

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

Expressed in United States dollars

Periods ended September 30, 2019 and 2018

**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 18, 2019

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Balance Sheets

As at

(Expressed in thousands of United States Dollars)

UNAUDITED	Note	September 30, 2019	December 31, 2018
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		2,918	2,463
Accounts receivable		2,949	3,255
Inventories	6	1,655	1,170
Prepaid expenses and other assets		316	335
Total Current Assets		7,838	7,223
Non-current assets			
Properties, plant and equipment	7	6,157	4,861
Intangible assets	8	2,101	2,347
Goodwill	8	1,809	1,809
Total Assets		17,905	16,240
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,419	2,087
Accrued interest payable	9	108	95
Current portion of long term debt	9	1,365	1,735
Current portion equipment purchase financing	9	26	46
Current portion of lease obligations	3	599	-
Current portion of promissory notes to related parties	9	500	555
Total Current Liabilities		5,017	4,518
Non-current liabilities			
Long term debt	9	3,408	3,668
Equipment purchase financing	9	56	73
Lease obligations	3	542	-
Deferred income tax liability		467	467
Asset retirement obligation	10	75	75
Series A preferred shares	11	3,417	3,417
Total Liabilities		12,982	12,218
Equity			
Share capital	12	5,864	5,864
Contributed surplus		315	315
Deficit		(1,256)	(2,157)
Total Equity		4,923	4,022
Total Liabilities and Equity		17,905	16,240

Commitments (Note 17)

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(Expressed in thousands of United States Dollars)

UNAUDITED	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		\$	\$	\$	\$
REVENUE	5,16	11,089	11,280	32,793	36,968
COST OF SALES					
Operating costs	5,16	8,589	9,209	26,158	30,551
Amortization and depletion	7	272	145	797	407
		8,861	9,354	26,955	30,958
Gross Profit		2,228	1,926	5,838	6,010
OPERATING EXPENSES					
Selling, general and administrative	5,16	1,423	1,054	4,297	4,072
Amortization of intangible assets	8	82	82	246	246
Income Before Financing Costs		723	790	1,295	1,692
Interest on Series A preferred shares	11	-	43	45	81
Interest on debt and lease obligations	3,9	90	81	285	268
Income Before Income Taxes		633	666	965	1,343
Income tax expense		64	179	64	179
Net Income and Comprehensive Income		569	487	901	1,164
Basic income per share	13	0.03	0.02	0.04	0.05
Diluted income per share	13	0.01	0.01	0.02	0.03
Weighted average number of shares outstanding					
Basic		22,617,811	22,617,811	22,617,811	22,617,811
Diluted		39,754,791	39,754,791	39,754,791	39,754,791

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in thousands of United States Dollars)

UNAUDITED	Share Capital (Note 12)	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
Balance, December 31, 2017	5,864	315	(3,156)	3,023
Total income and comprehensive income	-	-	1,164	1,164
Balance, September 30, 2018	5,864	315	(1,992)	4,187
Balance December 31, 2018	5,864	315	(2,157)	4,022
Total comprehensive income	-	-	901	901
Balance, September 30, 2019	5,864	315	(1,256)	4,923

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of United States Dollars)

UNAUDITED	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
CASH PROVIDED BY (USED IN) OPERATIONS				
Net income	569	487	901	1,164
Items not effecting cash				
Amortization and depletion, mining	272	145	797	407
Amortization of intangible assets	82	82	246	246
Interest expense	90	124	330	349
	1,013	838	2,274	2,166
Net changes in non-cash working capital				
Accounts receivable	444	1,202	306	421
Inventories	(438)	3	(485)	113
Prepaid expenses	158	(148)	19	(160)
Accounts payable and accrued liabilities	181	(199)	375	(702)
Accrued interest payable	7	8	24	25
Cash generated by operating activities	1,365	1,704	2,513	1,863
INVESTING				
Purchase of properties, plant and equipment	(102)	(63)	(621)	(262)
Cash used in investing activities	(102)	(63)	(621)	(262)
FINANCING				
Interest paid	(83)	(73)	(261)	(243)
Interest on Series A preferred shares	-	(43)	(45)	(81)
Proceeds from long term debt	-	-	250	4,000
Repayment of long term debt	(275)	(236)	(877)	(1,480)
Repayment of equipment purchase financings	(7)	-	(40)	-
Repayment of lease obligation	(144)	(80)	(409)	(240)
Repayment of related party loans	(55)	-	(55)	(3,000)
Cash used in financing activities	(564)	(432)	(1,437)	(1,044)
Net change in cash and cash equivalents	699	1,209	455	557
Cash and cash equivalents, beginning of period	2,219	1,454	2,463	2,106
Cash and cash equivalents, end of period	2,918	2,663	2,918	2,663

