



Condensed Consolidated Interim Financial Statements

Expressed in United States dollars
For the six months ended June 30, 2023

**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 consolidated interim 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 16, 2023

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Balance Sheets

As at

(Expressed in thousands of United States Dollars)

UNAUDITED	Note	June 30, 2023	December 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash		4,609	3,048
Accounts receivable		7,568	9,292
Inventories	7	2,123	2,590
Prepaid expenses and other assets		944	710
Total Current Assets		15,244	15,640
Non-current assets			
Investment	5	542	-
Properties, plant and equipment	8	3,624	2,917
Intangible assets	9	885	1,046
Goodwill	9	1,808	1,808
Total Assets		22,103	21,411
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		7,026	7,364
Current portion of long term debt	10	171	280
Current portion of lease obligations	11	305	302
Total Current Liabilities		7,502	7,946
Non-current liabilities			
Long-term debt	10	248	-
Lease obligations	11	611	676
Asset retirement obligation	12	26	26
Deferred tax liability		202	202
Series A preferred shares	13	3,417	3,417
Total Liabilities		12,006	12,267
Equity			
Share capital	14	5,778	5,791
Contributed surplus		315	315
Retained earnings		4,004	3,038
Total Equity		10,097	9,144
Total Liabilities and Equity		22,103	21,411

Financial Commitments (Note 19)

Subsequent event (Note 20)

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Net and Comprehensive Income

(Expressed in thousands of United States Dollars except for outstanding shares and per share amounts)

UNAUDITED	Note	For the three months ended		For the six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		\$	\$	\$	\$
REVENUE	6	21,944	24,173	44,002	41,726
COST OF SALES					
Operating costs	6	18,885	21,422	38,137	36,764
GROSS PROFIT		3,059	2,751	5,865	4,962
OPERATING EXPENSES					
Gain on sale of asset		-	220	-	(393)
Selling, general and administrative	6	1,960	1,566	3,651	3,222
Inventory write-down	7	478	-	478	-
Amortization and depletion	8	168	155	330	295
Amortization of intangible assets	9	80	80	161	161
INCOME BEFORE FINANCING COSTS		373	730	1,245	1,677
FINANCING COSTS					
Interest on Series A preferred shares		-	34	-	34
Interest on debt and lease obligations	10,11	14	20	29	52
INCOME FROM CONTINUING OPERATIONS					
BEFORE INCOME TAXES		359	676	1,216	1,591
INCOME TAXES					
Current		50	307	250	382
		50	307	250	382
NET INCOME AND COMPREHENSIVE INCOME		309	369	966	1,209
Earnings per share					
Basic	15	0.01	0.02	0.04	0.05
Diluted	15	0.01	0.01	0.02	0.03
Weighted average number of shares outstanding					
Basic		22,277,811	22,303,311	22,277,811	22,303,311
Diluted		39,414,791	39,440,291	39,414,791	39,440,291

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

Inter-Rock Minerals Inc.

Condensed Consolidated Interim Statements of Changes in Equity

As at and for the period ended June 30, 2023

(Expressed in thousands of United States Dollars)

	Share Capital (Note 14)	Contributed Surplus	Retained Earnings	Total
	\$	\$	\$	\$
Balance, December 31, 2021	5,791	315	2,469	8,575
Prior year cumulative subsidiary losses	-	-	(1,551)	(1,551)
Net income and comprehensive income	-	-	1,209	1,209
Balance, June 30, 2022	5,791	315	2,127	8,233
Balance, December 31, 2022	5,791	315	3,038	9,144
Shares purchased for cancellation	(13)	-	-	(13)
Net income and comprehensive income	-	-	966	966
Balance, June 30, 2023	5,778	315	4,004	10,097

