

California-Engels Mining Company
(A California Corporation)

Financial Statements

March 31, 2024 and December 31, 2023

California-Engels Mining Company

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California-Engels Mining Company
Balance Sheets
March 31, 2024 and December 31, 2023
(Unaudited)

	March 31, 2024	December 31, 2023
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 226,353	\$ 238,288
Royalty receivable	-	212
Prepaid expenses	10,192	378
<i>Total Current Assets</i>	<u>236,545</u>	<u>238,878</u>
<i>Property and Equipment, net</i>	<u>243,154</u>	<u>243,679</u>
<i>Other Assets</i>		
Investment securities	363,760	347,930
<i>Total Other Assets</i>	<u>363,760</u>	<u>347,930</u>
Total Assets	<u><u>\$ 843,459</u></u>	<u><u>\$ 830,487</u></u>
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Accrued expenses	\$ 7,678	\$ -
<i>Total Current Liabilities</i>	<u>7,678</u>	<u>-</u>
<i>Noncurrent Liabilities</i>		
Deferred income taxes	74,150	72,619
<i>Total Noncurrent Liabilities</i>	<u>74,150</u>	<u>72,619</u>
<i>Total Liabilities</i>	<u>81,828</u>	<u>72,619</u>
<i>Stockholders' Equity</i>		
Capital stock, par value \$0.25, 4,000,000 shares authorized, 699,890.04 and 699,980.04 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	174,973	174,995
Reduction surplus	2,735,395	2,735,638
Accumulated deficit	(2,148,737)	(2,152,765)
<i>Total Stockholders' Equity</i>	<u>761,631</u>	<u>757,868</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 843,459</u></u>	<u><u>\$ 830,487</u></u>

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

California-Engels Mining Company

Statements of Income (Loss)

For the three month periods ended March 31, 2024 and March 31, 2023

(Unaudited)

	March 31, 2024	March 31, 2023
Revenue		
Royalty income	\$ 10,232	\$ 9,403
Professional services	3,000	3,400
Interest income	2,450	1,857
<i>Total Revenue</i>	<u>15,682</u>	<u>14,660</u>
Operating and General Expenses		
Professional fees	12,669	5,122
Payroll	4,425	4,425
Director fees	2,000	1,550
Insurance	1,653	1,636
Taxes and licenses	2,658	2,654
Office	848	831
Storage fees	375	633
Depreciation	525	525
Stock maintenance fee	-	1,000
<i>Total Operating and General Expenses</i>	<u>25,153</u>	<u>18,376</u>
Loss from Operations	<u>(9,471)</u>	<u>(3,716)</u>
Other Income (Expense)		
Unrealized gain on equity securities	15,830	2,060
<i>Total Other Income (Expense)</i>	<u>15,830</u>	<u>2,060</u>
Income (Loss) Before Taxes	6,359	(1,656)
Income Tax Expense	<u>(2,331)</u>	<u>(2,033)</u>
Net Income (Loss)	<u>\$ 4,028</u>	<u>\$ (3,689)</u>

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

California-Engels Mining Company

Statements of Stockholders' Equity

For the three month periods ended March 31, 2024 and March 31, 2023

(Unaudited)

	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Capital Stock		
\$0.25 par value: 4,000,000 shares authorized; 699,890.04 and 703,696.04 shares issued and outstanding at March 31, 2024, and 2023, respectively		
Balance at beginning of year	\$ 174,995	\$ 175,924
Repurchase of capital stock	<u>(22)</u>	<u>-</u>
Balance at end of period	<u>174,973</u>	<u>175,924</u>
Reduction Surplus		
Balance at beginning of year	2,735,638	2,751,381
Repurchase of capital stock	<u>(243)</u>	<u>-</u>
Balance at end of period	<u>2,735,395</u>	<u>2,751,381</u>
Accumulated Deficit		
Balance at beginning of year	(2,152,765)	(2,172,468)
Net income (loss)	<u>4,028</u>	<u>(3,689)</u>
Balance at end of period	<u>(2,148,737)</u>	<u>(2,176,157)</u>
Total Stockholders' Equity	<u>\$ 761,631</u>	<u>\$ 751,148</u>

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

California-Engels Mining Company

Statements of Cash Flows

For the three month periods ended March 31, 2024 and March 31, 2023

(Unaudited)

