

Inter-Rock Minerals Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended September 30, 2016

(Unaudited)

(Expressed in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 interim consolidated 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.

November 25, 2016

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

(in thousands of United States dollars)

As at

Unaudited	September 30, 2016	December 31, 2015
Assets		
Current		
Cash	\$ 902	\$ 329
Accounts receivable	2,744	1,293
Inventory (Note 4)	864	816
Prepaid expenses	205	160
Total Current Assets	\$ 4,715	2,598
Intangibles (Note 8)	5,057	-
Dolomite properties, plant and equipment (Note 6)	4,394	4,381
Mineral exploration properties and deferred exploration costs (Note 7)	268	261
Goodwill	1	1
Total Assets	\$ 14,435	\$ 7,241
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,363	\$ 1,222
Current portion of long-term debt (Notes 8 and 9)	1,479	1,433
Current portion of equipment purchase financings (Note 9)	140	134
Promissory note to related party (Note 13)	250	250
Total Current Liabilities	\$ 4,232	3,039
Interest payable (Note 13)	\$ 20	-
Long term debt (Notes 8 and 9)	1,088	-
Promissory notes to related parties (Notes 8 and 13)	4,454	-
Asset retirement obligation (Note 5)	102	102
Equipment purchase financings (Note 9)	148	211
Series A preferred shares (Note 10)	3,417	3,417
Total Liabilities	\$ 13,461	6,769
Shareholders' Equity		
Share capital (Note 11)	\$ 5,864	5,864
Contributed surplus	315	315
Deficit	(5,205)	(5,707)
Total Equity	\$ 974	472
Total Liabilities and Equity	\$ 14,435	\$ 7,241

Inter-Rock Minerals Inc.**Condensed Interim Consolidated Statements of Operations and Comprehensive Income**

(in thousands of United States dollars)

For the periods ended

Unaudited	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Revenue (Note 14)	\$ 8,347	\$ 2,845	\$ 19,670	\$ 8,400
Cost of Sales				
Operating costs (Note 14)	6,457	2,100	15,390	6,065
Amortization and depletion (Note 6)	147	188	447	567
Gross profit	1,743	557	3,833	1,768
Operating expenses				
Selling, general and administrative (Notes 14)	1,251	497	3,082	1,650
Income before finance costs	492	60	751	118
Finance costs				
Interest on long-term debt (Note 9)	106	27	249	94
Net and comprehensive income for the period	\$ 386	\$ 33	\$ 502	\$ 24
Basic and diluted earnings per share	\$ 0.017	\$ 0.001	\$ 0.022	\$ 0.0001

Inter-Rock Minerals Inc.**Condensed Interim Consolidated Statements of Changes in Equity**

(in thousands of United States dollars)

As At

Unaudited	Share Capital (Note 11)	Contributed Surplus	Deficit	Total
Balance, December 31, 2014	\$ 5,864	\$ 315	\$ (5,444)	\$ 735
Total comprehensive income for the period	-	-	24	24
Balance, September 30, 2015	5,864	315	(5,420)	759
Total comprehensive loss for the period	-	-	(287)	(287)
Balance, December 31, 2015	\$ 5,864	\$ 315	\$ (5,707)	\$ 472
Total comprehensive income for the period	-	-	502	502
Balance, September 30, 2016	\$ 5,864	\$ 315	\$ (5,205)	\$ 974

Inter-Rock Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flow

(in thousands of United States dollars)

For the periods ended

	Three months ended September 30		Nine months ended September 30	
Unaudited	2016	2015	2016	2015
Cash provided by (used in)				
Operations				
Net income for the period	\$ 386	\$ 33	\$ 502	\$ 24
Items not affecting cash:				
Amortization and depletion (Note 6)	147	188	447	567
Interest expense (Notes 8 and 9)	106	27	249	94
	639	248	1,198	685
Net changes in non-cash working capital:				
Accounts receivable	(141)	(179)	(1,451)	(245)
Inventory	122	148	(48)	(83)
Prepaid expenses	36	(6)	(45)	(6)
Accounts payable and accrued liabilities	31	233	1,129	603
Cash generated (used) by operating activities	687	444	783	954
Investing				
Purchase of intangibles (Note 8)	-		(5,057)	-
Purchase of plant and equipment (Note 6)	(127)	(175)	(470)	(347)
Proceeds from disposal of plant and equipment (Note 6)	10	-	10	-
Purchase of mineral exploration properties and deferred exploration costs (Note 7)	(7)	(4)	(7)	(4)
Cash used in investing activities	(124)	(179)	(5,524)	(351)
Financing				
Proceeds from related parties (Note 13)	-	-	4,454	-
Proceeds from long-term debt	-	-	1,504	-
Repayment of long term debt	(123)	(171)	(370)	(320)
Proceeds from equipment financings	48	-	48	-
Repayment of equipment financings	(30)	(36)	(105)	(120)
Interest paid	(95)	(27)	(217)	(94)
Cash provided by (used in) financing activities	(200)	(234)	5,314	(534)
Net change in cash	363	31	573	69
Cash, beginning of period	539	75	329	37
Cash, end of period	\$ 902	106	\$ 902	\$ 106

