

**INTER-ROCK MINERALS INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**For the Year Ended December 31, 2023**

**April 22, 2024**

**INTER-ROCK MINERALS INC.**  
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**FOR THE YEAR ENDED DECEMBER 31, 2023**

**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, 2023 and compares it to the financial condition of the Company on December 31, 2022. The MD&A also analyzes the Company’s results of operations for the year ended December 31, 2023 and compares those results to the results for the year ended December 31, 2022.

This MD&A has been prepared in compliance with the requirements of National Instrument (“NI”) 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with Inter-Rock’s annual audited consolidated financial statements and corresponding notes for the years ended December 31, 2023 and December 31, 2022. The Company’s financial statements 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 22, 2024.

Inter-Rock uses earnings before interest, taxes and depreciation and amortization (“EBITDA”), a non-IFRS performance measure in this MD&A as it believes this generally accepted industry performance measure provides a useful indication of the Company’s financial performance. This non-IFRS performance measure does not have a standardized meaning defined by IFRS and may not be comparable to information in the reports and filings of comparable companies. Accordingly, it should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS.

For further information and a detailed reconciliation, refer to the section entitled “Non-IFRS Performance Measures” in this MD&A.

**DESCRIPTION OF THE BUSINESS**

Inter-Rock 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 two operating businesses in the United States: Papillon Agricultural Company Inc. (“Papillon”) and MIN-AD Inc. (“MIN-AD”). Papillon develops, markets and distributes toll manufactured premium dairy feed nutritional supplements, including MIN-AD’s products. MIN-AD is engaged in the production and marketing of dolomite and clay products for the animal feed industry.

## 2023 HIGHLIGHTS

- Record consolidated revenue of \$90.5 million.
- Papillon's sales tons (an aggregate of all products) reached the highest level since the business was purchased in 2016. MIN-AD's 2023 sales volume was also the highest over the same period.
- Gross profit of \$10.9 million, 2% higher than the prior year. Generated EBITDA of \$3.7 million as compared with \$3.9 million in 2022.
- Arranged a debt facility of up to \$800,000 to finance the purchase of an automatic bagging facility for the MIN-AD plant.

In 2023, milk prices in the United States were, on average, 22% below the average milk price in 2022. Prices declined due to excess supply and weaker global demand, notably Chinese demand. Like the U.S. market, export markets were also well supplied with dairy products. Offsetting lower milk prices, to some extent, were higher beef prices, which supplement dairy farmers incomes as cows are culled. Low profit margins for dairy farmers and favourable beef prices may lead to further reductions in the dairy herd and increase prices for dairy products in 2024.

## OPERATIONS REVIEW

### Papillon

Papillon develops premium specialty nutritional products for dairy consultants, feed suppliers and dairy producers in the United States. Papillon has its own line of high quality proteins and rumen prebiotic and probiotic products that are produced under toll manufacturing agreements. The protein products are manufactured at five facilities. In addition, Papillon distributes MIN-AD products and a clostridia control product for dairy cows (clostridia are bacteria naturally found in the environment and in the gastrointestinal tracts of dairy cows and calves, which under certain conditions can form toxins that result in reduced growth performance and digestive disorders).

Papillon's revenue is materially impacted by changes in ingredient costs for its protein products. As Papillon targets a set gross profit per ton, revenue fluctuates commensurately with changes in ingredient costs, as sales prices are adjusted regularly to maintain gross margins. Accordingly, gross profit can better reflect financial performance than revenue.

Sales volumes for all products in aggregate increased by 6% in 2023 over 2022 volumes. Most of the increase was attributable to increased sales of protein products and Papillon's sales of MIN-AD, which offset lower volumes of prebiotic and probiotic products. Protein products account for approximately 75% of the total sales volume. The improved sales performance in 2023 is a result of continuing to expand sales to new geographic locations of existing customers and ongoing marketing programs promoting Papillon's dairy research results to existing and new customers. These efforts offset lower prices for dairy products in 2023.

