



Consolidated Financial Statements

Expressed in United States dollars

Years ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Inter-Rock Minerals Inc.

Opinion

We have audited the consolidated financial statements of Inter-Rock Minerals Inc., (the "Group"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019 and the consolidated statements of net and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 14, 2021
Toronto, Ontario

Inter-Rock Minerals Inc.

Consolidated Balance Sheets

As at December 31st

(Expressed in thousands of United States Dollars)

	Note	2020	2019
		\$	\$
ASSETS			
Current assets			
Cash		2,072	1,680
Accounts receivable		6,353	4,000
Inventories	6	2,535	2,237
Prepaid expenses and other assets		584	477
Total Current Assets		11,544	8,394
Non-current assets			
Properties, plant and equipment	7	6,397	6,625
Intangible assets	8	1,691	2,019
Goodwill	8	1,809	1,809
Total Assets		21,441	18,847
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		4,786	3,190
Current portion of long term debt	9	2,598	1,457
Current portion of lease obligations	10	561	609
Total Current Liabilities		7,945	5,256
Non-current liabilities			
Long term debt	9	1,434	3,214
Lease obligations	10	999	1,035
Deferred income tax liability	15	294	281
Asset retirement obligation	11	75	75
Series A preferred shares	12	3,417	3,417
Total Liabilities		14,164	13,278
Equity			
Share capital	13	5,794	5,864
Contributed surplus		315	315
Retained earnings (deficit)		1,168	(610)
Total Equity		7,277	5,569
Total Liabilities and Equity		21,441	18,847

Financial Commitments (Note 20)

Subsequent Events (Note 22)

Approved on behalf of the Board of Directors:

"Michael B. Crombie"

Director

"David R. Crombie"

Director

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

Inter-Rock Minerals Inc.

Consolidated Statements of Net and Comprehensive Income

(Expressed in thousands of United States Dollars except for outstanding shares and per share amounts)

	Note	2020	2019
		\$	\$
REVENUE	5,17	55,548	44,664
COST OF SALES			
Operating costs	5	45,886	35,358
GROSS PROFIT		9,662	9,306
OPERATING EXPENSES			
Selling, general and administrative	5	5,947	5,699
Amortization and depletion	7	1,372	1,208
Amortization of intangible assets	8	328	328
INCOME BEFORE FINANCING COSTS		2,015	2,071
FINANCING COSTS			
Gain on debt forgiveness	9 (v)	(502)	-
Interest on Series A preferred shares	12	84	129
Interest on debt and lease obligations	9,10	316	415
INCOME BEFORE INCOME TAXES		2,117	1,527
INCOME TAXES			
Current		325	80
Deferred		14	(186)
		339	(106)
NET INCOME AND COMPREHENSIVE INCOME		1,778	1,633
Basic income per share	14	0.08	0.07
Diluted income per share	14	0.04	0.04
Weighted average number of shares outstanding			
Basic		22,384,186	22,617,811
Diluted		39,521,166	39,754,791

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

Inter-Rock Minerals Inc.

Consolidated Statements of Changes in Equity
As at and for the years ended December 31st
(Expressed in thousands of United States Dollars)

	Share Capital (Note 13)	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
Balance, December 31, 2018	5,864	315	(2,157)	4,022
Net income and comprehensive income	-	-	1,633	1,633
Adoption of IFRS 16 Leases	-	-	(86)	(86)
Balance, December 31, 2019	5,864	315	(610)	5,569
Shares purchased for cancellation	(70)	-	-	(70)
Net income and comprehensive income	-	-	1,778	1,778
Balance, December 31, 2020	5,794	315	1,168	7,277

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

Inter-Rock Minerals Inc.

Consolidated Statements of Cash Flows
For the years ended December 31st
(Expressed in thousands of United States Dollars)

	Note	2020	2019
		\$	\$
CASH PROVIDED BY (USED IN) OPERATIONS			
Net income		1,778	1,633
Items not affecting cash			
Amortization and depletion		1,372	1,208
Amortization of intangible assets		328	328
Interest expense		400	544
Deferred income tax expense (recovery)		14	(186)
Loss on disposal of properties, plant and equipment		45	51
Gain on debt forgiveness		(502)	-
		3,435	3,578
Net changes in non-cash working capital			
Accounts receivable		(2,353)	(745)
Inventories		(298)	(1,067)
Prepaid expenses		(107)	(142)
Accounts payable and accrued liabilities		1,595	1,095
Cash generated by operating activities		2,272	2,719
INVESTING			
Purchase of properties, plant and equipment	7	(494)	(877)
Cash used in investing activities		(494)	(877)
FINANCING			
Interest paid		(316)	(510)
Interest paid on Series A preferred shares	12	(96)	(129)
Proceeds from long term debt	9	1,017	357
Repayment of long term debt	9	(1,155)	(1,200)
Repayment of lease obligations	10	(766)	(588)
Repayment of related party loans		-	(555)
Shares purchased for cancellation	13	(70)	-
Cash used in financing activities		(1,386)	(2,625)
Net change in cash		392	(783)
Cash, beginning of the year		1,680	2,463
Cash, end of the year		2,072	1,680

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

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

1. CORPORATE INFORMATION

Inter-Rock Minerals Inc. (“Inter-Rock” or the “Company”) is domiciled in Canada and is continued under the Business Corporations Act (Ontario). The Company’s office is located at 2 Toronto Street, Suite 500 Toronto, Ontario, M5C 2B6, Canada. The Company’s shares are traded on the TSX Venture Exchange under the symbol “IRO”.

