

**Copper Standard Resources Inc. (formerly Level 14  
Ventures Ltd)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Copper Standard Resources Inc. (formerly Level 14 Ventures Ltd.)

### *Opinion*

We have audited the accompanying consolidated financial statements of Copper Standard Resources Inc. (formerly Level 14 Ventures Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a loss of \$1,284,298 for the year ended December 31, 2023 and is expected to incur operating losses for the foreseeable future. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Deferred Acquisition Costs ("DAC")*

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's DAC were \$10,587,761 as of December 31, 2023. As more fully described in Notes 2 and 3 to the consolidated financial statements, management assesses DAC for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of DAC is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for these assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue use of, or to advance with these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the DAC.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the DAC through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with agreement including vouching cash payments.
- Obtaining confirmation of title to ensure properties underlying the DAC asset is in good standing.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

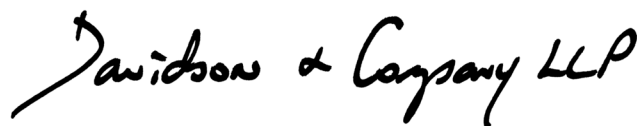
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael MacLaren.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 16, 2024

**COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31

(Expressed in Canadian dollars)

|   | Note  | 2023<br>\$        | 2022<br>\$        |
|---|-------|-------------------|-------------------|
| <b>ASSETS</b>                                     |       |                   |                   |
| <b>Current assets</b>                             |       |                   |                   |
| Cash  |       | 3,413,738         | 1,664,243         |
| Receivables                                       |       | 64,091            | 33,114            |
| Prepaid expenses                                  |       | 12,100            | -                 |
| <b>Total current assets</b>                       |       | <b>3,489,929</b>  | <b>1,697,357</b>  |
| <b>Non-current assets</b>                         |       |                   |                   |
| Exploration and evaluation asset                  | 4     | -                 | 229,657           |
| Deferred acquisition costs                        | 5     | 10,587,761        | 9,550,391         |
| <b>Total assets</b>                               |       | <b>14,077,690</b> | <b>11,477,405</b> |
| <b>LIABILITIES</b>                                |       |                   |                   |
| <b>Current liabilities</b>                        |       |                   |                   |
| Accounts payable and accrued liabilities          | 9     | 400,515           | 103,884           |
| <b>Total liabilities</b>                          |       | <b>400,515</b>    | <b>103,884</b>    |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                   |                   |
| Share capital                                     | 7     | 13,795,191        | 11,751,273        |
| Share-based compensation reserve                  | 7 (c) | 691,853           | 304,267           |
| Warrant reserve                                   | 8     | 2,031,125         | 581,802           |
| Deficit   |       | (2,840,994)       | (1,263,821)       |
| <b>Total shareholders' equity</b>                 |       | <b>13,677,175</b> | <b>11,373,521</b> |
| <b>Total liabilities and shareholders' equity</b> |       | <b>14,077,690</b> | <b>11,477,405</b> |

Nature of operations and going concern (note 1)

Subsequent event (note 14)

Approved by the Board of Directors on April 16, 2024

“Hayley Thomasen”*Director*“Christian Milau”*Director*

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

**COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(Expressed in Canadian dollars)

|   | Note    | 2023<br>\$        | 2022<br>\$        |
|---|---------|-------------------|-------------------|
| <b>Expenses</b>   |         |                   |                   |
| Exploration expenses  | 4       | 76,201            | 45,991            |
| Foreign exchange (gain) loss  |         | 151,251           | 37,955            |
| General and administrative  | 9       | 61,188            | 40,004            |
| Impairment of exploration asset   | 4       | 229,657           | -                 |
| Insurance expense   |         | 12,100            | 12,100            |
| Listing and filing fees   |         | 41,868            | 24,504            |
| Management fees   | 9       | 36,000            | 36,000            |
| Marketing fees  |         | 120,840           | 61,820            |
| Professional fees   |         | 181,749           | 123,370           |
| Salaries and wages  | 9       | 50,500            | 40,850            |
| Share-based compensation  | 7(c), 9 | 410,431           | 249,406           |
| Gain on spinouts  | 6       | (87,487)          | -                 |
| <b>Loss and comprehensive loss for the year</b>                                 |         | <b>1,284,298</b>  | <b>672,000</b>    |
| <b>Loss per share</b>   |         |                   |                   |
| Basic and diluted   |         | <b>(0.04)</b>     | <b>(0.03)</b>     |
| <b>Weighted average number of common shares outstanding (basic and diluted)</b> |         | <b>30,730,083</b> | <b>24,950,409</b> |

