

2023 ANNUAL REPORT

# MRF 2023 RESOURCE LIMITED PARTNERSHIP





## MIDDLEFIELD CORPORATE PROFILE

Middlefield was established in 1979 and is a Specialty Investment Manager which creates investment products designed to balance risk and return to meet the demanding requirements of Financial Advisors and their clients. These financial products include Exchange-Traded Funds, Mutual Funds, Private and Public Resource Funds, Split Share Corporations, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and Partnerships.

Middlefield's investment team comprises portfolio managers, analysts and traders. While all of our investment products are designed and managed by Middlefield professionals, some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. We have entered into exclusive arrangements with SSR Health LLC and Paul Sagawa LLC, based in Stamford, Connecticut. Together they provide specialized research into sectors of the economy such as Healthcare and Innovation Technology. Dr. Evans of SSR Health LLC and Paul Sagawa are independent investment analysts who have been highly ranked and are recognized as leaders in their respective fields. Their fundamental company level research is often non-consensus and provides guidance on overall portfolio construction and security selection.

Looking ahead, Middlefield remains committed to managing and developing new and unique investment products to assist Financial Advisors in helping clients achieve their investment objectives.

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### A NOTE ON FORWARD LOOKING STATEMENTS

This document may contain forward looking statements, including statements regarding: the Fund, its strategies, goals and objectives; prospects; future performance or condition; possible future actions to be taken by the Fund; and the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward looking statements are not guarantees of future performance, and actual results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund may invest; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.



## 2023 RESOURCE REVIEW AND OUTLOOK

Equity markets finished the year on a positive note with December returns for the TSX Composite, S&P 500 and NASDAQ of 3.9%, 4.5% and 5.6%, respectively. Bond yields continued their descent from late October highs with 10-year government bond yields finishing the year at 3.11% and 3.88% in Canada and the United States. The move lower in rates fueled a Santa Claus rally that propelled the S&P 500 to within 1% of its all-time high. Notably, the S&P 500 total return index, which includes dividends, hit seven new highs in 2023.

While it is always a positive sign to see markets reaching new heights, we are especially encouraged by the recent broad-based participation from companies and sectors that have lagged throughout the year. It is widely known that the “Magnificent Seven” stocks have been the market leaders for the majority of 2023 while many other sectors and strategies have been left behind. This notable dispersion in returns has finally started to reverse during the final two months of the year.

The spreading conflict in the Middle East has caused the price of oil to bounce from December lows. Meanwhile, drone attacks on refiners in Russia pose a new, less appreciated, but potentially more damaging threat to global oil markets. Ukrainian-linked drone attacks will likely lead to a reduction in Russia’s refining and export capacity while adding uncertainty to the global oil market, already rocked by shipping issues in the Red Sea. In addition, Aramco announced that it has received a directive from the Saudi Ministry of Energy to maintain its Maximum Sustainable Capacity (MSC) at 12Mb/d, and not to continue increasing MSC to 13Mb/d. This is a significant policy reversal, which comes as a surprise, as there had been no previous indication of such a potential change. Considering all these recent developments in aggregate, we believe that risk is skewed to the upside for oil prices assuming global demand remains stable.

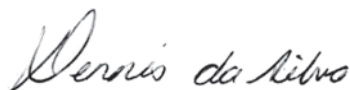
2023 was an extremely challenging year for the clean power industry. Offshore wind was the most acutely impacted by macro headwinds which included cost inflation, higher financing expenses, project delays, cancellations, and hedging issues. While challenges still exist, the backdrop has improved in recent months and we remind investors that the energy transition is a multi-decade investment theme. Despite stock price declines in 2023, several countries and businesses continue to invest in the energy transition, with 118 nations pledging to triple the global renewable energy capacity by 2030, as announced at the COP28 conference. With inflation showing signs of cooling and negative sentiment already factored in, many clean power stocks could be poised for a sustained recovery in 2024.

Middlefield Resource Funds currently comprise three funds, Discovery 2023, MRF 2023, and MRF 2024. The objective of the funds is to generate attractive tax-advantaged returns from a diversified portfolio of resource companies. To generate these tax benefits, the funds invest in flow-through common shares.

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Gold's consolidation above US\$2,000/oz continued into January as bullion has consistently remained above this psychological level since mid-December. A report by the World Gold Council suggests total gold demand hit a new record last year. This strong fundamental demand will continue to provide downside support from non-OECD central banks on the back of reserve diversification and ongoing elevated geopolitical tensions. The next leg of upside will likely be driven by the start of the Fed easing cycle which traditionally has triggered increased ETF demand. Our premise for higher gold prices in 2024 should lead back to normalized gold equity multiples, which are at decade lows.

The world's largest uranium producer Kazatomprom reduced 2024 and 2025 production targets. The company remains committed to contracted deliveries for 2024, however, given the wide gap between new guidance and prior guidance, Kazatomprom may need to actively purchase uranium in the market. The news will lead to further tightening of the fundamentals for uranium and reinforces our bullish view on pricing, which has doubled over the year to sixteen-year highs. On the demand front, the U.K. announced plans to quadruple nuclear capacity to 24 GW, from 6 GW currently, with an aim to start construction on one to two new reactors every five years from 2030-2044. Separately, utility EDF announced plans to extend the life of four gas-cooled reactors in the U.K. that are currently set to retire in the mid-2020s.



**Dennis da Silva**  
Managing Director & Senior Portfolio Manager  
Middlefield Capital Corporation

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED DECEMBER 31, 2023

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund that follow this report.

Unitholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group at one of the addresses on the back cover or by visiting our website at [www.middlefield.com](http://www.middlefield.com) to request a copy of the investment fund's annual financial statements, proxy voting policies and procedures or quarterly portfolio disclosure. The investment fund has obtained exemptive relief from the requirement to prepare and file a proxy voting disclosure record.

### Management's Discussion of Fund Performance

#### Investment Objectives and Strategies

The investment objectives of MRF 2023 Resource Limited Partnership (the "Fund"), are to provide unitholders with capital appreciation and significant tax benefits to enhance after-tax returns. In order to achieve the Fund's investment objectives, all available proceeds are invested by the Fund in an actively managed, diversified portfolio comprised primarily of equity securities of Canadian companies involved primarily in the resource sector. The Fund initially invests in common shares or warrants issued on a flow-through basis by resource companies such that the resulting expenditures renounced to the Fund provide tax deductions to the Fund equal to 100% of the gross proceeds of the initial offering which closed on February 23, 2023.

#### Risk

The Fund is speculative offering and is exposed to several risk factors that may affect its performance. The overall risk of the Fund is as described in its prospectus dated January 26, 2023. Since commencement of operations on February 23, 2023, the overall risk level of the Fund may have been impacted as follows:

#### Market Risk

Market risk describes the Fund's exposure to volatility in the market value of its underlying securities. Equity markets continue to exhibit volatility due to an uncertain interest rate environment; the increased competition that equity investments are facing from income alternatives, such as GICs and High Interest Savings Accounts; and the risk that the economy enters a recession.

