

**CLIFTON MINING COMPANY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**Clifton Mining Company**  
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**March 31, 2021**

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**CLIFTON MINING COMPANY**  
**Consolidated Balance Sheets**

<u>ASSETS</u>	March 31, 2021	December 31, 2020
<b>CURRENT ASSETS</b>		
Cash	\$ 2,893,424	\$ 2,966,221
Equity securities (Note 1)	88	96
Receivables	19,145	18,095
Prepaid expenses	5,265	14,253
Total Current Assets	2,917,922	2,998,665
<b>PROPERTY AND EQUIPMENT – IDLE PROPERTY</b>		
Mineral properties (Note 3)	1,102,040	1,105,115
Buildings, net (Note 6)	143,811	146,149
Milling equipment, net (Note 6)	371,602	381,141
Total Property and Equipment, Net	1,617,453	1,632,405
<b>OTHER ASSETS</b>		
Equity investment in affiliate (Notes 1, 2)	1,421,947	1,306,590
Equity securities in affiliate (Notes 1, 3, 10)	5,810,824	5,810,824
Restricted cash-reclamation bonds (Note 4)	262,352	262,335
Patent filings (Note 6)	11,168	11,612
Deposit	350	350
Total Other Assets	7,506,641	7,391,711
Total Assets	\$ 12,042,016	\$ 12,022,781
 <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 8,658	\$ 1,887
Accrued related party payable	-	-
Total Current Liabilities	8,658	1,887
<b>LONG-TERM LIABILITIES</b>		
Reclamation and remediation liabilities (Note 4)	53,459	52,669
Total Liabilities	62,117	54,556
<b>STOCKHOLDERS' EQUITY</b>		
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, 55,911,425 and 56,166,484 shares outstanding, respectively (Note 7)	58,771	58,771
Additional paid-in capital	16,882,612	16,858,976
Retained deficit	(4,480,147)	(4,542,304)
Less: Treasury stock, at cost (2,859,366 and 2,604,307 shares as of March 31, 2021 and December 31, 2020, respectively (Note 7))	(512,465)	(438,636)
Total Clifton Mining Stockholders' Equity	11,948,926	11,936,962
Noncontrolling interest	30,973	31,263
Total Stockholders' Equity	11,979,899	11,968,225
Total Liabilities and Stockholders' Equity	\$ 12,042,016	\$ 12,022,781

See accompanying notes to consolidated financial statements.

**CLIFTON MINING COMPANY**  
**Consolidated Statements of Operations**

	3 Months Ended March 31, 2021	December 31, 2020
	<u>          </u>	<u>          </u>
REVENUE	\$ -	\$ -
EXPENSES		
Exploration costs	3,075	12,300
General and administrative	7,226	22,247
Professional fees	17,725	60,250
Accretion expense	790	3,045
Depreciation and amortization	12,320	50,093
Salaries and employee benefits	70,940	356,721
Stock based compensation	23,636	62,285
Property and claim taxes, filing fees and insurance	9,388	133,958
Total Expenses	<u>145,100</u>	<u>700,899</u>
Loss From Operations	<u>(145,100)</u>	<u>(700,899)</u>
OTHER INCOME (EXPENSE)		
Interest income	119	8,270
Other income from mining lease rights	-	-
Gain from equity investment	226,135	1,558,366
Gain on equity securities - net	(9)	3,486,328
Gain (loss) from affiliate stock transactions	(19,278)	85,368
Gain on sale of property/equipment	-	-
Other Income (Expense)	<u>206,967</u>	<u>5,138,332</u>
Income (Loss) Before Income Taxes	61,867	4,437,433
Income Taxes	-	-
Net Income (Loss)	<u>61,867</u>	<u>4,437,433</u>
Less: Net Loss Attributable to Noncontrolling Interest	<u>290</u>	<u>297</u>
Net Income (Loss) Attributable to Clifton Mining	<u>\$ 62,157</u>	<u>\$ 4,437,730</u>
Net income (loss) per share – basic	<u>\$ 0.00</u>	<u>\$ 0.08</u>
Net income (loss) per share – fully diluted	<u>\$ 0.00</u>	<u>\$ 0.07</u>
Weighted average number of common shares outstanding during the year:		
Basic	<u>56,020,052</u>	<u>57,671,745</u>
Diluted	<u>58,858,841</u>	<u>60,055,607</u>

See accompanying notes to consolidated financial statements.