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

**COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31

(Expressed in Canadian dollars)

|  | Note    | Common shares<br>Number | Share capital<br>\$ | Warrants<br>reserve<br>\$ | Share-based<br>compensation reserve<br>\$ | Deficit<br>\$      | Total<br>\$       |
|--|---------|-------------------------|---------------------|---------------------------|---|--------------------|-------------------|
| <b>Balance, December 31, 2021</b>        |         | <b>13,026,834</b>       | <b>1,323,692</b>    | <b>581,802</b>            | <b>54,861</b>                             | <b>(591,821)</b>   | <b>1,368,534</b>  |
| Shares issued for private placement      | 7(b)    | 5,478,333               | 3,287,000           | -                         | -   | -                  | 3,287,000         |
| Share issuance costs                     | 7(b)    | -                       | (59,419)            | -                         | -   | -                  | (59,419)          |
| Shares issued on asset acquisition       | 5, 7(b) | 12,000,000              | 7,200,000           | -                         | -   | -                  | 7,200,000         |
| Share-based compensation                 | 7(c)    | -                       | -                   | -                         | 249,406                                   | -                  | 249,406           |
| Loss and comprehensive loss for the year |         | -                       | -                   | -                         | -   | (672,000)          | (672,000)         |
| <b>Balance, December 31, 2022</b>        |         | <b>30,505,167</b>       | <b>11,751,273</b>   | <b>581,802</b>            | <b>304,267</b>                            | <b>(1,263,821)</b> | <b>11,373,521</b> |
| Shares issued for private placement      | 7(b)    | 7,766,087               | 2,005,206           | 1,489,534                 | -   | -                  | 3,494,740         |
| Share issuance costs                     | 7(b)    | -                       | (54,133)            | (40,211)                  | -   | -                  | (94,344)          |
| Share based compensation                 | 7(c)    | -                       | -                   | -                         | 410,431                                   | -                  | 410,431           |
| Spin-off transactions                    | 6       | -                       | -                   | -                         | -   | (292,875)          | (292,875)         |
| Shares issued for option exercise        | 7(c)    | 233,333                 | 92,845              | -                         | (22,845)                                  | -                  | 70,000            |
| Loss and comprehensive loss for the year |         | -                       | -                   | -                         | -   | (1,284,298)        | (1,284,298)       |
| <b>Balance, December 31, 2023</b>        |         | <b>38,504,587</b>       | <b>13,795,191</b>   | <b>2,031,125</b>          | <b>691,853</b>                            | <b>(2,840,994)</b> | <b>13,677,175</b> |

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

# COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

(Expressed in Canadian dollars)

|  | Note | 2023<br>\$         | 2022<br>\$         |
|--|------|--------------------|--------------------|
| <b>Cash flows provided by (used in)</b>              |      |                    |                    |
| <b>Operating Activities</b>                          |      |                    |                    |
| Loss for the year                                    |      | (1,284,298)        | (672,000)          |
| Items not affecting cash:                            |      |                    |                    |
| Unrealized foreign exchange loss                     |      | -                  | 82,551             |
| Share-based compensation                             | 7(c) | 410,431            | 249,406            |
| Impairment of exploration and evaluation asset       | 4    | 229,657            | -                  |
| Gain on spinout                                      | 6    | (87,487)           | -                  |
| Changes in non-cash working capital:                 |      |                    |                    |
| Accounts payable and accrued liabilities             |      | 65,950             | (19,633)           |
| Receivables  |      | (30,977)           | (8,292)            |
| Prepaid expenses                                     |      | (12,100)           | -                  |
|  |      | <b>(708,824)</b>   | <b>(367,968)</b>   |
| <b>Financing Activities</b>                          |      |                    |                    |
| Issuance of share capital                            | 7(b) | 2,005,206          | 3,287,000          |
| Issuance of warrants                                 | 8    | 1,489,534          | -                  |
| Share issuance costs                                 | 7(b) | -                  | (59,419)           |
| Option exercise                                      | 7(c) | 70,000             | -                  |
| Repayment of loan                                    | 5    | -                  | (814,820)          |
|  |      | <b>3,564,740</b>   | <b>2,412,761</b>   |
| <b>Investing Activities</b>                          |      |                    |                    |
| Cash disposed of on deconsolidation                  | 6    | (69,051)           | -                  |
| Advance to Bridle Capital Ltd.                       | 5    | -                  | (383,268)          |
| Acquisition of Bridle Capital Ltd.                   | 5    | -                  | 76,477             |
| Transaction costs on acquisition                     | 5    | -                  | (3,000)            |
| Deferred acquisition costs                           | 5    | (1,037,370)        | (819,182)          |
|  |      | <b>(1,106,421)</b> | <b>(1,128,973)</b> |
| <b>Increase in cash for the year</b>                 |      | <b>1,749,495</b>   | <b>915,820</b>     |
| Cash – beginning of year                             |      | 1,664,243          | 748,423            |
| <b>Cash – end of year</b>                            |      | <b>3,413,738</b>   | <b>1,664,243</b>   |
| <b>Non-cash financing and investing activities</b>   |      |                    |                    |
| Shares issued for acquisition of Bridle Capital Ltd. | 5    | -                  | 7,200,000          |
| Fair value of option exercise                        | 7(c) | 22,845             | -                  |
| Share issuance costs included in accounts payable    | 7(b) | 94,344             | -                  |
| Spinout shares distributed                           | 6    | 150,000            | -                  |
| Costs incurred for distribution of spinout           | 6    | 142,875            | -                  |

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



# **COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in Canadian dollars unless otherwise stated

## **1. Nature of Operations and Going Concern**

### *Nature of operations and Going Concern*

Copper Standard Resources Inc. (“Copper Standard” or the “Company”) is an exploration stage mining company with an option to acquire, through its wholly-owned subsidiary Bridle Capital Ltd. (“Bridle”), 100% of the Colpayoc project in Northern Peru, which is comprised of 3 concessions totaling approximately 1,580 hectares (the “Colpayoc Property”) (note 5).

