

# **Rogue Resources Inc.**

**Consolidated Interim Financial Statements**

**Three Months Ended July 31, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited consolidated interim financial statements of Rogue Resources Inc. (“the Company”) for the three months ended July 31, 2020, have been prepared by management and have not been reviewed by the Company’s external independent auditors.

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**Rogue Resources Inc.**  
Consolidated Interim Financial Statements  
Three Months Ended July 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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**Rogue Resources Inc.**  
**Consolidated Interim Statements of Financial Position**  
**(Expressed in Canadian dollars)**

		As at,	
	Note	July 31, 2020	April 30, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 203,436	\$ 42,094
Marketable securities	6	4,583	3,362
Accounts receivable		100,430	26,639
Loans receivable	10	25,000	25,000
Prepaid expenses		62,922	50,000
Tax recoverable		24,392	31,165
Inventory	9	79,828	78,468
<b>Total Current Assets</b>		<b>500,590</b>	256,728
<b>Non-current assets</b>			
Exploration and evaluation assets	5,7,11,12	13,777,995	13,911,683
Right-of-use assets	8	1,341,180	509,651
<b>Total Assets</b>		<b>\$ 15,619,765</b>	\$ 14,678,062
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 375,680	\$ 314,689
Due to related parties	16	812,940	766,063
Current portion of lease liability	8	249,977	124,107
<b>Total Current Liabilities</b>		<b>1,438,598</b>	1,204,859
<b>Non-current liabilities</b>			
Vendor mortgages	11	700,000	700,000
Lease liability	8	985,176	386,993
Loan payable	12	1,565,193	1,491,841
Government assistance		40,000	40,000
<b>Total Liabilities</b>		<b>4,728,966</b>	3,823,693
<b>EQUITY</b>			
Share capital	14	50,047,641	49,888,007
Reserves	14	10,548,296	10,548,296
Accumulated other comprehensive income		3,658	2,438
Non-controlling interest	15	205,060	205,059
Deficit		(49,913,856)	(49,789,431)
<b>Total Equity</b>		<b>10,890,799</b>	10,854,369
<b>Total Liabilities and Equity</b>		<b>\$ 15,619,765</b>	\$ 14,678,062

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 29, 2020. They are signed on the Company's behalf by:

(Signed) "Sean Samson"

Director

(Signed) "Christopher Berlet"

Director

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

**Rogue Resources Inc.**  
**Consolidated Interim Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

		Three Months Ended July 31,	
	Note	2020	2019
<b>Expenses:</b>			
Compensation and benefits	16	\$ (23,225)	\$ 53,959
Consulting fees - related parties	16	-	3,426
Depreciation	8	60,021	-
Financing fees	12	9,201	-
Interest and accretion expense		69,279	-
Investor relations, promotion and product marketing		1,874	4,834
Office expense and miscellaneous		12,188	6,200
Professional fees		(6,000)	9,089
Regulatory and stock transfer fees		1,089	800
Rent		-	4,649
<b>Loss Before Other Income (Expense) and Income Taxes</b>		<b>(124,427)</b>	<b>(82,957)</b>
<b>Attributable to:</b>			
Non-controlling interest	15	-	-
Equity shareholders of the Company		(124,427)	-
		(124,427)	-
<b>Other Comprehensive Income (Loss)</b>			
Unrealized (loss) gain on marketable securities	6	1,220	2,772
<b>Comprehensive Loss For The Year</b>		<b>\$ (123,207)</b>	<b>\$ (80,185)</b>
<b>Basic and Diluted Loss Per Share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>20,162,905</b>	15,800,462

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

**Rogue Resources Inc.**  
**Consolidated Interim Statements of Changes in Equity**  
**(Expressed in Canadian dollars)**

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Non-controlling Interest	Deficit	Total equity
	Number of shares	Amount					
Balance, April 30, 2019	16,249,204	\$ 48,821,246	\$10,501,365	\$ 828	\$ -	\$ (49,053,986)	\$ 10,273,610
Other comprehensive income	-	-	-	2,772	-	-	2,772
Net loss for the year	-	-	-	-	-	(82,957)	(84,957)
<b>Balance, July 31, 2019</b>	<b>16,249,204</b>	<b>\$ 48,821,246</b>	<b>\$ 10,501,365</b>	<b>\$ 7,757</b>		<b>\$ (49,136,943)</b>	<b>\$ 10,193,425</b>
Balance, April 30 2020	26,435,204	\$ 49,888,007	\$10,548,296	\$ 2,438	\$ 205,059	\$ (49,789,431)	\$ 10,273,610
Non flow-through shares	2,173,999	130,440	-	-	-	-	130,440
Flow-through shares	450,000	31,500	-	-	-	-	31,500
Share issue cash costs	-	(2,310)	-	-	-	-	(2,310)
Other comprehensive gain	-	-	-	1,220	-	-	1,220
Net loss for the year	-	-	-	-	-	(124,427)	(124,427)
<b>Balance, July 31, 2020</b>	<b>29,059,203</b>	<b>\$ 50,047,641</b>	<b>\$ 10,548,296</b>	<b>\$ 3,658</b>	<b>\$ 205,059</b>	<b>\$ (49,913,856)</b>	<b>\$ 10,890,799</b>

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

**Rogue Resources Inc.**  
**Consolidated Interim Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	<b>Three Months Ended July 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss for the year	\$ (124,427)	\$ (82,957)
Items not affecting cash:		
Depreciation	60,021	-
Financing fees	9,201	-
Interest and accretion expense	69,279	-
Changes in non-cash working capital items:		
Accounts receivable	(73,791)	-
Accounts payable and accrued liabilities	56,209	4,013
Inventory	(1,360)	-
Due to related parties	46,877	108,050
Prepaid expenses	(12,922)	(824)
Tax recoverable	6,773	254
<b>Cash Used in Operating Activities</b>	<b>35,863</b>	<b>28,536</b>
<b>Investing activities</b>		
Exploration and evaluation expenditures	138,472	(56,077)
<b>Cash Used in Investing Activities</b>	<b>138,472</b>	<b>(56,077)</b>
<b>Financing activities</b>		
Issuance of common shares	159,634	
Lease liability payments	(172,626)	-
<b>Cash Provided by Financing Activities</b>	<b>(12,992)</b>	<b>-</b>
<b>Net Decrease in Cash</b>	<b>161,342</b>	<b>(27,541)</b>
Cash, Beginning of Period	42,094	74,203
<b>Cash, End of the Period</b>	<b>\$ 203,436</b>	<b>\$ 46,662</b>