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	Note	For the three months ended		For the six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
CASH PROVIDED BY (USED IN) OPERATIONS					
Net income		309	369	966	1,209
Items not affecting cash					
Amortization and depletion		168	155	330	295
Amortization of intangible assets		80	80	161	161
Interest expense		14	54	29	86
Gain on sale of asset		-	220	-	(393)
		571	878	1,486	1,358
Net changes in non-cash working capital					
Accounts receivable		817	(1,297)	1,724	(4,968)
Inventories		82	(144)	467	(758)
Prepaid expenses		(134)	(1)	(234)	418
Accounts payable and accrued liabilities		968	1,935	(262)	5,577
Cash generated from operating activities		2,304	1,371	3,181	1,627
INVESTING					
Purchase of properties, plant and equipment	8	(720)	(137)	(945)	(277)
Investment	5	-	-	(542)	-
Cash used in investing activities		(720)	(137)	(1,487)	(277)
FINANCING					
Interest paid		(14)	(20)	(29)	(52)
Interest on Series A preferred shares		(64)	(58)	(64)	(58)
Net proceeds from sale of asset		-	(220)	-	3,310
Proceeds from financing		413		413	
Repayment of long term debt	10	(3)	(210)	(274)	(908)
Repayment of lease obligations	11	(90)	(76)	(166)	(162)
Shares purchased for cancellation	11	(13)	-	(13)	-
Cash provided by (used in) continuing financing activities		229	(584)	(133)	2,130
Cash (used in) discontinued financing activities		-	-	-	(817)
Net cash provided by (used in) financing activities		229	(584)	(133)	1,313
Net change in cash		1,813	650	1,561	2,663
Cash, beginning of the period		2,796	4,279	3,048	2,266
Cash, end of the period		4,609	4,929	4,609	4,929

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, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

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 two operating businesses: Papillon Agricultural Company Inc. (“Papillon”) and MIN-AD, Inc. (“MIN-AD”). Papillon is a U.S. based marketer and distributor of toll manufactured premium dairy feed nutritional supplements, including MIN-AD’s products. MIN-AD is engaged in the production and marketing of high purity dolomite and clay, primarily to the animal feed industry in the United States.

In February of 2022, Inter-Rock sold its wholly owned subsidiary, Mill Creek Dolomite, LLC (“Mill Creek”) as part of its strategy to focus on its animal feed nutritional supplement businesses. Mill Creek was sold to United States Lime & Minerals Inc. for U.S.\$6,400 in cash, excluding all Mill Creek debt and accrued interest of U.S.\$2,240 that was repaid at closing with a portion of the sale proceeds. After the repayment of debt and adjustments to the sale price for working capital, the Company received net cash of U.S.\$3,310 (Note 5).

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The 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, 2022 prepared in accordance with IAS 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 of the Company’s audited financial statements for the year ended December 31, 2022.

2.3 Basis of consolidation

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

Name of subsidiary	Country of incorporation	Ownership
Secret Pass Gold, Inc.	United States	100%
MIN-AD, Inc.	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, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

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

The condensed consolidated interim financial statements reflect the accounting policies applied by the Company in its audited financial statements for the year ended December 31, 2022. The Company's significant accounting policies are presented in Note 3 in the audited consolidated financial statements for the year ended December 31, 2022.

4. CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Company's condensed consolidated interim 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 condensed consolidated interim financial statements and reported amounts of revenue and expenses during the reporting period. 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.

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, 2022.

5. INVESTMENT

In the first quarter of 2023, the Company invested \$542 in a private Swiss company called Embion. Embion is a start-up company developing a novel catalytic process to hydrolize or depolymerize waste biomass, for example, brewer's grains. The process can be adapted to convert certain carbohydrates that can be utilized by bacteria in the gastrointestinal tracts of animals. The investment is in the form of a non-interest bearing convertible loan. The loan will convert to shares of Embion on the earlier of the closing date of an Embion financing of a minimum of 1,500 Swiss francs and February 28, 2025.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

6. SUBSIDIARIES AND BUSINESS SEGMENTS

Inter-Rock has two operating businesses. Each business 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	Ownership
MIN-AD, 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.

