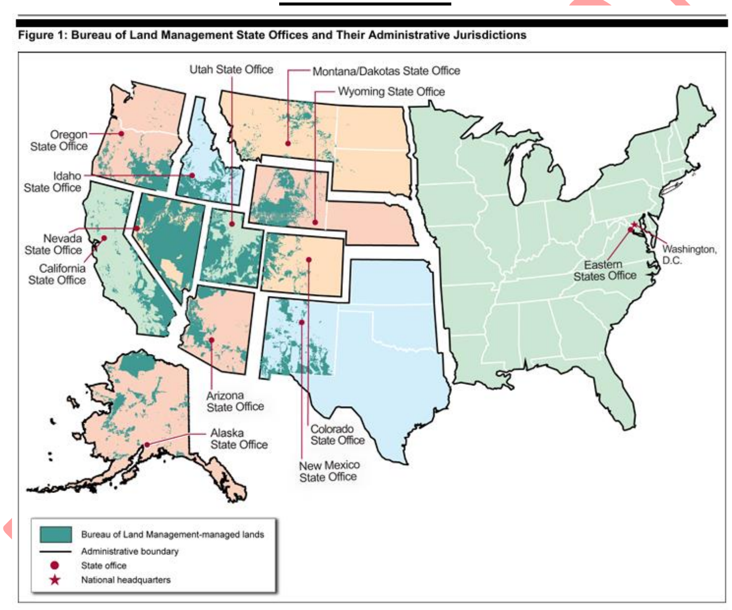
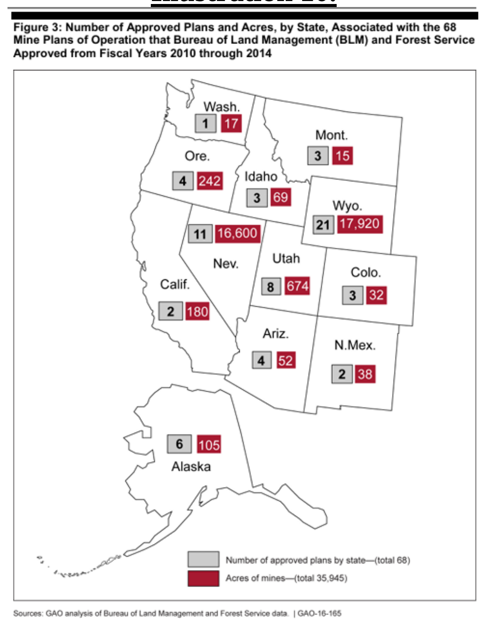


Illustration 10.



[GAO-16-165, HARDROCK MINING: BLM and Forest Service Have Taken Some Actions to Expedite the Mine Plan Review Process but Could Do More](#)

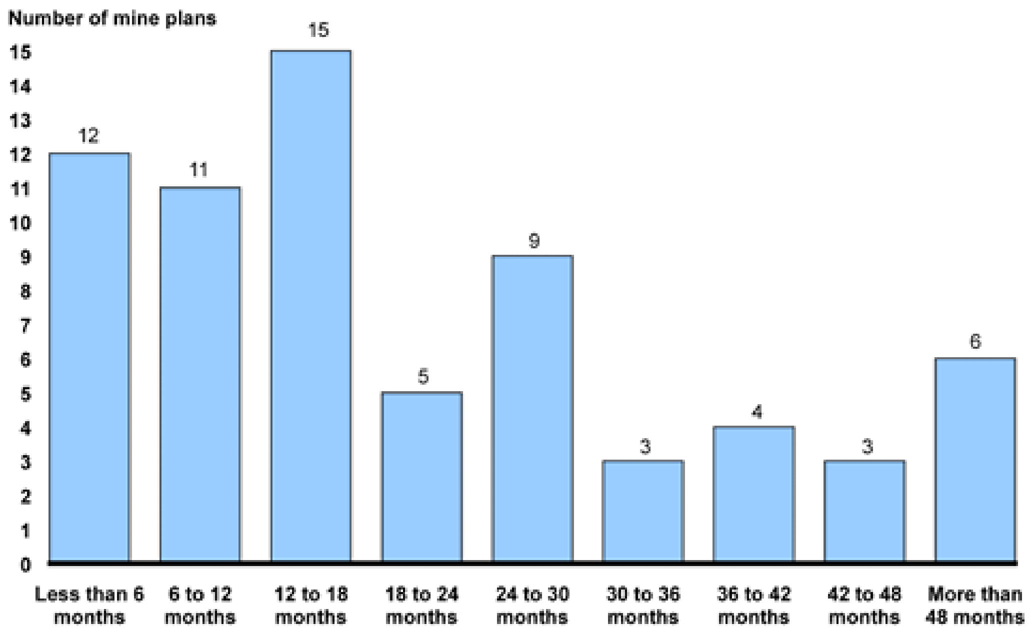
As an extension to the above, there is some additional data provided by BLM that we think may be topical to FTCO's permitting challenges. The excerpts below are from a 2016 report by the United States Government Accountability Office to the Chairman and Committee on Natural Resources, House of Representatives. That report is titled **Hard Rock Mining: BLM and Forest Service Have Taken Some Actions to Expedite the**

