TONOGOLD RESOURCES, INC.

Consolidated Financial Statements for the Years Ended
December 31, 2020 and 2019

TONOGOLD RESOURCES, INC.
DECEMBER 31, 2020 AND 2019

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Tonogold Resources, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Tonogold Resources, Inc. (the "Company"), which comprise the consolidated balance sheet as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tonogold Resources, Inc. as of December 31, 2020 and 2019 , and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company has incurred significant losses since inception, has not demonstrated an ability to generate revenue, and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern for at least one year after the date the financial statements are issued. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Marcum LLP

Houston, TX
December 16, 2022

TONOGOLD RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31,

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 3,209,000	$ 292,000
Prepaid expenses and other current assets	417,000	5,000
Total current assets	3,626,000	297,000
Equity investment in CMI (Note 2)	-	16,924,000
Mineral properties (Note 2)	18,159,000	-
Reclamation asset, net (Note 4)	10,000	-
Property, plant and equipment, net	14,000	-
Total assets	$ 21,809,000	$ 17,221,000
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued expenses (Note 3)	$ 2,765,000	$ 2,453,000
Reclamation liability (Note 4)	1,023,000	-
Convertible notes payable – Comstock (Note 5)	4,475,000	5,275,000
Convertible loans payable – current portion, net (Note 6)	6,170,000	-
Total current liabilities	14,433,000	7,728,000
Convertible loans payable – less current portion, net (Note 6)	-	3,796,000
Series D preferred stock	-	6,669,000
Derivative liability	-	7,337,000
Total liabilities	14,433,000	25,530,000
Commitments and contingencies (Note 7)	-	-
Stockholders' equity (deficit)		
Common stock, $0.001 par value, 699,000,000 shares authorized, 337,567,404 and 259,251,210 shares issued and outstanding, respectively.	338,000	259,000
Additional paid in capital	81,583,000	48,043,000
Common stock issuable	479,000	531,000
Accumulated deficit	(75,024,000)	(57,142,000)
Total stockholders' equity (deficit)	7,376,000	(8,309,000)
Total liabilities and stockholders' equity (deficit)	$ 21,809,000	$ 17,221,000

The accompanying footnotes are an integral part of these consolidated financial statements.

TONOGOLD RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2020	2019
Revenues	$ -	$ -
Operating expenses		
Employee compensation – salary and related payroll cost	235,000	1,057,000
Employee compensation – stock-based compensation	5,473,000	797,000
Exploration and evaluation costs	5,446,000	5,869,000
General and administrative expenses	1,269,000	637,000
Total operating expenses	12,423,000	8,360,000
Loss from operations	(12,423,000)	(8,360,000)
Other income (expenses)		
Amortization of debt discount	(4,274,000)	(3,336,000)
Interest expense	(2,341,000)	(660,000)
Change in fair value of derivative liability	865,000	(7,337,000)
Gain on redemption of preferred shares	2,544,000	-
Inducement expense	(2,252,000)	(4,788,000)
Total other expenses	(5,458,000)	(16,121,000)
Loss before provision for income taxes	(17,881,000)	(24,481,000)
Provision for income taxes	1,000	1,000
Net loss	$ (17,882,000)	$ (24,482,000)
Net loss per share, basic and diluted	$ (0.06)	$ (0.12)
Weighted average shares outstanding – basic and diluted	282,427,856	206,154,596

The accompanying footnotes are an integral part of these consolidated financial statements.

TONOGOLD RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common stock		Additional Paid in	Common Stock	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Issuable	Deficit	Equity (Deficit)
Balance, December 31, 2018	**191,254,811**	**$ 191,000**	**$ 32,208,000**	**$ 20,000**	**$ (32,660,000)**	**$ (241,000)**
Common stock issued for previously subscribed common stock (Note 8)	337,500	-	20,000	(20,000)	-	-
Common stock issued for exercise of warrants (Note 8)	41,055,249	41,000	3,067,000	531,000	-	3,639,000
Shares issued as inducement to exercise warrants (Note 8)	3,623,740	4,000	482,000	-	-	486,000
Warrant repricing as inducement to exercise warrants (Note 8)	-	-	4,302,000	-	-	4,302,000
Common stock issued for conversion of debt to equity (Note 8)	22,979,910	23,000	2,275,000	-	-	2,298,000
Stock-based compensation (Note 9)	-	-	797,000	-	-	797,000
Relative fair value of warrants issued with convertible loans (Note 6)	-	-	2,243,000	-	-	2,243,000
Beneficial conversion feature (Note 6)	-	-	2,649,000	-	-	2,649,000
Net loss	-	-	-	-	(24,482,000)	(24,482,000)
Balance, December 31, 2019	**259,251,210**	**$ 259,000**	**$ 48,043,000**	**$ 531,000**	**$ (57,142,000)**	**$ (8,309,000)**
Common stock issued for previously subscribed common stock (Note 8)	7,884,931	8,000	523,000	(531,000)	-	-
Common stock issued for exercise of warrants (Note 8)	12,036,528	12,000	1,293,000	-	-	1,305,000
Common stock issued for conversion of debt to equity (Note 8)	14,181,450	14,000	1,408,000	479,000	-	1,901,000
Conversion of preferred stock to common stock (Note 9)	21,777,778	22,000	8,395,000	-	-	8,417,000
Common stock issued for cash, net of issuance cost (Note 8)	20,401,452	20,000	5,525,000	-	-	5,545,000
Warrant repricing as inducement to exercise warrants (Note 8)	-	-	2,252,000	-	-	2,252,000
Common stock issued for services (Note 8)	2,034,055	3,000	773,000	-	-	776,000
Stock options issued to directors for compensation (Note 9)	-	-	4,371,000	-	-	4,371,000
Stock options issued for forgiveness of accrued salaries (Note 9)	-	-	1,102,000	-	-	1,102,000
Relative fair value of warrants issued with convertible loans (Note 6)	-	-	4,111,000	-	-	4,111,000
Relative fair value of warrants issued with common stock (Note 8)	-	-	428,000	-	-	428,000
Beneficial conversion feature (Note 6)	-	-	3,359,000	-	-	3,359,000
Net loss	-	-	-	-	(17,882,000)	(17,882,000)
Balance, December 31, 2020	**337,567,404**	**$ 338,000**	**$ 81,583,000**	**$ 479,000**	**$ (75,024,000)**	**$ 7,376,000**

The accompanying footnotes are an integral part of these consolidated financial statements.