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

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(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 US based marketer and distributor of toll manufactured premium dairy feed nutritional supplements, including MIN-AD's products. MIN-AD and Mill Creek are engaged in the production and marketing of high purity dolomite, primarily to the animal feed, glass, roofing and aglime industries in the United States.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with 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, 2018 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, 2018.

2.3 Functional Currency and Currency of Presentation

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

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(Expressed in thousands of United States Dollars)

2. BASIS OF PRESENTATION (CONT'D)

2.4 Basis of Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements reflect the accounting policies applied by the Company in its audited consolidated financial statements for the year ended December 31, 2018 except as described below for new accounting standards adopted effective January 1, 2019. The Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2018.

New Accounting Standards Adopted During the Period IFRS 16 – Leases

The Company adopted IFRS 16, Leases ("IFRS 16") on January 1, 2019. The objective of IFRS 16 is to record most leases on the lessee's balance sheet. Accordingly, under IFRS 16, the Company is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. An election is available to not apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value.

The Company has adopted IFRS 16 using a modified retrospective approach, which does not require restatement of prior periods. Comparative information has not been restated and continues to be reported under IAS 17, Leases.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract contains the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an explicitly or implicitly identified asset;
- the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the contract term;
- the Company has the right to direct the use of the asset.

The Company leases mining equipment and rail cars that had previously been classified as operating leases under IAS 17. On adoption of IFRS 16, liabilities for these leases were measured as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The incremental rate used in calculating the lease liabilities was 5.5%. The Company elected to measure the right-of-use assets for these leases at amounts equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments on the statement of financial position at December 31, 2018.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(Expressed in thousands of United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards Adopted During the Period IFRS 16 – Leases (cont'd)

On initial adoption of IFRS 16, the Company used the following practical expedients as permitted by the standard when applying IFRS 16 to leases previously classified as operating leases:

- applied the exemption not to recognize right-of-use assets and liabilities for leases of low value;
- applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining; and
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company's lease liabilities at January 1, 2019 are reconciled to the operating lease commitments at December 31, 2018 as follows:

Operating lease commitments at December 31, 2018	\$ 1,484
Discounting using the January 1, 2019 incremental borrowing rate	(107)
Discounted lease commitments at January 1, 2019	<u>1,377</u>
Less: commitments related to short term leases	-
Less: commitments related to low value assets	-
Lease liabilities at January 1, 2019	<u>\$ 1,377</u>

The following is the new accounting policy for leases under IFRS 16:

A contract is or 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 recognizes a right-of-use asset and a lease liability at the commencement date of the lease. Right-of-use assets are initially measured at cost, which is the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. Right-of-use assets may also be reduced due to impairment losses and adjusted for any re measurements of the lease liability. The Company depreciates right-of-use assets on a straight-line basis over the shorter of the estimated useful life and the lease term.

At the commencement of the lease, a lease liability is recognized and is measured at the present value of the lease payments to be made over the term of the lease, discounted using the interest implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After the commencement date, the lease liability is carried at amortized cost. The carrying amount is re-measured if there is a modification to the lease contract, including a change to the lease term, a change in the amount of the fixed lease payments or a change in the assessment to purchase the underlying asset.