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 ending June 30, 2023	MIN-AD	Papillon	Other	Eliminations	Total
REVENUE					
Internal sales	2,388	120	360	(2,868)	-
External sales	2,612	41,390	-	-	44,002
COST OF SALES					
Operating costs	3,693	36,831	-	(2,387)	38,137
GROSS PROFIT	1,307	4,679	360	(481)	5,865
OPERATING EXPENSES					
Selling, general & administration	786	2,953	391	(479)	3,651
Inventory write-down	-	478	-	-	478
Amortization and depletion	211	64	55	-	330
Amortization of intangible assets	-	161	-	-	161
INCOME BEFORE FINANCING COSTS	310	1,023	(86)	(2)	1,245
FINANCING COSTS					
Interest on debt and lease obligations	10	8	13	(2)	29
INCOME BEFORE INCOME TAXES	300	1,015	(99)	-	1,216
INCOME TAXES					
Current	-	250	-	-	250
NET INCOME AND COMPREHENSIVE INCOME	300	765	(99)	-	966

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

6. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

As at June 30, 2023	MIN-AD Papillon		Other	Eliminations	Total
ASSETS					
Current assets	1,737	13,457	301	(251)	15,244
Non-current assets	2,886	3,640	333	-	6,859
	4,623	17,097	634	(251)	22,103
LIABILITIES					
Current liabilities	1,491	6,112	150	(251)	7,502
Non-current liabilities	340	331	3,833	-	4,504
	1,831	6,443	3,983	(251)	12,006
For the three month period ending					
June 30, 2023	MIN-AD Papillon		Other	Eliminations	Total
REVENUE					
Internal sales	1,107	38	180	(1,325)	-
External sales	1,318	20,626	-	-	21,944
COST OF SALES					
Operating costs	1,648	18,343	-	(1,106)	18,885
GROSS PROFIT	777	2,321	180	(219)	3,059
OPERATING EXPENSES					
Selling, general & administration	378	1,522	278	(218)	1,960
Inventory write-down	-	478	-	-	478
Amortization and depletion	109	49	10	-	168
Amortization of intangible assets	-	80	-	-	80
INCOME BEFORE FINANCING COSTS	290	192	(108)	(1)	373
FINANCING COSTS					
Interest on debt and lease obligations	5	5	5	(1)	14
INCOME BEFORE INCOME TAXES	285	187	(113)	-	359
INCOME TAXES					
Current	-	50	-	-	50
NET INCOME AND COMPREHENSIVE INCOME	285	137	(113)	-	309

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.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

6. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

Segment balances for the prior period are as follows:

For the six month period ended June 30, 2022	MIN-AD	Papillon	Other	Eliminations	Total
REVENUE					
Internal sales	1,934	82	300	(2,316)	-
External sales	2,452	39,274	-	-	41,726
COST OF SALES					
Operating costs	3,392	35,306	-	(1,934)	36,764
GROSS PROFIT	994	4,050	300	(382)	4,962
OPERATING EXPENSES					
Gain on sale of asset	(393)	-	-	-	(393)
Selling, general & administration	680	2,575	567	(600)	3,222
Amortization and depletion	179	36	80	-	295
Amortization of intangible assets	-	161	-	-	161
INCOME (LOSS) BEFORE FINANCING	528	1,278	(347)	(376)	1,677
FINANCING COSTS					
Interest on Series A preferred shares	-	-	34	-	34
Interest on debt and lease obligations	26	28	4	(6)	52
INCOME (LOSS) BEFORE INCOME TAXES	502	1,250	(161)	-	1,591
INCOME TAXES					
Current	-	-	382	-	382
NET INCOME AND COMPREHENSIVE INCOME (LOSS)	502	1,250	(543)	-	1,209
As at June 30, 2022					
ASSETS					
Current assets	2,618	15,444	396	(326)	18,132
Non-current assets	2,029	3,308	73	-	5,410
	4,647	18,752	469	(326)	23,542
LIABILITIES					
Current liabilities	865	10,216	112	(326)	10,867
Non-current liabilities	153	200	4,089	-	4,442
	1,018	10,416	4,201	(326)	15,309

