

INTER-ROCK MINERALS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2024

April 24, 2025

INTER-ROCK MINERALS INC.
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FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024 and compares it to the financial condition of the Company on December 31, 2023. The MD&A also analyzes the Company’s results of operations for the year ended December 31, 2024 and compares those results to the results for the year ended December 31, 2023.

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, 2024 and December 31, 2023. 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 24, 2025.

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 common shares are traded on the TSX Venture Exchange under the symbol “IRO”. The Company also has convertible preferred shares outstanding that do not trade on an exchange (see Note 13 to the Consolidated Financial Statements).

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 of dolomite and clay products, primarily for the animal feed industry. Approximately 80% of MIN-AD's annual production is sold to Papillon.

2024 HIGHLIGHTS

- Record consolidated revenue of \$99.1 million.
- Gross profit of \$12.4 million, 14% higher than the prior year. Generated EBITDA of \$4.0 million as compared with \$3.7 million in 2023.
- Improved marketing and sales efficiencies with Papillon now acting as the exclusive distributor of all MIN-AD's sales to the dairy industry.
- Installed and commissioned an automatic bagging facility at the MIN-AD plant.

OPERATIONS REVIEW

Papillon

Papillon develops, produces and markets 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. 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).

Since the second quarter of 2024, Papillon has acted as the exclusive distributor for all MIN-AD's dairy industry sales. Under the distribution arrangement, Papillon manages all of MIN-AD's sales and marketing activities (with the exception of MIN-AD's sales to an industrial customer). MIN-AD products are purchased by Papillon and then sold by Papillon to dairy feed manufacturers.

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 better reflects financial performance than revenue.

Sales volumes for all products in aggregate in 2024 increased by 37% over 2023 volumes. Almost three quarters of the increase was attributable to higher sales of MIN-AD products as a result of the aforementioned change in the Papillon-MIN-AD distribution agreement. Sales of protein products increased by 15% year over year. The improved sales performance in 2024 is a result of continuing to expand sales to new geographic locations, ongoing marketing programs and higher milk prices.

Papillon recorded revenue of \$97.5 million in 2024, up from \$86.1 million in 2023.

Gross profit (revenue less cost of goods sold) in 2024 was \$10.3 million, 14% above the \$9.0 million of gross profit recorded in 2023. Gross profit was higher for protein and MIN-AD products, while gross profit for probiotics and Papillon's clostridia control product were comparable to the prior year.

Papillon's gross profit margin was 10.6% in 2024, up slightly from 10.4% in 2023.

Cash flow from operating activities (net of management fees paid to Inter-Rock and before working capital changes) was \$3.4 million in 2024, as compared with \$3.0 million in 2023. The increase in cash flow in the current year is a result of higher gross profits which more than offset higher selling general and administrative (“SG&A”) expense, which was primarily related to higher compensation expense, higher management fees and additional spending on professional fees. Papillon’s operating margin in 2024 was 3.5%, unchanged from the prior year.

MIN-AD

MIN-AD quarries and processes 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. MIN-AD’s newly developed clay business produces products for use in anti-caking and toxin control applications. MIN-AD’s operations are in northern Nevada near the town of Winnemucca.

MIN-AD’s sales volumes in 2024 were unchanged from 2023. Similarly, gross profit of \$2.2 million in 2024 was the same as the prior year. (The Company uses gross profit as a proxy for financial performance rather than net revenue as net revenue is impacted by freight rates and fuel surcharges, among other items, that are independent of product revenues).

Operating cash flow (net of management fees paid to Inter-Rock and before working capital changes) was \$576,000 in 2024, a 17% decrease from \$696,000 in 2023. The decrease in cash flow is primarily attributed to higher SG&A expense. MIN-AD hired a senior manager in 2024.

Payments for rail car leases (recorded as financing payments, consequently not netted against cash flow from operations) totalled approximately \$236,000 in 2024, up from \$184,000 in the prior year.

MIN-AD incurred approximately \$1.2 million of capital expenditures in 2024, similar to the level in the prior year (2023: \$1.3 million). Higher than normal capital spending in both 2024 and 2023 was primarily related to the purchase and installation of automatic bagging equipment for the MIN-AD plant and also for equipment purchases, including a transloader (for moving MIN-AD bulk material from rail cars to trucks), a forklift and a pickup truck. MIN-AD’s capital expenditures in 2025 are budgeted at \$500,000.

