

California-Engels Mining Company

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September 30, 2025

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California-Engels Mining Company

Balance Sheets

September 30, 2025 and December 31, 2024

(Unaudited)

	September 30, 2025	December 31, 2024
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 241,963	\$ 184,074
Prepaid expenses	34,961	84,943
<i>Total Current Assets</i>	276,924	269,017
<i>Property and Equipment, net</i>	240,306	241,881
<i>Other Assets</i>		
Investment securities	296,480	357,130
<i>Total Other Assets</i>	296,480	357,130
Total Assets	\$ 813,710	\$ 868,028
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Accrued expenses	\$ -	\$ 97,071
<i>Total Current Liabilities</i>	-	97,071
<i>Noncurrent Liabilities</i>		
Deferred income taxes	56,412	56,412
<i>Total Noncurrent Liabilities</i>	56,412	56,412
<i>Total Liabilities</i>	56,412	153,483
<i>Stockholders' Equity</i>		
Capital stock, par value \$0.25, 4,000,000 shares authorized, 695,890 and 695,890 shares issued and outstanding at September 30, 2025 and December 31, 2024, respectively	174,973	174,973
Reduction surplus	2,735,395	2,735,395
Accumulated deficit	(2,153,070)	(2,195,823)
<i>Total Stockholders' Equity</i>	757,298	714,545
Total Liabilities and Stockholders' Equity	\$ 813,710	\$ 868,028

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

California-Engels Mining Company
Statements of Income (Loss)
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2025	2024	2025	2024
Revenue				
Royalty income	\$ 6,293	\$ 7,411	\$ 21,177	\$ 25,760
Mining lease income	-	-	20,000	20,000
Storage fee income	3,062	14,767	3,328	14,767
Professional services	4,800	3,300	13,900	9,600
Interest income	2,582	1,413	5,026	5,762
<i>Total Revenue</i>	16,737	26,891	63,431	75,889
Operating and General Expenses				
Professional fees	(12,161)	3,148	2,454	51,671
Payroll expense	4,356	4,360	13,188	13,192
Director fees	-	-	-	2,000
Insurance expense	(1,724)	12,115	22,013	17,837
Taxes and licenses	7,534	5,970	8,781	8,628
Office expense	1,116	1,247	5,936	4,079
Storage fees	399	266	1,330	1,040
Depreciation expense	525	525	1,575	1,575
Stock maintenance fee	1,050	1,050	3,150	2,929
<i>Total Operating and General Expenses</i>	1,095	28,681	58,427	102,951
Income (Loss) from Operations	15,642	(1,790)	5,004	(27,062)
Other Income (Expense)				
Unrealized gain (loss) on equity securities	(8,240)	(5,711)	(60,650)	(21,515)
QSF income	-	-	100,000	-
<i>Total Other Income (Expense)</i>	(8,240)	(5,711)	39,350	(21,515)
Income (Loss) Before Taxes	7,402	(7,501)	44,354	(48,577)
Income Tax Benefit (Expense)	(1,600)	3,947	(1,600)	14,470
Net Income (Loss)	\$ 5,802	\$ (3,554)	\$ 42,754	\$ (34,107)

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

California-Engels Mining Company

Statements of Stockholders' Equity

For the three and nine months ended September 30, 2025 and September 30, 2024

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Capital Stock				
\$0.25 par value, 4,000,000 shares authorized; 695,890 and 695,890 shares issued and outstanding at September 30, 2025, and 2024, respectively				
Balance at beginning of year	174,973	174,973	\$ 174,973	\$ 174,995
Repurchase of capital stock	-	-	-	(22)
Balance at end of period	174,973	174,973	174,973	174,973
Reduction Surplus				
Balance at beginning of year	2,735,395	2,735,395	2,735,395	2,735,638
Repurchase of capital stock	-	-	-	(243)
Balance at end of period	2,735,395	2,735,395	2,735,395	2,735,395
Accumulated Deficit				
Balance at beginning of year	(2,195,823)	(2,195,823)	(2,195,824)	(2,152,765)
Net income (loss)	5,802	(3,554)	42,754	(34,107)
Balance at end of period	(2,190,021)	(2,199,377)	(2,153,070)	(2,186,872)
Total Stockholders' Equity	<u>\$ 720,347</u>	<u>\$ 710,991</u>	<u>\$ 757,298</u>	<u>\$ 723,496</u>

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

California-Engels Mining Company

Statements of Cash Flows

For the nine month periods ended September 30, 2025 and 2024

(Unaudited)

	September 30, 2025	September 30, 2024
Cash Flows from Operating Activities		
Net income (loss)	\$ 42,754	\$ (33,741)
<i>Adjustments to reconcile net income (loss) to net cash used by operating activities</i>		
Depreciation	1,575	1,575
Unrealized (gain) loss on equity investments	60,650	21,151
Deferred income taxes	-	(15,271)
Changes in operating assets and liabilities		
Royalty receivable	-	212
Prepaid expenses	49,981	(42,109)
Accrued expenses	(97,071)	27,404
Due to related parties	-	(5,000)
Net Cash Provided by (Used in) Operating Activities	57,889	(45,779)
Cash Flows from Financing Activities		
Repurchase of capital stock	-	(265)
Net Cash Used in Financing Activities	-	(265)
Net Change in Cash and Cash Equivalents	57,889	(46,044)
Cash and Cash Equivalents, Beginning of Period	184,074	238,288
Cash and Cash Equivalents, End of Period	\$ 241,963	\$ 192,244
Supplemental Disclosure of Cash Flow Information		
<i>Cash paid during the period for</i>		
Income taxes	\$ 800	\$ 800

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

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 the purpose 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 September 30, 2025, the Company had \$241,963 in such an account. The Company has not experienced any losses in such an 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.