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

6. SUBSIDIARIES AND BUSINESS SEGMENTS (CONT'D)

For the three month period ended June 30, 2022	MIN-AD	Papillon	Other	Eliminations	Total
REVENUE					
Internal sales	1,036	41	150	(1,227)	-
External sales	1,335	22,838	-	-	24,173
COST OF SALES					
Operating costs	1,778	20,681	-	(1,037)	21,422
GROSS PROFIT	593	2,198	150	(190)	2,751
OPERATING EXPENSES					
Gain on sale of asset	220	-	-	-	220
Selling, general & administration	330	1,295	115	(174)	1,566
Amortization and depletion	89	25	41	-	155
Amortization of intangible assets	-	80	-	-	80
INCOME (LOSS) BEFORE FINANCING	(46)	798	(6)	(16)	730
FINANCING COSTS					
Interest on Series A preferred shares	-	-	34	-	34
Interest on debt and lease obligations	8	12	-	-	20
INCOME (LOSS) BEFORE INCOME TAXES	(54)	786	(40)	(16)	676
INCOME TAXES					
Current	-	307	-	-	307
NET INCOME AND COMPREHENSIVE INCOME (LOSS)	(54)	479	(40)	(16)	369

7. INVENTORIES

	June 30, 2023	December 31, 2022
	\$	\$
Raw materials and consumables	370	331
Finished goods	1,753	2,259
Total inventories	2,123	2,590

During the period, the Company recorded a \$478 non-cash write-down of the value of Papillon's inventory. Technical issues arising from the implementation of a new financial reporting system resulted in the overstatement of inventory values.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

8. PROPERTIES, PLANT AND EQUIPMENT

	Dolomite Property	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2021	1,754	9,415	1,535	283	274	13,261
Additions in the year	-	473	784	17	98	1,372
Disposals in the year	-	-	(179)	-	-	(179)
Balance, December 31, 2022	1,754	9,888	2,140	300	372	14,454
Additions in the year	-	906	76	-	39	1,021
Disposals in the year	-	-	-	-	-	-
Balance, June 30, 2023	1,754	10,794	2,216	300	411	15,475

Accumulated Amortization and Depletion	Dolomite Property	Plant and Equipment	Right of Use Assets	Vehicles	Spare Parts	Total
Balance, December 31, 2021	(1,272)	(8,516)	(845)	(274)	-	(10,907)
Additions in the year	(36)	(239)	(320)	(18)	-	(613)
Disposals in the year	(17)	-	-	-	-	(17)
Balance, December 31, 2022	(1,325)	(8,755)	(1,165)	(292)	-	(11,537)
Additions in the year	(23)	(139)	(162)	(6)	-	(330)
Disposals in the year	-	16	-	-	-	16
Balance, June 30, 2023	(1,348)	(8,878)	(1,327)	(298)	-	(11,851)

Net Book Value

As at December 31, 2022	429	1,133	975	8	372	2,917
As at June 30, 2023	406	1,916	889	2	411	3,624

For the periods ending June 30, 2023 and 2022 there were no indicators of impairment in the carrying value of the Company's dolomite property, plant and equipment and right-of-use assets.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

9. 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
	\$	\$	\$	\$	\$	\$
Balance December 31, 2021	784	549	-	35	1,368	1,808
Less: amortization	(185)	(127)	-	(10)	(322)	-
Balance, December 31, 2022	599	422	-	25	1,046	1,808
Less: amortization	(93)	(64)	-	(4)	(161)	-
Balance, June 30, 2023	506	358	-	21	885	1,808

Amortization of intangible assets is presented within amortization of intangibles on the condensed consolidated interim statements of income and comprehensive income. At period-end 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.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

10. DEBT

Bank debt and equipment purchase financings comprise the following:

	June 30 , 2023	December 31, 2022
<u>Aggregate debt facilities</u>	\$	\$
(i) Revolving credit facility	70	-
(ii) MIN-AD term loan	343	-
(iii) Papillon term loan	-	267
(iv) Equipment financing	6	13
	419	280
<u>Less: current portions of</u>		
Long term debt	(165)	(267)
Equipment financing	(6)	(13)
Total long term debt	248	-

The Company's debt facilities at June 30, 2023 are described below. At June 30, 2023, the Company was in compliance with all debt covenants.

