

**Tonopah Divide Mining Company**  
**(A Nevada Corporation)**

**Financial Statements**

**December 31, 2021 and 2020**

**Tonopah Divide Mining Company**

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**Tonopah Divide Mining Company**

Balance Sheets

December 31, 2021 and 2020

(Unaudited)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 139,872	\$ 180,960
Prepaid expenses	2,300	1,100
Royalty receivable	74	40
	<u>142,246</u>	<u>182,100</u>
<i>Property and Equipment</i>		
Lode mining claims	151,781	151,781
Equipment	-	533
Less accumulated depreciation	-	(533)
	<u>151,781</u>	<u>151,781</u>
<i>Property and Equipment, net</i>		
	<u>151,781</u>	<u>151,781</u>
<i>Other Assets</i>		
Investment securities	402,970	234,460
Deferred income tax asset	-	6,818
	<u>402,970</u>	<u>241,278</u>
<i>Total Other Assets</i>		
	<u>402,970</u>	<u>241,278</u>
<b>Total Assets</b>	<u><u>\$ 696,997</u></u>	<u><u>\$ 575,159</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<i>Current Liabilities</i>		
Accrued liabilities	\$ 250	\$ 250
	<u>250</u>	<u>250</u>
<i>Total Current Liabilities</i>		
	<u>250</u>	<u>250</u>
<i>Other Liabilities</i>		
Deferred income tax liability	20,622	-
	<u>20,622</u>	<u>-</u>
<i>Total Liabilities</i>		
	<u>20,622</u>	<u>250</u>
<i>Stockholders' Equity</i>		
Common stock - \$1.00 par value:		
2,500,000 shares authorized and issued; 2,233,827 and		
2,253,327 shares outstanding in 2021 and 2020, respectively	2,500,000	2,500,000
Stock discount	(1,926,047)	(1,926,047)
Treasury stock at cost: 266,173 and 246,673 shares in 2021		
and 2020, respectively	(6,197)	(4,189)
Retained earnings	108,369	5,145
	<u>676,125</u>	<u>574,909</u>
<i>Total Stockholders' Equity</i>		
	<u>676,125</u>	<u>574,909</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u><u>\$ 696,997</u></u>	<u><u>\$ 575,159</u></u>

The accompanying notes are an integral part of these financial statements.

**Tonopah Divide Mining Company**  
 Statements of Income (Loss)  
 For the Years Ended December 31, 2021, 2020 and 2019  
 (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenue</b>			
Oil and gas royalty	\$ 26,765	\$ 24,353	\$ 35,470
Dividend income	16	463	2,939
<i>Total Revenue</i>	<u>26,781</u>	<u>24,816</u>	<u>38,409</u>
<b>Operating and General Expenses</b>			
Claim and advance royalty payments	33,505	29,255	-
Taxes and fees	9,936	3,423	1,175
Professional services	9,884	10,232	9,608
Rent	7,442	7,000	-
Insurance	1,444	1,444	1,455
Stock maintenance fee	1,000	1,000	-
Water well	669	138	-
Office	385	895	1,986
Miscellaneous	362	-	-
Travel	-	-	19
<i>Total Operating and General Expenses</i>	<u>64,627</u>	<u>53,387</u>	<u>14,243</u>
<b>(Loss) Income from Operations</b>	<u>(37,846)</u>	<u>(28,571)</u>	<u>24,166</u>
<b>Other Income (Expense)</b>			
Unrealized gains (losses) on equity investments	168,510	(138,750)	79,390
<i>Total Other Income (Expense)</i>	<u>168,510</u>	<u>(138,750)</u>	<u>79,390</u>
<b>Income (Loss) Before Taxes</b>	130,664	(167,321)	103,556
<b>Income Tax (Expense) Benefit</b>	<u>(27,440)</u>	<u>35,137</u>	<u>(21,747)</u>
<b>Net Income (Loss)</b>	<u>\$ 103,224</u>	<u>\$ (132,184)</u>	<u>\$ 81,809</u>

The accompanying notes are an integral part of these financial statements.

**Tonopah Divide Mining Company**  
 Statements of Stockholders' Equity  
 For the Years Ended December 31, 2021, 2020 and 2019  
 (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Common Stock</b>			
\$1.00 par value: 2,500,000 shares authorized and issued; 2,233,827 shares outstanding in 2021, 2,253,327 shares outstanding in 2020 and 2019	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
<b>Stock Discount</b>	<u>(1,926,047)</u>	<u>(1,926,047)</u>	<u>(1,926,047)</u>
<b>Treasury Stock</b>			
Balance at beginning of year	(4,189)	(4,189)	(4,189)
Purchase of treasury stock	<u>(2,008)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>(6,197)</u>	<u>(4,189)</u>	<u>(4,189)</u>
<b>Accumulated Other Comprehensive Loss</b>			
Balance at beginning of year	-	-	(161,617)
Reclassification under ASU 2016-01	<u>-</u>	<u>-</u>	<u>161,617</u>
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Retained Earnings</b>			
Balance at beginning of year	5,145	137,329	217,137
Net income (loss)	103,224	(132,184)	81,809
Reclassification under ASU 2016-01	<u>-</u>	<u>-</u>	<u>(161,617)</u>
Balance at end of year	<u>108,369</u>	<u>5,145</u>	<u>137,329</u>
<b>Total Stockholders' Equity</b>	<u>\$ 676,125</u>	<u>\$ 574,909</u>	<u>\$ 707,093</u>

The accompanying notes are an integral part of these financial statements.

