



Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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Audit. Tax. Advisory.

Independent Auditor's Report

To the Board of Directors of New Break Resources Ltd.

Opinion

We have audited the financial statements of New Break Resources Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss/ and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 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 financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has a cumulative deficit of \$231,918 as at December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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 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 financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 23, 2021

Statements of Financial Position

As at

		December 31, 2019	December 31, 2018
(Expressed in Canadian Dollars)			
Assets			
Current assets			
Cash		\$ 192,778	\$ -
HST receivable		6,918	-
Total Assets		\$ 199,696	\$ -
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	Note 7	\$ 49,011	\$ 200
Flow-through share premium liability	Notes 8(b), 12	98,028	-
Total Liabilities		147,039	200
Shareholders' Equity (Deficiency)			
Share capital	Note 8(b)	263,760	-
Warrant reserve	Note 8(d)	515	-
Stock option reserve	Note 8(c)	20,300	-
Deficit		(231,918)	(200)
Total Shareholders' Equity (Deficiency)		52,657	(200)
Total Liabilities and Shareholders' Equity (Deficiency)		\$ 199,696	\$ -

Nature of operations and going concern (Note 1)

Commitments (Note 12)

Subsequent events (Note 13)

Approved by the Board of Directors and authorized on April 23, 2021:

"Michael Farrant"

Michael Farrant

Director

"Thomas Puppenthal"

Thomas Puppenthal

Director

The accompanying notes form an integral part of these financial statements

Statements of Loss and Comprehensive Loss
For the years ended

(Expressed in Canadian Dollars)		December 31,	
		2019	2018
Expenses			
Exploration and evaluation	Note 6	\$ 62,261	\$ -
Management fees	Note 9	105,000	-
Consulting fees	Note 9	15,000	-
Professional fees		20,692	-
General and administrative		23,808	200
Shareholder costs		1,525	-
Travel		3,506	-
Share-based compensation	Note 8(c)	20,300	-
Total expenses		252,092	200
Loss before the undernoted		(252,092)	(200)
Bank charges		(198)	-
Flow-through share premium recovery	Note 12	20,572	-
Net loss and comprehensive loss for the year		\$ (231,718)	\$ (200)
Net loss per share			
Basic and diluted loss per share		\$ (0.03)	\$ (66.67)
Weighted average number of shares outstanding – basic and diluted		7,882,453	3

The accompanying notes form an integral part of these financial statements

Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)	Note	Share Capital		Reserves			Total
		Number of Shares	Amount	Warrants	Stock Options	Deficit	
Balance at December 31, 2017 and 2018		3	\$ -	\$ -	\$ -	\$ (200)	\$ (200)
Shares issued for cash	8(b)(i)(iii)(iv)	8,599,999	162,000	-	-	-	162,000
Shares issued for services	8(b)(ii)	1,699,998	17,000	-	-	-	17,000
Flow-through shares issued for cash	8(b)(v)	2,965,000	207,550	-	-	-	207,550
Flow-through premium	8(b)(v)	-	(118,600)	-	-	-	(118,600)
Share issue costs - cash	8(b)(v)	-	(3,675)	-	-	-	(3,675)
Share issue costs – fair value of finders' warrants	8(b)(v), 8(d)	-	(515)	515	-	-	-
Share-based compensation	8(c)	-	-	-	20,300	-	20,300
Net loss for the year		-	-	-	-	(231,718)	(231,718)
Balance at December 31, 2019		13,265,000	\$ 263,760	\$ 515	\$ 20,300	\$ (231,918)	\$ 52,657

