



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**September 30, 2011 and 2010**  
(U.S. dollars)

# Polaris Minerals Corporation

## Consolidated Statements of Financial Position

(Unaudited)  
(thousands of U.S. dollars)

	September 30, 2011	December 31, 2010
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,756	5,311
Trade and other receivables	3,476	1,855
Current tax assets	163	155
Inventories (note 3)	2,819	3,092
Other current assets	126	435
Current portion of other financial assets (note 4)	-	642
	9,340	11,490
<b>Non-current assets</b>		
Other financial assets (note 4)	1,264	6,664
Interests in joint ventures (note 5)	14,098	14,224
Property, plant and equipment (note 6)	69,600	75,231
	94,302	107,609
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	4,614	2,791
Current tax liabilities	35	7
Short-term financial liabilities (note 7)	5,399	5,050
Current portion of finance leases (note 15)	1,181	1,720
Current portion of long term debt (note 8)	1,103	1,000
Current portion of provisions (note 9)	145	795
	12,477	11,363
<b>Non-current liabilities</b>		
Finance leases (note 15)	509	685
Long-term debt (note 8)	5,003	4,652
Provisions (note 9)	2,842	2,911
	20,831	19,611
<b>Equity</b>		
Share capital (note 10)	149,705	149,592
Contributed surplus (note 11)	21,080	20,774
Accumulated other comprehensive income	760	2,223
Deficit	(95,778)	(83,215)
<b>Equity attributable to shareholders of the parent company</b>	75,767	89,374
Non-controlling interest	(2,296)	(1,376)
<b>Total equity</b>	73,471	87,998
	94,302	107,609

Going concern (note 2)  
Commitments and contingent liabilities (note 9)  
Subsequent events (note 7, 9 and 15)

**Approved by the Board of Directors**

"Paul Sweeney"  
Paul Sweeney, Director

"Herbert Wilson"  
Herbert Wilson, Director

# Polaris Minerals Corporation

## Consolidated Statements of Loss and Comprehensive (Loss) Income

(Unaudited)  
(thousands of US dollars, except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Sales</b>	6,774	5,505	16,454	15,112
Cost of goods sold	(6,860)	(5,586)	(17,691)	(15,473)
Reversal of (provision for) annual minimum freight volume penalty (note 9)	61	(894)	(145)	612
Amortization, depletion and depreciation	(1,327)	(1,236)	(3,706)	(3,356)
	(8,126)	(7,716)	(21,542)	(18,217)
<b>Gross loss</b>	(1,352)	(2,211)	(5,088)	(3,105)
Selling, general and administrative expenses	(1,094)	(1,323)	(4,302)	(4,201)
Shipping contract renegotiation costs (note 9)	-	-	-	(5,991)
	(1,094)	(1,323)	(4,302)	(10,192)
<b>Operating loss</b>	(2,446)	(3,534)	(9,390)	(13,297)
Interest income	18	85	149	487
Interest expense	(442)	(244)	(1,304)	(602)
Foreign exchange (loss) gain	(459)	156	(263)	33
Income from equity accounted interests in joint ventures	18	14	63	103
Other gains and losses (note 4)	(65)	(53)	(2,202)	(21)
	(930)	(42)	(3,557)	-
<b>Loss before taxes</b>	(3,376)	(3,576)	(12,947)	(13,297)
Income tax expense	(389)	(50)	(433)	(124)
<b>Loss for the period</b>	(3,765)	(3,626)	(13,380)	(13,421)
<b>Other comprehensive (loss) income</b>				
Foreign currency translation	(2,729)	2,559	(1,566)	1,901
<b>Other comprehensive (loss) income for the period</b>	(2,729)	2,559	(1,566)	1,901
<b>Total comprehensive loss for the period</b>	(6,494)	(1,067)	(14,946)	(11,520)
<b>Loss attributable to:</b>				
Shareholders of the parent company	(3,472)	(3,163)	(12,563)	(12,423)
Non-controlling interest	(293)	(463)	(817)	(988)
	(3,765)	(3,626)	(13,380)	(13,421)
<b>Total comprehensive loss attributable to:</b>				
Shareholders of the parent company	(5,913)	(864)	(14,026)	(10,636)
Non-controlling interest	(581)	(203)	(920)	(884)
	(6,494)	(1,067)	(14,946)	(11,520)
<b>Loss per share:</b>				
Basic and diluted loss per common share	(0.07)	(0.06)	(0.24)	(0.23)
Weighted average number of common shares outstanding	53,397	53,247	53,356	53,240