Copper Standard (formerly Level 14 Ventures Ltd) was incorporated under the British Columbia *Business Corporations Act* on November 7, 2018. Copper Standard has two wholly-owned subsidiaries; Bridle and Mineros Invirtiendo en Peru SAC (“MIPE”) which are consolidated with the Company in these statements. The Company is publicly traded and listed on the Canadian Securities Exchange under the symbol “CSR”.

On December 22, 2023, the Company undertook a name change from “Level 14 Ventures Ltd.” to “Copper Standard Resources Inc.” Concurrently with the name change, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for every three pre-consolidation shares. Unless otherwise noted in these consolidated financial statements, all share, option, warrant and per share amounts are presented on a post-consolidation basis.

On June 7, 2023, the Company and its two formerly wholly owned subsidiaries, Green Mountain Resources Ltd. (“GMR”), which owns the Green Mountain Property located in the Province of British Columbia, and Kobe Resources Ltd. (“Kobe”), entered into an arrangement agreement with respect to a plan of arrangement (the “Arrangement”) to give effect to the spin-off of GMR and Kobe. The Arrangement was approved by the shareholders of the Company on June 27, 2023 and the spin-off completed on July 5, 2023 (note 6).

These consolidated financial statements (the “Financial Statements”) have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business. Copper Standard is an exploration stage mining company which incurred a loss of \$1,284,298 for the year ended December 31, 2023, and as at December 31, 2023 had an accumulated deficit of \$2,840,994. Copper Standard is expected to incur operating losses for the foreseeable future. Copper Standard’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. There can be no assurances that the Company will continue to obtain financing resources necessary and/or achieve positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These Financial Statements do not include adjustments that may be necessary if the going concern principal is not appropriate.

The head office & principal address of the Company is located at Suite 3200, 733 Seymour Street, Vancouver, BC, V6B 0S6.

## **2. Basis of Presentation and Material Accounting Policies**

### *Statement of compliance*

These Financial Statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

# **COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in Canadian dollars unless otherwise stated

## ***Basis of presentation***

These Financial Statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value, as explained in the accounting policies set out below. The Financial Statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiaries.

## ***Consolidation of subsidiaries***

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are recorded at cost and fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Bridle is located in Canada and holds a subsidiary located in Peru.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

## ***Significant accounting policy information***

### ***Cash***

Cash consists of cash held on demand with banks.

### ***Exploration and evaluation assets***

Acquisition costs of mineral claims are initially capitalized as exploration and evaluation assets as incurred and include cash consideration and the fair value of shares issued on the acquisition of mineral properties. Exploration and pre-extraction expenditures are expensed as incurred until such time as technical feasibility and commercial viability of the mineral properties is demonstrable, after which subsequent expenditures relating to development activities for that particular project are capitalized as incurred.

When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mining assets and will be depreciated using the units of production method on commencement of commercial production.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating units or "CGUs").

If an indicator of impairment exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

## **COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in Canadian dollars unless otherwise stated

### *Deferred acquisition costs*

Deferred acquisition costs represent cumulative costs incurred directly attributable to the uncompleted acquisition of a target company and its related net assets. Once complete, the Company will consolidate the entity, or in the event of non-completion, such costs will be written-off. The Company assesses the deferred acquisition costs for impairment indicators each reporting period, including assessment of the target company's underlying net assets.

### *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial assets*

##### *Classification*

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At present, the Company classifies cash and receivables as held at amortized cost.

##### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an instrument that is subsequently measured at FVTPL is recognized in profit or loss.

##### *Financial liabilities*

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

## **COPPER STANDARD RESOURCES INC. (formerly Level 14 Ventures Ltd)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in Canadian dollars unless otherwise stated

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. At present, accounts payable and accrued liabilities are measured at amortized cost.

### ***Flow through shares***

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. Upon issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the difference between the current market price of the Company's common shares and the issue price of the flow through share (initially recognized as a liability) and ii) share capital. Upon eligible exploration expenses being incurred, the premium is then amortized pro-rata to profit or loss. Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years.

### ***Income (loss) per share***

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on income (loss) per share. The assumed proceeds upon the exercise of stock options and warrants are assumed to be used to purchase common shares at the average market price during the period. This calculation proved to be anti-dilutive for the years presented.