**Supplemental Cash Flow Information (Note 17)**

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

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**Rogue Resources Inc.**  
**Notes to the Consolidated Interim Financial Statements**  
**Three Months Ended July 31, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

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**1. Nature of Operations**

Rogue Resources Inc. (“Rogue” or the “Company”) was incorporated on January 10, 1985 under the laws of the Province of British Columbia, Canada and is a public company listed on the TSX Venture Exchange (the “TSX.V”), trading under the symbol “RRS.” The registered and records office of the Company is Suite 2900, 550 Burrard Street, Vancouver, British Columbia, V6C 0A3. The head office of the Company is Suite 1612, 44 Victoria Street, Toronto, Ontario, M5C 1Y2.

The Company is an exploration stage resource company and its principal business activity is the exploration and evaluation of mineral properties in Ontario and Quebec. The Company is also focused on selling dimensional limestone into the landscape market with the acquisition of the Johnston Farm Quarry near Bobcaygeon, Ontario (“Johnston Farm Quarry” or “Bobcaygeon”) and the acquisition of the Speiran Quarry near Orillia, Ontario (“Speiran Quarry” or “Orillia”).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the evaluation and development of commercially viable reserves, and upon future profitable production or proceeds from the disposition of exploration and evaluation assets.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.



## **2. Significant Accounting Policies**

### **a) Basis of Presentation**

#### **Statement of Compliance**

These consolidated interim financial statements of the Company for the three months ended July 31, 2020 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee.

Effective May 1, 2019, the Company adopted IFRS 16 Leases (“IFRS 16”). IFRS 16 was adopted using the modified retrospective approach with no restatement of comparative periods, as permitted by the transition provisions of the standard. As a result of the application of IFRS 16, the Company changed its accounting policies for leases as described below and there was no impact to the Company’s consolidated financial statements as the Company did not have any long term leases as at May 1, 2019.

#### **Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **Foreign Currencies**

The presentation currency and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains or losses upon translations is recorded in profit or loss.

### **b) Consolidation Principles**

Subsidiaries are entities controlled by the Company. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. See Note 4 for further details on the Company’s subsidiaries.

### **c) Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within six months held for the purpose of meeting short-term cash commitments rather than for investing purposes. The Company did not have cash equivalents as at July 31, 2020 and April 30, 2020.

### **d) Marketable Securities**

Marketable securities represent investments in public companies and have been designated as fair value through other comprehensive income (loss). The investments are reported at fair value based on quoted market prices with unrealized gains or losses excluded from operations and reported as other comprehensive income or loss.

**2. Significant Accounting Policies (Continued)**

**e) Financial Instruments**

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

ii) Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

**f) Other Comprehensive Income (Loss)**

Other comprehensive income (loss) represents the change in net equity for the period that arises from unrealized gains and losses on FVOCI financial instruments. Amounts included in other comprehensive income (loss) are shown net of tax. Cumulative changes in other comprehensive income (loss) are included in reserves which is presented as a category in equity.

**g) Inventory**

The Company values its limestone inventory at the lower of cost and net realizable value. Net realizable value is defined as the expected selling price in the ordinary course of business minus the cost of completion.

**2. Significant Accounting Policies (Continued)**

**h) Property, Plant and Equipment**

Items of property, plant and equipment are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred.

Depreciation on equipment is recognized on a straight-line basis over their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

The Company's equipment has useful lives as follows:

	<u>Useful life</u>
Equipment	3-8 years

**i) Exploration and Evaluation Assets**

Exploration and evaluation expenditures include the cost of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired. When shares are issued as consideration for exploration and evaluation asset costs, they are valued at the closing share price on the date of issuance. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and the balance is reclassified as a development asset in property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

**2. Significant Accounting Policies (Continued)**

**j) Impairment of Non-Financial Assets**

Impairment tests on non-financial assets, including exploration and evaluation assets, are performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation properties is considered to be a cash-generating unit for which impairment testing is performed.

An impairment loss is recognized in the consolidated statements of operations.

**k) Exploration Tax Credits**

The Company recognizes mineral exploration tax credits against the exploration and evaluation assets when the amount to be received can be reasonably estimated and collection is reasonably assured.

**l) Decommissioning Liabilities**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

**m) Non-monetary consideration**

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

**2. Significant Accounting Policies (Continued)**

**n) Share Capital**

a. Flow-through shares

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and credits other income when the entity renounces the tax benefits to the shareholders. Costs incurred in connection with the issuance of flow-through shares reduce the flow-through liability on a pro-rata basis.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments.

The Company is also subject to a Part XII.6 tax on unspent flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

b. Share based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options or warrants are ultimately exercised, the applicable amounts of their fair values in the reserves account are transferred to share capital.

c. Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

d. Nature and Purpose of Reserves

The reserves recorded in equity on the Company's consolidated statements of financial position includes Reserve which is used to recognize the fair value of stock option grants, warrants and compensation warrants prior to exercise, expiry or cancellation and the fair value of other share-based consideration recorded at the date of issuance.

**2. Significant Accounting Policies (Continued)**

**o) Compound Instruments**

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of grant, the compound instrument is separated into their liability and equity components on issuance of the instruments. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon debt instruments with no bonus shares, conversion feature or warrants issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt instruments with similar terms at the time of issue. The residual value is then allocated to the equity component.