**Tonopah Divide Mining Company**  
Statements of Cash Flows  
For the Years Ended December 31, 2021, 2020 and 2019  
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>			
Net Income (Loss)	\$ 103,224	\$ (132,184)	\$ 81,809
<i>Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities</i>			
Deferred income taxes	27,440	(35,137)	21,747
Unrealized (gains) losses on equity investments	(168,510)	138,750	(79,390)
Changes in operating assets and liabilities			
Prepaid expenses	(1,200)	(100)	(500)
Income tax refund receivable	-	9,300	(9,300)
Royalty receivable	(34)	77	41
Accrued liabilities	-	-	250
Federal income tax payable	-	-	(2,870)
<b>Net Cash (Used) Provided by Operating Activities</b>	<u>(39,080)</u>	<u>(19,294)</u>	<u>11,787</u>
<b>Cash Flows from Financing Activities</b>			
Purchase of treasury shares	<u>(2,008)</u>	<u>-</u>	<u>-</u>
<b>Net Cash Used by Financing Activities</b>	<u>(2,008)</u>	<u>-</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	(41,088)	(19,294)	11,787
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>180,960</u>	<u>200,254</u>	<u>188,467</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 139,872</u>	<u>\$ 180,960</u>	<u>\$ 200,254</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
<i>Cash paid during the year for</i>			
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,170</u>

The accompanying notes are an integral part of these financial statements.

## **Tonopah Divide Mining Company**

Notes to Financial Statements

December 31, 2021

(Unaudited)

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### **1. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Tonopah Divide Mining Company (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

#### Nature of Activity

The Company was incorporated in the State of Nevada on June 3, 1912, with an authorized capital of 1,000,000 shares having a par value of \$1.00 per share. The authorized capital was increased to 1,250,000 shares (\$1.00 par value) in 1918, and in 1927, the authorized capital was increased to 2,500,000 shares (\$1.00 par value). There are 2,500,000 shares issued. A total of 266,173 shares are held as treasury stock and 2,233,827 shares are outstanding at December 31, 2021. The Company's principal line of business is the leasing of its mining properties. The principal revenue sources currently consist of oil and gas royalties, and dividends. The Company's properties are located in Nevada.

#### Basis of Accounting

The Company's books are maintained on the accrual method of accounting in accordance with US GAAP.

#### Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents.

In addition to its bank account, the Company maintains its excess cash in a money market investment account, which is not insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021, the Company had \$132,293 in its money market investment account. The Company has not experienced any losses in such account.

#### Property and Equipment

Lode mining claims and equipment in excess of \$500 are recorded at cost.

#### Investments

The Company's investment securities portfolio is comprised of items classified as equity securities at December 31, 2021 and 2020. In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 321, equity securities are reported as an asset at their fair market value with the unrealized gains and losses included in earnings. Realized gains and losses are recognized in the statement of income and are determined by specific identification.

## **Tonopah Divide Mining Company**

Notes to Financial Statements

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(Unaudited)

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### **1. Summary of Significant Accounting Policies (Continued)**

#### Unrealized Gains (Losses) on Investments in Equity Securities

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). Under ASU 2016-01, investments in equity securities with readily determinable fair values are all measured at fair value with changes reported in net income. An alternative to fair value measurement is provided for investments in equity securities that do not have readily determinable fair values. Those investments may be recorded at cost, adjusted through earnings for observable price changes and any subsequent impairment. The Company has adopted ASU 2016-01 and reclassified its unrealized losses on equity investments of \$161,617 from accumulated other comprehensive loss to retained earnings at December 31, 2019.

#### Fair Value of Financial Instruments

Fair value accounting establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;*
- Level 2      Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and*
- Level 3      Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).*

The Company holds equity securities in publicly traded securities. Those securities are classified within Level 1 of the fair value hierarchy as their fair value is determined using quoted prices in active markets.

#### Treasury Stock

Treasury stock is carried on the books using the cost method.

#### Income Taxes

The Company accounts for income taxes under the provisions of FASB ASC 740, *Income Taxes*. ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

#### Comprehensive Income

Pursuant to FASB ASC 220, *Comprehensive Income*, the Company reports any material components of comprehensive income in its financial statements. Prior to the adoption of ASU 2016-01, comprehensive income consisted of unrealized gains and losses on equity securities.