# Polaris Minerals Corporation

## Consolidated Statements of Cash Flows

(Unaudited)  
(thousands of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Cash flows from operating activities</b>				
Net loss	(3,765)	(3,626)	(13,380)	(13,421)
Amortization, depletion and accretion	1,430	1,346	3,968	3,670
Non-cash shipping contract renegotiation costs (note 9)	-	-	-	5,453
Share-based employee benefits	76	44	306	185
Unrealized foreign exchange loss (gain)	522	(159)	364	(266)
Provision for (reversal of) annual minimum freight volume penalty (note 9)	(61)	894	145	(612)
Income from equity accounted investment	(18)	(14)	(63)	(103)
Other losses (note 4)	67	47	2,194	4
Other non-cash items	126	120	370	120
	(1,623)	(1,348)	(6,096)	(4,970)
Changes in non-cash working capital items (note 12)	927	(368)	1,561	(1,607)
	(696)	(1,716)	(4,535)	(6,577)
<b>Cash flows from financing activities</b>				
Proceeds from issue of common shares	-	-	113	17
Payment on provision for minimum freight volumes	-	-	(795)	-
Finance lease payments	(212)	(187)	(628)	(554)
	(212)	(187)	(1,310)	(537)
<b>Cash flows from investing activities</b>				
Dividends received from equity accounted investment	124	30	187	89
Contributions to equity accounted investment	-	(5)	(120)	(150)
Loan advances	-	-	-	(124)
Loan repayments	1,031	121	3,727	3,007
Property, plant and equipment purchases	(155)	(140)	(582)	(629)
Proceeds on disposal of property, plant and equipment	-	-	250	-
Security deposit withdrawals	-	30	-	69
	1,000	36	3,462	2,262
<b>Effect of foreign currency translation on cash</b>	(290)	32	(172)	(6)
<b>Decrease in cash</b>	(198)	(1,835)	(2,555)	(4,858)
<b>Cash - beginning of period</b>	2,954	2,533	5,311	5,556
<b>Cash - end of period</b>	2,756	698	2,756	698

Supplemental cash flow information (note 12)

# Polaris Minerals Corporation

## Consolidated Statement of Changes in Equity

(Unaudited)  
(thousands of U.S. dollars)

	Attributable to equity holders of the Company							Total \$
	Number of common shares (000's)	Amount of common shares \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Shareholders' equity \$	Non- controlling interest \$	
As at January 1, 2010	53,225	149,574	20,453	-	(70,111)	99,916	(514)	99,402
Options exercised	22	18	(1)	-	-	17	-	17
Share-based employee benefits	-	-	185	-	-	185	-	185
Other comprehensive income	-	-	-	1,787	-	1,787	114	1,901
Net loss	-	-	-	-	(12,423)	(12,423)	(998)	(13,421)
As at September 30, 2010	53,247	149,592	20,637	1,787	(82,534)	89,482	(1,398)	88,084
Share-based employee benefits	-	-	137	-	-	137	-	137
Other comprehensive income	-	-	-	436	-	436	222	658
Net loss	-	-	-	-	(681)	(681)	(200)	(881)
As at December 31, 2010	53,247	149,592	20,774	2,223	(83,215)	89,374	(1,376)	87,998
Options exercised	150	113	-	-	-	113	-	113
Share-based employee benefits	-	-	306	-	-	306	-	306
Other comprehensive loss	-	-	-	(1,463)	-	(1,463)	(103)	(1,566)
Net loss	-	-	-	-	(12,563)	(12,563)	(817)	(13,380)
<b>As at September 30, 2011</b>	<b>53,397</b>	<b>149,705</b>	<b>21,080</b>	<b>760</b>	<b>(95,778)</b>	<b>75,767</b>	<b>(2,296)</b>	<b>73,471</b>

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 1. Nature and description of the Company

Polaris Minerals Corporation ("the Company") was incorporated on May 14, 1999 and is both incorporated and domiciled in Canada. The address of the Company's registered office is Suite 2740 - 1055 West Georgia Street, Vancouver, B.C., V6E 3R5. The Company's focus is threefold: the production, distribution and sales from the Orca Quarry; the development of new marine terminals along the west coast of North America; and the development of additional quarries.

### 2. Basis of preparation and going concern

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the company's interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 14 discloses the impact of the transition to IFRS on the Company's reported financial position as at September 30, 2010 and financial performance and cash flows for the three and nine month periods ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 12, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

#### *Going concern*

These unaudited financial statements are prepared in accordance with IFRS applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

During the nine months ended September 30, 2011, net loss attributable to shareholders of the Company was \$12.6 million (September 30, 2010 – net loss \$12.4 million), negative cash flow from operations was of \$4.5 million (September 30, 2010 – negative \$6.6 million) and as at September 30, 2011, the Company has a deficit of \$95.8 million (December 31, 2010 - \$83.2 million). At September 30, 2011 the Company has a working capital deficit of \$3.1 million. Included in the working capital deficit is CAD\$1.1 million related to the maturity of the Company's finance leases which, were refinanced in October 2011 (note 15). Also included in the working capital deficit is CAD\$5.7 million of principal and accrued interest related to the short term credit facility that, subsequent to September 30, 2011, the Company and its lenders agreed in principle to extend the maturity from November 17, 2011 to February 29, 2012, subject to definitive documentation (note 7). The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control. These include: improvement in the economic outlook, the recovery of demand for the Company's products, particularly in California, the ability to close the sale of the Pier B property (note 5), and access to capital markets. These market conditions continue to result in reduced revenues, causing the Company to incur losses. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under its shipping contract. In order to assist the Company in its objective to seek further capital, the Company and its shipper agreed subsequent to September 30, 2011 that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets (note 9).

In June 2011, the Company received \$2.35 million as an early pre-payment in full on its outstanding loan receivable, due March 1, 2028. In September 2011, the Company sold its interest in 0791304 BC Ltd and received CAD\$1.2 million as settlement of its CAD\$1.1 million

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 2. Basis of preparation and going concern *(continued)*

loan receivable, due December 1, 2018, and its shareholder loan of CAD\$120,000, which were both advanced to 0791304 BC Ltd to construct and operate the Numas Warrior tugboat for the berthing of freighters at the Orca Quarry. As a result of the sale of the Company's interests in the tugboat, \$1.1 million of principal of the senior secured notes has been classified as current due to the mandatory prepayment clause contained in the credit agreement (note 8). The Company is seeking confirmation that repayment of that amount will not be demanded under the agreement. The Company continues to have a service contract for use of the tugboat. These divestitures of non-core financial assets were undertaken so the Company may continue to meet its operating expenditures until the Pier B property held by the Cembra Long Beach LLC joint venture is sold or the Company can raise additional capital. The Company is in discussions with its lenders and other parties to seek access to additional capital by way of debt or equity financing.

