

Sierra Nevada Gold (USA) Inc

Interim Report - 30 June 2021

The Director presents the report, together with the financial statements, of Sierra Nevada Gold (USA) Inc ("the Company") for the half-year ended 30 June 2021.

Directors

The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Peter Moore
Mr Peter Lester (resigned 21 January 2021)

Principal activities

During the financial half-year the principal continuing activities of the Company consisted of exploration and evaluation of the Company's five mineral exploration projects across the state of Nevada, USA.

The Company also continued preparatory work for the proposed Initial Public Offering and planned listing on the Australian Securities Exchange in Q4 2021.

Review of operations

The loss for the Company after providing for income tax amounted to \$223,305 (30 June 2020: \$83,595).

Similarly to the prior year, that loss is driven mainly by expenditure on management and geological consulting. In addition, in the current period the Company has incurred additional costs for legal and consulting services in relation to its proposed Initial Public Offering (IPO) as well as audit fees.

Net assets have decreased by \$223,305 from \$7,045,573 at 31 December 2020 to \$6,822,268 at the end of the financial half-year (2020: decrease of \$83,595, from \$6,568,290 to \$6,484,695), attributable to the operating loss of \$223,305 as noted above.

The Company expended approximately \$253,000 on geological consulting, exploration and evaluation assets during the financial half-year (2020: approximately \$171,000).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial half-year.

Matters subsequent to the end of the financial half-year

On 18 August 2021 the Company issued 25,744 unsecured converting notes (**Notes**), at an issue price of \$A100 per note (**Issue Price**), raising funds of \$A2,574,400 (\$US1,894,792) before issue costs.

The key features of the convertible notes are:

- Notes are unsecured;
- no interest is payable on a Note;
- the Notes' conversion date (Conversion Date), where an Offer (as defined by the Notes agreements) had been made, is the earlier of: (a) where the Company makes a public offer: (i) the date the Company confirms to noteholders it can fulfill ASX listing conditions; or (ii) if not seeking ASX listing, the date the company issues shares under the public offer; or (b) if the Offer is not a public offer: (i) the date the Offer becomes unconditional; or (ii) the date before the completion of closure of that Offer;
- Notes will automatically convert to shares on Conversion Date;
- on Conversion Date, each Note will be converted into the number of Shares equal to the Issue Price divided by 75% of the IPO offer price of the Share (Offer Conversion Price);
- If an Event of Default (as defined in the Note agreements and including a failure to complete the Public Offer by the Maturity Date) occurs, a Noteholder may elect to: (a) convert the Notes to shares at the Issue Price divided by the Offer Conversion Price; or (b) require the Company to pay the Noteholder an amount equal to the Issue Price plus 10% of the Issue Price (Redemption Amount);
- if the Notes are not converted or redeemed by 31 July 2022 (Maturity Date) the Company must pay the Redemption Amount to Noteholders within 10 business days of the Maturity Date;
- it shall be a condition of any Initial Public Offer (IPO) undertaken by the Company that any shares issued upon conversion of the Notes will be transmuted into ASX-listed securities with the same terms and conditions as those offered under the IPO.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

This report is made in accordance with a resolution of the director.



Peter Moore
Chair

1 September 2021

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Sierra Nevada Gold (USA) Inc
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021



	Note	30 June 2021	30 June 2020
		\$	\$
Expenses			
Management fees	3	(60,000)	(60,000)
Audit fees		(49,766)	-
Legal fees		(37,965)	-
Consulting fees		(29,331)	-
Other expenses		(18,467)	(3,089)
Depreciation and amortisation expense	3	(16,698)	(16,142)
Administration		(10,609)	(3,469)
Finance costs		(469)	(895)
		<hr/>	<hr/>
Loss before income tax expense		(223,305)	(83,595)
Income tax expense	4	-	-
		<hr/>	<hr/>
Loss after income tax expense for the half-year		(223,305)	(83,595)
Other comprehensive income for the half-year, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive loss for the half-year		<u>(223,305)</u>	<u>(83,595)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Sierra Nevada Gold (USA) Inc
Statement of financial position
As at 30 June 2021