### ***Income Taxes***

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company's accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A valuation allowance is recorded against any deferred tax asset if it is not probable to be utilized against future taxable profit.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

### ***Share capital and share issuance costs***

Costs directly attributable to the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to profit or loss if the shares are not issued.

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When the Company issues shares with a warrant attached, the Company allocates the transaction price proportionately based on the relative fair value of each instrument, being the common share and the warrant, at grant date. The fair value of warrants is determined by using the Black-Scholes option pricing model. The value assigned to the common share is recorded in share capital and the value assigned to the warrants is recorded within the reserves. If and when the warrants are exercised, the applicable original amounts of reserve for warrants are transferred to issued capital. The proceeds generated from the payment of the exercise price are also allocated to issued capital.

## ***Share-based compensation***

The fair value of the share-based compensation awards for stock options and compensation warrants is determined at the date of grant using the Black-Scholes option pricing model. The fair value of the award is charged to profit or loss (unless they are considered to be share issuance costs in which case they are booked as a reduction to share capital) and credited to the Share-based compensation reserve (within Shareholders' Equity on the Statement of Financial Position) rateably over the vesting period, after adjusting for the number of awards that are expected to vest. Expenses recognized for forfeited unvested awards are reversed. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment arrangement as measured at the date of modification, over the remainder of the vesting period.

Equity-based compensation issued to non-employees for services performed is recorded at the fair value of the services performed unless this value cannot be determined reliably in which case the compensation issued is valued with reference to the fair value of the equity instruments granted. This compensation is recorded on the date the services are performed.

## ***Foreign currency translation and transactions***

The functional currency of the Company and its subsidiaries is determined based on the currency of the primary economic environment in which it operates. The functional currency of Copper Standard and all its subsidiaries is the Canadian dollar, which is the same as the presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary and non-monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

## ***Changes in accounting standards***

The adoption of IAS 1 amendments which require material accounting policy disclosures as opposed to significant accounting policy disclosures.

### **3. Significant Accounting Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these consolidated financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty for the year ended December 31, 2023 are below:

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### ***Judgements***

- In calculating the fair value of GMR and Kobe for purposes of the Arrangement (note 6) the Company used replacement cost as the valuation methodology, based on the legal, accounting and administration costs incurred to date by those entities.
- Management makes judgments related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.
- The functional currency of the Company is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency if there is a change in events and conditions which determine the primary economic environment.
- The Company has entered into an agreement to acquire a company holding mineral projects. The expenditures incurred on the mineral projects are being accounted for as advances toward the purchase of a company interest in accordance with IFRS 10 and capitalized to the statement of financial position. Upon attaining control of the company, the Company will consolidate it as a subsidiary. On a quarterly basis, the Company assesses the deferred acquisition costs to determine if any impairment indicators are present.

### ***Estimates***

- In calculating the fair value of the share-based compensation and warrants, management uses the Black Scholes Option Pricing Model which includes estimates related to the Company's share price volatility and expected life of the instruments.
- The fair value of the assets and liabilities purchased with Bridle Capital Ltd. on April 27, 2022 (note 5) have been estimated by management by allocating the fair value of the consideration shares which were issued in the concurrent financing.
- The assessment of indicators of impairment for the mineral properties and the related determination of the recoverable amount and write-down of the properties where applicable. To the extent that these estimates are not correct, the value of the mineral properties may differ. The assessment includes project plan evaluation, exploration rights, project economics, political instability, mineral prices and other applicable factors.

## **4. Exploration and Evaluation Asset**

### ***Green Mountain Property***

On October 7, 2020, the Company acquired GMR at a cost of \$229,657 from a related party. GMR owns the mineral rights of the Green Mountain Property, located in British Columbia, Canada. The property is subject to a net smelter returns royalty ("NSR") of 1.5% in favor of the vendor.

During the year ended December 31, 2023, as a result of the Company no longer having any planned or budgeted expenditures for further exploration, the Company identified that it had an impairment indicator with respect to the Green Mountain Property. After an impairment analysis was performed, it was determined that the Green Mountain property should be fully impaired resulting in the recording of an impairment loss of \$229,657 during the year ended December 31, 2023.

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*Exploration expenditures*

During the years ended December 31, 2023 and 2022 the Company incurred the following exploration expenditures, which were expensed as incurred:

|                                    | Year ended December 31, 2023 | Year ended December 31, 2022 |
|------------------------------------|------------------------------|------------------------------|
|                                    | \$                           | \$                           |
| <b>Green Mountain</b>              |                              |                              |
| Field office costs                 | 2,849                        | -                            |
| Geological                         | -                            | 35,031                       |
|                                    | 2,849                        | 35,031                       |
| <b>Project investigation costs</b> |                              |                              |
| Geological                         | 41,027                       | 10,960                       |
| <b>El Ferrol</b>                   |                              |                              |
| Mineral claim extension            | 32,325                       | -                            |
| <b>Total</b>                       | <b>76,201</b>                | <b>45,991</b>                |

