

# **Sierra Nevada Gold (USA) Inc**

## **Annual Report - 31 December 2020**

The director presents the report, together with the financial statements, of Sierra Nevada Gold (USA) Inc ("the company") for the year ended 31 December 2020.

### **Directors**

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

Mr Peter Moore  
Mr John Groom (resigned 29 June 2020)  
Mr Peter Lester (appointed 18 July 2020, resigned 21 January 2021)

### **Principal activities**

During the financial year the principal continuing activities of the company consisted of exploration and valuation of gold and silver reserves in a number of mining areas across the state of Nevada, USA.

### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

### **Review of operations**

The loss for the company after providing for income tax amounted to \$640,798 (31 December 2019: \$332,007).

This loss includes an expense amount of \$416,065 (31 December 2019: Nil) reflecting an increase in the book value of convertible loan liabilities recorded in the company's statement of financial position. The increase in the book value reflects an upward revaluation of the fair value of the convertible loan.

The company's loss, excluding the effect of the revaluation of the convertible loans, is \$224,733 (31 December 2019: \$332,007). Similarly to the prior year, that loss is driven mainly by management fee expenses of \$145,000 (31 December 2019: \$240,000).

Net assets have increased to \$7,045,573 (2019: \$6,568,290), mainly attributable to funds of approximately \$1.12 million received from the issue of shares during the year, an increase in exploration and evaluation assets and an operating loss of approximately \$641,000 as noted above.

The company expended approximately \$530,000 on exploration and evaluation assets during the year.

### **Significant changes in the state of affairs**

During August and September 2020, the company issued 465 fully paid ordinary shares, raising \$962,831 before costs.

On 18 November 2020, the company issued 75 fully paid ordinary shares, raising \$155,250.

There were no other significant changes in the state of affairs of the company during the financial year.

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 31 December 2020 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.

### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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



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Peter Moore  
Chair

7 April 2021

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**31 December 2020**



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**Sierra Nevada Gold (USA) Inc**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**



	Note	31 December 2020 \$	31 December 2019 \$
<b>Expenses</b>			
Depreciation and amortisation expense	4	(31,332)	(41,067)
Occupancy		(964)	(1,467)
Administration		(23,195)	(12,301)
Management fees	4	(145,000)	(240,000)
Movement in fair value of derivative financial instruments	4	(416,065)	-
Other expenses		(22,909)	(34,070)
Finance costs	4	(1,333)	(3,102)
<b>Loss before income tax expense</b>		(640,798)	(332,007)
Income tax expense	5	-	-
<b>Loss after income tax expense for the year</b>		<u>(640,798)</u>	<u>(332,007)</u>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<u>(640,798)</u>	<u>(332,007)</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 31 December 2020**



	Note	31 December 2020 \$	31 December 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	709,836	298,364
Other receivables		5,273	5,273
Total current assets		<u>715,109</u>	<u>303,637</u>
<b>Non-current assets</b>			
Plant and equipment	7	11,731	15,533
Right-of-use assets	8	5,754	28,773
Intangibles		7,250	5,915
Exploration and evaluation assets	9	8,337,078	7,807,327
Other receivables	10	77,392	77,392
Total non-current assets		<u>8,439,205</u>	<u>7,934,940</u>
<b>Total assets</b>		<u>9,154,314</u>	<u>8,238,577</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	225,618	175,618
Borrowings	12	1,800,556	1,384,491
Lease liabilities	13	7,375	27,611
Total current liabilities		<u>2,033,549</u>	<u>1,587,720</u>
<b>Non-current liabilities</b>			
Lease liabilities	14	-	7,375
Provisions	15	75,192	75,192
Total non-current liabilities		<u>75,192</u>	<u>82,567</u>
<b>Total liabilities</b>		<u>2,108,741</u>	<u>1,670,287</u>
<b>Net assets</b>		<u>7,045,573</u>	<u>6,568,290</u>
<b>Equity</b>			
Issued capital	16	9,660,166	8,542,085
Accumulated losses		<u>(2,614,593)</u>	<u>(1,973,795)</u>
<b>Total equity</b>		<u>7,045,573</u>	<u>6,568,290</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 year ended 31 December 2020**



	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2019	8,542,085	(1,641,788)	6,900,297
Loss after income tax expense for the year	-	(332,007)	(332,007)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(332,007)	(332,007)
Balance at 31 December 2019	<u>8,542,085</u>	<u>(1,973,795)</u>	<u>6,568,290</u>
	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2020	8,542,085	(1,973,795)	6,568,290
Loss after income tax expense for the year	-	(640,798)	(640,798)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(640,798)	(640,798)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (Note 16)	1,118,081	-	1,118,081
Balance at 31 December 2020	<u>9,660,166</u>	<u>(2,614,593)</u>	<u>7,045,573</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 year ended 31 December 2020**



		<b>31 December</b>	<b>31 December</b>
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers		(142,048)	(293,355)
Interest and other finance costs paid		(1,333)	(3,102)
Net cash used in operating activities		(143,381)	(296,457)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	7	(1,965)	(7,679)
Payments for intangibles		(3,901)	-
Payments for exploration and evaluation	9	(529,751)	(1,797,851)
Net cash used in investing activities		(535,617)	(1,805,530)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	16	1,118,081	-
Proceeds from borrowings	12	-	1,384,491
Repayment of lease liabilities		(27,611)	(25,724)
Net cash from financing activities		1,090,470	1,358,767
Net increase/(decrease) in cash and cash equivalents		411,472	(743,220)
Cash and cash equivalents at the beginning of the financial year		298,364	1,041,584
Cash and cash equivalents at the end of the financial year	6	<u>709,836</u>	<u>298,364</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.