The steps described above are subject to uncertainty and may not allow the Company to meet its obligations. The Company may be required to continue to exercise its right to pay interest in the form of additional notes, as allowed under the terms of the senior secured notes (note 8); raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets. The success of these initiatives cannot be assured.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

#### *Seasonality*

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions have an impact on production volumes and demand for the Company's products. As a consequence the Company's financial results for any individual quarter are not necessarily indicative of results to be expected for that year. Sales and earnings are typically sensitive to regional and local weather, market conditions, and, in particular, to cyclical variations in construction spending.

### 3. Inventories

	September 30, 2011	December 31, 2010
(in thousands)	\$	\$
Construction aggregates	2,501	2,611
Components and consumable supplies	318	481
	<u>2,819</u>	<u>3,092</u>

At September 30, 2011, \$303,721 of construction aggregates are measured at net realizable value (\$1,799,634 - December 31, 2010). Write-downs at September 30, 2011 totalled \$85,600 (December 31, 2010 - \$882,200).

### 4. Other financial assets

	September 30, 2011	December 31, 2010
(in thousands)	\$	\$
Loans and receivables measured at amortized cost:		
Loan at 6.5%, advanced to a related party, unsecured, monthly payments comprise principal and interest, due December 31, 2018	-	1,105
Loan at 5.5%, secured, monthly payments of principal and interest, due March 1, 2028	-	4,646
Other	147	381
Total loans and receivables	<u>147</u>	<u>6,132</u>
Held-to-maturity investments measured at amortized cost:		
Orca quarry security deposits	1,117	1,174
Total financial assets	<u>1,264</u>	<u>7,306</u>
Current portion	-	642
Non-current portion	<u>1,264</u>	<u>6,664</u>
	<u>1,264</u>	<u>7,306</u>

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

#### 4. Other financial assets (continued)

##### *Loan at 6.5%, due December 31, 2018*

In September 2011, the Company settled its loan of CAD\$1,017,080 (December 31, 2010 - CAD\$1,097,529) advanced to 0791304 BC Ltd to construct a tugboat for the berthing of freighters at the Orca Quarry and its shareholder loan to 0791304 BC Ltd of CAD\$120,000. Combined with the settlement of the loans, the Company also sold its equity interest in 0791304 BC Ltd (note 5). Proceeds on the settlement and sale of assets totalled CAD\$1,156,000. As a result of the settlement and sale of its combined interests in 0791304 BC Ltd, a loss of \$65,000 is included in other gains and losses for the three and nine months ended September 30, 2011.

##### *Loan at 5.5%, due March 1, 2028*

In June 2011, the Company received \$2.35 million as an early payment in full on its loan to a third party debtor, representing a 48% discount on the outstanding balance of \$4.5 million. As a result, a loss of \$2.13 million is included in other gains and losses for the nine months ended September 30, 2011.

##### *Orca quarry security deposits*

The Company maintains CAD\$1,170,633 (December 31, 2010 - CAD\$1,167,462) in interest-bearing term deposits for irrevocable standby letters of credit and safekeeping agreements required by performance bonds on the Orca Quarry. The deposits are automatically renewed each year until returned to the Company upon completion of the performance bond, as such, their carrying value approximates fair value. As at September 30, 2011, deposits bear interest at a rate of 0.30% to 1.25% (December 31, 2010 - 0.30% to 1.05%).

#### 5. Interests in joint ventures

The Company conducts a portion of its business through a joint venture under which the venturers are bound by contractual arrangements establishing joint control. The Company records its investments in the following joint ventures using the equity method.

##### *0791304 B.C. Ltd.*

Combined with the settlement of its loans due from 0791304 BC Ltd in September 2011, the Company sold its 33.3% equity interest in 0791304 BC Ltd (note 4).

##### *Cemera Long Beach LLC*

Cemera Long Beach LLC ("Cemera") is a joint venture between the Company and Cemex to develop a construction aggregates receiving terminal on Pier B, divided into Section A and Section B of the site, in the port of Long Beach, California. The Company, through its 70% owned Eagle Rock Aggregates Inc, paid \$7,843,835 for a 50% interest in Section A and \$7,382,433 for a 100% interest in Section B. The Company and Cemex, the joint venture partner, have a Strategic Alliance Agreement and a Joint Cooperation and Development Agreement which governs the direction, strategy and operation of the joint venture. As the freehold land on Pier B that the joint venture purchased has not been sold in the twelve months since it was first classified as an asset held for sale, it no longer meets the criteria as an asset held for sale. The property is recorded at estimated recoverable amount.

