CLIFTON MINING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Clifton Mining Company
Index to the Consolidated Financial Statements
December 31, 2022 and 2021

MAC

MAC ACCOUNTING GROUP & CPAS, LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BOARD OF DIRECTORS AND SHAREHOLDERS
CLIFTON MINING COMPANY

OPINION ON THE FINANCIAL STATEMENTS

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED BALANCE SHEETS OF CLIFTON MINING COMPANY AS OF DECEMBER 31, 2022 AND 2021, AND THE RELATED CONSOLIDATED STATEMENTS OF OPERATIONS, STOCKHOLDERS' EQUITY AND CASH FLOWS FOR THE YEARS THEN ENDED, AND THE RELATED NOTES (COLLECTIVELY REFERRED TO AS THE "FINANCIAL STATEMENTS"). IN OUR OPINION, THE FINANCIAL STATEMENTS PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF CLIFTON MINING COMPANY AS OF DECEMBER 31, 2022 AND 2021, AND THE RESULTS OF ITS OPERATIONS AND ITS CASH FLOWS FOR EACH OF THE YEARS THEN ENDED, IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

BASIS FOR OPINION

THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF THE ENTITY'S MANAGEMENT. OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDITS. WE ARE A PUBLIC ACCOUNTING FIRM REGISTERED WITH THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES) ("PCAOB") AND ARE REQUIRED TO BE INDEPENDENT WITH RESPECT TO CLIFTON MINING COMPANY IN ACCORDANCE WITH THE U.S. FEDERAL SECURITIES LAWS AND THE APPLICABLE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION AND THE PCAOB.

WE CONDUCTED OUR AUDITS IN ACCORDANCE WITH THE STANDARDS OF THE PCAOB AND IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT, WHETHER DUE TO ERROR OR FRAUD. CLIFTON MINING COMPANY IS NOT REQUIRED TO HAVE, NOR WERE WE ENGAGED TO PERFORM, AN AUDIT OF ITS INTERNAL CONTROL OVER FINANCIAL REPORTING. AS PART OF OUR AUDITS WE ARE REQUIRED TO OBTAIN AN UNDERSTANDING OF INTERNAL CONTROL OVER FINANCIAL REPORTING BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL OVER FINANCIAL REPORTING. ACCORDINGLY, WE EXPRESS NO SUCH OPINION.

OUR AUDITS INCLUDED PERFORMING PROCEDURES TO ASSESS THE RISKS OF MATERIAL MISSTATEMENT OF THE FINANCIAL STATEMENTS, WHETHER DUE TO ERROR OR FRAUD, AND PERFORMING PROCEDURES THAT RESPOND TO THOSE RISKS. SUCH PROCEDURES INCLUDED EXAMINING, ON A TEST BASIS, EVIDENCE REGARDING THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. OUR AUDITS ALSO INCLUDED EVALUATING THE ACCOUNTING PRINCIPLES USED AND SIGNIFICANT ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL PRESENTATION OF THE FINANCIAL STATEMENTS. WE BELIEVE THAT OUR AUDITS PROVIDE A REASONABLE BASIS FOR OUR OPINION.

CRITICAL AUDIT MATTERS

CRITICAL AUDIT MATTERS ARE MATTERS ARISING FROM THE CURRENT PERIOD AUDIT OF THE FINANCIAL STATEMENTS THAT WERE COMMUNICATED OR REQUIRED TO BE COMMUNICATED TO THE AUDIT COMMITTEE AND THAT: (1) RELATE TO ACCOUNTS OR DISCLOSURES THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS AND (2) INVOLVED OUR ESPECIALLY CHALLENGING, SUBJECTIVE, OR COMPLEX JUDGMENTS. THE COMMUNICATION OF CRITICAL AUDIT MATTERS DOES NOT alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Desert Hawk Gold Corp. Investment in equity securities

As discussed in Note 1 of the consolidated financial statements, as of December 31, 2022 and 2021, the company owned 5,810,824 shares of Desert Hawk Gold Corp. This investment is accounted for as an investment in equity securities. as of December 31, 2021, the Company elected to measure this investment at cost minus impairment due to their common stock not having a readily determinable fair value. Then, as of December 31, 2022, the Company elected to measure this investment at fair value with changes recognized in net income. This election was made for all identical or similar investments of Desert Hawk Gold Corp., including future purchases, and is irrevocable. As of December 31, 2022, the investment was valued at $0.28 per share or $1,627,031 based on the fair value of Desert Hawk Gold Corp. as of December 31, 2022 which was determined using a third-party valuation specialist. As of December 31, 2021, the investment was valued at $1.00 per share or $5,810,824 based on a private equity offering Desert Hawk Gold Corp. completed during the third quarter of calendar year 2020 where they sold 200,000 shares of common stock for $1.00 per share. During the years ended December 31, 2022, the Company recognized a net loss on equity securities related to this investment of $4,183,794 and during the year ended December 31, 2021, the Company recognized impairment expense of $0.

Auditing the company's investment in Desert Hawk Gold Corp. was challenging due to the auditor judgement required. To form our overall opinion in light of these difficulties, as of December 31, 2022, we had to evaluate the valuation completed by a third-party valuation specialist for reasonableness and as of December 31, 2021, we had to evaluate Desert Hawk Gold Corp.'s quarterly and annual reports filed with the securities and exchange commission and determine if there were significant changes in Desert Hawk Gold Corp.'s fair value since the private equity offering was completed during the third quarter of calendar year 2020. We concluded the company's accounting for this investment was reasonable.