**CLIFTON MINING COMPANY**  
**Consolidated Statements of Cash Flows**

	<u>3 Months Ended</u> <u>March 31, 2021</u>	<u>December 31,</u> <u>2020</u>
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$ 61,867	\$ 4,437,433
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	12,321	50,093
Depletion expense	3,075	12,300
Accretion expense	790	3,045
Gain from equity investment	(226,135)	(1,558,366)
Loss (gain) from equity securities - net	8	(3,486,328)
Other income from mining lease rights	-	-
Loss (gain) from affiliate stock transactions	19,278	(85,368)
Gain on sale of fixed asset	-	-
Valuation for stock-based compensation expense related to options	23,636	62,285
Changes in operating assets and liabilities:		
Decrease (increase) in receivables, prepaid expenses, and other assets	7,921	(156,097)
Increase (decrease) in accounts payable and accrued liabilities	<u>6,771</u>	<u>(4,039)</u>
 Net Cash Used in Operating Activities	 <u>(90,468)</u>	 <u>(725,042)</u>
 <b>Cash Flows From Investing Activities:</b>		
Proceeds from venture agreement	-	-
Purchase of treasury stock	(73,829)	(438,636)
Distributions from equity investment	91,500	1,372,500
Purchase of mining claims	-	-
Proceeds from sale of equipment	<u>-</u>	<u>-</u>
 Net Cash Provided by Investing Activities	 <u>17,671</u>	 <u>933,864</u>
 <b>Cash Flows From Financing Activities:</b>		
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
 Net (decrease) increase in cash	 (72,797)	 208,822
Cash, beginning of year	<u>2,966,221</u>	<u>2,757,399</u>
Cash, end of year	<u>\$ 2,893,424</u>	<u>\$ 2,966,221</u>
 <b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
- Taxes paid	<u>\$ -</u>	<u>\$ -</u>
 <b>NON CASH INVESTING &amp; FINANCING ACTIVITIES:</b>		
Disposal of fixed assets	<u>\$ -</u>	<u>\$ -</u>
Payment of accrued wages with equity securities	<u>\$ -</u>	<u>\$ -</u>
Noncontrolling interest income allocation	<u>\$ 290</u>	<u>\$ 297</u>

See accompanying notes to consolidated financial statements.

## CLIFTON MINING COMPANY

### Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2021 and the Year Ended December 31, 2020

	Series A Preferred Shares		Common Shares		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, 2019	154,584	155	58,770,791	58,771	16,796,691	(8,980,034)	-	7,875,583	31,560	7,907,143
Compensation related to options	-	-	-	-	62,285	-	-	62,285	-	62,285
Purchase of Treasury Stock at Cost	-	-	-	-	-	-	(438,636)	(438,636)	-	(438,636)
Net income at December 31, 2020	-	-	-	-	-	4,437,730	-	4,437,730	(297)	4,437,433
	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	-	-	-	-	23,636	-	-	23,636	-	23,636
Purchase of Treasury Stock at Cost	-	-	-	-	-	-	(73,829)	(73,829)	-	(73,829)
Net income at March 31, 2021	-	-	-	-	-	62,157	-	62,157	(290)	61,867
Balance, March 31, 2021	154,584	\$ 155	58,770,791	\$ 58,771	\$ 16,882,612	\$ (4,480,147)	\$ (512,465)	\$ 11,948,926	\$ 30,973	\$ 11,979,899

See accompanying notes to consolidated financial statements.

**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

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 March 31, 2021, the Company held \$2,406,881 in a money market account which is considered cash equivalents. As of December 31, 2020, the Company held \$2,518,498 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 three months ended March 31, 2021 and the year ending December 31, 2020, the Company had net (loss) gains on equity securities of \$(9) and \$3,486,628 respectively, which were recorded within other income (expense) on the Consolidated Statements of Operations.

As of March 31, 2021 and the year ending December 31, 2020, the Company has classified equity securities representing the investment of cash available for current operations with a fair value of \$88 and \$96, respectively, in current assets on the Consolidated Balance Sheet. As of March 31, 2021 and December 31, 2020, the Company has classified equity securities with a fair value of \$5,810,824 and \$5,810,824, respectively, 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.

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.

**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 March 31, 2021 and December 31, 2020.

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;

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.



**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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”).

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 of mineral concentrates. The Company determines collectability by performing ongoing credit evaluations and monitoring customer accounts receivable balances.