CONSOLIDATED FINANCIAL REVIEW

Financial Performance	Three months ended		Year ended	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
US\$,000				
Revenue	\$24,792	\$24,708	\$99,143	\$90,529
Gross Profit	\$3,134	\$2,813	\$12,439	\$10,936
SG&A	\$2,509	\$1,794	\$8,453	\$7,262
Net income (loss)	(\$92)	\$495	\$1,752	\$1,770
Income per share, basic	\$0.00	\$0.02	\$0.08	\$0.08
Cash from(used in)operations ¹	(\$27)	\$446	\$3,133	\$3,986
EBITDA ²	\$625	\$1,019	\$3,986	\$3,674

¹ Cashflow is after working capital changes.

² See Non-IFRS Performance Measures.

Review of Fourth Quarter Financial Results

The Company recorded revenue of \$24.8 million in the fourth quarter of 2024, similar to the prior year period (Q4 2023: \$24.7 million). Considering the same periods, consolidated gross profit increased 11% to \$3.1 million, up from \$2.8 million, driven primarily by an increase in protein and MIN-AD sales by Papillon. SG&A expense of \$2.5 million in the fourth quarter of 2024, was up from \$1.8 million in the prior year period. Higher SG&A expense in the fourth quarter of 2024 was primarily attributable to compensation related costs and increased professional fees. EBITDA in the fourth quarter of the current year declined to \$625,000, from just over \$1.0 million in the year earlier period as higher SG&A expenses more than offset higher gross profits. SG&A was impacted by a one-time charge of \$310,000 related to expensing a patent purchase from a prior year. The net loss in the fourth quarter of 2024 was \$92,000 as compared with net income of \$495,000 million in the prior year period. The net loss reflects a writedown of \$435,000 of the Company's investment in Embion (see Embion Investment below).

Review of 2024 Financial Results

Consolidated revenue in 2024 was \$99.1 million, up from \$90.5 million in 2023. Papillon accounted for 98% of the Company's consolidated revenue in 2024 (approximately 80% of MIN-AD's \$8.4 million of revenue was derived from inter-company sales to Papillon, however, this revenue is eliminated upon consolidation).

Higher sales volumes at Papillon generated an increase in consolidated gross profit to \$12.4 million (2023: \$10.9 million). The gross profit margin was 12.5% in 2024 as compared to 12.1% in 2023. Operating costs at Papillon primarily comprise raw material costs and toll manufacturing fees, while MIN-AD's operating costs include quarrying, processing and maintenance costs.

SG&A expenses were \$8.5 million in 2024, as compared with \$7.3 million in 2023. The increase in SG&A is primarily related to higher expenses for payroll and benefits and an increase in professional service fees. 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 2024, interest expense was \$166,000, as compared with \$76,000 in 2023. Higher interest expense was attributable to an increase in debt at MIN-AD and new leases for additional rail cars, also at MIN-AD.

During 2024, the Company incurred interest expense related to its preferred shares of \$278,000, similar to the expense in 2023 of \$285,000. 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.

For the year ended December 31, 2024, the Company recognized a current tax expense of \$209,000 and a deferred tax expense of (\$5,000), as compared with a current tax expense of \$302,000 and deferred tax expense of \$252,000 for the year ended December 31, 2023.

Inter-Rock reported net and comprehensive income of \$1.8 million, or \$0.08 per common share in 2024 as compared with \$1.8 million, or \$0.08 per common share in 2023.

FINANCIAL CONDITION

US\$000	December 31, 2024	December 31, 2023
Working capital	\$10,496	\$8,819
Total assets	\$28,156	\$27,544
Total liabilities	\$15,691	\$16,800
Lease obligations ¹	\$1,936	\$863
Total debt ¹	\$1,182	\$513
Shareholders' equity	\$12,465	\$10,744

¹ Lease obligations and total debt are included in total liabilities.

At the end of 2024, the Company had a strong financial position, with working capital of \$10.5 million. Working capital includes consolidated cash of \$6.2 million. Accounts receivable were reduced from \$13.2 million at year end 2023 to \$9.7 million at year end 2024. Collection of accounts receivable continues in the normal course. Total debt at December 31, 2024 was approximately \$1.2 million, up from \$513,000 at year end 2023. The increase was due to additional borrowing to finance the automatic bagging equipment at the MIN-AD processing plant and borrowing for mobile equipment purchases. The Company does not anticipate additional borrowing in 2025.

