

**Inter-Rock Minerals Inc.**  
**Condensed Consolidated Interim Financial Statements**  
**Unaudited**

Expressed in United States dollars

Periods ended September 30, 2018 and 2017

**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 interim consolidated 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 23, 2018**

## Inter-Rock Minerals Inc.

### Condensed Consolidated Interim Balance Sheets

As at

(Expressed in thousands of United States Dollars)

<b>UNAUDITED</b>	Note	<b>September 30,</b> <b>2018</b>	December 31, 2017
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		2,663	2,106
Accounts receivable		3,472	3,893
Inventories	6	1,282	1,395
Prepaid expenses and other assets		418	258
<b>Total Current Assets</b>		<b>7,835</b>	<b>7,652</b>
Non-current assets			
Properties, plant and equipment	7	4,860	5,004
Intangible assets	8	2,429	2,675
Goodwill	8	1,809	1,809
<b>Total Assets</b>		<b>16,933</b>	<b>17,140</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		2,493	3,150
Current portion of long term debt	9	1,488	1,021
Current portion equipment purchase financing	9	294	321
<b>Total Current Liabilities</b>		<b>4,275</b>	<b>4,492</b>
Non-current liabilities			
Accrued interest payable	9	87	62
Long term debt	9	3,228	1,194
Equipment purchase financing	9	779	992
Promissory notes to related parties	9,15	555	3,555
Deferred income tax liability		330	330
Asset retirement obligation	10	75	75
Series A preferred shares	11	3,417	3,417
<b>Total Liabilities</b>		<b>12,746</b>	<b>14,117</b>
Equity			
Share capital	12	5,864	5,864
Contributed surplus		315	315
Deficit		(1,992)	(3,156)
<b>Total Equity</b>		<b>4,187</b>	<b>3,023</b>
<b>Total Liabilities and Equity</b>		<b>16,933</b>	<b>17,140</b>

Commitments (Note 17)

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

## Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Income and Comprehensive Income  
(Expressed in thousands of United States Dollars)

<b>UNAUDITED</b>	Note	Three months ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		\$	\$	\$	\$
<b>REVENUE</b>	5,16	<b>11,280</b>	12,264	<b>36,968</b>	39,285
<b>COST OF SALES</b>					
Operating costs	5	<b>9,209</b>	9,661	<b>30,551</b>	32,245
Amortization and depletion	7	<b>145</b>	171	<b>407</b>	482
		<b>9,354</b>	9,832	<b>30,958</b>	32,727
<b>Gross Profit</b>		<b>1,926</b>	2,432	<b>6,010</b>	6,558
<b>OPERATING EXPENSES</b>					
Selling, general and administrative	5	<b>1,054</b>	1,338	<b>4,072</b>	3,762
Amortization of intangible assets	8	<b>82</b>	82	<b>246</b>	246
<b>Income Before Financing Costs</b>		<b>790</b>	1,012	<b>1,692</b>	2,550
Interest on Series A preferred shares	11	<b>43</b>	-	<b>81</b>	-
Interest on long term debt	9	<b>81</b>	113	<b>268</b>	353
<b>Income Before Income Taxes</b>		<b>666</b>	899	<b>1,343</b>	2,197
Income tax expense		<b>179</b>	91	<b>179</b>	91
<b>Net Income and Comprehensive Income</b>		<b>487</b>	808	<b>1,164</b>	2,106
<b>Basic income per share</b>	13	<b>0.02</b>	<b>0.04</b>	<b>0.05</b>	<b>0.09</b>
<b>Diluted income per share</b>	13	<b>0.01</b>	<b>0.02</b>	<b>0.03</b>	<b>0.05</b>
<b>Weighted average number of shares outstanding</b>					
Basic		<b>22,617,811</b>	22,617,811	<b>22,617,811</b>	22,617,811
Diluted		<b>39,754,791</b>	39,754,791	<b>39,754,791</b>	39,754,791

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

## Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Changes in Equity  
(Expressed in thousands of United States Dollars)

<i>UNAUDITED</i>	Share Capital (Note 12)	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
Balance December 31, 2016	5,864	315	(4,957)	1,222
Total income and comprehensive income for the period	-	-	2,106	2,106
Balance September 30, 2017	5,864	315	(2,851)	3,328
Balance December 31, 2017	5,864	315	(3,156)	3,023
Total income and comprehensive income for the period	-	-	1,164	1,164
<b>Balance, September 30, 2018</b>	<b>5,864</b>	<b>315</b>	<b>(1,992)</b>	<b>4,187</b>