Inter-Rock Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements

(in thousands of United States dollars)

September 30, 2016 and 2015

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE WITH IAS34

These Financial Statements form part of the period covered by the Company's International Financial Reporting Standards ("IFRS") annual consolidated financial statements. These Financial Statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective as at the Company's IFRS annual reporting date, December 31, 2016.

These Financial Statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction the Company's audited annual consolidated financial statements for the year ended December 31, 2015 prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of December 31, 2015.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these condensed interim consolidated financial statements. Operating results for the nine months ended September 30, 2016 may not be indicative of the results that may be expected for the year ended December 31, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Readers should refer to the December 31, 2015 annual consolidated financial statements for the accounting policies used in the preparation of these financial statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as of December 31, 2016. In the event that accounting policies adopted at December 31, 2016 differ materially from the accounting policies used in the preparation of these condensed interim consolidated financial statements, these condensed interim consolidated financial statements will be restated to retrospectively account for the application of those policies adopted at December 31, 2016.

Inter-Rock Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements

(in thousands of United States dollars)

September 30, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Presentation

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

(b) Presentation Currency

The Company and each of its subsidiaries use United States dollars as both the functional currency and the reporting currency.

4. INVENTORY

	September 30, 2016	December 31, 2015
Raw materials	\$ 443	\$ 405
Finished Goods	\$ 362	\$ 283
Supplies	\$ 59	\$ 128
	<u>\$ 864</u>	<u>\$ 816</u>

5. 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 dolomite mining operation in Mill Creek, Oklahoma.

The net present value of the Company's liability for reclamation of the property has been discounted to its present value using a discount rate based on an estimate of the Company's pricing in the market to obtain debt.

Inter-Rock Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements

(in thousands of United States dollars)

September 30, 2016 and 2015

6. DOLOMITE PROPERTIES, PLANT AND EQUIPMENT

Cost	Dolomite Properties	Land	Land Improvement	Furniture	Mill Equipment	Mill	Vehicles	Spare Parts	Total
Balance, December 31, 2014	\$ 1,908	\$ 535	\$ 139	\$ 49	\$ 4,383	\$ 6,128	\$ 418	\$ 576	\$ 14,136
Additions in the year	1	-	3	-	12	331	-	21	368
Balance, December 31, 2015	1,909	535	142	49	4,395	6,459	418	597	14,504
Additions in the period	-	-	-	81	-	328	51	10	470
Disposals in the period	-	-	-	-	-	-	(10)	-	(10)
Balance, September 30, 2016	\$ 1,909	\$ 535	\$ 142	\$ 130	\$ 4,395	\$ 6,787	\$ 459	\$ 607	\$ 14,964

Accumulated Amortization and Depletion	Dolomite Properties	Land	Land Improvement	Furniture	Mill Equipment	Mill	Vehicles	Spare Parts	Total
Balance, December 31, 2014	\$ (1,118)	\$ -	\$ -	\$ (48)	\$ (3,381)	\$ (4,210)	\$ (360)	\$ -	\$ (9,117)
Additions in the period	(74)	-	(1)	(1)	(191)	(710)	(29)	-	(1,006)
Balance, December 31, 2015	\$ (1,192)	\$ -	\$ (1)	\$ (49)	\$ (3,572)	\$ (4,920)	\$ (389)	\$ -	\$ (10,123)
Additions in the period	(12)	-	-	(2)	(147)	(271)	(15)	-	(447)
Balance, September 30, 2016	\$ (1,204)	\$ -	\$ (1)	\$ (51)	\$ (3,719)	\$ (5,191)	\$ (404)	\$ -	\$ (10,570)

Net book value

As at December 31, 2015	\$ 717	\$ 535	\$ 141	\$ -	\$ 823	\$ 1,539	\$ 29	\$ 597	\$ 4,381
As at September 30, 2016	\$ 705	\$ 535	\$ 141	\$ 79	\$ 676	\$ 1,596	\$ 55	\$ 607	\$ 4,394

For the period ended September 30, 2016, 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 Condensed Interim Consolidated Financial Statements**

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015

7. MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS**(a) Sentinel Peak**

The Sentinel Peak gold property is located in Northern Humboldt County, Nevada approximately 80 miles northwest of Winnemucca, Nevada. The Company holds 22 claims covering 440 acres. Some field work is planned in 2016.