	March 31, 2024	March 31, 2023
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 4,028	\$ (3,689)
<i>Adjustments to reconcile net income (loss) to net cash used by operating activities</i>		
Depreciation	525	525
Unrealized gain on equity investments	(15,830)	(2,060)
Deferred income taxes	1,531	1,233
Changes in operating assets and liabilities		
Royalty receivable	212	213
Prepaid expenses	(9,814)	-
Accrued expenses	7,678	(2,103)
Deferred revenue	-	(700)
Net Cash Used by Operating Activities	(11,670)	(6,581)
Cash Flows from Financing Activities		
Repurchase of capital stock	(265)	-
Net Cash Used by Financing Activities	(265)	-
Net Change in Cash and Cash Equivalents	(11,935)	(6,581)
Cash and Cash Equivalents, Beginning of Year	238,288	229,839
Cash and Cash Equivalents, End of Period	\$ 226,353	\$ 223,258
Supplemental Disclosure of Cash Flow Information		
<i>Cash paid during the period for</i>		
Income taxes	\$ 800	\$ 4,344

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

California-Engels Mining Company

Notes to Financial Statements

March 31, 2024

(Unaudited)

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of California-Engels 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's principal line of business is development of mineral and timber properties. The principal revenue sources currently consist of royalties, lease and investment income. The Company's properties are located in the western United States.

Basis of Accounting

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

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 cash in a money market investment account, which is not insured by the Federal Deposit Insurance Corporation (FDIC). At March 31, 2024, the Company had \$204,777 in such account. The Company has not experienced any losses in such account.

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.

Property and Equipment

Property 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. Depreciation is calculated using the straight-line method over five to fifteen years.

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.

California-Engels Mining Company

Notes to Financial Statements

March 31, 2024

(Unaudited)

1. Summary of Significant Accounting Policies (continued)

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.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 8, 2024, the date the financial statements were available to be issued.

2. Property and Equipment

Property and equipment consisted of the following:

	<u>March, 31</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Land and land improvement	\$ 248,132	\$ 248,132
Furniture, equipment and vehicles	5,747	5,747
Less accumulated depreciation	<u>(10,725)</u>	<u>(10,200)</u>
Property and equipment, net	<u>\$ 243,154</u>	<u>\$ 243,679</u>

In 2021, the Dixie Fire destroyed the town of Greenville, California and all of the Company's furniture, equipment and vehicles were destroyed. The Company is in negotiations with Pacific Gas & Electric Company regarding damages done to its property and Engelmine Forest tree farm from the 2021 Dixie Fire in Plumas County, California. The extent of the impact was not known on the date the financial statements were issued.

Depreciation expense was \$525 for the three month periods ended March 31, 2024 and 2023, respectively.

3. Mining Claims and Fee Land Owned

At March 31, 2024, the Company was the owner of 36 patented lode mining claims totaling 736 acres comprising the Engels and Superior Mines and 239.24 acres of patented land at Engelmine, Lights Creek Mining District, Plumas County, California. All of these lands are optioned to US Copper Corp. except for 77 acres on Diamond Mountain Road along Lights Creek by the Company for possible commercial development.

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March 31, 2024
(Unaudited)

At March 31, 2024, the Company was the owner of 5 patented lode mining claims totaling 100 acres on Ward Creek in the Genesee Mining District, Plumas County, California.

4. Valuations of Mineral Lands

The mineral lands carried on the books at a value of \$10,000 less depletion have a historical cost basis from June 19, 1901 of \$1,000,000. Beginning in 1913, different valuations were placed on these lands by the Commissioner of Internal Revenue. Under instructions of the Commissioner, the values of the land were written up on the books to a high of \$4,500,000 on February 23, 1928.

In 1934, because of depressed conditions, the mineral lands were written down to \$10,000 without any tax benefit. In the event of a sale of these lands the recognized gain for tax purposes will be substantially reduced or eliminated. Consequently, a deferred tax asset of approximately \$340,000 has been offset by a corresponding valuation allowance of approximately \$340,000 due to the unlikelihood of the sale of the property in the near future. During the year ended December 31, 2017, reflecting the federal corporate income tax rate change resulting from the Tax Cuts and Jobs Act, the deferred tax asset and corresponding valuation allowance related to the mineral lands were each re-measured to be \$210,000.

It is estimated that the current market value of the properties meets or exceeds the \$1,000,000 historical cost basis; however, due to the length of time the Company has reported the land values at the written down value of \$10,000, a change to the cost method has not been deemed appropriate for reporting purposes.

