



**Condensed Consolidated Interim
Financial Statements
Unaudited**

Expressed in United States dollars
For the three and nine months ended September 30, 2020

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by, and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

**INTER-ROCK MINERALS INC.
NOVEMBER 24, 2020**

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Balance Sheets

As at

(Expressed in thousands of United States Dollars)

UNAUDITED	Note	September 30, 2020	December 31, 2019
		\$	\$
ASSETS			
Current assets			
Cash		2,470	1,680
Accounts receivable		3,379	4,000
Inventories	6	2,689	2,237
Prepaid expenses and other assets		805	477
Total Current Assets		9,343	8,394
Non-current assets			
Properties, plant and equipment	7	6,514	6,625
Intangible assets	8	1,773	2,019
Goodwill	8	1,809	1,809
Total Assets		19,439	18,847
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,472	3,190
Current portion of long term debt	9	1,633	1,419
Current portion of lease obligations	10	626	609
Current portion equipment purchase financing	9	39	38
Total Current Liabilities		4,770	5,256
Non-current liabilities			
Long term debt	9	3,091	3,126
Equipment purchase financing	9	59	88
Lease obligations	10	959	1,035
Deferred income tax liability		281	281
Asset retirement obligation	11	75	75
Series A preferred shares	12	3,417	3,417
Total Liabilities		12,652	13,278
Equity			
Share capital	13	5,804	5,864
Contributed surplus		315	315
Retained earnings (deficit)		668	(610)
Total Equity		6,787	5,569
Total Liabilities and Equity		19,439	18,847

Financial Commitments (Note 19)

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Net and Comprehensive Income

(Expressed in thousands of United States Dollars, except share and per share amounts)

UNAUDITED	Note	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		\$	\$	\$	\$
REVENUE	5,17	12,067	11,089	40,931	32,793
COST OF SALES					
Operating costs	5	9,474	8,589	33,824	26,158
Amortization and depletion	7	341	272	1,023	797
		9,815	8,861	34,847	26,955
GROSS PROFIT		2,252	2,228	6,084	5,838
OPERATING EXPENSES					
Selling, general and administrative	5	1,319	1,423	4,163	4,297
Amortization of intangible assets	8	82	82	246	246
INCOME BEFORE FINANCING COSTS		851	723	1,675	1,295
FINANCING COSTS					
Interest on Series A preferred shares	12	28	-	28	45
Interest on debt and lease obligations	9	77	90	242	285
INCOME BEFORE INCOME TAXES		746	633	1,405	965
INCOME TAXES					
Current		77	64	127	64
NET AND COMPREHENSIVE INCOME		669	569	1,278	901
Basic income per share	14	0.03	0.03	0.06	0.04
Diluted income per share	14	0.02	0.01	0.03	0.02
Weighted average number of shares outstanding					
Basic		22,346,311	22,617,811	22,385,569	22,617,811
Diluted		39,483,291	39,754,791	39,522,549	39,754,791

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in thousands of United States Dollars)

	Share Capital (Note 13)	Contributed Surplus	Retained Earnings (deficit)	Total
	\$	\$	\$	\$
Balance, December 31, 2018	5,864	315	(2,157)	4,022
Net income and comprehensive income	-	-	901	901
Balance, September 30, 2019	5,864	315	(1,256)	4,923
			-	
Balance, December 31, 2019	5,864	315	(610)	5,569
Shares purchased for cancellation	(60)	-	-	(60)
Net income and comprehensive income	-	-	1,278	1,278
Balance, September 30, 2020	5,804	315	668	6,787

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of United States Dollars)

UNAUDITED	Note	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		\$	\$	\$	\$
CASH PROVIDED BY (USED IN) OPERATIONS					
Net income		669	569	1,278	901
Items not effecting cash					
Amortization and depletion, mining		341	272	1,023	797
Amortization of intangible assets		82	82	246	246
Interest expense		77	90	242	330
		1,169	1,013	2,789	2,274
Net changes in non-cash working capital					
Accounts receivable		6	444	621	306
Inventories		(165)	(438)	(452)	(485)
Prepaid expenses		(160)	158	(328)	19
Accounts payable and accrued liabilities		(562)	181	(712)	375
Accrued interest payable		-	7	-	24
Cash generated by operating activities		288	1,365	1,918	2,513
INVESTING					
Purchase of properties, plant and equipment	7	(120)	(102)	(393)	(621)
Cash used in investing activities		(120)	(102)	(393)	(621)
FINANCING					
Interest paid		(78)	(83)	(245)	(261)
Interest on Series A preferred shares	12	(28)	-	(28)	(45)
Proceeds from long term debt	9	-	-	1,017	250
Repayment of long term debt	9	(281)	(275)	(837)	(877)
Repayment of equipment purchase financings	9	(10)	(7)	(27)	(40)
Repayment of lease obligation	10	(162)	(144)	(555)	(409)
Repayment of related party loan		-	(55)	-	(55)
Shares purchased for cancellation	13	(15)	-	(60)	-
Cash used in financing activities		(574)	(564)	(735)	(1,437)
Net change in cash and cash equivalents		(406)	699	790	455
Cash and cash equivalents, beginning of period		2,876	2,219	1,680	2,463
Cash and cash equivalents, end of period		2,470	2,918	2,470	2,918

