

**Level 14 Ventures Ltd.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2020 and 2019**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Level 14 Ventures Ltd.

### *Opinion*

We have audited the accompanying consolidated financial statements of Level 14 Ventures Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our opinion.

### *Other Matters*

The financial statements of Level 14 Ventures Ltd. for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on November 30, 2020.

### *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, 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.

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

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

March 31, 2021

**LEVEL 14 VENTURES LTD.**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020 AND 2019

(Expressed in Canadian dollars)

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		448,368	229,716
Receivables		10,163	-
<b>Total current assets</b>		<b>458,531</b>	<b>229,716</b>
<b>Non-current assets</b>			
Exploration and evaluation asset	4	229,657	-
<b>Total assets</b>		<b>688,188</b>	<b>229,716</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	56,468	6,566
<b>Total liabilities</b>		<b>56,468</b>	<b>6,566</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	727,962	274,417
Share-based compensation reserve	6 (c)	54,861	22,845
Warrant reserve	7	168,195	-
Deficit		(319,298)	(74,112)
<b>Total shareholders' equity</b>		<b>631,720</b>	<b>223,150</b>
<b>Total liabilities and shareholders' equity</b>		<b>688,188</b>	<b>229,716</b>

Nature of operations and going concern (note 1)

Approved by the Board of Directors on March 31, 2021

"Hayley De Witt"*Director*"Christopher Cooper"*Director*

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

**LEVEL 14 VENTURES LTD.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian dollars)

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>Expenses</b>			
Exploration expenses	6 (b)	13,340	-
General and administrative	8	38,812	43,052
Listing and filing fees		25,682	-
Management fees	8	12,000	-
Professional fees		104,070	350
Salaries and wages	8	19,266	-
Share-based compensation	6 (c), 8	32,016	-
<b>Loss and comprehensive loss for the year</b>		<b>(245,186)</b>	<b>(43,402)</b>
<b>Loss per share</b>			
Basic and diluted		<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding (basic and diluted)</b>		<b>10,889,186</b>	<b>7,312,064</b>

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

**LEVEL 14 VENTURES LTD.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

(Expressed in Canadian dollars)

	Note	Common shares Number	Share capital \$	Warrants reserve \$	Share-based compensation reserve \$	Deficit \$	Total \$
Balance, December 31, 2018		6,600,001	248,750	-	22,845	(30,710)	240,885
Shares issued for private placement	6 (b)	1,214,500	60,725	-	-	-	60,725
Share issuance costs	6 (b)	-	(35,058)	-	-	-	(35,058)
Loss and comprehensive loss for the year		-	-	-	-	(43,402)	(43,402)
<b>Balance, December 31, 2019</b>		<b>7,814,501</b>	<b>274,417</b>	<b>-</b>	<b>22,845</b>	<b>(74,112)</b>	<b>223,150</b>
Flow-through financing	6 (b)	2,000,000	60,976	39,024	-	-	100,000
Shares issued for private placement	6 (b)	6,620,000	201,829	129,171	-	-	331,000
Share issuance costs	6 (b)	-	(14,260)	-	-	-	(14,260)
Share-based compensation	6 (c)	-	-	-	32,016	-	32,016
Shares issued upon asset acquisition	4, 6 (b)	4,000,000	200,000	-	-	-	200,000
Shares issued for services	6 (b)	100,000	5,000	-	-	-	5,000
Loss and comprehensive loss for the year		-	-	-	-	(245,186)	(245,186)
<b>Balance, December 31, 2020</b>		<b>20,534,501</b>	<b>727,962</b>	<b>168,195</b>	<b>54,861</b>	<b>(319,298)</b>	<b>631,720</b>

