

# **Level 14 Ventures Ltd**

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE  
MONTHS ENDED MARCH 31, 2022**

### 1) Introduction

This Management Discussion and Analysis (“MD&A”) of Level 14 Ventures Ltd (“Level 14” or the “Company”) has been prepared by management as of May 19, 2022 and should be read in conjunction with the Company’s condensed consolidated unaudited financial statements for the three months ended March 31, 2022 and related notes thereto (the “Financial Statements”). Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars (the presentation and functional currency of the Company’s financial statements).

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described under “Other risks and uncertainties” and “Forward Looking Statements” towards the end of this MD&A.

### 2) Corporate profile and overall performance

Level 14 was incorporated under the Business Corporations Act (British Columbia) on November 7, 2018. Level 14 is an exploration-stage mining company with a focus on precious metals. The Company has one exploration asset, the Green Mountain Property, owned through its wholly-owned subsidiary, located in British Columbia, Canada. The Green Mountain Property consists of 3 contiguous digitally registered mineral tenures totaling approximately 5,593.5 hectares, upon which the Company completed Phase I of its exploration program during 2021.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

On April 27, 2022, the Company completed the acquisition of all outstanding shares of Bridle Capital Ltd. (“Bridle”), a private company controlled by a related party in consideration for 36,000,000 shares of the Company, USD\$625,000 and a 1% NSR on the property (the “Acquisition”). Bridle holds an option to acquire a 100% interest in the Colpayoc gold prospect (“Colpayoc Property”) in northern Peru, which is comprised of 3 concessions totaling approximately 1,580 hectares.

As described in further detail in the Company’s Information Circular dated December 20, 2021, further to the Acquisition, Level 14 has now assumed Bridle’s right to earn up to a 100% interest in the Colpayoc Property, which right is exercisable by: (i) paying an aggregate of US\$3,650,000 (US\$500,000 paid) and incurring US\$5,000,000 in exploration expenditures over approximately 4 years for the Jose concessions; and (ii) paying an aggregate of US\$250,000 (US\$50,000 paid) over approximately 4 years for the El Ferrol concession. Upon exercising the options, the concession owners shall also be granted a 2% NSR royalty.

Concurrent with the Acquisition the Company completed a non-brokered private placement financing of 16,435,000 common shares at \$0.20 per share for gross proceeds of \$3,287,000. The Company paid finder’s fees of \$49,500 in connection with the financing.

Prior to the close of the acquisition the Company agreed to advance Bridle funds in order to pay exploration and operating expenses until such time as the transaction closed. During the three months ended March 31, 2022, the Company advanced Bridle \$383,268 to take the total amount owed by Bridle to the Company to USD\$584,500(CAD\$740,043) and CAD\$66,699 as at March 31, 2022 (December 31, 2021 - USD\$335,000(CAD\$423,474)). Now that the transaction has closed, the amount will be treated as an intercompany loan between the Company and Bridle.

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On April 30, 2021 the Company closed a financing issuing 18,546,000 units at \$0.055 per unit (each unit consisting of one common share of the Company and one whole warrant), for proceeds of \$1,020,030 (the “2021 Private Placement”) (see “5. Liquidity and capital resources”). 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. Legal costs of \$10,693 were incurred in connection with the 2021 Private Placement for net consideration of \$1,009,337.

### 3) Summary of annual data and quarterly results

The following table is a summary of the Company’s financial results and position for the last 3 completed years.

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
<i>In Canadian dollars</i>			
Revenue	-	-	-
Loss from operations	272,523	245,186	43,402
Net Loss	272,523	245,186	43,402
Total Assets	1,414,524	688,188	229,716
Total non-current liabilities	-	-	-
<i>The presentation currency of the Company has been the Canadian dollar in every year presented and financial statements have been prepared in accordance with IFRS.</i>			

The following table is a summary of the Company’s financial results and position for the 8 most recently completed quarters.