Debt Facilities

At December 31, 2024, the Company's outstanding debt comprised the following:

U.S.\$,000	December 31, 2024	December 31, 2023
MIN-AD revolving credit facility	\$470	\$170
MIN-AD term loan	\$597	\$343
MIN-AD equipment financings	\$115	\$0
Total debt	\$1,182	\$513

Debt facilities at December 31, 2024:

- (i) MIN-AD \$500,000 revolving credit facility: a one-year, revolving credit facility bearing interest at the U.S. bank prime rate plus 1.00% per annum. The facility matures on May 25, 2025. The Company renews the facility annually. At December 31, 2024 the outstanding balance was \$470,000. 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, which ended March 2, 2024, followed by a 57-month amortization period that commenced April 2, 2024. Proceeds of the loan were used to partially fund the purchase and installation of automatic bagging equipment at MIN-AD. A total of \$692,000 was advanced and, with the expiration of the drawdown period, no additional funds are available. Only interest was paid during the drawdown period at a rate equal to the U.S. prime rate plus 50bps. 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. \$597,000 was outstanding at December 31, 2024.
- (iii) MIN-AD equipment financings: term loans to finance the purchase of a light truck and fork lift at MIN-AD. Each loan has monthly repayments over a 36-month term

and bear interest at 9% and 0.9% respectively. A total of \$115,000 was outstanding under the equipment loans at December 31, 2024.

- (iv) 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 31, 2024 was 4.49%. The facility matures on June 30, 2025 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, 2024.

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, 2024, the Company had consolidated cash of \$6.2 million. Papillon has relatively large working capital requirements, which necessitates that the Company maintain a significant cash balance. Additional liquidity is provided by operating cash flow, a \$1.0 million revolving credit facility available to Papillon and a \$500,000 revolving credit facility available to MIN-AD. At the end of 2024, Papillon’s facility was undrawn and MIN-AD had \$30,000 available under its facility.

The Company’s most significant liquidity requirements over the next twelve months are scheduled principal and interest repayments of bank debt and lease payments, which total approximately \$1.3 million, (including \$470,000 due at maturity in May 2025 under the MIN-AD revolving credit facility, which the Company intends to renew). In addition, the Company has a capital expenditure budget of \$500,000 for 2025, 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 2024 is reconciled as follows (\$000):

Cash at beginning of period	\$4,603
Sources of cash:	
Cash provided by operations	\$3,777
Cash used by working capital changes	(\$644)
Proceeds from debt financing	\$771
Subtotal sources of cash	\$3,904
Uses of cash:	
Financing repayments (debt, leases and interest)	(\$682)
Preferred share dividends	(\$278)
Capital expenditures	(\$1,210)
Investment	(\$92)
Shares purchased for cancellation	(\$31)
Subtotal Uses of cash	(\$2,293)
Cash at December 31, 2024	\$6,214

Cash Flow Provided by Operating Activities

Consolidated cash flow provided by continuing operations after working capital changes in 2024 was \$3.1 million as compared with \$4.0 million in 2023. The decrease in operating cash flow in 2024 is attributable to negative working capital changes of \$644,000 as compared with positive working capital changes of \$614,000 in 2023. EBITDA in the fourth quarter of 2024 was \$625,000 million, down from \$1.0 in the prior year period. For the year, EBITDA was \$4.0 million, up from \$3.7 million in 2023. The increase in EBITDA in 2024 is attributable to higher gross profits, which more than offset higher SG&A expense.

Cash Flow Used In Financing Activities

In 2024, net cash used in financing activities was \$220,000, with proceeds from borrowing of \$771,000 more than offset by aggregate payments of \$991,000 for debt service, lease payments, preferred share dividends and share buybacks.

Cash Flow Used in Investing Activities

The Company incurred capital expenditures of \$1.2 million in 2024 (2023: \$1.3 million). All capital expenditures were incurred by MIN-AD and the majority were related to the automatic bagging project at the processing plant, mobile equipment and development of a new rail spur at the plant.

The Company has budgeted approximately \$500,000 for capital expenditures at MIN-AD in 2025. The majority of the budgeted amount is related to completing the installation of a new rail spur at the MIN-AD yard.

Embion Investment

In the first quarter of 2023, the Company invested CHF 500,000 in a private Swiss company called Embion and in January 2024 the Company made an additional investment of CHF 65,000. The investments were in the form of non-interest bearing convertible loans. The loans automatically convert to Embion shares on the earlier of the closing date of an Embion financing of a minimum of CHF1.5 million and February 28, 2025.

In accordance with the terms of the loan agreement, in October 2024, the loans were converted to 113,000 shares of Embion, representing a 4.6% ownership interest. The investment in Embion shares was written down by \$435,000 to its fair value of \$200,000 at December 31, 2024 due to an observable transaction in the form of a recent equity financing, reflecting current market conditions and the estimated fair value of the Company's investment in Embion shares.