Papillon recorded revenue of \$86.1 million in 2023, an increase of 4% from \$82.8 million in 2022.

Gross profit (revenue less cost of goods sold) in 2023 was \$9.0 million, comparable to the prior year period of \$9.1 million. Gross profit was higher in all product categories (including probiotics and prebiotics as improved profit margins offset lower volumes), except MIN-AD, as significantly lower margins offset higher sales volumes.

Papillon's gross profit margin was 10.4% in 2023, as compared with 11.0% in 2022. Gross profit margins in the last two years are below levels generated in the five years prior as a result of increased competition in the market for protein products.

Cash flow from operating activities (net of management fees paid to Inter-Rock and before working capital changes) was \$3.0 million in 2023, as compared with \$3.8 million in 2022. The decrease in cash flow is attributable higher SG&A expenses. SG&A expenses increased 11% in 2023 to \$6.0 million, primarily due to higher charges for compensation, marketing and management fees.

## **MIN-AD**

MIN-AD quarries, processes, and markets dolomite and clay products for dairy and beef cattle feed. The specialty dolomite is used as a source of magnesium and calcium and as a rumen acid buffer and is available in 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 96% of dolomite sales are in the United States, while the other 4% are in Alberta and British Columbia. MIN-AD's newly developed clay business produces products for use in anti-caking and toxin control applications. MIN-AD's operations are located in northern Nevada near the town of Winnemucca.

MIN-AD's sales and marketing activities are managed by Papillon. In the northeast, central Atlantic and upper mid-west regions of the U.S., Papillon acts as the exclusive distributor of MIN-AD's products. Under a distribution agreement, MIN-AD products are purchased by Papillon and then sold by Papillon to dairy feed manufacturers. This arrangement takes advantage of Papillon's marketing and sales expertise and geographic reach in the eastern United States. In 2023, 49% of MIN-AD's sales revenue was attributed to inter-company sales to Papillon.

Papillon also acts as a sales agent for MIN-AD's products in regions of the U.S. not covered by the exclusive distribution agreement, primarily the mid-west and western states. Papillon is paid a commission by MIN-AD for tons sold under a sales agent agreement.

MIN-AD's sales volumes increased 11% in 2023 as compared with the prior year, generating a 7% increase in gross revenue (including freight and fuel costs passed on to customers), from \$8.7 million in 2022 to \$9.3 million in 2023.

Operating cash flow (net of management fees paid to Inter-Rock and before working capital changes) was \$696,000 in 2023, up from \$420,000 in 2022. The increase in cash flow is primarily attributed to higher revenues from an increase in sales volumes and lower freight costs associated with shipping products to warehouses, which more than offset higher expenses for mining, processing and SG&A. Operating costs (including mining, processing and SG&A) per ton sold were approximately 9% higher in 2023 than in 2022.

Payments for rail car leases (recorded as financing payments, consequently not netted against cash flow from operations) totalled approximately \$184,000 in 2023, up from \$174,000 in the prior year.

MIN-AD incurred approximately \$1.3 million of capital expenditures in 2023 (2022: \$588,000). Higher capital spending in 2023 was related to the purchase of equipment to transload MIN-AD bulk material from rail cars to trucks and for automatic bagging equipment for the MIN-AD plant. MIN-AD is budgeting a similar level of capital expenditures in 2024.

## CONSOLIDATED FINANCIAL REVIEW

Financial Performance	Three months ended		Year ended		
	US\$,000	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Revenue		\$24,708	\$19,073	\$90,529	\$87,225
Gross Profit		\$2,335	\$2,422	\$10,936	\$10,677
SG&A		\$1,794	\$1,969	\$7,262	\$6,823
Net income (loss)		\$495	(\$1,907)	\$1,770	\$569
Income per share, basic		\$0.02	(\$0.09)	\$0.08	\$0.02
Cash (from)used in operations <sup>1</sup>		\$446	(\$589)	\$3,986	\$376
EBITDA <sup>2</sup>		\$1,019	\$453	\$3,674	\$3,854

<sup>1</sup> From continuing operations, after working capital changes.

