

The Flowery Gold Mines Company of Nevada

Consolidated Financial Statements

September 30, 2021 and 2020

Katherine A. Lamb

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Dated

Consolidated Financial Statements

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The Flowery Gold Mines Company of Nevada

Consolidated Balance Sheets

September 30, 2021 and 2020

(Unaudited)

	<u>2021</u>	<u>2020</u>
Assets		
<i>Current Assets</i>		
Cash	\$ 630,648	\$ 17,803
Prepaid expense	-	2,303
<i>Total Current Assets</i>	<u>630,648</u>	<u>20,106</u>
<i>Net Property, Plant and Equipment</i>	<u>25,417</u>	<u>45,695</u>
<i>Other Assets</i>		
Equity investments	492,660	456,078
Investment in gold at cost	5,717	5,717
Deposits	50	50
<i>Total Other Assets</i>	<u>498,427</u>	<u>461,845</u>
Total Assets	<u><u>\$ 1,154,492</u></u>	<u><u>\$ 527,646</u></u>
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Accounts payable	\$ 1,000	\$ -
Income taxes payable	154,762	-
Deferred revenue	-	1,000
<i>Total Current Liabilities</i>	<u>155,762</u>	<u>1,000</u>
<i>Noncurrent Liabilities</i>		
Deferred income taxes	<u>42,007</u>	<u>33,390</u>
<i>Total Noncurrent Liabilities</i>	<u>42,007</u>	<u>33,390</u>
<i>Total Liabilities</i>	<u>197,769</u>	<u>34,390</u>
<i>Stockholders' Equity</i>		
Common stock, par value \$0.10; 10,000,000 shares authorized, 7,733,523 shares issued, and 7,591,533 shares outstanding	773,352	773,352
Paid-in capital	51,798	51,798
Stock discount	(325,153)	(325,153)
Treasury stock at cost, 141,990 shares	(4,681)	(4,681)
Retained Earnings (Accumulated deficit)	<u>461,407</u>	<u>(2,060)</u>
<i>Total Stockholders' Equity</i>	<u>956,723</u>	<u>493,256</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,154,492</u></u>	<u><u>\$ 527,646</u></u>

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

The Flowery Gold Mines Company of Nevada
Consolidated Statements of Income (Loss)
For the Years Ended September 30, 2021, 2020, and 2019
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue			
Rents	\$ 10,000	\$ 12,000	\$ 12,000
Stock maintenance fees	3,000	2,500	2,500
Stock transfer fees	-	100	-
<i>Total Revenue</i>	<u>13,000</u>	<u>14,600</u>	<u>14,500</u>
Operating and General Expense			
Fees and licenses	9,570	924	927
Building maintenance and utilities	5,190	5,436	8,886
Legal and accounting	5,488	5,346	5,245
Property taxes	2,318	2,272	2,173
Insurance	2,303	2,288	2,154
Office expenses	2,160	1,837	2,935
Telephone	1,499	1,604	1,544
Depreciation	1,033	1,276	3,917
Water	713	938	937
Miscellaneous	500	-	78
<i>Total Operating and General Expense</i>	<u>30,774</u>	<u>21,921</u>	<u>28,796</u>
Operating Loss	<u>(17,774)</u>	<u>(7,321)</u>	<u>(14,296)</u>
Other Income (Loss)			
Royalties	9,463	10,952	13,361
Unrealized gains (losses) on equity securities	36,582	(40,988)	(17,400)
Gain on asset disposals	597,230	-	-
<i>Total Other Income (Loss)</i>	<u>643,275</u>	<u>(30,036)</u>	<u>(4,039)</u>
Loss Before Taxes	625,501	(37,357)	(18,335)
Income Tax (Provision) Benefit	<u>(162,034)</u>	<u>6,727</u>	<u>3,232</u>
Net Income (Loss)	<u>\$ 463,467</u>	<u>\$ (30,630)</u>	<u>\$ (15,103)</u>
Earnings (Loss) Per Share	<u>\$ 0.0611</u>	<u>\$ (0.0040)</u>	<u>\$ (0.0020)</u>

