

Inter-Rock Minerals Inc.

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

April 28, 2017

INTER-ROCK MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTES TO READER

References to "Inter-Rock" and the "Company" in this discussion refer to Inter-Rock Minerals Inc. and its subsidiaries taken as a whole.

The following management discussion and analysis ("MD&A") provides an analysis of the financial condition of Inter-Rock at December 31, 2016 and compares it to the financial condition of the Company on December 31, 2015. The MD&A also analyzes the Company's results of operations for the year ended December 31, 2016 and compares those results to the results for the year ended December 31, 2015. This discussion additionally provides an update of our plan of operations for the short term.

This MD&A has been prepared in compliance with the requirements of National Instrument ("NI") 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with Inter-Rock's annual audited consolidated financial statements and corresponding notes for the years ended December 31, 2016 and December 31, 2015. The Company's financial statements and MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

All monetary amounts are expressed in United States dollars unless otherwise indicated.

This MD&A is prepared as of April 28, 2017.

DESCRIPTION OF THE BUSINESS

Inter-Rock is a public company continued in Barbados in 2000. Inter-Rock's shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "IRO".

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

2016 HIGHLIGHTS

- Successfully completed the \$5.95 million acquisition of Papillon Agricultural Company Inc. at the end of the first quarter of 2016. The purchase of Papillon will more than triple Inter-Rock's consolidated revenues, which are forecast to approximate \$35 annually.
- Refinanced existing bank debt and extended the maturity date to five years; arranged a new equipment finance facility.

- Completed plant improvements at Mill Creek and commissioned a new mobile crushing and screening unit which will allow for increased production in 2017.
- Consolidated cash flow from operations before changes in non-cash working capital of \$1.89 million in 2016, up from \$862,000 in 2015, driven by the acquisition of Papillon and improved performance at MIN-AD.

OPERATIONS REVIEW

Papillon Agricultural

Papillon develops, markets and distributes specialty nutritional supplements to the dairy cow feed industry. Papillon has its own line of high quality proteins and rumen probiotic products that are produced under toll manufacturing agreements. In addition, Papillon distributes MIN-AD products in the Northeast and Midwest United States and also distributes yeast and zeolite products. Most of Papillon's sales are in the northeastern and north central regions of the United States.

Inter-Rock closed the acquisition of Papillon at the end of the first quarter of 2016 and commenced consolidating Papillon's financial results in the second quarter. Accordingly, this MD&A presents financial results for Papillon for the period from March 24 to December 31, 2016, but does not report Papillon's financial performance for the full year 2016 nor comparable financial figures for 2015 when Papillon was a private company.

Papillon recorded revenue of \$21.06 million for the period March 24 to December 31, 2016. Revenue in the fourth quarter of 2016 was \$8.29 million, an increase of approximately 30% over revenues of \$6.35 million in the third quarter and \$6.42 million in the second quarter (the second quarter figure includes the period from March 24 to June 30, 2016). The improvement in revenues was attributable to an increase in protein tons sold. Papillon's fourth quarter tons sold were more than 30% higher than the third quarter, while third quarter tons sold were 6% higher than second quarter sales. Sales of Papillon's products declined in the third quarter of 2015 as lower milk prices reduced demand from dairy farmers for protein feed additives; however, tons sold started to increase late in the second quarter of 2016 and rose sharply in the fourth quarter as sales of bypass protein products increased along with milk prices and Papillon's sales of MIN-AD rose due to an increase in marketing. Low feed prices, which act to partially offset the impact of low milk prices received by dairy farmers have also supported sales of Papillon's products.

Papillon's cash flow from operations (before non-cash working capital changes and management fees paid to Inter-Rock) was \$1.22 million for the period March 24 to December 31, 2016. Cash flow improved quarter over quarter due to the increase in tons sold and was approximately \$573,000 in the fourth quarter.

In mid-2016, Papillon hired a territory manager for a new region in the North Central United States and successfully increased sales in that region. In 2017, Papillon's plans include continuing the geographic expansion of its sales regions, reviewing plant facilities with the aim of adding an additional toll manufacturing location, launching a new clostridia control product and enhancing its marketing program, including the marketing of MIN-AD in the Upper Midwest region.