- (i) \$500 Revolving Credit Facility – a one-year, secured revolving credit facility (“RC”) in the amount of \$500 bearing interest at the U.S. bank prime rate plus 1.00% per annum. At June 30, 2023 - \$70 (June 30, 2022 - \$Nil) was outstanding under the RC facility. In addition, the borrowing base calculation for the revolving credit facility was amended so that advances under the line are capped at 75% of MIN-AD’s account receivables plus 50% of inventory to a maximum inventory value of \$250.

The facility is secured by the assets of MIN-AD and is guaranteed by both the Company and its subsidiary Secret Pass Gold Inc. The facility contains certain covenants that limit, among other things, the ability of MIN-AD to incur new indebtedness, sell material assets and make acquisitions. There is also a requirement to maintain a minimum debt service cover ratio (“DSCR”). The DSCR is calculated annually based on the annual audited consolidated results of the Company.

- (ii) \$800 MIN-AD Term Loan – an equipment financing facility of up to \$800 with a six-month drawdown period during which only interest is paid, followed by a five-year amortization period of 60 monthly instalments of principal and interest. During the first six months, the interest rate is the U.S. prime rate plus 50bps and during the five-year amortization period the interest rate is fixed at 6.75%. The loan is secured by the equipment and is guaranteed by Secret Pass Gold Inc. and the Company. At June 30, 2023 - \$95 was recorded as current portion of long term debt and the balance of \$248 was recorded as long term debt.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

(Expressed in thousands of United States Dollars except for per share information)

10. DEBT (CONT'D)

- (ii) \$4,000 Papillon Term Loan - five year secured term loan bearing interest at a fixed rate of 4.75% per annum. 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 a minimum DSCR of 1.15 and a requirement that 80% of accounts receivable plus cash must be equal to or greater than the outstanding loan balance. The loan was prepaid in full in March 2023.
- (iii) Equipment (small vehicle) loans – the Company periodically finances the purchase of Company vehicles for use by a number of employees. At June 30, 2023, \$6 (June 30, 2022 - \$15) was recorded as current portion of long term debt and the balance of \$Nil (June 30, 2022 - \$6) was recorded as long term debt. The loan is secured by the vehicle and the interest rate is 5.5% per annum.

11. LEASE OBLIGATIONS

The Company leases rail cars and office space. The Company's lease obligations at June 30, 2023 consist of the following:

	June 30, 2023	December 31, 2022
Movement in lease obligations:		
Lease obligations, beginning	\$ 978	\$ 752
Additions during the period	104	571
Payments during the period	(166)	(345)
Lease obligations, ending	916	978
Less: current portion	(305)	(302)
Total long term lease obligations	\$ 611	\$ 676

During the period, the Company recognized interest expense of \$24 (June 30, 2022 - \$19) on lease liabilities.

The Company and its subsidiary, Papillon Agricultural Company Inc. both entered into new office lease agreements in 2022. The leases have terms of 3 years and 7 years respectively and both leases include renewal options. MIN-AD has a number of rail car leases with maturity dates in 2023 and 2024. In the normal course of business, MIN-AD renews the rail car leases as demand requires. The rail car leases typically have terms of 3 or 5 years.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the periods ended June 30, 2023 and 2022

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12. 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 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.

13. 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 agreed to waive their right to retract the Preferred Shares for the year ending December 31, 2023, so the liability has been presented in these consolidated financial statements as long term.