**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are charged to general and administrative expenses when incurred. The Company recorded no advertising costs for the period ending March 31, 2021 and the year ended December 31, 2020.

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.

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.

**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of March 31, 2021 and December 31, 2020, the Company had total options of 5,000,000 exercisable and 6,350,000 outstanding, of which 6,350,000 were used in computation of fully diluted net income per share and the Company had none that were anti-dilutive. The earnings per share amounts are net of taxes.

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 March 31, 2021 and December 31, 2020, cash balances that exceed FDIC limits of \$250,000 was \$2,242,248 and \$2,396,774, respectively.

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 period ending March 31, 2021 and the year ending December 31, 2020, the Company carried no allowance for uncollectable receivables.

As of the period ending March 31, 2021 and the year ended December 31, 2020, one customer makes up 100% of the receivable balance.

Reclassifications

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

NOTE 2 - EQUITY INVESTMENT IN AFFILIATE

The Company owned an 17.5% and 17.8% interest in American Silver, LLC (the "Affiliate"), at March 31, 2021 and December 31, 2020, 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 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.

**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

NOTE 2 - EQUITY INVESTMENT IN AFFILIATE (Continued)

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, hospitals and the tattoo market. ABL Manufacturing, LLC manufactures these products in an FDA registered facility using patented processes.

Distributions received from American Silver, LLC during the first three months of 2021 and the year 2020 amounted to \$91,500 and \$1,372,500 respectively. The Company's recognized investment in American Silver, LLC for the three months ended March 31, 2021 and the year ended December 31, 2020 was \$1,421,947 and \$1,306,590, 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 three months ended March 31, 2021 and the year ended December 31, 2020 was as follows:

<u>Assets</u>	<u>3/31/2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 2,734,667	\$ 2,583,471
Receivables	675,874	692,519
Other current assets (prepaid expenses, inventory)	<u>1,955,928</u>	<u>1,933,897</u>
Total current assets	5,366,469	5,209,887
Equipment: less accumulated depreciation	7,870,841	7,945,935
Other Assets	<u>1,207,355</u>	<u>664,953</u>
Total Assets	<u>\$ 14,444,665</u>	<u>\$ 13,820,775</u>
<u>Liabilities and Members' Equity</u>		
Current liabilities:		
Accounts payable, accrued liabilities, current portion lease liability, and current portion notes payable	\$ 1,305,511	\$ 1,813,256
Lease liability less current portion	-	-
Notes payable, net of current portion and loan costs	5,011,541	4,649,270
Members' equity	<u>8,127,613</u>	<u>7,358,249</u>
Total Liabilities and Members' Equity	<u>\$ 14,444,665</u>	<u>\$ 13,820,775</u>
<u>Statements of Operations</u>		
Net sales	\$ 2,899,384	\$ 22,336,037
Cost of goods sold	(1,119,985)	(5,576,230)
Selling, general and administrative expenses	(1,288,842)	(8,010,182)
Other income (loss)	<u>801,993</u>	<u>(26,568)</u>
Net income	<u>\$ 1,292,550</u>	<u>\$ 8,723,057</u>

**Clifton Mining Company**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ending March 31, 2021 and the Year Ending December 31, 2020**

NOTE 3 - MINERAL PROPERTIES

At March 31, 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 6 state mineral leases, in total covering approximately 14,027 acres. The properties are located in the Gold Hill/Clifton Mining District, Tooele County, Northwest Utah area.

On February 7, 2019, the Company entered into a second amended and restated agreement with Desert Hawk Gold Corp. ("Amended Agreement"), which amended the original agreement dated July 24, 2009. This Amended Agreement includes several changes with the most significant being that Desert Hawk purchase from Clifton its five percent (5%) net smelter return royalty for \$3 million in cash and 5.5 million shares of Desert Hawk Gold Corp. stock. The value of the Desert Hawk stock at the time of the transaction was \$0.40 per share, making the estimated value of the exchange \$5.2 million. The Amended Agreement also includes the release of additional properties back to the Company and a renewal of the 20-year lease subject to certain terms and conditions with no ownership interest in the Company properties. Desert Hawk also released back to Clifton the \$42,526 reclamation bond posted for the Company's mill site.

The Company owned an 21.7% and 21.7% interest in Desert Hawk Gold Corp., at March 31, 2021 and December 31, 2020, respectively. 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 significant influence over Desert Hawk Gold Corp.