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

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

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 condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard, ("IAS") 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements by IFRS. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2019 prepared in accordance with IAS as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The condensed consolidated interim 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 3.10 of the Company's audited financial statements for the year ended December 31, 2019.

2.3 Functional currency and currency of presentation

These condensed consolidated interim 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 condensed consolidated interim statements of income and comprehensive income for the period.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

2. BASIS OF PRESENTATION (CONT'D)

2.4 Basis of consolidation

The condensed consolidated interim 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%

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements reflect the accounting policies applied by the Company in its audited financial statements for the year ended December 31, 2019. The Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2019.

4. JUDGMENTS AND ESTIMATES

The preparation of the Company's condensed consolidated interim 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 condensed consolidated interim financial statements and reported amounts of revenue and expenses during the reporting period. 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.

These condensed consolidated interim financial statements reflect the judgments and estimates outlined by the Company in Note 4 of its audited consolidated financial statements for the year ended December 31, 2019.

5. SUBSIDIARIES AND BUSINESS SEGMENTS

Inter-Rock's business is organized into 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%

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

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS

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:

For the nine month period ended September 30, 2020	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
REVENUE						
Internal sales	2,159	-	154	486	(2,799)	-
External sales	3,578	3,019	34,334	-	-	40,931
COST OF SALES						
Operating costs	4,143	2,017	29,823	-	(2,159)	33,824
Amortization & depletion	275	600	26	122	-	1,023
GROSS PROFIT	1,319	402	4,639	364	(640)	6,084
OPERATING EXPENSES						
Selling, general & administration	806	785	2,982	350	(760)	4,163
Amortization of intangible assets	-	-	246	-	-	246
INCOME (LOSS) BEFORE FINANCING	513	(383)	1,411	14	(120)	1,675
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	28	-	28
Interest on debt and lease obligations	53	76	100	13	-	242
INCOME (LOSS) BEFORE INCOME TAXES	460	(459)	1,311	(27)	-	1,405
INCOME TAXES						
Current	5	-	22	100	-	127
NET AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	455	(459)	1,289	(127)	120	1,278

As at September 30, 2020	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
ASSETS						
Current assets	1,397	1,874	6,125	232	(285)	9,343
Non-current assets	1,950	4,015	3,839	292	-	10,096
	3,347	5,889	9,964	524	-	19,439
LIABILITIES						
Current liabilities	1,350	872	2,764	189	(405)	4,770
Non-current liabilities	566	1,592	1,844	3,880	-	7,882
	1,916	2,464	4,608	4,069	(405)	12,652

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

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.

For the three month period ended September 30, 2020	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
REVENUE						
Internal sales	717	-	51	162	(930)	-
External sales	1,068	1,057	9,942	-	-	12,067
COST OF SALES						
Operating costs	1,316	527	8,348	-	(717)	9,474
Amortization & depletion	86	200	8	47	-	341
GROSS PROFIT	383	330	1,637	115	(213)	2,252
OPERATING EXPENSES						
Selling, general & administration	246	245	1,012	122	(306)	1,319
Amortization of intangible assets	-	-	82	-	-	82
INCOME (LOSS) BEFORE FINANCING	137	85	543	(7)	93	851
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	28	-	28
Interest on debt and lease obligations	18	23	31	5	-	77
INCOME (LOSS) BEFORE INCOME TAXES	119	62	512	(40)	93	746
INCOME TAXES						
Current	5	-	22	50	-	77
NET AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	114	62	490	(90)	93	669

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment balances for the prior period are as follows:

For the nine month period ended September 30, 2019	MIN-AD	Mill		Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
REVENUE						
Internal sales	2,074	-	164	510	(2,748)	-
External sales	3,637	3,963	25,193	-	-	32,793
COST OF SALES						
Operating costs	4,192	2,478	21,495	-	(2,007)	26,158
Amortization & depletion	253	513	-	31	-	797
GROSS PROFIT	1,266	972	3,862	479	(741)	5,838
OPERATING EXPENSES						
Selling, general & administration	793	894	2,889	489	(768)	4,297
Amortization of intangible assets	-	-	246	-	-	246
INCOME (LOSS) BEFORE FINANCING	473	78	727	(10)	27	1,295
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	45	-	45
Interest on debt and lease obligations	49	96	140	24	(24)	285
INCOME (LOSS) BEFORE INCOME TAXES	424	(18)	587	(79)	51	965
Current	-	-	64	-	-	64
NET AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	424	(18)	523	(79)	51	901
As at September 30, 2019	MIN-AD	Mill		Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
ASSETS						
Current assets	1,167	1,786	5,081	181	(377)	7,838
Non-current assets	1,817	4,342	3,908	-	-	10,067
	2,984	6,128	8,989	181	(377)	17,905
LIABILITIES						
Current liabilities	1,051	1,115	2,487	674	(310)	5,017
Non-current liabilities	121	1,893	2,067	3,884	-	7,965
	1,172	3,008	4,554	4,558	(310)	12,982

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

For the three month period ended September 30, 2019	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
REVENUE						
Internal sales	663	-	67	169	(899)	-
External sales	1,097	1,362	8,630	-	-	11,089
COST OF SALES						
Operating costs	1,298	773	7,361	-	(843)	8,589
Amortization & depletion	85	177	-	10	-	272
GROSS PROFIT	377	412	1,336	159	(56)	2,228
OPERATING EXPENSES						
Selling, general & administration	248	283	973	140	(221)	1,423
Amortization intangibles	-	-	82	-	-	82
INCOME BEFORE FINANCING	129	129	281	19	165	723
FINANCING COSTS						
Interest on debt and lease obligations	15	30	45	7	(7)	90
INCOME BEFORE INCOME TAXES	114	99	236	12	172	633
Income tax expense	-	-	64	-	-	64
NET AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	114	99	172	12	172	569

6. INVENTORIES

Inventories comprise the following:

	September 30, 2020	December 31, 2019
	\$	\$
Raw materials and consumables	916	889
Finished goods	1,773	1,348
Total inventories	2,689	2,237

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

7. PROPERTIES, PLANT AND EQUIPMENT

Cost	Land	Dolomite Properties	Plant and Equipment	Right of Use			Total
				Assets	Vehicles	Spare Parts	
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 period	-	-	393	508	-	11	912
Disposals in the period	-	-	-	-	-	-	-
Balance, September 30, 2020	515	2,051	14,010	2,654	490	328	20,048

Accumulated Amortization and Depletion	Land	Dolomite Properties	Plant and Equipment	Right of Use			Total
				Assets	Vehicles	Spare Parts	
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 period	-	(39)	(372)	(572)	(40)	-	(1,023)
Disposals in the period	-	-	-	-	-	-	-
Balance, September 30, 2020	-	(1,345)	(10,606)	(1,190)	(393)	-	(13,534)

Net Book Value

As at December 31, 2019	515	745	3,383	1,528	137	317	6,625
As at September 30, 2020	515	706	3,404	1,464	97	328	6,514

For the period ending September 30, 2020, 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 Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2020 and 2019

(Expressed in thousands of United States Dollars)

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	(138)	(94)	(3)	(11)	(246)	-
Balance September 30, 2020	1,020	706	-	47	1,773	1,809

Amortization of intangible assets is presented within amortization of intangibles on the condensed consolidated interim statement of income and comprehensive income. As at period-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.

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.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of United States Dollars)

9. DEBT

Bank debt and equipment purchase financings comprise the following:

	September 30, 2020	December 31, 2019
	\$	\$
Aggregate debt facilities		
(i) Revolving credit facility	500	300
(ii) Mill Creek term loan	1,341	1,579
(iii) Papillon term loan	2,066	2,666
(iv) Equipment financings	98	126
(v) Paycheck Protection Program	817	-
	4,822	4,671
Less: current portions of		
Bank debt	(1,633)	(1,419)
Equipment financing	(39)	(38)
Total long term debt	3,150	3,214

Bank facilities

In June 2019, the Company consolidated and refinanced its Meadows Bank facilities (items (i) and (ii) in the table above.) The outstanding balances of two term loans, totalling \$1,234, together with \$500 drawn under the revolving credit facility were combined to create a new \$1,734 five year term loan as described in item (ii) below. In addition, the size of the revolving credit was reduced from \$1,000 to \$500 as described in (i) below.

