

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

Expressed in United States dollars

Periods ended March 31, 2019 and 2018

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

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

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

**INTER-ROCK MINERALS INC.**

**MAY 24, 2019**

# Inter-Rock Minerals Inc.

## Condensed Consolidated Interim Balance Sheets

As at

(Expressed in thousands of United States Dollars)

<b>UNAUDITED</b>	Note	<b>March 31, 2019</b>	December 31, 2018
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		2,430	2,463
Accounts receivable		3,179	3,255
Inventories	6	1,286	1,170
Prepaid expenses and other assets		374	335
<b>Total Current Assets</b>		<b>7,269</b>	7,223
Non-current assets			
Properties, plant and equipment	7	6,232	4,861
Intangible assets	8	2,265	2,347
Goodwill	8	1,809	1,809
<b>Total Assets</b>		<b>17,575</b>	16,240
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		2,402	2,087
Accrued interest payable	9	103	95
Current portion of long term debt	9	1,967	1,735
Current portion equipment purchase financing	9	30	46
Current portion of lease obligations	3	543	-
Current portion of promissory notes to related parties	9	555	555
<b>Total Current Liabilities</b>		<b>5,600</b>	4,518
Non-current liabilities			
Long term debt	9	3,361	3,668
Equipment purchase financing	9	69	73
Lease obligations	3	702	-
Deferred income tax liability		467	467
Asset retirement obligation	10	75	75
Series A preferred shares	11	3,417	3,417
<b>Total Liabilities</b>		<b>13,691</b>	12,218
Equity			
Share capital	12	5,864	5,864
Contributed surplus		315	315
Deficit		(2,295)	(2,157)
<b>Total Equity</b>		<b>3,884</b>	4,022
<b>Total Liabilities and Equity</b>		<b>17,575</b>	16,240

Commitments (Note 17)

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

## Inter-Rock Minerals Inc.

### Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

(Expressed in thousands of United States Dollars)

<b>UNAUDITED</b>	Note	Three months ended	
		March 31, 2019	March 31, 2018
		\$	\$
<b>REVENUE</b>	5,16	<b>10,099</b>	<b>12,410</b>
<b>COST OF SALES</b>			
Operating costs	5,16	<b>8,381</b>	<b>10,305</b>
Amortization and depletion, mining	7	<b>263</b>	<b>128</b>
		<b>8,644</b>	<b>10,433</b>
<b>GROSS PROFIT</b>		<b>1,455</b>	<b>1,977</b>
<b>OPERATING EXPENSES</b>			
Selling, general and administrative	5,16	<b>1,416</b>	<b>1,468</b>
Amortization of intangible assets	8	<b>82</b>	<b>82</b>
<b>(LOSS) INCOME BEFORE FINANCING COSTS</b>		<b>(43)</b>	<b>427</b>
<b>FINANCING COSTS</b>			
Interest on debt and lease obligations	3,9	<b>95</b>	<b>98</b>
<b>NET COMPREHENSIVE ( LOSS) INCOME</b>		<b>(138)</b>	<b>329</b>
<b>Basic (loss) income per share</b>	13	<b>(0.01)</b>	<b>0.01</b>
<b>Diluted (loss) income per share</b>	13	<b>(0.00)</b>	<b>0.01</b>
<b>Weighted average number of shares outstanding</b>			
Basic		<b>22,617,811</b>	22,617,811
Diluted		<b>39,754,791</b>	39,754,791

## 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, 2017	5,864	315	(3,156)	3,023
Total income and comprehensive income	-	-	329	329
Balance, March 31, 2018	5,864	315	(2,827)	3,352
Balance December 31, 2018	5,864	315	(2,157)	4,022
Total comprehensive loss	0	0	(138)	(138)
<b>Balance, March 31, 2019</b>	<b>5,864</b>	<b>315</b>	<b>(2,295)</b>	<b>3,884</b>

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)

<b>UNAUDITED</b>	<b>Three months ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Net (loss) income	(138)	329
Items not affecting cash		
Amortization and depletion, mining	263	128
Amortization of intangible assets	82	82
Interest expense	95	98
	<b>302</b>	<b>637</b>
Net changes in non-cash working capital		
Accounts receivable	76	(631)
Inventories	(116)	39
Prepaid expenses	(39)	24
Accounts payable and accrued liabilities	381	(362)
Accrued interest payable	8	8
<b>Cash generated by operating activities</b>	<b>612</b>	<b>(285)</b>
<b>INVESTING</b>		
Purchase of properties, plant and equipment	(332)	(89)
<b>Cash used in investing activities</b>	<b>(332)</b>	<b>(89)</b>
<b>FINANCING</b>		
Interest paid	(87)	(90)
Proceeds from long term debt	250	-
Repayment of long term debt	(322)	(163)
Repayment of equipment purchase financings	(22)	(24)
Repayment of lease obligation	(132)	-
<b>Cash used in financing activities</b>	<b>(313)</b>	<b>(277)</b>
<b>Net change in cash and cash equivalents</b>	<b>(33)</b>	<b>(651)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,463</b>	<b>2,106</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,430</b>	<b>1,455</b>