**5. Deferred Acquisition Costs**

|   | Deferred acquisition costs |
|---|----------------------------|
|   | \$                         |
| <b>Balance as of December 31, 2021</b>      | -                          |
| Fair value allocated per Bridle acquisition | 8,731,210                  |
| Paid to optionors per agreements            | 68,643                     |
| Advances to Colpayoc                        | 750,538                    |
| <b>Balance as of December 31, 2022</b>      | <b>9,550,391</b>           |
| Paid to optionors per agreements            | 290,324                    |
| Advances to Colpayoc                        | 747,046                    |
| <b>Balance as of December 31, 2023</b>      | <b>10,587,761</b>          |

*Bridle Acquisition*

On April 27, 2022, the Company acquired a 100% interest in Bridle from vendors that included a related party (note 9) for 12,000,000 common shares of the Company valued at \$7,200,000. Bridle holds an option agreement to acquire Colpayoc, which owns interests in the Jose IV, Jose V and El Ferrol properties. In addition, the Company agreed to repay a US\$624,431 (C\$799,084) shareholder loan held by Bridle. The Company incurred \$3,000 in legal costs relating to the transaction. The properties are subject to a 2% NSR on the Jose properties and a 1% NSR on the El Ferrol property in favor of the vendors.

The acquisition was treated as an acquisition of assets and the consideration allocated to the acquired assets and liabilities based on estimated fair values at the time of acquisition. Any residual value has been allocated to deferred acquisition costs.

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Allocation of the purchase price to the estimated fair value of assets and liabilities:

Purchase price:

|                      |                |
|----------------------|----------------|
| Common shares issued | \$7,200,000    |
| <u>Legal costs</u>   | <u>\$3,000</u> |

Total purchase price \$7,203,000

Net assets acquired:

|  |                    |
|--|--------------------|
| Cash                                     | \$76,477           |
| Accounts receivable                      | \$13,090           |
| Accounts payable and accrued liabilities | (\$77,526)         |
| Loan payable to Copper Standard          | (\$741,166)        |
| Loan payable to shareholder              | (\$799,084)        |
| <u>Deferred acquisition costs</u>        | <u>\$8,731,209</u> |
| Total net assets acquired                | \$7,203,000        |

At the time of the acquisition there was an outstanding shareholder loan payable held by Bridle of US\$624,431 (\$799,084) due to the vendor of Bridle. The loan payable was paid in full on June 23, 2022 for \$814,820. In addition, the Company had advanced \$424,317 (US\$335,000) to Bridle as at December 31, 2021 and with further advances of \$316,849 (US\$249,500) was owed \$741,166 (US\$584,500) at the time of acquisition.

### *Colpayoc*

Through the acquisition of Bridle, the Company assumed its option agreement with Colpayoc SAC to earn up to 100% of the shares of Colpayoc SAC, which holds the Jose IV and V mineral claims located in Cajamarca, Peru. In addition, the Company has an option agreement with Sociedad Minera Chetilla S.R.L. to acquire 100% of the El Ferrol mineral claims, also located in Cajamarca, Peru.

### *Jose IV and V*

The Company may earn a 75% interest in Colpayoc upon completion of US\$3,000,000 in expenditures by August 17, 2025 and a US\$1,500,000 payment to the optionors. After earning the 75% interest, the Company can acquire the remaining 25% upon completion of an additional US\$2,000,000 in expenditures by August 17, 2027 and a US\$1,500,000 payment to the optionors. A payment of \$888,815 (US\$650,000) has been made to the optionors towards this agreement and \$1,894,950 (US\$1,432,746) (inclusive of pre-acquisition costs) towards expenditures as of December 31, 2023. These amounts are included in deferred acquisition costs.

### *El Ferrol*

The Company may earn a 100% interest in the El Ferrol property through payments of US\$250,000 to the optionors by July 7, 2024. The Company paid \$243,226 (US\$175,000) towards this agreement as at December 31, 2023 and is included in deferred acquisition costs.

## 6. Spinout of Subsidiaries

On June 7, 2023, the Company and its two wholly owned subsidiaries, GMR and Kobe entered into an Arrangement to give effect to the spin-off of GMR and Kobe. Under the terms of the Arrangement, the shareholders of CSR each received 1/10<sup>th</sup> of a share in GMR and 1/10<sup>th</sup> of a share in Kobe for each share they own in CSR, in addition to certain options and warrants considered to have nominal value. The Company also agreed to provide each of GMR and Kobe cash of \$25,000. The Arrangement was approved by the shareholders of the Company on June 27, 2023. As a result of the Arrangement, the assets and liabilities of GMR and Kobe have been deconsolidated.