Inter-Rock owns three operating businesses: Papillon Agricultural Company Inc. (“Papillon”), MIN-AD, Inc. (“MIN-AD”) and Mill Creek Dolomite LLC (“Mill Creek”). Papillon is a US based marketer and distributor of toll manufactured premium dairy feed nutritional supplements, including MIN-AD’s products. MIN-AD and Mill Creek are engaged in the production and marketing of high purity dolomite, primarily to the animal feed, glass, roofing and aglime industries in the United States.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements, including comparative balances for the year ended December 31, 2020, have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements were approved and authorized by the Board of Directors of the Company on April 14, 2021.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2.3 Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

Entity	Place of Incorporation	Ownership
Secret Pass Gold Inc.	United States	100%
MIN-AD Inc.	United States	100%
Mill Creek Dolomite LLC	United States	100%
Papillon Agricultural LLC	United States	100%
Papillon Agricultural Company Inc.	United States	100%

2.4 Functional currency and currency of presentation

These consolidated financial statements are presented in United States dollars, which is the functional currency of the Company and all its subsidiaries. Transactions denominated in currencies other than the functional currency are recorded in the functional currency using the spot rate on the transaction date, and revalued using the exchange rate in effect at the end of each reporting date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at the historical rate. Exchange gains and losses are included in the consolidated statements of income and comprehensive income for the year.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Inventories

Inventories comprise stockpiled crushed ore, crushed ore in-circuit and finished goods. Inventories primarily consist of dolomitic limestone. All inventories are valued at the lower of cost and net realizable value. Cost includes production costs determined principally on an average cost basis for ore produced and processed. Cost includes blasting, crushing and transportation, costs of conversion and any other costs incurred in bringing inventories to their final processed condition. Costs not attributed to bringing inventories to their final processed condition, such as transportation costs subsequent to the completion of processing, storage costs and selling costs are expensed in the period incurred.

3.2 Properties, plant and equipment

Properties, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. With the exception of spare parts, items are depreciated using the straight-line method over their estimated useful lives as follows:

Plant and equipment	3 - 15 years
Vehicles	5 - 7 years

Where components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component. Right-of-use assets are depreciated using the straight-line method over the shorter of the economic useful life of the asset or the term of the lease. Spare parts are carried at cost and transferred to the cost of the asset when the part is used to extend the life of the equipment; otherwise spare parts are expensed as repairs and maintenance when used. Estimates of useful lives, residual values and methods of depreciation are reviewed annually. The dolomite properties and land improvements are recorded at cost and depleted over the estimated economic life of the quarries on a unit of production method based on estimated recoverable tons of dolomitic limestone.

3.3 Revenue recognition

The Company earns revenue from its sales of dolomite products and dairy feed nutritional supplements. Revenue from the sale of products is measured at the fair value of the consideration received or receivable, based upon the transaction price agreed under the terms of a sales contract. The Company typically receives payment within fifteen to thirty days of shipment or delivery.

Sales revenue is recognized when control of the goods has been transferred to the buyer. Control is generally transferred upon shipment (that is, when the goods have been loaded and have left a manufacturing facility) or upon delivery (the goods arrive at a named place of destination). Revenue is recognized once shipment or delivery has been achieved. Once shipped or delivered, depending upon the contract terms, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the product.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue recognition (cont'd)

For certain transactions, the Company arranges for transportation of the products on behalf of the customer. For each transaction, the Company assesses whether it is acting as a principal or agent with respect to arranging transportation. In cases where the Company is acting as principal (arranging for transportation and paying the freight), revenue and costs of sales are presented on a gross basis, so revenue includes the amount of freight charges recovered by the Company and the cost of sales includes the freight charges paid by the Company. In transactions where the Company is acting as principal with respect to freight, freight revenue is recognized when the Company has satisfied its performance obligation of arranging the freight, including acceptance of the freight rate by the customer. When the Company determines it is acting as an agent with respect to freight, revenue and cost of goods sold are presented on a net basis. The Company has determined that, with respect to those transactions that include arranging transportation and freight, it is acting as principal in most cases.

3.4 Income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of income and comprehensive income for the year, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred income tax is recognized on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized for all deductible temporary differences and carry forwards of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forwards of unused tax losses can be utilized. Deferred income tax liabilities are provided on taxable temporary differences. Deferred taxes are not recognized for temporary differences related to goodwill.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Income per share

The basic income per share is computed by dividing the net income by the weighted average number of common shares outstanding during the year. The diluted income per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and the conversion of preferred shares in the weighted average number of common shares outstanding during the year, if dilutive.

3.6 Asset retirement obligation

The Company recognizes a liability for its legal obligations associated with the retirement of its dolomite properties. Reclamation liabilities are recognized at the time an environmental disturbance occurs. The liability is measured using the Company's best estimate of the future cost required to reclaim the disturbance of each operation. The estimates are adjusted for inflation and subsequently discounted to their present value. Upon recognition of the initial reclamation liability, the corresponding cost is capitalized to the asset as it represents a portion of the cost of acquiring the future economic benefit of the property. The liability is progressively increased over the life of the asset as the effect of the discounting is unwound. Adjustments related to the unwinding of the discount are recognized in the consolidated statement of comprehensive income as finance expense. Reclamation liabilities may be adjusted to reflect changes in the estimates of the costs of reclamation. Such adjustments are accounted for as a change in the corresponding capitalized cost in properties, plant and equipment.

3.7 Intangible assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. The Company's intangible assets comprise customer relationships, distribution rights, a non-compete agreement and the brand.

Intangible assets with finite useful lives are subsequently carried at cost less accumulated amortization and impairment losses. These assets are amortized on a straight-line basis over their estimated useful lives. Intangibles with indefinite lives are measured at cost less any accumulated impairment losses and are not amortized. Estimated useful lives are as follows:

Customer relationships	10 years
Distribution rights	10 years
Non-compete agreement	5 years
Brand	10 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Goodwill

The Company measures goodwill as the fair value of the cost of the acquisition less the fair value of the identifiable net assets acquired, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Goodwill is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units ("CGU") that are expected to benefit from the synergies of the acquisitions. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to other assets of the CGU.

3.9 Financial Instruments

The Company's financial instruments, from which financial risk arises, are cash, trade accounts receivables, accounts payable and accrued liabilities, floating and fixed rate bank loans, lease obligations and the Series A preferred shares. At December 31, 2020, the Company did not have any investments in quoted or unquoted equity securities and was not a party to any derivative contracts.

The Company's financial instruments are classified and subsequently measured as follows under IFRS 9:

Asset/Liability	IFRS 9
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost
Lease obligations	Amortized cost
Series A preferred shares	Amortized cost

At initial recognition, a financial instrument is measured at fair value, including transaction costs, (unless the financial instrument is carried at fair value through profit or loss ("FVTPL"), in which case the transaction costs are recognized in profit or loss).