Mill Creek

Mill Creek owns and operates a dolomite quarry and plant in Mill Creek, Oklahoma. Mill Creek sells into specialty markets for dolomite, principally the glass, roofing materials, and aglime markets. Mill Creek, located approximately half way between Dallas, TX and Oklahoma City, OK, is ideally located to serve the large concentration of glass and asphalt shingle manufacturers in Texas, Oklahoma, and eastern Kansas.

About 70% of Mill Creek's sales volume is to the glass industry, primarily for flat glass production which is used in the construction and automotive industries. Mill Creek produces a uniform composition, low decrepitation dolomite for glass furnaces, where it serves as a flux, which assists melting and adjusts the melt viscosity and acts as a source of magnesium and calcium. The filler and aglime markets require purity and uniformity, but have no decrepitation requirement. The filler market, primarily for asphalt shingles, accounts for about 20% of Mill Creek's sales volume and the remaining 10% of sales are to the aglime market where Mill Creek's products provide a high purity source of calcium and magnesium to enhance soils and reduce acidity.

Dolomite is sourced from two adjacent quarries at Mill Creek. A stockpile area allows for separation of the higher value, low decrepitation ore from the material that is sold into non-glass markets. Sales logistics at Mill Creek are straightforward as the majority of customers have FOB Mill Creek pricing and thus make their own freight arrangements. Most shipments are by truck, but the plant is located on a BNSF siding and some shipments are made by rail.

Product sales revenue (revenue excluding freight and fuel charges recovered from customers) of \$3.99 million fell approximately 9% in 2016 as compared with the year earlier. Revenues were lower as a result of lower sales volumes, which declined 12% in 2016 as compared 2015. The volume decrease was largely attributable to a reduction of sales to glass customers as Mill Creek's plant capacity was reduced while the company completed planned maintenance and capital improvements aimed at increasing capacity. Tons sold were also impacted by a temporary suspension of orders from one of Mill Creek's glass customers while they undertook a planned furnace refurbishment.

Mill Creek's unit operating costs (including quarrying, plant and maintenance) were 5% higher in 2016 as compared 2015, largely due to lower production volumes. Site general and administrative expenses in 2016 were mainly unchanged from the prior year.

Lower sales volumes significantly impacted Mill Creek's cash flow in 2016. Cash flow from operations in 2016 (before non-cash working capital changes and management fees paid to Inter-Rock) was \$358,000 (inclusive of \$103,000 of proceeds from the sale of land and used equipment) as compared with \$534,000 in 2015.

Mill Creek incurred capital expenditures of \$2.24 million in 2016. The principal expenditures included \$1.49 million for the mobile crushing and screening plant, \$375,000 for haul trucks, \$306,000 on the mill refurbishment project, including a rebuild of the tertiary crusher and engineering studies, and \$62,000 on vehicles.

The new crushing and screening equipment has been commissioned and is now operating at design capacity. This should enable Mill Creek to increase production and target higher sales to the U.S. flat glass industry which is expanding due to growth in the construction industry.

MIN-AD

MIN-AD quarries, processes, and markets a specialty dolomite for the dairy and beef cattle feed industry. The dolomite is used as a source of magnesium and calcium and as a rumen acid buffer. MIN-AD produces three product lines: (i) Standard – a broad particle size distribution for dry supplements; (ii) Fines – a finely ground product sold to liquid feed manufacturers and (iii) Granular – a dust free coarse product for cattle on pasture. Approximately 95% of sales are in the United States, while the other 5% are in Alberta and British Columbia. MIN-AD's quarry and grinding plant are located in northern Nevada near the town of Winnemucca.

MIN-AD conducts its own sales and marketing in the central and western U.S., while Papillon acts as MIN-AD's exclusive distributor in the U.S. northeast and central Atlantic regions. The Company plans to have Papillon assume all MIN-AD sales and marketing.

MIN-AD's product sales revenue (that is, revenue excluding freight and fuel charges recovered from customers) was \$4.08 million in 2016, an increase of approximately 8% over 2015. Sales volumes increased 13% in 2016 as compared with 2015. The increase in tons sold was due to selling additional tons to Papillon for re-sale by Papillon in the northeastern U.S. and higher sales in the Plains beef market.