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

## Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in thousands of United States Dollars)

<b>UNAUDITED</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2018</b>	<b>September 30, 2017</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATIONS</b>				
Net income	487	808	1,164	2,106
Items not affecting cash				
Amortization and depletion, mining	145	171	407	482
Amortization of intangible assets	82	82	246	246
Interest expense	124	113	349	353
Gain on disposal of properties, plant and equipment	-	-	-	(55)
	<b>838</b>	<b>1,174</b>	<b>2,166</b>	<b>3,132</b>
Net changes in non-cash working capital				
Accounts receivable	1,202	(85)	421	(326)
Inventories	3	33	113	(238)
Prepaid expenses	(148)	42	(160)	1
Accounts payable and accrued liabilities	(199)	(258)	(702)	(199)
Accrued interest payable	8	9	25	10
<b>Cash generated by operating activities</b>	<b>1,704</b>	<b>915</b>	<b>1,863</b>	<b>2,380</b>
<b>INVESTING</b>				
Purchase of properties, plant and equipment	(63)	(97)	(262)	(1,506)
Proceeds on disposal of properties, plant and equipment	-	-	-	398
<b>Cash used in investing activities</b>	<b>(63)</b>	<b>(97)</b>	<b>(262)</b>	<b>(1,108)</b>
<b>FINANCING</b>				
Interest paid	(73)	(105)	(243)	(328)
Interest on Series A preferred shares	(43)	-	(81)	-
Proceeds from long term debt	-	-	4,000	18
Repayment of long term debt	(236)	(135)	(1,480)	(340)
Proceeds from equipment purchase financings	-	-	-	1,264
Repayment of equipment purchase financings	(80)	(89)	(240)	(495)
Repayment of related party loans	-	(249)	(3,000)	(899)
<b>Cash provided by (used in) financing activities</b>	<b>(432)</b>	<b>(578)</b>	<b>(1,044)</b>	<b>(780)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,209</b>	<b>240</b>	<b>557</b>	<b>492</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,454</b>	<b>1,375</b>	<b>2,106</b>	<b>1,123</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,663</b>	<b>1,615</b>	<b>2,663</b>	<b>1,615</b>

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

# Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

(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 LLC (“Papillon”), MIN-AD, Inc. (“MIN-AD”) and Mill Creek Dolomite LLC (“Mill Creek”). Papillon is a U.S. 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 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, 2017 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, 2017.

### **2.3 Basis of Consolidation**

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

<b>Entity</b>	<b>Place of Incorporation</b>	<b>Ownership</b>
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%

---

## **Inter-Rock Minerals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

*(Expressed in thousands of United States Dollars)*

---

### **2. BASIS OF PRESENTATION (CONT'D)**

#### **2.4 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed consolidated interim financial statements reflect the accounting policies applied by the Company in its audited consolidated financial statements for the year ended December 31, 2017. The Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2017.

The IASB continues to amend and to add to current IFRS standards and interpretations. The Company's accounting policies adopted for preparation of its IFRS annual consolidated financial statements will be determined as of December 31, 2018. In the event that accounting policies adopted at December 31, 2018 differ materially from the accounting policies used in the preparation of these condensed consolidated interim financial statements, these condensed consolidated interim financial statements will be restated to retrospectively account for the application of those policies adopted at December 31, 2018.

### **4. JUDGMENTS AND ESTIMATES**

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period.

These condensed consolidated interim financial statements reflect the judgements and estimates outlined by the Company in Note 4 of its audited consolidated financial statements for the year ended December 31, 2017.

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
For the periods ended September 30, 2018 and 2017  
(Expressed in thousands of United States Dollars)

### 5. SUBSIDIARIES AND BUSINESS SEGMENTS

Inter-Rock's business is organized into three individual 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 Inc.	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, mainly cash flow from operations.