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The major classes of assets and liabilities of GMR and Kobe as at July 5, 2023, were as follows:

|  | <b>GMR</b>    | <b>Kobe</b> | <b>Total</b>  |
|--|---------------|-------------|---------------|
|  | <b>\$</b>     | <b>\$</b>   | <b>\$</b>     |
| <b>Assets</b>                          |               |             |               |
| Cash                                   | 19,050        | 1           | 19,051        |
| Receivables                            | 1,462         | -           | 1,462         |
| <b>Total Assets</b>                    | <b>20,512</b> | <b>1</b>    | <b>20,513</b> |
| <b>Liabilities</b>                     |               |             |               |
| Accrued liabilities                    | 8,000         | -           | 8,000         |
| <b>Total Liabilities</b>               | <b>8,000</b>  | <b>-</b>    | <b>8,000</b>  |
| <b>Net assets included in spin-off</b> | <b>12,512</b> | <b>1</b>    | <b>12,513</b> |

On the date of the approval of the Arrangement, Management estimated the fair value of each of Kobe and GMR to be \$75,000 by using a replacement cost model. The total of \$150,000 was recorded in accumulated deficit upon recording of the Arrangement. This can be seen below:

|                         | <b>GMR</b>    | <b>Kobe</b>   | <b>Total</b>   |
|-------------------------|---------------|---------------|----------------|
|                         | <b>\$</b>     | <b>\$</b>     | <b>\$</b>      |
| Legal expenses          | 60,000        | 60,000        | 120,000        |
| Accounting expenses     | 10,000        | 10,000        | 20,000         |
| Administration expenses | 5,000         | 5,000         | 10,000         |
| <b>Total</b>            | <b>75,000</b> | <b>75,000</b> | <b>150,000</b> |

As a result of the spinoff the Company recorded a net non-cash gain of \$87,487 to the statement of profit or loss. The Company also incurred legal, accounting and administration costs of \$142,875 directly related to the transaction, these costs are included in the accumulated deficit.

## 7. Share Capital and Reserves

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding:

### *Share transactions during the year ended December 31, 2023*

On December 22, 2023, the Company consolidated all outstanding common shares on the basis of 1 post-consolidation share for every 3 pre-consolidation shares. Unless otherwise noted in these Financial Statements, all share, option, warrant and per share amounts are presented on a post-consolidation basis. Concurrently with the consolidation, the Company completed the first tranche of a non-brokered private placement financing and issued 7,766,087 units at \$0.45 per unit (each unit consisting of one common share of the Company and one whole warrant), for proceeds of \$3,494,740. Legal and other financing costs of \$94,344 were incurred in connection with the financing and the net consideration of \$3,494,740 was allocated between share capital and warrants based on the relative fair values of each instrument; a total of \$1,951,073 (net of \$54,133 financing costs) was allocated to share capital and \$1,449,323 (net of \$40,211 financing costs) was allocated to the warrants (note 8).

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On December 13, 2023, the Company issued 233,333 shares to option-holders upon exercise of options at an exercise price of \$0.30 each for gross proceeds of \$70,000.

## *Share transactions during the year ended December 31, 2022*

On April 27, 2022, the Company completed its acquisition of Bridle Capital Ltd (note 5 and 9) through the issuance of 12,000,000 common shares valued at \$7,200,000.

In connection with the acquisition, the Company completed a non-brokered private placement financing and issued 5,478,333 common shares at a price of \$0.60 per share for total gross proceeds of \$3,287,000. The Company paid finder's fees of \$59,419 in connection with a portion of the financing.

## c) Stock Options

Pursuant to the Company's stock option plan (the "Stock Option Plan"), the Company's board of directors may, from time to time, grant directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares served for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to 5 years from the date of the grant. The exercise price of any option granted pursuant to the Stock Option Plan shall be determined by the board of directors when granted, but shall not be less than the market price.

On December 1, 2023, the Company issued 683,333 stock options with an exercise price of \$0.48. All stock options issued are under a semi-annual vesting schedule with 25% of the shares vesting every 6 months starting on June 1, 2024. The options expire five years from the grant date. The value of the options granted was \$260,200 or \$0.38 per option.

On September 1, 2022, the Company issued 2,058,333 stock options with an exercise price of \$0.60. All stock options issued are under a semi-annual vesting schedule with 25% of the shares vesting every 6 months starting on March 1, 2023. The options expire five years from the grant date. The value of the options granted was \$716,328 or \$0.35 per option.

The following weighted average assumptions were used to estimate the grant date fair value using the Black Scholes model:

|                                  | <b>December 1, 2023</b> |
|----------------------------------|-------------------------|
| Expected dividend yield          | 0.00%                   |
| Expected stock price volatility  | 108%                    |
| Risk-free interest rate          | 3.51%                   |
| Expected life of the options     | 5.00 years              |
| Grant date fair value per option | \$0.38                  |

The following weighted average assumptions were used to estimate the grant date fair value using the Black Scholes model:

|                                  | <b>September 1, 2022</b> |
|----------------------------------|--------------------------|
| Expected dividend yield          | 0.00%                    |
| Expected stock price volatility  | 105%                     |
| Risk-free interest rate          | 3.32%                    |
| Expected life of the options     | 5.00 years               |
| Grant date fair value per option | \$0.35                   |

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During the year ended December 31 2023, the total share-based compensation recognized by the Company for stock options granted and vested was \$410,431 (2022 - \$249,406).