Total unit operating costs in 2016 declined by 4% from 2015. Cash flow from operations (before non-cash working capital changes and management fees paid to Inter-Rock) was \$1.01 million in 2016, an increase of 50% as compared with operating cash flow of \$668,000 in 2015. The increase in cash flow in 2016 was largely attributable to higher sales, a reduction of marketing staff as MIN-AD now benefits from a joint marketing effort with Papillon and lower research and development expenses. MIN-AD incurred capital expenditures of \$124,000 in 2016.

MIN-AD and Papillon are jointly developing sales and marketing programs for MIN-AD's products, which are purchased by Papillon and then sold to dairy producers. MIN-AD benefits from Papillon's sales and marketing expertise and geographic reach, primarily in the eastern United States. MIN-AD increased its sales to Papillon in each quarter since the acquisition of Papillon at the end of the first quarter of 2016. In 2016, approximately 27% of MIN-AD's sales volumes were to Papillon.

MIN-AD and Papillon also jointly conduct research and business development programs. For example, a joint MIN-AD/Papillon dairy trial was successfully completed at Cornell University during the first quarter of 2016 that demonstrated the benefits of feeding MIN-AD's dolomite to transition cows, that is, cows that are in the critical period of transitioning to milk production after calving. The results were disseminated to nutritionists and are included in Papillon's marketing program.

CONSOLIDATED FINANCIAL REVIEW

Selected Annual Information

| US\$,000 | 2016 | 2015 | 2014 |
|----------------------------------|----------|----------|----------|
| Financial Performance | | | |
| Revenue | \$30,087 | \$11,750 | \$10,554 |
| Operating Costs | \$23,883 | \$8,717 | \$7,445 |
| SG&A | \$4,314 | \$2,171 | \$2,530 |
| Net Profit (Loss) | \$750 | (\$263) | (\$406) |
| Operating Cash Flow ¹ | \$1,890 | \$862 | \$579 |
| Capital Expenditures | \$1,019 | \$368 | \$456 |
| Financial Condition | | | |
| Cash | \$1,123 | \$329 | \$37 |
| Working Capital | \$1,331 | (\$441) | (\$680) |
| Total Assets | \$17,074 | \$7,241 | \$7,326 |
| Total Debt | \$9,370 | \$2,028 | \$2,267 |

¹ Revenue less Operating Costs less Selling General and Administrative Expenses.

Financial Results

The consolidated financial results reflect the inclusion of Papillon for the period March 24 to December 31, 2016. Although the prior year periods do not include Papillon, we have presented a comparison of the current year to the prior year to illustrate the magnitude of the change in financial results attributable to Papillon.

Inter-Rock recorded revenue of \$30.09 million in 2016, as compared with revenue of \$11.75 million in 2015. The increase is entirely attributable to the acquisition of Papillon, as aggregate dolomite revenues from Mill Creek and MIN-AD were unchanged from 2015, with strong performance at MIN-AD, offset, by a 9% decline in product sales revenue at Mill Creek. Consolidated revenue reflects the elimination of MIN-AD's intercompany sales to Papillon, which accounted for about one quarter of MIN-AD's 2016 revenue.

Interest expense was \$366,000 in 2016, up from \$119,000 in 2015. The increase in interest expense is due to the \$5.95 million of debt raised to fund the acquisition of Papillon.

Inter-Rock recorded net income of \$750,000 or \$0.03 per share in 2016 as compared with a net loss of \$263,000, or (\$0.01) per share in 2015. The improvement in net income is largely attributable to the acquisition of Papillon and higher sales of MIN-AD, offset in part by higher interest expenses related to the Papillon acquisition debt.

Summary of Quarterly Results

| US\$,000 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 | Q2/15 | Q1/15 |
|----------------------|----------|---------|---------|---------|-----------|---------|---------|-----------|
| Revenue | \$10,417 | \$8,347 | \$8,600 | \$2,723 | \$3,350 | \$2,845 | \$2,857 | \$2,698 |
| Net Income (Loss) | \$248 | \$386 | \$15 | \$101 | (\$287) | \$33 | \$63 | (\$72) |
| EPS – Basic | \$0.008 | \$0.017 | \$0.001 | \$0.004 | (\$0.013) | \$0.001 | \$0.003 | (\$0.003) |

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

The Company's liquidity strengthened from a working capital deficit of \$441,000 at December 31, 2015 to a positive working capital balance of \$1.33 million at December 31, 2016. This is largely attributable to free cash flow generation, an increase in accounts receivable that more than offset the increase in accounts payable and the refinancing of bank debt which reduced the current portion of debt due in the next twelve months (as described below in Financing Activities). The refinancing of the Company's term loan with Meadows Bank extended the maturity date by five years.