## **Note 2. Significant accounting policies**

### **Basis of preparation**

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') to meet the requirements of the directors. The company is a for-profit entity for the purpose of preparing these financial statements.

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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 financial year ended 31 December 2020, the company incurred net losses after tax amounting to \$640,798 and had net cash outflows from operating activities amounting to \$143,381. As at 31 December 2020 the company's current liabilities exceeded its current assets by \$1,318,440.

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.

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;
- As at the date of signing this financial report, the company's current assets (including cash at bank amounting to approximately \$566,000) continue to exceed its current liabilities (after excluding the converting notes which will be settled by way of issuing shares, rather than by a cash outlay);
- 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.

## **Note 2. Significant accounting policies (continued)**

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.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

## **Note 2. Significant accounting policies (continued)**

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

### **Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

Vehicles	5 years
Office equipment	5-7 years
Computer hardware	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### **Exploration and non-financial assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

### **Impairment of exploration and evaluation assets**

Exploration and evaluation assets are assessed annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets are reviewed for indications of impairment on a regular basis.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

## **Note 2. Significant accounting policies (continued)**

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at fair value and are Level 3 liabilities in the fair value hierarchy.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option that is considered to be equity in nature is not remeasured in the subsequent years. The carrying amount of the conversion option that is considered to be debt in nature is remeasured at fair value in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Provisions**

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Value Added Tax ('VAT') and other similar taxes**

The company is not registered for sales tax in the USA. Nor is it registered for VAT, GST, or other similar taxes in the USA, Australia, or any other jurisdiction applicable to the entity.

## **Note 2. Significant accounting policies (continued)**

All expenses incurred are therefore recognised gross of any applicable sales tax or VAT, as are any liabilities payable. Accordingly cashflows disclosed are gross of any applicable VAT.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Fair value measurement hierarchy*

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of debt instrument liabilities classified as level 3 is determined by internal management assessments.

### *Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Impairment of exploration and non-financial assets*

The company assesses impairment of exploration and evaluation assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Provision for rehabilitation*

A provision has been made for future costs estimated to be incurred in rehabilitating mining leases. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. These cost estimates are as per the Bureau of Land Management, who also holds a deposit from the company equal to the provision of rehabilitation. This deposit is accounted for as an other non-current asset within the balance sheet of the company.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

#### Note 4. Expenses

	31 December 2020 \$	31 December 2019 \$
Loss before income tax includes the following specific expenses:		
<i>Management fees</i>		
Management fees (1)	145,000	240,000
<i>Depreciation and amortisation expense</i>		
Depreciation expense	31,332	39,309
Amortisation expense	-	1,758
Total depreciation and amortisation expense	31,332	41,067
<i>Net loss on derivatives not qualifying as hedges</i>		
Net loss on derivatives not qualifying as hedges (2)	416,065	-

(1) Management fees are paid to Geoflite Inc, an entity associated with and controlled by a director of the company, refer to Note 21 for details.

(2) Movement in fair value of embedded option associated with convertible loan

#### Note 5. Income tax expense

	31 December 2020 \$	31 December 2019 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(640,798)	(332,007)
Tax at the statutory tax rate of 21%	(134,568)	(69,721)
Current year temporary differences not recognised	86,409	(1,237)
Deferred tax in respect to carrying forward losses not recognised	48,159	70,958
Income tax expense	-	-
	<b>31 December 2020 \$</b>	<b>31 December 2019 \$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	1,934,025	1,704,698
Potential tax benefit @ 21%	406,145	357,987

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the conditions for utilisation are met at the relevant times.



**Note 6. Current assets - cash and cash equivalents**

	31 December 2020 \$	31 December 2019 \$
Cash at bank	709,836	298,364

**Note 7. Non-current assets - plant and equipment**

	31 December 2020 \$	31 December 2019 \$
Motor vehicles - at cost	99,488	99,488
Less: Accumulated depreciation	(95,688)	(92,658)
	3,800	6,830
Computer equipment - at cost	6,757	4,792
Less: Accumulated depreciation	(3,355)	(2,630)
	3,402	2,162
Office equipment - at cost	14,260	14,260
Less: Accumulated depreciation	(9,731)	(7,719)
	4,529	6,541
	11,731	15,533

*Reconciliations*

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

	Motor vehicles \$	Computer equipment \$	Office equipment \$	Total \$
Balance at 1 January 2020	6,830	2,162	6,541	15,533
Additions	-	-	1,965	1,965
Depreciation expense	(3,030)	(725)	(2,012)	(5,767)
Balance at 31 December 2020	3,800	1,437	6,494	11,731