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

**LEVEL 14 VENTURES LTD.**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019  
(Expressed in Canadian dollars)

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>Cash flows provided by (used in)</b>			
<b>Operating Activities</b>			
Loss for the year		(245,186)	(43,402)
Items not affecting cash:			
Share-based compensation	6 (c)	32,016	-
Shares issued for services	6 (b)	5,000	-
Changes in non-cash working capital:			
Accounts payable and accrued liabilities	8	45,702	(1,121)
Accounts receivable		(6,469)	-
		<u>(168,937)</u>	<u>(44,523)</u>
<b>Financing Activities</b>			
Proceeds received from private placement	6 (b)	431,000	60,725
Share issuance costs	6 (b)	(14,260)	(5,058)
Repayment of loan	4	(28,000)	-
		<u>388,740</u>	<u>55,667</u>
<b>Investing Activities</b>			
Acquisition of exploration and evaluation asset	4	5,031	-
Legal costs relating to asset acquisition	4	(6,182)	-
		<u>(1,151)</u>	<u>-</u>
<b>Increase in cash for the year</b>		<b>218,652</b>	<b>11,144</b>
Cash - beginning of year		229,716	218,572
<b>Cash - end of year</b>		<b>448,368</b>	<b>229,716</b>
<b>Non-cash financing and investing activities</b>			
Shares issued for acquisition of 1246931 BC Ltd.	4	200,000	-
Warrants issued pursuant to private placement	7	168,195	-

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



## **LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

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

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

Level 14 Ventures Ltd. (the “Company” or “Level 14”) was incorporated under the British Columbia *Business Corporations Act* on November 7, 2018. Level 14 has one wholly-owned subsidiary, 1246931 B.C. Ltd (note 4) which is consolidated with the Company in these statements. The Company is publicly traded and listed on the Canadian Securities Exchange (the “Exchange”). The Company is an exploration stage mining company with one exploration property (the Green Mountain Property), owned through its wholly-owned subsidiary, located in British Columbia, Canada.

On November 30, 2020, the Company filed a final non-offering prospectus in relation to the listing of the Company on the Exchange. The Company’s shares commenced trading on the Exchange on December 14, 2020 under the symbol “LVL”.

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. Level 14 is an exploration stage mining company which incurred a loss of \$245,186 for the year ended December 31, 2020, and as at December 31, 2020 had an accumulated deficit of \$319,298. The Company is expected to incur operating losses for the foreseeable future. The Company’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. The Company estimates it has sufficient funds to operate for the next 12 months. These financial statements do not include adjustments that may be necessary if the going concern principal is not appropriate.

During the first calendar quarter of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization; this has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot yet be determined, but they could have a prospective material impact to the Company’s exploration activities and ability to raise financing and therefore the Company’s cash flows and liquidity. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company are not known at this time.

The head office & principal address of the Company is located at Suite 1400, 400 Burrard Street, Vancouver, BC, V6C 3A6.

### **2. Basis of presentation and significant accounting policies**

#### *Statement of Compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

#### *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 also the Company’s functional currency.

#### *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

## **LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

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.

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 policies***

#### ***Cash***

Cash consists of cash held on deposit 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 market 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 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.

#### ***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.

## **LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

### *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 all financial assets 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.

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. The Company does not designate any financial liabilities as FVTPL.

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.

### *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

## **LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

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.

### ***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.

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 and warrant reserve (within Shareholders' Equity on the Statement of Financial Position) ratably over the vesting period, after adjusting for the number of awards that are expected to vest. Expenses recognized for forfeited unvested awards are reversed. For awards that are cancelled, any expense not yet recognized is recognized

## **LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

immediately in profit or loss. 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.

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

There are no upcoming changes in accounting standards which impact the Company.

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

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 financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates have been applied in these financial statements:

#### ***Judgments***

- 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.

#### ***Estimates***

- In calculating the fair value of the share-based compensation and warrants, management makes estimates related to the Company's share price volatility and expected life of the instruments. To the extent that these estimates are not correct, the value of these instruments within equity may differ.
- In calculating the fair value of the flow-through shares and warrants, management makes estimates related to the Company's share price volatility and expected life of the instruments. To the extent that these estimates are not correct, the value of these instruments within equity may differ.
- The fair value of the assets and liabilities purchased with 1246931 B.C. Ltd on October 7, 2020 (note 4) have been estimated by management.
- 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.

## LEVEL 14 VENTURES LTD.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

### 4. Exploration and Evaluation Asset

On October 7, 2020 the Company acquired 1246931 B.C. Ltd. for 4,000,000 common shares of the Company (valued at \$200,000) and a 1.5% net smelter returns royalty (“NSR”) on the Green Mountain property. The Company incurred \$6,182 in legal fees in relation to the acquisition of 1246931 B.C. Ltd.