The Company's debt increased to approximately \$9.37 million at December 31, 2016 from \$2.03 million at the end of 2015. Debt related to the acquisition of Papillon accounted for about \$5.75 million of the Company's total debt at year end, while financing the new crushing and screening equipment at Mill Creek added \$1.34 million of new debt. Of the Papillon related debt, \$5.13 million is not due until March 2019 (this includes \$4.54 million in notes and a \$672,000 final payment of Papillon's bank debt). With respect to the Mill Creek crusher, the statements reflect debt of \$1.34 million included in Equipment Purchase Financing on the Company's balance sheet at year end 2016, which represented the remaining payments due to complete the purchase of the equipment. Subsequent to year end, the Company finalized the purchase by making a cash payment of \$76,300 and drawing \$1.26 million under a new bank term loan (see Financing Activities below).

Subsequent to year end, the Company reduced its debt by about \$850,000, largely by repaying a \$250,000 related party note, making a \$200,000 prepayment of the Papillon notes and repaying equipment financing debt related to the acquisition of two haul trucks for approximately \$326,000, (see Financing Activities below).

At December 31, 2016, the Company had cash of \$1.12 million, as compared with \$329,000 at December 31, 2015. The increase in cash is attributable to the cash acquired with the acquisition of Papillon and cash flow from operations. The Company also had \$328,000 available under its revolving credit facility at the end of 2016. The cash position and projected cash flows should provide the Company with ample capacity to meet its short term liquidity requirements, notably scheduled principal and interest payments of approximately \$1.08 million over the next 12 months.

The change in the cash balances during 2016 and 2015 is reconciled as follows (\$000):

| | Year Ended Dec 31, 2016 | Year Ended Dec 31, 2015 |
|--|------------------------------------|------------------------------------|
| Cash at Beginning of Period | \$329 | \$37 |
| Cash Provided by Operations | \$1,890 | \$862 |
| Cash Provided (Used) by Changes in Working Capital | (\$750) | \$163 |
| Proceeds from Related Party Debt | \$4,454 | \$250 |
| Proceeds from Acquisition Bank Debt | \$1,500 | - |
| Proceeds from Bank Refinancing | \$1,422 | - |
| Proceeds from Equipment Financing | \$515 | - |
| Purchase of Papillon (net of cash) | (\$4,984) | - |
| Capital Expenditures | (\$1,019) | (\$375) |
| Principal and Interest Paid | (\$1,958) | (\$506) |
| Equipment Financing Repayments | (\$253) | (\$152) |
| Other (net) | (\$23) | \$50 |
| Cash at December 31, 2016 | \$1,123 | \$329 |

Operating Cash Flows

Consolidated cash flow from operations before changes in non-cash working capital was \$1.89 million in 2016, up from \$862,000 in 2015 as a result of the acquisition of Papillon.

Operating cash flow, after accounting for changes in non-cash working capital, was \$1.01 million in 2016 as compared with \$1.03 million in 2015. Changes in non-cash working capital reduced cash flow by \$750,000 in 2016, in part due to the timing of collections of trade receivables.

Financing Activities

During 2016, the Company made financing related payments of \$2,211,000, including principal repayments on long term debt of \$1,636,000, (this includes the full repayment of the amounts outstanding under the Mutual of Omaha term and revolving credit facilities that were refinanced – see Bank Refinancing below), equipment purchase financing repayments of \$253,000 and \$322,000 in interest payments.

The Company did not declare any preferred share dividends in 2016.

The Company's principal financing activities in 2016 included the refinancing of its bank facilities and arranging debt financing for the acquisition of Papillon. These activities are outlined below.