The following details the Company's share of its investment in Cemera:

	September 30, 2011	December 31, 2010
(in thousands)	\$	\$
<b>Assets</b>		
Cash	5	23
Accounts receivable and other	103	169
Property	14,178	14,178
	14,286	14,370
<b>Liabilities</b>		
Accounts payable	11	9
Accrued liabilities	50	50
	61	59



# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 6. Property, plant and equipment

(in thousands)	Orca Quarry			Richmond Terminal	Head Office	Long Beach Terminal Project	Other terminal projects	Total
	Property, plant & equipment	Equipment under finance lease	Exploration properties	Property, plant & equipment	Office equipment & leasehold improvement	Berth D-44 site development costs	Site development costs	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
January 1, 2010	46,454	4,914	1,208	26,426	739	71	151	79,963
Additions	477	-	2	839	1	345	-	1,664
Environmental rehabilitation adjustments	(2,315)	-	-	(249)	-	-	(35)	(2,599)
Disposals	(110)	-	-	(1)	(122)	-	(77)	(310)
Foreign exchange	2,574	279	76	-	38	-	-	2,967
December 31, 2010	47,080	5,193	1,286	27,015	656	416	39	81,685
<b>Accumulated depreciation</b>								
January 1, 2010	-	(1,396)	-	-	(384)	-	-	(1,780)
Depreciation	(2,552)	(501)	-	(1,476)	(124)	-	-	(4,653)
Disposals	105	-	-	-	113	-	-	218
Foreign exchange	(120)	(97)	-	-	(22)	-	-	(239)
December 31, 2010	(2,567)	(1,994)	-	(1,476)	(417)	-	-	(6,454)
<b>Carrying amount December 31, 2010</b>	<b>44,513</b>	<b>3,199</b>	<b>1,286</b>	<b>25,539</b>	<b>239</b>	<b>416</b>	<b>39</b>	<b>75,231</b>
<b>Cost</b>								
January 1, 2011	47,080	5,193	1,286	27,015	656	416	39	81,685
Additions	175	-	-	-	-	387	-	562
Disposals	(169)	-	-	-	-	-	-	(169)
Other adjustments	(196)	-	-	-	-	-	-	(196)
Foreign exchange	(2,775)	(266)	(72)	-	(34)	-	-	(3,147)
September 30, 2011	44,115	4,927	1,214	27,015	622	803	39	78,735
<b>Accumulated depreciation</b>								
January 1, 2011	(2,567)	(1,994)	-	(1,476)	(417)	-	-	(6,454)
Depreciation	(1,969)	(396)	-	(1,090)	(82)	-	-	(3,537)
Disposals	20	-	-	-	-	-	-	20
Foreign exchange	681	128	-	-	27	-	-	836
September 30, 2011	(3,835)	(2,262)	-	(2,566)	(472)	-	-	(9,135)
<b>Carrying amount September 30, 2011</b>	<b>40,280</b>	<b>2,665</b>	<b>1,214</b>	<b>24,449</b>	<b>150</b>	<b>803</b>	<b>39</b>	<b>69,600</b>

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 7. Short term financial liabilities

(in thousands)	September 30, 2011	December 31, 2010
	\$	\$
Subordinated secured credit facility		
Principal outstanding	4,770	5,027
Discount	(10)	(86)
	4,760	4,941
Accrued interest	639	109
	5,399	5,050

The Company maintains a subordinated, non-revolving credit facility in the amount of CAD\$5.0 million for working capital and general corporate purposes which bears interest at 15% per annum. The Company has the right to repay the credit facility at any time prior to maturity for the principal plus accrued interest at 15% per annum, plus 5% of the principal. Additionally, the lender has the right, upon sale of certain assets of the borrower greater than CAD\$5 million, to demand repayment of the principal plus accrued interest. The facility is secured by a general security agreement providing a second lien over the assets of the Company and contains certain covenants similar to those found in an arms-length bank financing.

The credit facility has been classified as a financial liability measured at amortized cost. The credit facility is carried net of unamortized discount from par value, which is being amortized by the effective interest method over the life of the facility using an effective rate of 17.35%. For the nine months ended September 30, 2011, non-cash accretion of the discount, included in interest was \$91,212 (nine months ending September 30, 2010 – \$nil). In conjunction with the credit facility, the Company issued 625,000 warrants to the lenders (note 11).

Subsequent to September 30, 2011, the Company and its lenders agreed in principle to extend the maturity of the credit facility originally due November 17, 2011 to February 29, 2012, subject to definitive documentation. An arrangement fee of 2% of the outstanding balance will be paid up front upon signature. The interest rate is unchanged at 15% until December 31, 2011; thereafter, on January 1, 2012, it increases to 17.5% and on February 1, 2012 increases to 20%.

### 8. Long-term debt

(in thousands)	September 30, 2011	December 31, 2010
	\$	\$
Senior secured notes at 7.5%, with quarterly interest payments. Principal paid in twelve quarterly payments commencing March 31, 2015. Effective interest rate 10.6%.		
Principal outstanding	6,840	6,470
Discount	(734)	(818)
Carrying amount	6,106	5,652
Current portion	1,103	1,000
Non-current portion	5,003	4,652
	6,106	5,652

As part of the restructuring of its shipping arrangements (note 9), the Company issued 7.5% senior secured notes due December 31, 2017 with interest payable quarterly. Principal outstanding on the notes at September 30, 2011 totalled \$6,839,812. On March 31<sup>st</sup>, June 30<sup>th</sup>, and September 30<sup>th</sup>, 2011, the Company exercised its right to pay its quarterly interest payments of, \$119,651; \$123,218; and \$126,902, respectively, in the form of additional notes, with the same terms, conditions and maturity date as the original notes. Repayment of the notes commences on March 31, 2015 with quarterly payments of \$525,000, with a final payment of \$1,064,812 on December 31, 2017.