Mac Accounting Group & CPAs, LLP

We have served as Clifton Mining Company's auditor since 2016.

Midvale, Utah
May 9, 2023

CLIFTON MINING COMPANY
Consolidated Balance Sheets

ASSETS	As of December 31, 2022	As of December 31, 2021
CURRENT ASSETS		
Cash	$ 2,097,882	$ 2,458,595
Equity securities (Note 1)	-	1
Receivables	12,125	133
Prepaid expenses	20,467	18,343
Total Current Assets	2,130,474	2,477,072
PROPERTY AND EQUIPMENT – IDLE PROPERTY		
Mineral properties (Note 3)	1,080,515	1,092,815
Buildings, net (Note 6)	127,204	136,676
Milling equipment, net (Note 6)	303,770	342,456
Total Property and Equipment, Net	1,511,489	1,571,947
OTHER ASSETS		
Equity investment in affiliate (Notes 1, 2)	1,434,977	1,449,490
Equity securities in affiliate (Notes 1, 3, 10)	1,627,031	5,810,824
Restricted cash-reclamation bonds (Note 4)	258,768	258,574
Patent filings (Note 6)	8,013	9,813
Deposit	350	350
Total Other Assets	3,329,139	7,529,051
Total Assets	$ 6,971,102	$ 11,578,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,252	$ 7,547
Total Current Liabilities	4,252	7,547
LONG-TERM LIABILITIES		
Reclamation and remediation liabilities (Note 4)	59,332	55,901
Total Liabilities	63,584	63,448
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; 154,584 and 154,584 shares issued and outstanding, respectively (Note 7)	155	155
Common stock, $0.001 par value, 70,000,000 shares authorized; 58,770,791 and 58,770,791 shares issued, respectively, 54,785,849 and 55,212,261 shares outstanding, respectively (Note 7)	58,771	58,771
Additional paid-in capital	17,078,484	16,960,931
Retained deficit	(9,505,914)	(4,859,640)
Less: Treasury stock, at cost, 3,984,942 and 3,558,530 shares as of December 31, 2022 and 2021, respectively (Note 7)	(754,609)	(676,561)
Total Clifton Mining Stockholders' Equity	6,876,887	11,483,656
Non-controlling interest	30,631	30,966
Total Stockholders' Equity	6,907,518	11,514,622
Total Liabilities and Stockholders' Equity	$ 6,971,102	$ 11,578,070

See accompanying notes to consolidated financial statements.

CLIFTON MINING COMPANY
Consolidated Statements of Operations

	Years Ended December 31, 2022	2021
REVENUE	$ -	$ -
EXPENSES		
Exploration costs	33,146	22,300
General and administrative	29,327	53,394
Professional fees	35,360	41,345
Accretion expense	3,431	3,232
Depreciation and amortization	49,958	49,957
Salaries and employee benefits	282,609	353,832
Stock based compensation	117,553	101,955
Property and claim taxes, filing fees and insurance	112,970	124,568
Total Expenses	664,354	750,583
Loss From Operations	(664,354)	(750,583)
OTHER INCOME (EXPENSE)		
Interest income	659	395
Dividend income	24,768	-
Gain from equity investment	182,704	367,887
Gain (loss) on equity securities - net	(4,183,794)	(95)
Gain from affiliate stock transactions	(6,592)	64,763
Other Income (Expense)	(3,982,255)	432,950
Income (Loss) Before Income Taxes	(4,646,609)	(317,633)
Income Taxes	-	-
Net Income (Loss)	(4,646,609)	(317,633)
Less: Net Loss Attributable to Noncontrolling Interest	335	297
Net Income (Loss) Attributable to Clifton Mining	$ (4,646,274)	$ (317,336)
Net income (loss) per share – basic	$ (0.08)	$ (0.01)
Net income (loss) per share – fully diluted	$ (0.08)	$ (0.01)
Weighted average number of common shares outstanding during the year:		
Basic	54,930,869	55,482,679
Diluted	54,930,869	55,482,679

See accompanying notes to consolidated financial statements.

CLIFTON MINING COMPANY
Consolidated Statements of Cash Flows

	Years Ended December 31, 2022	2021
Cash Flows From Operating Activities:		
Net income (loss)	$ (4,646,609)	$ (317,633)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	49,958	49,957
Depletion expense	12,300	12,300
Accretion expense	3,431	3,232
Gain from equity investment	(182,704)	(367,887)
Loss (gain) from equity securities - net	4,183,794	95
Loss (gain) from affiliate stock transactions	6,592	(64,763)
Valuation for stock-based compensation expense related to options	117,553	101,955
Changes in operating assets and liabilities:		
Decrease (increase) in receivables, prepaid expenses, and other assets	(14,310)	17,633
Increase (decrease) in accounts payable and accrued liabilities	(3,295)	5,660
Net Cash Used in Operating Activities	(473,290)	(559,451)
Cash Flows From Investing Activities:		
Purchase of treasury stock	(78,048)	(237,925)
Distributions from equity investment	190,625	289,750
Net Cash Provided by Investing Activities	112,577	51,825
Cash Flows From Financing Activities:		
Net Cash Provided by Financing Activities	-	-
Net (decrease) increase in cash	(360,713)	(507,626)
Cash, beginning of year	2,458,595	2,966,221
Cash, end of year	$ 2,097,882	$ 2,458,595
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
NON CASH INVESTING & FINANCING ACTIVITIES:		
Noncontrolling interest income allocation	$ 335	$ 297

See accompanying notes to consolidated financial statements.