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

The Company's accounting policy for financial instruments is as follows:

Financial assets

Financial assets are classified as either financial assets at amortized cost, financial assets at fair value through profit or loss, ("FVTPL"), or fair value through other comprehensive income.

i) Amortized cost: financial assets are classified at amortized cost if both the following criteria are met and the financial assets are not designated as at FVTPL: (a) the object of the Company's business model for these financial assets is to collect their contractual cash flows and (b) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's cash and accounts receivables are recorded at amortized cost as they meet the required criteria.

ii) Financial assets recorded at FVTPL: financial assets are initially recorded and subsequently measured at fair value if they are acquired for the purpose of selling in the near term.

iii) Fair value through other comprehensive income: For investments in equity securities that are not held for trading, an irrevocable election can be made at initial recognition to classify the securities at fair value through other comprehensive income, with all subsequent changes in fair value being recognized in other comprehensive income.

Financial liabilities

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, (for example, liabilities held for the purpose of trading) or the Company has elected to measure them at FVTPL. The Company's accounts payable and accrued liabilities, lease obligations, as well as long term debt and Series A preferred shares are initially recognized at fair value, net of any transaction costs and subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired.

Although accounts receivable and accounts payable with no stated interest rate are measured at amortized cost subsequent to initial recognition, in practice, they continue to be measured at their invoiced amount as the effect of discounting would be immaterial due to the terms of payment being between 15 - 30 days.

Derivatives

The Company does not utilize derivative instruments to mitigate exposures to commodity, currency, interest risk or other exposures.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that the carrying value of long term assets may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment charge is required. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received in an arm's length transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to disposal. Value in use is equal to the present value of future cash flows expected to be derived from the asset.

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. 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. A reversal of impairment loss is recognized in the consolidated statements of income and comprehensive income.

The Company performs goodwill impairment tests on an annual basis as at December 31 each year or more frequently if there are indications that goodwill may be impaired. If the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount, an impairment loss is recognized. Goodwill impairment losses are not reversed. The recoverable amount of a CGU or group of CGUs is measured as the higher of fair value less costs of disposal and value in use. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis, restricted to fair value of individual assets. Goodwill impairment loss is recognized in the consolidated statements of income and comprehensive income.

3.11 Impairment of financial assets

Under IFRS 9, the impairment model for financial assets measured at amortized cost reflects expected credit losses. The Company recognizes loss allowances for expected credit losses. Trade receivables are assessed to determine if they are credit impaired at each reporting date. A provision or loss allowance is established based on the Company's credit loss experience and factors specific to the debtor and the economic environment. Loss allowances are deducted from the carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. No impairment losses or allowances for expected credit losses were recognized in 2020 or 2019.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3 *Business Combinations*, where the acquisitions of companies and assets meet the definition of a business under IFRS 3.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities. Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts previously recognized in the Company's controlling shareholder's consolidated financial statements.

3.13 Segment reporting

The Company has three reportable segments, which are those operations whose operating and financial results are regularly reviewed by the Company's management for the purpose of assessing performance. Each of the Company's three operating businesses are considered to be a separate operating segment.

Information regarding the results of each reportable segment is included in Note 5. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In instances where a contract contains a lease, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

Right-of-use assets are initially measured at cost, which is the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The right-of-use assets are included in the cost of property, plant and equipment for the associated operation. Right-of-use assets are subsequently depreciated, in accordance with the Company's existing accounting policy, from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. Right-of-use assets may also be reduced due to impairment losses and adjusted for any re-measurements of the lease liability.

At the commencement of the lease, the lease liability is recognized and is measured at the present value of the lease payments to be made over the term of the lease, discounted using the interest implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After the commencement date, the lease liability is carried at amortized cost. The carrying amount is re-measured if there is a modification to the lease contract, including a change to the lease term, a change in the amount of the fixed lease payments or a change in the assessment to purchase the underlying asset. Where the lease contains an extension or purchase option, the costs associated with the option are included if it is reasonably expected to be exercised by the Company. Lease liabilities are presented as lease obligations on the Consolidated Balance Sheet.

The Company does not recognize right-of-use assets and lease liabilities for low value leases or for leases that have a lease term of 12 months or less at inception of the lease. Lease payments for these types of leases will be recognized as an expense over the lease term.

3.15 Forgivable Loans

In March 2020, the U.S. government passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES ACT") to provide financial assistance to individuals and businesses, (see Note 9 (v)). A major component of the CARES ACT is the Paycheck Protection Program (the "PPP"), a forgivable loan program for small businesses. PPP loans are initially recorded as a financial liability and are not recognized as a reduction of the cost of the related expenditures incurred or gain upon debt forgiveness until reasonable assurance of forgiveness has been obtained.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

4. JUDGMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting year. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates.

The areas which require management to make significant estimates and assumptions in applying the Company's accounting policies in determining carrying values include:

(i) Revenue

The Company makes judgments in determining whether a performance obligation is distinct (i.e. if a service is separately identifiable from other services provided and if the customer can benefit from it.) Performance obligations are accounted for separately if they are distinct.

Judgments are required when evaluating when a performance obligation is satisfied and revenue may be recognized. In making its judgments, management considers when a customer obtains control of the goods promised in a contract and whether another entity fulfilling remaining services would need to re-perform work completed to date.

The Company makes judgments in determining whether the Company acts as principal or agent on certain sales to customers. The judgments made include determining whether the Company or a third-party control the goods or services provided.

(ii) Income Taxes

In assessing the probability of realizing deferred income tax assets, the Company makes estimates related to expectations of future taxable income, applicable tax planning 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. In making its assessments, the Company gives additional weight to evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax asset at each reporting period.