	Note	30 June 2021 \$	31 December 2020 \$
Assets			
Current assets			
Cash and cash equivalents		306,820	709,836
Other receivables		-	5,273
Total current assets		<u>306,820</u>	<u>715,109</u>
Non-current assets			
Plant and equipment		7,677	11,731
Right-of-use assets	5	37,073	5,754
Intangibles		2,399	7,250
Exploration and evaluation assets	6	8,589,692	8,337,078
Other receivables		77,392	77,392
Total non-current assets		<u>8,714,233</u>	<u>8,439,205</u>
Total assets		<u>9,021,053</u>	<u>9,154,314</u>
Liabilities			
Current liabilities			
Trade and other payables	7	285,764	225,618
Borrowings	8	1,800,556	1,800,556
Lease liabilities		29,656	7,375
Total current liabilities		<u>2,115,976</u>	<u>2,033,549</u>
Non-current liabilities			
Lease liabilities		7,617	-
Provisions		75,192	75,192
Total non-current liabilities		<u>82,809</u>	<u>75,192</u>
Total liabilities		<u>2,198,785</u>	<u>2,108,741</u>
Net assets		<u>6,822,268</u>	<u>7,045,573</u>
Equity			
Issued capital		9,660,166	9,660,166
Accumulated losses		(2,837,898)	(2,614,593)
Total equity		<u>6,822,268</u>	<u>7,045,573</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Sierra Nevada Gold (USA) Inc
Statement of changes in equity
For the half-year ended 30 June 2021



	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2020	8,542,085	(1,973,795)	6,568,290
Loss after income tax expense for the half-year	-	(83,595)	(83,595)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(83,595)	(83,595)
Balance at 30 June 2020	<u>8,542,085</u>	<u>(2,057,390)</u>	<u>6,484,695</u>
	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2021	9,660,166	(2,614,593)	7,045,573
Loss after income tax expense for the half-year	-	(223,305)	(223,305)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(223,305)	(223,305)
Balance at 30 June 2021	<u>9,660,166</u>	<u>(2,837,898)</u>	<u>6,822,268</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Sierra Nevada Gold (USA) Inc
Statement of cash flows
For the half-year ended 30 June 2021



	Note	30 June 2021	30 June 2020
		\$	\$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(166,093)	(21,556)
Interest and other finance costs paid		(469)	(895)
Net cash used in operating activities		(166,562)	(22,451)
Cash flows from investing activities			
Payments for exploration and evaluation	6	(221,864)	(171,367)
Net cash used in investing activities		(221,864)	(171,367)
Cash flows from financing activities			
Repayment of lease liabilities		(14,590)	(13,577)
Net cash used in financing activities		(14,590)	(13,577)
Net decrease in cash and cash equivalents		(403,016)	(207,395)
Cash and cash equivalents at the beginning of the financial half-year		709,836	298,364
Cash and cash equivalents at the end of the financial half-year		<u>306,820</u>	<u>90,969</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Sierra Nevada Gold (USA) Inc as an individual entity. The financial statements are presented in US dollars, which is Sierra Nevada Gold (USA) Inc's functional and presentation currency.

Significant matters and operations in the current reporting period

During the half-year the Company continued with the exploration and evaluation of the Company's five mineral exploration projects across the state of Nevada, which resulted in an increase of \$252,614 in its Exploration and evaluation assets. The net assets of the Company have decreased by \$223,305 from \$7,045,573 at 31 December 2020 to \$6,822,268 at 30 June 2021. In addition, during the current period the Company initiated process for an Initial Public Offering. At the date of signing this report this process is still on-going and management expect will be completed by the end of the calendar year 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half year ended 30 June 2021, the Company incurred net losses after tax amounting to \$223,305 and had net cash outflows from operating activities amounting to \$166,562. As at 30 June 2021 the Company's current liabilities exceeded its current assets by \$1,809,156.