TONOGOLD RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2020	2019
Cash flows from operating activities		
Net loss	$ (17,882,000)	$ (24,482,000)
Adjustments to reconcile net loss to net cash used in operations:		
Stock-based compensation expense	5,473,000	797,000
Common stock issued for services	776,000	-
Preferred stock issued for exploration cost	-	3,145,000
Amortization of debt discount	4,274,000	3,336,000
Notes issued for services	211,000	10,000
Depreciation	12,000	-
Accretion for reclamation liability	3,000	-
Change in fair value of derivative liability	(865,000)	7,337,000
Gain on redemption of preferred shares	(2,544,000)	-
Inducement expense	2,252,000	4,788,000
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(386,000)	(2,000)
Accounts payable and accrued expenses	638,000	957,000
Net cash used in operating activities	(8,036,000)	(4,114,000)
Cash flows from investing activities		
Investment in mineral properties	(235,000)	(5,925,000)
Acquisition of property, plant and equipment	(16,000)	-
Net cash used in investing activities	(251,000)	(5,925,000)
Cash flows from financing activities		
Proceeds from issuance of common stock, net	5,973,000	-
Proceeds from exercise of warrants	1,305,000	3,108,000
Proceeds from convertible loans	6,906,000	6,399,000
Redemption of preferred shares	(2,180,000)	-
Payment of convertible notes payable	(800,000)	-
Payment of loan from directors	-	(2,000)
Proceeds from share subscriptions	-	531,000
Net cash provided by financing activities	11,204,000	10,036,000
Net increase (decrease) in cash and cash equivalents	2,917,000	(3,000)
Cash and cash equivalents		
Beginning of year	292,000	295,000
End of year	$ 3,209,000	$ 292,000
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 895,000	$ -
Income taxes	$ -	$ -
Supplemental schedule of non-cash investing and financing activities		
Conversion of preferred stock to common stock	$ 8,417,000	$ -
Relative fair value of warrants issued with convertible loans	$ 4,111,000	$ 2,243,000
Beneficial conversion feature	$ 3,359,000	$ 2,649,000
Common stock issued for conversion of debt to equity	$ 1,901,000	$ 2,298,000

Convertible notes payable issued for acquisition of mineral property	$ -	$ 5,575,000
Series D preferred stock issued for acquisition of mineral property	$ -	$ 3,224,000
Series D preferred stock issued for payment of convertible notes payable	$ -	$ 300,000
Shares of common stock issued for previous subscriptions	$ 531,000	$ 20,000
Assumption of reclamation asset	$ 20,000	$ -
Assumption of reclamation liability	$ 1,020,000	$ -
Unearned director entitlements issued as options	$ 26,000	$ -

The accompanying footnotes are an integral part of these consolidated financial statements.

TONOGOLD RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Tonogold Resources, Inc., ("Tonogold" or the "Company") is a Delaware corporation. The Company is a minerals exploration company with interests focused on gold and silver in Nevada (Comstock Lode). Our primary focus is advancing the Comstock Lode project in Nevada.

Liquidity and Going Concern

The Company has incurred significant losses since its inception and has not demonstrated an ability to generate sufficient revenues from its minerals and exploration activities. As these activities are generally long-term in nature and its current exploration activities are in the beginning stages, the Company is not certain as to when revenue can be generated.

As of December 31, 2020, the Company had cash and cash equivalents of $3,209,000 which is not sufficient to fund the Company's planned operations through one year after the date the financial statements are issued, and accordingly, these factors create substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flow and cash usage forecasts, and obligations and debts. Although management has a history of successful capital raises, the analysis used to determine the Company's ability as a going concern does not include cash sources outside the Company's direct control that management expects to be available within the next 12 months.

We expect that our existing cash and cash equivalents as of December 31, 2020, will not be sufficient to enable us to fund our anticipated level of operations for a period of twelve months from the issuance date of these financial statements.

During the year ended December 31, 2020, the Company was able to raise net cash proceeds of $5,973,000 from the sale of 20,401,452 shares of common stock with attached warrants. Also, the Company raised an additional $1,305,000 from the exercise of warrants. In addition, the Company raised $6,906,000 from convertible loans.

The ultimate impact of the COVID-19 pandemic on the Company's operations continues to be unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced customer traffic and reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but may have a material impact on our business, financial condition and results of operations.

The significance of the impact of the COVID-19 outbreak on the Company's business and the duration for which it may have an impact cannot be determined at this time. Management continues to monitor the business environment for any significant changes that could impact the Company's operations. The Company has taken proactive steps to manage costs and discretionary spending, such as remote working and reducing facility related expenses.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Comstock Mining LLC. All material intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements include the accounts of the Company and its subsidiary from the acquisition date of majority voting control of the subsidiary on September 8, 2020.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

The most significant areas that require management judgment and which are susceptible to possible change in the near term include the Company's stock-based compensation, income taxes, embedded conversion options and free-standing warrants.

Fair Values of Financial Instruments

Accounting Standards Codification ("ASC") 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

The Company's financial instruments, including cash and cash equivalents and accounts payable and accrued expenses are carried at historical cost. On December 31, 2020 and 2019, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. The Company has no cash equivalents as of December 31, 2020 and 2019. The Company maintains its cash and cash equivalents in banks insured by the Federal Deposit Insurance Corporation ("FDIC") in accounts that at times may be in excess of the federally insured limit of $250,000 per bank. The Company minimizes this risk by placing its cash deposits with major financial institutions. On December 31, 2020 and 2019, the Company had $2,959,000 and $42,000 in excess of the federal insurance limit, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are assets held by the Company, which are expected to be realized and consumed within twelve months after the reporting period.

Property, plant and equipment, net

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets of five years.

Expenditures for repair and maintenance which do not materially extend the useful lives of property, plant and equipment are charged to operations. When property, plant or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in the statement of operations. Management periodically reviews the carrying value of its property, plant and equipment for impairment.

Equity Investment

An equity investment is an investment in an entity over which the Company has significant influence through an investment. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results of assets and liabilities acquired in an equity investment are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, equity investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the equity investment, less any impairment in the value of the investment. Losses in an equity investment, in excess of the Company's interest in that equity investment, are not recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the equity investment.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment.

Mineral Properties and Exploration and Evaluation Costs

Exploration and evaluation costs are expensed until the determination of the technical feasibility and the commercial viability of the associated project. Exploration costs include costs directly related to exploration and evaluation activities in the areas of interest. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when economically recoverable reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. This determination is normally evidenced by the completion of a technical feasibility study.

Expenditures to develop new mines, to define further mineralization in mineral properties which are in the development or operating stage, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to the statements of operations. The Company charges to the statements of operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

The Company capitalizes acquisition and option costs of mineral properties. Costs incurred to maintain current exploration or to maintain assets on a standby basis are charged to operations. Costs of abandoned projects are charged to operations upon abandonment. The Company evaluates the carrying value of capitalized mining costs and related property and equipment costs, to determine if these costs are more than their recoverable amount whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Evaluation of the carrying value of capitalized costs and any related property and equipment costs are based upon expected future cash flows and/or estimated salvage value in accordance with ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets*.

Mining Rights

Mining rights are rights to explore and mine specified areas of land acquired from the landowner. Mining rights acquired for stated terms in excess of 10 years are capitalized as intangible assets and are measured initially at cost and amortized on a straight-line basis over the term of the rights. Mining rights acquired for undefined terms are capitalized as intangible assets and are measured initially at cost and amortized on a unit of production method over the estimated period of economically recoverable reserves. Amortization is charged to general and administrative expenses in the statements of operations.

Asset Retirement Obligations (ARO)

Upon retirement of the Company's mineral properties, retirement costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing, and extent of future decommissioning activities. The Company records the fair value of an asset retirement obligation (ARO) as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset, which is depleted over the life of the asset. After the initial measurement of the ARO, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

Mining regulations require that mine properties be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, and sealing portals at deep mines. The Company accrues for the cost of final mine closure reclamation over the estimated useful mining life of the property. At each period, the Company reviews the entire reclamation liability and makes necessary adjustments for revisions to cost estimates to reflect current experience.

The Company accounted for its retirement obligations in accordance with ASC 410 Asset Retirement and Environmental Obligations, which requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset.

Mineral Resources and Reserves

The Company uses estimates and assumptions related to mineral resources that are the basis for future cash flow estimates utilized in impairment calculations and units-of production amortization calculations, environmental, reclamation and closure obligations. The Company relies on their technical personnel and independent mining consultants to determine the estimates of mineral resources. At this time the Company has not yet delineated any reserves pending future exploration.