(b) Varyville

The Company holds eight claims in a historic gold mining district of northwest Nevada. These properties are all gold projects. No work is planned for 2016.

In 2011, the Company entered into a lease agreement with Paradigm Minerals USA Corporation ("Paradigm"), this lease provides Paradigm with the right to explore and prospect for minerals on eight of the Company's claims. Under this agreement Paradigm also has the option to acquire the full rights to the property during the life of the lease which is seven years for a sales consideration that is determined on an increasing scale dependent on the period of time that has passed on the current lease at the time of exercising the option.

8. BUSINESS ACQUISITION

On March 23, 2016, Papillon Agricultural LLC, an indirect, wholly owned subsidiary of the Company, completed the acquisition of all the outstanding shares of Papillon Agricultural Inc., ("Papillon"). Papillon is a privately owned Maryland based corporation that distributes and toll manufactures specialty dairy feed ingredients. Pursuant to the terms of a stock purchase agreement, the Company paid \$5,554 for the shares of Papillon, exclusive of an additional \$400 borrowed from the shareholders to supplement the working capital account of Papillon at the time of closing the transaction. The Company paid \$2,055 to the shareholders of Papillon at closing, with the balance of \$3,899 due to the shareholders under the terms of promissory notes issued by the Company to the Papillon shareholders.

The acquisition cost, including the additional working capital, was financed with new debt facilities in the amount of \$5,954. The acquisition debt includes, (i) secured promissory notes in the amount of \$3,899 issued by the Company to the original shareholders of Papillon, (the "Seller Notes"), (ii) a three year, secured bank term loan in the amount of \$1,500 and (iii) unsecured promissory notes issued by the Company to the Chairman of Inter-Rock for \$500 and the President of Inter-Rock for \$55, (together, the "Buyer Notes"). Terms of the acquisition debt are described in notes 9 and 13 of the condensed interim consolidated financial statements.

The acquisition is accounted for using the purchase method, whereby Papillon's assets and liabilities are measured at their individual fair values on the closing date and any difference between these fair values and the acquisition price is recorded on the balance sheet as an unallocated purchase price. The allocation of the purchase price to the assets and liabilities of Papillon as presented in these condensed interim consolidated financial statements is preliminary and subject to change. The preliminary allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed is as follows:

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

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015**8. BUSINESS ACQUISITION (cont'd)**

Cash	\$ 971
Accounts receivable	1,381
Inventory	214
Prepaid and other	139
Fixed assets	54
Accounts payable and accrued liabilities	<u>(1,862)</u>
Net assets acquired	\$ 897
Intangibles	<u>5,057</u>
Fair value of net assets acquired	<u>\$5,954</u>

The Company has not yet finalized the fair value of all identifiable assets and liabilities acquired. The intangible assets consist primarily of proprietary protein blends, trademarks, customer relationships, research data, and other intangibles.

9. LONG-TERM DEBT**Long term debt consists of the following:**

	September 30, 2016	December 31, 2015
Revolving credit facility	\$ 672	\$ 702
Mutual of Omaha term loan	529	622
Shore United (formerly Talbot Bank) term loan	1,366	-
Equipment financing	288	345
Related party debt	4,704	250
	<u>\$ 7,559</u>	<u>\$ 1,919</u>
Less: current portion	<u>(1,869)</u>	<u>(1,708)</u>
Non-current portion	<u>\$ 5,690</u>	<u>\$ 211</u>

(a) Revolving Credit Facility

The Company has a revolving credit facility ("RC") with Mutual of Omaha Bank in the amount of the lesser of \$1,000 or 80% of MIN-AD's and Mill Creek's accounts receivables, bearing interest at US bank prime rate plus 0.50% per annum, adjusted to floor rate of 5.00% with an interest rate ceiling of 20.00%. To accommodate refinancing of the facility, the original maturity date of June 29, 2016 has been twice extended by three months and the facility now matures on December 29, 2016. The RC facility is secured by the accounts receivables of the Company's dolomite businesses and is guaranteed by the Company. Any amounts drawn under the RC facility can be repaid any time and are due in full at maturity. At September 30, 2016, \$672 (September 30, 2015 - \$652 was outstanding on the RC and was recorded as current portion of long-term debt. The interest rate on the outstanding amount at September 30, 2016 and 2015 was 5%.