Given the Company is still in the exploratory phase the past results were not unexpected. The Company's past financial losses were funded by a combination of debt and capital raisings.

The above matters indicate the existence of a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts shown in the financial report.

Note 2. Significant accounting policies (continued)

The Director believes that it is reasonably foreseeable that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after considering the following matters:

- The Company has no employees and nominal fixed/contracted costs, has no significant commitments and has the flexibility to adjust timing and scope of its exploration and evaluation activities as funds are available;
- The current liabilities as at 30 June 2021 included \$1.8m in relation to 416 converting notes, which will be settled by issuing shares of the company by either the end of the calendar year 2021, subject to the success of a planned Initial Public Offering (IPO), or by 31 July 2022 (refer to Note 8);
- In August 2021, the company raised additional funds of approximately \$1.89 million from issuing further converting notes (refer Note 12);
- The company has a track record of raising funds when required; and
- The Director is in the process of completing an Initial Public Offering (IPO) to list the Company on the Australian Stock Exchange.

Accordingly, the director believes that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company does not continue as a going concern.

Note 3. Expenses

	30 June 2021	30 June 2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Management fees</i>		
Management fees (1)	60,000	60,000
<i>Depreciation and amortisation expense</i>		
Depreciation expense	16,698	16,142

(1) Management fees are paid to Geoflite Inc, an entity associated with and controlled by a director of the Company, refer to Note 11 for details.

Note 4. Income tax expense

	30 June 2021	30 June 2020
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(223,305)	(83,595)
Tax at the statutory tax rate of 21%	(46,894)	(17,555)
Current half-year temporary differences not recognised	2,300	(211)
Deferred tax in respect to carrying forward losses not recognised	44,594	17,766
Income tax expense	-	-

Note 5. Non-current assets - right-of-use assets

	30 June 2021	31 December 2020
	\$	\$
Land and buildings - right-of-use	182,598	138,110
Less: Accumulated depreciation	(145,525)	(132,356)
	<u>37,073</u>	<u>5,754</u>

Note 6. Non-current assets - exploration and evaluation assets

	30 June 2021	31 December 2020
	\$	\$
Exploration and evaluation assets	<u>8,589,692</u>	<u>8,337,078</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration and evaluation assets	Total
	\$	\$
Balance at 1 January 2021	8,337,078	8,337,078
Additions	252,614	252,614
Balance at 30 June 2021	<u>8,589,692</u>	<u>8,589,692</u>

Note 7. Current liabilities - trade and other payables

	30 June 2021	31 December 2020
	\$	\$
Trade payables	65,146	-
Related party payables	220,618	225,618
	<u>285,764</u>	<u>225,618</u>

Related party payables include \$220,618 (31 December 2020: \$225,618) of management fees payable to Geoflite Inc. Refer to note 11 for further details on related party transactions.

Note 8. Current liabilities - borrowings

	30 June 2021	31 December 2020
	\$	\$
Converting notes payable	<u>1,800,556</u>	<u>1,800,556</u>

Note 8. Current liabilities - borrowings (continued)

During July 2019, the Company raised \$1.38 million through an issue of 416 converting notes. In accordance with the terms of the converting note agreements, these notes are expected to be settled by issuing shares of the Company during the second semester of the year 2021, subject to the success of a planned Initial Public Offering (IPO). Otherwise, these converting notes will be settled with shares of the Company by 31 July 2022. There is no interest payable on the converting notes.

Valuation techniques for fair value measurements categorised within Level 3

The basis of the valuation of converting notes is fair value using management internal assessments. During the year ended 31 December 2020 the revaluation of the converting notes resulted in an increase in the carrying value of the convertible notes of \$416,065, with the corresponding movement in fair value being recorded as an expense through profit and loss during that period. There was no material change in the fair value of the converting notes during the financial half-year ended 30 June 2021, therefore no revaluation of the converting notes was required at 30 June 2021.