14. 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
Balance, June 30, 2022	22,303,311	\$5,791
Purchased for cancellation	(25,500)	(13)
Balance, June 30, 2023	22,277,811	\$5,778

Normal Course Issuer Bid

On January 10, 2023, the Company received approval to commence a Normal Course Issuer Bid (the "NCIB") to purchase for cancellation up to 1,000,000 common shares, representing approximately 4.5% of the issued and outstanding common shares of the Company. Inter-Rock may purchase common shares under the NCIB over the next twelve-month period beginning on or about January 16, 2023. The NCIB will terminate upon the earliest of (i) the Company purchasing 1,000,000 common shares, (ii) the Company providing notice of termination of the NCIB and (iii) the date that is 12 months following the commencement of the NCIB.

Any purchases under the NCIB will be conducted on the open market through the facilities of the TSXV or alternative Canadian trading systems. The price paid for any common shares repurchased under the NCIB will be the prevailing market price at the time of purchase. All common shares purchased by the Company will be cancelled. As of the date of these financial statements, the Company had purchased 25,500 shares.

Inter-Rock Minerals Inc.

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15. 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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Basic income per share				
Income available to common shares	309	369	966	1,209
Weighted average common shares (in thousands)	22,278	22,303	22,278	22,303
	0.01	0.02	0.04	0.05
Diluted income per share				
Income available to common shares	309	369	966	1,209
Income available to common shares, assuming dilution	309	369	966	1,209
Weighted average common shares outstanding	22,278	22,303	22,278	22,303
Preferred shares converted to common shares	17,137	17,137	17,137	17,137
Adjusted weighted average common shares outstanding	39,415	39,440	39,415	39,440
	0.01	0.01	0.02	0.03

Each Preferred Share (Note 13) 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. The effect of the conversion of the preferred shares has been excluded from the discontinued loss per share as the effect would be anti-dilutive.

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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16. INCOME TAXES

At June 30, 2023 the Company had 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	116
2019	2039	137
2020	2040	-
2021	2041	82
2022	2042	639
		<u>4,072</u>

17. 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, 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:

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Short term benefits including salaries, consulting and director fees	271	493	799	983

Inter-Rock Minerals Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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18. REVENUE SUPPLEMENTAL INFORMATION

The Company's revenue by type is broken down as follows in the consolidated statements of income and comprehensive income.

	For the three month period		For the six month period	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
MIN-AD				
Dolomite sales	1,073	1,034	2,125	1,770
Freight charges	192	168	359	454
Fuel charges	51	134	126	229
	1,316	1,336	2,610	2,453
Papillon				
Animal feed sales	19,720	21,883	39,477	37,507
Freight charges	908	954	1,915	1,766
	21,944	24,173	44,002	41,726

19. FINANCIAL COMMITMENTS

The Company is committed to \$1,581 (June 30, 2022 - \$1,355) for obligations and financial commitments in the normal course of operations and financing activities. At June 30, 2023, the Company had the following financial commitments:

	Total	2023	2024	2025	2026	Thereafter
	\$	\$	\$	\$	\$	\$
Bank debt repayments	413	-	139	69	69	136
Equipment financing	6	6	-	-	-	-
Lease obligations	1,162	195	333	260	117	257
Total	1,581	201	472	329	186	393

Debt repayments represent the principal only. Lease obligations represent the undiscounted amount of the lease commitments.

In accordance with the terms of a protein manufacturing agreement, Papillon has committed to purchasing a minimum annual value of protein products over a five-year period, with an aggregate value over the five years of \$1,000. If the value of the protein purchases is less than \$1,000 Papillon must pay the difference between the minimum required and the value of the actual amount purchased. The manufacturer can choose to reconcile the account annually or carry forward any differences.

20. SUBSEQUENT EVENT

The Board of Directors of the Company declared a preferred share dividend of \$71 (2022 - \$41) for the second quarter of 2023.