(iii) Dolomite properties

The Company's estimates of recoverable dolomite at its dolomite properties requires significant assumptions and judgments in engineering and geological interpretation. Changes in the assumptions and judgments will impact estimates of recoverable dolomite. Changes in the recoverable dolomite estimates may impact the carrying value of the dolomite properties and the depletion expense and asset retirement obligations.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

4. JUDGMENTS AND ESTIMATES (CONT'D)

(iv) Impairment of goodwill and long-lived assets

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property, plant and equipment is reviewed each reporting period to determine whether there is any indication of impairment. Where an indicator of impairment exists, an estimate of the recoverable amount of the asset is determined. The recoverable amount is the higher of the fair value of the asset and the value in use. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, management makes assumptions about future events, such as commodity prices, future capital requirements, useful lives and future operating performance. These estimates and assumptions are subject to uncertainty. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs.

Accordingly, it is possible that some or the entire carrying amount of the assets or CGUs may be further impaired with the impact recognized in the consolidated statements of income and comprehensive income. Fair value represents the amount that would be obtained from a sale of the asset in an arm's length transaction between willing parties. Whereas, value in use is generally determined to be the present value of estimated future cash flows arising from the continued use of the asset. Changes in any of the assumptions used in discounting the future cash flows in the value in use calculation could impact the impairment analysis.

(v) Inventory valuation

Inventories are recorded at the lower of cost and net realizable value. The use of estimates is required in allocating costs to inventories of crushed ore in stockpiles at the quarry and the plant as well as in-circuit crushed ore. Actual results can vary from estimates used in the determination of the carrying value of inventories.

(vi) Depreciation of plant and equipment and amortization of intangible assets

Tangible assets, such as buildings, plant equipment and other equipment are depreciated on a straight-line basis over their useful lives. Similarly, intangible assets, including customer relationships, brand recognition and distribution rights are amortized on a straight-line basis over their useful lives. Judgment is required in the determining of the useful life for the calculation of depreciation and amortization and the actual useful lives may differ significantly from current assumptions.

5. SUBSIDIARIES AND BUSINESS SEGMENTS

Inter-Rock has three operating businesses. Each operation is an operating segment for financial reporting purposes. Certain costs are managed on a consolidated basis and are therefore not reflected in segment income. Operating segments of the Company are as follows:

Name of subsidiary	Country of incorporation	Equity ownership
MIN-AD, Inc.	United States	100%
Mill Creek Dolomite LLC	United States	100%
Papillon Agricultural Company, Inc.	United States	100%

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

The Company's management evaluates the performance of these segments and allocates resources to them based on certain performance measures.

Segment earnings correspond to each business' earnings from operations. The Company's management reporting system evaluates performance based on a number of factors; however, the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA"). Segment operating results are as follows:

Year ended December 31, 2020	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
REVENUE						
Internal sales	2,821	-	216	648	(3,685)	-
External sales	4,736	3,927	46,885	-	-	55,548
COST OF SALES						
Operating costs	5,482	2,478	40,747	-	(2,821)	45,886
GROSS PROFIT	2,075	1,449	6,354	648	(864)	9,662
OPERATING EXPENSES						
Selling, general & administration	1,076	1,110	4,029	596	(864)	5,947
Amortization and depletion	356	823	38	155	-	1,372
Amortization of intangible assets	-	-	328	-	-	328
INCOME (LOSS) BEFORE FINANCING	643	(484)	1,959	(103)	-	2,015
FINANCING COSTS						
Gain on debt extinguishment	(216)	(286)	-	-	-	(502)
Interest on Series A preferred shares	-	-	-	84	-	84
Interest on debt and lease obligations	72	100	128	16	-	316
INCOME (LOSS) BEFORE INCOME TAXES	787	(298)	1,831	(203)	-	2,117
INCOME TAXES						
Current	7	-	318	-	-	325
Deferred	-	-	-	14	-	14
NET COMPREHENSIVE INCOME (LOSS)	780	(298)	1,513	(217)	-	1,778
ASSETS						
Current assets	1,429	1,901	7,650	912	(348)	11,544
Non-current assets	2,074	3,759	3,803	261	-	9,897
	3,503	5,660	11,453	1,173	(348)	21,441
LIABILITIES						
Current liabilities	1,310	1,743	5,014	226	(348)	7,945
Non-current liabilities	322	406	1,629	3,862	-	6,219
	1,632	2,149	6,643	4,088	(348)	14,164

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Adjustments and eliminations include: (i) inter-segment revenues are eliminated on consolidation (ii) unallocated assets related to deferred tax assets (iii) unallocated liabilities related to deferred taxes and current taxes payable.

Segment balances for the prior year are as follows:

Year ended December 31, 2019	MIN-AD.	Mill		Other	Elimi- nations	Total
		Creek	Papillon			
REVENUE						
Internal sales	2,844	-	206	676	(3,726)	-
External sales	4,815	5,133	34,716	-	-	44,664
COST OF SALES						
Operating costs	5,656	3,030	29,516	-	(2,844)	35,358
GROSS PROFIT	2,003	2,103	5,406	676	(882)	9,306
OPERATING EXPENSES						
Selling, general & administration	1,018	1,153	3,882	657	(1,011)	5,699
Amortization & depletion	395	736	35	-	42	1,208
Amortization of intangible assets	-	-	328	-	-	328
INCOME BEFORE FINANCING	590	214	1,161	19	87	2,071
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	129	-	129
Interest on debt and lease obligations	75	135	195	38	(28)	415
INCOME BEFORE INCOME TAXES	515	79	966	(148)	115	1,527
INCOME TAXES						
Current	-	-	80	-	-	80
Deferred	-	-	-	(186)	-	(186)
NET COMPREHENSIVE INCOME	515	79	886	38	115	1,633
As at December 31, 2019						
	MIN-AD.	Mill		Other	Elimi- nations	Total
		Creek	Papillon			
ASSETS						
Current assets	1,451	1,811	5,348	32	(248)	8,394
Non-current assets	1,991	4,351	4,111	-	-	10,453
	3,442	6,162	9,459	32	(248)	18,847
LIABILITIES						
Current liabilities	1,233	1,136	3,027	108	(248)	5,256
Non-current liabilities	369	1,809	2,146	3,698	-	8,022
	1,602	2,945	5,173	3,806	(248)	13,278

6. INVENTORIES

	2020	2019
	\$	\$
Raw materials and consumables	886	889
Finished goods	1,649	1,348
Total inventories	2,535	2,237