**Note 8. Non-current assets - right-of-use assets**

	31 December 2020 \$	31 December 2019 \$
Land and buildings - right-of-use	138,110	138,110
Less: Accumulated depreciation	(132,356)	(109,337)
	5,754	28,773



**Note 9. Non-current assets - exploration and evaluation assets**

	31 December 2020 \$	31 December 2019 \$
Exploration and evaluation assets	<u>8,337,078</u>	<u>7,807,327</u>

*Reconciliations*

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

	Exploration and evaluation assets \$	Total \$
Balance at 1 January 2020	7,807,327	7,807,327
Additions	<u>529,751</u>	<u>529,751</u>
Balance at 31 December 2020	<u>8,337,078</u>	<u>8,337,078</u>

**Note 10. Non-current assets - other receivables**

	31 December 2020 \$	31 December 2019 \$
Rental bond deposits	2,200	2,200
Deposit with the Bureau of Land Management for make good provision	<u>75,192</u>	<u>75,192</u>
	<u>77,392</u>	<u>77,392</u>

**Note 11. Current liabilities - trade and other payables**

	31 December 2020 \$	31 December 2019 \$
Related party payables	<u>225,618</u>	<u>175,618</u>

Related party payables include \$225,618 (2019: \$175,618) of management fees payable to Geoflite Inc. Refer to note 21 for further details on related party transactions.

## Note 12. Current liabilities - borrowings

	31 December 2020 \$	31 December 2019 \$
Converting notes payable	<u>1,800,556</u>	<u>1,384,491</u>

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 first 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 (2019: Nil), with the corresponding movement in fair value being recorded as an expense through profit and loss (refer Note 4).

## Note 13. Current liabilities - lease liabilities

	31 December 2020 \$	31 December 2019 \$
Lease liability	<u>7,375</u>	<u>27,611</u>

## Note 14. Non-current liabilities - lease liabilities

	31 December 2020 \$	31 December 2019 \$
Lease liability	<u>-</u>	<u>7,375</u>

## Note 15. Non-current liabilities - provisions

	31 December 2020 \$	31 December 2019 \$
Provision for restoration and rehabilitation	<u>75,192</u>	<u>75,192</u>

### *Restoration and rehabilitation provision*

The provision represents the present value of estimated costs of the remediation work that will be required to comply with environmental and legal obligations. This amount is held by the Bureau of Land Management as disclosed in Note 10.

## Note 16. Equity - issued capital

	31 December 2020 Shares	31 December 2019 Shares	31 December 2020 \$	31 December 2019 \$
Ordinary shares - fully paid	<u>9,536</u>	<u>8,996</u>	<u>9,660,166</u>	<u>8,542,085</u>

## Note 16. Equity - issued capital (continued)

### *Movements in ordinary share capital*

Details	Date	Shares		\$
Balance	1 January 2019	8,996		8,542,085
Balance	31 December 2019	8,996		8,542,085
Share issues	August-September 2020	465	\$2,069.87	962,831
Share issues	18 November 2020	75	\$2,069.87	155,250
Balance	31 December 2020	9,536		9,660,166

### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Each outstanding share is entitled to one vote.

## Note 17. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 18. Contingent liabilities

There were no contingent liabilities as at 31 December 2020.

## Note 19. Commitments

There were no material commitments at 31 December 2020.

## Note 20. Key management personnel disclosures

The Key Management Personnel of the Company consist of the Board of Directors and Executive Management personnel. The remuneration of the Key Management Personnel of the Company is limited to the management and consulting fees as disclosed in Note 21.

## Note 21. Related party transactions

### *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 \$145,000 expensed during the year (2019: \$240,000) as disclosed at Note 4. Additional management fees incurred from Geoflite Inc. of \$95,000 were capitalised to exploration and evaluation assets during the year and are included in the additions to exploration and evaluation assets disclosed at Note 9. During the year payments to related parties amounted to \$190,000 (2019: \$240,000).

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

### *Receivable from and payable to related parties*

Management and consulting fees payable to related parties at year end are as disclosed at Note 11.

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

**Note 22. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2020 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 Standards - Reduced Disclosure Requirements 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 31 December 2020 and of its performance for the financial 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.



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Peter Moore  
Chair

7 April 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Sierra Nevada Gold (USA) Inc.

### Opinion

We have audited the financial report of Sierra Nevada Gold (USA) Inc. ('The Company'), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion the accompanying financial report, in all material respects, gives a true and fair view of the financial position of Sierra Nevada Gold (USA) Inc. as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Sierra Nevada Gold (USA) Inc. in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that for the year ended 31 December 2020 the Company incurred a net loss and had net cash outflows from operating activities amounting to \$640,798 and 143,381, respectively. In addition, as of that date, the Company's current liabilities exceeded its total assets by \$1,318,440. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2020 but does not include the financial report and the auditor's report thereon.

**Other Information (continued)**

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Report**

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing Sierra Nevada Gold (USA) Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

**RSM AUSTRALIA PTY LTD****R J MORILLO MALDONADO**

Director

Dated: 8 April 2021  
Melbourne, Victoria