<sup>2</sup> See Non-IFRS Performance Measures.

### Review of Fourth Quarter Financial Results

The Company recorded revenue of \$24.7 million in the fourth quarter of 2023, as compared with \$19.1 million in the prior year period. The increase in revenue was principally due to a 15% increase in tons sold by Papillon. Consolidated gross profit of \$2.3 million in the fourth quarter of 2023 was similar to the prior year quarter (2022 Q4: \$2.4 million). SG&A expense of \$1.8 million in the fourth quarter of 2023, was down from \$2.0 million in the prior year period. Higher SG&A expense in the fourth quarter of 2022 was primarily attributable to compensation related costs, particularly management bonuses related to the sale of Mill Creek. Higher gross profits and lower SG&A generated an increase in EBITDA in the fourth quarter of 2023 to \$1.0 million (Q4 2022: \$453,000). Net income in the fourth quarter of 2023 was \$495,000 as compared with a net loss of \$1.9 million in the prior year period. The net loss in the fourth quarter of 2022 was primarily attributable to a large provision for current and deferred tax expense, largely related to the sale of Mill Creek.

### Review of 2023 Financial Results

Consolidated revenue in 2023 was \$90.5 million, up from \$87.2 million in 2022. Papillon accounted for 95% of the Company's consolidated revenue in 2023 (approximately half of MIN-AD's \$9.3 million of revenue was derived from inter-company sales to Papillon; however, this revenue is eliminated upon consolidation).

Higher sales volumes at both Papillon and MIN-AD generated an increase in gross profit to \$10.9 million, (2022: \$10.7 million). The gross profit margin was largely unchanged at 12.1% in 2023 as compared to 12.2% in 2022. Operating costs at Papillon primarily comprise raw material costs and toll manufacturing fees, while MIN-AD's operating costs include quarrying, processing plant and maintenance costs.

Selling, general and administrative ("SG&A") expenses were \$7.3 million in 2023, as compared with \$6.8 million in 2022. The increase in SG&A is primarily related to higher expenses for payroll and benefits, marketing, insurance and quality control at Papillon. Papillon added staff in 2023 and increased marketing expenditures by 40%. MIN-AD and the Toronto office both had

moderate increases in SG&A spending in 2023. SG&A costs include all administrative, sales and marketing and insurance costs for the Company's two operating subsidiaries, as well as Toronto office general and administrative costs and foreign exchange impacts on Toronto based expenses.

Interest expense comprises interest on debt and interest recognized on lease liabilities. In 2023, interest expense was \$76,000, as compared with \$81,000 in 2022. Lower interest expense was attributable to a reduction in the Company's consolidated debt, which offset higher lease related interest stemming from the signing of new offices leases for Papillon and the corporate office in Toronto.

During 2023, the Company incurred interest expense related to its preferred shares of \$285,000 as compared with \$189,000 in 2022. Dividends are recorded as interest on Series A preferred shares on the consolidated statement of income. The dividends are calculated using the preferred share value of \$0.20/share and a rate equivalent to the U.S. prime interest rate. The increase in the dividend expense 2023 is attributable to a higher prime rate of interest.

For the year ended December 31, 2023, the Company recognized a current tax expense of \$302,000 million and a deferred tax expense of \$252,000, as compared with a current tax expense of \$1.7 million and deferred tax expense of \$464,000 for the year ended December 31, 2022. The tax expense in 2022 includes capital gains tax on the sale of Mill Creek.

Inter-Rock reported net and comprehensive income of \$1.8 million, or \$0.08 per share in 2023 as compared with \$569,000, or \$0.02 per share in 2022. Net income was lower in 2022 as a result of the higher tax expense.