The last private equity offering up to the end of March 31, 2021, Desert Hawk had completed was at \$1.00 per share. The investment in the affiliate was therefore valued at the \$1.00 per share for a total value of \$5,810,824. (See Note 10 – Fair Value of Financial Instruments).

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:

	2020	2019
Acquisition costs	\$ 1,162,459	\$ 1,162,459
Asset retirement obligation – mineral properties	16,006	16,006
Land	2,500	2,500
(Less) depletion expense	(78,925)	(75,850)
Total	<u>\$ 1,102,040</u>	<u>\$ 1,105,115</u>

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)	<u>473,000</u>	<u>8.15</u>	<u>3,905,133</u>	<u>0.051</u>	<u>21,824</u>	<u>5.22</u>
Total	<u>580,000</u>	<u>8.05</u>	<u>4,806,730</u>	<u>0.050</u>	<u>26,626</u>	<u>5.20</u>

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NOTE 3 - MINERAL PROPERTIES (Continued)

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 period ended March 31, 2021 and the year ending December 31, 2020.

	March 31, 2021	December 31, 2020
Opening Balance	\$ 52,669	\$ 49,624
Accretion	790	3,045
Ending Balance	\$ 53,459	\$ 52,669

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 \$262,352 and \$262,335 at March 31, 2021 and December 31, 2020, 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.

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**NOTE 6 - PROPERTY AND EQUIPMENT AND PATENTS**

Buildings and equipment, less accumulated depreciation as of March 31, 2021 and December 31, 2020 consisted of the following:

<u>March 31, 2021</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings	\$ 347,886	\$ (214,432)	\$ 133,454
Asset retirement obligation - buildings	21,536	(11,179)	10,357
Total	<u>\$ 369,422</u>	<u>\$ (225,611)</u>	<u>\$ 143,811</u>
 Mill Equipment	 \$ 999,812	 \$ (618,671)	 \$ 381,141
 Equipment:			
Machinery and equipment	\$ 25,434	\$ (25,434)	\$ -
Vehicles	4,334	(4,334)	-
Office equipment and fixtures	5,639	(5,639)	-
Total	<u>\$ 35,407</u>	<u>\$ (35,407)</u>	<u>\$ -</u>
 Patent	 \$ 29,694	 \$ (18,526)	 \$ 11,168
 <u>December 31, 2020</u>	 <u>Cost</u>	 <u>Accumulated Depreciation</u>	 <u>Net Book Value</u>
Buildings	\$ 347,886	\$ (212,232)	\$ 135,654
Asset retirement obligation - buildings	21,536	(11,041)	10,495
Total	<u>\$ 369,422</u>	<u>\$ (223,273)</u>	<u>\$ 146,149</u>
 Mill Equipment	 \$ 999,812	 \$ (618,671)	 \$ 381,141
 Equipment:			
Machinery and equipment	\$ 25,434	\$ (25,434)	\$ -
Vehicles	4,334	(4,334)	-
Office equipment and fixtures	5,639	(5,639)	-
Total	<u>\$ 35,407</u>	<u>\$ (35,407)</u>	<u>\$ -</u>
 Patent	 \$ 29,694	 \$ (16,277)	 \$ 11,612

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 period ending March 31, 2021 and the year ending December 31, 2020, totals \$444 and \$1,805, respectively. Total depreciation expense for the period ending March 31, 2021 and December 31, 2020 was \$11,876 and \$48,288, respectively.

**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 March 31, 2021, the Company had repurchased 2,859,366 common shares at a cumulative cost of \$512,465. 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 March 31, 2021 and December 31, 2020, there were 55,911,425 and 56,166,484, respectively, of common stock outstanding and there were 154,584 and

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**NOTE 7 - CAPITAL STOCK (Continued)**

154,584, respectively, of 1993 Series Preferred A Stock outstanding. During the first three months of 2021 and during 2020, 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 1993 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 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 \$1,965 and \$7,860 of such costs which were charged to operations for the three months ended March 31, 2021 and for the year 2020, respectively. As of March 31, 2021 and December 31, 2020, no amounts are 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 its officers and directors of the Company, which totaled for the period ended March 31, 2021 and the year ended December 31, 2020, \$38,298 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.