CLIFTON MINING COMPANY

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2022 and 2021

	Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Deficit	Treasury Stock, at Cost	Clifton Mining Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2020	154,584	$ 155	58,770,791	$ 58,771	$ 16,858,976	$ (4,542,304)	$ (438,636)	$ 11,936,962	$ 31,263	$ 11,968,225
Compensation related to options	-	-	-	-	101,955	-	-	101,955	-	101,955
Purchase of Treasury Stock at Cost	-	-	-	-	-	-	(237,925)	(237,925)	-	(237,925)
Net income at December 31, 2021	-	-	-	-	-	(317,336)	-	(317,336)	(297)	(317,633)
Balance, December 31, 2021	154,584	$ 155	58,770,791	$ 58,771	$ 16,960,931	$ (4,859,640)	$ (676,561)	$ 11,483,656	$ 30,966	$ 11,514,622
Compensation related to options	-	-	-	-	117,553	-	-	117,553	-	117,553
Purchase of Treasury Stock at Cost	-	-	-	-	-	-	(78,048)	(78,048)	-	(78,048)
Net income at December 31, 2022	-	-	-	-	-	(4,646,274)	-	(4,646,274)	(335)	(4,646,609)
Balance, December 31, 2022	154,584	$ 155	58,770,791	$ 58,771	$ 17,078,484	$ (9,505,914)	$ (754,609)	$ 6,876,887	$ 30,631	$ 6,907,518

See accompanying notes to consolidated financial statements.

CLIFTON MINING COMPANY
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Clifton Mining Company (the Company), was incorporated on June 8, 1993 under the laws of the State of Utah. In the beginning years, the Company was engaged in the process of acquiring, exploring, and developing properties or selling the properties at an appreciated value. The Company has acquired several claims which have previously been in production, with historical production records. The Company has obtained a report calculating mineralized material for the Clifton shear zone property (see Note 3 – Mineral Properties) and is no longer considered to be in the exploration stage. The Company is now primarily engaged in property management by joint venturing the properties to other companies including the use of the Company's equipment to bring the claims into production and investing in other businesses.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and include the accounts of its 61% owned subsidiary, Woodman Mining Company. All intercompany accounts have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all cash and investments with original maturities to the Company of three months or less. As of December 31, 2022 and 2021, the Company had no cash equivalents.

Equity Securities

In accordance with ASC 321 Investment – Equity Securities, equity securities are measured at fair value with the changes in fair value recognized in net income.

For the years ended December 31, 2022 and 2021, the Company had net loss on equity securities of $4,183,794 and $95 respectively, which were recorded within other income (expense) on the Consolidated Statements of Operations.

As of December 31, 2022 and 2021, the Company has classified equity securities representing the investment of cash available for current operations with a fair value of $0 and $1, respectively, in current assets on the Consolidated Balance Sheet.

As of December 31, 2022 and 2021, the Company owned 5,810,824 shares of common stock or a 21.7% interest in Desert Hawk Gold Corp. Although ownership percentages above 20% would normally be accounted for using the equity method, the Company is accounting for this investment as an investment in equity securities due to the Company not having any significant influence over Desert Hawk Gold Corp. As of December 31, 2022, the Company elected to measure this investment at fair value with changes recognized in net income. This election was made for all identical or similar investments of Desert Hawk Gold Corp., including future purchases, and is irrevocable.

For the year ended December 31, 2022, the fair value of the Desert Hawk Gold Corp. shares of common stock of $0.28 per share was determined by an independent valuation specialist. For the year ended December 31, 2021, a value of $1.00 per share was used based on the last private equity offering Desert Hawk had completed during the third quarter of calendar year 2020. As of December 31, 2022 and 2021, the investment in the affiliate was therefore valued at $1,627,031 and $5,810,824, respectively (See Note 10 – Fair Value of Financial Instruments). This investment is classified as other assets on the Consolidated Balance Sheet due to the investments being made for the purposes of control or affiliation, in accordance with ASC 210-10 Balance Sheet – Overall.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Investments

The Company accounts for its investments in companies subject to significant influence using the equity method of accounting, under which, the Company's pro-rata share of the net income (loss) of the affiliate is recognized as income (loss) in the Company's income statement. The Company also records its share of the change in equity of the affiliate in the Company's income statement and is added to the investment on the balance sheet. Distributions received from the affiliate are treated as a return of capital and are accordingly deducted from the carrying value of the investment. (See Note 2)

Depreciation

Property and equipment are recorded at cost. Depreciation is determined using the straight-line method over the estimated useful lives of the assets over periods ranging from three to thirty-nine years. Expenditures for maintenance and repairs which do not extend the useful lives of the related assets are expensed as incurred.