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 March 31, 2019 and 2018

*(Expressed in thousands of United States Dollars)*

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## **1. CORPORATE INFORMATION**

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

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

## **2. BASIS OF PRESENTATION**

### **2.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard, ("IAS") 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements by IFRS. These condensed consolidated interim financial statements should be read in conjunction the Company's audited annual consolidated financial statements for the year ended December 31, 2018 prepared in accordance with IAS as issued by the International Accounting Standards Board ("IASB").

### **2.2 Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.10 of the Company's audited financial statements for the year ended December 31, 2018.

### **2.3 Functional Currency and Currency of Presentation**

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

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
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### **2. BASIS OF PRESENTATION (CONT'D)**

#### **2.4 Basis of Consolidation**

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **New Accounting Standards Adopted During the Period IFRS 16 – Leases**

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

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

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

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

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



## Inter-Rock Minerals Inc.

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

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

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

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

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

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

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

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

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

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

## Inter-Rock Minerals Inc.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

The Company's lease obligation consists of the following as at March 31, 2019:

<b>Movement in lease obligation:</b>	
Beginning balance at December 31, 2018	\$ -
IFRS adjustments	1,377
Additions during the first quarter of 2019	-
Payment during the first quarter of 2019	(132)
Lease obligation at March 31, 2019	1,245
Less: current portion	(543)
<b>Total long term lease obligation</b>	<b>\$ 702</b>

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

- depreciation expense of right-of-use assets of \$135
- interest expense on lease liabilities of \$18

### **4. JUDGMENTS AND ESTIMATES**

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period.

These condensed consolidated interim financial statements reflect the judgments and estimates outlined by the Company in Note 4 of its audited consolidated financial statements for the year ended December 31, 2018.

### **5. SUBSIDIARIES AND BUSINESS SEGMENTS**

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

Operating segments of the Company are as follows:

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

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

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

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:

Period ended March 31, 2019	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Internal sales	763	-	57	170	(990)	-
External sales	1,286	1,256	7,557	-	-	10,099
<b>COST OF SALES</b>						
Operating costs	1,505	896	6,427	-	(447)	8,381
Amortization & depletion, mining	93	159	-	11	-	263
<b>GROSS PROFIT</b>	451	201	1,187	159	(543)	1,455
<b>OPERATING EXPENSES</b>						
Selling, general & administration	293	321	971	181	(350)	1,416
Amortization of intangible assets	-	-	82	-	-	82
<b>Income (loss) Before Financing Costs</b>	158	(120)	134	(22)	(193)	(43)
<b>FINANCING COSTS</b>						
Interest on debt and lease obligations	13	33	49	-	-	95
<b>Net comprehensive income (loss)</b>	145	(153)	85	(22)	(193)	(138)

As at March 31, 2019	MIN-AD.	Mill Creek	Papillon	Other	Elimi- nations	Total
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
Current assets	1,336	1,643	4,747	191	(648)	7,269
Non-current assets	1,895	4,339	4,072	-	-	10,306
	3,231	5,982	8,819	191	(648)	17,575
<b>LIABILITIES</b>						
Current liabilities	1,798	1,108	2,303	723	(332)	5,600
Non-current liabilities	178	1,503	2,527	3,883	-	8,091
	1,976	2,611	4,830	4,606	(332)	13,691

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

## Inter-Rock Minerals Inc.

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

### 5. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment balances for the prior period are as follows:

Period ended March 31, 2018	Mill				Eliminations	Total
	MIN-AD.	Creek	Papillon	Other		
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Internal sales	873	-	19	141	(1,033)	-
External sales	1,182	1,297	9,931	-	-	12,410
<b>COST OF SALES</b>						
Operating costs	1,527	949	8,653	-	(824)	10,305
Amortization & depletion	49	76	-	3	-	128
<b>GROSS PROFIT</b>	479	272	1,297	138	(209)	1,977
<b>OPERATING EXPENSES</b>						
Selling, general & administration	238	310	1,011	167	(258)	1,468
Amortization of intangible assets	-	-	82	-	-	82
<b>Income (loss) Before Financing Costs</b>	241	(38)	204	(29)	49	427
<b>FINANCING COSTS</b>						
Interest on long-term debt	9	26	55	8	-	98
<b>Net and Comprehensive Income (loss)</b>	232	(64)	149	(37)	49	329