## Tonopah Divide Mining Company

Notes to Financial Statements

December 31, 2021

(Unaudited)

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### 2. Investment Securities

The following table reflects the portion of unrealized gains and losses that relates to equity securities held at the reporting date for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net gains and (losses) recognized during the year on equity securities	\$ 168,510	\$ (138,750)	\$ 79,390
Less: Net gains and (losses) recognized during the year on equity securities sold during the year	<u>-</u>	<u>-</u>	<u>-</u>
Unrealized gains and (losses) recognized during the year on equity securities held at the reporting date	<u>\$ 168,510</u>	<u>\$ (138,750)</u>	<u>\$ 79,390</u>

There were no sales of investment securities during the years ended December 31, 2021, 2020 or 2019.

### 3. Mining Claims Owned and Leased

At December 31, 2021, Tonopah Divide Mining Company was the owner of 64 patented lode mining claims and 97 unpatented lode mining claims. The Company leases 20 patented lode mining claims. In addition, the Company owns the Divide water well. All patented and unpatented lode mining claims and the water well are in the Divide Mining District, Esmeralda County, Nevada.

Pursuant to the provisions of Section 314 of Public Law 94-579 of the Federal Land Policy of 1976, all unpatented mining claims comprising the New Little Zoe Group, Gap Group, and TD Group, DIV Group, DSE Group and DNW Group, Divide Mining District, Esmeralda County, Nevada have been recorded with the Bureau of Land Management.

The 2021 maintenance fee was paid to the Bureau of Land Management for unpatented mining claims on August 27, 2021 by the Company.

### 4. Reserved Royalty Agreements on Purchased Claims and Quiet Title Action

On the purchase of the Gold Zone Divide patented mining claims on October 25, 1996, a 1% perpetual net smelter return royalty is payable on any production from said claims; on the purchase of the Ruby Hill patented mining claim on February 22, 2010, a 1.5% net smelter return royalty to \$200,000 is payable on any production from said claim; on the purchase of the Tiger patented claim on April 12, 2010, a 1.5% net smelter return royalty to \$200,000 is payable on any production from said claim and on the purchase of the Belcher Divide patented mining claims on October 12, 2012, a 0.375% net smelter return royalty to \$100,000 is payable on any production from said claims.

During the year ended December 31, 2017, the Company commenced a Quiet Title Action on all of its property in the Divide Mining District. The "Findings of Fact, Conclusions of Law and Judgement Quieting Title to Unpatented and Patented Lode Mining Claims" was issued by the Fifth Judicial District Court of the State of Nevada on September 19, 2017 and recorded in Esmeralda County on September 20, 2017 as Document No. 0209232.

### 5. Contingent Liabilities

The Company is not a defendant in any legal proceeding nor is there any litigation in progress, pending or threatened against the Company.

**Tonopah Divide Mining Company**  
Notes to Financial Statements  
December 31, 2021  
(Unaudited)

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**6. Income Taxes**

The Company's income tax provision (benefit) consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Federal income tax - current	\$ -	\$ -	\$ -
Federal income tax - deferred	27,440	(35,137)	21,747
Total income tax provision (benefit)	<u>\$ 27,440</u>	<u>\$ (35,137)</u>	<u>\$ 21,747</u>

Deferred income taxes consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Deferred tax (liabilities) assets		
Unrealized loss on securities	\$ 20,040	\$ 55,427
Basis in pass-through entities	(63,492)	(63,409)
Net operating loss carryforward	18,304	10,280
Capital loss carryforward	4,526	4,520
Total deferred tax (liabilities) assets	<u>\$ (20,622)</u>	<u>\$ 6,818</u>

At December 31, 2021, the Company had a net operating loss carryforward of \$87,162 and a capital loss carryforward of \$21,551, both of which may be carried forward indefinitely until the losses are fully recovered.

The Company files income tax returns in the United States. These tax returns are subject to examination by taxation authorities provided the years remain open under the relevant statutes of limitations, which may result in the payment of income taxes and/or a decrease in the net operating losses available for carryforwards. While the Company believes that its tax filings do not include uncertain tax positions, the results of potential examinations or the effect of changes in tax law cannot be ascertained at this time. The Company currently has no tax years under examination.

**7. Earnings (Loss) per Share**

The earnings (loss) per share for the years ended December 31 were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Income (Loss) - Numerator	\$ 103,224	\$ (132,184)	\$ 81,809
Weighted Shares - Denominator	2,236,124	2,253,327	2,253,327
Earnings (Loss) per Share	<u>\$ 0.046</u>	<u>\$ (0.059)</u>	<u>\$ 0.036</u>

## **Tonopah Divide Mining Company**

Notes to Financial Statements

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(Unaudited)

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### **8. Related Party Transactions**

The Company utilizes bookkeeping and other administrative services provided by an employee of an entity that shares common management with the Company. The expenses incurred for such services, included in the professional services expense in the accompanying financial statements, amounted to \$6,000 for each of the years ended December 31, 2021, 2020 and 2019.

From time to time, the Company pays stock maintenance fees to another entity that shares common management with the Company. The expenses incurred for such services, amounted to \$1,000 for each of the years ended December 31, 2021 and 2020.