

MGC VENTURES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

MGC VENTURES, INC.

Balance Sheets

December 31, 2024 and 2023

(Expressed in U.S. dollars)

ASSETS

	2024	2023
Current Assets:		
Cash and cash equivalents (Note 3)	\$ 362,591	\$ 396,338
Marketable equity securities (Note 4)	407,771	714,890
Prepaid expenses	3,465	3,360
Total assets	<u>\$ 773,827</u>	<u>\$ 1,114,588</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable and accrued expenses	\$ 510	\$ 10,603
Total current liabilities	<u>510</u>	<u>10,603</u>
Deferred income tax liability (Note 8)	-	6,360
Total liabilities	<u>510</u>	<u>16,963</u>
Shareholders' Equity:		
Preferred stock: \$.001 par value		
Authorized: 10,000,000 shares		
Issued and outstanding: None		
Common stock: \$.001 par value		
Authorized: 90,000,000 shares		
Issued and outstanding:		
2024 and 2023...14,932,105 shares	14,932	14,932
Additional paid-in capital	293,028	293,028
Stock options	100,429	100,429
Retained earnings	364,928	689,236
Total shareholders' equity	<u>773,317</u>	<u>1,097,625</u>
Total liabilities and shareholders' equity	<u>\$ 773,827</u>	<u>\$ 1,114,588</u>

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

MGC VENTURES, INC.
Statements of Income (Loss) and Comprehensive Income (Loss)
For the Years Ended December 31, 2024, 2023 and 2022
(Expressed in U.S. dollars)

	2024	2023	2022
INCOME (LOSS)			
Interest income	\$ 19,195	\$ 19,903	\$ 5,867
Unrealized gain (loss) on marketable equity securities (Note 4)	(307,119)	387,124	20,647
	(287,924)	407,027	26,514
EXPENSES			
General and administrative	34,659	33,376	21,244
Legal and accounting	8,085	19,026	15,543
	42,744	52,402	36,787
Net income (loss) before income tax	(330,668)	354,625	(10,273)
Income tax (expense) benefit (Note 8)	6,360	(6,360)	–
Net income (loss) and comprehensive income (loss)	\$ (324,308)	\$ 348,265	\$ (10,273)
Net income (loss) per share:			
Basic and diluted	\$ (0.02)	\$ 0.02	\$ NIL
Weighted average common shares outstanding:			
Basic and diluted	14,932,105	14,932,105	14,932,105

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

MGC VENTURES, INC.
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2024, 2023 and 2022
(Expressed in U.S. dollars)

	<u>Common Stock</u>		Additional Paid-In Capital	Stock Options	Retained Earnings
	Shares	Amount			
Balance, December 31, 2021	14,932,105	\$ 14,932	\$ 293,028	\$ 100,429	\$ 351,244
Net loss	–	–	–	–	(10,273)
Balance, December 31, 2022	14,932,105	14,932	293,028	100,429	340,971
Net income	–	–	–	–	348,265
Balance, December 31, 2023	14,932,105	14,932	293,028	100,429	689,236
Net loss	–	–	–	–	(324,308)
Balance, December 31, 2024	14,932,105	\$ 14,932	\$ 293,028	\$ 100,429	\$ 364,928

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

MGC VENTURES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2024, 2023 and 2022
(Expressed in U.S. dollars)

	2024	2023	2022
Cash Flows from Operating Activities:			
Net income (loss)	\$ (324,308)	\$ 348,265	\$ (10,273)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Unrealized (gain) loss on marketable equity securities	307,119	(387,124)	(20,647)
Changes in non-cash working capital:			
Net increase in prepaid expense	(105)	(152)	(916)
Net increase (decrease) in accounts payable and accrued expenses	(10,093)	5,247	1,539
Income tax expense (benefit)	(6,360)	6,360	–
Net cash used in operating activities	(33,747)	(27,404)	(30,297)
Change in Cash and Cash Equivalents:			
Net decrease in cash and cash equivalents	(33,747)	(27,404)	(30,297)
Cash and cash equivalents – beginning of period	396,338	423,742	454,039
Cash and cash equivalents – end of period	\$ 362,591	\$ 396,338	\$ 423,742

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

MGC VENTURES, INC.