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

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(Expressed in thousands of United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards Adopted During the Period IFRS 16 – Leases (cont'd)

The Company's lease obligation consists of the following as at September 30, 2019:

Operating lease commitments at December 31, 2018	\$ 1,484
Discounting using the January 1, 2019 incremental borrowing rate	<u>(107)</u>
Discounted lease commitments at January 1, 2019	1,377
Less: commitments related to short term leases	-
Less: commitments related to low value assets	-
Lease liabilities at January 1, 2019	<u>\$ 1,377</u>

Movement in lease obligation:	
Beginning balance at December 31, 2018	\$ -
IFRS adjustments	<u>1,377</u>
Additions for the first nine months of 2019	173
Payment for the first nine months of 2019	<u>(409)</u>
Lease obligation at September 30, 2019	1,141
Less: current portion	<u>(599)</u>
Total long term lease obligation	<u>\$ 542</u>

During the first nine months of 2019, the Company recognized the following amounts:

- depreciation expense of right-of-use assets of \$413
- interest expense on lease liabilities of \$53

4. JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make judgments, 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 judgments and estimates outlined by the Company in Note 4 of its audited consolidated financial statements for the year ended December 31, 2018.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS

Inter-Rock's business is organized into three operating businesses. Each operation is an operating segment for financial reporting purposes. Certain costs are managed on a consolidated basis and are therefore not reflected in segment income.

Operating segments of the Company are as follows:

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

The Company's management evaluates the performance of these segments and allocates resources to them based on certain performance measures, mainly cash flow from operations.

Earnings correspond to each segment's 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, 2019	MIN-AD	Mill Creek	Papillon	Other	Eliminations	Total
	\$	\$	\$	\$	\$	\$
REVENUE						
Internal sales	2,074	-	164	510	(2,748)	-
External sales	3,637	3,963	25,193	-	-	32,793
COST OF SALES						
Operating costs	4,192	2,478	21,495	-	(2,007)	26,158
Amortization & depletion	253	513	-	31	-	797
Gross Profit	1,266	972	3,862	479	(741)	5,838
OPERATING EXPENSES						
Selling, general & administration	793	894	2,889	489	(768)	4,297
Amortization of intangible assets	-	-	246	-	-	246
Income (loss) Before Financing Costs	473	78	727	(10)	27	1,295
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	45	-	45
Interest on debt and lease obligations	49	96	140	24	(24)	285
Income (loss) Before Income Taxes	424	(18)	587	(79)	51	965
Income tax expense	-	-	64	-	-	64
Net and Comprehensive Income (loss) for the period	424	(18)	523	(79)	51	901

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

As at September 30, 2019	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
ASSETS						
Current assets	1,167	1,786	5,081	181	(377)	7,838
Non-current assets	1,817	4,342	3,908	-	-	10,067
	2,984	6,128	8,989	181	(377)	17,905
LIABILITIES						
Current liabilities	1,051	1,115	2,487	674	(310)	5,017
Non-current liabilities	121	1,893	2,067	3,884	-	7,965
	1,172	3,008	4,554	4,558	(310)	12,982
For the three month period ended September 30, 2019						
	MIN-AD	Mill Creek	Papillon	Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
REVENUE						
Internal sales	663	-	67	169	(899)	-
External sales	1,097	1,362	8,630	-	-	11,089
COST OF SALES						
Operating costs	1,298	773	7,361	-	(843)	8,589
Amortization & depletion	85	177	-	10	-	272
Gross Profit	377	412	1,336	159	(56)	2,228
OPERATING EXPENSES						
Selling, general & administration	248	283	973	140	(221)	1,423
Amortization intangibles	-	-	82	-	-	82
Income Before Financing Costs	129	129	281	19	165	723
FINANCING COSTS						
Interest on debt and lease obligations	15	30	45	7	(7)	90
Income Before Income Taxes	114	99	236	12	172	633
Income tax expense	-	-	64	-	-	64
Net and Comprehensive Income for the period	114	99	172	12	172	569

Adjustments and eliminations include: (i) inter-segment revenues are eliminated on consolidation (ii) unallocated assets related to deferred tax assets (iii) unallocated liabilities related to deferred taxes and current taxes payable. The three operating businesses are in the United States.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended September 30, 2019 and 2018

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment balances for the prior period are as follows:

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

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

As at September 30, 2018	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
ASSETS						
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
LIABILITIES						
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

Inter-Rock Minerals Inc.