Patent

The measurable patent costs that were initially capitalized totaled $29,695. The patent was granted December 14, 2010 and is being amortized over a 16.5 year life beginning December 2010. The Company evaluates the recoverability of intangibles and reviews the amortization period on a continual basis utilizing the guidance of ASC Topic 350, "Intangibles - Goodwill and Other." Several factors are used to evaluate intangibles, including, but not limited to, management's plans for future operations. Costs incurred to renew or extend the term of the patent applications will be expensed as incurred. (See Note 6)

Stock – Based Compensation

ASC Topic 718 and 505, requires that share-based payments be reflected as an expense based upon the grant-date fair value of those awards. The expense is recognized over the remaining vesting periods of the awards. The Company estimates the fair value of these awards using the Black-Scholes model. This model requires management to make certain estimates in the assumptions used in this model, including the expected term the award will be held, volatility of the underlying common stock, discount rate and forfeiture rate. We develop our assumptions based on our past historical trends as well as consider changes for future expectations. (See Note 9)

Fair Value Measurements

The fair values of the Company's financial instruments are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value estimates presented in this report are based on information available to the Company as of December 31, 2022 and 2021.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value. The authoritative guidance issued by the FASB includes a fair value three-tier hierarchy which prioritizes the inputs used in measuring the fair value. The hierarchy requires the Company to use observable inputs when available and to minimize the use of unobservable inputs when determining fair value. The first two levels of inputs are considered observable and the last level is considered unobservable, that may be used to measure fair value as follows:

Level 1 – Quoted prices in active markets for identical assets;

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2 – Significant other observable inputs, other than the quoted prices in active markets for identical assets, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Significant unobservable inputs in which there is little or no market activity and that are significant to the fair value of the assets or liabilities, which require the reporting entity to develop its own assumptions about the assumptions the market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Property Acquisition Evaluations and Mineral Exploration Costs

Acquisition costs of mining properties are deferred in the accounts. Mineral exploration expenditures are expensed as incurred. When production is attained, acquisition costs will be depleted using either the unit of production method based upon estimated proven recoverable reserves or the estimated production life of the properties. When deferred expenditures on individual properties exceed their estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are charged to operations in the period in which that determination is made.

Costs include the cash consideration and the fair market value of shares issued for the acquisition of mineral properties. Senior management regularly reviews the carrying amounts of mineral properties to assess whether there has been any impairment in value. (See Note 3)

Reclamation and Remediation Costs

Current laws and regulations require certain closure, reclamation and remediation work to be done on mineral properties as a result of exploration, development and operating activities. The Company periodically reviews the activities performed on its mineral properties and makes estimates of closure, reclamation and remediation work that will need to be performed as required by those laws and regulations and makes estimates of amounts that are expected to be incurred when the closure, reclamation and remediation work is expected to be performed.

Future closure, reclamation and environmental related expenditures are difficult to estimate in many circumstances due to the early stages of investigation, uncertainties associated with defining the nature and extent of environmental contamination, the uncertainties relating to specific reclamation and remediation methods and costs, application and changing of environmental laws, regulations and interpretation by regulatory authorities and the possible participation of other potentially responsible parties.

Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either timing or amount of reclamation and abandonment costs. The Company has estimated costs associated with closure, reclamation and environmental reclamation of its properties which have been reflected in its financial statements in accordance with generally accepted accounting principles. (See Note 4)

Revenue Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Subtopic 606-10, Revenue from Contracts with Customers (“ASC 606-10”).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company generates revenue through the leasing of its properties and milling equipment to third parties, either by receipt of direct leasing fees or joint venture relationships and the receipt of net smelter royalty payments. Net smelter royalty revenue is typically recognized when a concentrate has been delivered to a refinery and the mineralized ore of gold and silver has been purchased. In both cases, the Company's performance obligation is complete, and revenue is recognized when payments have been made pursuant to the lease agreements or when payments have been received for the sale or mineral concentrates. The Company determines collectability by performing ongoing credit evaluations and monitoring customer accounts receivable balances.

Advertising Costs

Advertising costs are charged to general and administrative expenses when incurred. The Company recorded no advertising costs for the years ended December 31, 2022 and 2021.

Income Taxes

We recognize deferred income tax assets or liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets or liabilities are determined based upon the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to apply when the differences are expected to be settled or realized. Deferred income tax assets are reviewed periodically for recoverability and valuation allowances are provided as necessary.

We classify penalties and interest as income taxes as allowed by ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes." The Company recognizes tax benefits from uncertain positions if it is "more likely than not" that the position is sustainable, based upon its technical merits. The initial measurement of the tax benefit is the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information.

Impairment of Long-Lived Assets

Management reviews the net carrying value of all property and equipment and other long-lived assets, including mineral properties, on a periodic basis in accordance with ASC 360-10. We estimate the net realizable value of an asset based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment and the value associated with property interests. These estimates of undiscounted future cash flows are dependent upon the estimates of metal to be recovered from proven and probable ore reserves, future production cost estimates and future metal price estimates over the estimated remaining life of the mineral property. If undiscounted cash flows are less than the carrying value of a property, an impairment loss will be recognized based upon the estimated expected future cash flows from the property discounted at an interest rate commensurate with the risk involved.