Inter-Rock Minerals Inc.

Notes to Condensed Interim Consolidated Financial Statements

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015

9. LONG-TERM DEBT (cont'd)

(b) Term Loans

- (i) In June 2011, the Company entered into a five year term facility with Mutual of Omaha Bank in the amount of \$1,800, bearing interest of 6% per annum (2015 - 6%). Similar to the R/C facility described above, the maturity date of the term loan has also been extended to December 29, 2016. At September 30, 2016, the outstanding balance of the term loan of \$529 (September 30, 2015 - \$798) was recorded as current portion of long-term debt.

The Mutual of Omaha RC and term loan facilities contain certain covenants including restrictions on new indebtedness, disposition of assets, acquisitions, investments, distributions, debt to tangible net worth and adjusted fixed charge coverage ratios, among others.

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

Under the terms of the Shore United loan, Papillon Agricultural LLC, (the "Borrower") is governed by certain covenants including, Shore Bank approval for distributing cash to Inter-Rock, restrictions on new indebtedness, asset dispositions and acquisitions, a requirement to maintain a minimum debt service cover ratio and a certain level of cash and accounts receivables, among other covenants. At September 30, 2016, \$278 of the loan was recorded as current portion of long term debt and the balance of \$1,088 was recorded as long term debt.

(c) Equipment Purchase Financings

In the course of operations, the Company has arranged for equipment finance facilities with major equipment manufacturers and financial institutions. The total amounts currently outstanding under these facilities range from \$25 - \$154 and the interest rate on the facilities range from 1.99% - 5.2% per annum.

At September 30, 2016, \$140 (September 30, 2015 - \$136) was recorded as current portion of long-term debt with the balance of \$148 recorded as long-term debt (September 30, 2015 - \$241).

10. SERIES A PREFERRED SHARES

On December 5, 2008, the Company issued 17,136,980 Series A preferred shares ("Preferred Shares") to settle debt and unpaid interest owing to a shareholder in the amount of \$3,417. Each Preferred Share is entitled to one vote, is redeemable and retractable on demand at a value of US \$0.20, pays a non-cumulative quarterly dividend at a rate equivalent to the US prime interest rate, and is convertible into one common share. The shareholder has agreed to waive its right to retract the Preferred Shares for the 12 month period ending December 31, 2016, so the liability has been presented in these financial statements as long-term.

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.

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

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015

10. SERIES A PREFERRED SHARES (cont'd)

The Company has not declared a preferred share dividend, accordingly for the third quarter and nine months of 2016, the Company recorded \$Nil in dividends as interest expense.

11. SHARE CAPITAL

- (a) The Company has authorized an unlimited number of common shares.
- (b) Issued and outstanding

	Number	Book Value
Balance, September 30, 2016 and 2015	22,617,811	\$ 5,864

12. INCOME TAXES

The Company has net operating losses for income tax purposes of \$3,045 which can be carried forward and applied against future taxable income. The potential benefit of these losses has been recognized in these financial statements as deferred income tax assets to the extent that management expects them to be utilized. The right to use these losses expires as follows:

Loss	Incurred	Expiry
\$ 1,802	1998	2018
230	2011	2031
384	2012	2032
193	2013	2033
436	2014	2034
\$ 3,045		

The Company has not recognized deferred income tax benefits on losses incurred outside of the United States.

13. RELATED PARTY TRANSACTIONS**Promissory Notes**

- (a) On March 23, 2016, in connection with financing the acquisition of Papillon, the Company received a loan from the original shareholders of Papillon for \$3,899 (the "Seller Notes"). The Papillon noteholders are related parties as they continue to work for, or are directors of Papillon. In addition, the Company also borrowed \$500 from the Chairman of the Company and \$55 from the President of the Company to assist in financing the purchase price of Papillon (the "Buyer Notes"). At September 30, 2016, the Company had issued the following promissory notes:
 - (i) \$3,899 Seller Notes: On March 23, 2016, the Company issued promissory notes to the original shareholders of Papillon Agricultural Inc. The Seller Notes are comprised of two tranches: a \$3,499 tranche bearing interest at 5.75% per annum and a \$400 working capital tranche bearing interest at 7% per annum. Interest is paid quarterly and the principal is due at maturity on March 23, 2019. The Seller Notes are guaranteed by Inter-Rock and Papillon Agricultural Company Inc. and are secured by a pledge of the shares of Papillon Agricultural Company Inc.