**p) Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized through profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**q) Earnings (Loss) Per Share**

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method, which assumes that cash that would be received on the exercise of stock options is applied to purchase shares at the average price during the period. The difference between the shares issued on the exercise of the stock options and the number of shares purchased under this computation, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive stock options are not considered in computing diluted earnings per share. Stock options are typically dilutive when the Company has income for the year and the average market price of the common shares during the year exceeds the exercise price of the options.

**r) Leases**

The adoption of IFRS 16 had no material impact to the Company's consolidated financial statements. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

## **2. Significant Accounting Policies (Continued)**

### **k) Leases (Continued)**

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured on the initial amount of the lease liability, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain re-measurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statements of comprehensive loss in the period in which they are incurred.

The ROU assets are presented within "Right-of-use assets" and the lease liabilities are presented in "Lease liability" on the consolidated statements of financial position.

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

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### **a) Determination of Cash Generating Units**

In performing impairment assessments of corporate assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these cash generating units ("CGUs").

### **b) Exploration and Evaluation Assets**

Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of these assets. The triggering events for the impairment of exploration and evaluation assets are defined in *IFRS 6 Exploration and Evaluation of Mineral Resources*

Impairment of exploration and evaluation assets is assessed at the CGU level. The Company has used each of its mineral properties to establish its CGUs. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

**3. Critical Accounting Judgments and Estimates (Continued)**

c) Business Combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 Business Combinations. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of the Johnston Farm Quarry and Speiran licenses did not meet the definition of a business and the transaction has been accounted for as an asset acquisition (Note 5).

d) Fair value of assets acquired and consideration

The fair value of consideration to acquire the assets (Note 5) comprised of common shares and cash. Common shares were valued on the date of issuance. The Company applied IFRS 2 Share-based Payments in accounting for the acquisitions.

e) Determination of control of subsidiaries

Judgment is required to determine when the Company has control of subsidiaries or joint control or joint arrangements. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Judgment is also required when determining the classification of a joint arrangement as a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. Changes to the Company's access to those rights and obligations may change the classification of that joint arrangement. Based on assessment of the relevant facts and circumstances, the Company concluded that 2723493 Ontario Inc. ("Rogue Stone"), 2712428 Ontario Inc. ("BobOpCo") and 2701674 Ontario Inc. ("OrilliaOpCo") meet the criteria to be classified as subsidiaries.

f) Compound instruments

In accordance with the substance of the contractual arrangement, the loan payable is a compound financial instrument that is accounted for separately by their components: a financial liability and an equity instrument. The identification of the loan payable components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the loan payable at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors and the presence of any derivative financial instruments.

g) Discount rate used for right-of-use asset/lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, right-of-use asset, specific to the asset, underlying currency and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.



### **3. Critical Accounting Judgments and Estimates (Continued)**

h) Discount rate used for compound instruments

The carrying value of the loan payable is subject to management's estimates in determining an appropriate discount rate based on similar instruments with no bonus shares.

i) Accrued Liabilities

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

j) Stock based compensation

The Company has applied judgment in the inputs used in accounting for stock based compensation in the consolidated statements of operations and comprehensive loss.

k) Deferred Income Tax Assets

The Company has applied judgment in the inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income.

l) Taxes Recoverable

*Mineral Tax Credit*

The federal and provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accrues these credits as a reduction of exploration and evaluation expenditures in the period that the related expenditures were incurred. These accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period that the tax filings are amended.

m) Right-of-use asset

The Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

n) Commercial production

As at July 31, 2020, management has determined that the Rogue Stone projects were in pre-commercial production stage. Costs associated with the projects, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when the project produces a designated percentage of planned output, which involves management judgment. The Company has not yet reached commercial production.

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**Rogue Resources Inc.**  
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#### 4. Subsidiaries

Rogue Stone was incorporated on October 25, 2019 under the laws of the Province of Ontario. Rogue Stone issued 100 common shares at \$1 per share to Rogue Resources Inc. on October 25, 2019. The principal activity will be to produce and distribute limestone. Rogue Resources Inc. has 100% of the ownership interest and voting power of Rogue Stone.

BobOpCo was incorporated on August 20, 2019 under the laws of the Province of Ontario. BobOpCo issued 85 common shares to Rogue Resources Inc. and 15 common shares to QMX8 Bobcaygeon Inc. on August 20, 2019 at \$1 per share (Note 5). The principal activity of BobOpCo will be to produce limestone from the Johnston Farm Quarry near Bobcaygeon, Ontario. Rogue Resources Inc. has 85% of the ownership interest and voting power of BobOpCo.

OrilliaOpCo was incorporated on June 14, 2019 under the laws of the Province of Ontario. OrilliaOpCo issued 1 common share at \$1 per share to Rogue Resources Inc. on June 14, 2019. The principal activity of OrilliaOpCo will be to produce limestone from the Speiran Quarry near Orillia, Ontario, an acquisition that closed on March 3, 2020. Rogue Resources Inc. has 100% of the ownership interest and voting power of OrilliaOpCo.

#### 5. Asset Acquisitions

##### a) Bobcaygeon Asset Acquisition

On October 25, 2019, the Company completed the acquisition of 85% of the Johnston Farm Quarry (the "Project"), located northeast of the town of Bobcaygeon from 2023115 Ontario Inc. (the "Seller") (third party). The Company acquired and intends to operate the Project, which includes Class B Aggregate License number 20375, allowing extraction of up to 20,000 metric tons of natural stone per year.

The total consideration for the acquisition of the Project comprised the following:

Cash	\$ 200,000
Rogue common shares issued (1,620,000)	162,000
<b>Total Consideration of 85% interest</b>	<b>\$ 362,000</b>

The Company concluded that the acquired assets and liabilities did not constitute a business and accordingly the acquisition was accounted for as an asset acquisition. The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Johnston Farm Quarry	\$ 1,367,0059
Vendor Mortgage	(700,000)
Mortgage	(100,000)
Total net assets acquired	567,059
Non-controlling share of total net assets	(205,059)
<b>Total identifiable net assets acquired</b>	<b>\$ 362,000</b>

The Project was transferred into BobOpCo and 85% of the shares of this entity were issued to Rogue Stone and 15% were issued to QMX8 Bobcaygeon Inc.