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

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

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

6. INVENTORIES

Inventories comprise the following:

	September 30, 2019	December 31, 2018
	\$	\$
Raw materials and consumables, at cost	550	562
Finished goods, at cost	1,105	608
Total inventories, at lower of cost and net realizable value	1,655	1,170

Inter-Rock Minerals Inc.

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

7. PROPERTIES, PLANT AND EQUIPMENT

Cost	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	535	2,051	12,519	-	445	321	15,871
Additions in the year	-	-	352	-	49	7	408
Disposals in the year	(20)	-	-	-	-	-	(20)
Balance, December 31, 2018	515	2,051	12,871	-	494	328	16,259
Additions in the period	-	-	621	1,503	-	-	2,124
Disposals in the period	-	-	(31)	-	-	-	(31)
Balance, September 30, 2019	515	2,051	13,461	1,503	494	328	18,352
Accumulated Amortization and Depletion	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2017	-	(1,219)	(9,275)	-	(372)	-	(10,867)
Additions in the year	-	(38)	(467)	-	(26)	-	(531)
Disposals in the year	-	-	-	-	-	-	-
Balance, December 31, 2018	-	(1,257)	(9,742)	-	(398)	-	(11,398)
Additions in the period	-	(31)	(330)	(413)	(23)	-	(797)
Disposals in the period	-	-	-	-	-	-	-
Balance, September 30, 2019	-	(1,288)	(10,072)	(413)	(421)	-	(12,195)
Net Book Value							
As at December 31, 2018	515	794	3,129	-	96	328	4,861
As at September 30, 2019	515	763	3,389	1,090	73	328	6,157

For the period ended September 30, 2019, there were no indicators of impairment in the carrying value of the Company's dolomite properties, plant and equipment.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
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(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	(508)	(346)	(19)	(30)	(903)	-
Balance December 31, 2018	1,342	924	11	70	2,347	1,809
Less: amortization	(138)	(93)	(6)	(9)	(246)	-
Balance at September 30, 2019	1,204	831	5	61	2,101	1,809

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 annual period.

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9. DEBT

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

	September 30, 2019	December 31, 2018
	\$	\$
<u>Aggregate debt facilities</u>		
(i) Revolving Credit Facility	250	540
(ii) Mill Creek Term Loans	1,656	1,395
(iii) Papillon Term Loan	2,867	3,467
(iv) Equipment Financings	82	120
(v) Related Party Notes	500	555
	<u>5,355</u>	<u>6,077</u>
<u>Less: current portions of</u>		
Bank Debt	(1,365)	(1,735)
Related Party Notes	(500)	(555)
Equipment Financing	(26)	(46)
<u>Total long term debt</u>	<u>3,464</u>	<u>3,741</u>

Bank facilities

In June 2019, the Meadows Bank facilities (items (i) and (ii) in the table above) were consolidated and extended :

- (i) \$500 Revolving Credit Facility – a one-year, secured revolving credit facility (“RC”) in the amount of the lesser of \$500 or 75% of accounts receivable at MIN-AD and Mill Creek, bearing interest at the U.S. bank prime rate plus 1.00% per annum. Any amounts drawn under the RC facility can be repaid any time and are due in full at maturity on June 25, 2020. At September 30, 2019, \$250 was outstanding under the RC facility and was recorded as current portion of long term debt.
- (ii) \$1,734 Term Loan – a five year, secured term loan bearing interest of 5.50% per annum. The loan amortizes over sixty months in equal principal and interest payments of \$14 and matures on June 21, 2024. At September 30, 2019, \$315 was recorded as current portion of long term debt and the balance of \$1,341 was recorded as long term debt.