#### Results of Operations

##### Investment Performance

The Fund raised \$20.8 million in early 2023 for investing in flow-through common shares or warrants of Canadian resource companies. As at December 31, 2023, the invested portfolio assets were primarily comprised of companies operating in the gold sector with the balance invested in issuers in the metals and mining, uranium and precious metals and minerals sectors.

The Fund commenced operations on February 23, 2023, and as a result there are no comparative figures for the prior year period. At December 31, 2023, the Fund's net asset value per Class A was \$19.51 per unit, representing a total after-tax return on money-at-risk of 54% for an Ontario investor taxed at the highest marginal tax rate. At December 31, 2023, the Fund's net asset value per Class F was \$20.40 per unit, representing a total after-tax return on money-at-risk of 61% for an Ontario investor taxed at the highest marginal tax rate.

#### Revenue and Expenses

Investment income for the period ended December 31, 2023 amounted to approximately \$267,000 and was comprised primarily of interest earned on cash balances. Operating expenses for the period totalled approximately \$435,000. The management expense ratio ("MER") was 10.76% for Class A and 6.71% for Class F for the period ended December 31, 2023. The MER is high as a result of the inclusion of issuance costs as part of the expenses used to calculate the ratio in the period of the initial public offering. Excluding issuance costs and interest expenses, the MER was 3.07% for Class A and 3.19% for Class F for the period ended December 31, 2023. The loss for the period amounted to approximately \$3.0 million. It is not the intention of the Fund to generate net investment income but instead, as described earlier, to generate capital appreciation and significant tax benefits over the life of the Fund.

On a per unit basis, the net assets per Class A attributable to unitholders of the Fund decreased by 15.1% from \$22.97 at inception to \$19.51 on December 31, 2023. On a per unit basis, the net assets per Class F attributable to unitholders of the Fund decreased by 14.5% from \$23.86 at inception to \$20.40 on December 31, 2023. An unrealized loss on investments of \$2.8 million has been recorded as at December 31, 2023.

#### Trends

The price of gold had its third consecutive monthly gain in December and registered its highest ever closing price of \$2,077 on December 27th. The Fed's dovish pivot and the corresponding decline in the U.S. dollar has supported the recent move. Despite gold making new all-time highs, we are witnessing the biggest divergence between gold prices and gold equities in the last decade. The S&P/TSX Global Gold Index declined 1.7% in December, giving back some of its November gains.

#### Related Party Transactions

Pursuant to a management agreement, Middlefield Limited (the "Manager") receives a management fee. For further details, please see the "Management Fees" section of this report. Middlefield Capital Corporation ("MCC" or the "Advisor"), the advisor to the Fund and a company under common control with the Manager receives an advisory fee. In addition, MCC received an agency fee from the Fund in respect of units it sold in 2023. For further details, please see the notes to the financial statements.

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED DECEMBER 31, 2023

### Management Fees

Management fees and fees in respect of portfolio advisory services together are calculated at 2.0% per annum of the net asset value of the Fund and are paid to the Manager and the Advisor. The Manager receives fees for the general administration of the Fund, including maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees for providing investment management advice, including advice in respect of securities selection for the portfolio of securities, in accordance with the investment objectives and strategies of the Fund.

### Credit Facility

The Fund has a prime brokerage services agreement that provides the lender with a security interest over the assets of the Fund. As at December 31, 2023, the Fund had a loan payable of approximately \$1.4 million. The minimum and maximum amounts borrowed during the period were \$nil and \$1.4 million respectively. The loan proceeds were used to finance expenses incurred by the Fund, in order to maximize the allocation of initial offering

gross proceeds towards the purchase of flow-through shares.

### Financial Highlights

Net Assets Attributable to Unitholders are calculated in accordance with International Financial Reporting Standards ("IFRS").

"Net Asset Value" is calculated in accordance with section 14.2 of National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") and is used for transactional pricing purposes.

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the indicated period. Ratios and Supplemental Data are derived from the Fund's Net Asset Value.

### The Fund's Net Assets Attributable to Unitholders Per Class A Unit<sup>(1)</sup>

|  |    | 2023 <sup>(4)</sup> |
|--|----|---------------------|
| Net Assets Attributable to Unitholders, Beginning of Period    | \$ | 22.97*              |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                    |    |                     |
| Total Revenue  |    | 0.32                |
| Total Expenses <sup>(3)</sup>                                  |    | (0.53)              |
| Unrealized Gain (Loss) for the Period                          |    | (3.38)              |
| <b>TOTAL INCREASE (DECREASE) FROM OPERATIONS<sup>(2)</sup></b> |    | <b>(3.46)</b>       |
| Net Assets Attributable to Unitholders, End of Period          | \$ | 19.51               |

### The Fund's Net Assets Attributable to Unitholders Per Class F Unit<sup>(1)</sup>

|  |    | 2023 <sup>(4)</sup> |
|--|----|---------------------|
| Net Assets Attributable to Unitholders, Beginning of Period    | \$ | 23.86*              |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                    |    |                     |
| Total Revenue  |    | 0.33                |
| Total Expenses <sup>(3)</sup>                                  |    | (0.56)              |
| Unrealized Gain (Loss) for the Period                          |    | (3.51)              |
| <b>TOTAL INCREASE (DECREASE) FROM OPERATIONS<sup>(2)</sup></b> |    | <b>(3.46)</b>       |
| Net Assets Attributable to Unitholders, End of Period          | \$ | 20.40               |

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net Assets Attributable to Unitholders are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of Net Asset Value since it does not reflect unitholder transactions as shown on the Statement of Changes in Net Assets Attributable to Unitholders and accordingly columns may not add.

(3) There were no distributions paid by the Fund.

(4) As at December 31, 2023 or for the period February 23, 2023 (date of commencement of operations) to December 31, 2023, as applicable.

\* Initial issue price, net of agents' fees and initial issue costs.

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED DECEMBER 31, 2023

### Ratios and Supplemental Data – Class A

|  | <b>2023<sup>(4)</sup></b> |
|--|---------------------------|
| Total Net Asset Value (000s)                                       | \$ <b>12,225</b>          |
| Number of Units Outstanding  | <b>626,609</b>            |
| Management Expense Ratio ("MER") <sup>(1)</sup>                    | <b>10.76%</b>             |
| MER (excluding interest expense and issuance costs) <sup>(1)</sup> | <b>3.07%</b>              |
| Trading Expense Ratio <sup>(2)</sup>                               | -                         |
| Portfolio Turnover Rate <sup>(3)</sup>                             | -                         |
| Net Asset Value per Unit   | \$ <b>19.51</b>           |

### Ratios and Supplemental Data – Class F

|  | <b>2023<sup>(4)</sup></b> |
|--|---------------------------|
| Total Net Asset Value (000s)                                       | \$ <b>4,187</b>           |
| Number of Units Outstanding  | <b>205,220</b>            |
| Management Expense Ratio ("MER") <sup>(1)</sup>                    | <b>6.71%</b>              |
| MER (excluding interest expense and issuance costs) <sup>(1)</sup> | <b>3.19%</b>              |
| Trading Expense Ratio <sup>(2)</sup>                               | -                         |
| Portfolio Turnover Rate <sup>(3)</sup>                             | -                         |
| Net Asset Value per Unit   | \$ <b>20.40</b>           |

- <sup>(1)</sup> The MER is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average Net Asset Value during the period. The MER (excluding interest expense and issuance costs) has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average Net Asset Value. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional earnings that have been generated from the investment of the leverage.
- <sup>(2)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average Net Asset Value during the period.
- <sup>(3)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- <sup>(4)</sup> As at December 31, 2023 or for the period February 23, 2023 (date of commencement of operations) to December 31, 2023, as applicable.