Management's estimates of metal prices, recoverable proven and probable ore reserves, and operating, capital and reclamation costs are subject to risks and uncertainties of change affecting the recoverability of our investment in various projects. Although management believes it has made a reasonable estimate of these factors based on current conditions and information, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from our mineral properties and the need for asset impairment write-downs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Share

Basic and diluted earnings per share are calculated in accordance with ASC Topic 260, "Earnings Per Share". Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised resulting in the issuance of common stock of the Company. Due to the net loss during the years ended December 31, 2022 and 2021, potential common stock was not included in the computation of diluted earnings per share, because to do so would be antidilutive.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. At times throughout the year, the Company may maintain certain bank accounts in excess of FDIC insured limits. As of December 31, 2022 the company had cash of $2,025,180 in a mutual fund which is not insured by the FDIC. As of December 31 2021, cash balances that exceed FDIC limits of $250,000 was $1,876,794.

The Company makes judgments as to its ability to collect outstanding accounts receivable and provides an allowance if collection becomes doubtful. Accounts that are judged to be uncollectable are written off. For the years ending December 31, 2022 and 2021, the Company carried no allowance for uncollectable receivables.

As of the year ended December 31, 2022 and 2021, one customer made up 44% and 100% of the receivable balance, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to current presentation.

NOTE 2 - EQUITY INVESTMENT IN AFFILIATE

The Company owned an 17.2% and 17.5% interest in American Silver, LLC (the “Affiliate”), at December 31, 2022 and 2021, respectively. Although ownership percentages below 20% would normally be accounted for as an investment in equity securities, the Company is accounting for this investment, using the equity method due to the Company having significant influence over the Affiliate. Under the equity method the Company’s share of the net income (loss) of the affiliate is recognized as income (loss) in the Company’s income statement and added to or deducted from the investment account.

Distributions received from the Affiliate are treated as a reduction of the investment account. In addition, the Company’s ownership interest in the Affiliate changes as the Affiliate issues additional equity in the ordinary course of business. When the Affiliate issues shares through equity funding the Company recognizes a gain or loss in the same manner as if the Company had sold a portion of its investment. The gain or loss is measured by comparing the change in the difference between the carrying amount of the investment and the Company's proportionate share of the net assets of the Affiliate after the sale of shares. American Silver, LLC

NOTE 2 - EQUITY INVESTMENT IN AFFILIATE (Continued)

owns 100% of American Biotech Labs, LLC, ABL Manufacturing, LLC, ABL Medical, LLC, ABL International, LLC and ABL BLDG 1, LLC. American Biotech Labs, LLC markets and sells products for the dietary supplement and cosmetic markets, including immune support products, tooth gel products, gels, lotions, and creams for natural skin care. These products are sold and distributed through health food stores, health care providers, nutritional supplement distributors and other companies throughout the world. ABL Medical, LLC, markets and sells approved wound dressing medical device products cleared under FDA Section 510(k), to pharmacies, retailers, medical offices, and hospitals. ABL Manufacturing, LLC manufactures these products in an FDA registered facility using patented processes.

Distributions received from American Silver, LLC during 2022 and 2021 amounted to $190,625 and $289,750, respectively. The Company's recognized investment in American Silver, LLC for the years ended December 31, 2022 and 2021, was $1,434,977 and $1,449,490, respectively. As the Affiliate continues to obtain additional equity investment and has income or losses, the investment balance will continue to reflect those changes.

Condensed consolidated financial information of American Silver, LLC as of and for the years ended December 31, 2022 and 2021 was as follows:

Assets	2022	2021
Current assets:		
Cash	$ 2,227,794	$ 2,375,289
Receivables	490,685	487,129
Other current assets (prepaid expenses, inventory)	1,836,479	1,737,488
Total current assets	4,554,958	4,599,906
Equipment: less accumulated depreciation	8,213,598	8,519,291
Other Assets	243,549	353,087
Total Assets	$ 13,012,105	$ 13,472,284
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable, accrued liabilities, related party payable, customer deposits, and current portion notes payable	$ 875,725	$ 1,163,349
Notes payable, net of current portion and loan costs	3,803,905	4,023,889
Members' equity	8,332,475	8,285,046
Total Liabilities and Members' Equity	$ 13,012,105	$ 13,472,284
Statements of Operations		
Net sales	$ 9,742,818	$ 10,592,684
Cost of goods sold	(3,971,671)	(4,216,114)
Selling, general and administrative expenses	(5,226,267)	(5,819,365)
Other income (loss)	515,750	1,545,581
Net income	$ 1,060,630	$ 2,102,786

NOTE 3 - MINERAL PROPERTIES

At December 31, 2022 and 2021, the Company's mining claims consist of 82 patented claims including 10 patented claims owned 50% by The Woodman Mining Company ("Woodman Mining"), 402 unpatented lode claims, including 32 placer claims, and six (6) state mineral leases, in total covering approximately 14,027 acres. Of these claims, 66 unpatented lode claims and 10 patented claims covering approximately 1,476 acres are subject to a 20-year lease entered on February 7, 2019 with Desert Hawk Gold Corp., which is subject to certain terms and conditions with no ownership interest in the Company properties. The properties are located in the Gold Hill/Clifton Mining District, Tooele County, Northwest Utah area.