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The Flowery Gold Mines Company of Nevada
Consolidated Statements of Stockholders' Equity
For the Years Ended September 30, 2021, 2020, and 2019
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital Stock			
\$0.10 par value; 10,000,000 shares authorized, 7,733,523 shares issued; and 7,591,533 shares outstanding	\$ 773,352	\$ 773,352	\$ 773,352
Paid-in Capital	51,798	51,798	51,798
Stock Discount	(325,153)	(325,153)	(325,153)
Treasury Stock	(4,681)	(4,681)	(4,681)
Retained Earnings (Accumulated Deficit)			
Balance at beginning of year	(2,060)	28,570	(102,697)
Reclassification under ASU 2016-01	-	-	146,370
Net income (loss)	463,467	(30,630)	(15,103)
Balance at end of year	461,407	(2,060)	28,570
Accumulated Other Comprehensive Income			
Balance at beginning of year	-	-	146,370
Reclassification under ASU 2016-01	-	-	(146,370)
Balance at end of year	-	-	-
Total Stockholders' Equity	<u>\$ 956,723</u>	<u>\$ 493,256</u>	<u>\$ 523,886</u>

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

The Flowery Gold Mines Company of Nevada
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2021, 2020, and 2019
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities			
Net Income (Loss)	\$ 463,467	\$ (30,630)	\$ (15,103)
<i>Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities</i>			
Depreciation	1,033	1,276	3,917
Unrealized (gains) losses on equity investments	(36,582)	40,988	17,400
Gain on asset disposals	(597,230)	-	-
Deferred income taxes	8,617	(7,527)	(4,032)
Changes in operating assets and liabilities			
Prepaid expense	2,303	(15)	(134)
Deferred revenue	(1,000)	-	1,000
Accounts payable	1,000	-	-
Income taxes payable	154,762	-	-
Net Cash (Used) Provided by Operating Activities	<u>(3,630)</u>	<u>4,092</u>	<u>3,048</u>
Cash Flows from Investing Activities			
Proceeds from asset disposals	616,475	-	-
Net Cash Provided by Investing Activities	<u>616,475</u>	<u>-</u>	<u>-</u>
Net Increase in Cash	612,845	4,092	3,048
Cash, Beginning of Year	<u>17,803</u>	<u>13,711</u>	<u>10,663</u>
Cash, End of Year	<u>\$ 630,648</u>	<u>\$ 17,803</u>	<u>\$ 13,711</u>
Supplemental Disclosure of Cash Flow Information			
<i>Cash paid during the year for</i>			
Income taxes	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 800</u>

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

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of The Flowery Gold Mines Company of Nevada (the Company) is presented to assist in understanding the Company's consolidated financial statements. The consolidated 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 consolidated financial statements.

Nature of Activity

The Company was incorporated in the State of Nevada on January 2, 1958, with authorized capital of 10,000,000 shares of common stock with a \$0.10 par value. The Company's principal line of business is holding land and mineral assets. The principal revenue source currently consists of rental income and royalties from equity securities. The Company's properties are located in the western United States.

Consolidation Principles

The consolidated financial statements include the accounts of the Company and its subsidiary, Securities Registrar and Transfer Corporation. All material intercompany accounts and transactions have been eliminated.

Estimates

The preparation of the consolidated 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.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 16, 2022 the date the consolidated financial statements were available to be issued.

Property, Plant and Equipment

Property, plant and equipment are capitalized at cost. It is the Company's policy to capitalize expenditures for these items in excess of \$500 with a useful life greater than one year. Equipment is depreciated using double-declining balance method over useful lives of five to seven years and the building and improvements are depreciated using straight-line method over thirty-one and one-half years.

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).*

1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Company holds equity investments in publicly traded securities. Equity investments with active markets are classified within Level 1 of the fair value hierarchy as their fair value is determined using quoted prices. Equity securities with limited market activities are classified within Level 2 of the fair value hierarchy, and their fair value is determined using the most recent trading price in the open market before the fiscal year end.

Valuation of Placer Gold

The Company holds Placer Gold as a long-term investment. Placer Gold is carried at lower of cost or market on the balance sheet.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Treasury Stock

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

Unrealized Gains (Losses) on Investments on Equity Investments

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. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017. The Company has adopted ASU 2016-01 effective October 1, 2018 and reclassified its unrealized gains on equity investments of \$146,370 from accumulated other comprehensive income to retained earnings.