Bank Refinancing

The Company previously had a revolving credit facility and term loan with the Mutual of Omaha Bank. The term loan was arranged in 2011 to partially fund the acquisition of Mill Creek Dolomite, while the revolving credit facility provided liquidity to both the MIN-AD and Mill Creek dolomite businesses. Both loans originally matured in June 2016, but the maturity dates were twice extended by three months to December 29, 2016 to accommodate the refinancing of the facilities. In December 2016, the Company arranged three new credit facilities with Meadows Bank of Las Vegas, Nevada and used a portion of the proceeds to fully repay the Mutual of Omaha loans.

The Meadows Bank facilities and the use of proceeds are summarized below:

- (i) \$1,000,000 Revolving Credit Facility – the Company arranged a one-year, secured revolving credit facility (“RC”) with Meadows Bank in the amount of the lesser of \$1,000,000 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 December 25, 2017. Proceeds from the initial drawdown were used to fully repay the \$672,000 outstanding under the Mutual of Omaha revolving credit facility. The undrawn portion provides additional liquidity to the MIN-AD and Mill Creek operations. At December 31, 2016, \$672,000 was outstanding under the RC facility and was recorded as current portion of long-term debt.
- (ii) \$750,000 Term Loan – a five year, secured term facility bearing interest of 5.50% per annum. The loan amortizes in sixty equal monthly payments and matures on December 25, 2021. Proceeds were used to fully repay the \$483,000 balance outstanding under the Mutual of Omaha term loan and, subsequent to year end, on January 26, 2017, to repay a related party note in the amount of \$250,000 plus accrued interest. At December 31, 2016, the outstanding balance of the term loan was \$750,000.
- (iii) \$1,500,000 Equipment Term Loan – this facility, which was not drawn in 2016, was arranged to finance, in an amount up to \$1,500,000, the purchase of new crushing and screening equipment for Mill Creek. The secured loan has a five and a half year term. For six months post drawdown, the loan bears interest at the U.S. bank prime rate plus 0.50% and the Company is only required to make monthly interest payments during this six month period. Thereafter, the loan bears interest at a fixed rate of 5.50% and amortizes over sixty months in equal instalments. The loan matures on June 25, 2022.

The three Meadows Bank facilities are secured by the accounts receivables, inventory, equipment and other assets of MIN-AD Inc. and Mill Creek Dolomite LLC. The facilities are guaranteed by both the Company and its subsidiary, Secret Pass Gold Inc. The Meadows facilities contain certain covenants that limit, among other things, the ability of the Company’s subsidiaries (MIN-AD and Mill Creek Dolomite) to incur new indebtedness, sell material assets and make acquisitions and investments. There is also a requirement to maintain a minimum debt to cash flow ratio.

Papillon Acquisition Financing

During the first quarter of 2016, the Company completed debt financings of \$5,954,000 related to the acquisition of Papillon Agricultural Inc. The acquisition debt comprises the following:

- (i) Seller Notes: the Company issued \$3,898,600 of promissory notes to shareholders of Papillon Agricultural Inc., (the “Seller Notes”). There are two tranches of Seller Notes, a \$3,498,600 tranche bearing interest at 5.75% per annum and a \$400,000 working capital tranche bearing interest at 7% per annum. Interest is paid quarterly and the principal is due at maturity on March 23, 2019. The Seller Notes are guaranteed by Inter-Rock and Papillion Agricultural Company

Inc. and are secured by a pledge of the shares of Papillon Agricultural Company Inc. The Seller Notes are fully subordinated to the Shore United Bank loan facility described below. The Seller Notes are subject to the terms of a note indenture and the Papillon Stock Purchase Agreement, which limits cash distributions from Papillon to Inter-Rock until the Notes have been repaid in full.

- (ii) \$1,500,000 Shore United Bank Term Loan: a three year, secured term loan bearing interest at 4.75% per annum with monthly amortization payments of \$28,182 and a final principal repayment of \$669,000 at maturity on March 22, 2019. The Shore loan is guaranteed by the Company, certain of the Company's subsidiaries and an officer of the Company and is secured by Papillon's accounts receivables. Under the terms of the Shore United loan, Papillon Agricultural LLC, (the "Borrower") is governed by certain covenants including, requiring Shore Bank approval for distributing cash to Inter-Rock, restrictions on new indebtedness, asset dispositions and acquisitions, a requirement to maintain a minimum debt service cover ratio and a certain level of cash and accounts receivables, among other covenants. At December 31, 2016, \$1,297,500 of the loan was outstanding.
- (iii) Buyer Notes: The Company issued a \$500,000 promissory note to the Chairman of the Company and a \$55,000 promissory note to the CEO of Inter-Rock, (the "Buyer Notes"). The Notes are unsecured and bear interest at 6% per annum. Interest is accrued and paid at maturity on December 31, 2019, (see Related Party Transactions below).