### Past Performance

The Fund has not presented its historical performance because it commenced operations on February 23, 2023 and accordingly has been in existence for less than one year.



# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED DECEMBER 31, 2023

### Summary of Investment Portfolio

AS AT DECEMBER 31, 2023

Top Twenty-Five Holdings

| DESCRIPTION  | % OF NET ASSET VALUE |
|--|----------------------|
| 1 Tudor Gold Corp.                                 | 8.5                  |
| 2 Nighthawk Gold Corp.                             | 6.0                  |
| 3 Neotech Metals Corp.                             | 5.4                  |
| 4 Brixton Metals Corp.                             | 5.1                  |
| 5 West Red Lake Gold Mines Ltd.                    | 5.0                  |
| 6 Latitude Uranium Inc.                            | 4.5                  |
| 7 O3 Mining Inc.                                   | 4.4                  |
| 8 White Gold Corp.                                 | 3.8                  |
| 9 Sitka Gold Corp.                                 | 3.2                  |
| 10 Eureka Lithium Corp.                            | 3.1                  |
| 11 Galway Metals Inc.                              | 3.1                  |
| 12 Thesis Gold Inc.                                | 2.9                  |
| 13 Red Pine Exploration Inc.                       | 2.6                  |
| 14 Volt Lithium Corp.                              | 2.6                  |
| 15 Baselode Energy Corp.                           | 2.5                  |
| 16 Wallbridge Mining Co Ltd.                       | 2.5                  |
| 17 Neotech Metals Corp. - Warrants, 6 October 2025 | 2.1                  |
| 18 Goldshore Resources Inc.                        | 2.1                  |
| 19 Vortex Energy Corp.                             | 2.1                  |
| 20 Exploits Discovery Corp.                        | 1.8                  |
| 21 Omineca Mining & Metals Ltd.                    | 1.7                  |
| 22 Pan American Energy Corp.                       | 1.7                  |
| 23 Kirkland Lake Discoveries Corp.                 | 1.7                  |
| 24 Red Pine Exploration Inc.                       | 1.5                  |
| 25 Klondike Gold Corp.                             | 1.5                  |

"Top Twenty-Five Holdings" excludes any temporary cash investments.

| ASSET CLASS                     | % OF NET ASSET VALUE |
|---------------------------------|----------------------|
| Gold                            | 72.2                 |
| Metals and Mining               | 23.2                 |
| Uranium                         | 11.6                 |
| Precious Metals and Minerals    | 1.2                  |
| Cash and Short-Term Investments | 1.4                  |
| Other Net Liabilities           | (9.6)                |
|                                 | 100.0                |

**TOTAL NET ASSET VALUE** **\$ 16,412,870**

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions. Please visit [www.middlefield.com](http://www.middlefield.com) for the most recent quarter-end Summary of Investment Portfolio.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements MRF 2023 Resource Limited Partnership (the "Fund") have been prepared by Middlefield Limited (the "Manager"), the manager of Fund and approved by the Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and other financial information contained in this report. The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates



Jeremy Brasseur  
Director

and judgments. The significant accounting policies applicable to the Fund are described in the notes to the financial statements. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

Deloitte LLP is the external auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements.



Craig Rogers  
Director

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of  
MRF 2023 Resource Limited Partnership (the "Fund")

### Opinion

We have audited the financial statements of the Fund, which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the period February 23, 2023 to December 31, 2023, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and its financial performance and its cash flows for the period February 23, 2023 to December 31, 2023 in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management Report of Fund Performance
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
March 22, 2024

**FINANCIAL  
STATEMENTS**



# FINANCIAL STATEMENTS

## Statement of Financial Position

AS AT DECEMBER 31  
(In Canadian Dollars)

2023

### ASSETS

#### Current Assets

|  |    |                   |
|--|----|-------------------|
| Investments at Fair Value through Profit or Loss | \$ | 17,750,501        |
| Cash   |    | 224,038           |
| <b>Total Assets</b>                              |    | <b>17,974,539</b> |

### LIABILITIES

#### Current Liabilities

|   |  |                  |
|---|--|------------------|
| Loan Payable (Note 6)   |  | 1,413,147        |
| Accounts Payable and Accrued Liabilities (Note 9)                           |  | 148,522          |
| <b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b> |  | <b>1,561,669</b> |

**Net Assets Attributable to Unitholders** \$ **16,412,870**

**Net Assets Attributable to Unitholders – Class A** \$ **12,225,463**

**Net Assets Attributable to Unitholders – Class F** \$ **4,187,407**

**Units Issued and Outstanding – Class A (Note 3F)** **626,609**

**Units Issued and Outstanding – Class F (Note 3F)** **205,220**

**Net Assets Attributable to Unitholders per Unit – Class A** \$ **19.51<sup>(1)</sup>**

**Net Assets Attributable to Unitholders per Unit – Class F** \$ **20.40<sup>(1)</sup>**

The accompanying notes to financial statements are an integral part of this financial statement.

Approved by the Board of Directors of Middlefield Limited, as Manager:



Director: Jeremy Brasseur



Director: Craig Rogers

<sup>(1)</sup>The Net Assets Attributable to Unitholders per Unit for Class A and Class F reflect the revised valuation of Neotech Metals Corp. based on information available subsequent to December 31, 2023. As such, the Net Assets Attributable to Unitholders per Unit for Class A and Class F in the above Statement of Financial Position are different from the Net Assets Attributable to Unitholders per Unit for Class A and Class F published on [www.middlefield.com](http://www.middlefield.com) for December 29, 2023.

