

MGC VENTURES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021



Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of MGC Ventures, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of MGC Ventures, Inc. (the Company) as of December 31, 2023 and 2022, and the related statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. We determined there are no critical audit matters.

Chartered Professional Accountants

/s/PricewaterhouseCoopers LLP

Vancouver, Canada

April 29, 2024

We have served as the Company's auditor since 2001.

PricewaterhouseCoopers LLP

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*"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

MGC VENTURES, INC.

Balance Sheets

December 31, 2023 and 2022

(Expressed in U.S. dollars)

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 396,338	\$ 423,742
Marketable equity securities (Note 3)	714,890	327,766
Prepaid expenses	3,360	3,208
Total assets	<u>\$ 1,114,588</u>	<u>\$ 754,716</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable and accrued expenses	\$ 10,603	\$ 5,356
Total current liabilities	<u>10,603</u>	<u>5,356</u>
Deferred income tax (Note 7)	6,360	-
Total liabilities	<u>16,963</u>	<u>5,356</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:		
2023 and 2022...14,932,105 shares	14,932	14,932
Additional paid-in capital	293,028	293,028
Stock options	100,429	100,429
Retained earnings	689,236	340,971
Total shareholders' equity	<u>1,097,625</u>	<u>749,360</u>
Total liabilities and shareholders' equity	<u>\$ 1,114,588</u>	<u>\$ 754,716</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, 2023, 2022 and 2021
(Expressed in U.S. dollars)

	2023	2022	2021
INCOME (LOSS)			
Interest income	\$ 19,903	\$ 5,867	\$ 193
Unrealized gain (loss) on marketable equity securities (Note 3)	387,124	20,647	(105,814)
	407,027	26,514	(105,621)
EXPENSES			
General and administrative	33,376	21,244	20,263
Legal and accounting	19,026	15,543	17,642
	52,402	36,787	37,905
Net income (loss) before income tax	354,625	(10,273)	(143,526)
Income tax expense (Note 7)	(6,360)	—	(76)
Net income (loss) and comprehensive income (loss)	\$ 348,265	\$ (10,273)	\$ (143,602)
Net income (loss) per share:			
Basic and diluted	\$ 0.02	\$ (0.00)	\$ (0.01)
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, 2023, 2022 and 2021
(Expressed in U.S. dollars)

	<u>Common Stock</u>		<u>Additional</u>	<u>Stock</u>	<u>Retained</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u> <u>Capital</u>	<u>Options</u>	<u>Earnings</u>
Balance, December 31, 2020	14,932,105	\$ 14,932	\$ 293,028	\$ 100,429	\$ 494,846
Net loss	—	—	—	—	(143,602)
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

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

MGC VENTURES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2023, 2022 and 2021
(Expressed in U.S. dollars)

	2023	2022	2021
Cash Flows from Operating Activities:			
Net income (loss)	\$ 348,265	\$ (10,273)	\$ (143,602)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Unrealized (gain) loss on marketable equity securities	(387,124)	(20,647)	105,814
Changes in non-cash working capital:			
Net increase in prepaid expense	(152)	(916)	(2,292)
Net increase in accounts payable and accrued expenses	5,247	1,539	50
Income tax	6,360	–	(3,764)
Net cash used in operating activities	(27,404)	(30,297)	(43,794)
Change in Cash and Cash Equivalents:			
Net decrease in cash and cash equivalents	(27,404)	(30,297)	(43,794)
Cash and cash equivalents – beginning of period	423,742	454,039	497,833
Cash and cash equivalents – end of period	\$ 396,338	\$ 423,742	\$ 454,039

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.

2. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Bank deposits	\$ 1,569	\$ 3,925
Short term investments	394,769	419,817
Total	<u>\$ 396,338</u>	<u>\$ 423,742</u>

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

MGC VENTURES, INC.
Notes to Financial Statements

3. 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, 2023, 2022 and 2021, the Company recorded unrealized gain (loss) on marketable equity securities of \$387,124, \$20,647 and (\$105,814), respectively.

As of December 31, 2023 and 2022 the price per share of Gold Reserve Inc. was \$2.77 and \$1.27, respectively. In June 2019, the Company received \$196,143 as a return of capital from Gold Reserve Inc., resulting in a reduction of the cost basis to \$67,805. Marketable equity securities at December 31, 2023 and 2022 were as follows:

	Number of Common Shares	Cost	Unrealized Gain	Carrying/ Market Value
December 31, 2023 Gold Reserve Inc.	258,083	<u>\$ 67,805</u>	<u>\$ 647,085</u>	<u>\$ 714,890</u>
December 31, 2022 Gold Reserve Inc.	258,083	<u>\$ 67,805</u>	<u>\$ 259,961</u>	<u>\$ 327,766</u>

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.

4. RELATED PARTY TRANSACTIONS

The Company rents office space from Gold Reserve Inc. for \$500 per month. The President and Chief Financial Officer of the Company are also senior officers, directors and/or shareholders of Gold Reserve Inc.

5. 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, 2023.

6. 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, 2023 and 2022 no shares had been granted under the plan.

MGC VENTURES, INC.

Notes to Financial Statements

7. INCOME TAX

The components of the deferred income tax assets and liabilities as of December 31, 2023 and 2022 were as follows:

	2023	2022
Deferred income tax assets		
Net operating loss carryforwards	\$ 73,310	\$ 66,485
Unrealized loss on marketable equity securities	–	1,626
	73,310	68,111
Valuation allowance	–	(68,111)
	73,310	–
Deferred income tax liabilities		
Unrealized gain on marketable equity securities	(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.

The expense (benefit) for income taxes shown in the statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2023, 2022 and 2021 differs from that calculated using the federal statutory rate applied to pre-tax income as follows:

	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Expense (benefit) at federal statutory rates	\$ 74,471	21	\$ (2,157)	(21)	\$ (30,140)	(21)
Change in valuation allowance	(68,111)	(19)	2,157	21	30,140	21
Additional Section 1291 tax	–	–	–	–	76	–
	\$ 6,360	2	\$ –	–	\$ 76	–

In 2021, the Company accrued additional income tax expense related to a 2020 accrual for underpayment of estimated tax due on Section 1291 tax from prior years.

For U.S. federal tax purposes, net operating losses incurred in 2018 and after are carried forward indefinitely. At December 31, 2023, 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
151,142	–
\$ 349,095	