## FINANCIAL CONDITION

<b>US\$000</b>	<b>December 31, 2023</b>	December 31, 2022
Working capital	<b>\$8,819</b>	\$7,694
Total assets	<b>\$27,544</b>	\$21,411
Total liabilities	<b>\$16,800</b>	\$12,267
Lease obligations <sup>1</sup>	<b>\$863</b>	\$978
Total debt <sup>1</sup>	<b>\$513</b>	\$280
Shareholders' equity	<b>\$10,744</b>	\$9,144

<sup>1</sup> Lease obligations and total debt are included in total liabilities.

The Company continues to maintain a sound financial position, with working capital of \$8.8 million at the end of 2023, including \$4.6 million of cash. Accounts receivable and accounts payable both increased, partly due to higher sales. Collection of accounts receivable continues in the normal course. The Company's debt at year end 2023 was \$513,000. Debt is forecast to increase by approximately \$530,000 during the first quarter of 2024, with the increase largely attributable to spending on MIN-AD's automatic bagging project.

## Debt Facilities

At December 31, 2023, the Company's outstanding debt comprised the following:

U.S.\$,000	December 31, 2023	December 31, 2022
MIN-AD revolving credit facility	\$170	\$0
MIN-AD term loan	\$343	\$0
Papillon term loan	\$0	\$266
Vehicle financings	\$0	\$14
Total debt	\$513	\$280

Debt facilities at December 31, 2023:

- (i) MIN-AD \$500,000 revolving credit facility: a one-year, revolving credit facility in the amount of the lesser of \$500,000 or 75% of MIN-AD's accounts receivable plus 50% of inventory, bearing interest at the U.S. bank prime rate plus 1.00% per annum. The facility matures on May 25, 2024. The Company renews the facility annually. At December 31, 2023 the outstanding balance was \$170,000. The line is secured by MIN-AD's assets and is guaranteed by both the Company and its subsidiary, Secret Pass Gold Inc.
- (ii) MIN-AD term loan: an equipment financing facility of up to \$800,000 with a nine-month drawdown period during which only interest is paid, followed by a 57 month amortization period commencing in April 2024. During the drawdown period, the interest rate is the U.S. prime rate plus 50bps and during the amortization period the interest rate is fixed at 6.75%. The loan is secured by the equipment and is guaranteed by Secret Pass Gold Inc. and the Company. At December 31, 2023, MIN-AD had drawn \$343,000 of the loan.
- (iii) Papillon \$1.0 million revolving credit facility: a one-year revolving credit facility bearing interest at the secured overnight financing rate (or "SOFR" – the rate institutions can borrow cash overnight collateralized by U.S. treasuries) plus a spread of 1.88%. The SOFR on December 29, 2023 was 5.38%. The facility matures on June 30, 2024 and can be renewed annually at the discretion of the lender. The facility is secured by the assets of Papillon. There was no outstanding debt at December 31, 2023.

The Company is in full compliance with the terms of its loans as of the date of this MD&A.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity refers to a company's ability to access cash. Sources of liquidity generally include operating cash flow, proceeds from the issuance of debt and equity, availability under credit facilities and proceeds from asset sales. The Company's strategy is to generate positive operating cash flow to fund its operating, financing and capital requirements.

At December 31, 2023, the Company had consolidated cash of \$4.6 million. Papillon has relatively large working capital requirements, which necessitates that the Company maintain a significant cash balance. To augment its liquidity, Papillon arranged a \$1.0 million revolving credit facility in 2023. MIN-AD has a \$500,000 revolving credit facility to provide additional liquidity. At year end 2023, MIN-AD had \$330,000 available under its facility and Papillon's line was undrawn.

The Company's most significant liquidity requirements over the next twelve months are scheduled repayments of bank debt and lease payments, which total \$558,000 million at December 31, 2023 and comprise \$221,000 of principal debt repayments and \$337,000 of lease payments for rail cars and office space. In addition, the Company has a capital expenditure budget of \$1.3 million for 2024, a portion of which is discretionary. In the opinion of management, the Company's liquidity comprising cash, cash flow from operations and availability under the revolving credit facilities is sufficient to meet normal capital and operating requirements and financing commitments.