<u>Mine Plan Review Process but Could Do More.</u> (Illustrations 9 & 10 are taken from this report as well, and the report can be accessed by the link listed below these illustrations).

> *From fiscal years 2010 through 2014, BLM approved 66 plans for hardrock mines of various commodity types, sizes, and locations, and the Forest Service approved 2. Most of the mine plans that BLM and Forest Service received and approved were for gold, clay, and stone, according to agency data, and collectively these commodities accounted for 46 of the 68 total mine plans (68 percent) approved from fiscal year years 2010 through 2014.* ***The sizes of the mines proposed in these 68 plans varied greatly, ranging from 5 to 8,470 acres. The average proposed mine was approximately 529 acres****, and the 68 mine plans totaled nearly 36,000 acres.*

<u>Illustration 11.</u>

Figure 4: Time Frames for Approving the 68 Mine Plans of Operations by the Bureau of Land Management (BLM) and the Forest Service from Fiscal Years 2010 through 2014



Sources: GAO analysis of Bureau of Land Management and Forest Service data. | GAO-16-165

Note: Time frames were determined by calculating the number of months between the date the mine plan was submitted to BLM or the Forest Service and the date the plan of operations was approved.

Illustration 11 is from that aforementioned report, and as it reflects, historically, it is not atypical for some plans to take longer than others, and those time frames are impacted by a list of potential variables. **Illustration 12.** reflects a list (from the same report) that references some of the more common reasons for delayed permits, as well as some of the more topical reasons for those delays. Notice, the second most frequent cause of permitting deals is "Allocation of Resources" which means inadequate BLM staff. Moreover, another common reason for permitting delays is "Mine Site Complexity". Recognize, the GAO report we excerpted above notes that "***the average proposed mine was approximately 529 acres".*** Recall, Fortitude's projects are 6,000 to nearly 12,000 acre concessions, and while their permitting is not associated with the entirety of the concessions, these are considerably larger "district sized" areas relative apparently to the "average" BLM permit associated with 529 acres. While we are just assuming here, we would think a permit covering considerably more acres than the average permit might be a bit more complex, which according to the GAO, would likely extend permit times. On the positive side, gold mines tend to be the most permitted mines in the Bureau's purview, so we doubt Fortitude is doing anything they have not encountered before.

Illustration 12.

Table 4: Bureau of Land Management (BLM) and Forest Service Officials in GAO's Review Said 13 Key Challenges Have Affected the Length of Time to Complete the Hardrock Mine Plan of Operations Review Process