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**5. Asset Acquisitions (Continued)**

b) Orillia Asset Acquisition

On March 3, 2020, the Company completed the acquisition of 100% of the Speiran Quarry ("Orillia Quarry"), from Gott Natural Stone '99 Inc. and members of the Speiran family (the "Orillia Sellers"). The Company acquired and intends to operate the Orillia Quarry, which includes Class B Aggregate License number 20375, allowing extraction of up to 20,000 metric tons of limestone per year.

The total consideration for the acquisition of the Orillia Quarry comprised the following:

Cash	\$ 1,406,042
<b>Total Consideration</b>	<b>\$ 1,406,042</b>

The Company concluded that the acquired assets and liabilities did not constitute a business and accordingly the acquisition was accounted for as an asset acquisition. The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Orillia Quarry	\$ 1,406,042
<b>Total identifiable net assets acquired</b>	<b>\$ 1,406,042</b>

The Project was transferred into OrilliaOpCo and 100% of the shares of this entity is in the process of being issued to Rogue Stone.

**6. Marketable Securities**

i) For the three months ended July 31, 2020

	Number of Shares	Cost	Market Value at July 31, 2020	Accumulated Other Comprehensive Income/(Loss)
Mene Inc.	9,240	\$924	\$4,582	\$3,658
			<b>\$4,582</b>	<b>(\$3,658)</b>

ii) For the year ended April 30, 2020

	Number of Shares	Cost	Market Value at April 30, 2020	Accumulated Other Comprehensive Income
Mene Inc.	9,240	\$924	\$3,362	\$2,438
			\$3,362	\$2,438

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**7. Exploration and Evaluation Assets**

**i) For the three months ended July 31, 2020**

	Langmuir	Radio Hill	Snow White	Silicon Ridge	Rogue Stone assets	Total
	Ontario	Ontario	Ontario	Quebec	Ontario	
Acquisition costs:						
Balance, April 30, 2020	\$ 137,418	\$ 538,700	\$ 191,700	\$ 850,000	\$ 2,902,336	\$ 4,620,154
<b>Balance, July 31, 2020</b>	<b>137,418</b>	<b>538,700</b>	<b>191,700</b>	<b>850,000</b>	<b>2,902,336</b>	<b>4,620,154</b>
Exploration costs:						
Balance, April 30, 2020	21,369	3,435,287	881,930	4,775,487	177,456	9,291,529
Sales receipts	-	-	-	-	(444,680)	(444,680)
Cost of goods sold	-	-	-	-	225,756	225,756
Equipment rental	-	-	-	-	48,683	48,683
Field costs and equipment	1,500	1,500	-	-	-	3,000
Mapping and assaying	-	-	500	-	-	500
Project Management	4,507	9,014	4,507	4,507	9,232	31,767
Repair and maintenance	-	-	-	-	1,033	1,033
Travel and accommodation	-	-	-	-	254	254
<b>Balance, July 31, 2020</b>	<b>27,376</b>	<b>3,445,801</b>	<b>886,937</b>	<b>4,779,994</b>	<b>17,734</b>	<b>9,147,842</b>
<b>Total balance, July 31, 2020</b>	<b>\$ 164,793</b>	<b>\$ 3,984,501</b>	<b>\$ 1,078,637</b>	<b>\$ 5,629,994</b>	<b>\$ 2,905,858</b>	<b>\$ 13,777,995</b>
Cost summary						
Acquisition costs	\$ 137,418	\$ 538,700	\$ 191,700	\$ 850,000	\$ 2,902,336	\$ 4,620,154
Exploration costs	\$ 27,375	\$ 3,445,801	\$ 886,937	\$ 4,779,994	\$ 17,734	\$ 9,157,841

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**7. Exploration and Evaluation Assets (Continued)**

**ii) For the year ended April 30, 2020**

	Langmuir	Radio Hill	Snow White	Silicon Ridge	Rogue Stone assets	Total
	Ontario	Ontario	Ontario	Quebec	Ontario	
<b>Acquisition costs:</b>						
Balance, April 30, 2019	\$137,418	\$531,700	\$191,700	\$850,000	\$ -	\$ 1,710,818
Staking costs – cash (notes 5 and 11)	-	-	-	-	1,940,366	1,940,366
Staking costs – shares	-	-	-	-	162,000	162,000
Option payments shares	-	7,000	-	-	-	7,000
Vendor Mortgage (Note 5)	-	-	-	-	800,000	800,000
<b>Balance, April 30, 2020</b>	<b>137,418</b>	<b>538,700</b>	<b>191,700</b>	<b>850,000</b>	<b>2,902,336</b>	<b>4,620,154</b>
<b>Exploration costs:</b>						
Balance, April 30, 2019	12,000	3,415,893	733,201	4,774,052	-	8,935,146
Sales receipts	-	-	-	-	(113,644)	(113,644)
Cost of goods sold	-	-	-	-	69,657	69,657
Equipment rental	-	-	-	-	127,633	127,633
Field costs and equipment	4,500	5,500	-	(2,000)	41,661	49,661
Geology (note 16)	-	-	146,155	4,869	22,680	173,704
Mapping and assaying	-	-	1,870	-	-	1,870
Permit application fees	-	-	704	(1,434)	351	(379)
Project management (note 16)	4,868	13,894	-	-	25,705	44,468
Repair and maintenance	-	-	-	-	1,809	1,809
Travel and accommodation	-	-	-	-	1,604	1,604
<b>Balance, April 30, 2020</b>	<b>21,369</b>	<b>3,435,287</b>	<b>881,930</b>	<b>4,775,486</b>	<b>177,456</b>	<b>9,291,529</b>
<b>Total balance, April 30, 2020</b>	<b>\$ 158,787</b>	<b>\$ 3,973,987</b>	<b>\$ 1,073,630</b>	<b>\$ 5,625,487</b>	<b>\$ 3,079,792</b>	<b>\$ 13,911,683</b>
<b>Cost summary</b>						
Acquisition costs	\$ 137,418	\$ 538,700	\$ 191,700	\$ 850,000	\$ 2,902,336	\$ 4,620,154
Exploration costs	\$ 21,369	\$ 3,435,287	\$ 881,930	\$ 4,775,487	\$ 177,456	\$ 9,291,529