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.

Selected Annual Information

US\$,000	2024	2023	2022
Financial Performance			
Revenue	\$99,143	\$90,529	\$87,225
Gross profit	\$12,439	\$10,936	\$10,677
SG&A	\$8,453	\$7,262	\$6,823
Net income	\$1,752	\$1,770	\$569
Income per share, basic	\$0.08	\$0.08	\$0.02
Cash flow from operations ¹	\$3,133	\$3,986	\$376
EBITDA	\$3,986	\$3,674	\$3,854
Capital expenditures	\$1,210	\$1,266	\$588

¹ After working capital changes.

Summary of Quarterly Results

US\$,000	Q4/24	Q3/24	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23
Revenue	\$24,792	\$22,190	\$24,856	\$27,305	\$24,708	\$21,819	\$21,944	\$22,058
Gross profit	\$3,134	\$2,957	\$3,253	\$3,095	\$2,813	\$2,736	\$2,581	\$2,806
Net Income (Loss)	(\$92)	\$476	\$891	\$477	\$495	\$309	\$309	\$657
EPS – Basic	\$0.00	\$0.02	\$0.04	\$0.02	\$0.02	\$0.01	\$0.01	\$0.03

¹ Net income and income per share are the net results for the period.

Over the eight-quarter period tabled above, gross profit averaged \$2.9 million per quarter and \$3.1 million per quarter in 2024. After falling in the first quarter of 2024, average quarterly milk prices in the second through fourth quarters of 2024 exceeded prices in the same quarters in the prior year. In 2024, milk prices were supported by a reduced supply of milk, which was attributed to hot weather, (which can reduce milk production), a reduced milking herd, the impact of bird flu on dairy herds, a shortage of heifers and strong domestic and export demand for dairy products. Dairy farmers also benefitted from lower feed costs.

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, 2024, the Company had the following undiscounted financial commitments:

(US\$,000)	Total	2025	2026	2027	2028	Thereafter
Bank debt repayments	\$1,182	\$643	\$185	\$188	\$166	\$0
Lease obligations	\$2,352	\$550	\$408	\$389	\$379	\$626
Total	\$3,534	\$1,193	\$593	\$577	\$545	\$626

Debt repayments represent the principal only. As the lease obligations in the table represent the contractual undiscounted amount of the commitments, these balances will differ from 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 21,859,311 common shares and 17,136,980 preferred shares issued and outstanding. Each preferred share is convertible into one common share. If the preferred shares are converted to common shares, the Company would have 38,996,291 common shares outstanding.

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

Normal Course Issuer Bid

On August 16, 2024 the Company received approval to commence a Normal Course Issuer Bid (the "NCIB") to purchase for cancellation up to 1,000,000 common shares, representing approximately 4.6% of the issued and outstanding common shares of the Company. Inter-Rock may purchase common shares under the NCIB over a twelve-month period from August 21, 2024. The NCIB will terminate upon the earliest of (i) the Company purchasing 1,000,000 common shares, (ii) the Company providing notice of termination of the NCIB and (iii) the date that is 12 months following the commencement of the NCIB.

As of the date of this MD&A, the Company had purchased 102,500 shares under the NCIB (43,000 in 2024 and 59,500 thus far in 2025). The purchased shares were cancelled.

The Company has undertaken three prior NCIBs that, in aggregate, allowed for the purchase of 3,130,891 common shares. Under the three NCIBs the Company purchased a total of 656,000 common shares. All common shares purchased by the Company were cancelled.

RELATED PARTY TRANSACTIONS

Related party transactions in 2024 comprise compensation paid to key management and directors of the Company. Key management includes the CEO, CFO, VP of Operations and the President of Papillon. Compensation paid to key management and directors in 2024 was \$1.3 million (2023: \$1.3 million).

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 2024	Q4 2023	2024	2023
Net income (loss) from continuing operations	(\$92)	\$495	\$1,752	\$1,770
Adjustments:				
Tax expense	(\$296)	\$104	\$204	\$554
Interest expense	\$171	\$171	\$444	\$361
Amortization and depletion	\$407	\$249	\$1,151	\$989
Adjust for non-cash write-down	\$435	---	\$435	---
EBITDA	\$625	\$1,019	\$3,986	\$3,674

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.

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 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.

Government Regulation

Papillon's dairy feed protein additives products account for approximately two-thirds of Papillon's gross profits. The protein products 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.

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.

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, and may spend less on MIN-AD and Papillon products 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.

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 financial obligations 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.