Note 9. Contingent liabilities

There were no contingent liabilities as at 30 June 2021.

Note 10. Commitments

There were no material commitments at 30 June 2021.

Note 11. Related party transactions

Parent entity

Sierra Nevada Gold (USA) Inc is the parent entity.

Transactions with related parties

Management fees are payable to Geoflite Inc., a company associated with a shareholder and director of the Company, Peter Moore. Management fees incurred from Geoflite Inc. of \$60,000 expensed during the year (2020: \$60,000) as disclosed at Note 3. Additional management fees incurred from Geoflite Inc. of \$60,000 were capitalised to exploration and evaluation assets during the financial half-year (2020: \$60,000) and are included in the additions to exploration and evaluation assets disclosed at Note 6. During the year payments to Geoflite Inc. amounted to \$125,000 (2020: \$75,000).

There were no other transactions with related parties during the current and previous financial half-year.

Receivable from and payable to related parties

Management and consulting fees payable to related parties at period end are as disclosed at Note 7.

There were no other trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 12. Events after the reporting period

On 18 August 2021 the Company issued 25,744 unsecured converting notes (**Notes**), at an issue price of \$A100 per note (**Issue Price**), raising funds of \$A2,574,400 (\$US1,894,792) before issue costs.

The key features of the convertible notes are:

Note 12. Events after the reporting period (continued)

- Notes are unsecured;
- no interest is payable on a Note;
- the Notes' conversion date (**Conversion Date**), where an Offer (as defined by the Notes agreements) had been made, is the earlier of: (a) where the Company makes a public offer: (i) the date the Company confirms to noteholders it can fulfill ASX listing conditions; or (ii) if not seeking ASX listing, the date the company issues shares under the public offer; or (b) if the Offer is not a public offer: (i) the date the Offer becomes unconditional; or (ii) the date before the completion of closure of that Offer;
- Notes will automatically convert to shares on Conversion Date;
- on Conversion Date, each Note will be converted into the number of Shares equal to the Issue Price divided by 75% of the IPO offer price of the Share (**Offer Conversion Price**);
- If an Event of Default (as defined in the Note agreements and including a failure to complete the Public Offer by the Maturity Date) occurs, a Noteholder may elect to: (a) convert the Notes to shares at the Issue Price divided by the Offer Conversion Price; or (b) require the Company to pay the Noteholder an amount equal to the Issue Price plus 10% of the Issue Price (**Redemption Amount**);
- if the Notes are not converted or redeemed by 31 July 2022 (**Maturity Date**) the Company must pay the Redemption Amount to Noteholders within 10 business days of the Maturity Date;
- it shall be a condition of any Initial Public Offer (**IPO**) undertaken by the Company that any shares issued upon conversion of the Notes will be transmuted into ASX-listed securities with the same terms and conditions as those offered under the IPO.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the director's opinion:

- the attached financial statements and notes comply with the Australian Accounting Standard AASB 134 'Interim Financial Reporting', and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the director.



Peter Moore
Chair

1 September 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SIERRA NEVADA GOLD (USA) Inc.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sierra Nevada Gold (USA) Inc. ("the Company") which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

Director's Responsibility for the Half-Year Financial Report

The director of the Company is responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and for such internal controls as the director determines are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not presented fairly, in all material respects, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of Sierra Nevada Gold (USA) Inc., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the interim financial report, which indicates that for the half year ended 30 June 2021 the Company incurred a net loss and had net cash outflows from operating activities amounting to \$223,305 and 166,562, respectively. In addition, as of that date, the Company's current liabilities exceeded its current assets by \$1,809,156. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sierra Nevada Gold (USA) Inc. does not present fairly, in all material respects, the financial position of Sierra Nevada Gold (USA) Inc. as at 30 June 2021 and its performance and its cash flows for the half-year then ended in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.



RSM AUSTRALIA PTY LTD



R J MORILLO MALDONADO
Director

Dated: 2 September 2021
Melbourne, Victoria