POLARIS MATERIALS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013
(U.S. dollars)

Management's Responsibility for Financial Reporting

The consolidated financial statements of Polaris Materials Corporation have been prepared by and are the responsibility of the board of directors and management of the Company. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates and judgement based on currently available information. Management has developed and maintains a system of internal controls to provide assurance, on a reasonable and cost effective basis, that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

The Audit Committee of the Board of Directors, consisting of three independent directors, meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The consolidated financial statements have been audited by the Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

"Herbert Wilson"
Herbert Wilson
President and Chief Executive Officer

"Darren McDonald"
Darren McDonald
Vice President, Finance and Chief Financial Officer

March 5, 2015

March 5, 2015

Independent Auditor's Report

To the Shareholders of Polaris Materials Corporation

We have audited the accompanying consolidated financial statements of Polaris Materials Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Polaris Materials Corporation as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Polaris Materials Corporation

Consolidated Statements of Financial Position

(thousands of U.S. dollars)

	December 31, 2014	December 31, 2013
	$	$
Assets		
Current assets		
Cash and cash equivalents	14,231	9,385
Trade and other receivables (note 4)	6,156	4,000
Current tax assets	-	276
Inventories (note 5)	2,659	2,698
Other current assets	432	368
	23,478	16,727
Non-current assets		
Financial assets (note 6)	973	1,190
Property, plant and equipment (note 7)	59,427	60,654
	83,878	78,571
Liabilities		
Current liabilities		
Trade and other payables (note 8)	3,640	4,031
Current tax liabilities	16	-
Current portion of finance leases (note 9)	418	651
Current portion of property tax provision (note 10)	379	289
	4,453	4,971
Non-current liabilities		
Finance leases (note 9)	865	530
Property tax provision (note 10)	898	867
Restoration provision (note 11)	3,211	3,141
	9,427	9,509
Equity		
Share capital (note 12)	188,377	172,517
Contributed surplus (note 13)	23,828	22,418
Accumulated other comprehensive income	(4,846)	(136)
Deficit	(128,134)	(121,448)
Equity attributable to shareholders of the Company	79,225	73,351
Non-controlling interest (note 14)	(4,774)	(4,289)
Total equity	74,451	69,062
	83,878	78,571

Subsequent events (note 13)
Commitments and contingent liabilities (note 21)

Approved by the Board of Directors

"Lenard Boggio"
Lenard Boggio, Director

"Herbert Wilson"
Herbert Wilson, Director

Polaris Materials Corporation

Consolidated Statements of Loss

For the years end December 31, 2014 and 2013

(thousands of US dollars, except per share amounts)

	2014 $	2013 $
Sales	45,241	44,893
Cost of goods sold (note 15)	(44,048)	(44,869)
Gross profit	1,193	24
Selling, general and administrative expenses (note 15)	(6,571)	(5,364)
Foreign exchange gain	512	161
Property holding costs	(898)	(591)
Property tax provision (note 10)	(568)	(1,535)
Other gains (losses)	(505)	245
	(8,030)	(7,084)
Loss before interest and income taxes	(6,837)	(7,060)
Finance income	103	49
Finance expense (note 16)	(210)	(714)
Finance charges	-	(870)
	(107)	(1,535)
Loss before income taxes	(6,944)	(8,595)
Income tax expense (note 18)	(15)	(40)
Net loss for the year	(6,959)	(8,635)
Net loss attributable to:		
Shareholders of the Company	(6,685)	(8,208)
Non-controlling interest	(274)	(427)
	(6,959)	(8,635)
Net loss per share:		
Basic and diluted loss per common share	(0.08)	(0.11)
Weighted average number of common shares outstanding	84,144	73,648

Polaris Materials Corporation

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2014 and 2013

(thousands of U.S. dollars)

	2014 $	2013 $
Net loss for the year	(6,959)	(8,635)
Other comprehensive (loss) income – Items that may be reclassified to profit or loss		
Foreign currency translation	(4,922)	(2,417)
Comprehensive loss for the year	(11,881)	(11,052)
Comprehensive loss attributable to:		
Shareholders of the Company	(11,396)	(10,452)
Non-controlling interest	(485)	(600)
	(11,881)	(11,052)