- (i) \$500 Revolving Credit Facility – a one-year, secured revolving credit facility (“RC”) 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 September 30, 2020, \$500 (September 30, 2019 - \$250) was outstanding under the RC facility and was recorded as current portion of long term debt.
- (ii) \$1,734 Term Loan – a 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 September 30, 2020, \$333 (September 30, 2019 - \$315) was recorded as current portion of long term debt and the balance of \$1,008 (September 30, 2019 - \$1,341) 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.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of United States Dollars)

9. DEBT (CONT'D)

- (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 cover 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 September 30, 2020, \$800 (September 30, 2019 - \$800) was recorded as current portion of long term debt and the balance of \$1,266 (September 30, 2019 - \$2,067) was recorded as long term debt.
- (iv) Equipment Financing - in the course of operations, MIN-AD and Mill Creek arrange equipment finance facilities with major equipment manufacturers. The total amount outstanding under these facilities at September 30, 2020 was \$98 (September 30, 2019 - \$82) 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 ("CARES ACT") to provide financial assistance to individuals and businesses. A major component of the CARES ACT is the Paycheck Protection Program ("PPP"), a forgivable loan program for small businesses administered by the U.S. Small Business Administration ("SBA").

The loans are obtained by applying through an SBA approved lender. The PPP was modified in June 2020, when the US Congress passed the Paycheck Protection Program Flexibility Act. The principal aim of the PPP is to provide forgivable loans to small businesses so that they have sufficient funds to keep employees on the payroll. Borrowers are required to certify that the current economic uncertainty from COVID-19 necessitates the loan request.

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 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%. 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.

The Company's three operating businesses received PPP loans in the following amounts: Papillon: \$318, MIN-AD: \$215 and Mill Creek: \$284.

The Company will prepare and submit forgiveness applications when authorized by its lenders.

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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 September 30, 2020:

	September 30,	December 31,
	2020	2019
	\$	\$
Movement in lease obligations:		
Lease obligations at December 31, 2019	1,644	2,058
Additions during the period	496	174
Payments during the period	(555)	(588)
Lease obligations at September 30, 2020	1,585	1,644
Less: current portion	(626)	(609)
Total long term lease obligations	959	1,035

At period end, the Company recognized interest expense of \$73 on lease liabilities.

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, 2020, so the liability has been presented in these condensed consolidated interim financial statements as long term. During the period, the Company declared and paid a preferred share dividend of \$28. (September 30, 2019 - \$45.) The dividend is recorded as interest expense.

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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	(271,500)	(60)
Balance, September 30, 2020	22,346,311	\$5,804

Normal Course Issuer Bid

On February 14, 2020, the Company received approval to commence a Normal Course Issuer Bid (the "NCIB") to purchase for cancellation up to 1,130,891 common shares, representing 5% of the outstanding common shares of the Company. Inter-Rock may purchase common shares under the NCIB over the next twelve-month period beginning on or about February 18, 2020. The NCIB will terminate upon the earliest of (i) the Company purchasing 1,130,891 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. At September 30, 2020, 271,500 common shares had been repurchased.

14. INCOME PER SHARE

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

	For the three month period		For the nine month period	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Basic income per share				
Income available to common shares	669	569	1,278	901
Weighted average common shares (in thousands)	22,346	22,618	22,346	22,618
Basic earnings per share	0.03	0.03	0.06	0.04
Diluted income per share				
Income available to common shares	669	569	1,278	901
Income available to common shares, assuming dilution	669	569	1,278	901
Weighted average common shares outstanding	22,346	22,618	22,386	22,618
Preferred shares converted to common shares	17,137	17,137	17,137	17,137
Adjusted weighted average common shares outstanding	39,483	39,755	39,523	39,755
Diluted earnings per share	0.02	0.01	0.03	0.02

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.

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15. INCOME TAXES

At September 30, 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
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
			<u>3,358</u>

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:

	For the three months ended		For the nine months ended	
	September	September	September	September
	30, 2020	30, 2019	30, 2020	30, 2019
	\$	\$	\$	\$
Short term benefits including salaries, consulting and directors fees	212	189	675	672

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17. REVENUE SUPPLEMENTAL INFORMATION

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

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
<u>MIN-AD and Mill Creek</u>				
Dolomite sales	1,768	2,101	5,386	6,302
Freight charges	316	287	1,041	1,040
Fuel charges	40	71	170	258
	2,124	2,459	6,597	7,600
<u>Papillon</u>				
Animal feed sales	8,890	8,118	31,576	23,756
Other revenue	336	87	768	307
Freight charges	717	425	1,990	1,130
	12,067	11,089	40,931	32,793

18. RISK MANAGEMENT

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.

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19. FINANCIAL COMMITMENTS

The Company is committed to \$5,783 (September 30, 2019 - \$6,565) for obligations and financial commitments in the normal course of operations and financing activities. At September 30, 2020 the Company had the following financial commitments:

	Total	2020	2021	2022	2023	Thereafter
	\$	\$	\$	\$	\$	\$
Bank principal repayments	3,908	281	1,636	1,156	643	192
Equipment financing	99	10	39	28	22	-
Lease obligations	1,776	205	609	416	186	360
Total	5,783	496	2,284	1,600	851	552

Debt repayments represent the principal only and assumes the PPP loans are forgiven. Lease obligations represent the undiscounted amount of the lease commitments.