Recent Financing Developments

The following financing related activities occurred subsequent to December 31, 2016:

1. On January 26, 2017, the Company repaid in full, with accrued interest, a \$250,000 Note due to the Chairman of the Company. The 6% Note, provided on December 18, 2015 was due on December 31, 2016. The Note and accrued interest amounted to \$266,000.
2. On March 1, 2017, the Company prepaid \$200,000 of the 7% Seller Notes. The prepayment required obtaining approval from Shore United Bank. \$200,000 of 7% Seller Notes remain outstanding.
3. On March 6, 2017, the Company borrowed \$1,264,076 under the \$1,500,000 Equipment Term Loan with Meadows Bank. The proceeds were used to pay for new crushing and screening equipment at Mill Creek.
4. On March 22, the Company sold two haul trucks at its Mill Creek operation to an equipment dealer for proceeds of \$326,000. The proceeds of the sale of the trucks were used to repay in full on April 6, 2017, a secured bank term loan in the amount of \$326,458 that had been arranged to finance the purchase of the trucks by Mill Creek Dolomite.
5. On March 23, 2017, Mill Creek Dolomite, a wholly owned subsidiary of the Company, entered into a lease agreement to rent two new haul trucks for a four year term. In accordance with the lease agreement, Mill Creek selected the type of trucks and the manufacturer of the trucks and the Lessor acquired the trucks at the request of Mill Creek.

Under the terms of the lease agreement, Mill Creek has an absolute and non-terminable obligation to make all rental payments to the Lessor for the entire term of the lease agreement. Mill Creek is guaranteeing the payments due under the terms of the lease. The monthly payments are \$14,857 (including taxes) and total \$713,000 over the term of the lease. The lease agreement includes an equipment purchase option, under which Mill Creek may purchase the trucks at the end of the lease term at their fair market value. Monthly payments commence on April 23, 2017.

Investing Activities

The Company incurred capital expenditures of \$1.02 million in 2016 as compared with \$368,000 in 2015. All capital expenditures were related to the dolomite businesses, with \$896,000 of the total spent at Mill Creek for haul trucks, expenditures associated with the mill refurbishment project and down payment for the purchase of the crushing and screening equipment.

On March 23, 2016, Inter-Rock closed the acquisition of Papillon Agricultural Company, Inc. The purchase price was \$5.95 million, including \$0.4 million of cash borrowed from the owners of Papillion as part of the ongoing working capital requirement for Papillion. The acquisition, including the additional cash for working capital was financed as follows:

| | |
|--|--------------------|
| Seller Notes – Purchase Portion | \$3,498,600 |
| Seller Notes – Working Capital Portion | \$400,000 |
| Bank Loan | \$1,500,000 |
| Buyer Notes | \$555,000 |
| Total | \$5,954,600 |

Inter-Rock, through a newly created Delaware subsidiary, Papillion Agricultural LLC, acquired all the outstanding shares of Papillion Agricultural Company Inc., a private company based in Maryland. Pursuant to the terms of the share purchase agreement and a share pledge agreement, the owners of the Seller Notes have a security interest in all the shares of Papillion Agricultural Company Inc. held by the acquiring company, Papillon Agricultural LLC. The security interest is subject to annual partial releases of the shares in proportion to the amount of any optional prepayments. The Seller Notes are fully subordinated to the \$1.50 million Shore United Bank term loan, and under the terms of the share purchase agreement, principal repayments of the Seller Notes can only be made at the end of each year with the consent of Shore United Bank.