Polaris Materials Corporation

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(thousands of U.S. dollars, except number of common shares)

	Attributable to equity holders of the Company							
	Number of common shares (000's)	Amount of common shares $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Shareholders' equity $	Non-controlling interest $	Total $
December 31, 2012	66,746	156,772	21,347	2,109	(113,240)	66,988	(3,690)	63,298
Common shares issued	13,225	14,970	-	-	-	14,970	-	14,970
Warrants issued	-	-	376	-	-	376	-	376
Warrants exercised	425	775	(205)	-	-	570	-	570
Share-based employee benefits	-	-	900	-	-	900	-	900
Other comprehensive loss	-	-	-	(2,245)	-	(2,245)	(172)	(2,417)
Net loss	-	-	-	-	(8,208)	(8,208)	(427)	(8,635)
December 31, 2013	80,396	172,517	22,418	(136)	(121,448)	73,351	(4,289)	69,062
Common shares issued	6,785	15,075	-	-	-	15,075	-	15,075
Warrants issued	-	-	202	-	-	202	-	202
Warrants exercised	236	420	(126)	-	-	294	-	294
Share-based employee benefits	-	-	1,476	-	-	1,476	-	1,476
Options exercised	248	365	(142)			223		223
Other comprehensive loss	-	-	-	(4,710)	-	(4,710)	(212)	(4,922)
Net loss	-	-	-	-	(6,686)	(6,686)	(273)	(6,959)
December 31, 2014	87,665	188,377	23,828	(4,846)	(128,134)	79,225	(4,774)	74,451

Polaris Materials Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(thousands of U.S. dollars)

	2014 $	2013 $
Cash flows from operating activities		
Net loss	(6,959)	(8,635)
Amortization, depletion and accretion	4,457	4,495
Share-based employee benefits	1,470	900
Unrealized foreign exchange gain	(632)	(150)
Interest	-	630
Loss on settlement of long term debt	-	767
Property tax provision (note 10)	529	1,156
Other (gains) losses	125	(15)
	(1,010)	(852)
Changes in non-cash working capital items (note 19)	(2,763)	(510)
	(3,773)	(1,362)
Cash flows from financing activities		
Proceeds from issue of common shares (net of issue costs)	15,789	15,877
Interest paid	-	(630)
Repayment of principal on credit facility and senior secured notes	-	(7,669)
Finance lease payments	(346)	(428)
	15,443	7,150
Cash flows from investing activities		
Property, plant and equipment purchases	(5,354)	(1,683)
	(5,354)	(1,683)
Effect of foreign currency translation on cash	(1,470)	(257)
Increase in cash	4,846	3,848
Cash and cash equivalents - beginning of year	9,385	5,537
Cash and cash equivalents - end of year	14,231	9,385

Supplemental cash flow information (note 19)

(U.S dollars, except where noted)

1. Nature and description of the Company

Polaris Materials Corporation ("the Company"), formerly Polaris Minerals Corporation, 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 of aggregates from the Orca Quarry; the development of new aggregate marine terminals along the west coast of North America; and the development of additional aggregate quarries.

2. Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). The Company has consistently applied the same accounting policies in all periods presented except as disclosed in note 3.

These financial statements were approved by the board of directors for issue on March 5, 2015.

3. Summary of significant accounting policies

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair value.

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company.

Inter-company balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

New and amended standards adopted

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014.

i. IFRIC 2*1, Accounting for L*evies imposed by Governments, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. These changes do not result in any adjustments by the Company.

(U.S dollars, except where noted)

3. Significant accounting policies *(continued)*

The consolidated financial statements include the accounts of the Company and its subsidiaries ("Group"). The subsidiaries and the Company's ownership interests therein, are as follows:

Company	Location	Ownership interest	Status
Eagle Rock Materials Ltd.	Canada	70 %	Consolidated subsidiary
Eagle Rock Aggregates, Inc.	United States	70 %	Consolidated subsidiary
Quality Rock Holdings Ltd.	Canada	100 %	Consolidated subsidiary
Polaris Aggregates Inc.	United States	100 %	Consolidated subsidiary
Orca Sand & Gravel Limited Partnership	Canada	88 %	Consolidated subsidiary
Orca Sand & Gravel Ltd.	Canada	88 %	Consolidated subsidiary
Quality Sand & Gravel Ltd.	Canada	100 %	Consolidated subsidiary
5329 Investments Ltd. (1)	Canada	100 %	Consolidated subsidiary
Orca Finance Ltd. (2)	Canada	100 %	Consolidated subsidiary
Polaris Materials Inc.(3)	United States	100 %	Consolidated subsidiary