As at March 31, 2018	Mill				Eliminations	Total
	MIN-AD.	Creek	Papillon	Other		
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
Current assets	1,531	1,476	4,841	46	(325)	7,569
Non-current assets	1,513	3,453	4,400	-	-	9,368
	3,044	4,929	9,241	46	(325)	16,937
<b>LIABILITIES</b>						
Current liabilities	1,351	779	5,798	134	(276)	7,786
Non-current liabilities	40	1,327	60	4,372	-	5,799
	1,391	2,106	5,858	4,506	(276)	13,585

### 6. INVENTORIES

Inventories comprise the following:

	March 31, 2019	December 31, 2018
	\$	\$
Raw materials and consumables, at cost	595	562
Finished goods, at cost	691	608
<b>Total inventories, at lower of cost and net realizable value</b>	<b>1,286</b>	<b>1,170</b>

## Inter-Rock Minerals Inc.

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

### 7. PROPERTIES, PLANT AND EQUIPMENT

For the period ended March 31, 2019, there were no indicators of impairment in the carrying value of the Company's dolomite properties, plant and equipment

Cost	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2017	\$ 535	\$ 2,051	\$ 12,519	\$ -	\$ 445	\$ 321	\$ 15,871
Additions in the year	-	-	352	-	49	7	408
Disposals in the year	(20)	-	-	-	-	-	(20)
Balance, December 31, 2018	515	2,051	12,871	-	494	328	16,259
Additions in the period	-	-	332	1,333	-	-	1,665
Disposals in the period	-	-	(31)	-	-	-	(31)
<b>Balance, March 31, 2019</b>	<b>515</b>	<b>2,051</b>	<b>13,172</b>	<b>1,333</b>	<b>494</b>	<b>328</b>	<b>17,893</b>

  

Accumulated Amortization and Depletion	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2017	-	(1,219)	(9,275)	-	(372)	-	(10,867)
Additions in the year	-	(38)	(467)	-	(26)	-	(531)
Disposals in the year	-	-	-	-	-	-	-
Balance, December 31, 2018	-	(1,257)	(9,742)	-	(398)	-	(11,398)
Additions in the period	-	(12)	(108)	(135)	(8)	-	(263)
Disposals in the period	-	-	-	-	-	-	-
<b>Balance, March 31, 2019</b>	<b>-</b>	<b>(1,269)</b>	<b>(9,850)</b>	<b>(135)</b>	<b>(406)</b>	<b>-</b>	<b>(11,661)</b>

  

Net Book Value	Land	Dolomite Properties	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
As at December 31, 2018	515	794	3,129	-	96	328	4,861
As at March 31, 2019	515	782	3,322	1,198	88	328	6,232

For the period ended March 31, 2019, there were no indicators of impairment in the carrying value of the Company's dolomite properties, plant and equipment.

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 8. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill comprise the following:

	Customer relationships	Distribution rights (b)	Non- competes (c)	Brand (d)	Total Intangibles	Goodwill
	\$	\$	\$	\$	\$	\$
Mill Creek	-	-	-	-	-	1
Papillon acquisition	1,850	1,270	30	100	3,250	1,808
Less: amortization	(508)	(346)	(19)	(30)	(903)	-
Balance December 31, 2018	1,342	924	11	70	2,347	1,809
Less: amortization	(46)	(31)	(2)	(3)	(82)	-
<b>Balance March 31, 2019</b>	<b>1,296</b>	<b>893</b>	<b>9</b>	<b>67</b>	<b>2,265</b>	<b>1,809</b>

Amortization of intangible assets is presented within amortization of intangibles on the consolidated statement of loss and comprehensive loss. 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-competes 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.

## Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 9. DEBT

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

	March 31, 2019	December 31, 2018
	\$	\$
<b>Aggregate debt facilities</b>		
(i) Revolving Credit Facility	765	540
(ii) Mill Creek Term Loans	1,296	1,395
(iii) Papillon Term Loan	3,267	3,467
(iv) Equipment Financings	99	120
(v) Related Party Notes	555	555
	<b>5,982</b>	<b>6,077</b>
<b>Less: current portions of</b>		
Bank Debt	(1,967)	(1,735)
Related Party Notes	(555)	(555)
Equipment Financing	(30)	(46)
<b>Total long term debt</b>	<b>3,430</b>	<b>3,741</b>

#### Bank facilities

The Meadows Bank facilities (items (i) to (ii) in the table above) include the following:

- (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 March 31, 2019, \$765 (March 31, 2018 - \$583) 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 March 31, 2019, \$152 (March 31, 2018 - \$144) was recorded as current portion of long term debt and the balance of \$285 (March 31, 2018 - \$437) was recorded as long term debt.
- (iii) \$1,264 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 March 31, 2019, \$249 (March 31, 2018 - \$236) was recorded as current portion of long term debt and the balance of \$610 (March 31, 2018 - \$860) was recorded as long term debt.