Impairment of Long-Lived Assets

Long-lived assets include equipment and mineral properties other than those with indefinite lives. We assess the carrying value of our long-lived asset groups when indicators of impairment exist and recognize an impairment loss when the carrying amount of a long-lived asset is not recoverable when compared to undiscounted cash flows expected to result from the use and eventual disposition of the asset.

Indicators of impairment include significant underperformance relative to historical or projected future operating results, significant changes in our use of the assets or in our business strategy, loss of or changes in customer relationships and significant negative industry or economic trends. When indications of impairment arise for a particular asset or group of assets, we assess the future recoverability of the carrying value of the asset (or asset group) based on an undiscounted cash flow analysis. If carrying value exceeds projected, net, undiscounted cash flows, an additional analysis is performed to determine the fair value of the asset (or asset group), typically a discounted cashflow analysis, and an impairment charge is recorded for the excess of carrying value over fair value. There was no impairment of our long-lived assets during the years ended December 31, 2020 and 2019.

Debt Discounts

The Company accounts for debt discounts originating in connection with conversion features that remain embedded in the related notes in accordance with ASC 470-20, *Debt with Conversion and Other Options*. These costs are classified on the consolidated balance sheet as a direct deduction from the debt liability. The Company amortizes these costs over the term of its debt agreements using the effective interest method.

Revenue Recognition

On January 1, 2018, the Company adopted ASC Topic 606, “Revenue from Contracts with Customers” (“ASC 606”) using the modified retrospective method. The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible that more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when the company satisfies a performance obligation.

The adoption of ASC Topic 606 did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof at adoption or in the current period as the Company had no revenues.

Stock-Based Compensation

The Company accounts for stock-based compensation under ASC 718 “Compensation – Stock Compensation” using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges it equity instruments for goods or services.

It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

The Company use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Income Taxes

The Company accounts for income taxes under Financial Accounting Standards Board ("FASB") Codification Topic 740-10-25 ("ASC 740-10- 25") Income Taxes. Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings (Loss) Per Share

The Company follows ASC 260, "Earnings Per Share" for calculating the basic and diluted earnings (loss) per share. The Company computes basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and warrants and stock awards. For periods with a net loss, basic and diluted loss per share is the same, in that any potential common stock equivalents would have the effect of being anti-dilutive in the computation of net loss per share.

Securities that could potentially dilute income (loss) per share in the future were not included in the computation of diluted income (loss) per share at December 31, 2020 and 2019 because their inclusion would be anti-dilutive as follows:

	2020	2019
Convertible notes payable - Comstock	11,187,500	13,187,500
Convertible loans payable	90,380,000	57,057,778
Options	44,100,000	12,375,000
Warrants	64,952,972	37,841,420
Potential future share	210,620,472	120,461,698

Recently Issued Accounting Standards

Changes to accounting principles are established by the FASB in the form of Accounting Standards Updates ("ASUs") to the FASB's Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that are not yet effective, but may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

Recent Accounting Updates Not Yet Effective

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes." This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", to reduce complexity in applying GAAP to certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 is effective for interim and annual periods beginning after December 15, 2023, with early adoption permitted. We are currently evaluating the impact of this guidance.

NOTE 2 – EQUITY INVESTMENT IN CMI AND MINERAL PROPERTIES

On October 3, 2017, the Company entered into Option Agreement (the "Option Agreement") with Comstock Mining, Inc. ("CMI"). Under the terms of the Option Agreement, the Company had the right to complete a technical and economic feasibility assessment, on the Lucerne gold/silver properties owned by CMI's wholly owned subsidiary Comstock Mining, LLC ("CML"). The properties consist of mining rights and permits on approximately 1,200 acres within the Lucerne deposits on the Silver City Lode (the "Lucerne Property").

The Option Agreement granted the Company the right to conduct engineering, development, drilling and test-work. If all obligations and prerequisites were satisfied and subject to compliance with the Option Agreement, CMI and the Company would effect a joint venture for the future development and mining of mineral resources in the properties owned by CML with the Company having a 51% controlling interest.

On January 24, 2019, the Company and CMI entered into an agreement, as amended in April 2019, May 2019, June 2019, September 2019, August 2019, October 2019, November 2019, December 2019, February 2020 and amended and restated on September 2019, March 20, 2020, April 16, 2020, June 30, 2020 and September 8, 2020 (the "Purchase Agreement"), for the Company to purchase 100% of CMI's membership interests (the "Membership Interest") in CML with sole net assets being the Lucerne Properties, the Main Comstock Lode located at Gold Hill/Virginia City (the "Gold Hill Property") and the Occidental Lode (the "Occidental Property") (collectively "the Properties"). The assets to be acquired consisted of a bundle of rights and permits to mine on the Properties and are therefore deemed to be intangible assets. The Properties did not contain any tangible assets, such as trucks, equipment, or physical structures.

On the November 18, 2019 ("Initial Closing"), the purchase price was amended to $15,000,000 (the "Purchase Price"), comprised of $5,925,000 in cash, $3,500,000 in form of Series D Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock ("CPS") and $5,575,000 non-interest-bearing loan ("Loan") to be paid over a nine-month period.

At the Initial Closing, the Company received 50% of the membership interests of CML ("CML Interest"). At such date, CMI retained all management control and authority over CML until the Company fulfilled the payment obligations under the Loan. Therefore, the Company accounted for the investment under the equity method of accounting as of December 31, 2019.

The Company's equity investment consists of the following as of December 31, 2019:

Cash payments	$ 8,125,000
Preferred stock issued as consideration	3,224,000
Convertible note payable issued as consideration	5,575,000
Total acquisition price	$ 16,924,000

On March 20, 2020, the Purchase Agreement was amended for the Purchase Price to be paid consisting of (i) $11,200,000 (consisting of $6,025,000 paid to date, less $300,000 of fees, and a 12% secured convertible note in the amount of $5,475,000), plus (ii) $3,800,000 in the Company CPS. The Company also guaranteed CMI's remaining financial responsibility for its membership interest in Northern Comstock LLC, which owns and leases certain mineral properties in the Lucerne area, and assumed certain reclamation liabilities, both totaling approximately $7.0 million. CMI also retains a 1.5% NSR royalty on the Lucerne properties.

As part of the March 20, 2020 amendment, the Company and CMI restated the Purchase Agreement to replace the Loan with a 12% secured convertible note with an initial principal balance of $5,475,000 (the "Note"). The Note was initially secured by the membership interests in CML held by the Company, and subsequently was secured by all of CML's assets as CMI's senior secured debenture recently had been repaid in full as of August 11, 2020.

The Note is convertible into common shares of the Company's common stock, at CMI's sole option, at a conversion price at the time of each conversion equal to the lower of (1) 85% of the twenty (20) consecutive trading day volume weighted average price per share of the Company common stock, or (2) an applicable price per share stepping up from an initial $0.18 to $0.40 per share at the maturity date of September 20, 2021.