## Cash Flows

The change in the Company's cash balance during 2023 is reconciled as follows (\$000):

<b>Cash at January 1, 2023</b>	<b>\$3,048</b>
Cash provided by operations before working capital changes	\$3,372
Cash provided by working capital changes	\$614
Proceeds from loans	\$513
Repayments of debt and interest	(\$355)
Repayments of lease obligations	(\$335)
Capital expenditures	(\$1,266)
Investment	(\$543)
Shares purchased for cancellation	(\$170)
Interest (dividends) on preferred shares	(\$275)
<b>Cash at December 31, 2023</b>	<b>\$4,603</b>

## Cash Flow Provided by Operating Activities

Consolidated cash flow provided by continuing operations after working capital changes in 2023 was \$4.0 million as compared with \$376,000 in 2022. The increase in operating cash flow in 2023 is not only attributable to higher sales and gross profits, but also positive working capital changes of \$902,000 as compared with a use of working capital of \$1.8 million in 2022. EBITDA in the fourth quarter of 2023 was \$1.0 million, up from \$453,000 in the prior year period. For the year, EBITDA \$3.7 million, down from \$3.9 million in 2022. The decrease in EBITDA in 2023 is attributable to higher higher SG&A expense (up by \$439,000), which more than offset higher gross profits.

## Cash Flow Used in Financing Activities

Net cash used by financing activities in 2023 was \$622,000, as compared to \$1.4 million provided by financing activities in 2022. The provision of cash in 2022 is due to the receipt of \$3.3 million of net proceeds from the sale of Mill Creek. In 2023, debt proceeds of \$513,000 were more than offset by scheduled debt and lease repayments, including interest, of \$690,000 (2022: \$1.7 million) and \$275,000 of preferred share dividends (2022: \$152,000). Additionally, the Company spent \$170,000 on its normal course issuer bid in 2023 (2022: nil).

## Cash Flow Used in Investing Activities

In the fourth quarter of 2023, cash used in investing activities was \$115,000, as compared with \$183,000 in the year earlier period. For the full year 2023, the Company incurred capital expenditures of \$1.3 million (2022: \$588,000). All capital expenditures were incurred by MIN-AD and the majority were related to the automatic bagging project at the MIN-AD processing plant, the purchase of transloading equipment and for general mill upgrades.

The Company has budgeted approximately \$1.3 million for capital expenditures at MIN-AD in 2024. The majority of the budgeted amount is related to completing the automated bagging facility and installation of a new rail spur at the MIN-AD yard.

In the first quarter of 2023, the Company invested 500,000 Swiss Francs (\$543,000) in a private Swiss company called Embion. Embion is small company developing a novel catalytic process to break down waste biomass, for example, brewer's grains. The process can be adapted to convert certain carbohydrates that can be utilized by bacteria in the gastrointestinal tracts of animals. The investment is in the form of a non-interest bearing convertible loan. The loan will convert to Embion shares on the earlier of the closing date of an Embion financing of a minimum of 1.5 million Swiss francs and February 28, 2025, (see Subsequent Events).

### Selected Annual Information

US\$,000	2023	2022	2021
<b>Financial Performance</b>			
Revenue	<b>\$90,529</b>	\$87,225	\$64,177
Gross profit	<b>\$10,936</b>	\$10,677	\$8,289
SG&A	<b>\$7,262</b>	\$6,823	\$5,392
Net income	<b>\$1,770</b>	\$569	\$1,573
Income per share, basic	<b>\$0.08</b>	\$0.02	\$0.07
Cash flow from continuing operations <sup>1</sup>	<b>\$3,986</b>	\$376	\$1,902
EBITDA	<b>\$3,674</b>	\$3,854	\$2,897
Capital expenditures	<b>\$1,266</b>	\$588	\$328

<sup>1</sup> After working capital changes.