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows
For the years ended

(Expressed in Canadian Dollars)		December 31,	
		2019	2018
Cash flows from operating activities			
Net loss for the year		\$ (231,718)	\$ (200)
Adjustments not affecting cash:			
Flow-through share premium recovery	Note 12	(20,572)	-
Share-based compensation	Note 8(c)	20,300	-
Shares issue for services		17,000	-
Operating cash flows before changes in non-cash working capital:		(214,990)	(200)
Changes in non-cash working capital:			
HST receivable		(6,918)	-
Accounts payable and accrued liabilities		48,811	200
Cash used in operating activities		(173,097)	-
Cash flows from financing activities			
Proceeds from private placements	Note 8(b)	369,550	-
Share issue costs	Note 8(b)(v)	(3,675)	-
Cash provided by financing activities		365,875	-
Increase in cash during the year		192,778	-
Cash, beginning of year		-	-
Cash, end of year		\$ 192,778	\$ -

Supplemental cash flow information:

Value of common shares issued for services	Note 8(b)(ii)	\$ 17,000	\$ -
Value of finders' warrants issued	Note 8(b)(v)	\$ 515	\$ -

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)



1. NATURE OF OPERATIONS AND GOING CONCERN

New Break Resources Ltd. (the "Company" or "New Break") is a private Canadian mineral exploration company currently engaged in the acquisition, exploration and evaluation of mineral properties in Canada. All of the Company's mineral property interests are currently in the exploration and evaluation stage.

The Company was incorporated under the name "8861587 Canada Corporation" under the laws of Canada on April 18, 2014. Effective December 28, 2018, the Company changed its name to New Break Resources Ltd. The address of the Company's corporate office and principal place of business is 18 King Street East, Suite 902 Toronto, Ontario, M5C 1C4, Canada.

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations. Changes in future conditions could require material write downs of the carrying values.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the exploration programs will result in profitable operations. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, environmental and social licensing requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company has not realized a profit from operations and has incurred expenditures related to property exploration, resulting in a cumulative deficit of \$231,918 as at December 31, 2019 (December 31, 2018 - \$200) and has limited working capital as at December 31, 2019. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its property interests on an advantageous basis. Management cannot provide assurance that it will be successful in future financing activities or be able to execute its business strategy. As at December 31, 2019, the Company had current assets of \$199,696 (December 31, 2018 - \$nil) to cover current liabilities of \$49,011 (December 31, 2018 - \$200), exclusive of non-cash flow-through share premium liability (see Note 13 for financings completed subsequent to December 31, 2019). These conditions indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

(a) 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 include interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies set out were consistently applied to all periods presented unless otherwise noted below.

(b) Basis of Presentation

These financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency. All values are rounded to the nearest dollar.

(c) Approval of the Financial Statements

The financial statements of the Company for the year ended December 31, 2019 were reviewed, approved and authorized for issue by the Board of Directors of the Company on April 23, 2021.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires that management make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities, profits and expenses. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate is recognized prospectively by including it in income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

2. BASIS OF PRESENTATION (Continued)

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk-free interest rates, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8(c).

Title to exploration and evaluation property interests

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Capitalization of mineral property acquisition costs

Where mineral properties are acquired through an acquisition agreement, management has determined that capitalized acquisition costs have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, operating management expertise and existing permits. See Note 6 for details of the Company's capitalized acquisition costs in respect of mineral properties.

2. BASIS OF PRESENTATION (Continued)

Impairment of mineral properties

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which the mineral properties are being used or are expected to be used and indications of expected economic performance of the properties. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

(e) Accounting Standards Adopted

Effective January 1, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards. These included IFRS 16 and IFRIC 23. These new standards did not have any material impact on the Company's financial statements.

IFRS 16 Leases - The Company adopted IFRS 16, Leases ("IFRS 16"), effective January 1, 2019. The objective of IFRS 16 is to recognize substantially all leases on the balance sheet for lessees. IFRS 16 requires lessees to recognize a "right-of-use" asset and a lease liability calculated using a prescribed methodology. The Company has adopted IFRS 16 using the modified retrospective approach which does not require restatement of comparative periods. Comparative information has not been restated and continues to be reported under IAS 17, Leases ("IAS 17"), and IFRIC 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The adoption of IFRS 16 had no impact on the financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments. The Company adopted IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23") on January 1, 2019 with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 had no impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements except where noted.