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

7. PROPERTIES, PLANT AND EQUIPMENT

Cost	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2018	515	2,051	12,871	-	494	328	16,259
Recognized upon adoption of IFRS 16	-	-	-	1,972	-	-	1,972
Additions in the year	-	-	777	174	100	-	1,051
Disposals in the year	-	-	(31)	-	(104)	(11)	(146)
Balance, December 31, 2019	515	2,051	13,617	2,146	490	317	19,136
Additions in the year	-	-	494	692	-	11	1,197
Disposals in the year	-	-	-	-	-	-	-
Balance, December 31, 2020	515	2,051	14,111	2,838	490	328	20,333

Accumulated Amortization and Depletion	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2018	-	(1,257)	(9,743)	-	(398)	-	(11,398)
Additions in the year	-	(49)	(491)	(618)	(50)	-	(1,208)
Disposals in the year	-	-	-	-	95	-	95
Balance, December 31, 2019	-	(1,306)	(10,234)	(618)	(353)	-	(12,511)
Additions in the year	-	(46)	(481)	(793)	(52)	-	(1,372)
Disposals in the year	-	-	(53)	-	-	-	(53)
Balance, December 31, 2020	-	(1,352)	(10,768)	(1,411)	(405)	-	(13,936)

Net Book Value

As at December 31, 2019	515	745	3,383	1,528	137	317	6,625
As at December 31, 2020	515	699	3,343	1,427	85	328	6,397

For the years ending December 31, 2020 and 2019, there were no indicators of impairment in the carrying value of the Company's dolomite properties, plant and equipment and right-of-use assets.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

7. PROPERTIES, PLANT AND EQUIPMENT (CONT'D)

The right-of-use depreciation expense and carrying amount relates to the following types of assets:

	2020		2019	
	Depreciation Expense	Carrying amount	Depreciation expense	Carrying amount
Mining equipment	\$ 468	\$ 461	\$ 382	\$ 745
Railcars	165	375	191	407
Rail Siding	10	81	10	91
Office Space	150	510	35	285
	\$ 793	\$ 1,427	\$ 618	\$ 1,528

8. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill comprise the following:

	Customer relationships (a)	Distribution rights (b)	Non-compete (c)	Brand (d)	Total Intangibles	Goodwill
	\$	\$	\$	\$	\$	\$
Balance December 31, 2018	1,342	924	11	70	2,347	1,809
Less: amortization	(184)	(124)	(8)	(12)	(328)	-
Balance December 31, 2019	1,158	800	3	58	2,019	1,809
Less: amortization	(189)	(124)	(3)	(12)	(328)	-
Balance, December 31, 2020	969	676	-	46	1,691	1,809

Amortization of intangible assets is presented within amortization of intangibles on the consolidated statement of income and comprehensive income. As at year-end there were no impairment losses recognized in income.

- Customer relationships, which are long-standing relationships with many specialty feed ingredient suppliers, toll manufacturers and customers in the dairy industry.
- Distribution rights, which are exclusive rights of the Company to produce and distribute specialty feed ingredients to the dairy industry.
- Non-compete arrangements, which serve to protect the Company's sensitive and confidential information. These agreements may apply to employees as well as any person or company that interacts with the business and encounters confidential information. The agreements have to be reasonable in scope and duration in order to be upheld in court.
- Brand, where the value of a brand is determined by the consumers' perception of the brand. Positive brand equity is achieved when consumers are willing to pay more for a product with a recognizable brand name than they would pay for a generic version of the product.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

8. INTANGIBLE ASSETS AND GOODWILL (CONT'D)

Goodwill is measured as the fair value of consideration paid less the fair value of the net assets acquired and liabilities assumed on the acquisition date. Goodwill is tested at least annually for impairment or more frequently when impairment indicators are identified. In accordance with IAS 36, if some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

The goodwill impairment analysis performed by the Company concluded there was no impairment of goodwill as at December 31, 2020 or 2019, as the fair value of its CGUs exceeded its carrying value.

The CGU recoverable amount was determined based on using a 5-year discounted cash flow model. Key assumptions used in the discounted cash flows are: (a) projected cash flow was estimated using current results with a growth rate of 2% and a terminal growth rate of 4 times EBITDA, (b) taxes were estimated using current rates, (c) an estimate of working capital was based on historical requirements, (Papillon has historically not incurred material capital expenditures) and (d) a discount rate of 20% was used in the cash flow model.

9. DEBT

Bank debt and equipment purchase financings comprise the following:

	2020	2019
	\$	\$
<u>Aggregate debt facilities</u>		
(i) Revolving credit facility	500	300
(ii) Mill Creek term loan	1,260	1,579
(iii) Papillon term loan	1,866	2,666
(iv) Equipment financings	88	126
(v) Paycheck Protection Program	318	-
	4,032	4,671
<u>Less: current portions of</u>		
Long term debt	(2,561)	(1,419)
Equipment financing	(37)	(38)
Total long term debt	1,434	3,214

Debt facilities

The Company's debt facilities at December 31, 2020 are described below. The borrowers under the facilities in (i) and (ii) are MIN-AD and Mill Creek.

- (i) \$500 Revolving Credit Facility – a one-year, secured revolving credit facility (“FC”) in the amount of the lesser of \$500 or 75% of accounts receivable at MIN-AD and Mill Creek, bearing interest at the U.S. bank prime rate plus 1.00% per annum. Any amounts drawn under the RC facility can be repaid any time and are due in full at maturity on May 25, 2021. At December 31, 2020, \$500 (2019 - \$300) was outstanding under the RC facility and was recorded as current portion of long term debt.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

9. DEBT (CONT'D)

- (ii) Mill Creek Term Loan – a \$1,734, five year secured term loan bearing interest of 5.50% per annum. The loan amortizes over sixty months in equal principal and interest payments of \$33 and matures on June 21, 2024. At December 31, 2020, \$1,260 (2019 - \$319) was recorded as current portion of long term debt and the balance of \$0 (2019 - \$1,260) was recorded as long term debt.