### Summary of Quarterly Results

US\$,000	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
Revenue	\$24,708	\$21,819	\$21,944	\$22,058	\$19,073	\$26,426	\$24,173	\$17,553
Gross profit	\$2,813	\$2,736	\$2,581	\$2,806	\$2,422	\$3,293	\$2,751	\$2,211
Net Income (Loss)	\$495	\$309	\$309	\$657	(\$1,907)	\$1,217	\$369	\$840
EPS – Basic	\$0.02	\$0.01	\$0.01	\$0.03	(\$0.09)	\$0.06	\$0.02	\$0.04

<sup>1</sup> Net income and income per share are the net results for the period, including continuing and discontinued operations.

Despite weaker prices for dairy products in 2023, higher sales volumes and margin improvements boosted gross profits. Gross profit in each of the four quarters in 2023 was near or above the eight month average gross profit of \$2.8 million. There is no discernible seasonality to sales. The net loss in the fourth quarter of 2022 is attributable to a large provision for income tax expense, including tax associated with the gain on the sale of Mill Creek.

### FINANCIAL COMMITMENTS

The Company incurs financial commitments in the normal course of operations and financing activities. Financial commitments include payments due under bank loans, equipment leases and equipment loans.

At December 31, 2023, the Company had the following undiscounted financial commitments:

(US\$,000)	<b>Total</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Thereafter</b>
Bank debt repayments	<b>\$513</b>	\$221	\$69	\$69	\$69	\$85
Lease obligations	<b>\$919</b>	\$337	\$215	\$117	\$97	\$153
<b>Total</b>	<b>\$1,432</b>	<b>\$558</b>	<b>\$284</b>	<b>\$186</b>	<b>\$166</b>	<b>\$238</b>

Debt repayments represent the principal only. As the lease obligations in the table represent the contractual undiscounted amount of the commitments, these balances may not agree with the amounts disclosed in the balance sheet.

In accordance with the terms of a protein manufacturing agreement signed in 2022, Papillon has committed to purchasing a minimum annual value of protein products over a five-year period, with an aggregate value over the five years of \$1.0 million. If the value of the protein purchased is less than \$1.0 million, Papillon must pay the difference between the minimum required and the value of the actual amount purchased. The manufacturer can choose to reconcile the account annually or carry forward any differences.

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements, except for the protein purchase commitment noted above under Financial Commitments.

#### **OUTSTANDING SHARE DATA**

As of the date of this MD&A, the Company had 21,961,811 common shares and 17,136,980 preferred shares issued and outstanding.

The Company does not have any equity-based compensation plans.

#### **RELATED PARTY TRANSACTIONS**

There were no related party transactions in 2023.

#### **SUBSEQUENT EVENT**

##### **Normal Course Issuer Bid**

The Company's normal course issuer bid ("NCIB") expired on January 15, 2024. Under the NCIB, the Company had approval to purchase for cancellation up to 1,000,000 common shares, representing approximately 4.5% of the issued and outstanding common shares of the Company. The Company purchased a total of 341,500 shares at an average price of \$0.70/share. All shares purchased by the Company have been cancelled.

The Company undertook two prior NCIBs. Under a NCIB from February 25, 2021 to February 25, 2022, the Company purchased 3,500 common shares at an average price of C\$0.40/share and under a NCIB that ran from February 18, 2020 to February 18, 2021, a total of 311,000 shares were purchased at an average cost of C\$0.30/share. All common shares purchased by the Company were cancelled.

## Embion Investment

In January 2024, the Company made an additional non-interest bearing loan of 65,000 Swiss Francs (\$75,000) to Embion. The second tranche was provided under the same terms and conditions as the original loan.