Key challenges	Total number of instances	Range of time officials said this challenge added to the process
Quality of mine plans: The mine plans of operation were incomplete or vague, which required a request for additional information before the review process could continue.	21	1 month to 7 years
Allocation of resources: There were limited resources allocated to the field office, such as number of staff, staff expertise, funding, infrastructure, training, and/or computer technology.	19	A few days to 1 year
Changing mine plans: The operators changed key portions of the mine plans after their initial submission.	16	A few weeks to 6 years
Mine site complexity: The mine site had complex or an unusually high number of potential environmental impacts that were difficult to mitigate, such as impacts on water quality.	15	1 week to 10 years
Quality of contractors' work: The contractors[a] submitted low-quality work products or failed to make requested changes to draft National Environmental Policy Act (NEPA)[b] documents.	13	1 month to 1 year
Legal issues: The agency had concerns regarding possible litigation or the implications of recent case law, which caused the field office to conduct additional or more extensive NEPA analyses.	11	1 month to 3 years
Quantity and quality of coordination and collaboration: There was limited or ineffective interagency coordination and collaboration[c] during the mine plan review process.	11	2 months to 3 years
Complexity of public comments: The public comments on the mine plan of operation's NEPA analysis were contentious and technically complex.	8	A few weeks to 6 months
Amount of public comments: There were numerous public comments on the mine plan of operation's NEPA analysis.	7	1 month to 1 year
Reclamation bond acquisition: The operators had difficulty obtaining bonds for reclamation.	6	2 weeks to 6 months
Balancing competing legal priorities[d]: The need to comply with federal laws and regulations has necessitated that agencies balance competing priorities for the land.	5	1 to 2 months
Federal Register notice publication process: The agencies' processes for publishing notices in the Federal Register were complex and time-consuming.	5	1 month to 1 year
Operator delay requests: The operators requested delays in the mine plan review process after their initial submission.	5	1 month to 1.5 years

Sources: GAO analysis of 23 interviews with BLM and Forest Service officials. | GAO-16-165

We have one final observation about BLM mining permits in Nevada that may be topical. We do believe that the current administration is conflicted about domestic mining. On one hand, we think it is generally contrary to their environmental positions, as well as to those of many of their constituencies, but at the same time, those same environmental positions rely on rare earth elements or other strategic/critical minerals that are predominantly mined and or provided by the Chinese. That dilemma is a critical issue on multiple levels for various stakeholders and many see the development of domestic sources of these minerals as paramount to the success of many alternative energy policies. That dilemma embodies the paradox of the federal government's current view of domestic mining and perhaps their biggest levers in controlling it, federal permits.

To that end, Nevada has been the focus of several emerging alternative energy metals projects and while lithium has taken much of the focus in the state, there others as well. Below are some of the more high-profile projects in the state, but again, there are others:

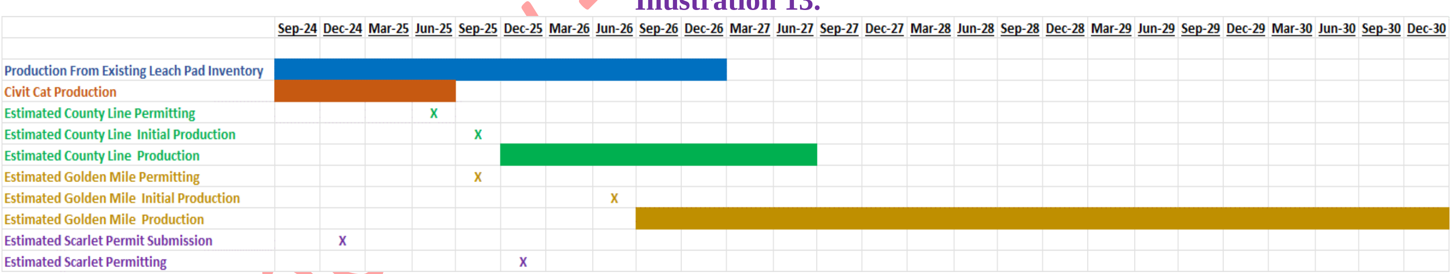
- Ioneer Ltd (Nasdaq: IONR) - Rhyolite Ridge (lithium and boron)
- Lithium Americas Corp. (NYSE: LAC) - Thacker Pass (lithium)
- Albemarle Corporation (NYSE: ALB) – Silver Peak (lithium)
- MP Materials Corp. (NYSE:MP) - Mountain Pass Mine (California) Rare Earths (Magnet Processing - Nevada).

Obviously, Fortitude is not in the lithium business nor are they in the rare earth business, however, there are a number of enterprises in Nevada that are, and some of these have been in the mix of federal renewable energy and critical minerals strategy, policy and investment. Consequently, we suspect these emerging opportunities and enterprises likely have strained the resources of applicable agencies such as the BLM. From our perspective, that is both the good news and the bad news. The bad news is, the BLM's under staffing and subsequent backlog in the Nevada region is likely real, which means permitting delays will probably continue and visibility around them will continue to be poor. The good news is, we think the permitting deals are primarily just that, delays. That is, we are hopeful that politics will likely keep gold permits in limbo forever.