A continuity schedule for stock options is as follows:

|                                     | Number of<br>Options | Weighted<br>Average Exercise<br>Price |
|-------------------------------------|----------------------|---------------------------------------|
| Outstanding as of December 31, 2021 | 566,667              | \$0.30                                |
| Granted                             | 2,058,333            | \$0.60                                |
| Outstanding as of December 31, 2022 | <b>2,625,000</b>     | <b>\$0.54</b>                         |
| Granted                             | 683,333              | \$0.48                                |
| Exercised                           | (233,333)            | \$0.30                                |
| Outstanding as of December 31, 2023 | <b>3,075,000</b>     | <b>\$0.54</b>                         |

As at December 31, 2023, the Company had the following options outstanding:

| Number outstanding | Exercisable | Exercise<br>Price per Share | Expiry Date        | Life remaining |
|--------------------|-------------|-----------------------------|--------------------|----------------|
| 333,334            | 333,334     | \$0.30                      | September 18, 2025 | 1.72 years     |
| 2,058,333          | 1,029,166   | \$0.60                      | September 1, 2027  | 3.68 years     |
| 683,333            | -           | \$0.48                      | December 1, 2028   | 4.92 years     |
| 3,075,000          | 1,362,500   |                             |                    |                |

## d) Shares in Escrow

As at December 31, 2023, the Company had no shares in escrow (December 31, 2022 – 1,660,700). Such shares were released based on a predetermined schedule from the date the Company was listed on an exchange to a maximum of 36 months after.

**8. Warrants**

A continuity schedule for the Company's warrants is as follows:

|                                     | Number of warrants | Weighted average price |
|-------------------------------------|--------------------|------------------------|
| Outstanding as of December 31, 2021 | 9,055,333          | \$0.30                 |
| Granted                             | -                  | -                      |
| Outstanding as of December 31, 2022 | <b>9,055,333</b>   | <b>\$0.30</b>          |
| Granted                             | 7,766,087          | \$0.90                 |
| Outstanding as of December 31, 2023 | <b>16,821,420</b>  | <b>\$0.58</b>          |

As at December 31, 2023 the Company had the following warrants outstanding:

| Number outstanding | Exercisable | Exercise Price per<br>Share | Expiry Date        | Life remaining |
|--------------------|-------------|-----------------------------|--------------------|----------------|
| 2,873,333          | 2,873,333   | \$0.30                      | September 30, 2025 | 1.75 years     |
| 6,182,000          | 6,182,000   | \$0.30                      | April 30, 2026     | 2.33 years     |
| 7,766,087          | 7,766,087   | \$0.90                      | December 22, 2028  | 4.98 years     |

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## 9. Related Party Transactions

Related parties are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. Related parties of the Company include the members of the Board of Directors, officers of the Company, close family members of these individuals, and any companies controlled by these individuals. Pathway Capital Ltd (“Pathway”) is considered a related party of the Company as it is controlled by the Chief Executive Officer and a director of the Company.

On November 26, 2018, the Company entered into an administrative services agreement with Pathway to pay for rent and other administrative services. On September 1, 2020, this agreement was modified to include management fees in addition to the services already provided by Pathway. During the year ended December 31, 2023, Copper Standard paid or accrued \$60,000 to Pathway under the agreement (2022 - \$60,000), these expenses are included under general and administrative expenses and management fees in the consolidated statement of loss and comprehensive loss. As at December 31, 2023, the Company had an accounts payable balance of \$41,287 owing to Pathway (December 31, 2022 - \$28,739).

At of December 31, 2023, the Company had an accounts payable balance of \$89,300 (2022 - \$nil) to an officer and a significant shareholder of the Company.

On April 27, 2022, the Company acquired Bridle and issued 10,000,000 common shares valued at \$6,000,000 to a significant shareholder. The Company also granted a 1% NSR on the Jose IV, Jose V and El Ferrol properties, and repaid the \$814,820 (US\$624,431) shareholder loan of Bridle (note 5).

### *Compensation of key management personnel:*

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company considers its Board of Directors, as well as the CEO and CFO to be key management personnel.

During the year ended December 31, 2023 and 2022, the Company’s compensation cost for key management personnel was as follows:

|                                 | Year ended<br>December 31, 2023 | Year ended<br>December 31, 2022 |
|---------------------------------|---------------------------------|---------------------------------|
|                                 | \$                              | \$                              |
| Salaries and Wages <sup>1</sup> | 86,500                          | 76,850                          |
| Share-based compensation        | 311,609                         | 191,851                         |
| Total                           | 398,109                         | 268,701                         |

<sup>1</sup>Included in Salaries and Wages are management fees relating to the Pathway agreement of \$36,000 for the year ended December 31, 2023 (2022 - \$36,000)