The notes are repayable by the Company, in whole or in part, at its option, at any time without premium or penalty. Mandatory prepayments are required from; certain debt or equity issuances, insurance proceeds, certain asset sales, or upon a change in control. The Company has the right to pay interest in the form of additional notes for a period of up to five years from the issue date. All of the notes are secured by a first priority lien over the assets of the Company, including shares of certain subsidiaries, and contain certain covenants similar to those found in an arms-length bank financing.

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 8. Long-term debt (continued)

Upon completion of the Pier B land sale (note 5), the Company will pay \$1.5 million to CSL, to be applied against the outstanding principal (note 9). At December 31, 2010 \$1.0 million of this payment to CSL was classified as a current liability as the Pier B land was classified as an asset held for sale; however, as the Pier B land no longer meets the criteria as an asset held for sale (note 5) the payment to CSL upon completion of the sale, has been presented as a long-term liability.

As a result of the sale of the Company's interests in 0791304 BC Ltd (notes 4 and 5), \$1.1 million of principal of the notes has been classified as current due to the mandatory prepayment clause contained in the credit agreement. The Company is seeking confirmation that repayment of that amount will not be demanded under the agreement.

The notes have been classified as financial liabilities measured at amortized cost. The notes are carried net of unamortized discount from par value, which is being amortized by the effective interest method over the life of the notes using an effective rate of 10.6%. For the nine months ended September 30, 2011, non-cash accretion of the discount, included in interest on long-term debt, was \$83,714 (nine months ended September 30, 2010 – \$52,024).

### 9. Provisions

(in thousands)	Annual freight volume \$	Environmental rehabilitation and decommissioning \$	Total \$
January 1, 2010	1,800	4,696	6,496
Current portion	1,800	-	1,800
Non-current portion	-	4,696	4,696
Liabilities settled	(1,800)	-	(1,800)
New or revised provisions	795	(2,254)	(1,459)
Accretion expense	-	241	241
Foreign exchange	-	228	228
December 31, 2010	795	2,911	3,706
Current portion	795	-	795
Non-current portion	-	2,911	2,911
Liabilities settled	(795)	-	(795)
New or revised provisions	145	-	145
Accretion expense	-	86	86
Foreign exchange	-	(155)	(155)
September 30, 2011	145	2,842	2,987
Current portion	145	-	145
Non-current portion	-	2,842	2,842

#### Environmental rehabilitation and decommissioning

At December 31, 2010, due to the low volume of demand for construction aggregates and reduced production levels, the Company reviewed its progress to date against the original reclamation plan and revised the timing and amount of future cash flows related to environmental rehabilitation. The liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to September 30, 2011 of approximately CAD\$4.8 million which are expected to be expended throughout the quarry life to 2035. These estimated future cash flows have been discounted at a risk-free rate of 3.87% after applying an inflation rate of 2.04%.

#### Annual freight volume

On July 18, 2009, the Company entered into two shipping contracts (CoA-1 and CoA-2). These contracts required the Company to ship certain minimum tonnages. During 2009, the Company did not meet its minimum tonnage shipped and accrued a provision for expected payments of \$1,800,000 at December 31, 2009.

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 9. Provisions (continued)

During the quarter ended March 31, 2010, the Company restructured its shipping agreements, amalgamating them into a single revised Contract of Affreightment ("NCoA") which was effective from January 1, 2010 with a term of 20 years. This renegotiation resulted in the amount provided at December 31, 2009 being reversed through cost of goods sold in 2010 as under the NCoA, annual minimum freight volume penalties incurred under CoA-1 were cancelled. The Company incurred a restructuring fee, comprising of a payment of \$500,000 on signing of the agreement and issuance of \$6,350,000 in senior secured notes (note 8). The cash payment of \$500,000 and the fair value of the notes at the date of restructuring of \$5,453,480 were expensed in the year ended December 31, 2010. The NCoA requires the Company to ship minimum annual tonnages of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2011 minimum shipping commitment is 1,984,000 short tons.

The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for unshipped tons. Minimum freight volume penalties are payable annually in the year in which freight volumes do not meet the minimum volume requirements in the NCoA. For the nine months ended September 30, 2011, the Company accrued \$145,400 (nine months ended September 30, 2010 – \$1,187,800) for penalties associated with the annual minimum volume requirement. Subsequent to September 30, 2011, the Company and its shipper agreed that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets. As part of the agreement the Company agreed to increase the payment of \$1.0 million to \$1.5 million upon completion of the Pier B land sale (note 8).

### 10. Share capital

The Company has unlimited common shares without par value. At September 30, 2011, there were 53,397,102 common shares issued and outstanding (December 31, 2010 - 53,247,102).

### 11. Contributed surplus

(in thousands)	September 30, 2011	December 31, 2010
	\$	\$
Share-based employee benefits	14,144	13,838
Warrants	6,936	6,936
	21,080	20,774

#### Share-based employee benefits

The Company established an incentive stock option plan ("the Plan") on April 23, 2002. The Board of Directors ("the Board") determines the exercise price of an option, but the price shall not be less than the closing price on the trading day immediately preceding the date it is granted. Vesting and other terms are at the discretion of the Board. The Plan also prohibits the reduction of the exercise price of any outstanding options without prior shareholder approval. The Board administers the Plan, whereby it may from time to time grant options to directors, senior officers, employees, consultants, personal holding companies and certain registered plans. As at September 30, 2011, the maximum options to be allowed outstanding under the plan are 5,339,710 (December 31, 2010 – 5,324,710) and all options are exercisable in Canadian dollars.