	Three months ended							
<i>In Canadian dollars unless otherwise stated</i>	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
Net loss and comprehensive loss	68,231	91,980	65,692	77,803	37,048	164,460	68,267	6,072
Basic loss per share	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00
Diluted loss per share	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00
Weighted average shares (basic and diluted)	39,080,501	39,080,501	39,080,501	33,170,237	20,534,501	19,919,284	7,909,226	7,814,501
Total assets	1,352,178	1,414,524	1,489,189	1,550,916	632,632	688,188	643,457	217,046
Long-term liabilities	-	-	-	-	-	-	-	-

The vast majority of the Company’s assets was its cash balance until Q4 2020 when the Company purchased the Green Mountain Property. The cash balance has remained relatively stable throughout all quarters shown until two financings which closed on September 30, 2020, which increased the cash and therefore Total assets balance. An additional financing closed April 30, 2021 which increased the cash balance again in Q2 2021. The Company has been preserving cash while searching for a suitable mining transaction for the business; the Company purchased Bridle post March 31, 2022 (see “2. Corporate profile and overall performance”). The Company has incurred some general and administrative expenses during the periods shown, resulting in a small net loss in each period and a commensurate reduction in the total assets of the Company. The loss per share has remained reasonably consistent throughout the periods shown until the quarter ended September 30, 2020, which had a higher net loss due to a \$32,016 non-cash share-based compensation charge, as well as professional fees and business development fees associated with the Company’s acquisition of 1246931 B.C. Ltd and proposed listing on the Exchange. In the quarter ended December 31, 2020 the Company had a higher net loss due to additional professional, filing and consulting fees associated with the listing of the Company on the Exchange, which was completed on December 14, 2020 (see “2. Corporate profile and overall performance”). Since the quarter ended

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June 30, 2021 there has been an increase in the net loss due to Phase 1 exploration expenses incurred on the Green Mountain property which had not previously been incurred by the Company.

#### 4) Results of operations

##### Three months ended March 31, 2022 compared to the three months ended March 31, 2021

As at March 31, 2022, the Company is an exploration mining company and has no sources of revenue, accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its expenses.

The Company incurred a net loss of \$68,231 in the three months ended March 31, 2022 as compared to \$37,048 in the same period in the prior year. The table below details the changes in the expenditures for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

Expense/Other income or loss	Increase/Decrease from prior year	Explanation for the change
Business development expenses	Increase of \$6,463	The increase in the expense is primarily a result of travel and other business expenses relating to the transaction with Bridle (see "2. Corporate Profile and Overall Performance").
General and administrative	Increase of \$411	Consistent in both periods.
Insurance expense	Increase of \$275	The increase in the expense is a result of an inflationary increase in the Directors & Officers insurance premium.
Listing and filing fees	Decrease of \$144	Consistent in both periods.
Management fees	No change	Consistent in both periods.
Professional fees	Increase of \$13,652	The increase in the expense is a result of additional legal and consulting fees associated with the transaction with Bridle (see "2. Corporate Profile and Overall Performance").
Salaries and wages	Decrease of \$365	Consistent in both periods.
Foreign exchange loss	Increase of \$10,891	The increase in Foreign Exchange Loss is attributable to the cash advance to Bridle in US dollars which was not in place in the prior year (see "2. Corporate profile and overall performance").

#### Cash flows

In the three months ended March 31, 2022, the Company's cash balance decreased by \$435,997 (2021 – decreased by \$64,989). This decrease is as a result of: incurring \$57,340 (2021 – \$37,048) in cash operating expenses, an inflow of \$4,611 (2021 – outflow of \$27,941) relating to timing differences with respect to non-cash working capital, and an increase in the cash advance made to Bridle of \$383,268 (2021 - \$nil) (see "2. Corporate profile and overall performance"), and.

#### 5) Liquidity and capital resources

As at March 31, 2022, the Company had a cash balance of \$312,426 (December 31, 2021 - \$748,423) and a working capital surplus of \$1,070,646 (December 31, 2021 – \$1,138,877).

On April 27, 2022, the Company completed a non-brokered private placement financing of 16,435,000 common shares at \$0.20 per share for gross proceeds of \$3,287,000. The Company paid finder's fees of \$49,500 in connection with the financing.