The acquisition costs of the mineral properties in the schedule below are stated at or below the market value and are not to exceed the original purchase price. Mineral properties consist of the following:

	2022	2021
Acquisition costs	$ 1,162,459	$ 1,162,459
Asset retirement obligation – mineral properties	16,006	16,006
Land	2,500	2,500
(Less) accumulated depletion	(100,450)	(88,150)
Total	$ 1,080,515	$ 1,092,815

A study prepared by Behre Dolbear & Company, Inc. dated April 1996 and updated October 2000 by Robert Cameron, Consulting reported the following mineralized material for the Clifton shear zone:

Category	Tons	Ag (opt)	Ag (ounces)	Au (opt)	Au (ounces)	Pb(%)
Measured (1)	107,000	8.41	901,597	0.045	4,802	5.09
Indicated (2)	473,000	8.15	3,905,133	0.051	21,824	5.22
Total	580,000	8.05	4,806,730	0.050	26,626	5.20

Notes:

(1) Measured Resources are those materials for which tonnage is computed from dimensions revealed in outcrops or mine workings and/or drill holes and for which the grade is computed from the results of adequate sampling. The sites for inspection, sampling and measurement are so spaced and the geological character is so well defined that the size, shape and mineral content are established.

(2) Indicated Resources are those materials for which tonnage and grade are computed partly from specific measurements, samples, or production data, and partly from projections for a reasonable distance on geological evidence. The sites available for inspection, measurement, and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

Behre Dolbear qualified the mineralized material estimate as follows: The majority of the surface samples were collected from old, shallow prospecting pits that occurred at irregular spacing; the underground samples were taken from only readily accessible locations in old mines; and the sampling technique may have biased the Clifton data.

NOTE 4 - RECLAMATION AND REMEDIATION LIABILITIES

Federal, state and local laws and regulations concerning environmental protection affect the Company's operations. Under current regulations, the Company is required to meet performance standards to minimize environmental impact from operations and to perform site reclamation and remediation activities. The Company's provisions for reclamation and remediation liabilities are based on known requirements. It is not possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The following table sets out the activity for the Company's reclamation and remediation liabilities for the years ending December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
Opening Balance	$ 55,901	$ 52,669
Accretion	3,431	3,232
Ending Balance	$ 59,332	$ 55,901

The Company believes that the reclamation obligations incurred by the exploration and development work being performed by Desert Hawk are adequately provided for in the current reclamation estimates on mining claims remaining under contract. Desert Hawk, on an ongoing basis, is required to obtain permits and post reclamation bonds and reclaim any disturbances caused by the exploration work. The Company has also posted reclamation bonds as required with current balances of $258,768 and $258,574 at December 31, 2022 and 2021, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

Effective February 7, 2019, the Company entered into a Second Amended and Restated Lease Agreement in which the Company and Woodman Mining granted to Desert Hawk continued possession of some of the Company's properties for exploration, development and mining, and the right to occupy the specified properties and to explore, develop and mine these properties for minerals.

NOTE 6 - PROPERTY AND EQUIPMENT AND PATENTS

Buildings and equipment, less accumulated depreciation as of December 31, 2022 and 2021 consisted of the following:

December 31, 2022	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 347,886	$ (230,073)	$ 117,813
Asset retirement obligation - buildings	21,536	(12,145)	9,391
Total	$ 369,422	$ (242,218)	$ 127,204
Mill Equipment	$ 999,812	$ (696,042)	$ 303,770
Equipment:			
Machinery and equipment	$ 25,434	$ (25,434)	$ -
Vehicles	4,334	(4,334)	-
Office equipment and fixtures	5,639	(5,639)	-
Total	$ 35,407	$ (35,407)	$ -
Patent	$ 29,694	$ (21,681)	$ 8,013

NOTE 6 - PROPERTY AND EQUIPMENT AND PATENTS (Continued)

December 31, 2021	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 347,886	$ (221,153)	$ 126,733
Asset retirement obligation - buildings	21,536	(11,593)	9,943
Total	$ 369,422	$ (232,746)	$ 136,676
Mill Equipment	$ 999,812	$ (657,356)	$ 342,456
Equipment:			
Machinery and equipment	$ 25,434	$ (25,434)	$ -
Vehicles	4,334	(4,334)	-
Office equipment and fixtures	5,639	(5,639)	-
Total	$ 35,407	$ (35,407)	$ -
Patent	$ 29,694	$ (19,881)	$ 9,813

The amount of patent amortization expense for each of the next five years will be approximately $1,800 per year. Total patent amortization expense for the years ending December 31, 2022 and 2021 was $1,800 and $1,799, respectively. Total depreciation expense for the years ending December 31, 2022 and 2021, was $48,158.

NOTE 7 - CAPITAL STOCK

Our authorized capital stock consists of 70,000,000 shares of common stock, par value $0.001 per share and 10,000,000 shares of preferred stock, par value $0.001 per share, of which 251,918 have been designated as 1993 Series Preferred A Stock. In January 2020, pursuant to a Share Repurchase Plan, the Company began buying back Company common shares pursuant to SEC Rule 10b-18 and as of December 31, 2022 and 2021, the Company had repurchased 3,984,942 and 3,558,530 common shares respectively, at a cumulative cost of $754,609 and $676,561, respectively. As the ultimate disposition is not yet decided, the cost of the acquired stock is shown separately as a deduction from the total of capital stock, additional paid-in capital, and retained earnings.

