

California-Engels Mining Company
(A California Corporation)

Financial Statements

December 31, 2023 and 2022

California-Engels Mining Company

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California-Engels Mining Company

Balance Sheets

December 31, 2023 and 2022

(Unaudited)

Assets	2023	2022
<i>Current Assets</i>		
Cash and cash equivalents	\$ 238,288	\$ 229,839
Royalty receivable	212	213
Prepaid expenses	378	-
<i>Total Current Assets</i>	<u>238,878</u>	<u>230,052</u>
<i>Property and Equipment, net</i>	<u>243,679</u>	<u>245,779</u>
<i>Other Assets</i>		
Investment securities	347,930	355,460
<i>Total Other Assets</i>	<u>347,930</u>	<u>355,460</u>
Total Assets	<u><u>\$ 830,487</u></u>	<u><u>\$ 831,291</u></u>
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Accrued expenses	\$ -	\$ 3,544
Deferred revenue	-	800
<i>Total Current Liabilities</i>	<u>-</u>	<u>4,344</u>
<i>Noncurrent Liabilities</i>		
Deferred income taxes	72,619	72,110
<i>Total Noncurrent Liabilities</i>	<u>72,619</u>	<u>72,110</u>
<i>Total Liabilities</i>	<u>72,619</u>	<u>76,454</u>
<i>Stockholders' Equity</i>		
Capital stock, par value \$0.25, 4,000,000 shares authorized, 699,980.04 and 703,696.04 shares issued and outstanding at December 31, 2023 and 2022, respectively	174,995	175,924
Reduction surplus	2,735,638	2,751,381
Accumulated deficit	<u>(2,152,765)</u>	<u>(2,172,468)</u>
<i>Total Stockholders' Equity</i>	<u>757,868</u>	<u>754,837</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 830,487</u></u>	<u><u>\$ 831,291</u></u>

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

California-Engels Mining Company

Statements of Income

For the Years Ended December 31, 2023, 2022 and 2021

(Unaudited)

	2023	2022	2021
Revenue			
Royalty income	\$ 35,992	\$ 38,514	\$ 15,798
Mining lease income	20,000	20,000	20,000
Rock lease income	13,460	15,920	10,534
Professional services	10,300	9,600	9,600
Interest income	8,959	2,075	10
	<u>88,711</u>	<u>86,109</u>	<u>55,942</u>
<i>Total Revenue</i>			
	88,711	86,109	55,942
Operating and General Expenses			
Payroll	17,635	17,614	17,593
Professional fees	17,309	8,288	4,515
Taxes and licenses	8,222	8,623	11,800
Depreciation	2,100	1,918	1,245
Storage fees	2,020	2,532	1,564
Director fees	2,000	-	-
Office	1,879	4,301	3,408
Insurance	1,636	1,623	1,873
Stock maintenance fee	1,000	-	1,000
Office rent	-	-	4,900
Repairs and maintenance	-	-	977
Vehicle	-	-	360
	<u>53,801</u>	<u>44,899</u>	<u>49,235</u>
<i>Total Operating and General Expenses</i>			
	53,801	44,899	49,235
Income from Operations	<u>34,910</u>	<u>41,210</u>	<u>6,707</u>
Other Income (Expense)			
Unrealized (loss) gain on equity securities	(7,530)	136,790	102,672
Other income	-	32,008	-
Gain on disposal of assets	-	-	23,186
	<u>(7,530)</u>	<u>168,798</u>	<u>125,858</u>
<i>Total Other Income (Expense)</i>			
	(7,530)	168,798	125,858
Income Before Taxes	27,380	210,008	132,565
Income Tax Expense	<u>(7,677)</u>	<u>(59,064)</u>	<u>(37,202)</u>
Net Income	<u>\$ 19,703</u>	<u>\$ 150,944</u>	<u>\$ 95,363</u>

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

California-Engels Mining Company

Statements of Stockholders' Equity

For the Years Ended December 31, 2023, 2022 and 2021

(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital Stock			
\$0.25 par value: 4,000,000 shares authorized; 699,980.04, 703,696.04 and 703,696.04 shares issued and outstanding at December 31, 2023, 2022 and 2021, respectively			
Balance at beginning of year	\$ 175,924	\$ 175,924	176,211
Repurchase of capital stock	(1,204)	-	(287)
Share based compensation	275	-	-
	<u>174,995</u>	<u>175,924</u>	<u>175,924</u>
Balance at end of year			
Reduction Surplus			
Balance at beginning of year	2,751,381	2,751,381	2,753,393
Repurchase of capital stock	(20,418)	-	(2,012)
Share based compensation	4,250	-	-
	<u>2,735,213</u>	<u>2,751,381</u>	<u>2,751,381</u>
Balance at end of year			
Accumulated Deficit			
Balance at beginning of year	(2,172,468)	(2,323,412)	(2,418,775)
Net income	19,703	150,944	95,363
	<u>(2,152,765)</u>	<u>(2,172,468)</u>	<u>(2,323,412)</u>
Balance at end of year			
Total Stockholders' Equity	<u>\$ 757,443</u>	<u>\$ 754,837</u>	<u>\$ 603,893</u>

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

California-Engels Mining Company
Statements of Cash Flows
For the Years Ended December 31, 2023, 2022 and 2021
(Unaudited)