On April 30, 2021 the Company closed a financing issuing 18,546,000 units at \$0.055 per unit (each unit consisting of one common share of the Company and one whole warrant), for proceeds of \$1,020,030. 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. Legal costs of \$10,693 were incurred in connection with the 2021 Private Placement for net consideration of \$1,009,337.

Management believes that the Company has sufficient funds on hand to meet its current exploration program and anticipated administrative expenses and legal costs associated with ongoing operations, however, may need to raise additional capital through further rounds of equity financing to fulfill the below commitments below as and when they arise.

On April 29, 2021, Bridle entered into a binding letter agreement with the owners (the “Optionors”) of the “Francisco Jose IV” and “Francisco Jose V” mineral concessions (the “Francisco Concessions”), which form part of the Colpayoc Property and consist of approximately 680.9 hectares of mineral concessions located in Cajamarca, Peru. Payments by Bridle to the owners of the Francisco Concessions under the binding letter agreement included US\$50,000 payable on signing of the Letter Agreement (“LA”), US\$250,000 on completion of satisfactory due diligence, and US\$200,000 upon registering, in Peru, a copy of the definitive earn-in and shareholders agreement (the “Jose Agreement”), all of which amounts were paid.

On July 1, 2021, Bridle, through its Peruvian subsidiary, superseded the LA by entering into an agreement (the “Jose Agreement”) to acquire up to 100% of the shares of Colpayoc S.A.C., which owns the “Francisco Jose IV” and “Francisco Jose V”, in two stages - the first stage, if earned, will entitle Bridle to 75% of the shares of Colpayoc S.A.C. (“Stage 1”) and the second stage, if earned, will entitle Bridle to the remaining 25% of the shares of Colpayoc S.A.C. (“Stage 2”, together with Stage 1, the “Earn-In Right”). The Jose Agreement provides that, in order to retain the Earn-In Right Bridle will pay US\$150,000 to the optionors upon the earlier of (i) the date all permits, permissions, licences and agreements required by Peruvian law are obtained, including exploration, drilling and environmental permits and community agreements required to fulfill exploration expenditure requirements (the “Approval Date”), and (ii) July 1, 2022.

Pursuant to the Jose Agreement, Bridle can acquire the shares of Colpayoc S.A.C. by making the following cash payments and exploration expenditures: Stage 1 (75%) by making cash payments of US\$1.5 million within two years from the Approvals Date and incurring exploration expenditures of US\$1 million in year one and US\$2 million in year two; and Stage 2 (25%) by making cash payments of US\$1.5 million within four years from the Approvals Date and incurring exploration expenditures of US\$1 million in year three and US\$1 million in year four.

In addition, upon acquisition of the earned interest, the optionors shall be granted, on a pro-rata basis, an aggregate two percent (2%) net smelter returns royalty (the “Jose Royalty”) from production on the Francisco Concessions. The Peruvian subsidiary of Bridle is entitled to (but not required to) buy back some or all of the Jose Royalty within one year of the commencement of commercial production by making aggregate payments to the holders of the Jose Royalty (on a pro-rata basis) as follows:

- US\$1,000,000 for each 0.5% of the Jose Royalty for up to 1.0% of the Jose Royalty;
- US\$1,500,000 for the next 0.5% of the Jose Royalty, and
- US\$2,000,000 for the remaining 0.5% of the Jose Royalty.

On July 24, 2021, Bridle entered into a definitive earn-in agreement (the “El Ferrol Agreement”), whereby through its Peruvian subsidiary, it can acquire a 100% interest in the “El Ferrol No. 18” mineral concession (which forms part of the Colpayoc Property and consists of approximately 900 hectares located in Cajamarca, Peru) by making an aggregate payment of US\$250,000 in the following amounts on or before the following dates:

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- • US\$50,000 (paid) following the date of registering the El Ferrol Agreement (the “Effective Date”);
- • US\$50,000 one (1) years from the Effective Date;
- • US\$75,000 two (2) years from the Effective Date; and
- • US\$75,000 three (3) years from the Effective Date.