(1) 5329 Investments Ltd. was dissolved by a vertical amalgamation into Quality Sand & Gravel Ltd. in 2014.
(2) Orca Finance Ltd. was dissolved in 2013.
(3) Polaris Materials Inc. was dissolved in 2014.

Significant accounting judgments and estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

(i) Determination of mineral reserves
Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, production techniques, production costs, capital costs, transport costs, demand, prices and exchange rates. Estimating the quantity of reserves requires the size, shape and depth of deposits to be determined by analyzing geological data. This process may require complex and difficult geological judgments to interpret the data. Changes in estimates of proven and probable reserves may impact the carrying value of property, plant and equipment, restoration provisions, recognition of deferred tax amounts and depreciation, depletion and amortization.

(ii) Asset values and impairment charges
If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income (loss). When necessary, management's determination of recoverable amounts include estimates of sales volumes and prices, costs of disposal, recoverable reserves, operating costs and capital costs, which are subject to certain risks and uncertainties that may affect the recoverability of an asset's costs. Although management has made its best estimate of these factors, it is possible that changes could occur that could adversely affect management's estimate of the net cash flow to be generated from its assets or cash-generating units.

For quarrying property interests the Company considers both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of quarrying property interests. Internal sources of information the Company considers include indications of economic performance of the assets. In determining the recoverable amounts of the Company's quarrying property interests, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs of disposal of the quarrying properties and the appropriate discount rate. Reductions in price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves and resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's quarrying interests.

(iii) Estimated Reclamation and Closure Costs
The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation assumptions about risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related quarrying properties. Adjustments to the carrying amounts of related quarrying properties can result in a change to future depletion expense.

(U.S dollars, except where noted)

3. Significant accounting policies *(continued)*

Foreign currency translation

The Company's presentation currency is the United States dollar ("US dollar"). The functional currency of the Company and for each subsidiary of the Company is the currency of the primary economic environment in which it operates.

The functional currency of aggregate sales and terminal operations is the US dollar. The Company translates non-US dollar balances for these operations into US dollars as follows:

(i) Property, plant and equipment using historical rates;
(ii) Other assets and liabilities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net income for the period; and
(iii) Income and expenses using the average exchange rate for the period, except for expenses that relate to nonmonetary assets and liabilities measured at historical

The functional currency of the quarrying operations and the corporate head office is the Canadian dollar. The Company translates these operations into US dollars as follows:

(i) Assets and liabilities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in other comprehensive income; and
(ii) Income and expenses using the average exchange rate for the period with translation gains and losses recorded in other comprehensive income

Inventories

Construction aggregates inventory is stated at the lower of average cost and net realizable value. Cost for construction aggregates inventory is determined on an average cost basis. Such costs include fuel, freight in, depreciation, depletion, repair parts and supplies, raw materials, direct labour and production overhead. Consumable supplies are stated at the lower of cost and net realizable value. Costs for consumable supplies are determined on a first-in, first-out basis.

When inventories have been written down to net realizable value ("NRV"), the Company makes a new assessment of NRV in each subsequent period. If circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

Property, plant and equipment

Expenditures incurred to develop new aggregate properties or marine receiving terminals are capitalized. Costs are written down to the recoverable amount if impaired, or written off if the property or interest is sold, allowed to lapse or abandoned.

Developed property, plant and equipment are carried at cost less accumulated depreciation and depletion and accumulated impairment. Capitalized costs for quarries are depleted using a unit of production method over the estimated economic life of the quarry to which they relate following the commencement of operations. Capitalized costs for marine receiving terminals are amortized over the useful lives of the underlying interests following the commencement of operations. Depreciation related to production is included in Cost of goods sold.