CONTRACTUAL OBLIGATIONS

At December 31 2016, the Company had the following commitments over the next five years (US\$000):

| | | | Total | 2017 | 2018 | 2019 | 2020 | Thereafter |
|---------------------|-----------|--|----------------|----------------|--------------|----------------|--------------|-------------------|
| Bank Debt | Principal | | \$2,719 | \$1,088 | \$437 | \$869 | \$157 | \$168 |
| Repayments | | | | | | | | |
| Crusher Financing | | | \$1,340 | \$149 | \$228 | \$241 | \$255 | \$467 |
| Equipment Financing | | | \$607 | \$177 | \$142 | \$112 | \$78 | \$98 |
| Related Party Notes | | | \$4,704 | \$250 | - | \$4,454 | - | - |
| Total | | | \$9,370 | \$1,644 | \$807 | \$5,676 | \$490 | \$733 |

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 22,617,811 common shares and 17,136,980 preferred shares issued and outstanding.

The Company does not have a stock option plan and has no stock options outstanding.

RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2016, in connection with financing the acquisition of Papillon, the Company issued \$3,898,600 of secured promissory notes to the owners of Papillon. The Papillon noteholders are related parties as they either continue to work for Papillon or are directors of Papillon.

The Company also issued unsecured promissory notes in the amount of \$500,000 to the Chairman of the Company and \$55,000 to the CEO of the Company. The notes accrue interest at 6% per annum. At December 31, 2016, the Company had accrued interest of \$28,800 related to these notes.

Refer to Financing Activities for details of the promissory notes issued to related parties.

As previously reported in the Company's 2015 annual financial statements, in December 2015, the Company issued a one year, \$250,000, 6% unsecured promissory note to the Chairman of the Company. The note proceeds were primarily used to complete the engineering study of plant improvements at Mill Creek. The accrued interest and principal were due at maturity on December 31, 2016. At December 31, 2016, interest of \$15,600 was accrued. The Note and accrued interest was repaid in full on January 26, 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including, (i) credit risk; (ii) market risk (including interest rate risk and foreign exchange risk) and (iii) liquidity risk. The objective of the Company's risk management policy is to properly identify financial risks and minimize adverse effects by ensuring that the Company maintains adequate capital in relation to the risks. The Company does not use derivative financial instruments as part of its strategy to manage market

risks. Management designs and implements strategies for managing financial risks, as summarized below.

Credit risk

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

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

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

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The Company is growing and in order to meet its short and longer-term working capital requirements, the Company will attempt, if necessary, to secure further financing to ensure that those obligations are properly discharged.

Operationally, the Company manages its liquidity by continuously monitoring forecasted and actual gross profit, expenses, and cash flows from operations.

Market rate risk

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

The majority of the Company's revenues, expenses, cash holdings and debt instruments are denominated in U.S. dollars, accordingly, foreign exchange risk is minimal. The Company has relatively small amounts of cash, executive compensation, accounts payable and accrued

liabilities denominated in Canadian dollars. Changes in the exchange rate between the United States and Canadian dollars would not have a material impact on the Company's earnings.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires us to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

We review these estimates and underlying assumptions on an ongoing basis based on our experience and other factors, including expectations of future events that we believe to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Certain accounting estimates and judgements have been identified as being "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates.

The Company's critical accounting judgements and estimates are described in Note 3 to the Consolidated Financial Statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the Company utilizes the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's

GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Inter-Rock has identified a potential control weakness regarding a lack of segregation of duties because of limited staff resources. Inter-Rock believes that this control weakness has not caused any material information to be withheld in its financial disclosure and has not impacted reported financial results.

RISKS FACTORS

The following list details material risks to the business of the Company. The risks described below are not exhaustive. Additional risks and uncertainties, or those that the Company currently deems to be immaterial, may become material and adversely affect the Company's business. The realization of any of these risks may materially and adversely affect the Company's business, financial condition, results of operations and/or the market price of the Company's securities.

Competition

The Company competes with other businesses that produce, market and sell dolomite or dolomite substitutes. Many of these companies have greater financial resources, closer proximity to markets, operating experience and technical capabilities than Inter-Rock. As a consequence of this competition, Inter-Rock may be unable to compete on the basis of price with other producers and lose market share. Moreover, the Company may be unable to acquire or maintain attractive dolomite properties or skilled personnel on acceptable terms. As a result, Inter-Rock's financial and operational condition could be materially adversely affected. The Company makes efforts to counter competition risks through marketing, customer service and pricing strategy.