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

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015**13. RELATED PARTY TRANSACTIONS (cont'd)**

The Seller Notes are subordinate to the Shore United Bank facility. The Company can make optional principal prepayments at the end of each year with the consent of the Shore United Bank. The Stock Purchase Agreement limits the distribution of cash from Papillon Agricultural Inc. to the Company to a maximum of \$200,000 per year while any amount of the Seller Notes remain outstanding.

- (ii) \$555 Buyer Notes: in connection with the acquisition of Papillon, on March 23, 2016, the Company issued a \$500 promissory note to the Chairman of Inter-Rock and a \$55 promissory note to the President of Inter-Rock. The Notes are unsecured and bear interest at 6% per annum. The principal and accrued interest is due in full on December 31, 2019 and is recorded as long term debt. At September 30, 2016, accrued interest totalled \$20.

The Company received a \$250 loan from the Chairman of the Company on December 18, 2015. The loan proceeds were used to partially fund an engineering study for upgrading the plant at Mill Creek. The loan is interest-bearing at 6%, due in full on December 31, 2016. At September 30, 2016, \$12 of interest was due to the Chairman.

Key Management Remuneration

- (b) The Company's related parties as defined by IAS 24, Related Party Disclosures, include the Company's subsidiaries' and its key management. Key management includes directors (executive and non-executive), the President, the Chief Financial Officer ("CFO"), the Vice-President of Operations and the Treasurer. The compensation paid to key management for services is shown below:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Salaries including short term benefits, consulting and directors fees	\$ 120	\$ 93	\$ 529	\$ 321

14. REVENUE SUPPLEMENTAL INFORMATION

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

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Dolomite sales	\$ 1,473	\$ 2,161	\$ 4,932	\$ 6,249
Specialty dairy feed ingredients	6,188	-	12,606	-
Freight sales	637	621	1,999	1,914
Fuel surcharges	49	63	133	237
	\$ 8,347	\$ 2,845	\$ 19,670	\$ 8,400

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

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value**

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, due to related party and the line of credit approximates fair values because of the short-term nature of these instruments.

The fair value of equipment purchase financing, long-term debt and due to related parties approximates carrying value because the conditions of these loans are similar to the facilities available under current commercial conditions.

The fair value of the Series A preferred shares is approximately \$3,224 based on a market rate of interest.

(b) Risk Disclosures

The main risks the Company's financial instruments are exposed to are credit risk, interest rate risk, foreign currency risk and liquidity risk each of which is discussed below. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit Committee. Risk management policies are reviewed regularly to adjust to the changes in the risk environment faced by the Company.

(c) Credit Risk

The Company is exposed to credit risk on the accounts receivable from its customers. Management has adopted credit policies in an effort to minimize those risks. Payment is required between 15 and 30 days of the date of invoicing. The amount past due at period-end not impaired was \$104 (September 30, 2015 - \$98).

The Company maintains cash balances with a Canadian commercial bank and U.S. banks. As such, the Company believes its credit risk is minimal on its cash balances.

(d) Interest Rate Risk

The Company is exposed to interest rate risk related to its Series A preferred shares and, to the extent that it uses it, the revolving credit facility since the interest rate or dividend payment on these instruments fluctuates with the general level of interest rates. Of the financial instruments held at year-end, a one percent change in interest rates would affect the profitability of the Company by an immaterial amount.

(e) Foreign Currency Risk

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

(f) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a cash management and planning and budgeting process by which it anticipates and determines the funds required to support its operations and coordinates the planning and budgeting process through the management of its capital structure (Note 17).

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

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015**16. OPERATIONAL SEGMENT REPORTING**

The Company's reportable operating segments reflect the internal reporting used by the Company's management to report to the chief executive officer.

The Company has four reportable segments as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different operational and marketing strategies. For each of the strategic business units, the Company's CEO reviews internal management reports on at least a quarterly basis. The following segments have been identified: Mill Creek, MIN-AD & Papillon. The following table reports the results for each segment (MIN-AD, Mill Creek & Papillon) and also the Company's corporate revenue, expenses, assets and liabilities ("Other") for the periods ended September 30, 2016 and 2015.