The MIN-AD and Mill Creek bank facilities are secured by the accounts receivables, inventory, equipment and other assets of MIN-AD and Mill Creek. The facilities are guaranteed by both the Company and its subsidiary, Secret Pass Gold Inc. and contain certain covenants that limit, among other things, the ability of MIN-AD and Mill Creek to incur new indebtedness, sell material assets and make acquisitions and investments. There is also a requirement to maintain a minimum debt service cover ratio of 1.30.

MIN-AD and Mill Creek, as co-borrowers, are required to maintain a minimum debt service coverage ratio of 1.3 times under the terms of the revolving credit and term loan facilities described above in points (i) and (ii). The debt service coverage ratio is calculated quarterly on a rolling four quarter basis. The co-borrowers were not in compliance with the debt service coverage ratio at the end of the second quarter of 2020 and the ratio remained below the required minimum when calculated at September 30, 2020 and December 31, 2020. The non-compliance is attributed to significantly lower cash flow from Mill Creek in the second quarter of 2020.

The Company discussed the second quarter results with the lender and, in part due to the impact of COVID-19, the lender has not issued a notice of default, nor taken any other action. In the event of a covenant breach prior to the end of the reporting period and in the absence of the right to defer settlement of the loan for at least 12 months after the reporting date, IFRS 7 requires the loan to be classified as current. Accordingly, in accordance with IFRS 7, the entire outstanding loan balance of \$1.26 million at December 31, 2020 has been recorded as current portion of long term debt. Notwithstanding the debt classification, the Company continues to service the debt in conformity with the five-year amortization schedule.

- (iii) Papillon Term Loan - a \$4.0 million, five year secured term loan bearing interest at a fixed rate of 4.75% per annum. The loan is secured against all the present and future assets of Papillon and Papillon Agricultural LLC, and is guaranteed by the Company and its subsidiaries, Secret Pass Gold Inc. and Papillon. The loan contains various covenants customary for a facility of this nature, including restrictions on new indebtedness, asset dispositions and acquisitions. The loan also contains financial covenants including a minimum debt service coverage ratio of 1.15 and a requirement that 80% of accounts receivable plus cash must be equal to or greater than the outstanding loan balance. At December 31, 2020, \$800 (2019 - \$800) was recorded as current portion of long term debt and the balance of \$1,066 (2019 - \$1,866) was recorded as long term debt. Papillon is in full compliance with the terms and conditions of its bank loan.
- (iv) Vehicle Financing - MIN-AD and Mill Creek, in the normal course of operations, finance the purchase of company vehicles for use by a number of employees. The total amount outstanding under these facilities at December 31, 2020 was \$88 (2019 - \$126). The loans are secured by the vehicles and the interest rate on the facilities ranges from 1.99% to 5.00% per annum.
- (v) In March 2020, the U.S. government passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES ACT") to provide financial assistance to individuals and businesses. A major component of the CARES ACT is the Paycheck Protection Program (the "PPP"), a forgivable loan program for small businesses administered by the U.S. Small Business Administration (the "SBA"). The loans are obtained by applying through an SBA approved lender.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

9. DEBT (CONT'D)

The PPP was modified in June 2020 when the US Congress passed the Paycheck Protection Program Flexibility Act.

The Company's three operating subsidiaries received PPP loans aggregating \$817, disbursed as follows: Papillon: \$318, MIN-AD: \$215 and Mill Creek: \$284. For loans received prior to June 5, 2020 (as is the case of the PPP loans received by the Company's subsidiaries), the loan term is for two years, unless the borrower and lender agree to a five-year term, (under the PPP Flexibility Act, loans granted after June 5 have a minimum five-year maturity). The loan interest rate is fixed at 1% per annum. Principal and interest payments are deferred until the date on which the SBA informs the lender of the borrower's loan forgiveness amount (or if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's covered period). These loans are unsecured.

For loan forgiveness, certain employee retention criteria must be met and the loan proceeds are only to be used for payroll and other allowable expenses, including mortgage interest, rent and utilities. Borrowers can commence the loan forgiveness process once the lenders of record have established an online portal for accepting loan forgiveness applications. Applications for loan forgiveness are reviewed by the lender of record and then submitted by the lender to the SBA. Once the lender is repaid by the SBA, a formal forgiveness notice is provided to the Borrower.

Forgiveness applications can be fully or partially approved for forgiveness or denied altogether.

MIN-AD and Mill Creek submitted loan forgiveness applications in December 2020 and received formal notice of 100% forgiveness of their loans prior to year end. Papillon was informed by their lender of record that they were ready to start accepting applications for loan forgiveness in the first quarter of 2021. Papillon expects to have their loan forgiveness application processed in the second quarter of 2021.

10. LEASE OBLIGATIONS

The Company adopted IFRS 16, Leases ("IFRS 16") on January 1, 2019. Upon adoption of IFRS 16, the Company recognized right-of-use assets and the corresponding lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, Leases. The Company leases mining equipment, rail cars, a rail siding and office space.

The Company's lease obligations consist of the following as at December 31, 2020:

	2020	2019
Movement in lease obligations:		
Lease obligations, beginning	\$ 1,644	\$ 2,058
Additions during the year	682	174
Payments during the year	(766)	(588)
Lease obligations, ending	1,560	1,644
Less: current portion	(561)	(609)
Total long term lease obligations	\$ 999	\$ 1,035

During the year, the Company recognized interest expense of \$95 on lease liabilities.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

11. ASSET RETIREMENT OBLIGATION

The Company is required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises. This liability is management's estimate of the requirements for restoration and rehabilitation of the Company's MIN-AD and Mill Creek dolomite quarrying operations. The Company's liability for reclamation of the properties has been discounted to its present value based on an estimate of the Company's pricing in the market to obtain debt.

12. SERIES A PREFERRED SHARES

On December 5, 2008, the Company issued 17,136,980 Series A preferred shares ("Preferred Shares") to settle debt and unpaid interest owing to a shareholder in the amount of \$3,417.

Each Preferred Share is entitled to one vote, is redeemable and retractable on demand at a value of \$0.20, pays a non-cumulative quarterly dividend at a rate equivalent to the US prime interest rate, and is convertible into one common share.