The Company and CMI also agreed that, upon the closing of the Purchase Agreement, they would enter into a new Option Agreement to lease its permitted American Flat Merrill Crowe heap leach facility and associated infrastructure to the Company for crushing, leaching and processing material from the Properties. If the option is exercised, the Company would pay CMI a rental fee of $1,000,000 per year plus $1 per processed ton (together the "Treatment Fee"), in addition to all the costs of operating and maintaining the facility, up to and until the first $15,000,000 in Treatment Fees are paid, and then stepping down to $1,000,000 per year and $0.50 per processed ton for the next $10,000,000 paid to CMI in Treatment Fees, and then stepping down again, to $0.25 cents per processed ton, with no annual rental fee but with a $100,000 per quarter minimum revenue. The Company would reimburse American Flat expenses of approximately $1,100,000 per year during the option life. On August 15, 2019, the Option Agreement was terminated along with all the related obligations.

CMI also agreed that upon sale of the CML Interest to the Company, it would enter into a ten-year Mineral Lease for additional mineral properties in Storey County, Nevada, granting the Company the right to explore, develop and mine these properties ("Exploration Term") with a ten-year extension period ("Development Term") and an indefinite extension whilst minerals are produced from the property ("Extended Term"). The Company agreed to assume approximately $100,000 in annual costs and assume work commitments totaling over $200,000 in 2019. CMI retained a 3% net smelter return royalty on these additional leased properties, which will be reduced to 1.5%, one year after the commencement of mining operations.

On September 8, 2020 ("Acquisition Date"), CMI and the Company amended the Purchase Agreement, whereby CMI delivered its remaining ownership interest to the Company, effectively selling 100% of its CML membership interests to the Company. As a result, the Company obtained full control of CML, including control of all decisions and operations.

At the Acquisition Date, CML had mining claims and mining rights located in certain lodes in the Comstock Region. The three lodes are the Comstock Lode, Silver City Lode, and the Occidental Lode. All three of these lodes are part of the same geological formation located in Storey County in the state of Nevada. In addition, it has been determined that the mineral claims and mining rights for the Properties are located in the same geological formation and each property has the same economic risks. Also, at the Acquisition Date, there were no mining activities on any of the Properties. As such, the Company has determined that there is only one asset class, and therefore, the purchase will be accounted for as an asset acquisition and not a business acquisition. Accordingly, no goodwill has been recognized from this transaction.

The total consideration paid by the Company for the 100% membership interest on September 8, 2020 consists of the following:

Cash payments	$	8,125,000
Preferred stock issued as consideration		3,224,000
Convertible note payable issued as consideration		5,575,000
Total purchase price	$	16,924,000

The following table summarizes the allocation of the purchase price to the assets acquired and liabilities assumed:

CMI mineral assets	$ 17,924,000
Reclamation assets	20,000
Reclamation liabilities	(1,020,000)
Net assets acquired	$ 16,924,000

Mineral properties consist of the following as of December 31, 2020:

CMI mineral assets	$ 17,904,000
Reclamation assets	20,000
Other mineral rights	235,000
Balance, end of the year	$ 18,159,000

NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table summarizes the Company's accounts payable and accrued expenses balance as of December 31:

	2020	2019
Accounts payable	$ -	$ 153,000
Officers' salaries	553,000	1,385,000
Payroll tax payable	174,000	296,000
Accrued interest	1,553,000	461,000
Accrued expenses	485,000	158,000
	$ 2,765,000	$ 2,453,000

Accrued Interest

The following table presents the details of accrued interest related to convertible notes as of December 31:

	2020	2019
Balance, beginning of the year	$ 461,000	$ 78,000
Accruals during the year	1,446,000	660,000
Interest conversions	(354,000)	(277,000)
Balance, end of the year	$ 1,553,000	$ 461,000

NOTE 4 - RECLAMATION ASSET AND LIABILITY

The Company's mines are subject to certain asset retirement obligations, which the Company has recorded as reclamation liabilities. The reclamation liabilities of the mines are subject to legal and regulatory requirements and estimates of the costs of reclamation are reviewed periodically by the applicable regulatory authorities. The reclamation liability represents the Company's estimate of the present value of future reclamation costs in connection with the mineral properties. As of December 31, 2020, the Company's reclamation assets and liabilities amounted to $10,000 and $1,023,000, respectively. The Company had no reclamation assets or liabilities at December 31, 2019.

NOTE 5 – CONVERTIBLE NOTES PAYABLE - COMSTOCK

In November 2019, the Company issued a non-interest-bearing convertible note payable in lieu of cash to CMI for the acquisition of the interest in CML (see Note 2) amounting to $5,575,000 to be paid over a nine-month period. On March 20, 2020, the purchase agreement was amended and the note now bears an interest rate of 12% per annum and matured on September 20, 2021. In accordance with ASC 470 – Debt, the Company accounted for the amendment as a modification, the amended note will not be measured at fair value. As of December 31, 2020, the Company is in default, the note is still outstanding and amendments and cancelation were made subsequent to December 31, 2020 (see Note 12).

CMI shall be entitled to convert any portion of the outstanding and unpaid convertible note payable into shares of the Company's common stock. CMI has the right to convert this (1) at the maturity date on September 20, 2021 or (2) at any time an event of default has occurred and is continuing, or (3) within ten (10) days after the issuance date that the Company makes a written offer to the CMI to prepay the notes.

The conversion price, as of any conversion date or other date of determination, will be the lower of (1) eighty-five percent (85%) of the twenty (20) consecutive trading day volume-weighted average price ("VWAP") of the common stock or (2) the applicable price ranging from $0.18 to $0.40 per share.

The table below summarizes the transactions for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of the year	$ 5,275,000	$ -
Additions	-	5,575,000
Payments	(800,000)	(300,000)
Balance, end of the year	$ 4,475,000	$ 5,275,000

During 2019, the Company issued Series D Preferred stock amounting to $300,000 in payment of the notes in lieu of cash.

During the years ended December 31, 2020 and 2019, the Company recognized interest amounting to $459,000 and $0, respectively.

NOTE 6 - CONVERTIBLE LOANS PAYABLE

The following table summarizes the carrying amount of the Company's convertible loans as of December 31:

	2020	2019
Principal		
Balance, beginning of year	$ 5,959,000	$ 1,571,000
Additions – cash	7,259,000	6,399,000
Additions – noncash	211,000	10,000
Conversions	(1,900,000)	(2,021,000)
Balance, end of year	11,529,000	5,959,000
Debt Discount		
Balance, beginning of year	2,163,000	607,000
Additions	7,470,000	4,892,000
Amortization	(4,274,000)	(3,336,000)
Balance, end of year	5,359,000	2,163,000
Net carrying amount	$ 6,170,000	$ 3,796,000
Less: Convertible loans payable, current portion	(6,170,000)	-
Convertible loans payable, non-current portion	$ -	$ 3,796,000

During 2018, the Company launched CLN series 3 ("CLN 3") with interest rate of 12% per annum and maturity dates of December 31, 2019 to December 31, 2021. The note is convertible into shares at the holder's option at any time prior to maturity at $0.10 cents per share. Warrants aggregating 17,962,500 were issued along with the CLN 3. The warrants were valued using the Black Scholes option pricing model at a total of $437,000 based on terms between 1 to 4 years, volatility of 47.64% to 66.96%, a risk-free equivalent yield of 2.27% to 2.76%, exercise price of $0.20 and stock price ranging from $0.06 to $0.17. We recorded the relative fair value of the warrants amounting to $197,000 as a debt discount which is a reduction to the debt balance and amortized over the expected term of the debt using the effective interest method.