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NOTE 9 - STOCK OPTIONS (Continued)

Information regarding the option plan is summarized as follows:

Date granted	Weighted average price per share	Outstanding at January 1, 2020	Granted	Exercised	Expired/forfeited	Outstanding at December 31, 2020
August 12, 2015	\$ 0.14	950,000	-	-	950,000	-
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
Total options	\$ 0.10	5,950,000	1,350,000	-	950,000	6,350,000
Exercisable at December 31, 2020						5,000,000

Date granted	Weighted Average Price per share	Outstanding at January 1, 2021	Granted	Exercised	Expired/Forfeited	Outstanding at December 31, 2020	Weighted average remaining contractual life (years)
August 23, 2016	\$ 0.14	950,000	-	-	-	950,000	0.40
September 15, 2017	\$ 0.09	1,350,000	-	-	-	950,000	1.46
September 18, 2018	\$ 0.075	1,350,000	-	-	-	1,350,000	2.47
July 26, 2019	\$ 0.08	1,350,000	-	-	-	1,350,000	3.32
September 2, 2020	\$ 0.132	1,350,000	-	-	-	1,350,000	4.43
Total options	\$ 0.10	6,350,000	-	-	-	6,350,000	2.54
Exercisable at March 31, 2021						5,000,000	2.03

The valuation for stock-based compensation expense recognized for the three months ended March 31, 2021 and the year ended December 31, 2020, was \$23,636 and \$62,285, respectively, relating to employee stock options issued during the respective periods. 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 2020.

	September 2, 2020
Risk-free interest rate	0.26%
Expected life	5 years
Expected volatility	64%

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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 three months ended March 31, 2021 and the year ending December 31, 2020, as follows:

March 31, 2021

Financial Instruments:	Carrying Value	Fair Value Measurement at the End of the Period		
		Level 1	Level 2	Level 3
Equity securities	\$ 88	\$ 88	\$ -	\$ -
Equity securities in affiliate	5,810,824	-	5,810,824	-
Total	<u>\$ 5,810,912</u>	<u>\$ 88</u>	<u>\$ 5,810,824</u>	<u>\$ -</u>

December 31, 2020

Financial Instruments:	Carrying Value	Fair Value Measurement at the End of the Period		
		Level 1	Level 2	Level 3
Equity securities	\$ 96	\$ 96	\$ -	\$ -
Equity investment in affiliate	5,810,824	-	5,810,824	-
Total	<u>\$ 5,810,920</u>	<u>\$ 96</u>	<u>\$ 5,810,824</u>	<u>\$ -</u>

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

**Level 2** - The Company's Level 2 assets consisted of those equity investments in affiliates with fair values that are determined by significant other observable inputs, which would include other share placements made by affiliate during the current period.

**Level 3** - The Company had no investments which were considered to be Level 3 assets, which values are based on significant unobservable inputs.

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 three months ended March 31, 2021 and the year ended December 31, 2020.

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NOTE 11 - INCOME TAXES (Continued)

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 March 31, 2021 and December 31, 2020, 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, 2020, the Company has net operating loss carry-forwards available to offset future taxable income from the year 2021 through 2040 of approximately \$2,458,425. 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 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, 2020:

	December 31, 2020
Deferred tax assets:	
NOL Carryover	\$ 452,200
Accrued compensation	-
Valuation allowance	(452,200)
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, 2020:

	2020
Federal income tax benefit at statutory rate	\$ 931,900
Accretion	600
Unrealized loss from equity investment	21,900
Unrealized gain from equity securities	(732,100)
Stock based compensation	13,100
NOL carryover used	(235,300)
Accrued compensation - related party	(200)
Valuation allowance	100
Income tax benefit for fiscal year	\$ -

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**NOTE 12 - EARNINGS PER SHARE**

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

	March 31, 2021	December 31, 2020
Numerator: Net income (loss) for basic and diluted earnings per share	\$ 62,157	\$ 4,437,730
Denominator: Basic earnings per share weighted average shares	56,020,052	57,671,745
Effective of Dilutive Securities (Stock Options)	2,838,789	2,383,862
Denominator: Fully diluted earnings per share weighted average shares	58,858,841	60,055,607
Basic earnings per share	\$ 0.00	\$ 0.08
Fully diluted earnings per share	\$ 0.00	\$ 0.07

**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 June 30, 2021, the date on which the financial statements were available to be issued and there is one subsequent event to report. During the period subsequent to year end, according to the Company's Share Repurchase Plan, the Company bought back a total of 854,955 shares of their own common stock for \$215,164. Those shares are currently being held as treasury stock.