There is no certainty of retraction of the Preferred Shares as there is no fixed or determinable date for their retraction nor are any future events defined that would trigger retraction. The shareholder has agreed to waive its right to retract the Preferred Shares for the year ending December 31, 2021, so the liability has been presented in these consolidated financial statements as long term. During the year, the Board of Directors of the Company declared three quarterly preferred share dividends totaling \$84 (2019 - \$129). The dividend is recorded as interest expense.

13. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The number of common shares issued and outstanding is as follows:

	Number	Amount
Balance, December 31, 2019	22,617,811	\$5,864
Purchased for cancellation	(305,000)	(70)
Balance, December 31, 2020	22,312,811	\$5,794

Normal Course Issuer Bid

Under its previously disclosed normal course issuer bid (the "NCIB"), the Company could purchase for cancellation up to 5%, or 1,130,891 of its common shares over the twelve-month period from February 18, 2020 to February 18, 2021. Over the term of the NCIB, the Company purchased for cancellation a total of 311,000 common shares at an average cost of C\$0.30/share (of which 305,000 were purchased in 2020.) The NCIB expired on February 18, 2021 and the Company has received approval from the TSX Venture Exchange (the "TSXV") to renew its NCIB. (see note 21)

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

14. INCOME PER SHARE

Basic and diluted income per share have been calculated as follows:

	2020	2019
Basic income per share		
Income available to common shares	1,778	1,633
Weighted average common shares (in thousands)	22,384	22,618
	0.08	0.07
Diluted income per share		
Income available to common shares	1,778	1,633
Income available to common shares, assuming dilution	1,778	1,633
Weighted average common shares outstanding	22,384	22,618
Preferred shares converted to common shares	17,137	17,137
Adjusted weighted average common shares outstanding	39,521	39,755
	0.04	0.04

Each Preferred Share (Note 12) is convertible into one common share of the Company, the dilutive effect of the conversion of Preferred Shares is 17,136,980 additional common shares.

15. INCOME TAXES

The provision for income taxes reflects an effective tax rate which differs from the statutory tax rate as follows:

	2020	2019
	\$	\$
Income before income taxes per financial statements	2,117	1,527
United States statutory tax rate	27%	27%
Income tax	572	412
Change due to difference in foreign tax rates	83	24
Change in estimate in future income tax recovery	-	(186)
Application of loss carryforward balances and other	-	(142)
Permanent differences	(316)	(214)
Income tax	339	(106)
	2020	2019
Income tax expense:	\$	\$
Current	325	80
Deferred	14	(186)
Total	339	(106)

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

15. INCOME TAXES (CONT'D)

Deferred income tax liabilities have been calculated as follows:

	2020	2019
	\$	\$
Carrying value of mineral properties, plant and equipment for accounting purposes in excess of carrying value for tax purposes	(1,456)	(1,415)
Carrying value of intangibles for tax purposes in excess of carrying value	205	252
Other temporary differences	160	123
Approximate tax rate	27%	27%
Deferred income tax liability	(294)	(281)

At December 31, 2020, the Company had Canadian tax losses which are not recognized as deferred tax assets. The Company recognizes the tax benefit of the tax losses only to the extent of anticipated future Canadian taxable income that can be reduced by tax losses. The gross amount of the tax losses for which a tax benefit has not been recorded expire as follows:

Incurred	Expires	Amount
		C\$
2007	2027	464
2008	2028	377
2009	2029	262
2010	2030	319
2011	2031	328
2012	2032	303
2013	2033	249
2014	2034	169
2015	2035	166
2016	2036	199
2017	2037	262
2018	2038	116
2019	2039	144
2020	2040	50
		3,408

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

16. RELATED PARTY TRANSACTIONS

Key management remuneration

The Company's related parties as defined by IAS 24, Related Party Disclosures, include the key management of the Company and its subsidiaries. Key management includes directors, the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Vice-President of Operations and the President of Papillon.

The compensation paid to key management for services is shown below:

	2020	2019
	\$	\$
Short term benefits including salaries, consulting and director fees	911	840

17. REVENUE SUPPLEMENTAL INFORMATION

The Company's revenue by type is broken down as follows in the consolidated statements of income and comprehensive income.

	2020	2019
	\$	\$
<u>MIN-AD and Mill Creek</u>		
Dolomite sales	7,039	8,252
Freight charges	1,410	1,360
Fuel charges	214	336
	8,663	9,948
<u>Papillon</u>		
Animal feed sales	44,632	32,978
Freight charges	2,253	1,738
	55,548	44,664

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

18. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including, (i) credit risk; (ii) market risk (including interest rate risk and foreign exchange risk) and (iii) liquidity risk. The objective of the Company's risk management policy is to properly identify financial risks and minimize adverse effects by ensuring that the Company maintains adequate capital in relation to the risks. Management designs and implements strategies for managing financial risks, as summarized below:

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss to the Company. The Company is exposed to credit risk primarily from trade receivables and from its financing activities, including deposits with banks.

For cash and accounts receivables, credit risk exposure equals the carrying amount on the balance sheet. The Company's historical accounts receivables defaults have been negligible, resulting in a low level of credit risk. The Company mitigates accounts receivable credit risk by dealing with creditworthy counterparties and limiting concentration risk. The Company has adopted a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. All of the Company's customers are located in either Canada or the United States. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer.

Credit risk from deposits with banks is managed by maintaining cash balances at financial institutions in North America.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they come due. See Note 20. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows, cash balances and liabilities to ensure adequate cash is available to meet its liabilities. The Company is growing and in order to meet its longer-term working capital requirements, the Company will attempt, if necessary, to secure further financing.

Market rate risk

Market risk is the risk that changes in market factors, such as interest rates or foreign exchange rates, will affect the value of the Company's financial instruments. The Company can either accept market risk or attempt to mitigate it using derivatives or other hedging strategies. The Company is exposed to interest rate risk related to its Preferred Shares, if dividends are declared and, to the extent that it uses it, the revolving credit facility since the interest rate or dividend payment on these instruments fluctuates with the general level of interest rates. The majority of the Company's debt is fixed rate. Of the financial instruments held at year-end, a one percent change in interest rates would affect the profitability of the Company by an immaterial amount.