## 10. Segmented Information

The Company’s business consists of only one reportable segment being exploration and evaluation of mineral properties. Non-current assets by country are as follows:

|                                  | December 31, 2023 |              |              | December 31, 2022 |             |             |
|----------------------------------|-------------------|--------------|--------------|-------------------|-------------|-------------|
|                                  | Canada            | Peru         | Total        | Canada            | Peru        | Total       |
| Exploration and evaluation asset | \$ -              | \$ -         | \$ -         | \$229,657         | \$ -        | \$ 229,657  |
| Deferred acquisition costs       | -                 | 10,587,761   | 10,587,761   | -                 | 9,550,391   | 9,550,391   |
|                                  | \$ -              | \$10,587,761 | \$10,587,761 | \$229,657         | \$9,550,391 | \$9,780,048 |

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### **11. Financial Instruments**

As at December 31, 2023, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. The Company classifies cash and receivables as financial assets held at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities, and these are held at amortized cost. The fair value of all of the Company's financial instruments approximates their carrying value.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the years ended December 31, 2023 or 2022.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial assets are cash and receivables. The Company holds its cash in bank accounts with highly rated financial institutions, therefore minimizing the Company's credit risk. Receivables are due from government agencies.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company has sufficient funds as of December 31, 2023 to cover its liabilities. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public or private equity offerings.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments.

As at December 31, 2023, the Company is exposed to currency risk through its assets and liabilities denominated in US dollars and Peruvian nuevo soles. A significant change in these exchange rates could have an effect on the Company's results of operations, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations.

Based on the balances held in foreign currencies as at December 31, 2023, and assuming all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar and Peruvian nuevo soles would result in an increase/decrease of approximately \$122,822 in assets.

The Company carries no interest-bearing debt and so is not at risk of interest rate movements at present.

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 12. Capital Management

In the management of capital, the Company includes the components of shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral projects for the benefit of its stakeholders. As the Company is in the exploration stage, it has no income from operations, and its principal source of funds is from the issuance of its common shares.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, or dispose of assets.

The Company's investment practice is to invest its excess cash in highly liquid short-term interest-bearing investments selected with regards to expected timing of its expenditures. The Company is not subject to any externally imposed capital requirements. The Company's approach to capital management has not changed in the years presented.

### 13. Income Tax

#### *Reconciliation of Effective Tax Rate*

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 27%. The Company had no assessable profit for all periods disclosed.

The tax expense at statutory rates for the Company can be reconciled to the reported loss for the year as follows:

|   | 2023      | 2022      |
|---|-----------|-----------|
|   | \$        | \$        |
| Loss before income taxes                                      | 1,284,298 | 672,000   |
| Statutory income tax rate                                     | 27%       | 27%       |
| Income tax recovery   | 346,760   | 181,440   |
| Non-deductible expenses                                       | (177,148) | (44,067)  |
| Share issuance costs  | 25,473    | 16,043    |
| Difference in foreign tax rate and impact of foreign exchange | 21,470    | (45,565)  |
| Impact of acquisition   | (69,012)  | 84,560    |
| Tax effect of net deferred tax assets not recognized          | (149,544) | (192,411) |
| Total income tax expense                                      | -         | -         |

#### *Deferred Income Taxes*

As at December 31, 2023, the Company's net unrecognized deferred income tax assets amount to \$491,461 (2022 - \$343,917).

The Company's unrecognized deferred income tax assets are as follows:

|   | 2023     | 2022    |
|---|----------|---------|
|   | \$       | \$      |
| Non-capital losses                            | 475,326  | 321,959 |
| Financing costs                               | 31,927   | 17,754  |
| Exploration and evaluation asset              | (15,792) | 4,204   |
| Total unrecognized deferred income tax assets | 491,461  | 343,917 |

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In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. 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. As the Company has no operations, enough evidence is not yet available to determine if the Company will be able to recognize its deferred tax assets. None of the deferred tax assets have therefore been recognized in the Company's consolidated Statement of Financial Position.

The significant components of the Company's deductible (taxable) temporary differences are as follows:

|                                     | 2023             | 2022             | Expiry Dates   |
|-------------------------------------|------------------|------------------|----------------|
|                                     | (\$)             | (\$)             |                |
| Non-capital losses:                 |                  |                  |                |
| 2018                                | 8,376            | 8,376            | 2038           |
| 2019                                | 48,390           | 53,419           | 2039           |
| 2020                                | 388,991          | 447,295          | 2040           |
| 2021                                | 302,411          | 308,309          | 2041           |
| 2022                                | 366,964          | 364,078          | 2042           |
| 2023                                | 585,583          | -                |                |
|                                     | 1,700,715        | 1,181,477        |                |
| Financing costs                     | 118,248          | 65,755           | Not applicable |
| Exploration and evaluation asset    | -                | 15,569           | Not applicable |
| <b>Unused temporary differences</b> | <b>1,818,964</b> | <b>1,262,801</b> |                |

### 14. Subsequent Event

On January 19, 2024, the Company completed the second tranche of a non-brokered private placement financing and issued 3,388,877 units at \$0.45 per unit with each unit consisting of one common share of the Company and one whole warrant exercisable at a price of \$0.90 for a period of five years from the date of issue, for proceeds of \$1,524,995.