The Company's stock options at September 30, 2011 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD\$)
At January 1, 2010	3,707,595	\$7.85
Granted	50,000	\$1.80
Exercised	(22,500)	\$0.78
Forfeited	(323,750)	\$8.41
At December 31, 2010	3,411,345	\$7.76
Granted	1,015,000	\$0.94
Exercised	(150,000)	\$0.75
Forfeited	(298,212)	\$8.83
At September 30, 2011	3,978,133	\$6.20

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 11. Contributed surplus (continued)

At September 30, 2011, the following stock options are outstanding and exercisable:

	Options outstanding			Options exercisable			
	Exercise price (CAD\$)	Number of options outstanding	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)
	\$0.94	1,015,000	\$0.94	9.71	338,336	\$0.94	9.71
	\$1.00 - \$2.00	717,500	\$1.89	6.86	700,833	\$1.89	6.82
	\$2.50 - \$4.00	345,000	\$3.47	2.65	345,000	\$3.47	2.65
	\$4.56 - \$5.60	378,133	\$4.86	3.15	378,133	\$4.86	3.15
	\$8.69	85,000	\$8.69	6.38	85,000	\$8.69	6.38
	\$11.41	505,000	\$11.41	1.26	505,000	\$11.41	1.26
	\$13.75	932,500	\$13.75	6.01	932,500	\$13.75	6.01
		3,978,133	\$6.20	5.95	3,284,802	\$7.31	5.16

During the nine months ended September 30, 2011, options granted had a total fair value of CAD\$566,463 and a weighted average grant-date fair value of CAD\$0.59 per option. The options have been valued using the Black-Scholes option pricing model, with the following assumptions:

Average risk free rate	2.15 – 2.52 %
Expected life	4.95 – 6.95 years
Expected volatility	67.7 – 70.0 %
Expected dividends	-

### Warrants

The Company's warrants at September 30, 2011 and changes for the period are as follows:

	Number of warrants outstanding	Weighted average exercise price (CAD\$)
January 1, 2010	10,916,346	\$3.12
Issued	625,000	\$1.50
Expired	(2,153,846)	\$4.80
December 31, 2010	9,387,500	\$2.63
Issued	-	-
Expired	(7,812,500)	\$2.25
September 30, 2011	1,575,000	\$4.52

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 11. Contributed surplus (continued)

At September 30, 2011, the following warrants are outstanding and exercisable:

Number of warrants outstanding and exercisable	Expiry date	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)
950,000	August 17, 2013	\$6.50	1.88
500,000	November 17, 2015	\$1.50	4.13
125,000	November 19, 2015	\$1.50	4.14
1,575,000		\$4.52	2.78

### 12. Supplemental cash flow information

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
(in thousands)	\$	\$	\$	\$
<i>Changes in non-cash working capital items</i>				
Accounts receivable	(345)	(1,623)	(1,629)	(1,768)
Inventories	(385)	393	243	(415)
Prepaid expenses and other	184	(18)	307	311
Accounts payable and accrued liabilities	1,473	880	2,640	265
	927	(368)	1,561	(1,607)
<i>Interest and taxes paid</i>				
Interest paid	15	44	113	264
Taxes paid	149	33	490	314

### 13. Related party transactions

During the three months ended September 30, 2011, directors, either directly or through a company controlled by them, provided to the Company, services at a cost of \$90,859 (three months ended September 30, 2010 - \$82,552) which are included in general and administrative expenses. During the nine months ended September 30, 2011, directors, either directly or through a company controlled by them, provided to the Company, services at a cost of \$260,685 (nine months ended September 30, 2010 - \$254,873) which are included in general and administrative expenses. At September 30, 2011, accounts payable of \$32,261 (December 31, 2010 - \$27,315) were due to companies controlled by common directors.

During the three months ended September 30, 2011, a related party provided tug berthing services to the Company at a cost of \$280,462 (three months ended September 30, 2010 - \$340,199). During the nine months ended September 30, 2011, a related party provided tug berthing services to the Company at a cost of \$852,865 (nine months ended September 30, 2010 - \$991,394). In September 2011 the Company sold its interest in the related party (note 5).

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 14. Transition to IFRS

The Company adopted IFRS effective January 1, 2010 ("the transition date") and prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company will ultimately prepare its opening IFRS balance sheet by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2010 comparative balance sheet presented in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time.

#### **Elected exemptions from full retrospective application**

In preparing these consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

##### *Business combinations*

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

##### *Cumulative translation differences*

The Company has elected to set the previous accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010.

##### *Share-based payment transactions*

The Company has elected not to apply IFRS 2, "Share-based Payments" ("IFRS 2") to stock options granted prior to November 7, 2002 or to those granted after, that have vested by the transition date.

##### *Borrowing costs*

The Company has elected the transition date, January 1, 2010, as the date to apply the transitional provisions set out in IAS 23, "Borrowing Costs" ("IAS 23"). The capitalization of borrowing costs under IAS 23 will commence from this date onwards. Borrowing costs previously capitalized under Canadian GAAP have not been adjusted on transition to IFRS.

