Inter-Rock Minerals Inc.

Consolidated Financial Statements

Expressed in United States dollars

December 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Inter-Rock Minerals Inc. (the "Company") are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Michael B. Crombie"

Michael B. Crombie
Chief Executive Officer

"Robert Crombie"

Robert Crombie
Chief Financial Officer

April 28, 2017

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Independent Auditors' Report

To the Shareholders of Inter-Rock Minerals Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Inter-Rock Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Inter-Rock Minerals Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Toronto, Canada
April 28, 2017

Chartered Professional Accountants
Licensed Public Accountants

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Inter-Rock Minerals Inc.

Consolidated Statements of Financial Position
As at December 31st

(Expressed in thousands of United States Dollars)

	Note	**2016**	2015
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		**1,123**	329
Accounts receivable		**3,699**	1,293
Inventories	6	**771**	816
Prepaid expenses and other assets		**199**	160
Total Current Assets		**5,792**	2,598
Non-current assets			
Properties, plant and equipment	7	**6,102**	4,381
Mineral exploration properties and deferred exploration cost	8	**268**	261
Deferred income tax asset	16	**100**	-
Intangibles	4, 9	**3,003**	-
Goodwill	4, 9	**1,809**	1
Total Assets		**17,074**	7,241
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**2,946**	1,222
Current portion of long term debt	10	**1,088**	1,433
Current portion equipment purchase financing	10	**177**	134
Current portion of promissory notes to related parties	10, 17	**250**	250
Total Current Liabilities		**4,461**	3,039
Non-current liabilities			
Accrued interest payable		**44**	-
Long term debt	10	**1,631**	-
Equipment purchase financing	10	**1,770**	211
Promissory notes to related parties	10	**4,454**	-
Asset retirement obligation	11	**75**	102
Series A preferred shares	12	**3,417**	3,417
Total Liabilities		**15,852**	6,769
Equity			
Share capital	13	**5,864**	5,864
Contributed surplus		**315**	315
Deficit		**(4,957)**	(5,707)
Total Equity		**1,222**	472
Total Liabilities and Equity		**17,074**	7,241

Commitments (Note 21)

Subsequent events (Note 22)

Approved on behalf of the Board of Directors:

"Michael B. Crombie"	*"David R. Crombie"*
Director	Director

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

Inter-Rock Minerals Inc.

Consolidated Statements of Income (Loss)
and Comprehensive Income (Loss)
For the years ended December 31st

(Expressed in thousands of United States Dollars)

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	Note	**2016**	2015
		$	$
REVENUE	18	**30,087**	11,750
COST OF SALES			
Operating costs	6	**23,883**	8,717
Amortization and depletion	7	**627**	1,006
		24,510	9,723
GROSS PROFIT		**5,577**	2,027
OPERATING EXPENSES			
Selling, general and administrative	18	**4,314**	2,171
Amortization of intangibles	9	**247**	-
INCOME (LOSS) BEFORE FINANCING COSTS		**1,016**	(144)
FINANCING COSTS			
Interest on long term debt	10	**366**	119
NET INCOME (LOSS) BEFORE TAX		**650**	(263)
DEFERRED INCOME TAX RECOVERY	16	**100**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**750**	**(263)**
Basic comprehensive income (loss) per share	15	**0.03**	(0.01)
Diluted comprehensive income (loss) per share	15	**0.02**	(0.01)

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

Inter-Rock Minerals Inc.

Consolidated Statements of Changes in Equity
As at and for the years ended December 31st

(Expressed in thousands of United States Dollars)

	Share Capital (Note 13)	Contributed Surplus	Deficit	Total
	$	$	$	$
Balance, January 1, 2015	5,864	315	(5,444)	735
Total loss and comprehensive loss	-	-	(263)	(263)
Balance, December 31, 2015	5,864	315	(5,707)	472
Total income and comprehensive income	-	-	750	750
Balance, December 31, 2016	**5,864**	**315**	**(4,957)**	**1,222**

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

Inter-Rock Minerals Inc.

Consolidated Statements of Cash Flows
For the years ended December 31st

(Expressed in thousands of United States Dollars)

	2016	2015
	$	$
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net income (loss)	**750**	(263)
Items not effecting cash		
Amortization and depletion	**627**	1,006
Amortization of intangibles	**247**	-
Interest expense	**366**	119
Deferred income tax recovery	**(100)**	-
Gain on disposal of properties, plant and equipment	**(103)**	-
Asset retirement obligation	**(27)**	-
	1,760	862
Net changes in non-cash working capital		
Accounts receivable	**(2,406)**	53
Inventories	**45**	(326)
Prepaid expenses	**(39)**	19
Accounts payable and accrued liabilities	**1,506**	417
Accrued interest payable	**44**	-
Deferred income tax asset	**100**	-
Cash provided by operating activities	**1,010**	1,025
INVESTING		
Purchase of mineral exploration properties and deferred exploration costs	**(7)**	(7)
Purchase of properties, plant and equipment	**(1,019)**	(368)
Proceeds on disposal of properties, plant and equipment	**114**	-
Acquisition of Papillon, net of cash acquired (Note 4)	**(4,984)**	-
Cash used in investing activities	**(5,896)**	(375)
FINANCING		
Interest paid	**(322)**	(119)
Proceeds from long term debt	**2,922**	50
Repayment of long term debt	**(1,636)**	(387)
Proceeds from equipment purchase financings	**515**	-
Repayment of equipment purchase financings	**(253)**	(152)
Proceeds from related party loans	**4,454**	250
Cash provided by (used in) financing activities	**5,680**	(358)
Net change in cash and cash equivalents	**794**	292
Cash and cash equivalents, beginning of year	**329**	37
Cash and cash equivalents, end of year	**1,123**	329

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

1. CORPORATE INFORMATION

Inter-Rock Minerals Inc. ("Inter-Rock" or the "Company") was continued in St. Michael, Barbados on September 15, 2000. The Company is engaged in the production and marketing of high purity dolomite throughout the United States. The Company markets its dolomite to the animal feed, glass, roofing and aglime industries. The Company's subsidiary, Papillon Agricultural Company Inc., is engaged in the marketing and distribution of specialty ingredients to the dairy feed industry. The Company's office is located at 500 - 2 Toronto Street, Toronto, Ontario, M5C 2B6, Canada. The Company is listed on the TSX Venture Exchange and the Company's trading symbol is "IRO".

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These consolidated financial statements, including comparative balances for the year ended December 31, 2015, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were approved and authorized by the Board of Directors of the Company on April 28, 2017.

2.2 Basis of presentation

The consolidated 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 2.14.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Secret Pass Gold Inc. ("Secret Pass"), MIN-AD Inc. ("MIN-AD"), a wholly-owned subsidiary of Secret Pass, Mill Creek Dolomite LLC ("Mill Creek") and Papillon Agricultural LLC both wholly-owned subsidiaries of MIN-AD Inc., Papillon Agricultural Company Inc. ("Papillon") the wholly-owned subsidiary of Papillon Agricultural LLC. All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These judgments, estimates and assumptions are described in Note 3.

2.4 Foreign currency translation

The Company and each of its subsidiaries use the United States dollar as the functional currency. The Company also uses the United States dollar as the functional currency.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exchange gains and losses are included in the consolidated statements of income (loss) and comprehensive income (loss) for the year.

2.5 Inventories

Inventories comprise raw materials and finished goods. Raw materials and finished goods primarily consisting of dolomitic limestone are carried at the lower of cost and net realizable value. Cost includes production costs determined principally on an average cost basis for ore produced and processed. Cost includes blasting and transportation, costs of conversion and any other costs incurred in bringing inventories to their final processed condition. Costs not attributed to bringing inventories to their final processed condition, such as transportation costs subsequent to the completion of processing, storage costs and selling costs are expensed in the period incurred.

2.6 Properties, plant and equipment

Items of plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. With the exception of spare parts, items are amortized using the straight-line method over their estimated useful lives as follows:

Mill Equipment	3 - 10 years
Vehicles	5 - 7 years
Mill	5 - 15 years

Where components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component. Spare parts are carried at cost and transferred to the cost of the asset when the part is used to extend the life of the equipment; otherwise spare parts are expensed as repairs and maintenance when used. Estimates of useful lives, residual values and methods of depreciation are reviewed annually.

The dolomite properties and land improvements are recorded at cost and depleted over the estimated economic life of the quarries on a unit of production method based on estimated recoverable tons of dolomitic limestone.

2.7 Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Revenue recognition

Revenue from the sale of goods is recognized when persuasive evidence of an agreement exists, significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Freight revenue is recognized based on the date of freight acceptance.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded it is acting as principal in all of its revenue arrangements.

2.9 Income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the year, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. Deferred income tax is recognized on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized for all deductible temporary differences and carryforwards of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forwards of unused tax losses can be utilized. Deferred income tax liabilities are provided on taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 Comprehensive income (loss) per share

The basic comprehensive income (loss) per share is computed by dividing the comprehensive income (loss) by the weighted average number of common shares outstanding during the year. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Asset retirement obligation

The Company recognizes a liability for its legal obligations associated with the retirement of its dolomite properties. The fair value of the best estimate required to settle the present obligation for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset, provided a reasonable estimate of the obligation can be made. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

The liability may be adjusted prospectively in future periods as a result of changes in estimates relating to timing or amounts of underlying cash flows. Adjustments relating to the unwinding of the discount are recognized in the statement of income (loss). Adjustments relating to changes in the obligation are recognized in property, plant and equipment.

2.12 Intangible assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. The Company's intangible assets are comprised of customer relationships, distribution rights, a non-compete agreement and the brand.

Intangible assets with finite useful lives are subsequently carried at cost less accumulated amortization and impairment losses. These assets are amortized on a straight-line basis over their estimated useful lives. Intangibles with indefinite lives are measured at cost less any accumulated impairment losses and are not amortized. Estimated useful lives are as follows:

Customer relationships	10 years
Distribution rights	10 years
Non-compete agreement	5 years
Brand	10 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually.

2.13 Goodwill

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Goodwill (cont'd)

Goodwill is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units ("CGU") that are expected to benefit from the synergies of the acquisitions. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to other assets of the CGU.

2.14 Financial instruments

Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL") as follows:

a) Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income.
b) Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized through accumulated other comprehensive income except for losses in value that are considered other than temporary, which are recognized in net income.
c) Financial assets classified as loans and receivables or held to maturity are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest expense over the relevant period.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in income. Transaction costs associated with FVTPL financial liabilities are expensed as incurred.

Fair value hierarchy

Financial instruments and other assets/liabilities require disclosure about inputs to fair value measurements within the fair value measurement hierarchy as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments (cont'd)

Fair value hierarchy (cont'd)

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3	Inputs for the assets or liabilities that are not based on observable market data.

Financial instruments, by classification, comprise the following:

	Fair value hierarchy	**2016**	2015
		$	$
Financial assets			
Fair value through profit or loss, measured at fair value			
Cash and cash equivalents	Level 1	**1,123**	329
Loans and receivables, recorded at amortized cost			
Accounts receivable		**3,699**	1,293
Financial liabilities			
Fair value through profit or loss, measured at fair value		**N/A**	N/A
Other financial liabilities measured at a amortized cost			
Series A preferred shares	Level 2	**3,417**	3,417
Accounts payable and accrued liabilities		**2,946**	1,222
Equipment purchase financing		**1,947**	345
Promissory notes to related parties		**4,704**	250
Long-term debt - current portion		**1,088**	1,433
Long-term debt - non-current portion		**1,631**	-

2.15 Impairment of non-financial assets

Property, plant and equipment and other non-current assets with definite useful lives, other than inventories and deferred tax assets, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to disposal. Value in use is equal to the present value of future cash flows expected to be derived from the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of non-financial assets (cont'd)

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds it recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis, restricted to fair value of individual assets. Impairment loss is recognized in net income (loss).

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in net income (loss).

2.16 Impairment of financial assets

A financial asset measured at amortized cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset measured at amortized cost is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables.

2.17 Mineral exploration properties and deferred exploration costs

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and include costs related to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling; and, evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures, including costs of acquiring licenses, are capitalized as exploration and evaluation assets on an "area of interest basis" which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favorable or has been proven to exist and, in most cases, comprises a single mine or deposit.

Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits. The Company expenses all costs incurred prior to obtaining legal rights to explore a mineral property. Exploration and evaluation assets are recognized if the rights to the project are current and (1) the expenditures are expected to be recouped through successful development and exploitation of the project, or alternatively by its sale, or (2) active and significant operations in, or in relation to, the project are continuing.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Mineral exploration properties and deferred exploration costs (cont'd)

Exploration and evaluation expenditures are initially capitalized as intangible exploration and evaluation assets. Such exploration and evaluation expenditures may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, materials and fuels used, rentals and payments made to contractors and consultants. To the extent that a tangible asset is consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, exploration and evaluation assets attributable to that project are first tested for impairment and then reclassified to Mine Property and Development Projects. Currently, the Company does not hold any assets classified as Mine Property and Development Projects.

2.18 Business combinations

The business combination that occurred during the year ended December 31, 2016 was accounted for using the acquisition method under IFRS 3 *Business Combinations*.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities. Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts previously recognized in the Company's controlling shareholder's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Segment reporting

The Company has identified three reportable segments, which are those operations whose operating and financial results are regularly reviewed by the Chief Executive Officer ("CEO") for the purpose of assessing performance. Each of the Company's three operating businesses are considered to be separate operating segments.

Information regarding the results of each reportable segment is included in Note 5. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Transfer pricing is based on third-party rates.

2.20 Pending accounting changes

IAS 7, Disclosure Initiative Cashflow Statement

On January 7, 2016, the IASB issued Disclosure Initiative (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The Company intends to adopt the amendment to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the IAS 12 amendments for the annual period beginning January 1, 2017.

The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 - Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Pending accounting changes (cont'd)

The effective date of this pronouncement has been set to be effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new standard.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which replaces *IAS 18 – Revenues* and related interpretations, and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued *IFRS 16 - Leases* ("IFRS 16"), which replaces *IAS 17 - Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. The Company is assessing the potential impact of this standard.

3. JUDGMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting year. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates.

The areas which require management to make significant estimates and assumptions in applying the Company's accounting policies in determining carrying values include:

Income taxes

Significant judgment is required in estimating the extent to which it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Allowance for doubtful accounts

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses existing in the Company's accounts receivable; however, changes in circumstances relating to accounts receivable may result in an increase or decrease in the allowance required in the future.

3. JUDGMENTS AND ESTIMATES (CONT'D)

Mineral exploration properties and deferred exploration costs

Significant estimation is applied by the Company in assessing the recoverability and estimation of the physical and economic lives of its dolomite mineral properties, plant and equipment, the recoverability of mineral exploration properties and deferred exploration costs, and valuation of the asset retirement obligation. Although these estimates are based on management's best knowledge of the amount, actual results ultimately may differ from those estimates. The Company also uses judgment when assessing whether there are indications of impairment on dolomite properties, plant property and equipment, mineral exploration properties and deferred exploration costs.

Amortization and impairment of non-financial assets

The Company reviews amortized non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. It also reviews annually non-financial assets with indefinite life and goodwill for impairment. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments.

The amortization expense related to intangible and other assets is determined using estimates relating to the useful life of the related assets.

The determination of estimated fair values of acquired intangible assets, whether those intangible assets are finite life or indefinite life intangibles, as well as the useful economic life ascribed to the finite lived intangible assets, requires the use of significant judgment. The use of different estimates and assumptions to those used by the Company could result in a materially different valuation of acquired intangible assets, which could have a material effect on the Company's consolidated results of operations.

Business combinations

The Company assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business.

Purchase prices related to business combinations and asset acquisitions are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events.

The measurement of the purchase consideration and allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortization expense and impairment tests.

4. BUSINESS COMBINATION

On March 23, 2016, Papillon Agricultural LLC, an indirect, wholly-owned subsidiary of the Company, completed the acquisition of all the outstanding shares of Papillon Agricultural Company Inc., ("Papillon"). Immediately prior to the acquisition, Papillon was a privately owned Maryland based corporation that developed, marketed and distributed toll manufactured specialty dairy feed ingredients. The Company acquired Papillon in order to effect a vertical integration with its long-time customer.

Pursuant to the terms of the stock purchase agreement, the total purchase price was $5,954 for the shares of Papillon. At the time of closing the transaction, the Company paid $2,055 to the previous shareholders of Papillon, with the balance of $3,899 due to the shareholders under the terms of promissory notes issued by the Company to the Papillon shareholders.

The following table summarizes purchase consideration relating to the acquisition of Papillon:

	Note	**Amount**
		$
Secured promissory notes issued to original shareholders of Papillon bearing interest at 5.57%	17	**3,499**
Secured promissory notes issued to original shareholders of Papillon bearing interest at 7%		**400**
Cash	10, 17	**2,055**
		5,954

The allocation of the purchase price to the estimated fair value of the significant assets acquired and liabilities assumed is as follows:

	Note	**Amount**
		$
Assets		
Cash		970
Accounts receivable		1,381
Inventory		214
Prepaid and other		129
Property, plant and equipment		54
Investment		10
Intangibles	9	3,250
Liabilities		
Accounts payable and accrued liabilities		(1,862)
		4,146
Goodwill	9	1,808
Total net assets acquired		**5,954**

4. BUSINESS COMBINATION (CONT'D)

The balance of goodwill is the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. The goodwill recorded represents (a) cost savings and operating synergies expected to result from combining the operations of Papillon with those of the Company; and (b) intangible assets that do not qualify for separate recognition such as the assembled workforce. Goodwill is deductible for tax purposes.

The Company incurred fees of $54 which were recognized separately from the acquisition and included as business acquisition related costs on the consolidated statement of income and comprehensive income.

Revenue and net income (loss) of Papillon since the date of acquisition included in the consolidated statements of income (loss) and comprehensive income (loss) for the year amounted to $21,057 and $1,527, respectively.

Pro-forma revenue and net income (loss) of the Company for the year ended December 31, 2016, assuming the acquisition of Papillon occurred on January 1, 2016, amounted to $23,405 and $3,686, respectively.

5. SUBSIDIARIES AND BUSINESS SEGMENTS

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

Operating segments of the Company are as follows:

Name of subsidiary	Country of incorporation	Equity ownership
Min-Ad Inc.	United States	100%
Mill Creek Inc.	United States	100%
Papillon Agricultural Company	United States	100%

The Company's Chief Executive Officer evaluates the performance of these segments and allocates resources to them based on certain performance measures (mainly cash flow from operations).

Segment earnings correspond to each business' earnings from operations. The Company's management reporting system evaluates performance based on a number of factors; however the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA").

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment operating results are as follows:

Year ended December 31, 2016	MIN-Ad.	Mill Creek	Papillon	Other	Elimi-nations	**Total**
REVENUE						
Internal sales	1,907	-	20	320	(2,247)	**-**
External sales	5,053	3,997	21,037	-	-	**30,087**
COST OF SALES						
Operating costs	5,235	2,616	17,695	-	(1,663)	**23,883**
Amortization & depletion	364	253	-	-	10	**627**
GROSS PROFIT	1,361	1,128	3,362	320	(594)	**5,577**
OPERATING EXPENSES						
Selling, general & administration	833	1,133	2,240	434	(326)	**4,314**
Amortization intangibles	-	-	247	-	-	**247**
INCOME (LOSS) BEFORE FINANCING	528	(5)	875	(114)	(268)	**1,016**
FINANCING COSTS						
Interest on long-term debt	37	54	231	44	-	**366**
	491	(59)	644	(158)	(268)	**650**
INCOME TAX RECOVERY	-	-	-	100	-	**100**
NET COMPREHENSIVE INCOME (LOSS)	491	(59)	644	(58)	(268)	**750**

Segment balances are as follows:

	MIN-Ad.	Mill Creek	Papillon	Other	Elimi-nations	**Total**
ASSETS						
Current assets	1,424	1,186	3,443	20	(281)	**5,792**
Non-current assets	1,587	4,029	4,810	5,290	(4,434)	**11,282**
	3,011	5,215	8,253	5,310	(4,715)	**17,074**
LIABILITIES						
Current liabilities	1,341	740	2,156	9	215	**4,461**
Non-current liabilities	57	2,403	4,915	4,016	-	**11,391**
	1,398	3,143	7,071	4,025	215	**15,852**

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Year ended December 31, 2015	MIN-Ad.	Mill Creek	Other	**Total**
REVENUE	6,482	5,268	-	**11,750**
COST OF SALES				
Operating costs	5,036	3,681	-	**8,717**
Amortization & depletion	718	288	-	**1,006**
	5,754	3,969	-	**9,723**
GROSS PROFIT	728	1,299	-	**2,027**
OPERATING EXPENSES				
Selling, general & administration	778	1,053	340	**2,171**
INCOME (LOSS) BEFORE FINANCING	(50)	246	(340)	**(144)**
FINANCING COSTS				
Interest on long-term debt	53	65	1	**119**
	(103)	181	(341)	**(263)**
INCOME TAX RECOVERY	-	-	-	**-**
NET COMPREHENSIVE INCOME (LOSS)	(103)	181	(341)	**(263)**

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.

Segment balances for the prior year are as follows:

	MIN-Ad.	Mill Creek	Other	**Total**
ASSETS				
Current assets	1,135	1,169	294	**2,598**
Non-current assets	2,335	2,047	261	**4,643**
	3,470	3,216	555	**7,241**
LIABILITIES				
Current liabilities	1,294	1,478	267	**3,039**
Non-current liabilities	36	277	3,417	**3,730**
	1,330	1,755	3,684	**6,769**

6. INVENTORIES

Inventories comprise the following:

	2016	2015
	$	$
Raw materials and consumables, at cost	**443**	534
Finished goods, at cost [net realizable value $388 (2015 - $342)]	**328**	282
Total inventories, at lower of cost and net realizable value	**771**	816

Inventory recognized in cost of sales during the year amounted to $4,021 (2015 – $4,480).

7. PROPERTIES, PLANT AND EQUIPMENT

Costs of properties, plant and equipment comprise the following:

	Balance, December 31, 2015	Additions during the year	Disposals during the year	**Balance, December 31, 2016**
	$	$	$	**$**
Cost				
Land	535	-	-	**535**
Dolomite Properties	2,051	-	-	**2,051**
Mill Equipment	4,395	1,867	(152)	**6,110**
Mill (i.e. Capital projects)	6,460	375	-	**6,835**
Vehicles	418	107	(29)	**496**
Spare Parts	597	10	-	**607**
	14,456	2,359	(181)	**16,634**

	Balance, December 31, 2014	Additions during the year	Disposals during the year	Balance, December 31, 2015
	$	$	$	$
Cost				
Land	535	-	-	535
Dolomite Properties	2,047	4	-	2,051
Mill Equipment	4,383	12	-	4,395
Mill (i.e. Capital projects)	6,128	332	-	6,460
Vehicles	418	-	-	418
Spare Parts	576	21	-	597
	14,087	369	-	14,456

7. PROPERTIES, PLANT AND EQUIPMENT (CONT'D)

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

	Balance, December 31, 2015	Additions during the year	Disposals during the year	**Balance, December 31, 2016**
	$	$	$	**$**
Accumulated amortization and depletion				
Land	-	-	-	**-**
Dolomite Properties	(1,193)	(10)	-	**(1,203)**
Mill Equipment	(3,572)	(206)	-	**(3,778)**
Mill	(4,920)	(381)	152	**(5,149)**
Vehicles	(390)	(30)	18	**(402)**
Spare Parts	-	-	-	**-**
	(10,075)	(627)	170	**(10,532)**

	Balance, December 31, 2014	Additions during the year	Disposals during the year	Balance, December 31, 2015
	$	$	$	$
Accumulated amortization and depletion				
Land	-	-	-	-
Dolomite Properties	(1,118)	(75)	-	(1,193)
Mill Equipment	(3,381)	(191)	-	(3,572)
Mill	(4,210)	(710)	-	(4,920)
Vehicles	(360)	(30)	-	(390)
Spare Parts	-	-	-	-
	(9,069)	(1,006)	-	(10,075)

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

	Balance, December 31, 2015	**Balance, December 31, 2016**
	$	**$**
Net book value		
Land	535	**535**
Dolomite Properties	858	**848**
Mill Equipment	823	**2,332**
Mill	1,539	**1,685**
Vehicles	29	**95**
Spare Parts	597	**607**
	4,381	**6,102**

8. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS

Mineral exploration properties and deferred exploration costs comprise the following:

	Sentinel Peak (a)	Varyville (b)	Total
	$	$	$
Cost			
Balance December 31, 2014	233	21	254
Additions	7	-	7
Balance December 31, 2015	240	21	261
Additions	7	-	7
Balance December 31, 2016	**247**	**21**	**268**

(a) Sentinel Peak

The Sentinel Peak gold property is located in Northern Humboldt County, Nevada approximately 80 miles northwest of Winnemucca, Nevada. The Company holds 22 claims covering 440 acres.

(b) Varyville

The Company holds eight claims in a historic gold mining district of northwest Nevada. These properties are all gold projects. No work is planned for 2017.

9. INTANGIBLES AND GOODWILL

Intangibles and goodwill comprise the following:

	Customer relationships (a)	Distribution rights (b)	Non-compete (c)	Brand (d)	**Total Intangibles**	**Goodwill**
	$	$	$	$	**$**	**$**
Balance December 31, 2015	-	-	-	-	**-**	**1**
Papillon acquisition (Note 4)	1,850	1,270	30	100	**3,250**	**1,808**
Less: amortization	(139)	(95)	(5)	(8)	**(247)**	**-**
Balance December 31, 2016	1,711	1,175	25	92	**3,003**	**1,809**

Amortization of intangible assets is presented within amortization of intangibles on the consolidated statement of loss and comprehensive loss. As at year-end, no indicators of impairment existed for the intangible assets and there were no impairment losses recognized in income.

a) Customer relationships, which are long-standing relationships with many specialty feed ingredient suppliers, toll manufacturers and customers in the dairy industry.

9. INTANGIBLES AND GOODWILL (CONT'D)

b) Distribution rights, which are exclusive rights of the Company to produce and distribute specialty feed ingredients to the dairy industry.
c) 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.
d) 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.

The goodwill impairment analysis performed by the Company concluded there was no impairment to goodwill as at December 31, 2016 as the fair value of its CGUs exceeded its carrying value.

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

10. DEBT

Long term debt, equipment purchase financing, and promissory notes due to related parties comprise the following:

	2016	2015
	$	$
Long term debt		
Revolving Credit Facility	**672**	703
Mill Creek Term Loan	**750**	730
Papillon Term Loan	**1,297**	-
Long term debt	**2,719**	1,433
Less: current portion of long term debt	**(1,088)**	(1,433)
Non-current portion of long term debt	**1,631**	-

10. DEBT (CONT'D)

	2016	2015
	$	$
Equipment purchase financing		
Equipment purchase financing	**1,947**	345
Less: current portion of equipment purchase financing	**(177)**	(134)
Non-current portion of equipment purchase financing	**1,770**	211

	2016	2015
	$	$
Promissory notes to related parties		
Promissory notes to related parties	**4,704**	250
Less: current portion of promissory notes to related parties	**(250)**	(250)
Non-current portion of promissory notes to related parties	**4,454**	-

Bank facilities

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

(i) $1,000 Revolving Credit Facility – proceeds were used to fully repay the $675 outstanding under the Mutual of Omaha revolving credit facility. The undrawn portion provides additional liquidity to the MIN-AD and Mill Creek operations.

(ii) $750 Term Loan – proceeds were used to fully repay the $483 balance outstanding under the Mutual of Omaha term loan and, subsequent to year-end, on January 26, 2017, to repay a related party note in the amount of $250 plus accrued interest that was due on December 31, 2016.

(iii) $1,500 Equipment Term Loan – this facility, which closed, but was not funded in December of 2016, was arranged to partially finance the purchase of a new crusher and screening unit for the Mill Creek operation. Subsequent to year-end, on March 6, 2017, an amount of $1,264 was drawn under the facility to complete the purchase of the new equipment.

Revolving credit facility

The Company has a one-year, secured revolving credit facility ("RC") with Meadows Bank in the amount of the lesser of $1,000 or 75% of MIN-AD's and Mill Creek's accounts receivables, bearing interest at the U.S. bank prime rate plus 1.00% per annum. Any amounts drawn under the RC facility can be repaid any time and are due in full at maturity on December 25, 2017. At December 31, 2016, $672 was outstanding under the RC and was recorded as current portion of long-term debt. The interest rate on the outstanding amount at December 31, 2016 was 4.75%.

10. DEBT (CONT'D)

Term loans

(i) In December 2016, the Company arranged a five year, secured term facility with Meadows Bank in the amount of $750, bearing interest of 5.50% per annum. The term loan amortizes in sixty monthly payments and matures on December 25, 2021. At December 31, 2016, the outstanding balance of the term loan was $750.

(ii) In December 2016, the Company arranged a five and a half year, secured Equipment Term Loan in an amount of up to $1,500. For six months post drawdown, the loan bears interest at the U.S. bank prime rate plus 0.50% and the Company is only required to make monthly interest payments during this six-month period. Thereafter, the loan bears interest at a fixed rate of 5.50% and is amortized over sixty equal monthly instalments. The loan matures on June 25, 2022. At year-end, there was no balance outstanding under the equipment term loan.

The Meadows Bank facilities (the $1,000 RC, $750 Term Loan and $1,500 Equipment Term Loan) are secured by the accounts receivable, inventory, equipment and other assets of MIN-AD and Mill Creek Dolomite. Both the Company and its subsidiary, Secret Pass Gold Inc., guarantee the facilities.

The Meadows facilities contain certain covenants that limit, among other things, the ability of the Company's subsidiaries (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 to cash flow ratio.

(iii) In connection with the acquisition of Papillon, on March 23 2016, the Company arranged a three year, secured term loan for $1,500 with Shore United Bank (formerly Talbot Bank). The loan bears interest at 4.75% per annum with monthly principal and interest payments of $28 and a balloon principal repayment of $669 due at maturity on March 22, 2019. The Shore loan is guaranteed by the Company, certain of the Company's subsidiaries and an officer and director of the Company and is secured by Papillion's accounts receivable.

Under the terms of the Shore United loan, Papillon Agricultural LLC, (the "Borrower") is governed by certain covenants including, requiring Shore Bank approval for distributing cash to Inter-Rock, restrictions on new indebtedness, asset dispositions and acquisitions, a requirement to maintain a minimum debt service coverage ratio and a certain level of cash and accounts receivables, among other covenants. At December 31, 2016, $281 of the loan was recorded as the current portion of long-term debt and the balance of $1,017 was recorded as long-term debt.

10. DEBT (CONT'D)

Equipment purchase financing

In the course of operations, the Company arranges equipment finance facilities with major equipment manufacturers and financial institutions. The total amounts currently outstanding under these facilities range from $22 to $1,500 (2015 – $4 to $198) and the interest rate on the facilities range from 1.99% to 6.10% (2015 – 1.99% to 9.29%) per annum.

The payments for equipment purchase financing are summarized as follows:

	Total payments
	$
Less than 1 year	**177**
1-5 years	**1,770**
	1,947

Related party notes

On March 23, 2016, in connection with financing the acquisition of Papillon Agricultural Company Inc., the Company received a loan from the original shareholders of Papillon for $3,899 (the "Seller Notes"). In addition, the Company borrowed $500 from the Chairman of the Company and $55 from the Chief Executive Officer of the Company to assist in financing the purchase price of Papillon (the "Buyer Notes"). Refer to Note 17 for details of this related party debt.

Included in the related party balance for the current year is $250 loan for the Chairman of the Company, further details of this loan are outlined in Note 17.

As at December 31, 2016 and 2015, the company was in compliance with all covenant requirements.

11. 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.

12. 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 US $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, 2017, so the liability has been presented in these financial statements as long-term.

For the years ended December 31, 2016 and 2015 the Company did not record any amount in interest expense for dividends. The fair value of Series A preferred shares is approximately $3,239 (2015 – $3,224) based on a market rate of interest.

13. SHARE CAPITAL

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

	Number	Amount
Balance, December 31, 2016 and 2015	22,617,811	5,864

14. OPTIONS

The Company had adopted a stock option plan (the "Plan") under which the directors of the Company could grant options to acquire common shares of the Company to qualified directors, officers, employees and persons providing ongoing services to the Company.

On June 29, 2015 all outstanding stock options expired and the plan was not renewed. The Company has not had a stock option plan since June 2015.

15. COMPREHENSIVE INCOME (LOSS) PER SHARE

Basic and diluted comprehensive income (loss) per share have been calculated as follows:

	2016	2015
Basic comprehensive income (loss) per share		
Income (loss) available to common shares	**750**	(263)
Weighted average common shares (in thousands)	**22,618**	22,618
	0.03	(0.01)
Diluted comprehensive income (loss) per share		
Income (loss) available to common shares	**750**	(263)
Income (loss) available to common shares, assuming dilution	**750**	(263)
Weighted average common shares outstanding	**22,618**	22,618
Preferred shares converted to common shares	**17,137**	17,137
Adjusted weighted average common shares outstanding	**39,755**	39,755
	0.02	(0.01)

Each Preferred Share (Note 12) is convertible into one common share of the Company, the dilutive effect of the conversion of Preferred Shares is 17,137,000 additional common shares. In 2015, effects of dilutive securities have not been calculated as they are anti-dilutive.

16. INCOME TAXES

The provision for income taxes reflects an effective tax rate which differs from the statutory tax rate as follows:

	2016	2015
	$	$
Income (loss) before income taxes per financial statements	**650**	(263)
Loss incurred outside of the United States, no tax effect	**154**	138
Adjusted loss	**804**	(125)
United States statutory tax rate	**40%**	40%
Expected income tax expense (recovery)	**322**	(50)
Change in estimate in future income tax recovery	**100**	16
Application of loss carryforward balances and other	**(321)**	8
True-up of prior year estimates	**-**	26
Income tax recovery	**100**	-

16. INCOME TAXES (CONT'D)

Deferred income tax assets have been calculated as follows:

	2016	2015
	$	$
Carrying value of mineral properties, plant and equipment for accounting purposes in excess of carrying value for tax purposes	**(3,705)**	(2,305)
Carrying value of intangibles and goodwill for tax purposes in excess of carrying value	**(84)**	-
Carrying value of finance lease for tax purposes in excess of carrying value	**1,340**	
United States tax losses	**2,696**	3,227
Less: tax losses not recognized	**-**	(923)
Approximate tax rate	**40%**	40%
Deferred income tax asset	**100**	-

The Company has net operating losses for income tax purposes of $2,696 (2015 – $3,227) which can be carried forward and applied against future taxable income. The potential benefit of these losses has been recognized in these financial statements as deferred income tax assets to the extent that management expects them to be utilized. The right to use these losses expires as follows:

Incurred	Expires	Amount
		$
1998	2018	1,452
2011	2031	230
2012	2032	384
2013	2033	193
2014	2034	437
2015	2035	-
		2,696

17. RELATED PARTY TRANSACTIONS

(a) Promissory notes related to the acquisition of Papillion Agricultural Company Inc.

On March 23, 2016, in connection with financing the acquisition of Papillon, the Company received loans from the original shareholders of Papillon totaling $3,899 (the "Seller Notes"). The Papillon noteholders are related parties as they continue to work for, or are directors of Papillion. In addition, the Company also borrowed $500 from the Chairman of the Company and $55 from the Chief Executive Officer of the Company to assist in financing the purchase price of Papillon (the "Buyer Notes"). At December 31, 2016, the Company had the following promissory notes outstanding:

(i) $3,899 Seller Notes: On March 23, 2016, the Company issued promissory notes to the original shareholders of Papillon Agricultural Company Inc. The Seller Notes are comprised of two tranches: a $3,499 tranche bearing interest at 5.75% per annum and a $400 working capital tranche bearing interest at 7% per annum. Interest is paid quarterly and the principal is due at maturity on March 23, 2019. The Seller Notes are guaranteed by Inter-Rock and Papillon Agricultural Company Inc. and are secured by a pledge of the shares of Papillon Agricultural Company Inc.

The Seller Notes are subordinate to the Shore United Bank facility. The Company can make optional principal prepayments of the Notes at the end of each year with the consent of the Shore United Bank. The Seller Notes are subject to the terms of the note indentures and The Stock Purchase Agreement (the agreement that governs the acquisition of Papillion Agricultural Company Inc. by Papillion Agricultural LLC), which limit the distribution of cash from Papillon Agricultural Company Inc. to the Company while any amount of the Seller Notes remain outstanding.

(ii) $555 Buyer Notes: in connection with the acquisition of Papillon, on March 23, 2016, the Company issued a $500 promissory note to the Chairman of Inter-Rock and a $55 promissory note to the Chief Executive Officer of Inter-Rock. The Notes are unsecured and bear interest at 6% per annum. The principal and accrued interest is due in full on December 31, 2019 and is recorded as long term debt. At December 31, 2016, accrued interest totaled $29.

(b) Other related party notes

The Company received a $250 loan from the Chairman of the Company on December 18, 2015. The loan proceeds were used to partially fund an engineering study for upgrading the plant at Mill Creek. The loan bears interest at 6% per annum and was due in full, with accrued interest on December 31, 2016. At December 31, 2016, the $250 Note and $16 of interest was due to the Chairman. Subsequent to year-end, on January 26, 2017 the note and accrued interest was fully repaid in the amount of $266.

(c) Key management remuneration

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

17. RELATED PARTY TRANSACTIONS (CONT'D)

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

	2016	2015
	$	$
Short term benefits including salaries, consulting and director fees	**701**	444

18. REVENUE AND SALARIES SUPPLEMENTAL INFORMATION

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

	2016	2015
	$	$
Min-Ad and Mill Creek		
Dolomite sales	**6,240**	8,128
Freight charges	**3,466**	3,312
Fuel charges	**221**	294
Other revenue	**(4)**	16
	9,923	11,750
Papillon		
Animal feed sales	**18,987**	-
Other revenue	**507**	-
Freight charges	**670**	-
	30,087	11,750

The company has reported total salaries, benefits and incentives in the consolidated statements of operations and comprehensive loss as follows:

	2016	2015
	$	$
Operating costs	**1,683**	1,445
Selling, general and administrative	**2,753**	1,260
	4,436	2,705

19. FINANCIAL INSTRUMENTS

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

Credit risk

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

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

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

Liquidity risk

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

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

19. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

The Company has financed its cash requirements primarily through issuance of securities, short-term borrowings and issuances of long-term debt. Financial liabilities are due as follows:

	< 1 year	1 - 2 years	3 - 5 years	> 5 years
	$	$	$	$
Accounts payable and accrued liabilities	2,946	-	-	-
Long-term debt	1,088	438	1,196	-
Equipment purchase financing	400	389	909	228
Promisorry notes	250	-	4,454	-
Preferred shares	-	-	-	3,417

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 (Note 12) and, to the extent that it uses it, the revolving credit facility (Note 10) since the interest rate or dividend payment on these instruments fluctuates with the general level of interest rates. Of the financial instruments held at year-end, a one percent change in interest rates would affect the profitability of the Company by an immaterial amount.

The majority of the Company's revenues, expenses, cash holdings and debt instruments are denominated in U.S. dollars, accordingly, foreign exchange risk is minimal. The Company has relatively small amounts of cash, executive compensation, accounts payable and accrued liabilities denominated in Canadian dollars. Changes in the exchange rate between the United States and Canadian dollars would not have a material impact on the Company's earnings.

20. MANAGEMENT OF CAPITAL

The Company considers its capital structure to include shareholders' equity and the Preferred Shares which approximate a total capital of $4,338 (2015 – $3,889).

The Company's objective when managing capital is to ensure adequate liquidity to continue operations. The Company seeks to ensure that cash from operations is sufficient to meet all operating expenses, sustaining capital expenditures, and debt service obligations. Funds for significant capital improvements are primarily secured through long-term debt. There is no assurance that bank debt is available. There were no changes in capital management in the year.

The Company's long-term capital is subject to external restrictions including continued listing requirements of the TSX Venture Exchange and certain debt covenants as described in Note 10.

21. COMMITMENTS

The Company is committed to annual rental payments under operating leases as follows:

	Total payments
	$
Less than 1 year	**113**
1-5 years	**60**
	173

In December 2015, the Company entered into a sub-lease agreement for office space for its head office in Toronto. The sub-lease has a four year term with monthly payments of $2.

22. SUBSEQUENT EVENTS

On January 26, 2017, the Company repaid in full, with accrued interest, a $250 Note due to the Chairman of the Company. The 6% Note, provided on December 18, 2015 was due on December 31, 2016. The Note and accrued interest amounted to $266.

On March 1, 2017, the Company prepaid $200,000 of the 7% Seller Notes. The prepayment required obtaining approval from Shore United Bank. The balance outstanding of the 7% Seller Notes is $200. The $3,499 5.75% Seller Notes also remain outstanding.

On March 6, 2017, the Company borrowed $1,264 under the $1,500 Equipment Term Loan with Meadows Bank (as described under Note 10). The proceeds were used to pay for new crushing and screening equipment at Mill Creek.

On March 22, the Company sold two haul trucks at its Mill Creek operation to an equipment dealer for proceeds of $326. The proceeds of the sale of the trucks were used to repay in full on April 6, 2017, a secured bank term loan in the amount of $326 that had been arranged to finance the purchase of the trucks by Mill Creek Dolomite, a wholly owned subsidiary of the Company.

On March 23, 2017, Mill Creek Dolomite, a wholly owned subsidiary of the Company, entered into a lease agreement to rent two new haul trucks for a four year term. In accordance with the lease agreement, Mill Creek selected the type of trucks and the manufacturer of the trucks and the Lessor acquired the trucks at the request of Mill Creek. Under the terms of the lease agreement, Mill Creek has an absolute and non-terminable obligation to make all rental payments to the Lessor for the entire term of the lease agreement. Mill Creek is guaranteeing the payments due under the terms of the lease. The monthly payments are $15 (including taxes) and total $713 over the term of the lease. The lease agreement includes an equipment purchase option, under which Mill Creek may purchase the trucks at the end of the lease term at their fair market value. Monthly payments commence on April 23, 2017.