Property, plant and equipment is depreciated or depleted over its estimated useful life using the following rates:

Quarry property costs	Units of production
Property, plant & equipment	3 to 25 years
Equipment under finance lease	10 years
Office equipment	3 to 10 years
Leasehold improvements	Life of lease

The cost of equipment held under finance leases is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease and is amortized over the term of the lease, except when there is reasonable certainty that the leased assets will be purchased at the end of the lease, in which case they are amortized over the estimated useful life. Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in statement of income (loss).

Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Useful lives, residual values and depreciation methods are reassessed annually for all property, plant and equipment with the impact of any changes in estimate accounted for on a prospective basis.

(U.S dollars, except where noted)

3. Significant accounting policies *(continued)*

Impairment of long-lived assets

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Future cash flows are based on expected future production, estimated aggregate prices, and estimated operating, capital, and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions used and actual market conditions and/or the Company's performance could have a material effect on the Company's financial position and results of operations.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of income (loss) for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of income (loss).

Restoration Provisions

The Company recognizes liabilities for statutory, contractual, legal or constructive obligations associated with the retirement of property, plant and equipment. The Company records the present value of any environmental rehabilitation and decommissioning costs as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs that are required by current legal and regulatory requirements. Discount rates using a pre-tax rate that reflect the time value of money and the risks specific to the obligation are used to calculate the net present value. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to quarrying assets along with a corresponding increase in the rehabilitation provision in the period incurred. The rehabilitation asset is depreciated on the same basis as quarrying assets.

The liability is accreted over time through periodic charges to profit or loss and it is reduced by actual costs of decommissioning and reclamation. The present value of the liability is added to the carrying amount of the capitalized mineral property. This capitalized amount will be amortized over the estimated useful life of the asset. The obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Share based payments

The Company applies the fair value method of accounting for all stock option awards to employees and others providing similar services. Under this method the Company recognizes a compensation expense for all share options awarded based on the fair value of the options on the date of grant. The fair value is determined by using a Black-Scholes option pricing model. The fair value of all share options granted, and estimated to eventually vest, is recorded, over the vesting period, as a charge to the statement of income (loss) and a credit to contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is charged to the statement of income (loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. Consideration paid on exercise of share options in addition to the fair value attributed to stock options granted is credited to share capital.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income taxes are calculated based on taxable income for the current year at enacted or substantially enacted statutory tax rates.

(U.S dollars, except where noted)

3. Significant accounting policies *(continued)*

Deferred income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates and laws that are expected to apply when the temporary differences are expected to reverse. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit at the time of the transaction; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories:

i. Held to maturity - measured at amortized cost.

ii. Available-for-sale - measured at fair value.

iii. Loans and receivables - measured at amortized cost.

iv. Fair-value-through-profit-or-loss (“FVTPL”) - measured at fair value with gains and losses recognized through statement of income (loss).

Financial assets classified as available-for-sale are measured at fair value with gains and losses recognized in other comprehensive income (loss) except for impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary items, will be recognised in profit and loss. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Cash, trade and other receivables and security deposits are designated as loans and receivables.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability. The Company’s trade and other payables are classified as other financial liabilities.

Revenue recognition

Revenue from the sale of construction aggregates, net of any discounts, is recognized on the sale of products at the time the Company has transferred to the buyer the significant risks and rewards of ownership; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliability; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Earnings per share

Earnings per share are calculated using the weighted average number of common shares outstanding during the year. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

(U.S dollars, except where noted)

3. Significant accounting policies *(continued)*

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2014.

(i) IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 was amended In November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9) and (iii) remove the previous mandatory effective date of January 1, 2015. The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of this standard on our financial statements.

(ii) In May 2014, the IASB and the Financial Accounting Standards Board (FASB) completed their joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and United States Generally Accepted Accounting Principles (US GAAP). As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15) to replace IAS 18, Revenue and IAS 11, Construction Contracts and the related interpretations on revenue recognition.

The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers.

IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the effect of this standard on our financial statements.