	2023	2022	2021
Cash Flows from Operating Activities			
Net Income	\$ 19,703	\$ 150,944	\$ 95,363
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
Depreciation	2,100	1,918	1,245
Unrealized losses (gains) on equity investments	7,530	(136,790)	(102,672)
Gain on disposal of assets	-	-	(23,186)
Deferred income taxes	509	54,861	36,402
Share based compensation	4,950	-	-
Changes in operating assets and liabilities			
Royalty receivable	1	(164)	(22)
Prepaid expenses	(378)	-	700
Accrued expenses	(3,544)	3,544	-
Deferred revenue	(800)	(100)	-
Net Cash Provided by Operating Activities	<u>30,071</u>	<u>74,213</u>	<u>7,830</u>
Cash Flows from Investing Activities			
Proceeds from asset disposals	-	-	24,719
Purchase of fixed assets	-	(5,747)	-
Net Cash (Used) Provided by Investing Activities	<u>-</u>	<u>(5,747)</u>	<u>24,719</u>
Cash Flows from Financing Activities			
Repurchase of capital stock	(21,622)	-	(2,300)
Net Cash Used by Financing Activities	<u>(21,622)</u>	<u>-</u>	<u>(2,300)</u>
Net Change in Cash and Cash Equivalents	8,449	68,466	30,249
Cash and Cash Equivalents, Beginning of Year	<u>229,839</u>	<u>161,373</u>	<u>131,124</u>
Cash and Cash Equivalents, End of Year	<u>\$ 238,288</u>	<u>\$ 229,839</u>	<u>\$ 161,373</u>
Supplemental Disclosure of Cash Flow Information			
<i>Cash paid during the year for</i>			
Income taxes	<u>\$ 10,763</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 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 December 31, 2023, the Company had \$202,327 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.

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 March 28, 2024, the date the financial statements were available to be issued.

2. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land and land improvement	\$ 248,132	\$ 248,132
Furniture, equipment and vehicles	5,747	5,747
Less accumulated depreciation	<u>(10,200)</u>	<u>(8,100)</u>
Property and equipment, net	<u>\$ 243,679</u>	<u>\$ 245,779</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 received insurance proceeds of \$24,719 and recognized a gain on disposal of \$23,186 during the year ended December 31, 2021. 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 \$2,100, \$1,918, and \$1,245 for the years ended December 31, 2023, 2022 and 2021, respectively.

3. Mining Claims and Fee Land Owned

At December 31, 2023, 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

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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.

At December 31, 2023, 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 year are recorded in net income (loss).

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net gains and (losses) recognized during the year on equity securities	\$ (7,530)	\$ 136,790	\$ 102,672
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 held at the reporting date	<u>\$ (7,530)</u>	<u>\$ 136,790</u>	<u>\$ 102,672</u>

There were no sales of equity securities during the years ended December 31, 2023, 2022 or 2021.

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

December 31, 2023

(Unaudited)

7. Capital Stock

During the year ended December 31, 2023, stockholders' equity activity consisted of the following:

Repurchase of capital stock - The Company repurchased 4,796 shares of capital stock at \$4.50 per share for a total cost of \$21,582. Of these shares, 3,696 were retired. The Company also repurchased and retired 20 shares of capital stock at \$4.00 per share for a total cost of \$40.

Stock based compensation - The Company issued 1,000 shares of capital stock valued at \$4.50 per share in consideration of professional services provided. Additionally, the Company issued 100 shares of capital stock valued at \$4.50 per share for director's fees.

During the year ended December 31, 2021, stockholders' equity activity consisted of the following:

Repurchase of capital stock - The Company acquired and subsequently retired shares from estates totaling 1,150 shares of capital stock for \$2,300.

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 Engelmine, 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 Engelmine 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 \$10,300 for the year ended December 31, 2023 and \$9,600 for the years ended December 31, 2022 and 2021. Storage rent received from one of the entities amounted to \$1,452 for each of the years ended December 31, 2023 and 2022 and \$252 for the year ended December 31, 2021.

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 and \$5,900 for the years ended December 31, 2023 and 2021, respectively. No rent was paid during the years ended December 31, 2023 and 2022 due to the Dixie Wildfire which destroyed the office building on August 4, 2021. The Company received \$32,008 from the entity for its share of fire damages during the year ended December 31, 2022.

California-Engels Mining Company
Notes to Financial Statements
December 31, 2023
(Unaudited)

11. Earnings per Share

The earnings per share for the years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net Income - Numerator	\$ 19,703	\$ 150,944	\$ 95,363
Weighted Shares - Denominator	<u>700,924</u>	<u>703,696</u>	<u>704,164</u>
Earnings per Share	<u>\$ 0.028</u>	<u>\$ 0.215</u>	<u>\$ 0.135</u>

12. Income Taxes

The income tax expense consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Federal income tax - current	\$ 6,368	\$ 3,403	\$ -
State income tax - current	800	800	800
Deferred income taxes	<u>509</u>	<u>54,861</u>	<u>36,402</u>
Total income tax expense	<u>\$ 7,677</u>	<u>\$ 59,064</u>	<u>\$ 37,202</u>

Deferred income tax liabilities consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Deferred tax liabilities		
Unrealized gain on securities	\$ (28,931)	\$ (31,038)
Basis difference in partnership and royalty trust investments	(48,564)	(47,719)
Depreciation	(1,016)	(1,338)
Net operating loss carryforward - state	<u>5,892</u>	<u>7,985</u>
Total deferred tax liabilities	<u>\$ (72,619)</u>	<u>\$ (72,110)</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.

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.