# FINANCIAL STATEMENTS

## Statement of Comprehensive Income

FOR THE PERIOD FEBRUARY 23, 2023 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023  
TAX SHELTER IDENTIFICATION NUMBER (NOTE 8): TS095547

(In Canadian Dollars)

|   |                       |
|---|-----------------------|
| <b>REVENUE (LOSS)</b>   |                       |
| Interest Income   | \$ 267,166            |
| <b>Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value through Profit or Loss</b> |                       |
| Net Unrealized Gain (Loss) on Investments   | (2,835,491)           |
| <b>Total Profit (Loss)</b>  | <b>(2,568,325)</b>    |
| <b>OPERATING EXPENSES</b> (Note 9)  |                       |
| Advisory Fee  | 20,412                |
| Audit Fees  | 21,279                |
| Custodial Fees  | 1,968                 |
| Fund Administration Costs   | 54,990                |
| Legal Fees  | 3,297                 |
| Management Fee (Note 9)   | 301,406               |
| Unitholder Reporting Costs  | 31,844                |
| <b>Total Operating Expenses</b>   | <b>435,196</b>        |
| Operating Profit (Loss)   | (3,003,521)           |
| Finance Costs (Note 6)  | 13,147                |
| <b>Profit (Loss)</b>  | <b>\$ (3,016,668)</b> |
| <b>Increase (Decrease) in Net Assets Attributable to Unitholders</b>  | <b>\$ (3,016,668)</b> |
| <b>Increase (Decrease) in Net Assets Attributable to Unitholders – Class A</b>  | <b>\$ (2,248,938)</b> |
| <b>Increase (Decrease) in Net Assets Attributable to Unitholders – Class F</b>  | <b>\$ (767,730)</b>   |
| Increase (Decrease) in Net Assets Attributable to Unitholders per Unit – Class A (Note 3F)                            | \$ (3.59)             |
| Increase (Decrease) in Net Assets Attributable to Unitholders per Unit – Class F (Note 3F)                            | \$ (3.74)             |

The accompanying notes to financial statements are an integral part of this financial statement.

# FINANCIAL STATEMENTS

## Statement of Changes in Net Assets Attributable to Unitholders

FOR THE PERIOD FEBRUARY 23, 2023 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023  
(In Canadian Dollars)

|   | Class A       | Class F      | Total         |
|---|---------------|--------------|---------------|
| Net Assets Attributable to Unitholders at Beginning of Period | \$ -          | \$ -         | \$ -          |
| Increase (Decrease) in Net Assets Attributable to Unitholders | (2,248,938)   | (767,730)    | (3,016,668)   |
| Proceeds from Issue of Units                                  | 15,665,225    | 5,130,500    | 20,795,725    |
| Payment of Agents' Fees                                       | (900,751)     | (115,436)    | (1,016,187)   |
| Payment of Issue Costs  | (290,073)     | (59,927)     | (350,000)     |
| Net Assets Attributable to Unitholders at End of Period       | \$ 12,225,463 | \$ 4,187,407 | \$ 16,412,870 |

## Statement of Cash Flows

FOR THE PERIOD FEBRUARY 23, 2023 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023  
(In Canadian Dollars)

### CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

|   |                |
|---|----------------|
| Increase (Decrease) in Net Assets Attributable to Unitholders | \$ (3,016,668) |
| Adjustments:  |                |
| Purchases of Investments                                      | (20,585,992)   |
| Change in Net Unrealized (Gain) Loss on Investments           | 2,835,491      |
|   | (20,767,169)   |
| Net Change in Non-Cash Working Capital                        | 148,522        |
| Net Cash from (used in) Operating Activities                  | (20,618,647)   |

### CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

|  |             |
|--|-------------|
| Proceeds from Issue of Units                 | 20,795,725  |
| Proceeds from Loans                          | 1,413,147   |
| Payment of Agents' Fees                      | (1,016,187) |
| Payment of Issue Costs                       | (350,000)   |
| Net Cash from (used in) Financing Activities | 20,842,685  |
| Net Increase (Decrease) in Cash              | 224,038     |
| Cash at Beginning of Period                  | -           |
| Cash at End of Period                        | \$ 224,038  |

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

# FINANCIAL STATEMENTS

## Schedule of Investment Portfolio

AS AT DECEMBER 31, 2023  
(In Canadian Dollars)

| Description  | No. of Securities | Average Cost  | Fair Value    |
|--|-------------------|---------------|---------------|
| Brixton Metals Corp.                                     | 6,000,000         | \$ 1,020,000  | \$ 839,999    |
| Brixton Metals Corp. - Warrants, 20 November 2025        | 3,000,000         | -             | 55,980        |
| Cartier Resources Inc.                                   | 1,940,000         | 300,700       | 184,300       |
| Cartier Resources Inc.                                   | 2,500,000         | 250,000       | 237,500       |
| Exploits Discovery Corp.                                 | 2,500,000         | 275,000       | 300,000       |
| Galway Metals Inc.                                       | 1,233,300         | 739,980       | 499,487       |
| Gold Terra Resource Corp.                                | 3,000,000         | 345,000       | 210,000       |
| Goldshore Resources Inc.                                 | 3,000,000         | 585,000       | 345,000       |
| Goldshore Resources Inc. - Warrants, 13 April 2025       | 1,500,000         | -             | 50,385        |
| Goldstorm Metals Corp.                                   | 1,250,000         | 250,000       | 237,500       |
| Goldstorm Metals Corp. - Warrants, 15 December 2025      | 625,000           | -             | 22,719        |
| iMetal Resources Inc.                                    | 1,000,000         | 250,000       | 75,000        |
| iMetal Resources Inc. - Warrants, 6 April 2025           | 1,000,000         | -             | 12,480        |
| Kirkland Lake Discoveries - Warrants, 30 May 2025        | 2,750,000         | -             | 62,453        |
| Kirkland Lake Discoveries Corp.                          | 2,750,000         | 756,250       | 275,000       |
| Klondike Gold Corp.                                      | 3,500,000         | 402,500       | 245,000       |
| Klondike Gold Corp. - Warrants, 28 April 2025            | 3,500,000         | -             | 59,710        |
| Nighthawk Gold Corp.                                     | 3,300,000         | 1,518,000     | 989,999       |
| O3 Mining Inc.   | 460,000           | 749,800       | 722,200       |
| Omineca Mining & Metals Ltd.                             | 4,500,000         | 495,000       | 270,000       |
| Omineca Mining and Metals Ltd. - Warrants, 23 March 2026 | 4,500,000         | -             | 134,100       |
| P2 Gold Inc.   | 937,500           | 300,000       | 121,875       |
| P2 Gold Inc. - Warrants, 4 May 2025                      | 937,500           | -             | 32,259        |
| Rackla Metals Inc.                                       | 1,000,000         | 275,000       | 185,000       |
| Rackla Metals Inc. - Warrants, 19 September 2025         | 1,000,000         | -             | 77,320        |
| Red Pine Exploration Inc.                                | 2,218,180         | 488,000       | 432,545       |
| Red Pine Exploration Inc.                                | 1,287,500         | 302,563       | 251,063       |
| Red Pine Exploration Inc. - Warrants, 5 April 2024       | 643,750           | -             | 6,251         |
| Signal Gold Inc.   | 1,250,000         | 400,000       | 168,750       |
| Signal Gold Inc. - Warrants, 1 December 2024             | 625,000           | -             | 8,088         |
| Sitka Gold Corp.   | 2,250,000         | 247,500       | 528,750       |
| Sitka Gold Corp. - Warrants, 24 July 2025                | 1,125,000         | -             | 174,330       |
| Sun Summit Minerals Corp.                                | 2,500,000         | 300,000       | 137,500       |
| Sun Summit Minerals Corp. - Warrants, 10 May 2025        | 2,500,000         | -             | 37,600        |
| Thesis Gold Inc.   | 800,000           | 744,000       | 472,000       |
| Tudor Gold Corp.   | 1,475,000         | 1,887,999     | 1,401,249     |
| Tudor Gold Corp. - Warrants, 13 April 2025               | 737,500           | -             | 138,466       |
| Wallbridge Mining Co Ltd.                                | 4,100,000         | 758,500       | 410,000       |
| West Red Lake Gold Mines Ltd.                            | 1,000,000         | 700,000       | 819,999       |
| White Gold Corp.   | 2,275,000         | 750,750       | 614,250       |
| <b>GOLD: 65.9%</b>                                       |                   | \$ 15,091,542 | \$ 11,846,107 |