## NON-IFRS PERFORMANCE MEASURE

Earnings before interest, taxes and depreciation and amortization (“EBITDA”) is a non-IFRS performance measure. EBITDA deducts from net income (loss) items including interest expense, income taxes and depreciation and amortization. The Company uses EBITDA as one indicator of Inter-Rock’s ability to generate cash flow to fund working capital, debt service, lease obligations and capital expenditures. EBITDA should not be considered as a substitute for performance measures calculated in accordance with IFRS. EBITDA excludes cash tax payments and the effects of working capital changes and therefore is not necessarily indicative of cash from operations as determined by IFRS. The following table provides a reconciliation of net income in the Company’s consolidated statement of income to EBITDA:

US\$,000	Q4 2023	Q4 2022	2023	2022
Net income (loss) from continuing operations	\$495	(\$1,907)	\$1,770	\$519
Adjustments:				
Tax expense	\$104	\$1,047	\$554	\$2,130
Interest expense	\$171	\$133	\$361	\$270
Amortization and depletion	\$249	\$274	\$989	\$935
<b>EBITDA</b>	<b>\$1,019</b>	<b>\$453</b>	<b>\$3,674</b>	<b>\$3,854</b>

## 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 primarily from trade receivables and from its financing activities, including deposits with banks.

For cash and accounts receivables, credit risk exposure equals the carrying amount on the balance sheet. The Company’s historical accounts receivable 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 the Company’s customers are located in either the United States or Canada. When available, the Company reviews credit bureau ratings, bank accounts

and financial information for each new customer.

Credit risk from deposits with banks is managed by maintaining the majority of the Company's cash balances at two large banks, one in the United States and one in Canada.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they come due. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows, cash balances and liabilities to ensure adequate cash is available to meet its liabilities. The Company is growing and in order to meet its longer-term working capital requirements, the Company will attempt, if necessary, to secure further financing.

### **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 them, the revolving credit facilities. The interest rate and dividend payment on these instruments fluctuates with the general level of interest rates. After an initial nine-month variable interest drawdown period, ending on March 2, 2024, the Company's term loan converted to fixed rate.

The substantial 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 does not have a material impact on the Company's earnings.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the 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. 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 4 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 in 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 in 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.

## **RISK 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 similar products. Many of these companies have greater financial resources, closer proximity to markets and technical capabilities than Inter-Rock. As a consequence of this competition, the Company 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 businesses or skilled personnel on acceptable terms. As a result, the Company's financial and operational condition could be materially adversely affected. The Company makes efforts to counter competition risks through marketing, distribution agreements, customer service and pricing strategy.

## **Commodity Prices**

Inter-Rock's businesses 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, or other operating and capital costs 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, energy and fertilizer prices, demand in export markets and unusual weather patterns, among others.

## **Government Regulation**

The quarrying, processing and development activities of the Company's dolomite subsidiary is subject to various laws governing development, production, taxes, royalties, labour and occupational health and safety standards, toxic substances, land use, water use and other matters. Papillon's and MIN-AD's products are also 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.

In addition, some of Papillon's dairy feed protein additives include products made from animal proteins, such as blood meal and feather meal sourced from the pork and poultry industries. There can be no assurance that new regulations will not be enacted that ban or restrict the use of animal proteins in the food supply chain.

## **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.

### **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 and pricing strategies to mitigate this risk.

### **Indebtedness and Lease Obligations**

Although the Company has been successful in making its scheduled principal and interest repayments under its various note and loan facilities and in servicing its lease obligations, 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, interest and principal on its debt and obligations under equipment and office leases. 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 lease obligations. If cash flow from operations is insufficient or if there is a contravention of 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 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 statements are based on 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 statements, including, but not limited to, risks related to price volatility for the Company’s dairy feed ingredients and dolomite products, changes in economic conditions in the markets for the Company’s products, particularly the dairy market in the United States, market competition, the ability to attract and retain skilled staff, timing and availability of external financing on acceptable terms, increases in costs, environmental compliance, changes in environmental and other local legislation and regulation, interest rate fluctuations, as well as those risk factors listed in the “Risk Factors” section in the Company’s most recent annual MD&A. 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 Inc. has approved the disclosure contained in this MD&A.