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

## **Inter-Rock Minerals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements  
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### **9. DEBT (CONT'D)**

- (iv) Papillon Term Loan - in the second quarter of 2018, Papillon Agricultural LLC (the parent company of Papillon Agricultural Company Inc.) arranged a \$4.0 million, five year secured term loan bearing interest at a fixed rate of 4.75%. The loan is secured against all the present and future assets of Papillon Agricultural Company Inc. and Papillon Agricultural LLC, and is guaranteed by the Company and its subsidiaries, Secret Pass Gold Inc. and Papillon Agricultural Company Inc. The loan contains various covenants customary for a facility of this nature, including restrictions on new indebtedness, asset dispositions and acquisitions. The loan also contains financial covenants including (i) a minimum debt service cover ratio of 1.15 and (ii) 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 March 31, 2019, \$800 (March 31, 2018 - \$Nil) was recorded as current portion of long term debt and the balance of \$2,467 (March 31, 2018 - \$Nil) was recorded as long term debt.
- (v) Equipment Financing - in the course of operations, MIN-AD and Mill Creek arrange equipment finance facilities with major equipment manufacturers. The total amount outstanding under these facilities at March 31, 2019 was \$99 (March 31, 2018 - \$137) and the interest rate on the facilities ranges from 1.99% to 5.5% per annum.
- (vi) 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 are due in full on December 31, 2019 and is recorded as current portion of long term debt. At March 31, 2019 accrued interest totaled \$103 (March 31, 2018 - \$62).

### **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.

There is no certainty of retraction of the Preferred Shares as there is no fixed or determinable date for their retraction nor are any future events defined that would trigger retraction. The shareholder has agreed to waive its right to retract the Preferred Shares for the year ending December 31, 2019, so the liability has been presented in these financial statements as long term.

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### **12. SHARE CAPITAL**

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

	Number	Amount
		\$
<b>Balance, March 31, 2019 and 2018</b>	22,617,811	5,864

### **13. INCOME PER SHARE**

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

<b>For the three months ended</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Basic income per share</b>		
(Loss) income available to common shares	\$ (138)	\$ 329
Weighted average common shares (in thousands)	22,618	22,618
	<b>(0.01)</b>	0.01
<b>Diluted income per share</b>		
(Loss) income available to common shares	(138)	329
(Loss) income available to common shares, assuming dilution	(138)	329
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
	<b>(0.00)</b>	0.01

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.

## Inter-Rock Minerals Inc.

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### **14. INCOME TAXES**

At March 31, 2019, the Company has Canadian tax losses which are not recognized as deferred tax assets. The Company recognizes the tax benefit of the tax losses only to the extent of anticipated future Canadian taxable income that can be reduced by tax losses. The gross amount of the tax losses for which a tax benefit has not been recorded expire as follows:

Incurred	Expires	Amount
		C\$
2007	2027	464
2008	2028	377
2009	2029	262
2010	2030	319
2011	2031	328
2012	2032	303
2013	2033	249
2014	2034	169
2015	2035	166
2016	2036	199
2017	2037	262
2018	2038	75
		<b>3,173</b>

### **15. RELATED PARTY TRANSACTIONS**

#### **Key management remuneration**

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

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

<b>For the three months ended</b>	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Short term benefits including salaries, consulting and director fees	<b>287</b>	194

## Inter-Rock Minerals Inc.

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### 16. REVENUE SUPPLEMENTAL INFORMATION

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

<b>For the three months ended</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	\$	\$
<u>Min-Ad and Mill Creek</u>		
Dolomite sales	2,084	1,862
Freight charges	364	534
Fuel charges	94	83
	2,542	2,479
<u>Papillon</u>		
Animal feed sales	7,093	9,333
Other revenue	104	173
Freight charges	360	425
	10,099	12,410

### 17. COMMITMENTS AND DEBT MATURITY

The Company is committed to \$7,316 for obligations and financial commitments in the normal course of operations and financing activities. At March 31, 2019, the Company had the following undiscounted financial commitments and financial liabilities:

	<b>Total</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Thereafter</b>
	\$	\$	\$	\$	\$	\$
Bank Principal Repayments	5,328	1,660	1,218	1,241	942	267
Equipment Financing	99	22	28	26	15	8
Operating Lease	1,334	449	534	286	65	-
Related Party Notes	555	555	-	-	-	-
<b>Total</b>	<b>7,316</b>	<b>2,686</b>	<b>1,780</b>	<b>1,553</b>	<b>1,022</b>	<b>275</b>