In 2019, CLN 3 with aggregate principal amount of $2,021,000 and interest amounting to $277,000 were converted into 22,979,910 shares of the Company's common stock. As of December 31, 2019, principal and accrued interest of CLN 3 amounted to $4,402,000 and $411,000, respectively. Related unamortized discount amounted to $1,234,000. Warrants aggregating 51,517,269 were issued and valued using the Black Scholes option pricing model at a total of $3,621,000 based on terms between 1 to 6 years, volatility of 51.32% to 64.85%, a risk-free equivalent yield of 1.53% to 2.60%, exercise price of $0.10 to $0.20 and stock price ranging from $0.10 to $0.34. We recorded the relative fair value of the warrants amounting to $1,842,000 as a debt discount which is a reduction to the debt balance and amortized over the expected term of the debt using the effective interest method.

During 2019 the Company launched CLN series 4 ("CLN 4") with interest rate of 12% per annum and maturity date of December 31, 2021. The note is convertible into shares at the holder's option at any time prior to maturity at $0.18 cents per share. As of December 31, 2019, principal and accrued interest of CLN 4 amounted to $1,557,000 and $50,000, respectively. Related unamortized discount amounted to $929,000. Warrants aggregating 8,656,920 were issued and valued using the Black Scholes option pricing model at a total of $565,000 based on terms between 2 to 3 years, volatility of 54.23% to 56.05%, a risk-free equivalent yield of 1.39% to 2.17%, exercise price of $0.25 and stock price ranging from $0.19 to $0.37. We recorded the relative fair value of the warrants amounting to $401,000 as a debt discount which is a reduction to the debt balance and amortized over the expected term of the debt using the effective interest method.

During 2020, CLN 3 with aggregate principal amount of $1,150,000 and accrued interest of $302,000 were converted, 9,723,780 shares of common stock were issued in 2020 and the remaining 4,791,476 were shares issued in 2021. As of December 31, 2020, principal and accrued interest of CLN 3 amounted to $3,252,000 and $731,000, respectively. Related unamortized discount amounted to $474,000.

During 2020, CLN 4 with aggregate principal amount of $7,459,000 were issued. As of December 31, 2020, an aggregate principal amount of $750,000 and accrued interest of $52,000 were converted into 4,457,670 shares of the Company's common stock. As of December 31, 2020, principal and accrued interest of CLN 4 amounted to $8,277,000 and $822,000, respectively. Related unamortized discount amounted to $4,885,000. Warrants aggregating 41,438,520 were issued and valued using the Black Scholes option pricing model at a total of $9,347,000 based on terms between 1 to 2 years, volatility of 57.02% to 74.14%, a risk-free equivalent yield of 0.14% to 0.17%, exercise price of $0.25 and stock price ranging from $0.30 to $0.53. We recorded the relative fair value of the warrants amounting to $4,111,000 as a debt discount which is a reduction to the debt balance and amortized over the expected term of the debt using the effective interest method.

In accordance with ASC 470 - Debt, the Company first allocated the cash proceeds to the loan and the warrants on a relative fair value basis, secondly, the proceeds were allocated to the beneficial conversion feature.

Relative fair value of the warrants amounted to $4,111,000 and $2,243,000 as of December 31, 2020 and 2019, respectively. Beneficial conversion feature amounted to $3,359,000 and $2,649,000 as of December 31, 2020 and 2019, respectively.

The unamortized debt discounts will be amortized over 1 year as of December 31, 2020 and 2 years as of December 31, 2019.

Potential future shares to be issued on conversion of notes as of December 31, 2020 and 2019 are as follows:

	2020		
	CLN 3	**CLN 4**	**Total**
Principal	$ 3,252,000	$ 8,277,000	$ 11,529,000
Interest	731,000	822,000	1,553,000
Total	3,983,000	9,086,000	13,082,000
Conversion price per share	$ 0.10	$ 0.18	
Potential future share	39,830,000	50,550,000	90,380,000

	2019		
	CLN 3	CLN 4	Total
Principal	$ 4,402,000	$ 1,557,000	$ 5,959,000
Interest	411,000	50,000	461,000
Total	4,813,000	1,607,000	6,420,000
Conversion price per share	$ 0.10	$ 0.18	
Potential future share	48,130,000	8,927,778	57,057,778

Summarized below is the total interest cost recognized for the years ended December 31:

	2020	2019
Interest expense at coupon rate	$ 1,446,000	$ 660,000
Amortization of debt discount	4,264,000	3,336,000
Net carrying amount	$ 5,710,000	$ 3,996,000

Effective interest rate used to amortize the debt discount as of December 31, 2020 and 2019 ranges from 72.40% to 21.06%.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Other Commitments

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. The Company maintains director and officer insurance.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each agreement. Such indemnification agreements may not be subject to maximum loss clauses.

Employment agreements

The Company has entered into employment agreements with key employees. These agreements may include provisions for base salary, guaranteed and discretionary option grants. The agreements may contain severance provisions if the employees are terminated without cause, as defined in the agreements.

Litigation

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Howdy Kabrins v. Tonogold Resources, Inc.

On March 22, 2019, Kabrins filed a complaint against the Company alleging quantum meruit for services rendered and unjust enrichment.

On May 7, 2019, the Company filed a Cross-Complaint in the Lawsuit against Kabrins, alleging intentional and negligent interference with prospective economic advantage.

In October 2020, the Company and Kabrins agreed to settle by issuing 200,000 shares of common stock of the Company to Kabrins amounting to $78,000.

NOTE 8 - STOCKHOLDERS' EQUITY

The Company is authorized to issue 700,000,000 shares, of which, 699,000,000 shares are reserved for common stock with a par value of $0.001 and 1,000,000 shares are reserved for preferred stock with a par value of $0.001.

Preferred Stock

The Company is authorized to issue 10,000 shares of Series D Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock ("Series D") stocks at $0.001 par value. As of December 31, 2020 and 2019, nil and 6,100 shares were issued and outstanding.

The Series D were convertible into shares of the Company's common stock if either (1) Upon any additional amendments to the Purchase Agreement, including but not limited to the termination of the Purchase Agreement, each share of Series D shall, automatically and without the act of such Holder, be converted into a number of shares of Common Stock equal to the Conversion Rate in effect at the time of conversion, (2) Subject to the prior occurrence of the closing of the transactions contemplated by the Purchase Agreement, (i) on the 120th day after the closing of the transactions contemplated by the Purchase Agreement, 1,750 of the shares of the Series D shall, automatically and without the act of such Holder, be converted into a number of shares of Common Stock (rounded up to the extent fractional shares of Common Stock would result) equal to the Conversion Rate in effect at the time of conversion and (ii) on the 365th day after the closing of the transactions contemplated by the Purchase Agreement, 1,750 of the shares of the Series D shall, automatically and without the act of such Holder, be converted into a number of shares of Common Stock (rounded up to the extent fractional shares of Common Stock would result) equal to the Conversion Rate in effect at the time of conversion, or (3) upon Reorganization - Any common stock splits or such, the number of shares will adjust in-kind with the common shareholders.

The conversion rate means, (i) with respect to a conversion of the Series D pursuant to an amendment to the Purchase Agreement or a reorganization, the quotient calculated by dividing the Liquidation Preference of the Series D Preferred Stock to be converted by 85% of the lowest of the volume weighted average sales prices for the Common Stock as reported for the four consecutive Trading Days preceding the date of conversion, and (ii) with respect to a conversion of the Series D pursuant to the prior occurrence of the closing of the transaction contemplated by the Purchase Agreement, the quotient calculated by dividing the Liquidation Preference of the Series D Preferred Stock to be converted by the lowest of (1) the 20-day volume weighted Closing Price prior to conversion, (2) the actual purchase price of the Corporation's most recent private placement or (3) the Corporation's initial public offering price, in each case, subject to adjustment as provided in Section 11 (d).