The acquisition was treated as an acquisition of assets as 1246931 BC Ltd. did not meet the definition of a business. The value of the assets and liabilities acquired was based on the fair value of the consideration provided.

The allocation of the consideration to the estimated fair value of assets and liabilities is as follows:

Purchase price:

Common shares issued	\$200,000
<u>Legal costs</u>	<u>\$6,182</u>
Total purchase price	\$206,182

Net assets acquired:

Cash	\$5,031
Accounts receivable	\$3,694
Accounts payable and accrued liabilities	(\$4,200)
Loan payable	(\$28,000)
<u>Exploration and evaluation asset</u>	<u>\$229,657</u>
Total net assets acquired	\$206,182

At the time of the acquisition there was an outstanding loan payable of \$28,000 due to the vendor of 1246931 B.C. Ltd. The loan payable was paid in full upon acquisition of 1246931 B.C. Ltd.

### 5. 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 27.00%. 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 per the Statement of Loss and Comprehensive Loss as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
	\$	\$
Net loss before income taxes	245,186	43,402
Statutory income tax rate	27%	27%
Income tax recovery	66,200	11,719
Non-deductible expenses	(9,290)	(2)
Share issuance costs	3,850	9,466
Tax effect of net deferred tax assets not recognized	(60,760)	(21,183)
Total income tax expense	-	-

## LEVEL 14 VENTURES LTD.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

### *Deferred Income Taxes*

As at December 31, 2020, the Company's net unrecognized deferred income tax assets amount to \$85,421 (2019 - \$23,303).

The Company's deferred income taxes are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Non-capital losses	75,912	15,730
Financing costs	8,520	7,573
Exploration and evaluation asset	989	-
<b>Total deferred income tax assets</b>	<b>85,421</b>	<b>23,303</b>

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 Statement of Financial Position.

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

	2020	2019	Expiry Dates
	(\$)	(\$)	
Non-capital losses:			
2018	8,376	7,854	2038
2019	53,419	50,406	2039
2020	219,362	-	2040
	281,157	58,260	
Financing costs	31,555	28,046	Not applicable
Exploration and evaluation asset	3,664	-	Not applicable
<b>Unused temporary differences</b>	<b>316,376</b>	<b>86,306</b>	

## 6. 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, 2019*

On February 1, 2019, the Company closed a private placement and raised \$60,725 in gross proceeds by issuing investors 1,214,500 special warrants. Each special warrant was converted into a common share of the Company on a one-to-one basis on June 1, 2019. In connection with the private placement, the Company paid cash share issuance costs of \$5,058.

## LEVEL 14 VENTURES LTD.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

### *Share transactions during the year ended December 31, 2020*

On September 30, 2020 a director of the Company subscribed for 2,000,000 units at \$0.05 per unit (each unit consisting of one flow-through share of the Company and one whole warrant) (the “Flow-through Financing”), for proceeds of \$100,000. Each whole warrant issued as part of the unit entitles the holder to purchase one common share of the Company at a price of \$0.10 per share for a period of five years from the date of the flow-through financing. Legal costs of \$14,260 were incurred in connection with this unit issuance and were recorded as share issuance costs within share capital. The consideration of \$100,000 was allocated between share capital and warrants based on the relative fair values of each instrument; a total of \$60,976 was allocated to share capital and \$39,024 was allocated to the warrants (note 7).

On September 30, 2020 the Company closed a financing issuing 6,620,000 units at \$0.05 per unit (each unit consisting of one common share of the Company and one whole warrant) (the “2020 Private Placement”), for proceeds of \$331,000. Each whole warrant issued as part of the unit entitles the holder to purchase one common share of the Company at a price of \$0.10 per share for a period of five years from the date of the financing. No costs were incurred in connection with this unit issuance. The consideration of \$331,000 was allocated between share capital and warrants based on the relative fair values of each instrument; a total of \$201,829 was allocated to share capital and \$129,171 was allocated to the warrants (note 7).

On October 14, 2020 the Company acquired all of the issued and outstanding shares of 1246931 B.C. Ltd., a private company with an exploration and evaluation asset (note 4). In consideration for the transaction, the Company issued 4,000,000 shares of the Company valued at \$200,000 and paid \$28,000 cash and granted a 1.5% NSR on the mineral rights.