For the nine month period ended September 30, 2016	MIN-Ad	Mill Creek	Papillon	Other	Eliminations	Total
Revenue	\$ 4,976	\$ 3,026	\$12,605	\$ -	\$ (937)	\$19,670
Cost of sales						
Operating costs	3,815	1,938	10,517	-	(880)	15,390
Amortization and depletion	286	159	2	-	-	447
Gross Profit	875	929	2,086	-	(57)	3,833
Selling, general and administrative	520	780	1,441	341	-	3,082
Profit (loss) before finance costs	355	149	645	(341)	(57)	751
Finance costs						
Interest on long-term debt	30	30	157	32	-	249
Net and comprehensive income (loss) for the period	\$ 325	\$ 119	\$ 488	\$ (373)	\$ (57)	\$ 502

Eliminations relate to operating revenue and expenses between operating segments

As at September 30, 2016	Min-Ad	Mill Creek	Papillon	Other	Total
Assets					
Current assets	\$ 945	\$ 1,208	\$ 2,528	\$ 34	\$ 4,715
Non-current assets	2,169	2,147	5,136	268	9,720
	\$ 3,114	\$ 3,355	\$ 7,664	\$ 302	\$14,435
Liabilities					
Current liabilities	\$ 1,270	\$ 1,123	\$ 1,564	\$ 275	\$4,232
Non-current liabilities	52	198	5,542	3,437	9,229
	\$ 1,322	\$ 1,321	\$ 7,106	\$ 3,712	\$13,461

Inter-Rock Minerals Inc.
Notes to Condensed Interim Consolidated Financial Statements

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015
16. OPERATIONAL SEGMENT REPORTING (cont'd)

For the three month period ended September 30, 2016	Min-Ad	Mill Creek	Papillon	Other	Eliminations	Total
Revenue	\$ 1,588	\$ 1,073	\$ 6,188	\$ -	\$ (502)	\$8,347
Cost of sales						
Operating costs	1,146	690	5,115	-	(494)	6,457
Amortization and depletion	96	51	-	-	-	147
Gross Profit	346	332	1,073	-	(8)	1,743
Selling, general and administrative	168	294	696	93	-	1,251
Profit (loss) before finance costs	178	38	377	(93)	(8)	492
Finance costs						
Interest on long-term debt	12	6	76	12	-	106
Net and comprehensive income (loss) for the period	\$ 166	\$ 32	\$ 301	\$(105)	\$ (8)	\$ 386
For the nine month period ended September 30, 2015	Min-Ad	Mill Creek		Other		Total
Revenue	\$ 5,027	\$ 3,373		\$ -	\$	8,400
Cost of sales						
Operating costs	3,920	2,145		-		6,065
Amortization and depletion	392	175		-		567
Gross Profit	715	1,053		-		1,768
Selling, general and administration	611	778		261		1,650
Profit (loss) before finance costs	104	275		(261)		118
Finance costs						
Interest on long-term debt	43	51		-		94
Net and comprehensive income (loss) for the period	\$ 61	\$ 224		\$ (261)	\$	24
As at September 30, 2015	Min-Ad	Mill Creek		Other		Total
Assets						
Current assets	\$ 1,071	\$ 1,344		\$ 40	\$	2,455
Non-current assets	2,712	2,088		258		5,058
	\$ 3,783	\$ 3,432		\$ 298	\$	7,513
Liabilities						
Current liabilities	\$ 1,169	\$ 1,817		\$ 8	\$	2,994
Non-current liabilities	41	302		3,417		3,760
	\$ 1,210	\$ 2,119		\$ 3,425	\$	6,754

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

(in thousands of United States dollars, except where indicated)

September 30, 2016 and 2015**16. OPERATIONAL SEGMENT REPORTING (cont'd)**

For the three month period ended September 30, 2015	Min-Ad	Mill Creek	Other	Total
Revenue	\$ 1,624	\$ 1,221	\$ -	\$ 2,845
Cost of sales				
Operating costs	1,318	782	-	2,100
Amortization and depletion	128	60	-	188
Gross profit	178	379	-	557
Selling, general and administration	189	231	77	497
Profit (loss) before finance costs	(11)	148	(77)	60
Finance costs				
Interest on long-term debt	12	15	-	27
Net and comprehensive income (loss) for the period	\$ (23)	\$ 133	\$ (77)	\$ 33

17. MANAGEMENT OF CAPITAL

The Company considers its capital structure to include shareholders' equity and the Series A preferred shares which approximates a total capital of \$4,391 (September 30, 2015 - \$4,176)

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

The Company's long-term capital is subject to external restrictions including continued listing requirements of the TSX Venture Exchange and certain debt covenants as described in Note 9.