In 2019, the Company issued the Series D as part of the Purchase Agreement and the various amendments. As part of the consideration the Company issued to CMI 3,500 shares of Series D with a fair market value of $3,224,000. Also, as part of the Purchase Agreement, and the related amendments, the Company issued 2,600 Series D with a fair market value of $3,445,000 as payment of operating expenditures. The Company hired a third-party valuation specialist to compute for the fair value of Series D.

The Company evaluated the accounting for the Series D in accordance with ASC 480 – Distinguishing Liabilities from Equity. Since the various conversion features would cause the Series D to be settled with variable number of shares causing the Series D to be a liability. The liability required the Company to fair value the Series D at each reporting period with the change in fair value to be taken to other income and expense. The Company presents the Series D initial value of $6,669,000 as a liability separately from the derivative liability of $7,337,0000 on the consolidated balance sheet.

On May 26, 2020, CMI elected to convert 1,100 shares Series D, with a fair value of $2,280,000, into 6,111,111 shares of common stock of the Company.

On September 16, 2020, CMI elected to convert 2,820 shares Series D, with a fair value of $6,137,000, into 15,666,667 shares of common stock of the Company.

On October 3, 2020, the Company elected to redeem the remaining 2,180 shares of Series D, with a fair value of $4,724,000, by paying the stated value of $2,180,000 and 20% redemption fee of $436,000 which is presented as interest expense in the statement of operations. A gain of $2,544,000 due to redemption was recorded as other income in the statement of operations.

The table below summarizes the transactions during 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 14,006,000	$ -
Issued	-	6,669,000
Converted	(8,417,000)	-
Redeemed	(4,724,000)	-
Fair value adjustment	(865,000)	7,337,000
Balance, end of year	$ -	$ 14,006,000

<u>*Common Stock*</u>

Common stock issued for previously subscribed common stock

In 2019, 337,500 shares of common stock were issued for the previously subscribed common stock amounting to $20,000 in respect of the exercise of warrants.

In 2020, 7,884,931 shares of common stock were issued for the previously subscribed common stock amounting to $531,000 in respect of the exercise of warrants.

Common stock issued for exercise of warrants and inducement expense

In 2019, the Company issued an aggregate of 41,055,249 shares of common stock upon exercise of CLN 2, 3 and 4 warrants with net proceeds of $3,108,000. An aggregate of $531,000 subscriptions was received in respect of exercise of warrants and the resulting 7,884,931 shares were issued in 2020.

Holders of CLN 2 warrants received half share for each warrant exercised as an inducement aggregating to 3,623,740 shares of common stock, the Company accounted for this transaction under inducement accounting and accounted for the fair value of the shares issued as inducement expense in the amount of $486,000.

In 2019, the Company reduced the exercise price of CLN 3 warrants at $0.20 per share to $0.10 and $0.06 per share as an inducement to exercise. In 2020, the Company reduced the exercise price of CLN 3 warrants at $0.20 per share to $0.08 per share as an inducement to exercise. The Company accounted for this transaction under inducement accounting and accounted for the price reduction as an inducement expense. The related inducement expense recognized in the statements of operations for the years ended December 31, 2020 and 2019 amounted to $2,252,000 and $4,302,000, respectively.

During 2020, an aggregate of 12,036,528 warrants were exercised bringing in approximately $1,305,000 of cash proceeds.

Common stock issued for conversion of debt to equity

During the year ended December 31, 2019, the Company issued 22,979,910 shares of common stock as a result of the conversion of CLN 3. An aggregate of $2,021,000 in principal and $277,000 in accrued interest were converted.

During the year ended December 31, 2020:

i. The Company issued 9,723,780 shares of common stock due to the partial conversion of CLN 3, with an aggregate principal amount of $800,000 and accrued interest of $173,000.

ii. CLN 3 with an aggregate amount of $350,000 in principal and $129,000 in accrued interest were converted but the resultant 4,791,476 shares remained unissued.

iii. The Company issued 4,457,670 shares of common stock due to the partial conversion of CLN 4. An aggregate of $750,000 in principal and $52,000 in accrued interest were converted.

iv. Total stock issuance cost recognized in relation to the common stock issued for conversion of debt to equity amounted to $353,000.

Common stock issued for cash, net of issuance cost

During August 2020, the Company undertook a private placement for the sale of a unit at $0.30, consisting of one share of the Company's common stock and half a warrant to purchase a share of common stock for $0.50 per share.

The warrant can be exercised at any time prior to the earlier of: (a) August 31, 2022 or, (b) in the event that the closing price of the Company's common shares is above $0.70 for 20 consecutive trading days (an "Accelerator Event") the expiry date shall be brought forward to that date which is the earlier of: (i) 60 days following the Company notifying the Warrant holder of the occurrence of the Accelerator Event or (ii) August 31, 2022.

The total proceeds from the private placement amounted to $4,551,000 for the issuance of 15,170,017 shares of common stock and 7,585,009 warrants. The proceeds were bifurcated between the fair value of the shares and the warrants. The fair value of the warrants was calculated using the Black-Scholes option pricing model. The relative fair value of the warrants amounted to $428,000 and recorded as part of the additional paid in capital.

During September 2020, the Company undertook a private placement for the sale of common shares at $0.35. Total proceeds from the private placement amounted to $1,831,000 for the issuance of 5,231,435 shares of common stock.

During 2020, total stock issuance cost recognized in relation to the share placements amounted to $409,000.

Common stock issued for services

In 2020, the Company issued an aggregate of 1,584,055 and 200,000 shares of common stock for drilling services and corporate related services rendered, respectively, for a total fair value of $688,000.

During the September 2020 private placement, the Company issued 250,000 of the Company's common shares with total value of $88,000 as payment for issuance costs.

NOTE 9 – STOCK OPTIONS AND WARRANTS

<u>Stock options</u>

Starting April 2013, the Company issued warrants ("Equity Based Awards") to the Company directors and others for compensation. Transactions involving our stock options for the year ended December 31, 2020 and 2019 are summarized as follows:

In July 2019, the Company issued 500,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price of $0.20 per share, are exercisable for a period of 3 years and vest over 6 to 12 months from the date of grant. The fair value of the stock options on the date of grant was $44,000 calculated using the Black-Scholes option pricing model. The fair value of the options will be recognized ratably over the service period.

In December 2019, the Company issued 2,500,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price of $0.15 per share, are exercisable for a period of 5 years and vests immediately. The fair value of the stock options on the date of grant was $749,000 calculated using the Black-Scholes option pricing model.

In April 2020, the Company issued 4,000,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price of $0.40 per share, are exercisable for a period of 5 years and vests immediately. The fair value of the stock options on the date of grant was $893,000 calculated using the Black-Scholes option pricing model.

In May 2020, the Company issued 400,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price ranging from $0.22 to $0.28 per share, are exercisable for a period of 2 years and vested immediately. The fair value of the stock options on the date of grant was $69,000 calculated using the Black-Scholes option pricing model.

In July 2020, the Company issued 1,500,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price of $0.25 per share, are exercisable for a period of 5 years and vest over 12 months from the date of grant. The fair value of the stock options on the date of grant was $422,000 calculated using the Black-Scholes option pricing model. The fair value of the options will be recognized ratably over the service period.