**7. Exploration and Evaluation Assets (Continued)**

**a) Rogue Stone**

**i. Speiran Quarry**

On March 3, 2020, the Company completed the acquisition of 100% of the Speiran Quarry, located near the Town of Orillia from Gott Natural Stone '99 Inc. and members of the Speiran family (the "Orillia Sellers"). Rogue Stone, a 100% owned subsidiary of Rogue Resources Inc. acquired and intends to operate the Project, which includes Class B Aggregate License number 3732, allowing extraction of up to 20,000 metric tons of Natural Stone per year. See Note 5 for details of the acquisition.

**ii. Johnston Farm Quarry**

On October 25, 2019, the Company completed the acquisition of 85% of the Johnston Farm Quarry, located northeast of the Town of Bobcaygeon from 2023115 Ontario Inc. Rogue Stone, a 100% owned subsidiary of Rogue Resources Inc. acquired and intends to operate the Project, which includes Class B Aggregate License number 20375, allowing extraction of up to 20,000 metric tons of Natural Stone per year. See Note 5 for details of the acquisition.

**b) Rogue Quartz**

**i. Silicon Ridge Project**

Pursuant to an option agreement dated August 15, 2014, the Company acquired an option to earn a 100% interest in the Silicon Ridge property located northeast of Québec City for a payment of 850,000 shares (issued). The property is subject to a 2% NSR, of which one-half (1%) may be purchased for \$500,000 and the remaining one-half (1%) may be purchased for a further \$1,000,000.

**ii. Snow White Project**

The Company announced the closing of the acquisition of the Snow White Quartz project from a Sudbury-based prospector (the "Seller") pursuant to an agreement previously announced in October 2017. Under the terms of the agreement, Rogue purchased the project by delivering, among other things, the following to the Seller:

- cash payment at execution of \$25,000 (paid);
- issuance of 150,000 (issued) Rogue common shares at closing, subject to the approval of the TSXV;
- additional cash payment of \$25,000 (paid) following closing upon the earlier of achievement of certain milestones and anniversaries of closing (the "payment period");
- additional issuance of up to an aggregate of 900,000 Rogue common shares (200,000 common shares issued) during the payment period, subject to the approval of the TSXV; and
- grant of a 2% net return on all quartz/silica from the project, subject to a reservation by the Company of a buy back right upon payment of an additional \$2 million to the Seller.

Upon an uncured event of default under the agreement, the project shall revert to the Seller and the Company shall have no interest in the project.

In June 2018, the Company amended the payment terms of the Company's previously announced acquisition of the Snow White quartz project and made two cash payments, one for \$25,000 and one for \$20,000. Under the terms of the agreement, Rogue has agreed to deliver additional cash payments up to an aggregate of \$470,000 upon the earlier of achievement of certain production milestones and the end of 2023 (200,000 common shares issued to settle \$25,000). Rogue also agreed to make payments equal to a maximum of \$355,000 in aggregate on the basis of \$1.00 per tonne of production of silica removed from the project. The Rogue common shares to be issued over the payment period and the 2% net return royalty remain unchanged from the original acquisition agreement. Upon an uncured event of default under the agreement, the project shall revert to the Seller and the Company shall have no interest in the project.

**7. Exploration and Evaluation Assets (Continued)**

**c) Rogue Timmins**

**i. Langmuir Property**

Pursuant to an option agreement dated July 13, 2004, the Company acquired a 100% interest in two claims on the Langmuir property near Timmins, Ontario. The optionor is entitled to receive a 2% NSR. The Company may at any time purchase 1% of the NSR for \$500,000. The property is an exploration and evaluation asset that hosts a nickel and copper mineral resource and other prospective nickel/copper targets. Subsequent to the agreement, the Company staked a further 72 claims which form part of the Langmuir property.

On April 30, 2017, the Company decided to write-down the property's exploration costs to \$Nil to focus on its other properties. \$7,692,491 in exploration costs were written off during the year ended April 30, 2017. Minimal exploration costs have been incurred since April 30, 2017.

**ii. Radio Hill Property**

Pursuant to an option agreement dated November 16, 2007, the Company acquired a 100% interest in any and all commercial products from the Radio Hill property. Consideration consisted of cash payments of \$275,000 (paid) over three years. By agreement dated November 16, 2010, the Company issued 2,000 shares to the Optionors in exchange for the final \$100,000 cash payment being delayed to February 28, 2011 (paid). There is a 3% NSR on all minerals produced (except for iron ore), 2/3 (2%) of which may be purchased at any time for \$3,000,000. In April 2011 and as amended in October 2013, the Company completed its option agreement to earn a 100% interest on its Radio Hill Iron Ore property. In lieu of an NSR on the iron rights, the agreement requires a \$50,000 annual payment to be paid in perpetuity until commencement of commercial production, at which time a \$7,000,000 payment is required, subject to a cost of living increase. The annual payment is only applied to the Radio Hill property containing the historical resource and not the adjacent Timmins West property, which hosts the Nat River formation as well as other targets.

On June 16, 2016, the Company executed an amendment to the Radio Hill Option Agreement whereby the Company maintains its option on the iron mineralization, but at the sole discretion of the Company, can either issue 10,000 shares of the Company or pay \$50,000 to the Optionors on an annual basis. The Company issued 10,000 shares to the Optionors in February 2017 and February 2018.