In connection with the transaction, on October 19, 2020, the Company issued an additional 50,000 common shares to Charlie Greig & Associates Ltd., upon the successful completion of a 43-101 technical report and an additional 50,000 common shares on December 14, 2020, commensurate with the Company listing on the Exchange with a total fair value of \$5,000 and included in exploration expenses.

### 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 September, 18, 2020, the Company issued 1,000,000 stock options with an exercise price of \$0.10. All stock options issued vested upon grant and expire five years from the date of grant.

The Company did not grant any stock options during the year ended December 31, 2019.

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

	September 18, 2020
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	0.41%
Expected life of the options	5.00 years
Grant date fair value per option	\$0.032

The total share-based payment recognized by the Company during the year ended December 31, 2020 was \$32,016 (2019 - \$nil).



## LEVEL 14 VENTURES LTD.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

A continuity schedule for stock options is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding as of December 31, 2019, and 2018	700,000	\$0.10
Granted	1,000,000	\$0.10
<b>Outstanding as of December 31, 2020</b>	<b>1,700,000</b>	<b>\$0.10</b>

As at December 31, 2020, the Company had the following options outstanding:

<b>Number outstanding</b>	<b>Exercisable</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>	<b>Life remaining</b>
700,000	700,000	\$0.10	December 14, 2023	2.96 years
1,000,000	1,000,000	\$0.10	September 18, 2025	4.72 years

d) Earnings per share

The number of stock options and warrants excluded from the computation of diluted earnings per share because their effect is anti-dilutive in 2020 or 2019 is as follows:

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Stock options	1,700,000	700,000
Warrants	8,620,000	-

e) Shares in Escrow

As at December 31, 2020, 14,946,301 of the Company's shares were held in escrow. Such shares are to be released based on a predetermined schedule from as early as the Listing Date to a maximum of 36 months after the Listing Date.

## 7. Warrants

Pursuant to the completion of the Flow-through Financing, on September 30, 2020, the Company issued 2,000,000 transferable share purchase warrants at an exercise price of \$0.10 per share for a period of five years from the date of closing the financing (note 6 (b)). All warrants are exercisable upon issuance as there are no vesting conditions attached. The warrants were assigned a fair value of \$39,024 upon issuance.

Pursuant to the completion of the 2020 Private Placement, the Company issued 6,620,000 transferable share purchase warrants at an exercise price of \$0.10 per share for a period of five years from the date of closing the financing (note 6 (b)). All warrants are exercisable upon issuance as there are no vesting conditions attached. The warrants were assigned a fair value of \$129,171 upon issuance.

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

## LEVEL 14 VENTURES LTD.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

	September 30, 2020
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	0.40%
Expected life of the warrants	5.00 years
Grant date fair value per warrant	\$0.032

All warrants were outstanding and exercisable as at December 31, 2020 and had a remaining average life of 4.75 years.

### 8. 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, Level 14 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, 2020, Level 14 paid or accrued \$36,000 to Pathway under the agreement (2019 - \$24,000), 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, 2020, Level 14 had an accounts payable balance of \$16,003 owing to Pathway (December 31, 2019 - \$6,566).

On October 7, 2020 the Company acquired 1246931 B.C. Ltd. from a related party of the Company, for 4,000,000 common shares of the Company (valued at \$200,000) and a 1.5% NSR on the Green Mountain property (Note 4).

#### *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. Level 14 considers its Board of Directors, as well as the CEO and CFO to be key management personnel.

During the year ended December 31, 2020, the Company’s compensation cost for key management personnel was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Salaries and Wages	19,266	-
Share-based compensation	28,014	-
Total	47,280	-

As at December 31, 2020, the Company had an accounts payable balance of \$2,276 owing to the CFO included in Salaries and Wages in the table above.

## **LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

### **9. Segmented Information**

The Company's business consists of only one reportable segment being exploration and evaluation of mineral properties located in Canada.

### **10. Financial Instruments**

As at December 31, 2020, the Company's financial instruments consist of cash, receivables and 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.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

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 year ended December 31, 2020.

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 a bank account with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk. Receivables are due from a government agency.

#### **(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, 2020 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. The Company's activities have only been transacted in Canadian dollars since incorporation and until December 31, 2020; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

### **11. 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.

**LEVEL 14 VENTURES LTD.**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian dollars unless otherwise stated

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.