(U.S dollars, except where noted)

4. Trade and other receivables

(in thousands)	December 31, 2014 $	December 31, 2013 $
Trade receivables	5,951	3,869
Accrued interest	3	3
Other taxes receivable	38	57
Other receivables	164	71
	6,156	4,000

5. Inventories

(in thousands)	December 31, 2014 $	December 31, 2013 $
Construction aggregates	2,349	2,461
Components and consumable supplies	310	237
	2,659	2,698

6. Financial assets

(in thousands)	December 31, 2014 $	December 31, 2013 $
Loans and receivables measured at amortized cost:		
Orca quarry security deposits	973	1,059
Other long-term receivables	-	131
Total financial assets	973	1,190

Orca Quarry security deposits

The Company maintains CAD$1,128,502 (December 31, 2013 - CAD$1,126,184) in interest-bearing term deposits for 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 December 31, 2014, deposits earn interest at a rate of 0.35% to 1.25% (December 31, 2013 - 0.35% to 1.25%).

(U.S dollars, except where noted)

7. Property, plant and equipment

(in thousands)	Orca Quarry			Richmond Terminal	Head Office	Long Beach Terminal Project	Other Terminal Projects	
	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	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Cost								
January 1, 2013	47,414	5,385	1,223	27,041	658	416	39	82,176
Additions	1,057	1,056	-	34	6	2	-	2,155
Environmental rehabilitation adjustments	(144)	-	-	-	-	-	-	(144)
Disposals	(449)	(478)	-	-	-	(3)	-	(930)
Foreign exchange	(3,825)	(365)	(91)	-	(48)	-	-	(4,329)
December 31, 2013	44,053	5,598	1,132	27,075	616	415	39	78,928
Accumulated depreciation								
January 1, 2013	(8,297)	(2,829)	-	(4,620)	(578)	-	-	(16,324)
Depreciation	(2,522)	(551)	-	(1,239)	(30)	-	-	(4,342)
Disposals	503	364	-	-	-	-	-	867
Foreign exchange	1,274	212	-	-	39	-	-	1,525
December 31, 2013	(9,042)	(2,804)	-	(5,859)	(569)	-	-	(18,274)
Carrying amount December 31, 2013	35,011	2,794	1,132	21,216	47	415	39	60,654
Cost								
January 1, 2014	44,053	5,598	1,132	27,075	616	415	39	78,928
Additions	1,114	517	-	3	43	4,380	-	6,057
Environmental rehabilitation adjustments	255	-	-	-	-	-	-	255
Disposals	(188)	(126)	-	-	-	-	-	(314)
Foreign exchange	(4,512)	(473)	(110)	-	(50)	-	-	(5,145)
December 31, 2014	40,722	5,516	1,022	27,078	609	4,795	39	79,781
Accumulated depreciation								
January 1, 2014	(9,042)	(2,804)	-	(5,859)	(569)	-	-	(18,274)
Depreciation	(2,532)	(570)	-	(1,246)	(32)	-	-	(4,380)
Disposals	188	122	-	-	-	-	-	310
Foreign exchange	1,669	273	-	-	48	-	-	1,990
December 31, 2014	(9,717)	(2,979)	-	(7,105)	(553)	-	-	(20,354)
Carrying amount December 31, 2014	31,005	2,537	1,022	19,973	56	4,795	39	59,427

(U.S dollars, except where noted)

8. Trade and other payables

(in thousands)	December 31, 2014 $	December 31, 2013 $
Trade payables	1,628	2,449
Accrued liabilities	2,012	1,582
	3,640	4,031

9. Finance leases

Included in property, plant and equipment is quarrying equipment that the Company has acquired pursuant to lease agreements. The Company's lease agreements terminate between February 2016 and September 2018. The quarrying equipment is the security for the indebtedness.

In July 2014, the Company entered into a lease financing facility whereby the Company may draw up to CAD$1.2 million for the acquisition of equipment at 4.71% interest for up to a maximum of four years from the acquisition date. Acquisitions of equipment under the facility are accounted for as finance leases. Monthly payments are determined at drawdown and are fixed for the term of the lease. The equipment is the security for the indebtedness. The Company has drawn CAD$623,387 for the acquisition of new screening equipment and a jaw crusher with monthly payments of CAD$14,237. Additional draws are subject to the Company maintaining a minimum debt service coverage ratio of no less than 1.2 times, tested quarterly on a building basis starting with the third quarter of 2014 and becoming a rolling four quarter test at the end of the fourth quarter of 2015. Debt service coverage is defined as EBITDA/(Principal + Interest). The Company currently does not meet the minimum ratio. Further draws are at the discretion of the lender.