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, 2018	MIN-AD.	Mill Creek	Papillon	Other	Eliminations	Total
<b>REVENUE</b>						
Internal sales	2,059	-	100	450	(2,609)	-
External sales	3,471	4,027	29,470	-	-	36,968
<b>COST OF SALES</b>						
Operating costs	4,262	2,842	25,333	-	(1,886)	30,551
Amortization & depletion	156	243	-	8	-	407
<b>Gross Profit</b>	1,112	942	4,237	442	(723)	6,010
<b>OPERATING EXPENSES</b>						
Selling, general & administration	732	862	2,699	439	(660)	4,072
Amortization of intangible assets	-	-	246	-	-	246
<b>Income (loss) Before Financing Costs</b>	380	80	1,292	3	(63)	1,692
<b>FINANCING COSTS</b>						
Interest on Series A preferred shares	-	-	-	81	-	81
Interest on long-term debt	22	70	151	25	-	268
<b>Income (loss) Before Income Taxes</b>	358	10	1,141	(103)	(63)	1,343
Income tax expense	4	17	158	-	-	179
<b>Net and comprehensive income (loss) for the period</b>	354	(7)	983	(103)	(63)	1,164

Adjustments and eliminations include inter-segment revenues and expenses that are eliminated on consolidation

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

### 5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

As at September 30, 2018	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
<b>ASSETS</b>						
Current assets	1,165	1,564	5,408	100	(402)	7,835
Non-current assets	1,518	3,344	4,236	-	-	9,098
	2,683	4,908	9,644	100	(402)	16,933
<b>LIABILITIES</b>						
Current liabilities	993	809	2,502	92	(121)	4,275
Non-current liabilities	37	1,118	2,927	4,389	-	8,471
	1,030	1,927	5,429	4,481	(121)	12,746

For the three month period ended September 30, 2018	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
<b>REVENUE</b>						
Internal sales	573	-	38	161	(772)	-
External sales	1,041	1,402	8,837	-	-	11,280
<b>COST OF SALES</b>						
Operating costs	1,207	980	7,599	-	(577)	9,209
Amortization & depletion	54	88	-	3	-	145
<b>Gross Profit</b>	353	334	1,276	158	(195)	1,926
<b>OPERATING EXPENSES</b>						
Selling, general & administration	215	270	653	133	(217)	1,054
Amortization intangibles	-	-	82	-	-	82
<b>Income (loss) Before Financing Costs</b>	138	64	541	25	22	790
<b>FINANCING COSTS</b>						
Interest on Series A preferred shares	-	-	-	43	-	43
Interest on long-term debt	5	22	46	8	-	81
<b>Income (loss) Before Income Taxes</b>	133	42	495	(26)	22	666
Income tax expense	4	17	158	-	-	179
<b>Net and comprehensive income (loss) for the period</b>	129	25	337	(26)	22	487

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
For the periods ended September 30, 2018 and 2017  
(Expressed in thousands of United States Dollars)

### 5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment operating results for the prior period are as follows:

For the nine month period ended September 30, 2017	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
<b>REVENUE</b>						
Internal sales	2,302	-	57	367	(2,726)	-
External sales	3,557	2,940	32,788	-	-	39,285
<b>COST OF SALES</b>						
Operating costs	4,225	1,835	28,196	-	(2,011)	32,245
Amortization & depletion	238	237	-	-	7	482
<b>Gross Profit</b>	1,396	868	4,649	367	(722)	6,558
<b>OPERATING EXPENSES</b>						
Selling, general & administration	716	764	2,375	331	(424)	3,762
Amortization of intangible assets	-	-	246	-	-	246
<b>Income (loss) Before Financing Costs</b>	680	104	2,028	36	(298)	2,550
<b>FINANCING COSTS</b>						
Interest on long term debt	39	87	202	25	-	353
<b>Income (loss) Before Income Taxes</b>	641	17	1,826	11	(298)	2,197
Income tax expense	3	5	83	-	-	91
<b>Net and comprehensive income (loss) for the period</b>	638	12	1,743	11	(298)	2,106

Adjustments and eliminations include inter-segment revenues and expenses that are eliminated on consolidation

As at September 30, 2017	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
<b>ASSETS</b>						
Current assets	1,161	1,525	4,359	37	(235)	6,847
Non-current assets	1,882	3,549	4,564	374	-	10,369
	3,043	5,074	8,923	411	(235)	17,216
<b>LIABILITIES</b>						
Current liabilities	1,090	897	1,943	73	146	4,149
Non-current liabilities	43	1,554	4,116	4,026	-	9,739
	1,133	2,451	6,059	4,099	146	13,888

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
For the periods ended September 30, 2018 and 2017  
(Expressed in thousands of United States Dollars)