As of December 31, 2022 and 2021, the number of shares issued was 58,770,791 and 58,770,791, respectively, less the treasury shares and shares held at the Company's brokerage account, the balances were 54,785,849 and 55,212,261, respectively, of common stock outstanding. As of December 31, 2022 and 2021 there were 154,584 shares of 1993 Series Preferred A Stock issued and outstanding. During 2022 and 2021, the Company issued no shares of common stock.

The 1993 Preferred is voted with the common stock of the Company as a single class and is not entitled to vote as a separate class, except to the extent that the consent of the holders of the 1993 Preferred, voting as a class, is specifically required by the provisions of the corporation laws of the state of Utah, as now existing or as hereafter amended. Each holder of 1993 Preferred is entitled to such number of votes in respect of each share of such stock held by him or her that would be appurtenant to the common stock issuable upon conversion in respect of such stock. Subject to adjustment upon the happening of certain events, the 1933 Preferred is convertible into common stock on a one-for-one basis. The 1993 Preferred may be converted at the option of the holder at any time.

The 1993 Preferred is automatically convertible into common stock upon the happening of any of the following events: (1) the date of effectiveness of a registration statement under the Securities Act of 1933, as amended, (the "Securities Act") or any successor statute, which covers the resale of common stock issuable

NOTE 7 - CAPITAL STOCK (Continued)

on the conversion of the 1993 Preferred, (2) the date of effectiveness of a registration statement under the Securities Act, for a firmly underwritten offering of common stock which will provide gross proceeds to the Company of $5,000,000 or more, (3) the date on which the Company has received gross proceeds of at least $5,000,000 pursuant to a best-efforts offering of common stock which was registered pursuant to the Securities Act, or (4) the date on which the Board causes a notice to be sent, by first class mail to the latest known address as shown on the Company's records, to the holders of 1993 Preferred which accurately states that: (a) the Company has successfully completed two consecutive fiscal years in which it has shown in each year a net profit before taxes (excluding nonrecurring and extraordinary items), (b) such net profit is shown on the Company's regular books and records of account and (c) the aggregate amount of the two-year period net profit equals or exceeds $5,000,000.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company shares office space with American Biotech Labs, LLC and incurs rent and ancillary charges in connection with this arrangement. The Company incurred $7,860 and $7,860 of such costs which were charged to operations in each year for 2022 and 2021, respectively. As of December 31, 2022 and 2021, no amounts were due to American Biotech Labs, LLC. The unconsolidated affiliate American Silver, LLC, is considered to be a related party due to several of the Company's management and board members have similar positions with the affiliate. The Company has recorded payroll expense, accrued wages, and accounts payable to these officers and directors of the Company, which totaled for the years ended December 31, 2022 and 2021, $81,500 and $144,100, respectively.

NOTE 9 - STOCK OPTIONS

The Company has adopted a stock option plan. Under the plan, options or stock awards may be granted to employees, including officers, of the Company and to other individuals who are not employees of the Company as may be deemed in the best interest of the Company by the board of directors or duly authorized committee.

The plan makes available 10% of the outstanding shares for grants. Options granted under this plan shall have a term established by the board of directors, but in no event will the term exceed five years. The exercise price of each option is to be determined by the board of directors on the date of grant. All options granted to date, are for a stated term of five years or less. Information regarding the option plan is summarized as follows:

Date granted		Weighted average price per share	Outstanding at January 1, 2021	Granted	Exercised	Expired/ forfeited	Outstanding at December 31, 2021
August 23, 2016	$	0.14	950,000	-	-	950,000	-
September 15, 2017	$	0.09	1,350,000	-	-	-	1,350,000
September 18, 2018	$	0.075	1,350,000	-	-	-	1,350,000
July 26, 2019	$	0.08	1,350,000	-	-	-	1,350,000
September 2, 2020	$	0.132	1,350,000	-	-	-	1,350,000
August 24, 2021	$	0.15	1,350,000	-	-	-	1,350,000
Total options	$	0.11	7,700,000	-	-	950,000	6,750,000
Exercisable at December 31, 2021							5,400,000

NOTE 9 - STOCK OPTIONS (Continued)

Date granted		Weighted Average Price per share	Outstanding at January 1, 2022	Granted	Exercised	Expired/ Forfeited	Outstanding at December 31, 2022	Weighted average remaining contractual life (years)
September 15, 2017	$	0.09	1,350,000	-	-	1,350,000	-	-
September 18, 2018	$	0.075	1,350,000	-	-	300,000	1,050,000	0.72
July 26, 2019	$	0.08	1,350,000	-	-	300,000	1,050,000	1.57
September 2, 2020	$	0.132	1,350,000	-	-	300,000	1,050,000	2.67
August 24, 2021	$	0.15	1,350,000	-	-	300,000	1,050,000	3.65
August 1, 2022	$	0.15	-	1,050,000	-	-	1,050,000	4.59
Total options	$	0.12	6,750,000	1,050,000	-	2,550,000	5,250,000	2.64
Exercisable at December 31, 2022							4,200,000	2.15

The valuation for stock-based compensation expense recognized for the years ended December 31, 2022 and 2021, was $117,553 and $101,955, respectively, relating to employee stock options issued during the respective periods. As of December 31, 2022 there was $55,583 of unrecognized stock-based compensation expense related to non-vested employee stock options. The valuation for stock-based compensation expense assumes all awards will vest, therefore no reduction has been made for estimated forfeitures.