The Flowery Gold Mines Company of Nevada
Notes to Consolidated Financial Statements
September 30, 2021
(Unaudited)

2. Property, Plant and Equipment

The following table reflects a summary of property, plant and equipment as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ -	\$ 22,291
Building and improvements	-	127,863
Land	<u>25,417</u>	<u>25,417</u>
 Total Property, Plant and Equipment	 25,417	 175,571
 Less accumulated depreciation	 <u>-</u>	 <u>(129,876)</u>
 Net Property, Plant and Equipment	 <u>\$ 25,417</u>	 <u>\$ 45,695</u>

On August 4, 2021, the executive office located at 117 Crescent Street, Greenville, California was destroyed by the Dixie Wildfire in Plumas County, California. The Company received insurance proceeds of \$616,475 and recognized a gain on disposal of \$597,230 for the year ended September 30, 2021. The Company plans on filing a contingency lawsuit against Pacific Gas & Electric Company for damage done to its property.

Depreciation expense for the years ended September 30, 2021, 2020, and 2019 amounted to \$1,033, \$1,276, and \$3,917, respectively.

Mining Claims and Properties Owned

At September 30, 2021, The Flowery Gold Mines Company of Nevada was the owner of the following mining, royalty, and property interests:

- A three percent (3%) royalty interest in net smelter returns up to \$50,000 from the Eldorado patented claim, Battle Mountain Mining District, Lander County, Nevada.
- A three percent (3%) gross royalty on placer gold production from placer mining rights formerly owned by Tenabo Gold Placers Limited Partnership from the Tenabo Gold Placers property in the Bullion Mining District, Lander County, Nevada.
- Tenabo real property (Town lot), Lander County, Nevada.

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(Unaudited)

3. Securities Registrar and Transfer Corporation

Effective February 1, 1990, the Company purchased all of the outstanding shares of Securities Registrar and Transfer Corporation and quit-claimed its office building at 117 Crescent Street, Greenville, California to the wholly owned subsidiary. As discussed in Note 2, the office building was destroyed in the Dixie Wildfire on August 4, 2021. The Company has relocated to Roseville, California.

The following tables represent the summary of Securities Registrar and Transfer Corporation's financial position at September 30, 2021 and 2020 and its results of operations for the years ended September 30, 2021, 2020, and 2019:

	<u>Balance Sheets</u>		
	<u>2021</u>	<u>2020</u>	
Total Assets	\$ 646,920	\$ 54,591	
Total Liabilities	<u>(216,762)</u>	<u>(62,000)</u>	
Net Assets (Deficit)	<u>\$ 430,158</u>	<u>\$ (7,409)</u>	
	<u>Statements of Operations</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Revenue	\$ 610,230	\$ 14,600	\$ 14,500
Total Expense	<u>(172,663)</u>	<u>(16,337)</u>	<u>(21,165)</u>
Net Income (Loss)	<u>\$ 437,567</u>	<u>\$ (1,737)</u>	<u>\$ (6,665)</u>

4. Investments

At September 30, 2021, the equity securities portfolio was comprised of items with readily determinable fair values. In accordance with the provisions of ASC 321, *Investments – Equity Securities Topic*, those equity securities are reported as an asset at their fair value.

The portion of unrealized gains and losses for the years ended September 30 that relate to equity securities still held at the year-end are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net gains and (losses) recognized during the year on equity securities	\$ 36,582	\$ (40,988)	\$ (17,400)
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 still held at year-end	<u>\$ 36,582</u>	<u>\$ (40,988)</u>	<u>\$ (17,400)</u>

5. Fair Value Measurements

The Company's equity securities are classified according to the fair value hierarchy established by ASC 820, *Fair Value Measurements and Disclosures*. The following tables reflect the estimated fair values of equity securities held at September 30, 2021, 2020 and 2019 according to their classification in the fair value hierarchy and the change in fair values during the respective years:

2021					Change in Fair Values in Current Period Earnings
Level 1	Level 2	Level 3	Total		
Equity Securities	<u>\$ 134,990</u>	<u>\$ 357,670</u>	<u>\$ -</u>	<u>\$ 492,660</u>	<u>\$ 36,582</u>
2020					Change in Fair Values in Current Period Earnings
Level 1	Level 2	Level 3	Total		
Equity Securities	<u>\$ 72,860</u>	<u>\$ 383,218</u>	<u>\$ -</u>	<u>\$ 456,078</u>	<u>\$ (40,988)</u>

No transfers between level 1 and level 2 occurred during the years ended September 30, 2021 or 2020. The Company considers any transfer between fair value hierarchy levels to have occurred at the end of the reporting period.