(a) Cash

Cash consists of cash on deposit with a major Canadian bank. Cash is measured at Amortized Cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Exploration and Evaluation Properties

Acquisition Costs

The costs of acquiring mineral property interests comprised of payments of cash and common shares, are capitalized as mineral property assets. This does not include payments of cash and common shares in respect of option agreements where the ultimate acquisition of the property is uncertain at the time the initial payment is made.

Exploration and Evaluation Expenditures

Payments of cash and common shares pursuant to option agreements, costs of staking and all expenditures on exploration and evaluation activities are recorded as exploration and evaluation expenses until it has been established that a mineral property is commercially viable.

Development Assets

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Disposition or Abandonment of Mineral Properties

Proceeds received from the sale of any interest in a mineral property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition cost of the property is written off to operations.

Impairment

The application of the Company's accounting policy for acquisition costs related to mineral properties, requires judgement in determining whether there are future economic benefits, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of the carrying value is unlikely, the amount to be written off is expensed in the statement of operations in the period when the new information becomes available. The Company assesses each cash generating unit ("CGU") at each reporting date to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties. The carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss in the statement of operations for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Equipment

Recognition and Measurement

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

When applicable, depreciation is calculated using the straight-line method over the estimated useful lives of assets as follows:

- Office furniture and equipment - 3 years.
- Computer hardware and software – 2 years.

The Company does not currently have any office or computer equipment.

Impairment

The carrying amounts of the Company's equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes.

An impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of operations. The recoverable amount of an asset is the higher of its fair value less costs to dispose and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

(d) Financial Instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either Fair Value Through Profit or Loss ("FVPL") or Fair Value Through Other Comprehensive Income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of operations. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. Cash is measured at amortized cost.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

IFRS 9 allows a simplified approach to impairment assessment, which requires the expected lifetime loss to be recognized at the time of initial recognition of the financial assets. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company’s financial liabilities include accounts payable and accrued liabilities, which are measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement – financial liabilities at FVPL

Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statement of operations. The Company does not measure any financial liabilities at FVPL.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of operations.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Fair Value Hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

(e) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's common shares, warrants, stock options and flow-through shares are classified as equity instruments. Preference share capital is classified as equity if it is non-retractable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to share capital and the relative fair value of the warrant component is credited to warrant reserve. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrant reserve account is recorded as an increase to share capital. For those warrants that expire unexercised, the recorded fair value is transferred from warrant reserve to deficit.

(g) Flow-Through Shares

Upon the issuance of flow-through shares, the Company records the initial proceeds to capital stock, net of tax liability, if any. The flow-through share premium liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow-through share financing. The financial liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company incurs eligible Canadian Exploration Expenditures ("CEE") to meet flow-through requirements, a corresponding tax recovery is recognized.

(h) Share-Based Payments

The Company accounts for share-based payments using the fair value method. Under this method, compensation expense for employees is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense with a corresponding increase in stock option reserve, a component of equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Upon the exercise of stock options, consideration paid by the option holder together with the amount previously recognized in the stock option reserve account is recorded as an increase to share capital. For those options that are cancelled or expire after vesting, the recorded fair value is transferred from stock option reserve to deficit.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value of the goods or services received or if the value of the goods or services received is not reliably measurable then the value of such goods and services are measured with reference to the fair value of the equity instruments issued. With respect to the acquisition of exploration and evaluation assets, the Company does not believe that the fair value of these assets is reliably measurable at the time of purchase. As such, when shares of the Company are issued as consideration for the purchase of exploration and evaluation assets, the fair value of the asset is based upon the price of the Company's shares on the date of the agreement to issue shares as determined by the Board of Directors. In the event that options or warrants are issued where the fair value of goods or services are not reliably measurable, they are valued using the Black-Scholes pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Reclamation Obligation

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for an asset retirement obligation is recorded when the legal obligation arises and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. The Company does not currently have any significant legal or constructive obligations and therefore, no reclamation provision has been recorded as at December 31, 2019 and December 31, 2018.