##### *Decommissioning liabilities*

The Company has elected to apply the IFRS 1 optional exemption for its decommissioning liabilities. Accordingly the decommissioning liabilities have been re-measured as per the requirements of IFRIC 1, "Changes in existing Decommissioning, Restoration and Similar Liabilities" ("IFRIC 1") as at January 1, 2010, the date of transition to IFRS.

##### *Deemed cost of property, plant and equipment*

IFRS 1 provides the option to measure individual items of property, plant and equipment at the transition date at fair value and use that fair value as its deemed cost. The Company has elected to use the fair value of certain assets at the Orca Quarry, the Richmond Terminal, and the Eagle Rock Quarry Project at the transition date as their deemed cost.

#### **Mandatory exceptions to retrospective application**

In preparing these consolidated financial statements in accordance with IFRS 1 the Company has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

##### *Estimates*

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

##### *Consolidated and separate financial statements*

The Company has prospectively applied certain elements of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") as required by the mandatory exemption in IFRS 1.

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 14. Transition to IFRS (continued)

#### Reconciliation from Canadian GAAP to IFRS

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of assets, liabilities and equity as at September 30, 2010 (in thousands)	Canadian GAAP <sup>(1)</sup>	Note	Effect of transition to IFRS	IFRS (un-audited)
	\$		\$	\$
<b>Assets</b>				
<b>Current assets</b>				
Cash	811	(d)	(113)	698
Trade and other receivables	4,726	(d)	185	4,911
Current tax assets	300		-	300
Inventories	3,121		-	3,121
Other current assets	280		-	280
Current portion of other financial assets	880		-	880
	10,118		72	10,190
<b>Non-current assets</b>				
Assets held for sale	12,469	(d)	(12,469)	-
Other financial assets	6,459		-	6,459
Interests in joint ventures	43	(d)	11,966	12,009
Property, plant and equipment	99,920	(a)(b)(d)	(22,588)	77,332
	129,009		(23,019)	105,990
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	4,868	(d)	(51)	4,817
Current portion of finance leases	789		-	789
	5,657		(51)	5,606
<b>Non-current liabilities</b>				
Finance leases	1,691		-	1,691
Long-term debt	5,626		-	5,626
Provisions	2,442	(a)	2,541	4,983
	15,416		2,490	17,906
Non-controlling interest	-		-	-
<b>Shareholders' equity</b>				
Share capital	149,592		-	149,592
Contributed surplus	20,710	(e)	(73)	20,637
Accumulated other comprehensive income	17,200	(c)	(15,413)	1,787
Deficit	(73,909)		(8,625)	(82,534)
<b>Equity attributable to shareholders of the parent company</b>	<b>113,593</b>		<b>(24,111)</b>	<b>89,482</b>
Non-controlling interest	-	(e)	(1,398)	(1,398)
<b>Total equity</b>	<b>113,593</b>		<b>(25,509)</b>	<b>88,084</b>
	<b>129,009</b>		<b>(23,019)</b>	<b>105,990</b>

<sup>(1)</sup> Certain Canadian GAAP numbers have been presented differently to conform to IFRS.



# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 14. Transition to IFRS (continued)

Reconciliation of statement of loss and comprehensive loss for the three months ended September 30, 2010 (in thousands, except per share amounts)	Canadian GAAP <sup>(1)</sup>	Note	Effect of transition to IFRS	IFRS (un-audited)
	\$		\$	\$
<b>Sales</b>	5,505		-	5,505
Cost of goods sold	(5,586)		-	(5,586)
Provision for annual minimum freight volume penalty	(894)		-	(894)
Amortization, depletion and depreciation	(1,518)	(a)	282	(1,236)
	(7,998)		282	(7,716)
<b>Gross loss</b>	(2,493)		282	(2,211)
Selling, general and administrative expenses	(1,355)		32	(1,323)
Shipping contract renegotiation costs	-		-	-
	(1,355)		32	(1,323)
<b>Operating loss</b>	(3,848)		314	(3,534)
Interest income	85		-	85
Interest expense	(192)	(a)	(52)	(244)
Foreign exchange gain (loss)	(72)	(b)	228	156
Income from equity accounted interests in joint ventures	28	(d)	(14)	14
Other gains and losses	(6)	(d)	(47)	(53)
	(157)		115	(42)
<b>Loss before taxes</b>	(4,005)		429	(3,576)
Income tax expense	(50)		-	(50)
<b>Loss for the period</b>	(4,055)		429	(3,626)
<b>Other comprehensive income</b>				
Foreign currency translation	3,883	(b)	(1,324)	2,559
<b>Other comprehensive income for the period</b>	3,883		(1,324)	2,559
<b>Total comprehensive loss for the period</b>	(172)		(895)	(1,067)
<b>Loss attributable to:</b>				
Shareholders of the parent company	(3,820)		657	(3,163)
Non-controlling interest	(235)		(228)	(463)
	(4,055)		429	(3,626)
<b>Total comprehensive income (loss) attributable to:</b>				
Shareholders of the parent company	63		(927)	(864)
Non-controlling interest	(235)		32	(203)
	(172)		(895)	(1,067)
<b>Loss per share:</b>				
Basic and diluted loss per common share	(0.07)		0.01	(0.06)
<b>Weighted average number of common shares outstanding</b>	53,247		-	53,247

<sup>(1)</sup> Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 14. Transition to IFRS (continued)