5. Investment Securities

The Company's equity securities portfolio is comprised of items with readily determinable fair values. In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 321, *Investments – Equity Securities Topic*, those equity securities are reported as an asset at their fair value. Following adoption of ASU 2016-01, unrealized gains and losses arising during the period are recorded in net income (loss).

The following table reflects the portion of unrealized gains and (losses) recognized during the three month periods ended March 31 on equity securities still held at the reporting date:

	<u>2024</u>	<u>2023</u>
Net gains and (losses) recognized during the period on equity securities	\$ 15,830	\$ 2,060
Less: Net gains and (losses) recognized during the year on equity securities sold during the period	<u>-</u>	<u>-</u>
Unrealized gains and (losses) recognized during the period on equity securities held at the reporting date	<u>\$ 15,830</u>	<u>\$ 2,060</u>

There were no sales of equity securities during the three month periods ended March 31, 2024 and 2023.

6. 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.

California-Engels Mining Company

Notes to Financial Statements

March 31, 2024

(Unaudited)

7. Capital Stock

During the period ended March 31, 2024, the Company repurchased and retired 100 shares of capital stock at \$2.65 per share for a total cost of \$265. Additionally, 10 shares previously retired were returned to issued and outstanding.

There were no stockholders' equity transactions during the three month period ended March 31, 2023.

8. Mining Lease

On April 18, 2006, the Company entered into an Exploration Permit with Option to Lease and Purchase agreement on its 36 patented lode mining claims and 162.12 acres of its fee lands at Engelman, Lights Creek Mining District, Plumas County, California. The agreement provides for annual rental payments, issuance of shares, annual work requirement and a net smelter return of 2% when in production. Royalties to the Company are capped at \$25,000,000. The Company retained the rights to the timber on the property and to manage its Engelman Forest, California Tree Farm #2611 pursuant to its Non-Industrial Management Plan. Upon completion of mining and reclamation, title to the property will be returned to the Company.

9. Rock Lease

Effective September 1, 2012, the Company leased the No. 10 Level dump of the Engels Mine to Turner Excavating, Inc. to screen and crush aggregate for road rock and other uses. The lessee completed a reclamation plan and financial bond to assure that performance standards of the reclamation plan are satisfied. The Company receives a 10% gross royalty on rock sold with a minimum of \$3,000 per year.

10. Related Party Transactions

The Company receives bookkeeping and office fees from three other entities that share common management with the Company. The income received from such entities amounted to \$3,000 for the three month period ended March 31, 2024 and \$3,400 for the three month period ended March 31, 2023. Storage rent received from one of the entities amounted to \$375 and \$363 for the three month periods ended March 31, 2024 and 2023, respectively.

The Company pays rent, stock maintenance and transfer fees to an entity that shares common management with the Company. The expenses incurred for such services amounted to \$1,150 for the three month period ended March 31, 2023.

11. Earnings (Loss) per Share

The earnings (loss) per share for the three month periods ended March 31 were as follows:

	<u>2024</u>	<u>2023</u>
Net Income (Loss) - Numerator	\$ 4,028	\$ (3,689)
Weighted Shares - Denominator	<u>700,895</u>	<u>703,696</u>
Earnings (Loss) per Share	<u>\$ 0.006</u>	<u>\$ (0.005)</u>

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Notes to Financial Statements
March 31, 2024
(Unaudited)

12. Income Taxes

The income tax expense consisted of the following for the three month periods ended March 31:

	<u>2024</u>	<u>2023</u>
Federal income tax - current	\$ -	\$ -
State income tax - current	800	800
Deferred income taxes	<u>1,531</u>	<u>1,233</u>
Total income tax expense	<u>\$ 2,331</u>	<u>\$ 2,033</u>

Deferred income tax liabilities consisted of the following:

	<u>March, 31 2024</u>	<u>December 31, 2023</u>
Deferred tax liabilities		
Unrealized gain on securities	\$ (33,361)	\$ (28,931)
Basis difference in partnership and royalty trust investments	(48,564)	(48,564)
Depreciation	(936)	(1,016)
Net operating loss carryforwards	<u>8,711</u>	<u>5,892</u>
Total deferred tax liabilities	<u>\$ (74,150)</u>	<u>\$ (72,619)</u>

At December 31, 2023, the Company had a California net operating loss carryforward of \$84,371 which it estimates can be used in future years without expiration. At March 31, 2024, the estimated Federal and California net operating loss carryforwards were \$10,271 and \$93,842, respectively.

The Company files income tax returns in the United States and 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 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.