(j) Loss Per Common Share

The Company presents basic and diluted loss per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible warrants and stock options granted by the Company. Diluted loss per share for the periods presented does not include the effect of the stock options and warrants issued by the Company, as they are anti-dilutive.

(k) Income Taxes

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purpose.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position only when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in operations in the period in which the change is substantively enacted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) New Accounting Standards and Interpretations Not Yet Effective

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2019 and, accordingly, have not been applied in preparing these financial statements. These new standards are not expected to have a material impact on the Company.

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together, significantly contribute to the ability to create goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. While early adoption is permitted, the Company has not elected not to do so.

4. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up to date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an ongoing basis.

Commodity Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices as they relate to gold and the stock market to determine the appropriate course of action to be taken.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main source of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. The 2020 exploration budget is planned to be mostly funded from flow-through funds raised in 2019. There is no certainty of the Company's ability to complete additional financings.

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4. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2019 the Company held current assets of \$199,696 (December 31, 2018 - \$nil) to settle current liabilities of \$49,011 (December 31, 2018 - \$200), exclusive of non-cash flow-through premium liability.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at market rates. In the event that the Company held interest bearing debt, the Company could be exposed to interest rate risk. The Company does not have any interest-bearing debt. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

The Company's financial assets and liabilities as at December 31, 2019 and 2018 were as follows:

	Amortized Cost	FVPL	Total
December 31, 2018			
Financial liabilities			
Accounts payable and accrued liabilities	\$ 200	\$ -	\$ 200
December 31, 2019			
Financial assets			
Cash	\$ 192,778	\$ -	\$ 192,778
Financial liabilities			
Accounts payable and accrued liabilities	\$ 49,011	\$ -	\$ 49,011

The fair values of these financial instruments approximate their carrying values because of their short-term nature.

5. CAPITAL MANAGEMENT

The Company defines capital management as the manner in which it manages its share capital. As at December 31, 2019, the Company's share capital was \$263,760 (December 31, 2018 - \$nil).

Up until December 31, 2018, the Company was effectively inactive. During the year ended December 31, 2019, the Company's approach to capital management changed as it began operations as a mineral exploration and evaluation company and began to issue shares from treasury in order to raise capital to fund its operations. The Company is not subject to any externally imposed capital requirements.

The Company's objective in managing capital is to maintain the entity's ability to continue as going concern, support the Company's normal operating requirements and to continue the exploration and evaluation of its mineral properties.

The Board of Directors does not establish a quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

Notes to the Financial Statements

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5. CAPITAL MANAGEMENT (Continued)

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debts or equity or similar instruments to obtain additional financing.

6. MINERAL PROPERTIES, EXPLORATION AND EVALUATION EXPENDITURES

Kraken Project

On March 1, 2019, the Company entered into an option agreement with Kraken Gold Corporation, a private company ("Kraken"), whereby New Break can acquire a 100% interest in certain mining claims and properties in the Porcupine and Larder Lake Mining Divisions near Timmins, Ontario (the "Kraken Property").

Under the terms of the option agreement, the Company is required to make the following payments to Kraken, which are expensed as exploration and evaluation expenditures when they are made:

- a) Cash payments totaling \$140,000 as follows:
 - (i) \$20,000 – upon execution of the agreement – (paid March 1, 2019)
 - (ii) \$30,000 – on or before the first anniversary, March 1, 2020
 - (iii) \$90,000 – on or before the second anniversary, March 1, 2021
- b) Common share issuances totaling \$285,000 worth of common shares as follows:
 - (i) \$60,000 – in common shares upon signing the agreement – (issued February 29, 2020)
 - (ii) \$75,000 – in common shares on or before the first anniversary, March 1, 2020
 - (iii) \$150,000 – in common shares on or before the second anniversary, March, 2021

On February 29, 2020, the Company issued 600,000 common shares to Kraken in connection with its commitment to issue \$60,000 worth of common shares.