Summarizing some of the above, and in case we have not articulated ourselves very well, we submit the BLM's permitting process is likely longer than it should be and also likely influenced by some issues it should not be. That said, we do not think the BLM has shut down mining permits in Nevada, and if nothing else, Fortitude's recent Isabella deep permits suggest we are correct. Granted, that was ostensibly a relatively easy permit to get, but they got it. Further, in retrospect, as we understand it, the Isabella Pearl permits were submitted in or around 2018, which as **Illustration 6.** reflects, coincided with what (for whatever reasons), was one of the better periods of time for BLM mine plan approvals over the past several years. Incidentally, we believe that was the last permit filing the Company did until mid-2023 when they filed for Isabella deep, County Line and Golden Mile. It could, the Company's permit expectations have been shaped by their past experiences, which as it turned out may have been accumulated in the "best of times." Clearly, when it comes to BLM permitting, these are not the best of times.

On the other hand, as we noted above, when it comes to Fortitude, it seems to us that the consensus, as reflected in the current valuation of the shares, appears to be that they are not getting County Line or Golden Mile permitted in the near term, likely not in the intermediate term, and maybe even never, even in the long term. Again, given all we have noted above, shortcomings and all, we are inclined to believe they will get these permits in due time, and we do not see anything that would makes us believe it will be an inordinate amount of time. Granted, we may be underestimating the political winds, but we are modeling eventual permitting success. We have provided the following timeline to delineate our modeling therein. We would caution, **this is our timeline alone**. **Fortitude management has had no input into these assumptions.**

Illustration 13.



To conclude, we have seen the shares of a number of gold miners (large and small) advance considerably, presumably as a result of rising gold prices. We would argue, those share appreciations are built around valuations that are almost certainly tied at least in part to reserves as well. There are a variety of reasons (risks) associated with companies ultimately accessing their reserves and permitting is but one. While we recognize that risk in the case of FTCO, as we attempted to address above, we think it may be overstated here. Granted, the permitting may take (even) longer than we are guessing here (and yes, we admit, we are guessing), but keep in mind, the gold expected to be in FTCO's *measured* and perhaps to a lesser degree *indicated* resources isn't going anywhere. That is, what they cannot mine today, they will likely mine tomorrow, or perhaps the day after, so the valuation of those resources is more a matter time, which from a financial perspective, we are used to dealing with via tools like appropriate discounts to reflect that time. We believe we have used appropriate discounts in our modeling and target assessments to reflect those timing risks.

We accept that there is an overriding fear amongst many miners (and we think it is fair to suggest FTCO management may be in that camp) that federal mine permitting is being used to exact fundamental change that effectively seeks to halt domestic mining altogether. Further, that view is accompanied by a notion that political parties or administrations will either act to support or suppress that view, which makes elections particularly acute in terms of the analysis of individual companies. We understand that draconian approach because on some levels it is prudent for all managers to try to assess the likelihood of and their responses to the worst-case scenarios for their business, especially if some of those scenarios seem to be playing out in real time albeit perhaps anecdotally.

Again, we have attempted to present the potential of a different scenario. First, we submit there are currently permitting delays in Nevada, and we submit some portion of those delays may be related to a general disdain for domestic mining by people in power at the federal level. However, from our review of industry comments regarding the issue, BLM staffing appears to be an ongoing issue, and it seems to be a bigger problem in jurisdictions like Nevada where the most activity is occurring. By the way, some of those staffing problems are a matter of practicality. That is, the federal government may have a harder time competing with the private sector for professional employees like engineers and geologists. Further, we think Nevada's permitting issues have perhaps been more acute as of late, because of lithium discoveries across the state that have undoubtedly required permitting attention/resources. Further, we know that since lithium is deemed critical to the renewable energy agenda, it would not and/or should not be surprising to learn that lithium projects have been given priority over others (gold for instance), which in a world of permitting staff shortages, translates into longer permitting times for some but in reality probably *all* projects.