The following assumptions were made in estimating fair value for the options issued in 2022 and 2021.

	August 1, 2022	August 24, 2021
Risk-free interest rate	2.66%	0.8%
Expected life	5 years	5 years
Expected volatility	72%	70%

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments which include cash and cash equivalents, receivables, accounts payable, and other payables are stated on the Company's balance sheet at fair value. Those financial instruments for which the fair value is estimated, according to a hierarchy measurement based on three levels of inputs, is presented below for the years ending December 31, 2022 and 2021, as follows:

December 31, 2022

		Fair Value Measurement at the End of the Period		
Financial Instruments:	Carrying Value	Level 1	Level 2	Level 3
Equity securities	$ -	$ -	$ -	$ -
Equity securities in affiliate	1,627,031	-	-	1,627,031
Total	$ 1,627,031	$ -	$ -	$ 1,627,031

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

December 31, 2021

		Fair Value Measurement at the End of the Period		
Financial Instruments:	Carrying Value	Level 1	Level 2	Level 3
Equity securities	$ 1	$ 1	$ -	$ -
Equity securities in affiliate	5,810,824	-	5,810,824	-
Total	$ 5,810,825	$ 1	$ 5,810,824	$ -

Level 1 - The Company's Level 1 assets consist of those equity securities with readily determinable fair values based on quoted prices in active markets for identical assets.

Level 2 - The Company's Level 2 assets consist of those equity securities in affiliates with values that are determined by significant other observable inputs, which as of December 31, 2021 would include other share placements made by affiliate.

Level 3 - The Company's Level 3 assets consist of those equity securities in affiliates with fair values that are determined by significant unobservable inputs, which as of December 31, 2022 would include the use of an independent valuation specialist.

NOTE 11 - INCOME TAXES

Effective January 1, 2007, the Company adopted the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. ASC Topic 740-10 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position.

Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in the subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and statements of income.

At the adoption date of January 1, 2007, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized. There has been no significant change in the unrecognized tax benefit during the years ended December 31, 2022 and 2021.

The Company classifies interest and penalties arising from the underpayment of income taxes in the statement of income under general and administrative expenses. As of December 31, 2022, the Company had no accrued interest or penalties related to uncertain tax positions. The Company is no longer subject to federal and state income tax examinations for the years prior to 2016.

At December 31, 2022, the Company has net operating loss carry-forwards available to offset future taxable income from the year 2023 through 2042 of approximately $3,276,000. The utilization of the net operating loss carry-forwards is dependent upon the tax laws in effect at the time the net carry-forwards can be utilized. The Internal Revenue Code contains provisions that likely could reduce or limit the availability and utilization of these net operating loss carry-forwards. For example, limitations are imposed on the utilization of net operating loss carry-forwards if certain ownership changes have taken place. The Company will perform an analysis to determine whether any such limitations have occurred as the net operating losses are utilized. The amount of, and ultimate realization of, the benefits from the net operating losses is dependent, in part, upon

NOTE 11 - INCOME TAXES (Continued)

the tax laws in effect, the Company's future earnings, and other future events, the effects of which cannot be determined.

The Company has established a valuation allowance for all deferred income tax assets not offset by deferred income tax liabilities due to the uncertainty of their realization. Accordingly, there is no benefit for income taxes in the accompanying consolidated statements of operations.

Deferred income taxes are determined based on the estimated future effects of differences between the financial statement and income tax reporting bases of assets and liabilities given the provisions of currently enacted tax laws and the tax rates expected to be in place.

The deferred income tax assets (liabilities) are comprised of the following calculated at an expected U.S. Federal Statutory tax rate of 21% at December 31, 2022 and 21% at December 31, 2021:

	December 31, 2022	December 31, 2021
Deferred tax assets:		
NOL Carryover	$ 687,900	$ 617,000
Valuation allowance	(687,900)	(617,000)
Net deferred tax asset	$ -	$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax loss for the years ended December 31, 2022 and 2021 due to the following:

	2022	2021
Federal income tax benefit at statutory rate	$ (975,700)	$ (66,600)
Accretion	700	700
Unrealized loss from equity investment	3,100	(56,200)
Unrealized gain from equity securities	878,600	-
Stock based compensation	24,700	21,400
Valuation allowance	68,600	100,700
Income tax benefit for fiscal year	$ -	$ -

NOTE 12 - EARNINGS PER SHARE

The following data sets forth the computation of basic and diluted earnings per share.

	December 31, 2022	December 31, 2021
Numerator: Net income (loss) for basic and diluted earnings per share	$ (4,646,274)	$ (317,336)
Denominator: Weighted average shares outstanding, basic and diluted.	54,930,869	55,482,679
Basic and diluted earnings per share	$ (0.08)	$ (0.01)

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, the Company believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

NOTE 14 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 9, 2023, the date on which the financial statements were available to be issued and there are two subsequent event to report. On March 21, 2023, the Company received a distribution from American Silver, LLC in the amount of $76,250. During the period subsequent to year end, according to the Company's Share Repurchase Plan, the Company bought back 149,957 shares of their own common stock for $15,899. Those shares are currently being held as treasury stock.