Notes to Financial Statements

1. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

The Company. MGC Ventures, Inc. was incorporated under the laws of the State of Utah on December 11, 1984, and re-domiciled in the State of Washington in May 2001, for the purpose of acquiring mining properties and exploring for commercial ore deposits. The Company is not presently engaged in any mining activities. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents. The Company considers short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents for purposes of reporting cash equivalents and cash flows.

Income Taxes. The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the enacted tax rates expected to apply in the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

Net Income (Loss) Per Share. Basic earnings per share is computed by dividing net loss by the weighted average number of shares outstanding during the period. The computation of diluted earnings per share is based on the treasury stock method which assumes that stock options are only exercised when the exercise price is below the average market price during the period, and that the Company will use the proceeds to purchase its common shares at the average market price during the period. In periods in which a loss is incurred, the effect of potential issuances of shares under options would be anti-dilutive, and therefore basic and diluted loss per share are the same. The Company classifies interest and penalties on underpayment of income tax as income tax expense.

Marketable Securities. The Company's marketable securities consist of equity securities which are reported at fair value with changes in fair value included in the statement of income (loss).

Financial Instruments. Marketable securities are measured at fair value at each reporting date, with the change in value recognized in the statement of income (loss) as a gain or loss. Cash and cash equivalents and accounts payable are accounted for at amortized cost which approximates fair value.

Segment Information. We operate as a single operating and reportable segment: acquiring mineral properties. The Company is not presently engaged in any mining activities. Our Chief Operating Decision Maker ("CODM") is our Board of Directors. Our CODM decides how to allocate resources based on available cash and marketable equity securities, as reported on the Balance Sheets. The amount of cash and marketable equity securities is used to guide decisions on how to invest in and pursue business opportunities. Our CODM also reviews total assets, as reported on the Balance Sheets, and cash flows from operating activities, as reported on the Statements of Cash Flows. Significant segment expenses include the costs and expenses presented in the Statements of Operations.

MGC VENTURES, INC.

Notes to Financial Statements

2. NEW ACCOUNTING POLICIES

Recently issued accounting pronouncements

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40). This update was issued to improve the disclosures about a public entity's expenses and address requests from investors for more detailed information about the types of expenses included in commonly

presented expense captions. This update is effective commencing with the annual period beginning after December 15, 2026. The Company is evaluating the impact of the adoption of this standard on its financial statements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740). This update is intended to enhance the transparency and decision usefulness of income tax disclosures primarily through improvements related to rate reconciliation and income taxes paid information. This update is effective commencing with the annual period beginning after December 15, 2024. The Company does not expect the adoption of this standard to have a material impact on its financial statements or disclosures.

Adopted in the year

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This update expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss and interim disclosures of a reportable segment's profit or loss and assets. The standard was effective for the Company's annual reporting for the year ended December 31, 2024, and subsequent interim periods. The adoption of this standard did not have a material impact on the Company's financial statements or disclosures.

3. CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
Bank deposits	\$ 21,031	\$ 1,569
Short term investments	341,560	394,769
Total	<u>\$ 362,591</u>	<u>\$ 396,338</u>

Short term investments include money market funds and US treasury bills which mature in three months or less.

4. MARKETABLE EQUITY SECURITIES

The Company's marketable equity securities are recorded at quoted market value. Gains and losses on marketable securities are recorded in the statements of income (loss). For the years ended December 31, 2024, 2023 and 2022, the Company recorded unrealized gain (loss) on marketable equity securities of (\$307,119), \$387,124 and \$20,647, respectively.