In addition, upon acquisition of the earned interest, the owner of the “El Ferrol No. 18” concession shall be granted a one percent (1%) net smelter returns royalty (the “El Ferrol Royalty”) on production from the “El Ferrol No. 18” concession. The Peruvian subsidiary is entitled to (but not required to) buy back all the El Ferrol Royalty within nine years after acquisition by making a payment of US\$500,000 to the owner of the “El Ferrol No. 18” concession.

As of the date hereof, the Company did not have any further commitments for capital expenditures or other contractual obligations other than those discussed elsewhere in this MD&A. The Company has no debt other than its accounts payable balance.

### 6) Transactions with related parties

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 three months ended March 31, 2022, Level 14 paid or accrued \$15,000 to Pathway under the agreement (2021 - \$15,000), these expenses are included under general and administrative expenses and management fees in the consolidated statement of loss and comprehensive loss. As at March 31, 2022, Level 14 had an accounts payable balance of \$25,919 owing to Pathway (December 31, 2021 - \$nil).

On November 17, 2021, the Company entered into a Share Exchange Agreement (the “Agreement”) to acquire all outstanding shares of Bridle from a related party for 36,000,000 shares of the Company, USD\$625,000 and a 1% NSR on the property.

Members of the Board of Directors and certain officers of the Company and their close family members purchased a total of 14,436,800 shares of the Company in the private placement on April 30, 2021.

#### *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 three months ended March 31, 2022, the Company’s compensation cost for key management personnel was as follows:

	<b>Three Months ended</b>	<b>Three Months ended</b>
Salaries and Wages <sup>1</sup>	16,225	16,590
Share-based compensation	-	-
<b>Total</b>	<b>16,225</b>	<b>16,590</b>

<sup>1</sup>Included in Salaries and Wages are management fees relating to the Pathway agreement of \$9,000 for the three months ended March 31, 2022 (2021 - \$9,000)

As at March 31, 2022, the Company had an accounts payable balance of \$nil owing to the CFO included in Salaries and Wages in the table above (March 31, 2021 - \$2,642).

## 7) Disclosure of data for outstanding common shares and stock options

### Common Shares

As at the date of this report, the Company had 91,515,501 common shares outstanding.

### Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

On December 14, 2018, the Company issued 700,000 stock options to directors and officers of the Company. On September 18, 2020, the Company issued 1,000,000 stock options to directors, officers of the Company, and consultants. All stock options issued vested upon grant and expire five years from the date of grant and are outstanding as of the date of this MD&A.

### Warrants

Pursuant to the completion of the 2021 Private Placement, on April 30, 2021, the Company issued 18,546,000 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. All warrants will vest after a four-month period and are exercisable on September 1, 2021.

Pursuant to the completion of the Flow-through Financing, on September 30, 2020, the Company issued 2,000,000 share purchase warrants at an exercise price of \$0.10 per share for a period of five years from the date of issuance. All warrants are exercisable upon issuance as there are no vesting conditions attached.

Pursuant to the completion 2020 Private Placement on September 30, 2020, the Company issued 6,620,000 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. All warrants are exercisable upon issuance as there are no vesting conditions attached.

As of the date of this MD&A, the fully diluted share count of the Company is 120,381,501.

### **8) Off-balance sheet transactions**

The Company did not have any off-balance sheet arrangements as at December 31, 2021, March 31, 2022 or as of the date of this MD&A.

### **9) Significant judgements and estimates**

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 the 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 applied in the Financial Statements are as follows:

#### *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 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.

### **10) Changes in accounting standards**

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

### **11) Financial Instruments**

As at March 31, 2022, the Company's financial instruments consist of cash, receivables, the cash advance and accounts payable. The Company classifies cash, receivables and the cash advance as financial assets held at amortized cost. The Company classifies accounts payable as financial liabilities, and these are held at

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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 three months ended March 31, 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, receivables, and the cash advance. 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 March 31, 2022 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 holds a cash advance in US dollars (note 11). The Company has not hedged its exposure to currency fluctuations. Based on the value of the cash advance at March 31, 2022, a 10% change in the value of the Canadian dollar against the above foreign currency would result in an increase/decrease of approximately \$73,039.

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

### **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.

### **12) Forward looking statements**

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement.