

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

Expressed in United States dollars

Periods ended June 30, 2018 and 2017

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by, and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

**INTER-ROCK MINERALS INC.
AUGUST 22, 2018**

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Balance Sheets

As at

(Expressed in thousands of United States Dollars)

UNAUDITED	Note	June 30, 2018	December 31, 2017
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,454	2,106
Accounts receivable		4,674	3,893
Inventories	6	1,285	1,395
Prepaid expenses and other assets		270	258
Total Current Assets		7,683	7,652
Non-current assets			
Properties, plant and equipment	7	4,942	5,004
Intangible assets	8	2,511	2,675
Goodwill	8	1,809	1,809
Total Assets		16,945	17,140
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,685	3,150
Current portion of long-term debt	9	1,486	1,021
Current portion of equipment purchase financing	9	308	321
Total Current Liabilities		4,479	4,492
Non-current liabilities			
Accrued interest payable	15	79	62
Long-term debt	9	3,466	1,194
Equipment purchase financing	9	844	992
Promissory notes to related parties	9,15	555	3,555
Deferred income tax liability		330	330
Asset retirement obligation	10	75	75
Series A preferred shares	11	3,417	3,417
Total Liabilities		13,245	14,117
Equity			
Share capital	12	5,864	5,864
Contributed surplus		315	315
Deficit		(2,479)	(3,156)
Total Equity		3,700	3,023
Total Liabilities and Equity		16,945	17,140

Commitments (Note 17)

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(Expressed in thousands of United States Dollars)

UNAUDITED	Note	Three months ended		Six months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		\$	\$	\$	\$
REVENUE	5,16	13,278	13,646	25,688	27,021
COST OF SALES					
Operating costs	5	11,037	11,140	21,342	22,584
Amortization and depletion	7	134	152	262	311
		11,171	11,292	21,604	22,895
Gross Profit		2,107	2,354	4,084	4,126
OPERATING EXPENSES					
Selling, general and administrative	5	1,512	1,215	3,018	2,424
Amortization of intangible assets	8	82	82	164	164
Income Before Financing Costs		513	1,057	902	1,538
Interest on Series A preferred shares	10	38	-	38	-
Interest on long-term debt	9	89	113	187	240
Net Income and Comprehensive Income		386	944	677	1,298
Basic income per share	13	0.02	0.04	0.03	0.06
Diluted income per share	13	0.01	0.02	0.02	0.03
Weighted average number of shares outstanding					
Basic		22,617,811	22,617,811	22,617,811	22,617,811
Diluted		39,754,791	39,754,791	39,754,791	39,754,791

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in thousands of United States Dollars)

<i>UNAUDITED</i>	Share Capital (Note 12)	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
Balance December 31, 2016	5,864	315	(4,957)	1,222
Total income and comprehensive income for the period	-	-	1,298	1,298
Balance June 30, 2017	5,864	315	(3,659)	2,520
Balance December 31, 2017	5,864	315	(3,156)	3,023
Total income and comprehensive income for the period	-	-	677	677
Balance, June 30, 2018	5,864	315	(2,479)	3,700

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of United States Dollars)

UNAUDITED	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$	\$	\$	\$
CASH PROVIDED BY (USED IN)				
OPERATIONS				
Net income	386	944	677	1,298
Items not affecting cash				
Amortization and depletion, mining	134	152	262	311
Amortization of intangible assets	82	82	164	164
Interest expense	127	113	225	240
Gain on disposal of properties, plant and equipment	-	-	-	(55)
	729	1,291	1,328	1,958
Net changes in non-cash working capital				
Accounts receivable	(150)	153	(781)	(241)
Inventories	71	(104)	110	(271)
Prepaid expenses	(36)	(68)	(12)	(41)
Accounts payable and accrued liabilities	(181)	(1,081)	(503)	59
Accrued interest payable	9	8	17	1
Cash generated by operating activities	442	199	159	1,465
INVESTING				
Purchase of properties, plant and equipment	(110)	(23)	(199)	(1,409)
Proceeds on disposal of properties, plant and equipment	-	-	-	398
Cash used in investing activities	(110)	(23)	(199)	(1,011)
FINANCING				
Interest paid	(80)	(103)	(170)	(223)
Interest on Series A preferred shares	(38)	-	(38)	-
Proceeds from long-term debt	4,000	-	4,000	18
Repayment of long-term debt	(1,137)	(103)	(1,244)	(205)
Proceeds from equipment purchase financings	-	-	-	1,264
Repayment of equipment purchase financings	(78)	(34)	(160)	(406)
Repayment of related party loans	(3,000)	(200)	(3,000)	(650)
Cash provided by (used in) financing activities	(333)	(440)	(612)	(202)
Net change in cash and cash equivalents	(1)	(264)	(652)	252
Cash and cash equivalents, beginning of period	1,455	1,639	2,106	1,123
Cash and cash equivalents, end of period	1,454	1,375	1,454	1,375

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

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

1. CORPORATE INFORMATION

Inter-Rock Minerals Inc. ("Inter-Rock" or the "Company") is domiciled in Canada and is continued under the Business Corporations Act (Ontario). The Company's office is located at 2 Toronto Street, Suite 500 Toronto, Ontario, M5C 2B6, Canada. The Company's shares are traded on the TSX Venture Exchange under the symbol "IRO".

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

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard, ("IAS") 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements by IFRS. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2017 prepared in accordance with IAS as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.10 of the Company's audited financial statements for the year ended December 31, 2017.

2.3 Basis of Consolidation

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

Entity	Place of Incorporation	Ownership
Secret Pass Gold Inc.	United States	100%
MIN-AD Inc.	United States	100%
Mill Creek Dolomite LLC	United States	100%
Papillon Agricultural LLC	United States	100%
Papillon Agricultural Company Inc.	United States	100%

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

2. BASIS OF PRESENTATION (CONT'D)

2.4 Functional Currency and Currency of Presentation

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

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements reflect the accounting policies applied by the Company in its audited consolidated financial statements for the year ended December 31, 2017. The Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2017.

The IASB continues to amend and to add to current IFRS standards and interpretations. The Company's accounting policies adopted for preparation of its IFRS annual consolidated financial statements will be determined as of December 31, 2018. In the event that accounting policies adopted at December 31, 2018 differ materially from the accounting policies used in the preparation of these condensed consolidated interim financial statements, these condensed consolidated interim financial statements will be restated to retrospectively account for the application of those policies adopted at December 31, 2018.

4. JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated interim 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.

These condensed consolidated interim financial statements reflect the judgements and estimates outlined by the Company in Note 4 of its audited consolidated financial statements for the year ended December 31, 2017.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

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 Inc.	United States	100%

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

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").

Segment operating results are as follows:

For the six month period ended June 30, 2018	MIN-AD.	Mill Creek	Papillon	Other	Eliminations	Total
REVENUE						
Internal sales	1,486	-	62	289	(1,837)	-
External sales	2,430	2,625	20,633	-	-	25,688
COST OF SALES						
Operating costs	3,055	1,862	17,734	-	(1,309)	21,342
Amortization & depletion	102	155	-	5	-	262
Gross Profit	759	608	2,961	284	(528)	4,084
OPERATING EXPENSES						
Selling, general & administration	517	592	2,046	306	(443)	3,018
Amortization of intangible assets	-	-	164	-	-	164
Income (loss) Before Financing Costs	242	16	751	(22)	(85)	902
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	38	-	38
Interest on long-term debt	17	48	105	17	-	187
Net and comprehensive income (loss) for the period	225	(32)	646	(77)	(85)	677

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

As at June 30, 2018	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
ASSETS						
Current assets	1,170	1,595	5,251	31	(364)	7,683
Non-current assets	1,485	3,456	4,321	-	-	9,262
	2,655	5,051	9,572	31	(364)	16,945
LIABILITIES						
Current liabilities	1,086	811	2,563	96	(77)	4,479
Non-current liabilities	39	1,220	3,127	4,380	-	8,766
	1,125	2,031	5,690	4,476	(77)	13,245

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

For the three month period ended June 30, 2018	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
REVENUE						
Internal sales	613	-	43	148	(804)	-
External sales	1,248	1,328	10,702	-	-	13,278
COST OF SALES						
Operating costs	1,528	913	9,081	-	(485)	11,037
Amortization & depletion	53	79	-	2	-	134
Gross Profit	280	336	1,664	146	(319)	2,107
OPERATING EXPENSES						
Selling, general & administration	279	282	1,035	101	(185)	1,512
Amortization intangibles	-	-	82	-	-	82
Income (loss) Before Financing Costs	1	54	547	45	(134)	513
FINANCING COSTS						
Interest on Series A preferred shares	-	-	-	38	-	38
Interest on long-term debt	8	22	50	9	-	89
Net and comprehensive income (loss) for the period	(7)	32	497	(2)	(134)	386

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment operating results for the prior period are as follows:

For the six month period ended June 30, 2017	MIN-Ad.	Mill Creek	Papillon	Other	Elimi- nations	Total
REVENUE						
Internal sales	1,518	-	37	234	(1,789)	-
External sales	2,531	1,802	22,688	-	-	27,021
COST OF SALES						
Operating costs	2,845	1,148	19,640	-	(1,049)	22,584
Amortization & depletion	143	163	-	-	5	311
Gross Profit	1,061	491	3,085	234	(745)	4,126
OPERATING EXPENSES						
Selling, general & administration	477	505	1,637	225	(420)	2,424
Amortization intangibles	-	-	164	-	-	164
Income (loss) for the period before financing costs	584	(14)	1,284	9	(325)	1,538
FINANCING COSTS						
Interest on long-term debt	26	59	138	17	-	240
Net and comprehensive income (loss) for the period	558	(73)	1,146	(8)	(325)	1,298
Adjustments and eliminations include inter-segment revenues and expenses that are eliminated on consolidation						
As at June 30, 2017	MIN-Ad.	Mill Creek	Papillon	Other	Elimi- nations	Total
ASSETS						
Current assets	1,326	1,485	4,184	15	(413)	6,597
Non-current assets	2,045	3,469	4,646	369	-	10,529
	3,371	4,954	8,830	384	(413)	17,126
LIABILITIES						
Current liabilities	1,244	898	2,127	158	(45)	4,382
Non-current liabilities	47	1,724	4,990	3,463	-	10,224
	1,291	2,622	7,117	3,621	(45)	14,606

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

For the three month period ended June 30, 2017	MIN-Ad.	Mill Creek	Papillon	Other	Eliminations	Total
REVENUE						
Internal sales	730	-	17	117	(864)	-
External sales	1,284	1,027	11,335	-	-	13,646
COST OF SALES						
Operating costs	1,419	635	9,743	-	(657)	11,140
Amortization & depletion	71	79	-	-	2	152
Gross Profit	524	313	1,609	117	(209)	2,354
OPERATING EXPENSES						
Selling, general & administration	254	257	802	101	(199)	1,215
Amortization intangibles	-	-	82	-	-	82
Income for the period before financing costs	270	56	725	16	(10)	1,057
FINANCING COSTS						
Interest on long-term debt	11	26	67	9	-	113
Net and comprehensive income for the period	259	30	658	7	(10)	944

6. INVENTORIES

Inventories comprise the following:

	June 30, 2018	December 31, 2017
	\$	\$
Raw materials and consumables, at cost	481	760
Finished goods, at cost	804	635
Total inventories, at lower of cost and net realizable value	1,285	1,395

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

7. PROPERTIES, PLANT AND EQUIPMENT

Costs of properties, plant and equipment comprise the following:

	Balance, December 31, 2017	Additions during the period	Disposals during the period	Balance, June 30, 2018
	\$	\$	\$	\$
<u>Cost</u>				
Land	535	-	-	535
Dolomite Properties	2,051	-	-	2,051
Mill Equipment	5,566	-	-	5,566
Mill (i.e. Capital projects)	6,954	199	-	7,153
Vehicles	445	-	-	445
Spare Parts	321	-	-	321
	15,871	199	-	16,071

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

	Balance, December 31, 2017	Additions during the period	Disposals during the period	Balance, June 30, 2018
	\$	\$	\$	\$
<u>Accumulated amortization and depletion</u>				
Land	-	-	-	-
Dolomite Properties	(1,219)	(7)	-	(1,226)
Mill Equipment	(4,079)	(160)	-	(4,239)
Mill (i.e. Capital projects)	(5,197)	(81)	-	(5,278)
Vehicles	(372)	(14)	-	(386)
Spare Parts	-	-	-	-
	(10,867)	(262)	-	(11,129)

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

	Balance, June 30, 2018	Balance, December 31, 2017
	\$	\$
<u>Net book value</u>		
Land	535	535
Dolomite Properties	825	832
Mill Equipment	1,327	1,486
Mill	1,875	1,757
Vehicles	59	73
Spare Parts	321	321
	4,942	5,004

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

8. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill comprise the following:

	Customer relationships (a)	Distribution rights (b)	Non-compete (c)	Brand (d)	Total Intangibles	Goodwill
	\$	\$	\$	\$	\$	\$
Mill Creek	-	-	-	-	-	1
Papillon acquisition (Note 5)	1,850	1,270	30	100	3,250	1,808
Less: amortization	(139)	(95)	(5)	(8)	(575)	-
Balance December 31, 2017	1,526	1,048	19	82	2,675	1,809
Less: amortization	(92)	(64)	(3)	(5)	(164)	-
Balance, June 30, 2018	1,434	984	16	77	2,511	1,809

Amortization of intangible assets is presented on the condensed consolidated interim statements of income and comprehensive income. As at period-end, no indicators of impairment existed for the intangible assets and there were no impairment losses recognized in income.

- Customer relationships, which are long-standing relationships with many specialty feed ingredient suppliers, toll manufacturers and customers in the dairy industry.
- Distribution rights, which are exclusive rights of the Company to produce and distribute specialty feed ingredients to the dairy industry.
- Non-compete arrangements, which serve to protect the Company's sensitive and confidential information. These agreements may apply to employees as well as any person or company that interacts with the business and encounters confidential information. The agreements have to be reasonable in scope and duration in order to be upheld in court.
- Brand, where the value of a brand is determined by the consumers' perception of the brand. Positive brand equity is achieved when consumers are willing to pay more for a product with a recognizable brand name than they would pay for a generic version of the product.

Goodwill is measured as the fair value of consideration paid less the fair value of the net assets acquired and liabilities assumed on the acquisition date. Goodwill is tested at least annually for impairment or more frequently when impairment indicators are identified. In accordance with IAS 36, if some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

The goodwill impairment analysis performed by the Company concluded there was no impairment to goodwill as at June 30, 2018 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%.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

9. DEBT

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

	June 30, 2018	December 31, 2017
	\$	\$
<u>Aggregate debt facilities</u>		
Revolving Credit Facility	540	583
Mill Creek Term Loan	546	616
Papillon Term Loan	3,866	1,016
Equipment Financings	1,152	1,313
Related Party Notes	555	3,555
	<u>6,659</u>	<u>7,083</u>
<u>Less: current portions of</u>		
Bank debt	(1,486)	(1,021)
Current portion equipment purchase financing	(308)	(321)
<u>Total long-term debt</u>	<u>4,865</u>	<u>5,741</u>

Bank facilities

MIN-AD and Mill Creek jointly have three bank facilities:

- (i) \$1,000 Revolving Credit Facility – a one-year, secured revolving credit facility (“RC”) in the amount of the lesser of \$1,000 or 75% of accounts receivable at MIN-AD and Mill Creek, bearing interest at the U.S. bank prime rate plus 1.00% per annum. Any amounts drawn under the RC facility can be repaid any time and are due in full at maturity on May 25, 2019. At June 30, 2018, \$540 (June 30, 2017 - \$693) was outstanding under the RC facility and was recorded as current portion of long-term debt.
- (ii) \$750 Term Loan – a five year, secured term loan bearing interest of 5.50% per annum. The loan amortizes over sixty months in equal principal and interest payments of \$14 and matures on December 25, 2021. At June 30, 2018, \$146 (June 30, 2017 - \$138) was recorded as current portion of long-term debt and the balance of \$400 (June 30, 2017 - \$546) was recorded as long-term debt.
- (iii) \$1,264 Equipment Term Loan – a five and a half year, secured equipment acquisition term loan. The loan bears interest at a fixed rate of 5.50% and amortizes over sixty months in equal principal and interest payments of \$24. The loan matures on June 25, 2022. At June 30, 2018, \$239 (June 30, 2017 - \$168) was recorded as current portion of equipment purchase financing and the balance of \$799 (June 30, 2017 - \$1,096) was recorded as long-term debt.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

9. DEBT (CONT'D)

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

In the second quarter of 2018, Papillon Agricultural LLC (the parent company of Papillon) arranged a \$4.0 million, five year secured term loan bearing interest at a fixed rate of 4.75%. The proceeds of the loan were used to repay in full a bank term loan (\$918) and the remaining Seller Notes (\$3,000), (see Related party notes below). The loan is secured against all the present and future assets of Papillon and Papillon Agricultural LLC, and is guaranteed by the Company and its subsidiaries, Secret Pass Gold Inc. and Papillon. The loan contains various covenants customary for a facility of this nature, including restrictions on new indebtedness, asset dispositions and acquisitions. The loan also contains financial covenants including (i) a minimum debt service cover ratio of 1.15 and (ii) beginning in the second year of the loan, a requirement that 80% of accounts receivable plus cash must be equal to or greater than the outstanding loan balance. At June 30, 2018, \$800 was recorded as current portion of long-term debt and the balance of \$3,066 was recorded as long-term debt.

As at June 30, 2018, the borrowers were in compliance with all bank debt covenant requirements.

Equipment financings

In the course of operations, MIN-AD and Mill Creek arrange equipment finance facilities with major equipment manufacturers and financial institutions. The total amounts currently outstanding under these facilities range from \$2 to \$1,038 (June 30, 2017 - \$11 to \$1,264) and the interest rate on the facilities range from 1.99% to 5.5% per annum. At June 30, 2018, \$308 (June 30, 2017 - \$268) was recorded as current portion of long-term debt and the balance of \$844 (June 30, 2017 - \$1,211) was recorded as long-term debt.

Related party notes

On March 23, 2016, in connection with financing the acquisition of Papillon Agricultural Company Inc., Papillon Agricultural LLC issued notes to the original shareholders of Papillon for \$3,899 (the "Seller Notes"). The Seller Notes had a maturity date of March 23, 2019. During 2017, \$899 of the Seller Notes were prepaid and in the second quarter of 2018, the remaining \$3,000 of Seller Notes were prepaid. The Papillon noteholders are related parties as they continue to work for, or are directors of Papillon.

Also, in connection with financing the acquisition of Papillon, the Company borrowed \$500 from the Chairman of the Company and \$55 from the Chief Executive Officer of the Company, (the "Buyer Notes"). The Buyer 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 June 30, 2018 accrued interest totaled \$79 (June 30, 2017 - \$45).

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

10. ASSET RETIREMENT OBLIGATION

The Company is required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises. This liability is management's estimate of the requirements for restoration and rehabilitation of the Company's MIN-AD and Mill Creek dolomite quarrying operations. The Company's liability for reclamation of the property has been discounted to its present value based on an estimate of the Company's pricing in the market to obtain debt.

11. SERIES A PREFERRED SHARES

On December 5, 2008, the Company issued 17,136,980 Series A preferred shares ("Preferred Shares") to settle debt and unpaid interest owing to a shareholder in the amount of \$3,417.

Each Preferred Share is entitled to one vote, is redeemable and retractable on demand at a value of \$0.20, pays a non-cumulative quarterly dividend at a rate equivalent to the US prime interest rate, and is convertible into one common share of the Company.

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, 2018, so the liability has been presented in these financial statements as long-term. On May 18, 2018, the Board of Directors of the Company declared a quarterly preferred share dividend of \$38 for the first quarter of 2018 (June 30, 2017 - \$Nil). The dividend was paid on June 8, 2018 and is recorded as interest expense.

12. 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, June 30, 2018 and 2017	22,617,811	5,864

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

13. INCOME PER SHARE

Basic and diluted income per share have been calculated as follows:

	For the three month period		For the six month period	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Basic income per share				
Income available to common shares	348	944	677	1,298
Weighted average common shares (in thousands)	22,618	22,618	22,618	22,618
	0.02	0.04	0.03	0.06
Diluted income per share				
Income available to common shares	348	944	677	1,298
Income available to common shares, assuming dilution	348	944	677	1,298
Weighted average common shares outstanding	22,618	22,618	22,618	22,618
Preferred shares converted to common shares	17,137	17,137	17,137	17,137
Adjusted weighted average common shares outstanding	39,755	39,755	39,755	39,755
	0.01	0.02	0.02	0.03

Each Preferred Share (Note 11) is convertible into one common share of the Company, the dilutive effect of the conversion of Preferred Shares is 17,136,980 additional common shares.

14. INCOME TAXES

At December 31, 2017, the Company had net operating losses for income tax purposes of \$862 (2016 – \$2,696) which can be carried forward and applied against future taxable income. The right to use these losses expires as follows:

Incurred	Expires	Amount
		\$
2012	2032	232
2013	2033	193
2014	2034	437
		862

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the periods ended June 30, 2018 and 2017
(Expressed in thousands of United States Dollars)

15. RELATED PARTY TRANSACTIONS

(a) Notes related to the acquisition of Papillon Agricultural Company Inc., (“Papillon”)

In the second quarter of 2018, Papillon repaid the remaining \$3,000 outstanding principal balance of the Seller Notes due to the original shareholders of Papillon and made a final interest payment to the noteholders of \$16. During the first six months of 2018, the Company paid interest of \$59 to the noteholders. The Papillon noteholders are related parties as they either continue to work for Papillon or are directors of Papillon.

(b) Key management remuneration

The Company’s related parties as defined by IAS 24, Related Party Disclosures, include key management personnel, namely directors of the Company and senior management of the Company and its subsidiaries, including the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”), the Vice-President of Operations and the President of Papillon.

	For the three months ended		For six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$	\$	\$	\$
Short term benefits including salaries, consulting and directors fees	185	191	379	380

16. REVENUE SUPPLEMENTAL INFORMATION

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

	For the three months ended		For the six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$	\$	\$	\$
<u>MIN-AD and Mill Creek</u>				
Dolomite sales	1,914	1,862	3,776	3,450
Freight charges	563	381	1,097	752
Fuel charges	100	68	183	131
	2,577	2,311	5,056	4,333
<u>Papillon</u>				
Animal feed sales	10,056	10,598	19,389	21,184
Other revenue	237	264	410	499
Freight charges	408	473	833	1,005
	13,278	13,646	25,688	27,021

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2018 and 2017

(Expressed in thousands of United States Dollars)

17. COMMITMENTS

The Company is committed to \$7,546 for obligations and financial commitments in the normal course of operations and financing activities. At June 30, 2018, the Company had the following financial commitments:

	Total	2018	2019	2020	2021	Thereafter
	\$	\$	\$	\$	\$	\$
Bank principal repayments	4,954	472	1,490	958	967	1,067
Equipment financing	1,150	159	282	275	290	144
Operating leases	887	147	295	295	143	7
Related party notes	555	-	555	-	-	-
Total	7,546	778	2,622	1,528	1,400	1,218

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.

18. SUBSEQUENT EVENT

On August 21, 2018, the Board of Directors of the Company declared a quarterly preferred share dividend of \$43 for the three months ended June 30, 2018, (June 30, 2017 - Nil.) The dividend was paid subsequent to quarter end.