In addition, New Break must complete exploration expenditures totaling \$1,350,000 over a three-year period, with the annual minimum expenditure requirements as follows:

- (i) \$250,000 – within the first year - (completed)
- (ii) \$350,000 – within the second year
- (iii) \$750,000 – within the third year

The Kraken properties are subject to a 2.5% net smelter return ("NSR") royalty, of which 1.0% can be repurchased for \$1.0 million.

Subsequent to December 31, 2019, the Company informed Kraken that it would not be proceeding with the option agreement. No further option payments were made to Kraken.

Moray Gold Project

See Note 13 for details of the acquisition of the Moray property subsequent to December 31, 2019.

6. MINERAL PROPERTIES, EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Exploration and Evaluation Expenditures

For the year ended December 31, 2019	Kraken Project
Option payments	\$ 20,000
Drilling program	5,522
Stripping program	19,579
Consulting fees	14,400
Land management	2,760
	\$ 62,261

There were no exploration and evaluation expenditures for the year ended December 31, 2018.

7. ACCOUNTS PAYABLE

Accounts payable and accrued liabilities consist primarily of outstanding vendors' invoices and accrued expenses incurred during the periods. The balances owing to the creditors are payable in accordance with the vendors' individual credit terms.

	December 31, 2019	December 31, 2018
Management fees	\$ 6,215	\$ -
Trade and other payables	29,056	200
Audit and tax services fees	13,740	-
	\$ 49,011	\$ 200

8. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of special shares, issuable in series.

(b) Issued and outstanding

Share Capital	Note	Number of Common Shares	Amount
Balance at December 31, 2017 and 2018		3	\$ -
Private placement of common shares – March 29, 2019	8(b)(i)	4,799,999	48,000
Common shares issued for services – March 29, 2019	8(b)(ii)	1,699,998	17,000
Private placement of common shares – May 17, 2019	8(b)(iii)	3,500,000	105,000
Private placement of common shares – July 26, 2019	8(b)(iv)	300,000	9,000
Private placement of flow-through common shares	8(b)(v)	2,965,000	207,550
Less: flow-through premium on common shares	8(b)(v)	-	(118,600)
Share issue costs - cash	8(b)(v)	-	(3,675)
Share issue costs – fair value of warrants	8(b)(v)	-	(515)
Balance at December 31, 2019		13,265,000	\$ 263,760

Notes to the Financial Statements

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8. SHARE CAPITAL (Continued)

- (i) On March 29, 2019, the Company completed a non-brokered private placement for gross proceeds of \$48,000, through the issuance of 4,799,999 common shares at \$0.01 per share (see Note 9).
- (ii) On March 29, 2019, the Company issued 1,699,998 common shares at a price of \$0.01 per share in respect of consulting services valued at \$17,000 (see Note 9).
- (iii) On May 17, 2019, the Company completed a non-brokered private placement for gross proceeds of \$105,000, through the issuance of 3,500,000 common shares at \$0.03 per share.
- (iv) On July 26, 2019, the Company completed a non-brokered private placement for gross proceeds of \$9,000, through the issuance of 300,000 common shares at \$0.03 per share.
- (v) The Company completed the following non-brokered private placements for gross proceeds of \$207,550 through the issuance of 2,965,000 flow-through common shares ("F-T Shares") at a price of \$0.07 per F-T Share:
 - August 1, 2019 – 215,000 F-T Shares for gross proceeds of \$15,050 (see Note 9);
 - September 29, 2019 – 1,250,000 F-T Shares for gross proceeds of \$87,500;
 - September 30, 2019 – 750,000 F-T Shares for gross proceeds of \$52,500; and
 - December 31, 2019 – 750,000 F-T Shares for gross proceeds of \$52,500.

In connection with the issuance of the F-T Shares on December 31, 2019, the Company paid a finder's fee equal to \$3,675 and issued 52,500 finders' warrants. Each finders' warrant is exercisable into one common share at a price of \$0.07 per share for 24 months from the date of closing. The fair value of these warrants was estimated at \$515 using the assumptions in Note 8(d). The Company recognized an aggregate flow-through premium of \$118,600 as a result of the issuances of the F-T Shares.