6. Placer Gold Investment

The Company held 25.66 and 27.66 ounces of Placer Gold, as of September 30, 2021 and 2020, respectively. The Placer Gold is carried at historical cost on the consolidated balance sheet at a cost of \$5,717. Fair market value of the Placer Gold was \$44,366 at September 30, 2021 and \$52,216 at September 30, 2020. Approximately 2 ounces of Placer gold was lost in the recovery process from the Dixie Wildfire in Plumas County, California on August 4, 2021.

7. Contingent Liabilities

The Company is not aware of any contingent liabilities, nor is there any litigation in progress, pending or threatened against the Company as of September 30, 2021.

8. Treasury Stock

The Company held 141,990 shares of treasury stock at a cumulative cost of \$4,681 at September 30, 2021.

The Flowery Gold Mines Company of Nevada
Notes to Consolidated Financial Statements
September 30, 2021
(Unaudited)

9. Income Taxes

The income tax (provision) benefit consisted of the following for the years ended September 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Federal income taxes - deferred	\$ (8,617)	\$ 7,527	\$ 4,032
Federal income taxes	(103,662)	-	-
State income taxes	<u>(49,755)</u>	<u>(800)</u>	<u>(800)</u>
Income tax (provision) benefit	<u>\$ (162,034)</u>	<u>\$ 6,727</u>	<u>\$ 3,232</u>

The reconciliation between the effective tax rate on net income (loss) and the statutory tax rate is as follows for the years ended September 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income tax provision (benefit) at federal statutory rate	\$ 131,355	\$ (7,845)	\$ (3,850)
State tax provision, net of federal benefit	39,355	632	632
Change in federal net operating loss carryforward	(7,723)	735	2778
Change in valuation allowance	(2,275)	-	-
Other permanent differences	<u>1,322</u>	<u>(249)</u>	<u>(2,792)</u>
Income tax (provision) benefit	<u>\$ 162,034</u>	<u>\$ (6,727)</u>	<u>\$ (3,232)</u>

The components of net deferred income tax liabilities consisted of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred tax assets		
Net operating loss carryforward	\$ 21,676	\$ 19,073
Net operating loss carryforward - subsidiary	-	12,595
Valuation allowance	-	<u>(10,832)</u>
Total deferred tax asset	<u>21,676</u>	<u>20,836</u>
Deferred tax liabilities		
Investment in pass-through entities	29,333	27,558
Net unrealized gain on securities	<u>34,350</u>	<u>26,668</u>
Total deferred tax liabilities	<u>63,683</u>	<u>54,226</u>
Net deferred tax liabilities	<u>\$ (42,007)</u>	<u>\$ (33,390)</u>

At September 30, 2021, the Company had a federal net operating loss carryforward of \$103,221. The net operating losses generated before 2018 tax year may be used over a twenty-year period and will start to expire in the 2033 tax year. Federal net operating losses generated in the 2018 tax year and thereafter may be carried forward indefinitely.

9. Income Taxes (continued)

The Company and its wholly owned subsidiary file separate income tax returns in the United States, and the subsidiary files income tax returns in the state of California. 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 carryforward. The Company is no longer subject to income tax examinations by US federal and state of California tax authorities for tax years prior to 2017. 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.

10. Earnings (Loss) per Share

The earnings (loss) per share, net of tax, for the years ended September 30 were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Income (Loss) - Numerator	\$ 463,467	\$ (30,630)	\$ (15,103)
Shares - Denominator	<u>7,591,533</u>	<u>7,591,533</u>	<u>7,591,533</u>
Income (Loss) per Share	<u>\$ 0.0611</u>	<u>\$ (0.0040)</u>	<u>\$ (0.0020)</u>

11. Related Party Transactions

The Company's wholly owned subsidiary receives rents from two other entities that share key management personnel with the Company. The amount of rental income from such entities amounted to \$10,000 for the year ended September 30, 2021 and \$12,000 for each of the years ended September 30, 2020, and 2019.

From time to time, the Company's wholly owned subsidiary charges stock maintenance fees to other entities that share key management personnel with the Company. The amount of stock maintenance fees earned from such entities amounted to \$3,000 for the year ended September 30, 2021 and \$2,500 for each of the years ended September 30, 2020, and 2019.

The Company utilizes bookkeeping and other administrative services provided by an employee of an entity that shares key management personnel with the Company. The expenses incurred for such services, included in office expenses on the accompanying consolidated financial statements, amounted to \$1,200, \$1,500, and \$2,400 for the years ended September 30, 2021, 2020, and 2019, respectively.