The majority of the Company's revenues, expenses, cash holdings and debt instruments are denominated in U.S. dollars, accordingly, foreign exchange risk is minimal. The Company has relatively small amounts of cash, accounts payable and accrued liabilities denominated in Canadian dollars. Changes in the exchange rate between the United States and Canadian dollars would not have a material impact on the Company's earnings.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or settle a liability in an orderly transaction between willing, knowledgeable parties in an arm's length transaction at the measurement date.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models.

The Company applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair values subsequent to initial recognition. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable, as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 valuation techniques use significant observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices), or valuations are based on quoted prices for similar instruments; and

Level 3 valuation techniques use significant inputs that are unobservable (supported by little or no market activity).

At December 31, 2020, the Company did not have any financial assets or financial liabilities measured at fair value. The Company's financial assets and liabilities include cash, trade receivables, accounts payable and accrued liabilities, lease obligations, long term debt and the Series A preferred shares, none of which are measured at fair value subsequent to initial recognition. Due to their short-term nature, the carrying value of cash, receivables and payables and accrued liabilities approximates their fair value. Long term debt is recorded on the Company's consolidated balance sheet at amortized cost, which approximates its fair value as all debt carries market rates of interest.

	2020	2019
	\$	\$
Financial assets measured at amortized cost		
Cash	2,072	1,680
Accounts receivable	6,353	4,000
Financial liabilities measured at amortized cost		
Series A preferred shares	3,417	3,417
Accounts payable and accrued liabilities	4,786	3,190
Long-term debt - current portion	2,598	1,457
Long-term debt - non-current portion	1,434	3,214
Lease obligations - current portion	561	609
Lease obligations - non-current portion	999	1,035

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

18. FINANCIAL RISK MANAGEMENT (CONT'D)

Coronavirus (COVID-19)

Coronavirus disease is an infectious respiratory disease caused by a new virus. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a consequence, governments worldwide have enacted emergency measures to reduce the spread of the disease. The measures include travel bans, physical distancing, quarantine periods for people that have the disease and those that have travelled, closing of social, cultural and educational facilities, and in some jurisdictions, the closing of all non-essential businesses. Global equity markets have experienced extreme volatility. Governments are providing substantial monetary and fiscal measures in an effort to stabilize economic conditions; however, it is not clear to what extent these measures will mitigate and stabilize the serious negative economic consequences resulting from the emergency measures imposed to combat COVID-19.

COVID-19 could have a substantial negative impact on the operations of the Company, its suppliers and its customers. Any labour quarantines or other disruptions to the Company's operations may impact its ability to provide products to its customers and, as a consequence, negatively impact the Company's revenues and cash flow. Similarly, the closure of one of the Company's quarrying and processing operations or its toll manufacturing facilities could severely limit the Company's production and its ability to supply its customers. Moreover, a widespread health crisis in the United States could have a material impact on the economy and lead to a prolonged recession that could seriously depress the demand for the Company's products. It is not possible to reliably estimate the length and severity of the economic consequences of the COVID-19 pandemic and the impact on the operations and financial results of the Company.

19. MANAGEMENT OF CAPITAL

The Company considers its capital structure at December 31, 2020 to include shareholders' equity which totalled \$7,277 (2019 - \$5,569); preferred shares of \$3,417 (2019 - \$3,417) and long term debt of \$4,032 (2019 - \$4,671). (Note 9)

The Company manages capital through an annual budgeting process and regular reviews of working capital requirements. The Company's objective when managing capital is to ensure adequate liquidity to continue operations, including funding of future growth opportunities and the pursuit of acquisitions. The Company seeks to ensure that cash from operations is sufficient to meet all operating expenses, sustaining capital expenditures, and debt service obligations. Funds for significant capital improvements are primarily secured through long term debt. There is no assurance that bank debt will be available. There were no changes in capital management in the year.

The Company's long term capital is subject to external restrictions including continued listing requirements of the TSX Venture Exchange and certain debt covenants as described in Note 9.

Inter-Rock Minerals Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of United States Dollars except for per share information)

20. FINANCIAL COMMITMENTS

The Company is committed to \$5,433 (2019 - \$6,934) for obligations and financial commitments in the normal course of operations and financing activities. At December 31, 2020 the Company had the following financial commitments:

	Total	2021	2022	2023	2024	Thereafter
	\$	\$	\$	\$	\$	\$
Bank principal repayments	3,627	1,636	1,156	643	192	-
Equipment financing	89	39	28	22	-	-
Lease obligations	1,717	620	461	227	175	234
Total	5,433	2,295	1,645	892	367	234

Debt repayments represent the principal only and assumes the Papillon PPP loan is forgiven. (Note 9) Lease obligations represent the undiscounted amount of the lease commitments. Leases commenced subsequent to year end are not included in the lease liability recorded at year end 2020.

21. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.

22. SUBSEQUENT EVENTS

Renewal of Normal Course Issuer Bid

On February 19, 2021, the Company received approval from the TSXV to renew its NCIB to purchase for cancellation up to 1,000,000 common shares, representing 4.4% of the outstanding common shares of the Company. Inter-Rock may purchase common shares under the NCIB over the twelve-month period beginning on or about February 25, 2021. The NCIB will terminate upon the earliest of (i) the Company purchasing 1,000,000 common shares, (ii) the Company providing notice of termination of the NCIB and (iii) the date that is 12 months following the commencement of the NCIB.

Any purchases under the NCIB will be conducted on the open market through the facilities of the TSXV or alternative Canadian trading systems. The price paid for any common shares repurchased under the NCIB will be the prevailing market price at the time of purchase. All common shares purchased by the Company will be cancelled. The Company has not purchased any shares under the renewed NCIB for cancellation.

Equipment Financing

To finance the purchase of a new truck, in March 2021, Mill Creek obtained a four-year secured term loan from an equipment manufacturer in the amount of \$493 at a fixed annual interest rate of 2.89%. The loan amortizes over 49 months with 48 blended principal and interest payments of \$9 and a bullet payment in the 49th month of \$100. The loan is secured by the truck and is guaranteed by MIN-AD.