# FINANCIAL STATEMENTS

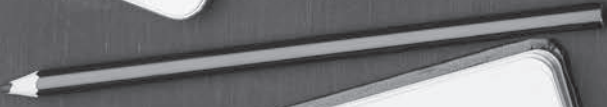
## Schedule of Investment Portfolio (continued)

AS AT DECEMBER 31, 2023

(In Canadian Dollars)

| Description   | No. of Securities | Average Cost     | Fair Value       |
|---|-------------------|------------------|------------------|
| Eureka Lithium Corp.                                      | 1,000,000         | \$ 600,000       | \$ 510,000       |
| Eureka Lithium Corp. - Warrants, 31 May 2025              | 500,000           | -                | 19,535           |
| Kodiak Copper Corp.                                       | 150,000           | 144,000          | 87,000           |
| Kodiak Copper Corp. - Warrants, 21 April 2025             | 75,000            | -                | 10,312           |
| Neotech Metals Corp.                                      | 500,000           | 250,000          | 888,800          |
| Neotech Metals Corp. - Warrants, 6 October 2025           | 250,000           | -                | 334,827          |
| Pan American Energy Corp.                                 | 500,000           | 250,000          | 270,000          |
| Pan American Energy Corp. - Warrants, 13 December 2025    | 250,000           | -                | 29,133           |
| Targa Exploration Corp.                                   | 1,500,000         | 255,000          | 187,500          |
| Targa Exploration Corp. - Warrants, 22 December 2025      | 750,000           | -                | 32,423           |
| Vizsla Copper Corp.                                       | 1,250,000         | 300,000          | 162,500          |
| Volt Lithium Corp.  | 1,900,000         | 436,985          | 427,500          |
| Volt Lithium Corp. - Warrants, 4 August 2025              | 950,000           | 19,015           | 102,714          |
| Vortex Energy Corp.                                       | 580,000           | 249,400          | 342,200          |
| Vortex Energy Corp. - Warrants, 22 December 2025          | 580,000           | -                | 219,959          |
| VR Resources Ltd.   | 1,875,000         | 300,000          | 159,375          |
| VR Resources Ltd. - Warrants, 19 October 2025             | 937,500           | -                | 27,422           |
| <b>METALS AND MINING: 21.2%</b>                           |                   | <b>2,804,400</b> | <b>3,811,200</b> |
| Baselode Energy Corp.                                     | 1,000,000         | 480,000          | 415,000          |
| Baselode Energy Corp. - Warrants, 10 May 2025             | 500,000           | -                | 39,235           |
| Latitude Uranium Inc.                                     | 3,000,000         | 1,260,000        | 735,000          |
| Latitude Uranium Inc. - Warrants, 5 April 2026            | 1,500,000         | -                | 188,610          |
| Purepoint Uranium Group Inc.                              | 4,760,000         | 249,900          | 238,000          |
| Purepoint Uranium Group Inc. - Warrants, 13 December 2025 | 4,760,000         | -                | 119,619          |
| Traction Uranium Corp.                                    | 1,111,000         | 499,950          | 155,540          |
| Traction Uranium Corp. - Warrants, 9 May 2025             | 555,500           | -                | 11,038           |
| <b>URANIUM: 10.6%</b>                                     |                   | <b>2,489,850</b> | <b>1,902,042</b> |
| Kuya Silver Corp.   | 715,000           | 200,200          | 178,750          |
| Kuya Silver Corp. - Warrants, 28 December 2025            | 357,500           | -                | 12,402           |
| <b>PRECIOUS METALS AND MINERALS: 1.1%</b>                 |                   | <b>200,200</b>   | <b>191,152</b>   |
| TOTAL INVESTMENTS: 98.8%                                  |                   | 20,585,992       | 17,750,501       |
| CASH: 1.2%  |                   | 224,038          | 224,038          |
| Total Investment Portfolio, Including Cash                |                   | \$ 20,810,030    | \$ 17,974,539    |

# NOTES TO FINANCIAL STATEMENTS



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

## 1. MRF 2023 Resource Limited Partnership

MRF 2023 Resource Limited Partnership (the “Fund”) was formed as a limited partnership pursuant to a certificate under the laws of the Province of Alberta dated December 20, 2022 and commenced operations on February 23, 2023. The principal purpose of the Fund is to invest in an actively managed, diversified portfolio comprised primarily of equity securities of Canadian companies involved primarily in the resource sector. Pursuant to a prospectus dated January 26, 2023 (the “Prospectus”), Limited Partners subscribed for 626,609 Class A units and 205,220 Class F units of limited partnership interest. The general partner of the Fund is Middlefield Resource Corporation (the “General Partner”). The Manager of the Fund is Middlefield Limited (the “Manager”) and Middlefield Capital Corporation, a company under common control with the Manager, is an advisor to the Fund (“MCC” or the “Advisor”). The address of the Fund’s registered office is The Well, 8 Spadina Ave., Suite 3100, Toronto, Ontario. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of the Manager on March 22, 2024.

## 2. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards 34 Interim Financial Reporting, as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

## 3. Summary of Material Accounting Policies

### A. Basis of Accounting

#### IFRS 9 *Financial Instruments* (“IFRS9”)

The Fund classifies and measures financial instruments in accordance with IFRS 9 which requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss and other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s financial assets and liabilities are classified at fair value through profit or loss (“FVTPL”) and amortized cost.

#### Classification, Measurement, Impairment and Hedge Accounting

The Fund classifies its investments in debt and equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken. Consequently, these financial assets are mandatorily measured at FVTPL.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit taking. All derivatives and short positions are included in this category and mandatorily measured at FVTPL. The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 uses the expected credit loss model (“ECL”), as the new impairment model for financial assets carried at amortized cost. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime of ECLs. Given the short-term nature and high credit quality of the trade receivables, there are no expected credit losses associated with them and they are not considered impaired at the reporting dates.