In September 2020, the Company issued 20,000,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price ranging from $0.45 to $1.85 per share, are exercisable for a period of 5 years and vested immediately. The fair value of the stock options on the date of grant was $3,192,000 calculated using the Black-Scholes option pricing model.

In November 2020, the Company issued 8,950,000 stock options to purchase shares of the Company's common stock. The stock options have an exercise price ranging from $0.45 to $0.65 per share, are exercisable for a period of 3 years and vested immediately. The fair value of the stock options on the date of grant was $1,102,000 calculated using the Black-Scholes option pricing model.

	Number of Shares	Weighted Average Strike Price/Share	Weighted Average Remaining Contractual Term (Years)	Weighted Average Grant Date Fair Value
Outstanding — December 31, 2018	10,000,000	$ 0.19	5.35	$ 0.19
Granted	3,000,000	0.16	4.67	0.26
Exercised	-	-	-	-
Expired	(500,000)	1.00	10.00	0.49
Outstanding — December 31, 2019	12,500,000	0.15	5.00	0.19
Vested and exercisable – December 31, 2019	12,375,000	0.15	5.02	-
Unvested and non-exercisable – December 31, 2019	125,000	0.23	3.00	0.09
Outstanding — December 31, 2019	12,500,000	0.15	5.00	0.19
Granted	34,850,000	0.75	4.45	0.16
Exercised	-	-	-	-
Forfeited	(2,500,000)	0.15	5.00	0.30
Outstanding — December 31, 2020	44,850,000	0.62	4.57	0.16
Vested and exercisable – December 31, 2020	44,100,000	0.63	4.57	-
Unvested and non-exercisable – December 31, 2020	750,000	0.25	5.00	0.28

Stock-based compensation expense for the years ended December 31, 2020 and 2019 are $4,371,000 and $797,000, respectively.

The following table sets forth the weighted-average assumptions used to estimate the fair value of option granted for the year ended December 31:

	2020	2019
Expected life (in years)	2 -5	4 -5
Risk-free interest rate	0.17% to 0.42%	1.69% to 1.84%
Expected volatility	68% to 71.9%	55% to 63%
Dividend yield	0.00%	0.00%
Stock price	$0.28 to $0.42	$0.22 to $0.40

Warrants

Transactions involving our warrants for the year ended December 31, 2020 and 2019 are summarized as follows:

	Number of Shares	Weighted Average Strike Price/Share	Weighted Average Remaining Contractual Term (Years)	Weighted Average Grant Date Fair Value
Outstanding — December 31, 2018	25,609,980	$ 0.16	1.33	$ 0.11
Granted	60,174,189	0.20	1.95	0.17
Exercised	(41,392,749)	0.18	1.90	0.17
Expired	(6,550,000)	0.20	1.33	0.07
Outstanding — December 31, 2019	37,841,420	0.20	1.39	0.14
Vested and exercisable – December 31, 2019	37,841,420	0.20	1.39	0.14
Unvested and non-exercisable – December 31, 2019	-	-	-	-
Outstanding — December 31, 2019	37,841,420	0.20	1.39	0.14
Granted	49,120,661	0.29	1.00	0.30
Exercised	(19,921,459)	0.19	0.34	0.10
Expired	(2,087,650)	0.20	1.00	0.17
Outstanding — December 31, 2020	64,952,972	0.26	1.04	0.27
Vested and exercisable – December 31, 2020	64,952,972	0.26	1.04	0.27
Unvested and non-exercisable – December 31, 2020	-	-	-	-

The following table sets forth the weighted-average assumptions used to estimate the fair value of warrants granted for the year ended December 31:

	2020	2019
Expected life (in years)	1-2	1-6
Risk-free interest rate	0.13% to 1.58%	1.39% to 2.60%
Expected volatility	57% to 74%	51% to 65%
Dividend yield	0.00%	0.00%
Stock price	$0.30 to $0.53	$0.10 to $0.37

NOTE 10 - INCOME TAXES

Income tax expense from continuing operations for the year ended December 31, 2020 consisted of the following:

	Current	Deferred	Total
Federal	$ -	$ -	$ -
State	1,000	-	1,000
Subtotal	1,000	-	1,000
Valuation allowance	-	-	-
Total	$ 1,000	$ -	$ 1,000

Income tax expense from continuing operations for the year ended December 31, 2019 consisted of the following:

	Current	Deferred	Total
Federal	$ -	$ -	$ -
State	1,000	-	1,000
Subtotal	1,000	-	1,000
Valuation allowance	-	-	-
Total	$ 1,000	$ -	$ 1,000

A reconciliation of the federal statutory income tax rate to the Company's effective income tax rate is as follows:

	2020	2019
Taxes calculated at federal rate	21.0%	21.0%
Stock-based compensation	-%	-%
Permanent Differences	(4.3)%	(11.8)%
Change in Valuation Allowance	(16.7)%	(9.2)%
Provision for income taxes	-%	-%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities on December 31, are presented below:

	2020	2019
Deferred tax assets		
Net operating loss carryforwards	$ 6,370,000	$ 4,710,000
Stock-based compensation	1,394,000	262,000
Accrued bonus	153,000	353,000
Reclamation liability	3,000	-
Total Deferred tax assets	7,920,000	5,325,000
Deferred tax liabilities		
Property, plant and equipment	(3,000)	-
Total deferred tax liabilities	(3,000)	-
Net deferred tax assets	7,917,000	5,325,000
Valuation Allowance	(7,917,000)	(5,325,000)
Net deferred tax	$ -	$ -

Deferred tax assets and liabilities are computed by applying the federal and state income tax rates in effect to the gross amounts of temporary differences and other tax attributes, such as net operating loss carry-forwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these deductible temporary differences reverse. ASC 740 requires a valuation allowance to be recorded when it is more likely than not that some or all the deferred tax assets will not be realized.

No provision for income taxes has been provided in these financial statements due to the net loss for the years ended December 31, 2020 and 2019. The Company has available approximately $34,725,000 on December 31, 2020 and $26,818,000 at December 31, 2019 of unused Federal and California net operating loss carry-forwards that may be applied against future taxable income. Some of these net operating loss carry-forwards expire through 2037, of which under the CARES Act a portion can be carried back up to five years but also, can be carried forward indefinitely, limited to 80% of a given year's taxable income.

NOLs may be limited for future use to the extent there has been a Section 382 limitation when there is a greater than 50% ownership change in a year or years. At this time, Management has not determined whether the threshold ownership change has occurred for any year, or whether a Section 382 limitation applies. There is no assurance that the Company will realize the benefit of the net operating loss carry-forwards. In the interim, the Company has placed a full valuation allowance on its NOLs and other deferred tax items.

The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. Management has considered the likelihood and significance of possible penalties associated with its current and intended filing positions and has determined, based on their assessment, that such penalties, if any, would not be expected to be material.

The Company currently has tax returns open for examination by the Internal Revenue Service for all years from 2019.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of certain financial instruments, including cash and cash equivalents and accounts payable and accrued expenses, approximate their respective fair values due to the short-term nature of such instruments.