### 5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

For the three month period ended September 30, 2017	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
<b>REVENUE</b>						
Internal sales	784	-	20	133	(937)	-
External sales	1,026	1,138	10,100	-	-	12,264
<b>COST OF SALES</b>						
Operating costs	1,380	687	8,556	-	(962)	9,661
Amortization & depletion	95	74	-	-	2	171
<b>Gross Profit</b>	<b>335</b>	<b>377</b>	<b>1,564</b>	<b>133</b>	<b>23</b>	<b>2,432</b>
<b>OPERATING EXPENSES</b>						
Selling, general & administration	239	259	738	106	(4)	1,338
Amortization intangibles	-	-	82	-	-	82
<b>Income Before Financing Costs</b>	<b>96</b>	<b>118</b>	<b>744</b>	<b>27</b>	<b>27</b>	<b>1,012</b>
<b>FINANCING COSTS</b>						
Interest on long-term debt	13	28	64	8	-	113
<b>Income Before Income Taxes</b>	<b>83</b>	<b>90</b>	<b>680</b>	<b>19</b>	<b>27</b>	<b>899</b>
Income tax expense	3	5	83	-	-	91
<b>Net and comprehensive income for the period</b>	<b>80</b>	<b>85</b>	<b>597</b>	<b>19</b>	<b>27</b>	<b>808</b>

### 6. INVENTORIES

Inventories comprise the following:

	September 30, 2018	December 31, 2017
	\$	\$
Raw materials and consumables, at cost	395	760
Finished goods, at cost	887	635
<b>Total inventories, at lower of cost and net realizable value</b>	<b>1,282</b>	<b>1,395</b>

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

### 7. PROPERTIES, PLANT AND EQUIPMENT

Costs of properties, plant and equipment comprise the following:

	Balance, December 31, 2017	Additions during the period	Disposals during the period	Balance, September 30, 2018
	\$	\$	\$	\$
<u>Cost</u>				
Land	535	-	-	535
Dolomite Properties	2,051	-	-	2,051
Mill Equipment	5,566	-	-	5,566
Mill (i.e. Capital projects)	6,954	255	-	7,209
Vehicles	445	-	-	445
Spare Parts	321	7	-	328
	15,871	262	-	16,134

Accumulated amortization and depletion of properties, plant and equipment comprise the following:

	Balance, December 31, 2017	Additions during the period	Disposals during the period	Balance, September 30, 2018
	\$	\$	\$	\$
<u>Accumulated amortization and depletion</u>				
Land	-	-	-	-
Dolomite Properties	(1,219)	(8)	-	(1,227)
Mill Equipment	(4,079)	(198)	-	(4,277)
Mill (i.e. Capital projects)	(5,197)	(179)	-	(5,376)
Vehicles	(372)	(22)	-	(394)
Spare Parts	-	-	-	-
	(10,867)	(407)	-	(11,274)

Net book value of properties, plant and equipment comprise the following:

	Balance, September 30, 2018	Balance, December 31, 2017
	\$	\$
<u>Net book value</u>		
Land	535	535
Dolomite Properties	824	832
Mill Equipment	1,289	1,486
Mill	1,833	1,757
Vehicles	51	73
Spare Parts	328	321
	4,860	5,004

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
For the periods ended September 30, 2018 and 2017  
(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
Mill Creek	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Papillon acquisition	1,850	1,270	30	100	3,250	1,808
Less: amortization	(139)	(95)	(5)	(8)	(575)	-
Balance December 31, 2017	1,526	1,048	19	82	2,675	1,809
Less: amortization	(138)	(93)	(6)	(9)	(246)	-
Balance, September 30, 2018	1,388	955	13	73	2,429	1,809

Amortization of intangible assets is presented on the condensed consolidated interim statements of income and comprehensive income. As at period-end, no indicators of impairment existed for the intangible assets and 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 period.

The goodwill impairment analysis performed by the Company concluded there was no impairment to goodwill as at September 30, 2018 as the fair value of its CGUs exceeded its carrying value.

The CGU recoverable amount was determined based on its value using a 5-year discounted cash flow model. Key assumptions used in the discounted cash flows are: (a) projected gross profit used in the forecast was estimated considering current and historical results with a growth rate of 4% and a terminal 2% growth to reflect the inflationary growth, (b) projected earnings before interest, taxes, depreciation and amortization used in the forecast were estimated using current and historical results as a percentage of revenue with consideration to variable costs. Fixed costs were estimated to remain fairly constant (c) working capital and capital expenditures were estimated considering historical requirements. The discount rate applied in the discounted cash flow models range from 25% to 30%.