Reconciliation of statement of loss and comprehensive loss for the nine months ended September 30, 2010 (in thousands, except per share amounts)	Canadian GAAP <sup>(1)</sup>	Note	Effect of transition to IFRS	IFRS (un-audited)
	\$		\$	\$
<b>Sales</b>	15,112		-	15,112
Cost of goods sold	(15,473)		-	(15,473)
Reversal of provision for annual minimum freight volume penalty	612		-	612
Amortization, depletion and depreciation	(4,195)	(a)	839	(3,356)
	(19,056)		839	(18,217)
<b>Gross loss</b>	(3,944)		839	(3,105)
Selling, general and administrative expenses	(4,233)	(d)	32	(4,201)
Shipping contract renegotiation costs	(5,991)		-	(5,991)
	(10,224)		32	(10,192)
<b>Operating loss</b>	(14,168)		871	(13,297)
Interest income	487		-	487
Interest expense	(439)	(a)	(163)	(602)
Foreign exchange gain (loss)	(229)	(b)	262	33
Income from equity accounted interests in joint ventures	96	(d)	7	103
Other gains and losses	18	(d)	(39)	(21)
	(67)		67	-
<b>Loss before taxes</b>	(14,235)		938	(13,297)
Income tax expense	(124)		-	(124)
<b>Loss for the period</b>	(14,359)		938	(13,421)
<b>Other comprehensive income</b>				
Foreign currency translation	2,662	(b)	(761)	1,901
<b>Other comprehensive income for the period</b>	2,662		(761)	1,901
<b>Total comprehensive loss for the period</b>	(11,697)		177	(11,520)
<b>Loss attributable to:</b>				
Shareholders of the parent company	(13,561)		1,138	(12,423)
Non-controlling interest	(798)		(200)	(998)
	(14,359)		938	(13,421)
<b>Total comprehensive loss attributable to:</b>				
Shareholders of the parent company	(10,899)		263	(10,636)
Non-controlling interest	(798)		(86)	(884)
	(11,697)		177	(11,520)
<b>Loss per share:</b>				
Basic and diluted loss per common share	(0.25)		0.02	(0.23)
<b>Weighted average number of common shares outstanding</b>	53,240		-	53,240

<sup>(1)</sup> Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

# Polaris Minerals Corporation

## Notes to the Consolidated Financial Statements

(Unaudited)  
(U.S. dollars, except where noted)

### 14. Transition to IFRS *(continued)*

#### (a) Property, plant and equipment

IFRS requires each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately over its own useful economic life. The Company has applied IAS 16 on a retrospective basis and has identified assets to be separately componentized. At September 30, 2010, this amounted to a decrease in property, plant and equipment of \$798,329 (December 31, 2010 - \$856,938) on transition to IFRS.

The Company reassessed the provision for environmental rehabilitation in accordance with IFRS. The changes required under IFRS primarily relate to changes in the risk-free rate used under IFRS. At September 30, 2010, this adjustment resulted in an increase of \$2,412,961 (December 31, 2010 - \$2,406,014) to property, plant and equipment. At September 30, 2010, \$2,564,557 (December 31, 2010 - \$2,621,292) was recognized as an increase in the provision for environmental rehabilitation. Cumulative additional depletion at September 30, 2010 of \$120,898 (December 31, 2010 - \$142,141) was recorded due to the increase in the amounts capitalized to property, plant and equipment. Accretion due to changes in the provision for environmental rehabilitation decreased by \$23,392 at September 30, 2010 (December 31, 2010 - \$31,515).

In accordance with IFRS 1, the Company elected to measure certain assets at the Orca Quarry, the Richmond Terminal, and the Eagle Rock Quarry Project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of these assets at January 1, 2010 resulted in a \$23.0 million reduction in the carrying value of property, plant and equipment and a corresponding adjustment to opening retained earnings. The adjustment impacted the amortization recorded in subsequent periods as follows; nine months ended September 30, 2010 decreased \$856,500, and the year ended December 31, 2010 decreased \$1,143,000.

#### (b) The effect of changes in foreign exchange rates

As part of the transition to IFRS, the Company identified differences in the application of functional currencies to its US subsidiaries in its consolidated financial statements in accordance with IAS 21, "Effects of Changes in Foreign Exchange Rates", compared to previous Canadian GAAP.

#### (c) Cumulative translation differences

The Company has elected to set the previously accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010.

#### (d) Joint venture interests

Under Canadian GAAP, joint ventures are accounted for using the proportionate consolidation method. IFRS currently provides a policy choice to either apply proportionate consolidation or the equity method of accounting to joint ventures including jointly controlled entities, operations and assets. As part of the transition to IFRS, the Company began accounting for its investment in Cembra LLC on an equity basis. Cash balances and changes in working capital have been adjusted for the equity method of accounting for the Company's investments in joint ventures under IFRS (Note 5).

#### (e) Non-controlling interest

The Company previously presented non-controlling interest below liabilities in the statement of financial position as required by Canadian GAAP. IFRS specifies that non-controlling interest is presented as a component of equity. In addition, differences described in (a) and (b) above impacted the amount of non-controlling interest recorded under IFRS.

### 15. Other subsequent event

#### *Refinancing of quarrying equipment leases*

In October 2011 the Company refinanced CAD\$1.1 million of leases on quarrying equipment at interest rates between 5.90% and 6.20%. The new leases have been accounted for as finance leases and terminate between October 2013 and 2014. Combined monthly lease payments total CAD\$26,166. The quarrying equipment is the security for the indebtedness.