(c) Stock Options

The Company has a stock option plan to provide directors, officers, employees and consultants with options to purchase common shares of the Company. The maximum number of common shares reserved for issuance upon the exercise of options, is not to exceed 10% of the total number of common shares outstanding immediately prior to such issuance. The stock options have a maximum term of five years and a vesting period and exercise price determined by the board of directors. The exercise price of the stock options is fixed by the board of directors and may not be less than the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

The following table reflects the continuity of stock options for the years ended December 31, 2019 and 2018.

	Number of Stock Options	Weighted Average Exercise Price
Outstanding at December 31, 2017 and 2018	-	\$ -
Granted	1,000,000	\$ 0.05
Outstanding at December 31, 2019	1,000,000	\$ 0.05

8. SHARE CAPITAL (Continued)

Stock Option Grants

On July 5, 2019, the Company granted options to purchase up to 1,000,000 common shares of the Company to directors, officers and a consultant at a price of \$0.05 per share for a period of five years. The options vested immediately. The Company recorded \$20,300 of share-based compensation expense, being the entire grant date fair value.

The fair value of the options granted, are estimated on the dates of grant using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Stock Price	Exercise Price	Risk-free Interest Rate	Expected Stock Price Volatility	Expected Life (in years)	Expected Dividend Rate	Expected Forfeiture Rate
July 5, 2019	\$0.03	\$0.05	1.53%	100%	5	0%	0%

The following table reflects the stock options outstanding and exercisable at December 31, 2019:

Date of Grant	Number of Options Outstanding	Exercise Price	Weighted Average Remaining Life (years)	Date of Expiry	Number of Options Exercisable	Grant Date Fair Value
July 5, 2019	1,000,000	\$ 0.05	4.51	July 5, 2024	1,000,000	\$ 20,300
	1,000,000	\$ 0.05	4.51		1,000,000	\$ 20,300

The weighted average remaining contractual life of options outstanding and exercisable at December 31, 2019 is 4.51 years at a weighted average exercise price of \$0.05.

(d) Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2019 and 2018:

	Number of Warrants	Grant Date Fair Value	Weighted Average Exercise Price
Balance at December 31, 2017 and 2018	-	\$ -	\$ -
Issued	52,500	515	\$ 0.07
Balance, December 31, 2019	52,500	\$ 515	\$ 0.07

See Note 8(b)(v) for the details of warrants issued on December 31, 2019.

The Company follows the fair value method of accounting for warrants using the Black Scholes option pricing model. The fair values of warrants issued were calculated based on the following assumptions:

Grant Date	Stock Price	Exercise Price	Risk-free Interest Rate	Expected Stock Price Volatility	Expected Life (in years)	Expected Dividend Rate	Expected Forfeiture Rate
December 31, 2019	\$0.03	\$0.07	1.69%	100%	2	0%	0%

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9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key Management Compensation

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Key management of New Break includes the Executive Chairman, President and Chief Financial Officer, Vice President, Exploration and the Company's Secretary.

	For the year ended December 31,	
	2019	2018
Management fees	\$ 105,000	\$ -
Management fees included in exploration and evaluation	8,500	-
Consulting fees - paid to an independent director	5,000	-
Total fees paid to management and directors	118,500	-
Share-based payments	15,225	-
	\$ 133,725	\$ -

Related Party Transactions

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

On March 29, 2019, the Company completed a non-brokered private placement for gross proceeds of \$48,000, through the issuance of 4,799,999 common shares at \$0.01 per share. Management and directors subscribed for 3,400,000 of these common shares for gross proceeds of \$34,000.

On March 29, 2019, the Company issued 1,699,998 common shares at a price of \$0.01 per share in respect of consulting services valued at \$17,000. 1,599,998 of these common shares issued were in respect of \$16,000 of indebtedness with two officers who are also directors of the Company.