Commodity Prices

Inter-Rock's businesses, particularly MIN-AD and Papillon Agricultural Company are exposed to fluctuations in the price of milk and the price of feed ingredients for dairy and beef cattle (including the price of certain grains and forage). Dairy farmers may spend less on specialty feed additives, like those produced by Papillon, if milk prices drop, while both dairy and beef producers may spend less on specialty products produced by MIN-AD and Papillon if the cost of feed ingredients increase. Fluctuations in the price of milk and feed ingredients are caused by numerous factors beyond the control of Inter-Rock, including milk production levels, herd sizes, crop yields and unusual weather patterns, among others.

Government Regulation

The quarrying, processing and development activities of the Company are subject to various laws governing development, production, taxes, royalties, labour standards and occupational health and safety, toxic substances, land use, water use and other matters. In addition, Papillon's and MIN-AD's products are subject to feed safety regulations. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied

in a manner which could have an adverse effect on the Company's financial position and results of operations.

Environmental Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's financial position and results of operations. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its operations or from proceeding with planned exploration or development of mineral properties.

North American Financial and Economic Conditions

In recent years financial conditions in North America have been characterized by volatility and uncertainty. In general, access to financing has been negatively impacted by many factors as a result of the recent global financial crisis. Although the Company recently arranged acquisition financing for the purchase of Papillon Agricultural Company Inc. and successfully refinanced its bank facilities, a continuing period of market volatility may impact the Company's ability to obtain equity or debt financing in the future on terms acceptable to the Company. Additionally, economic conditions may cause decreases in demand for the Company's products and decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

Cost Risk

The Company is exposed to industry wide cost pressures on capital and operating expenditures. The increasing costs seen in the Company's operations increases the risk relating to the profitability of its operations and the economic returns on its investments. The Company continues to implement cost management strategies to mitigate this risk.

Indebtedness

Although the Company has been successful in making its scheduled principal and interest repayments under its various note and loan facilities, there can be no assurance that it will continue to do so. The Company's level of indebtedness could have material consequences for its operations including: (a) limiting its ability to borrow additional amounts for working capital, capital expenditures or debt service requirements; (b) limiting the Company's ability to use operating cash flow in other areas, such as capitalizing on business opportunities or reacting to competitive pressures because of its obligations to service debt; (c) increasing the Company's vulnerability to general adverse economic and industry conditions; and (d) limiting its ability or increasing the costs to refinance indebtedness.

The Company expects to utilize its cash flow from operations to pay its operating costs and to pay interest and principal on its debt. The Company's ability to meet these payment obligations will depend on its future operating and financial performance, which will be affected by financial,

business, economic and other factors. The Company will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Company cannot be certain that its future cash flow from operations will be sufficient to allow it to make principal and interest payments on its debt and meet its other obligations. If cash flow from operations are insufficient or if there is a contravention of the debt facility covenants, the Company may be required to refinance all or part of its existing debt, sell assets, borrow additional money or issue equity. There can be no assurance that the Company will be able to refinance all or part of its existing debt on terms that are commercially reasonable.

Dependence on Management and Key Personnel

Inter-Rock is dependent on the services of key executives and a small number of highly skilled and experienced operating personnel. Loss of any of these people could have a material adverse effect on the Company's business. The marketplace for skilled personnel may become more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Company's control, including competition for human capital and the high-level of expertise and experience required to manage the Company's businesses will affect the Company's ability to employ the specific personnel required. The failure to retain or attract a sufficient number of skilled personnel could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has not taken out and does not intend to take out key man insurance.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements which may include, but are not limited to, statements with respect to the future financial or operating performance of Inter-Rock and its subsidiaries. All statements other than statements of historical fact are forward-looking statements. Generally, forward-looking statements can be identified by the use of words such as "plans", "expects", "anticipates", "believes", "estimates", "expects" and similar expressions, or the negatives of such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might", or "will" be taken, occur or be achieved. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to price volatility for the Company's dolomite products and dairy feed ingredients, market competition, changes in economic conditions in the markets for the Company's products, particularly the dairy market in the United States, the ability to attract and retain skilled staff, timing and availability of external financing on acceptable terms, increases in costs, environmental compliance, and changes in environmental and other local legislation and regulation, interest rate fluctuations, as well as those risk factors listed in the "Risk Factors" section above. There may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward looking statements contained herein are made as of the date of this MD&A

and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

The Board of Directors of Inter-Rock Minerals has approved the disclosure contained in this MD&A.