The Fund does not apply general hedge accounting to any of its derivatives positions.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

## 3. Summary of Material Accounting Policies (continued)

### B. Financial Instruments

The Fund's financial instruments may include: short-term investments, equities, derivatives (collectively referred to as "investments"), cash, accounts receivable – portfolio securities sold, income and interest receivable, accounts receivable, prepaid interest, prepaid expenses, loan payable, accounts payable – portfolio securities purchased and accounts payable and accrued liabilities. The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value. The Fund's Net Assets Attributable to Unitholders are measured at fair value. The Fund's obligation for net assets attributable to unitholders is presented at its net asset value ("NAV"). All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with unitholders.

The Fund only offsets financial assets and financial liabilities if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

### C. Fair Value Measurement

The Fund's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Investments and futures contracts are valued at fair value using the policies described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

### D. Limited Partnership Units and Net Assets Attributable to Unitholders

The Fund has three classes of units, the Class A and Class F transferable limited partnership units held by the Limited Partner (the "Limited Partner units") and the unit held by the General Partner representing 0.01% interest in the Fund (the "General Partner unit"). The Fund has a limited life as liquidation is certain to occur and there is a contractual obligation for the Fund to deliver to unitholders a pro-rata share of its net assets on termination of the Fund (see Note 11). The Limited Partner units are not subordinate to the General Partner unit. Therefore, in accordance with the classification requirements of IFRS, the Limited Partner units are classified as liabilities and are measured at their net asset value.

### E. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. The change in the difference between fair value and average cost of the investments is recorded as unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income on bank deposits is recognized on an accrual basis. For income tax purposes, the adjusted cost base of flow-through shares is deemed to be \$nil and, therefore, upon disposition of such shares, the amount of capital gain for tax purposes generally will equal the proceeds of disposition and will be allocated to the Limited Partners based upon their proportionate share of the Fund.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

## 3. Summary of Material Accounting Policies (continued)

### F. Increase (Decrease) in Net Assets Attributable to Unitholders per Unit

Increase (Decrease) in Net Assets Attributable to Unitholders per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets divided by the respective units outstanding during the period.

### G. Allocation of Net Income and Loss

The net income of the Fund for each fiscal period is allocated 0.01% to the General Partner and the balance, along with 100% of the net loss of the Fund, among the Limited Partners in proportion to the number of CEE units held by each of them at the end of each period. The Fund is not itself a taxable entity. Accordingly, no provision for income taxes is required.

### H. Foreign Currency Translation

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

### I. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

#### Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The majority of the Fund's investments and transactions are denominated in Canadian dollars. Investor subscriptions and redemptions are also received and paid in Canadian dollars. Accordingly, management has determined that the functional currency of the Fund is Canadian dollars.

#### Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 for further information about the fair value measurement of the Fund's financial instruments.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

## 4. Fair Value Disclosure

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The table below summarizes the fair value of the Fund's financial instruments as at December 31, 2023 using the following fair value hierarchy:

|         |   |
|---------|---|
| Level 1 | Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.                                     |
| Level 2 | Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.     |
| Level 3 | Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation. |

As at December 31, 2023

| Description | Level 1       | Level 2      | Level 3 | Total         |
|-------------|---------------|--------------|---------|---------------|
| Equities    | \$ 14,842,334 | \$ 888,800   | \$ -    | \$ 15,731,134 |
| Warrants    | -             | 2,019,367    | -       | 2,019,367     |
| Total       | \$ 14,842,334 | \$ 2,908,167 | \$ -    | \$ 17,750,501 |

All fair value measurements are recurring. The carrying values of cash, interest and other receivables, prepaid interest, loan payable, accounts payable and accrued liabilities and the Fund's obligation for net assets attributable to unitholders approximate their fair values due to their short-term nature.

Fair values of the Fund's investments are classified as Level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The Fund's policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3. No transfers between levels have occurred during the period ended December 31, 2023.

## 5. Financial Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: price risk, interest rate risk, liquidity risk, credit risk and concentration risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, the market and company news related to specific securities within the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

### A. Price Risk

Price risk is the risk that changes in the prices of the Fund's investments will affect the Fund's income or the value of its financial instruments. The Fund's price risk is driven primarily by volatility in commodity and equity prices. Rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. In particular, the Fund had large investments in three securities which represent 19.9% of the Fund's net assets as at December 31, 2023: Tudor Gold Corp. (8.5%), Nighthawk Gold Corp. (6.0%) and Neotech Metals Corp. (5.4%). The Fund mitigates price risk by making investing decisions based upon various factors, including comprehensive fundamental analysis prepared by industry experts to forecast future commodity and equity price movements. The Fund's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to the Fund's investments are performed to ensure that any risks are within established levels of risk tolerance. The Fund is exposed to price risk through the following financial instrument:

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 5. Financial Risk Management (continued)

#### A. Price Risk (continued)

|                      |               |
|----------------------|---------------|
|                      | 2023          |
| Investments at FVTPL | \$ 17,750,501 |

Based on the above exposure at December 31, 2023, a 10% increase or decrease in the prices of the Fund's investments would result in a \$1,775,050 increase or decrease in net assets of the Fund, with all other factors held constant.

#### B. Interest Rate Risk

Interest rate risk describes the Fund's exposure to changes in the general level of interest rates. Interest rate risk arises when the Fund invests in interest-bearing financial assets such as cash and utilizes financial liabilities such as loan payable. In respect of cash balances and loan payable, the Fund's interest income and expense are positively correlated to interest rates in that rising interest rates increase both interest income and expense while the reverse is true in a declining interest rate environment. The Fund has not hedged its exposure to interest rate movements. The Fund seeks to mitigate this risk through active management, which involves monitoring debt levels and analysis of economic indicators to forecast Canadian and global interest rates. The Fund is exposed to interest rate risk through the following financial instruments:

|              |                |
|--------------|----------------|
|              | 2023           |
| Cash         | \$ 224,038     |
| Loan Payable | (1,413,147)    |
| Net Exposure | \$ (1,189,109) |

Based on the above exposures at December 31, 2023, a 1% per annum increase or decrease in interest rates would result in a \$11,891 decrease or increase in net assets of the Fund, with all other factors held constant.

#### C. Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations when due. The Fund has a prime brokerage services agreement that provides the lender with a security interest over the assets of the Fund. The Fund's other obligations are due within one year. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily sold and by borrowing under its prime brokerage services agreement. The Fund retains sufficient cash to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

The Fund may invest in securities that are not traded on a public stock exchange or that may be illiquid. As a result, the Fund may not be able to dispose of these investments in a timely manner. The Fund mitigates this risk through active management, which involves detailed analysis of such entities to ensure they are financially sound and would be attractive to potential investors if a sale is necessary. The Fund's investment policies and securities legislation limit the amount invested in illiquid securities and these limits are monitored. As at December 31, 2023, the Fund did not hold any illiquid securities.