On July 5, 2019, the Company granted stock options to purchase up to an aggregate of 750,000 common shares of the Company at a price of \$0.05 per share to directors and officers of the Company (see Note 8(c)).

On August 1, 2019, an officer who is also a director, subscribed for 215,000 F-T Shares at \$0.07 per F-T Share for gross proceeds of \$15,050 (see Note 8(b)(v)).

For related party transactions subsequent to December 31, 2019, see Note 13.

As at December 31, 2019, \$11,800 (December 31, 2018 - \$200) included in accounts payable and accrued liabilities was owing to related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

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10. LOSS PER SHARE

Net loss per share has been calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The effect of stock options and warrants was anti-dilutive and hence, the diluted loss per share equals the basic loss per share.

11. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2018 – 26.5%) were as follows:

	For the year ended December 31,	
	2019	2018
Loss before income taxes	\$ (231,718)	\$ (200)
Expected income tax recovery based on statutory rate	\$ (61,000)	\$ (53)
Adjustment to expected income tax benefit:		
Share-based compensation	5,000	-
Flow-through renunciation	10,000	-
Expenses not deductible for tax purposes	7,000	-
Benefit of tax assets not recognized	39,000	53
Deferred income tax provision (recovery)	\$ -	\$ -

b) Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2019	December 31, 2018
Non-capital loss carry-forwards	\$ 39,000	\$ -
Share issue costs	1,000	-
Total	\$ 40,000	\$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) Non-capital Losses Carried Forward

The Company has approximately \$149,000 (2018 - \$200) of non-capital losses as at December 31, 2019 available to be carried forward against future taxable income. These non-capital losses will expire as follows:

Year of Expiry	December 31, 2019
2038	\$ 200
2039	148,800
	\$ 149,000

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12. COMMITMENTS

As at December 31, 2019, the Company had a commitment to spend \$171,549 (December 31, 2018 - \$nil) on eligible Canadian exploration expenditures, from amounts raised from flow-through financing, by December 31, 2020.

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on qualifying CEE. The Company has indemnified flow-through subscribers for any tax and other costs payable by them in the event the Company does not incur the required exploration expenditures. No amounts have been recorded in these financial statements for potential liabilities relating to these indemnities as a triggering event has not taken place. Upon issuance of the flow-through shares during 2019 in the amount of \$207,550, the Company recorded an aggregate flow-through share premium liability of \$118,600. As eligible CEE is incurred, the amount is drawn down as income through the statement of loss. During the year ended December 31, 2019, the Company incurred \$36,001 in eligible CEE and recorded a flow-through share premium recovery of \$20,572 in the statement of loss. No flow-through shares were issued during the year ended December 31, 2018.

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. SUBSEQUENT EVENTS

Financings

On April 1, 2020, the Company completed a non-brokered private placement for gross proceeds of \$26,250 through the issuance of 375,000 flow-through common shares at a price of \$0.07 per flow-through share.

On April 15, 2020, the Company completed a non-brokered private placement for gross proceeds of \$89,901 through the issuance of 1,284,300 flow-through common shares at a price of \$0.07 per flow-through share. Directors of the Company subscribed for 470,000 of the flow-through common shares issued.

On May 1, 2020, the Company completed a non-brokered private placement for gross proceeds of \$26,250 through the issuance of 375,000 units at a price of \$0.07 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder thereof to purchase one common share at an exercise price of \$0.15 for a period of thirty-six (36) months from the date of closing.

On September 11, 2020, the Company completed a non-brokered private placement for gross proceeds of \$125,000 through the issuance of 1,250,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one half of a common share purchase warrant, with each full warrant entitling the holder thereof to purchase one common share at an exercise price of \$0.15 for a period of twenty-four (24) months from the date of closing, subject to certain conditions which allow for acceleration of that timeframe.