Assets and Liabilities Measured at Fair Value

The Company evaluates its financial assets and liabilities subject to fair value measurements to determine the appropriate level in which to classify them for each reporting period. This determination requires significant judgments to be made. The Company had the following financial liabilities as of December 31, 2020 and 2019:

	Balance as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Reclamation liability	$ 1,023,000	$ —	$ —	$ 1,023,000
Total liabilities	$ 1,023,000	$ —	$ —	$ 1,023,000

	Balance as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Series D preferred stock	$ 14,006,000	$ —	$ —	$ 14,006,000
Total liabilities	$ 14,006,000	$ —	$ —	$ 14,006,000

NOTE 12 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements are available to be issued. The Management of the Company determined the following reportable non-adjusting events:

Convertible Loans

During 2021, the Company issued 4,791,476 shares of common stock due to the conversion of CLN 3 in 2020.

During the first quarter of 2022, the Company entered into maturity extension agreements with holders of the CLN3 and CLN4 notes to extend the maturity date to January 31, 2022, and/or March 15, 2022. Additionally, the Company has changed the terms of the Notes and associated warrants subject to Note holders entering into conditional agreements committing to convert their Notes as follows:

CLN 3 - The interest rate is to be increased from 12% pa to 18% per annum effective January 1st 2022. The Company has reduced the conversion price from $0.10 to $0.045 per share. Any warrants issued pursuant to the Note that have not been previously exercised shall have their expiry date extended by twelve months from the date the Note is converted. The strike price of the remaining warrants has been reduced from $0.20 to $0.16 cents per share.

CLN 4 - The interest rate is to be increased from 12% pa to 18% per annum effective January 1st 2022. The Company has reduced the conversion price from $0.18 per share to $0.08 per share. Any warrants issued pursuant to the Note that have not been previously exercised shall have their expiry date extended by twelve months from the date the Note is converted and the strike price reduced from $0.25 to $0.16 per share.

Convertible Note Payable

During the quarter ended March 31, 2021, an $813,000 advance payment in respect of the Northern Comstock Joint Venture was required to be made triggered by CMI's equity raising. CMI agreed to add this to the Convertible Notes Payable plus a $263,000 penalty in consideration for this and agreeing to extend the Note's maturity date from September 30, 2021 to March 31, 2022. This increased the Convertible Notes Payable from $4,475,000 to $5,550,000.

During the quarter ended June 30, 2021, the Company and CMI entered into an Omnibus Agreement which established the short-term suspension of reimbursement payments required to be made to CMI under the Company's Membership Purchase Agreement. Under the negotiated terms, project reimbursements have been suspended from June 1, 2021 through August 30, 2021. The suspended reimbursement payments, which are anticipated to aggregate approximately $1,000,000 have been added to the principal amount of the convertible note payable in addition to a 10% fee. The addition of the $1,100,000 to the convertible note payable brings the total principal to $6,650,000. Payments for project reimbursements resumed on August 31, 2021.

The previous agreement provided that CMI had the right to convert the principal balance into shares of common stock of the Company at an increasing conversion price which maximized at $0.40 per share on September 30, 2021, the previous maturity. The amending agreements made during 2021 also changed the conversion feature such that all or part of the principal balance can now be converted into common stock of the Company at the lower of $0.25 or 85% of the 20-day VWAP at any time prior to maturity.

The Company entered into an Option Agreement with Comstock on March 26, 2022 as amended on March 31, 2022 and May 17, 2022. The Company desires to be relieved of its obligations under the Note in exchange for transferring the Membership Interests to Comstock and being granted an option from Comstock to reacquire the Membership Interests. On the Option Effective Date, the Note in the principal amount of $6,650,000 shall be canceled and shall have no further force or effect, the Company shall have no further obligations and Comstock shall have no further rights under the Note.

Option Agreement with Comstock

The Company entered into an Option Agreement with Comstock on March 26, 2022 as amended on March 31, 2022 and May 17, 2022. In accordance with the Option Agreement, the Company and Comstock agreed to (1) the re-conveyance of Membership Interests, the sale of the Membership Interests to the Company under the Purchase Agreement shall be rescinded and ownership of the Membership Interests shall revert back to Comstock as of the Option Effective Date; (2) cancelation of the Note and transaction documents; and (3) grant of option to the Company to repurchase the Membership Interests.

Funding

As of the date of this Report, the Company raised $4,572,000 through the launching of a private placement for the sale 59,009,328 shares of the Company's common stock (at a purchase price of $0.16 or $0.064 per share) with 79,998,367 warrants to purchase the Company's common stock. Executed subscription agreements for $250,000 of equity have not been received by the Company as of the issuance date of these financial statements. Shares of common stock will be issued upon the initial closing of this private placement, which has not occurred as of the issuance date of these financial statements.

Settlement agreement with Mil-Ler Resources and Energy SA de CV

The Company previously entered into an agreement to acquire all of the issued and outstanding shares of Mil-Ler Resources and Energy SA de CV, a Mexican company ("Mil-Ler") in exchange for the Company's issuance of an aggregate 54,100,000 shares of its common stock (the "Subject Shares") to Travis Miller, Jose Alfredo Lerma Moya and Francisco Lerma Moya (collectively, the "Mil-Ler Parties"). The Subject Shares were issued to the Mil-Ler Parties, but the transfer of the issued and outstanding shares in Mil-Ler to the Company was never completed.

On January 2, 2022, a settlement agreement was entered into wherein the Board authorized the acceptance of $550,000 as consideration for the Subject Shares. As of February 11, 2022, the Company has received the full amount from Mil-Ler.

Increase in Authorized Share Count

On December 29, 2021, the Company's shareholders approved the increase in the Company's authorized share count from 699,000,000 to 999,000,000.

Directors and Officers

In July 2021, the Company retained an independent director who received a warrant to purchase 1,500,000 shares of the Company's common stock at $0.20 per share. The director resigned in August 2021.

In April 2022, the Company hired an interim chief executive officer ("CEO"), with an annual salary of $300,000 ("Annual Salary"). The Annual Salary is payable in $200,000 in cash and $100,000 payable in shares of the Company common stock.

In April 2022, The Company's board of directors ("Board") approved that the number of Directors of the Company be increased from three members to five members and that CEO shall serve as Chairman of the Board of Directors. Also, the Board resolved that effective April 1, 2022, each Director of the Company Shall be paid a retainer of $20,000 per calendar quarter to be paid in shares of the Company's common stock. Additionally, the Board resolved that the CEO shall be issued a stock option to purchase 2,500,000 shares of the Company's common stock, and another board member be issued a stock option to purchase 2,000,000 shares of the Company's common stock. Both options will vest 50% on the grant date and the remaining 50% on the first anniversary of the date of the grant. The Options will have an exercise price equal to the higher of (i) the market value per share of the Company's common stock on the date of grant, and (ii) one hundred ten percent (110%) of the price per share at which the Company's common stock is sold in the Equity Raise.

In May 2022, the Company announced the appointment of two new independent directors. As compensation for their services to be provided to the Company (i) a retainer in the amount of $20,000 per calendar quarter (or pro-rate thereof) which shall be paid in shares of the Company's common stock (ii) an option to purchase 2,000,000 shares of the Company's common stock ("Options"). The Options will vest as to 50% of the shares covered thereby on the date of grant and will vest as to the remaining 50% of the shares covered thereby on the first anniversary of the date of grant, subject to the Director's continued service as Directors. The Options will have an exercise price equal to the higher of (i) the market value per share of the Company's common stock on the date of grant, and (ii) one hundred ten percent (110%) of the price per share at which the Company's common stock is sold in the Equity

Raise. It was also announced that in conjunction with these appointments, two independent directors resigned. As of the date of this report, the Options to the four new Directors have yet to be granted.