Again, looking at the price of FTCO shares in the face of current and perhaps rising gold prices, we think their permitting challenges/risks may have a longer tail than the street apparently believes, which may create a marked opportunity. We submit, if the reality is that they are never getting the remaining permits they have submitted, then we are wrong about that. On the contrary, as we said we have modeled permits and future production around the timeline presented in **Illustration 13** above, and to edify, if we assume these permits come to pass, these projects are put into production, and the Company simply produces until the last resources are recovered and sold, then folds the tent and goes home, we think the intrinsic value of the shares as we sit here today, would be in the $6.00 to $7.00 range. That's where our math settles. We submit, that analysis requires some assumptions. For example, it assumes (hypothetically) that they shed ongoing expenses by stopping exploration and essentially dial back management to wind down the business, but again, we think that number is in the ballpark. However, to reiterate, that approach also effectively assumes the balance of the development assets; Scarlet, East Camp Douglas, Mina, Dauntless, Intrepid and Ripper are worth *nothing*. For a company that has proven it can identify, develop and profitably commercialize gold properties in Nevada, assuming those assets are worth nothing, is in our view disproportionately discounted.

Lastly, we have taken considerable time to address several FTCO issues, so we may as well throw out another final point we think is worth considering. We know management rightfully prides itself on its rich history of paying consistent and meaningful dividends back to its shareholders. That is relatively unique for a company of its size, and we do not think those returns are always properly accounted for in assessments of the Company's performance. That said, at some point, or perhaps more specifically at some price, returning cash to shareholders by buying shares may be worth considering, and we are not typically all-in when it comes to buying back shares. Just a thought.

We reiterate our allocation of 5 and renew our 12–24 month price target of $9.25. We will revisit these following the filing of 3QF24 results and/or as permit visibility becomes available.

Projected Operating Model

Fortitude Gold Corp.						
Projected Operating Model						
By Trickle Research LLC						
	(actual)	(actual)	(estimate)	(estimate)	(estimate)	(estimate)
	3/31/24	6/30/24	9/30/24	12/31/24	Fiscal 2024	Fiscal 2025
Consolidated Statements of Operations (000's)						
Sales, net	**$ 8,181**	**$ 9,554**	**$ 7,032**	**$ 12,843**	**$ 37,610**	**$ 48,885**
Mine cost of sales:						
Production costs	$ 2,577	$ 3,130	$ 3,583	$ 4,551	**$ 13,842**	**$ 19,741**
Depreciation and amortization	$ 1,391	$ 1,547	$ 1,636	$ 2,078	**$ 6,652**	**$ 8,250**
Reclamation and remediation	$ 48	$ 60	$ 58	$ 86	**$ 251**	**$ 382**
Total mine cost of sales	**$ 4,016**	**$ 4,736**	**$ 5,277**	**$ 6,715**	**$ 20,745**	**$ 28,373**
Mine gross profit	**$ 4,165**	**$ 4,818**	**$ 1,755**	**$ 6,128**	**$ 16,866**	**$ 20,513**
Costs and expenses:						
General and administrative expenses	$ 1,221	$ 1,190	$ 1,241	$ 1,357	**$ 5,009**	**$ 5,379**
Exploration expenses	$ 3,638	$ 4,252	$ 4,187	$ 4,111	**$ 16,188**	**$ 11,010**
Other expense, net	$ (621)	$ (539)	$ 75	$ 75	**$ (1,010)**	**$ 300**
Total costs and expenses	**$ 4,238**	**$ 4,903**	**$ 5,502**	**$ 5,543**	**$ 20,187**	**$ 16,689**
Income before income taxes	**$ (73)**	**$ (85)**	**$ (3,748)**	**$ 585**	**$ (3,321)**	**$ 3,824**
Provision for income taxes	**$ (71)**	**$ 53**	**$ (843)**	**$ 132**	**$ (730)**	**$ 860**
Net income	**$ (2)**	**$ (138)**	**$ (2,904)**	**$ 453**	**$ (2,591)**	**$ 2,963**
Net income per common share:						
Basic	**$ (0.00)**	**$ (0.01)**	**$ (0.12)**	**$ 0.02**	**$ (0.11)**	**$ 0.12**
Diluted	**$ (0.00)**	**$ (0.01)**	**$ (0.12)**	**$ 0.02**	**$ (0.11)**	**$ 0.12**
Weighted average shares outstanding:						
Basic	**24,135,246**	**24,165,209**	**24,217,292**	**24,269,376**	**24,196,781**	**24,399,584**
Diluted	**24,323,464**	**24,165,209**	**24,247,292**	**24,302,376**	**24,259,585**	**24,441,701**

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Hold" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.