As of December 31, 2024 and 2023 the price per share of Gold Reserve Ltd. (formerly Gold Reserve Inc.) was \$1.58 and \$2.77, respectively. In June 2019, the Company received \$196,143 as a return of capital from Gold Reserve Ltd. (formerly Gold Reserve Inc.), resulting in a reduction of the book cost basis to \$67,805. Marketable equity securities at December 31, 2024 and 2023 were as follows:

	Number of Common Shares	Cost	Unrealized Gain	Carrying/ Market Value
December 31, 2024 Gold Reserve Ltd.	258,083	<u>\$ 67,805</u>	<u>\$ 339,966</u>	<u>\$ 407,771</u>
December 31, 2023 Gold Reserve Ltd.	258,083	<u>\$ 67,805</u>	<u>\$ 647,085</u>	<u>\$ 714,890</u>

MGC VENTURES, INC.

Notes to Financial Statements

Accounting Standards Codification (“ASC”) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability and Level 3 inputs are unobservable inputs for the asset or liability that reflect the entity’s own assumptions. The fair value of the Company’s marketable equity securities is considered to be the market value shown above which is based on Level 1 inputs.

5. RELATED PARTY TRANSACTIONS

The Company rents office space from Gold Reserve Ltd. (formerly Gold Reserve Inc.) for \$500 per month. The Chief Financial Officer of the Company is also a senior officer and shareholder of Gold Reserve Ltd. (formerly Gold Reserve Inc.).

6. EMPLOYEE BENEFIT KSOP PLAN

During 1997, the Company adopted and the shareholders approved a combined 401(k) salary reduction plan and stock ownership plan (the KSOP plan). The salary reduction component of the KSOP plan enables eligible employees of the Company to defer, from current taxation, a portion of his/her salary and receive matching contributions from the Company. The stock ownership component of the KSOP plan was established to provide eligible employees an opportunity to own stock in the Company. Neither component of the KSOP plan had been utilized as of December 31, 2024.

7. EQUITY INCENTIVE PLAN

The Company’s equity incentive plan provides for the grant of stock options, stock appreciation rights and restricted stock to its employees, directors and consultants. Up to 4,000,000 shares may be issued under the plan, of which 1,500,000 shares may be restricted stock. For the years ended December 31, 2024 and 2023 no shares had been granted under the plan.

8. INCOME TAX

The components of the deferred income tax assets and liabilities as of December 31, 2024 and 2023 were as follows:

	2024	2023
Deferred income tax assets		
Net operating loss carryforwards	\$ 78,255	\$ 73,310
Valuation allowance	(63,080)	–
	15,175	73,310
Deferred income tax liabilities		
Unrealized gain on marketable equity securities	(15,175)	(79,670)
Net deferred income tax liability	\$ –	\$ (6,360)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. In 2022, the Company has recorded a valuation allowance to reflect the estimated amount of the deferred tax assets which may not be realized, principally due to the uncertainty of utilization of net operating losses prior to expiration. The valuation allowance for deferred tax assets was reduced in 2023 due to a change in our estimate of future taxable income as a result of unrealized gains on marketable equity securities. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

MGC VENTURES, INC.

Notes to Financial Statements

The expense (benefit) for income taxes shown in the statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022 differs from that calculated using the federal statutory rate applied to pre-tax income as follows:

	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
Expense (benefit) at federal statutory rates	\$ (69,440)	(21)	\$ 74,471	21	\$ (2,157)	(21)
Change in valuation allowance	63,080	19	(68,111)	(19)	2,157	21
	<u>\$ (6,360)</u>	<u>(2)</u>	<u>\$ 6,360</u>	<u>2</u>	<u>\$ –</u>	<u>–</u>

For U.S. federal tax purposes, net operating losses incurred in 2018 and after are carried forward indefinitely. At December 31, 2024, the Company had the following U.S. federal tax basis loss carryforwards:

Amount	Expiration Year
\$ 4,864	2030
34,422	2031
24,408	2032
19,920	2033
32,696	2034
29,906	2035
30,444	2036
21,293	2037
<u>174,691</u>	–
<u>\$ 372,644</u>	