The table below presents the Fund's financial liabilities based on the remaining period to the contractual maturity date. The amounts in the table reflect the contractual undiscounted cash flows.

As at December 31, 2023

| Financial Liabilities                    | Less than<br>1 Month | 1 to 3<br>Months | 3 Months<br>to 1 Year | Total         |
|--|----------------------|------------------|-----------------------|---------------|
| Loan Payable                             | \$ 1,413,147         | \$ -             | \$ -                  | \$ 1,413,147  |
| Accounts Payable and Accrued Liabilities | 148,522              | -                | -                     | 148,522       |
| Net Assets Attributable to Unitholders   | 16,412,870           | -                | -                     | 16,412,870    |
| Total                                    | \$ 17,974,539        | \$ -             | \$ -                  | \$ 17,974,539 |

The Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments, specifically Loan Payable, typically retain them for a longer period.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

## 5. Financial Risk Management (continued)

### D. Credit Risk

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial instrument failed to meet its obligations to the Fund. The Fund is exposed to credit risk on its debt instruments, derivative assets, cash and cash equivalents and other short term trade receivables. The Fund measures credit risk and lifetime ECLs related to the trade receivables using historical analysis and forward looking information in determining the ECL. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by the Fund in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase only once the broker has received the securities. The trade will fail if either party fails to meet its obligations. There is no significant credit risk related to the Fund's receivables.

The Fund has established various internal controls to help mitigate credit risk, including prior approval of all investments by the Advisor whose mandate includes conducting financial and other assessments of these investments on a regular basis. The Fund has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

### E. Concentration Risk

The Fund is exposed to the possible risk inherent in the concentration of the investment portfolio in a small number of industries or investment sectors. The Manager moderates this risk through careful selection of securities in several investment sectors. As at December 31, 2023, the percentages of the Fund's total net assets invested in each investment sector were as follows:

| Sector                       | As a % of Net Assets<br>2023 |
|------------------------------|------------------------------|
| Gold                         | 72.2                         |
| Metals and Mining            | 23.2                         |
| Uranium                      | 11.6                         |
| Precious Metals and Minerals | 1.2                          |
| Total                        | 108.2                        |

## 6. Loan Payable

In 2023, the Fund entered into a prime brokerage services agreement that provides the lender with a security interest over the assets of the Fund. As at December 31, 2023, loan outstanding was in the amount of approximately \$1.4 million. The minimum and maximum loans outstanding during the period ended December 31, 2023 were \$nil and \$1.4 million, respectively. The Fund is subject to bank covenants on the loan payable and is in compliance with those covenants in 2023. Finance costs primarily relate to loan interest expenses.

## 7. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions during the period ended December 31, 2023 amounted to \$nil. Brokerage commissions and other transaction costs were expensed and recorded in the Statement of Comprehensive Income.

## 8. Tax Shelter Identification and Partnership Account Numbers

The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administration purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. The tax shelter number for the Fund is TS095547. The partnership account number for the Fund is 745546945RZ0001.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

## 9. Related Party Transactions

The General Partner and the Advisor are each entitled to receive fees. The management fee and advisory fee are, in aggregate, equal to 2.0% per annum of the NAV of the Fund, calculated and payable monthly in arrears. These fees are recorded as Management Fee and Advisory Fee in the Statement of Comprehensive Income. At December 31, 2023, the management and advisory fees payable by the Fund were \$46,312 and \$2,437, respectively and are included in Accounts Payable and Accrued Liabilities. For the period ended December 31, 2023, management fees before the absorption of expenses amounted to \$301,406. The General Partner also has a 0.01% beneficial interest in the Fund. The General Partner is reimbursed for reasonable costs related to maintaining the Fund and preparation and distribution of financial statements and other documents to the Limited Partners. The Advisor is entitled to a performance fee payable on the earlier of: (a) the business day prior to the date on which the assets of the Fund are exchanged on a tax-deferred basis for redeemable shares of one of the classes of Middlefield Mutual Funds Limited (the "Mutual Fund"), a mutual fund corporation; and (b) the business day immediately prior to the date of dissolution or termination (see Note 11) of the Fund ("Performance Fee Date"), equal to 20% of the amount that is equal to the product of: (i) the number of units outstanding on the Performance Fee Date; and (ii) the amount by which the NAV per unit on the Performance Fee Date and any distributions per unit paid during the period commencing on the date of the initial closing and ending on the Performance Fee Date exceeds, in the case of Class A Units, \$26.50, and in the case of the Class F Units, \$27.48. During the period ended December 31, 2023, agency fees paid to MCC amounted to \$6,221.

The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business, including, among other things, audit and legal fees and expenses, custodian and transfer agency fees, and costs relating to securityholder reporting. Certain services in the normal course of business may be provided by the Manager or an affiliate of the Manager in accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds. Examples of these services include the preparation and filing of tax returns, the preparation and filing of financial statements and related reports, acting as transfer agent and registrar for the funds, and maintaining and updating the Fund's website. In aggregate, these fees amounted to \$51,276 throughout the period and \$7,397 is included in Accounts Payable and Accrued Liabilities as at December 31, 2023. In addition, the Fund would be responsible for reimbursing the Manager for any reasonable out of pocket expenses incurred on the Fund's behalf.

## 10. Capital Management

The Fund's capital is its net assets attributable to unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The Fund manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value. In order to maintain or adjust its capital structure, the Fund may repay debt under its loan facility or undertake other activities deemed appropriate under the specific circumstances.

## 11. Termination of Fund

The Fund is currently expected to dissolve on or about March 31, 2025 at which time the net assets will be allocated 99.99% to the Limited Partners and 0.01% to the General Partner; however, it is the current intention of the General Partner to propose prior to the dissolution that the Fund enter into an agreement with the Mutual Fund, whereby assets of the Fund would be exchanged for shares of one of the classes of the Mutual Fund, as determined by the General Partner based on the advice of the Advisor, on or about February 28, 2025. Upon dissolution, Limited Partners would then receive their pro rata share of the shares of one of the classes of the Mutual Fund. The completion of any such arrangement would be subject to the receipt of all necessary regulatory approvals.

## 12. Comparative Financial Statements

The Fund commenced operations on February 23, 2023. Accordingly, there are no comparative financial statements for the period ended December 31, 2023.