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

### 9. DEBT

Bank debt, equipment financings, and promissory notes due to related parties comprise the following:

	September 30, 2018	December 31, 2017
	\$	\$
<u>Aggregate debt facilities</u>		
Revolving Credit Facility	540	583
Mill Creek Term Loan	510	616
Papillon Term Loan	3,666	1,016
Equipment Financings	1,073	1,313
Related Party Notes	555	3,555
	<b>6,344</b>	<b>7,083</b>
<u>Less: current portions of</u>		
Bank debt	(1,488)	(1,021)
Current portion equipment purchase financing	(294)	(321)
<b>Total long term debt</b>	<b>4,562</b>	<b>5,741</b>

#### Bank facilities

MIN-AD and Mill Creek jointly have three bank facilities:

- (i) \$1,000 Revolving Credit Facility – a one-year, secured revolving credit facility (“RC”) in the amount of the lesser of \$1,000 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, 2019. At September 30, 2018, \$540 (September 30, 2017 - \$663) was outstanding under the RC facility and was recorded as current portion of long term debt.
- (ii) \$750 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 \$14 and matures on December 25, 2021. At September 30, 2018, \$148 (September 30, 2017 - \$140) was recorded as current portion of long term debt and the balance of \$362 (September 30, 2017 - \$510) was recorded as long term debt.
- (iii) \$1,264 Equipment Term Loan – a five and a half year, secured equipment acquisition term loan. The loan bears interest at a fixed rate of 5.50% and amortizes over sixty months in equal principal and interest payments of \$24. The loan matures on June 25, 2022. At September 30, 2018, \$242 (September 30, 2017 - \$230 ) was recorded as current portion of equipment purchase financing and the balance of \$737 (September 30, 2017 - \$979) was recorded as long term debt.

## **Inter-Rock Minerals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

*(Expressed in thousands of United States Dollars)*

---

### **9. DEBT (CONT'D)**

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.

In the second quarter of 2018, Papillon Agricultural LLC (the parent company of Papillon Agricultural Company Inc.) arranged a \$4.0 million, five year secured term loan bearing interest at a fixed rate of 4.75%. The proceeds of the loan were used to repay in full a bank term loan (\$918) and the remaining Seller Notes (\$3,000), (see Related party notes below). The loan is secured against all the present and future assets of Papillon Agricultural Company Inc. and Papillon Agricultural LLC, and is guaranteed by the Company and its subsidiaries, Secret Pass Gold Inc. and Papillon Agricultural Company Inc. 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 (i) a minimum debt service cover ratio of 1.15 and (ii) beginning in the second year of the loan, a requirement that 80% of accounts receivable plus cash must be equal to or greater than the outstanding loan balance. At September 30, 2018, \$800 was recorded as current portion of long term debt and the balance of \$2,866 was recorded as long term debt.

As at September 30, 2018, the borrowers were in compliance with all bank debt covenant requirements.

#### **Equipment financings**

In the course of operations, MIN-AD and Mill Creek arrange equipment finance facilities with major equipment manufacturers and financial institutions. The total amounts currently outstanding under these facilities range from \$ 1 to \$979 (September 30, 2017 - \$12 to \$1,209) and the interest rate on the facilities range from 1 .99% to 5.5% per annum. At September 30, 2018, \$294 (September 30, 2017 - \$317) was recorded as current portion of long term debt and the balance of \$779 (September 30, 2017 - \$1,072) was recorded as long term debt.

#### **Related party notes**

On March 23, 2016, in connection with financing the acquisition of Papillon Agricultural Company Inc., Papillon Agricultural LLC issued notes to the original shareholders of Papillon for \$3,899 (the "Seller Notes"). The Seller Notes had a maturity date of March 23, 2019. During 2017, \$899 of the Seller Notes were prepaid and in the second quarter of 2018, the remaining \$3,000 of Seller Notes were prepaid. The Papillon noteholders are related parties as they continue to work for, or were directors of Papillon.

Also, in connection with financing the acquisition of Papillon, the Company borrowed \$500 from the Chairman of the Company and \$55 from the Chief Executive Officer of the Company, (the "Buyer Notes"). The Buyer Notes are unsecured and bear interest at 6% per annum. The principal and accrued interest are due in full on December 31, 2019 and is recorded as long term debt. At September 30, 2018 accrued interest totaled \$87 (September 30, 2017 - \$54).