A Memorandum of Understanding ("MOU") dated April 10, 2015 was entered into with the Flying Post and Mattagami First Nations groups ("First Nations") in respect of the Radio Hill claims. The Company agreed to pay 2% of all costs of the exploration program incurred after the agreement date, to be divided equally amongst the First Nations groups. The Company also agreed to grant 10,000 shares to each of the First Nations groups (20,000 total), of which 20,000 shares were issued as at April 30, 2017.

In January 2020, the Company executed an amendment to the Radio Hill Option Agreement whereby the Company purchased full ownership of the iron mineralization less a 1.5% net smelter return royalty on the production of iron ore to the optionors, in exchange for 100,000 shares of the Company (fair valued at \$7,000).

**iii. Timmins West Property**

Through staking, the Company acquired a 100% interest in mineral claims known as Timmins West located in Penhorwood, Kenogaming and Keith Townships, Ontario.

In July 2016, the Company completed the sale of its Pen South property to Rapier Gold Inc. for \$325,000 and 1,500,000 Rapier shares. The terms of the sale agreement include Rapier acquiring 100% of the Pen South property, subject to a 2% NSR. The entire NSR may be purchased for \$3,000,000. Rogue also retains the right to repurchase any individual claim within the property for \$1 if Rapier or any potential successor does not meet the outstanding government exploration work requirement and/or intends to abandon or allow the claim to lapse.

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**8. Right-of-Use Assets**

<b>Right-of-use assets</b>	Equipment
Value of right-of-use assets as at May 1, 2020	509,651
Additions	891,550
Depreciation	(60,021)
<b>Value of right-of-use assets as at July 31, 2020</b>	<b>1,341,180</b>
<b>Lease liability</b>	
Lease liability recognized as at May 1, 2020	511,100
Additions	916,936
Lease payments	(181,190)
Interest expense	(11,693)
<b>Lease liability recognized as at July 31, 2020</b>	<b>1,235,153</b>
Current portion	249,977
Non-current portion	985,176
	<b>1,235,153</b>

During the period ended July 31, 2020, the Company acquired four pieces of machinery and equipment for a value of \$916,936 under lease agreements. The interest rates range from 4.0% to 10.4% per annum. Monthly lease payments for all leases are \$24,804 plus HST.

**9. Inventory**

The Company's limestone inventory is held at:

Quarry	At July 31, 2020	At April 30, 2020
Orillia	\$ 15,472	\$ 10,268
Bobcaygeon	64,356	68,200
	<b>\$ 79,828</b>	<b>\$ 78,468</b>

**10. Loans Receivable**

On October 3, 2018, the Company provided a loan of \$25,000 to a vendor, secured against certain collateral of the vendor. The loan is non-interest bearing and was redeemable on or after March 31, 2019 at the sole election of the Company. On September 3, 2019, the Company issued a Notice of Intention to Enforce Security, in accordance with subsection 244(1) of the Bankruptcy and Insolvency Act (Canada) and is in the process of settling with cash.



## **11. Vendor Mortgages**

On October 25, 2019, as part of the consideration for the acquisition of the Johnston Farm Quarry, the Company took on a vendor mortgage with a principal amount of \$700,000 ("Vendor Mortgage"), incorporating an existing \$350,000 mortgage on title in favour of Inspirit Resources Inc. (a company controlled by the 2023115 Ontario Inc. ("Vendor")) and a new \$350,000 mortgage, that was added at closing. The Vendor Mortgages are secured against the Johnston Farm Quarry and the Class B Aggregate License number 20375, with the Vendor Mortgages listed on title for the Project until completely repaid. Quarterly interest-only payments to begin when the property earns a positive net profit and the Vendor Mortgages will have a term of four years from closing of the acquisition and can be completely repaid at any time in lump sum. Interest shall accrue quarterly on the outstanding balance of the mortgages at a rate of 5.25% annualized, until maturity or until full repayment.

As part of the Vendor Mortgages, if the Company chooses to add any additional mortgages to the property, it has agreed to pay the Vendor a one-time levy of \$75,000, to be counted against the remaining Vendor Mortgages Principal Amount, and a subordination fee for each month any additional mortgage is in place. The subordination fee will be calculated using a 2.5% annualized rate of the principal of the additional mortgage. The Company subsequently amended the agreement to exclude the loan payable (see Note 12) from levy and subordination fee for a payment of \$15,000 which has been paid.

## **12. Loan payable**

On March 4, 2020, the Company closed with a leading Canadian, nonbank lender (the "Credit Group") for a \$1,800,000 term loan (the "New Term Facility"), secured against Orillia and the Company's remaining assets. The New Term Facility has a 12 month term, extendable to 18 months, with interest-only payments until the principal is due in full at maturity and is subject to an existing general security agreement with the Credit Group. The New Term Facility carries an interest rate equal to the higher of prime plus 8.05% or 12%. In addition, the Company has issued the Credit Group 2,250,000 bonus shares, equal to 10% of the New Term Facility pending the TSX Venture Exchange's ("TSXV") approval. The agreement also required the Company to raise \$300,000 in new equity capital within 60 days of the closing date. The Company immediately drew the full \$1,800,000 loan amount. A discount rate of 15% was applied to determine the liability component of the loan payable. Financing fees related to the loan were \$46,000 and the bonus shares were valued at \$288,962. During the year ended April 30, 2020, the Company accrued interest expense of \$54,241 and is recorded in accounts payable and accrued liabilities.

On April 23, 2020, the Company signed an amending agreement in response to the COVID-19 pandemic. This amendment extended the term to 15 months and delayed the first interest accrual and payment for June 30, 2020. The equity raise deadline was also extended.

## **13. Government assistance**

In April 2020 the Company received a loan of \$40,000 through the Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small businesses during the COVID-19 pandemic. The CEBA Loan has an initial term date on December 31, 2022 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum thereafter during any extended term, which is calculated daily and paid monthly. The CEBA Loan can be repaid at any time without penalty and, if at least 75% of the CEBA Loan is paid prior to the Initial Term Date, the remaining balance of the CEBA Loan will be forgiven.

#### 14. Share Capital

##### a) Authorized

Unlimited number of common shares without par value.