In October 2014 the Company refinanced CAD$394,970 of leases on quarrying equipment at 5.95% interest. The new lease has been accounted for as a finance lease and terminates October 2017. Monthly lease payments are CAD$11,948. The quarrying equipment is the security for the indebtedness.

Future minimum lease payments are as follows:

(in thousands)		$
2014	(CAD$ 546)	470
2015	(CAD$ 383)	330
2016	(CAD$ 350)	302
2017	(CAD$ 320)	276
Total minimum lease payments		1,378
Less: Interest portion		95
Present value of capital lease obligations		1,283
Less: current portion		418
Non-current portion		865

10. Property tax provision

In 2013 ERA received a payment demand, including penalties, for property tax dating back to 2008. Under the terms of its lease agreement with Levin Terminals Inc. ("Levin"), ERA has paid its pro-rata share of property tax on the Richmond terminal land each year to Levin. The County's assessment was in regard to personal property taxes on the value of the building, leasehold improvements, and equipment at the site. During 2013 the Company was successful in reducing the original assessment period from five years to four under a statute of limitations applicable to the tax code and entered into an Escape Assessment Installment Plan (the "Plan") with the County, whereby the remaining outstanding balance of the taxes are payable in five annual installments commencing August 31, 2013. During 2014 the Company withdrew its appeal seeking exclusion of costs originally included in the assessment and concluded a negotiated settlement for the application of credits based on the past utilization of assets. During the 2014 the Company revised its provision for property taxes owing by $568,000 to a total of $2.103 million, of which $1.535 has already been provided for. The liability at December 31, 2014 of $1.277 million is net of amounts already paid. Of this amount $898,000 has been classified as a long-term liability based on the Plan agreed with the County.

(U.S dollars, except where noted)

11. Restoration provision

The Company has restoration and decommissioning obligations associated with its operating quarry and processing plant. The following table summarizes the movements in the provision for the years ended December 31, 2014 and 2013:

	2014	2013
(in thousands)	$	$
As at January 1	3,141	3,429
New or revised provisions	255	(145)
Accretion	85	81
Foreign exchange	(270)	(224)
As at December 31	3,211	3,141

The measurement of the liability assumes undiscounted estimated future cash flows needed to settle the liability of approximately CAD$3.7 million. These amounts are expected to be expended throughout the quarry life to 2035.

These estimated future cash flows were discounted at a risk-free rate of 2.68% (2013 – 3.13%) after applying an inflation rate of 2.00% (2013 - 2.04%).

12. Share capital

The Company has unlimited common shares without par value. At December 31, 2014, there were 87,665,186 common shares issued and outstanding (December 31, 2013 – 80,396,289).

During the year ended December 31, 2014, 248,334 common shares were issued between CAD$0.94 and CAD$1.56 on the exercise of stock options for proceeds of CAD$244,801.

During the year ended December 31, 2014, 235,563 common shares were issued at CAD$1.31 on the exercise of warrants for proceeds of CAD$308,588.

On June 27, 2014, the Company issued 6,785,000 common shares on a bought deal basis at CAD$2.57 each for gross proceeds of CAD$17.4 million. Proceeds to the Company, after issue and transactions costs were CAD$16.3 million.

13. Contributed surplus

	December 31, 2014	December 31, 2013
(in thousands)	$	$
Share-based employee benefits	16,668	15,340
Warrants	7,160	7,078
	23,828	22,418

Share-based employee benefits

The Company established an incentive stock option plan (“the Plan”) on April 23, 2001. 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. At December 31, 2014, the maximum options to be allowed outstanding under the plan which comprise 10% of outstanding shares are 8,766,518 (December 31, 2013 – 8,039,629). All options are exercisable in Canadian dollars.