## **Inter-Rock Minerals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

*(Expressed in thousands of United States Dollars)*

---

### **10. 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.

### **11. 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 of the Company.

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, 2018, so the liability has been presented in these financial statements as long term. During the first nine months of 2018, the Board of Directors of the Company declared and paid two quarterly preferred share dividends totaling \$81. (September 30, 2017 - \$Nil). The dividends are recorded as interest expense.

### **12. SHARE CAPITAL**

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

	Number	Amount
Balance, September 30, 2018 and 2017	22,617,811	5,864

---

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

### 13. 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, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Basic income per share</b>				
Income available to common shares	487	808	1,164	2,106
Weighted average common shares (in thousands)	22,618	22,618	22,618	22,618
	0.02	0.04	0.05	0.09
<b>Diluted income per share</b>				
Income available to common shares	487	808	1,164	2,106
Income available to common shares, assuming dilutor	487	808	1,164	2,106
Weighted average common shares outstanding	22,618	22,618	22,618	22,618
Preferred shares converted to common shares	17,137	17,137	17,137	17,137
Adjusted weighted average common shares outstandir	39,755	39,755	39,755	39,755
	0.01	0.02	0.03	0.05

Each Preferred Share (Note 11) 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.

### 14. INCOME TAXES

At December 31, 2017, the Company had net operating losses for income tax purposes of \$862 (2016 – \$2,696) which can be carried forward and applied against future taxable income. The right to use these losses expires as follows:

Incurred	Expires	Amount
		\$
2012	2032	232
2013	2033	193
2014	2034	437
		862

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
For the periods ended September 30, 2018 and 2017  
(Expressed in thousands of United States Dollars)

### 15. RELATED PARTY TRANSACTIONS

#### (a) Notes related to the acquisition of Papillon Agricultural Company Inc., (“Papillon”)

In the second quarter of 2018, Papillon repaid the remaining \$3,000 outstanding principal balance of the Seller Notes due to the original shareholders of Papillon and made a final interest payment to the noteholders of \$16. During the first six months of 2018, the Company paid interest of \$59 to the noteholders. The Papillon noteholders are related parties as they either continue to work for Papillon or were directors of Papillon.

The Company's \$1.5 million term loan with Shore United Bank, which was fully repaid in April 2018, required a personal guarantee from the CEO of the Company, (in addition to corporate guarantees provided by the Company and two of its subsidiaries). To compensate the CEO for assuming this obligation, the Board of Directors approved a guarantee fee payable to the CEO in an amount equal to an annual rate of 2% interest on the outstanding balance of the loan for so long as the guarantee was in place. At year end 2017, Shore United Bank agreed to release the CEO from the personal guarantee. The accrued fee of \$45 was paid in full to the CEO in two equal installments, one in the third quarter of 2018 and one subsequent to quarter end.

#### (b) Key management remuneration

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

	For the three months ended		For nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
	\$	\$	\$	\$
Short term benefits including salaries, consulting and directors fees	190	195	569	575

### 16. 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,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
	\$	\$	\$	\$
<u>MIN-AD and Mill Creek</u>				
Dolomite sales	1,875	1,894	5,651	5,344
Freight charges	478	215	1,575	967
Fuel charges	89	55	272	186
	2,442	2,164	7,498	6,497
<u>Papillon</u>				
Animal feed sales	8,374	9,418	27,763	30,602
Other revenue	190	287	600	786
Freight charges	274	395	1,107	1,400
	11,280	12,264	36,968	39,285

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended September 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

---

### 17. COMMITMENTS

The Company is committed to \$7,516 for obligations and financial commitments in the normal course of operations and financing activities. At September 30, 2018, the Company had the following financial commitments:

---

	<b>Total</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Thereafter</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Bank principal repayments	4,716	236	1,490	958	967	1,065
Equipment financing	1,073	79	282	275	290	147
Operating leases	1,172	98	394	394	221	65
Related party notes	555	-	555	-	-	-
<b>Total</b>	<b>7,516</b>	<b>413</b>	<b>2,721</b>	<b>1,627</b>	<b>1,478</b>	<b>1,277</b>

---

The Company entered into a sub-lease agreement for office space for its head office in Toronto. The sub-lease is for a four year term to January 31, 2020, with monthly payments of \$2.

### 18. SUBSEQUENT EVENT

The Board of Directors of the Company declared a preferred share dividend of \$45 for the third quarter of 2018. The dividend was paid subsequent to period end.