# MIDDLEFIELD FUNDS FAMILY |

| <b>EXCHANGE - TRADED FUNDS (ETFs)</b>                                 | <b>TSX Stock Symbol</b>                   |
|---|---|
| • Middlefield Healthcare Dividend ETF                                 | MHCD                                      |
| • Middlefield Innovation Dividend ETF                                 | MINN                                      |
| • Middlefield Sustainable Global Dividend ETF                         | MDIV                                      |
| • Middlefield Sustainable Infrastructure Dividend ETF                 | MINF                                      |
| • Middlefield Real Estate Dividend ETF                                | MREL                                      |
| • Middlefield U.S. Equity Dividend ETF                                | MUSA                                      |
| <b>TSX-LISTED FUNDS</b>   |   |
| • E Split Corp.   | ENS   ENS.PR.A                            |
| • International Clean Power Dividend Fund                             | CLP.UN                                    |
| • Middlefield Global Real Asset Fund                                  | RA.UN                                     |
| • MINT Income Fund  | MID.UN                                    |
| • Real Estate Split Corp.   | RS   RS.PR.A                              |
| • Sustainable Innovation & Health Dividend Fund                       | SIH.UN                                    |
| • Sustainable Real Estate Dividend Fund                               | MSRE.UN                                   |
| <b>MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS</b>                           |   |
|   | <b>Fund Code</b>                          |
| <b>Series A Units</b>   | <b>FE/LL/DSC</b>                          |
| • Middlefield Healthcare Dividend Fund                                | MID 325/327/330                           |
| • INDEXPLUS Income Fund   | MID 435/437/440                           |
| • Middlefield Global Infrastructure Fund                              | MID 510/519/520                           |
| <b>Series F Units</b>   |   |
| • Middlefield Healthcare Dividend Fund                                | MID 326                                   |
| • INDEXPLUS Income Fund   | MID 436                                   |
| • Middlefield Global Infrastructure Fund                              | MID 501                                   |
| <b>MIDDLEFIELD MUTUAL FUNDS CORPORATE CLASS FUNDS</b>                 |   |
|   | <b>Fund Code</b>                          |
| <b>Series A Shares</b>  | <b>FE/LL/DSC</b>                          |
| • Middlefield Canadian Dividend Growers Class                         | MID 148/449/450                           |
| • Middlefield Global Agriculture Class                                | MID 161/163/166                           |
| • Middlefield Global Dividend Growers Class                           | MID 181/183/186                           |
| • Middlefield Real Estate Dividend Class                              | MID 600/649/650                           |
| • Middlefield Global Energy Transition Class                          | MID 265                                   |
| • Middlefield Innovation Dividend Class                               | MID 925                                   |
| • Middlefield High Interest Income Class                              | MID 400/424/425                           |
| • Middlefield Income Plus Class                                       | MID 800/849/850                           |
| • Middlefield U.S. Equity Dividend Class                              | MID 710/719/720                           |
| <b>Series F Shares</b>  |   |
| • Middlefield Canadian Dividend Growers Class                         | MID 149                                   |
| • Middlefield Global Agriculture Class                                | MID 162                                   |
| • Middlefield Global Dividend Growers Class                           | MID 182                                   |
| • Middlefield Real Estate Dividend Class                              | MID 601                                   |
| • Middlefield Global Energy Transition Class                          | MID 266                                   |
| • Middlefield Innovation Dividend Class                               | MID 926                                   |
| • Middlefield Income Plus Class                                       | MID 801                                   |
| • Middlefield U.S. Equity Dividend Class                              | MID 701                                   |
| <b>RESOURCE FUNDS</b>   |   |
| • Discovery 2023 Short Duration LP (commenced October 5, 2023)        |   |
| • MRF 2023 Resource Limited Partnership                               |   |
| • MRF 2024 Resource Limited Partnership (commenced February 22, 2024) |   |
| <b>INTERNATIONAL FUNDS</b>  |   |
| • Middlefield Canadian Income PCC                                     | London UK Stock Exchange (LSE) Symbol:MCT |

**Dean Orrico**  
 President and Chief Executive Officer

**Jeremy T. Brasseur**  
 Executive Chairman

**Robert F. Lauzon, CFA**  
 Chief Investment Officer

### Independent Review Committee

**George S. Dembroski**  
 Former Vice-Chairman  
 RBC Dominion Securities Limited

**H. Roger Garland, CPA, CA**  
 Former Vice-Chairman  
 Four Seasons Hotels Inc.

**Christine Helsdon Tekker, MBA, LLM, ICD.D**  
 Senior Vice President, Lending  
 Infrastructure Ontario

**Edward V. Jackson (Chairman)**  
 Former Managing Director  
 RBC Capital Markets

**Advisors**  
 Middlefield Capital Corporation  
 SSR Health LLC  
 Paul Sagawa LLC

### Middlefield Group

**Stephen Erlichman**  
 Chair, ESG  
 (Environmental, Social, Governance)

**Craig Rogers, CPA, CGA, CFA**  
 Chief Operating Officer

**Wendy Teo, CPA, CA, CPA (IL)**  
 Chief Financial Officer & Vice President

**Mark Aboud**  
 Managing Director,  
 Workplace Innovation and Productivity

**Dennis da Silva**  
 Senior Portfolio Manager

**Nancy Tham**  
 Managing Director, Sales

**Shane Obata**  
 Portfolio Manager

**Robert Moffat**  
 Portfolio Manager

**Anthony Tavella, MBA, MFin**  
 Executive Director, International and Marketing

**Stacy J. Crestohl**  
 Director, Operations

**Rose Espinoza**  
 Director, International

**Catherine Rebuldela, CPA, CGA**  
 Director, Operations

**Victor Xu, CFA**  
 Director, Corporate Development

**Shiranee Gomez**  
 Senior Vice-President

**Victor Ngai**  
 Senior Vice-President

**Nicole S. Brasseur**  
 President, Human Resources

**Sarah Roberts, CPA, CMA**  
 Vice-President

**Jimmy Xu**  
 Vice-President, Information Technology

**Rachel Zhang**  
 Vice-President

**Sylvia Casillano, CPA, CGA**  
 Assistant Vice-President

**Maggie Vanadero – Chu**  
 Associate

**Justin Ip**  
 Business Development Associate

**Scott Hu**  
 Associate, Information Technology

**Mazhar Ahsan Abdulwahab**  
 Investment Analyst

**Curtis Blakely**  
 Business Development Associate

**Juanita Lam**  
 Brand Designer

**Joshua Wiggins**  
 Brand Strategist

**Stephen Chamberlain**  
 Vice-President,  
 Middlefield Realty Services Limited

**Auditor**  
 Deloitte LLP, Chartered Professional Accountants  
 RSM Canada LLP

**Legal Counsel**  
 Bennett Jones  
 DLA Piper (Canada) LLP  
 Fasken Martineau DuMoulin LLP  
 McCarthy Tétrault

**Bankers**  
 Bank of Montreal  
 Canadian Imperial Bank of Commerce  
 Royal Bank of Canada  
 The Bank of Nova Scotia  
 The Toronto-Dominion Bank

**Custodian**  
 RBC Investor Treasury Services

**Transfer Agents**  
 RBC Investor Service Trust  
 TSX Trust Company

**Affiliates**  
 Middlefield Group Limited  
 Middlefield Capital Corporation  
 Middlefield Financial Services Limited  
 MFL Management Limited  
 MF Properties Limited  
 Middlefield International Limited  
 Middlefield Limited  
 Middlefield Realty Services Limited  
 Middlefield Resource Corporation



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