##### b) Issued

###### **Three months ended July 31, 2020**

On May 27, 2020, the Company closed its first tranche of the private placement, receiving aggregate gross proceeds of \$161,940. \$130,440 was received from the sale of Non-Flow-Through Units (the "Unit Offering") at a price of \$0.06 per unit ("Unit") from the issuance of 2,173,999 Units. Each Unit consists of one common share ("Common Share") and one Common Share purchase warrant (each, a "Warrant") entitling the holder thereof to purchase one Common Share at an exercise price of \$0.08 for a period of 36 months from the closing date. \$31,500 was also received from the sale of Flow-Through Units (the "FT Unit Offering") at a price of \$0.07 per unit ("FT Unit") from the issuance of 450,000 FT Units. Each FT Unit consists of one flow-through Common Share and one Common Share purchase warrant (each, a "Warrant") entitling the holder thereof to purchase one Common Share at an exercise price of \$0.08 for 36 months from the closing date. In connection with closing, the Company paid finders' fees of \$2,310.

###### **Year ended April 30, 2020**

In March 2020, the Company issued 2,250,000 shares, valued at \$288,962, to the lender as part of the agreement for the New Term Facility.

In January 2020, the Company issued 100,000 shares related to the acquisition of the Radio Hill project. The fair market value of the shares at the time of issuance was \$0.07 per share.

In November 2019, the Company completed its second tranche of the private placement announced on August 12, 2019 and issued 2,200,000 NFT units at the price of \$0.10 per NFT Unit for total proceeds of \$220,000. Each NFT Unit consists of one common share and one non-transferable common share purchase warrant at an exercise price of \$0.20 per share. These warrants expire on November 7, 2021. No residual value was ascribed to the share purchase warrants. Finders fees of \$7,700 were paid in relation to this private placement.

In October 2019, the Company completed its first tranche of the private placement announced on August 12, 2019 and issued 4,016,000 NFT units at a price of \$0.10 per NFT Unit for total proceeds of \$401,600. Each NFT Unit consists of one common share and one non-transferable common share purchase warrant at an exercise price of \$0.20 per share. These warrants expire on October 25, 2021. No residual value was ascribed to the share purchase warrants. Finders fees of \$1,977 were paid and the Company issued 96,740 non-transferrable warrants in relation to this private placement. The fair value of the warrants was estimated on the grant date in the amount of \$3,124 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.20; ii) expected share price volatility of 121.36%; iii) risk free interest rate of 1.67%; iv) expected life of 2 years; and v) no dividend yield.

In October 2019, the Company issued 1,620,000 shares related to the acquisition of the Johnston Farm Quarry (see Note 5 for further details). The fair market value of the shares at the time of issuance was \$0.10 per share.

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**14. Share Capital (Continued)**

**c) Stock Options**

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the plan may not exceed 10% of the issued and outstanding shares of the Company at any given time. Stock options ("Options") granted under the Plan may have a maximum term of ten years. The exercise price of Options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by TSX Venture Exchange Policy), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted to consultants providing investor relations activities under the Plan are subject to vesting restrictions such that one-quarter of the total options shall vest at three, six, nine and twelve months following the date of the grant.

A summary of the status of the Company's stock options as of July 31, 2020 and April 30, 2020 were as follows:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Balance, April 30, 2019	1,105,833	\$ 0.50
Cancelled	(15,000)	0.44
Granted	925,000	0.07
<b>Balance, April 30 and July 31, 2020</b>	<b>2,015,833</b>	<b>\$ 0.30</b>

On July 31, 2020 and April 30, 2020, the Company had outstanding and exercisable stock options as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options Exercisable</b>	<b>Number of Options Outstanding</b>
April 28, 2021	\$1.00	4,333	4,333
December 10, 2021	\$0.50	6,500	6,500
November 3, 2022	\$1.00	30,000	30,000
November 30, 2022	\$1.10	10,000	10,000
March 4, 2023	\$0.95	100,000	100,000
December 6, 2023	\$0.44	270,000	270,000
February 7, 2024	\$0.60	120,000	120,000
January 11, 2025	\$0.39	550,000	550,000
January 15, 2027	\$0.07	462,500	925,000
<b>Balance, April 30 and July 31, 2020</b>		<b>1,553,333</b>	<b>2,105,833</b>

As at July 31, 2020, the weighted average remaining contractual life of the Company's share purchase options is 5.02 years and the weighted average exercise price is \$0.30 (April 30, 2020 – 5.27 years and \$0.30).

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**14. Share Capital (Continued)**

**d) Warrants Outstanding**

A summary of the status of the Company's warrants as at April 30, 2020 and 2019 were as follows:

	Warrants	Weighted Average Exercise Price
Balance, April 30, 2019	756,276	\$ 0.30
Granted	6,216,000	0.20
Balance, April 30, 2020	6,972,276	0.30
Granted	2,724,000	0.08
<b>Balance, July 31, 2020</b>	<b>9,596,276</b>	<b>\$ 0.18</b>

A summary of the Company's warrants outstanding as at July 31, 2020 and April 30, 2020 were as follows:

Expiry Date	Exercise Price	Number of Warrants
September 5, 2020	\$0.30	756,276
October 25, 2021	0.20	4,016,000
November 7, 2021	0.20	2,200,000
Balance, April 30, 2020		6,972,276
May 26, 2023	0.08	2,624,000
<b>Balance, July 31, 2020</b>		<b>9,596,276</b>

As at July 31, 2020, the weighted average remaining contractual life of the Company's share purchase warrants is 1.59 years and the weighted average exercise price is \$0.18 (April 30, 2020 – 1.38 years and \$0.21).