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13. SUBSEQUENT EVENTS (Continued)

On September 28, 2020, the Company completed a non-brokered private placement for gross proceeds of \$20,000 through the issuance of 200,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one half of a common share purchase warrant, with each full warrant entitling the holder thereof to purchase one common share at an exercise price of \$0.15 for a period of twenty-four (24) months from the date of closing, subject to certain conditions which allow for acceleration of that timeframe.

On November 12, 2020, the Company completed a non-brokered private placement for gross proceeds of \$30,000 through the issuance of 300,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one half of a common share purchase warrant, with each full warrant entitling the holder thereof to purchase one common share at an exercise price of \$0.15 for a period of twenty-four (24) months from the date of closing, subject to certain conditions which allow for acceleration of that timeframe.

On November 17, 2020, the Company completed a non-brokered private placement for gross proceeds of \$5,000 through the issuance of 50,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one half of a common share purchase warrant, with each full warrant entitling the holder thereof to purchase one common share at an exercise price of \$0.15 for a period of twenty-four (24) months from the date of closing, subject to certain conditions which allow for acceleration of that timeframe.

On December 31, 2020, the Company completed a non-brokered private placement for gross proceeds of \$122,280 through the issuance of 1,019,000 flow-through common shares at a price of \$0.12 per flow-through share. A director of the Company subscribed for 184,000 of the flow-through common shares issued. The Company paid a finder's fee equal to \$7,014 and issued 58,450 finders' warrants. Each finders' warrant is exercisable into one common share at a price of \$0.12 per share for 24 months from the date of closing.

Kraken Project

On February 29, 2020, the Company issued 600,000 common shares to Kraken Gold Corporation in connection with its commitment to issue \$60,000 worth of common shares to Kraken in the first year of the Kraken Project property option agreement.

Subsequent to December 31, 2019, the Company informed Kraken that it would not be proceeding with the option agreement. No further option payments were made to Kraken.

Acquisition of Moray Gold Project from Exiro Minerals Corp.

On July 15, 2020, the Company finalized a Mining Claim Acquisition Agreement and Net Smelter Return Royalty Agreement with a private company, Exiro Minerals Corp. ("Exiro"), to acquire a 100% interest in 14 unpatented mining claims in Zavitz Township of the Porcupine Mining Division and the Hincks Township of the Larder Lake Mining Division, approximately 49 km southeast of Timmins, Ontario on the following terms:

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13. SUBSEQUENT EVENTS (Continued)

Issuance of 2,500,000 common shares of the Company (issued July 15, 2020)

Cash payments totaling \$100,000 as follows:

- \$20,000 – with five (5) days of finalizing the agreement – (paid July 31, 2020)
- \$40,000 – on or before September 30, 2020 – (paid September 18, 2020)
- \$40,000 – on or before December 31, 2020 – (paid September 18 2020)

In addition, certain of the claims (“Exiro Claims”) are subject to a 2% NSR and certain other of the claims (“Voyageur Claims”) are subject to a 1% NSR in favour of Exiro. The Voyageur Claims are also subject to a 1% NSR in favour of a previous property owner. New Break can repurchase 50% of the Exiro NSR at any time for a payment of \$1.0 million and can repurchase 50% of the Voyageur NSR at any time for a payment of \$750,000.

Nunavut Federal Claim Staking

In February, March and April 2021, the Company staked certain claims, located in Kivalliq Region, Nunavut, referred to as the Noomut, Sy and Angikuni Lake claims. The Company paid \$11,250 to stake the Noomut claims, comprised of 250 units, \$35,820 to stake the Sy claims, comprised of 796 units and \$1,755 to stake the Angikuni Lake claims, comprised of 39 units.

Stock Option Exercise

On July 22, 2020, stock options to purchase 100,000 common shares of the Company at a price of \$0.05 were exercised for proceeds of \$5,000 by an officer who is also a director of the Company.

Stock Option Expiry

On July 31, 2020, stock options to purchase 250,000 common shares of the Company at a price of \$0.05, issued to a consultant, expired unexercised in accordance with the terms of the Company’s stock option plan.

Other

Subsequent to December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.