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 publicly traded securities which are considered equity 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or stockholders' equity.

2. Property and Equipment

The Company has resolved its case for damages resulting from the Dixie Fire of 2021, *California-Engels Mining Company et al. v. Pacific Gas and Electric Company*, San Francisco Superior Court Case Number CGC-23607817. The case was fully dismissed on September 10, 2025. The Company and two other affiliated companies are each entitled to an allocation of settlement funds. The Company share of such funds has not yet been determined and may or may not be material.

Property and equipment consisted of the following:

	September 30, 2025	December 31, 2024
Land and land improvement	\$ 248,132	\$ 248,132
Furniture, equipment and vehicles	6,049	6,049
Less accumulated depreciation	(13,875)	(12,300)
Property and equipment, net	<u>\$ 240,306</u>	<u>\$ 241,881</u>

Depreciation expense was \$525 and \$1,575 for the three and nine months ended September 30, 2025.

3. Mining Claims and Fee Land Owned

At September 30, 2025, 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 Engelman, Lights Creek Mining District, Plumas County, California. All of these lands are optioned to US Copper Corp. except for 72.37 acres on Diamond Mountain Road along Lights Creek by the Company for possible commercial development.

At September 30, 2025, 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 and nine months ended September 30, on equity securities still held at the reporting date:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net gains and (losses) recognized during the period on equity securities	\$ (8,240)	\$ (5,711)	\$ (60,650)	\$ (21,515)
Less: Net gains and (losses) recognized during the year on equity securities sold during the period	-	-	-	-
Unrealized gains and (losses) recognized during the period on equity securities held at the reporting date	<u>\$ (8,240)</u>	<u>\$ (5,711)</u>	<u>\$ (60,650)</u>	<u>\$ (21,515)</u>

There were no sales of equity securities during the three and nine months ended September 30, 2025 and 2024.

6. 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, 2025 and December 31, 2024 according to their classification in the fair value hierarchy and the change in fair values during the respective years:

September 30, 2025				
	Level 1	Level 2	Level 3	Total
				Change in Fair Values in Current Period Earnings
Equity Securities	\$ 296,480	\$ -	\$ -	\$ 296,480
				\$ (60,650)
December 31, 2024				
	Level 1	Level 2	Level 3	Total
				Change in Fair Values in Current Period Earnings
Equity Securities	\$ 357,130	\$ -	\$ -	\$ 357,130
				\$ 9,199

No transfers between level 1 and level 2 occurred during the periods ended September 30, 2025 and December 31, 2024. The Company considers any transfer between fair value hierarchy levels to have occurred at the end of the reporting period.

7. Contingent Liabilities

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

8. Capital Stock

During the year ended December 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 capital stock transactions during the nine months ended September 30, 2025.

9. 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.

10. 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.

11. 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 \$4,800 and \$13,900 for the three and nine months ended September 30, 2025 and 2024, respectively. The company paid payroll to a board member who performed all management functions of the Company in the amount of \$4,356 and \$13,188 for the three and nine months ended September 30, 2025 and 2024.

The Company pays storage rent, stock maintenance and transfer fees to an entity that shares common management with the Company. The expenses incurred for such services amounted to \$1,449 and \$1,316 for the three months ended September 30, 2025 and 2024, respectively. Amounts for the nine months ended September 30, 2025 and 2024, were \$4,480 and \$3,969, respectively.

12. Earnings (Loss) per Share

The earnings (loss) per share for the three and nine months ended September 30 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net Income (Loss) - Numerator	\$ 5,802	\$ (3,554)	\$ 42,754	\$ (34,107)
Weighted Shares - Denominator	695,890	695,890	695,890	695,890
Earnings (Loss) per Share	<u>\$ 0.008</u>	<u>\$ (0.005)</u>	<u>\$ 0.061</u>	<u>\$ (0.049)</u>

13. Income Taxes

A reconciliation of the difference between the provision for income taxes and income taxes at the statutory U.S. Federal income rate and State income tax rate is as follows for the for the years ended December 31.

	Years Ended December 31,	
	2024	2023
Federal income tax - current	\$ (10,840)	\$ 6,368
State income tax - current	(800)	800
Deferred income taxes	(3,767)	509
Total income tax benefit (expense)	<u>\$ (15,407)</u>	<u>\$ 7,677</u>

Deferred income tax liabilities consisted of the following at:

	December 31,	December 31,
	2024	2023
Deferred tax liabilities		
Unrealized gain (loss) on securities	\$ (31,506)	\$ (28,931)
Basis difference in partnership and royalty trust investments	(48,563)	(48,564)
Depreciation	(926)	(1,016)
Net operating loss carryforwards	<u>24,583</u>	<u>5,892</u>
Total deferred tax liabilities	<u>\$ (56,412)</u>	<u>\$ (72,619)</u>

The Company had cumulative net operating losses of \$66,992 as of December 31, 2024, for federal income tax purposes. The federal net operating loss carryforwards can be used indefinitely. The Company had cumulative net operating losses of \$66,192 as of December 31, 2024, for state income tax purposes which it estimates can be used in future years without expiration.

Tax returns subject to examination - 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. As of December 31, 2024, federal income tax returns for the years 2021 through the most recently filed return, and California income tax returns for the years 2020 through the most recently filed return remain subject to examination by the taxing authorities.

14. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through October 16, 2025, the date the financial statements were available to be issued.