**e) Compensation Warrants Outstanding**

A summary of the status of the Company's compensation warrants as at July 31, 2020 and April 30, 2020 were as follows:

	Compensation Warrants	Weighted Average Exercise Price
Balance, April 30, 2019	145,198	\$0.87
Expired	(145,198)	0.87
<b>Balance, April 30, 2019</b>	<b>-</b>	<b>-</b>
Granted	96,740	0.20
<b>Balance, April 30 and July 31, 2020</b>	<b>96,740</b>	<b>\$0.20</b>

The Company had 96,740 compensation warrants outstanding as at July 31, 2020 and at a weighted average remaining contractual life of 1.23 years and a weighted average exercise price of \$0.20 per share (April 30, 2020 1.49 years and \$0.20).

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**15. Non-controlling Interest**

The Company has an 85% interest in BobOpCo. 15% of BobOpCo's equity and total comprehensive income or loss is allocated to the non-controlling interest using the indirect method. The non-controlling interest comprises the following amounts:

Non-controlling interest at acquisition	\$ 205,059
Net income attributable to non-controlling interest	-
<b>Balance, April 30 and July 31, 2020</b>	<b>\$ 205,059</b>

**16. Related Party Balances and Transactions**

**a) Compensation of key management personnel**

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consist of its directors, President and Chief Executive Officer, VP Technical and Corporate Secretary, and Chief Financial Officer. Compensation of the directors, officers and/or companies controlled by these individuals for the three months ended July 31, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Key management compensation	<b>\$ 89,459*</b>	<b>\$ 107,237*</b>
Total compensation of key management personnel	<b>\$ 89,459</b>	<b>\$ 107,237</b>

*\*Key management compensation of \$58,387 (2019 - \$52,048) have been capitalized under exploration and evaluation assets (see Note 7).*

**b) Related party balances**

Amounts due to related parties amounted to \$812,940 as at July 31, 2020 (April 30, 2020 - \$766,063). Amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

**c) Other related party transactions**

During the three months ended July 31, 2020, the Company incurred a total of \$25,257 (2019 - \$789) related to legal services to a law firm in which a director of the Company is a partner.

The above transactions were in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**17. Supplemental Cash Flow Information**

	<b>Three Months Ended July 31,</b>	
	<b>2020</b>	<b>2019</b>
Change in accounts payable in exploration and evaluation Assets	<b>\$ 4,782</b>	<b>\$ 1,271</b>

**18. Financial Instruments and Risk Management**

**Fair value of financial instruments**

The fair value hierarchy established by IFRS 13 Fair Value Measurement has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The carrying values of the Company's cash, loans receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the short-term nature of these instruments.

The Company's marketable securities, vendor mortgages, and government assistance are Level 1 and lease liability and loan payables are Level 2.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is primarily associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution. The Company is exposed to some credit risk on accounts receivable and loan receivable (Note 10), however, management considers the risk to be low.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. As of July 31, 2020, the Company had a cash balance of \$203,436 (April 30, 2020 - \$42,094) to settle current liabilities of \$1,438,598 (July 31, 2020 - \$1,204,859). The Company's accounts payable and due to related parties have contractual maturities of less than forty-five days and are subject to normal trade terms. The Company's lease liabilities mature based on the terms outlined in the lease agreements (Note 20). The \$1,800,000 loan payable balance matures in 2021. The Company's other long-term liabilities of mortgages and government assistance undiscounted contractual cash flows mature in 2023 and 2022, respectively.

**18. Financial Instruments and Risk Management (Continued)**

**Financial risk factors (Continued)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and other price risk. The Company is not exposed to significant market risk, except as noted below.

*Interest rate risk*

The Company is exposed to interest rate risk from fluctuations of the interest rate on its loan payable. Currently, the interest rate on the Company's revolving credit facility of \$1.8 million is the greater of 8.05% above the Prime Rate or 12%. The Prime Rate must be higher than 3.95% for the Company to incur higher interest expenses. The Prime Rate has not been higher than 3.95% since December 2008.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in market prices of securities would not have a material effect on the Company's comprehensive income (loss). A 20% increase in the market price would have decreased the Company's comprehensive loss by \$917 (April 30, 2020 - \$684). A 20% decrease in the market prices would have increased the Company's comprehensive loss by the same amount.

**19. Capital Management**

In the definition of capital, the Company includes cash and equity, comprising issued common shares and reserves.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

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**20. Commitments**

In April and May 2020, the Company entered into eight equipment lease agreements to lease equipment for the two quarries. The leases end starting from July 2023 to April 2025. The commitments for these leases is as follows:

<u>Fiscal year</u>	<u>Amount</u>
2021	\$ 260,000
2022	336,000
2023	336,000
2024	279,000
2025	<u>157,000</u>
	<u>\$ 1,368,000</u>

**21. Subsequent Events**

Subsequent to July 31, 2020:

- a) On August 10, 2020, the Company closed the second and final tranche of the private placement, receiving aggregate gross proceeds of \$348,060. \$301,060 was received from the sale of Non-Flow-Through Units (the "Unit Offering") at a price of \$0.06 per unit ("Unit") from the issuance of 5,017,667 Units. Each Unit consists of one common share ("Common Share") and one Common Share purchase warrant (each, a "Warrant") entitling the holder thereof to purchase one Common Share at an exercise price of \$0.08 for a period of 36 months from the closing date. \$47,000 was also received from the sale of Flow Through Units (the "FT Unit Offering") at a price of \$0.07 per unit ("FT Unit") from the issuance of 671,429 FT Units. Each FT Unit consists of one flow-through Common Share and one Common Share purchase warrant (each, a "Warrant") entitling the holder thereof to purchase one Common Share at an exercise price of \$0.08 for 36 months from the closing date.

In connection with closing of the Second Tranche of the financing, the Company will pay finders' fees of \$13,020 and will also issue 212,333 non-transferable warrants ("Finder's Warrants") to certain arm's length finders. Each Finder's Warrant entitles the holder to acquire one additional Common Share at a price of \$0.08 for 36 months from the closing date.

- b) In August 2020, the Company granted 1,065,000 stock options to officers, directors and advisors of the Company. The options are exercisable at \$0.085 per share for a period of seven years and vest over a period of one year.
- c) In August 2020, the Company issued 200,000 common shares related to the acquisition of the Snow White Quartz project.