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

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9. DEBT (CONT'D)

- (iii) Papillon Term Loan - 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 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) a requirement that 80% of accounts receivable plus cash must be equal to or greater than the outstanding loan balance. At September 30, 2019, \$800 (September 30, 2018 - \$800) was recorded as current portion of long term debt and the balance of \$2,067 (September 30, 2018 - \$2,866) was recorded as long term debt.
- (iv) Equipment Financing - in the course of operations, MIN-AD and Mill Creek arrange equipment finance facilities with major equipment manufacturers. The total amount outstanding under these facilities at September 30, 2019 was \$82 (September 30, 2018 - \$94) and the interest rate on the facilities ranges from 1.99% to 5.5% per annum.
- (v) In connection with financing the acquisition of Papillon, the Company borrowed \$55 from the the Chief Executive Officer of the Company, (the "Buyer Notes.") During the period, the Company repaid the principal amount in full plus accrued interest of \$11.

The Company also borrowed \$500 from the Chairman of the Company, (the Buyer Notes.") The Buyer Note is unsecured and bears interest at 6% per annum. The principal and interest are due in full on December 31, 2019 and are recorded as current portion of long term debt. At September 30, 2019 accrued interest totaled \$108 (September 30, 2018 - \$87.)

At period-end, the Company was in compliance with all bank debt covenant requirements.

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 property has been discounted to its present value based on an estimate of the Company's pricing in the market to obtain debt.

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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.

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, 2019, so the liability has been presented in these financial statements as long term. During the first nine months of 2019, the Board of Directors of the Company declared and paid a quarterly preferred share dividend totaling \$45 (September 30, 2018 - \$81.)

12. SHARE CAPITAL

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

	Number	Amount
		\$
Balance, September 30, 2019 and 2018	22,617,811	5,864

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, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Basic income per share				
Net income	\$ 569	\$ 487	\$ 901	\$ 1,164
Weighted average common shares (in thousands)	22,618	22,618	22,618	22,618
Basic earnings per share	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.05
Diluted income per share				
Net income	\$ 569	\$ 487	\$ 901	\$ 1,164
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 outstanding	39,755	39,755	39,755	39,755
Diluted earnings per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.03

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.

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14. INCOME TAXES

At September 30, 2019, the Company has Canadian tax losses which are not recognized as deferred tax assets. The Company recognizes the tax benefit of the tax losses only to the extent of anticipated future Canadian taxable income that can be reduced by tax losses. The gross amount of the tax losses for which a tax benefit has not been recorded expire as follows:

<u>Incurring</u>	<u>Expires</u>	<u>Amount</u>
		C\$
2007	2027	464
2008	2028	377
2009	2029	262
2010	2030	319
2011	2031	328
2012	2032	303
2013	2033	249
2014	2034	169
2015	2035	166
2016	2036	199
2017	2037	262
2018	2038	161
		<u>3,259</u>

15. RELATED PARTY TRANSACTIONS

Key management remuneration

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

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

	For the three months ended		For nine months ended	
	September	September 30,	September	September
	30, 2019	2018	30, 2019	30, 2018
	\$	\$	\$	\$
Short term benefits including salaries, consulting and directors fees	189	190	672	569

Inter-Rock Minerals Inc.

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16. REVENUE SUPPLEMENTAL INFORMATION

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

	For the three months ended		For the nine months ended	
	September	September	September	September
	30, 2019	30, 2018	30, 2019	30, 2018
	\$	\$	\$	\$
<u>MIN-AD and Mill Creek</u>				
Dolomite sales	2,101	1,875	6,302	5,651
Freight charges	287	478	1,040	1,575
Fuel charges	71	89	258	272
	2,459	2,442	7,600	7,498
<u>Papillon</u>				
Animal feed sales	8,118	8,374	23,756	27,763
Other revenue	87	190	307	600
Freight charges	425	274	1,130	1,107
	11,089	11,280	32,793	36,968

17. COMMITMENTS AND DEBT MATURITY

The Company is committed to \$6,565 for obligations and financial commitments in the normal course of operations and financing activities. At September 30, 2019, the Company had the following undiscounted financial commitments and financial liabilities:

	Total	2019	2020	2021	2022	Thereafter
	\$	\$	\$	\$	\$	\$
Bank Principal Repayments	4,775	277	1,368	1,136	1,156	838
Equipment Financing	83	6	26	26	15	10
Operating Lease	1,207	173	624	336	74	-
Related Party Notes	500	500	-	-	-	-
Total	6,565	956	2,018	1,498	1,245	848