(U.S dollars, except where noted)

13. Contributed surplus *(continued)*

The Company's stock options at December 31, 2014 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
At December 31, 2012	3,361,709	$5.84
Granted	1,390,000	$1.56
Forfeited	(30,000)	$1.29
Expired	(672,500)	$8.56
At December 31, 2013	4,049,209	$3.95
Granted	1,085,000	$2.68
Exercised	(248,334)	$0.99
Forfeited	(3,333)	$1.56
Expired	(147,500)	$3.60
At December 31, 2014	4,735,042	$3.83

At December 31, 2014, 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)
$0.00 - $1.00	765,000	$0.94	6.46	765,000	$0.94	6.46
$1.01 - $2.00	1,883,333	$1.67	7.32	1,408,335	$1.70	6.99
$2.01 - $4.00	1,172,500	$2.78	4.18	449,164	$2.93	3.64
$4.01 - $6.00	127,709	$4.88	1.09	127,709	$4.88	1.09
$6.01 - $9.00	85,000	$8.69	3.13	85,000	$8.69	3.13
$9.01 - $13.75	701,500	$13.75	2.76	701,500	$13.75	2.76
	4,735,042	$3.83	5.48	3,536,708	$4.37	5.30

During 2014, the Company granted 1,085,000 options which have a total fair value of CAD$1.94 million and a weighted average grant-date fair value of CAD$1.79 per option. The options have been valued using the Black-Scholes options pricing model, with the following weighted average assumptions:

Average risk free rate	1.60%
Expected life	5.0 years
Expected volatility	84.8%
Expected dividends	–

Warrants

In conjunction with the 6,785,000 share issue on June 27, 2014, (note 12), the company issued 339,250 warrants that are exercisable at a price of $2.57 per share until December 27, 2015. At the date of issue the estimated fair value of the warrants was CAD$239,014. Fair value of the warrants has been determined using the Black Scholes option pricing model.

(U.S dollars, except where noted)

13. Contributed surplus *(continued)*

The following assumptions have been used for the Black Scholes option pricing model:

Average risk free rate	1.00 %
Expected life	1.5 years
Expected volatility	49 %
Expected dividends	–

The Company's warrants at December 31, 2014 and changes for the period are as follows:

	Number of warrants outstanding	Weighted average exercise price (CAD$)
December 31, 2012	1,575,000	$4.52
Issued	661,250	$1.31
Exercised	(425,687)	$1.31
Expired	(950,000)	$6.50
December 31, 2013	860,563	$1.45
Issued	339,250	$2.57
Exercised	(235,563)	$1.31
December 31, 2014	964,250	$1.88

At December 31, 2014, 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)
500,000	November 17, 2015	$1.50	0.88
125,000	November 19, 2015	$1.50	0.88
339,250	December 27, 2015	$2.57	0.99
964,250		$1.88	0.92

14. Non-controlling interest

The Company holds an 88% interest in the Orca Sand and Gravel Limited Partnership ("Orca") formed to develop the Orca quarry, with the remaining 12% interest held by the Namgis First Nation. The address and principal place of business for Orca is P.O. 699, #6505 Island Highway, Port McNeill, BC, Canada. Non-controlling interest consists of the minority interest's share of the equity in the partnership offset by the capital contributions loaned to the minority interest by the Company, with the balance of its interest as follows:

(in thousands)	$
Balance - December 31, 2012	3,690
Non-controlling interest share of net loss	427
Non-controlling interest share of other comprehensive income	172
Balance - December 31, 2013	4,289
Non-controlling interest share of net loss	274
Non-controlling interest share of other comprehensive income	212
Balance - December 31, 2014	4,775

At the request of the Namgis and in order to enable the Namgis to make their required equity contributions to the partnership once a construction decision was made, the Company advanced a total of $8,032,337 during the period from 2006 to 2007, at interest rates reflective of the equity nature of the loans. The Company's sole recourse for repayment is to the distributions receivable by the Namgis from the partnership, after repayment of any approved third party who has loaned the Namgis funds for equity contributions. Reflective

(U.S dollars, except where noted)

14. Non-controlling interest *(continued)*

of the equity nature of the funding, the balance of the loans offset the minority interest's share of equity. Due to the uncertainty associated with the recoverability, the Company has never recognized corresponding interest of $3,526,446 on the Namgis loans.

The loans to the Namgis were restructured during the year ended December 31, 2009 and included; a suspension of interest until the Company's volumes substantially increase, reduced interest rates upon recommencement of interest being charged, repayment of the loans are permitted at anytime, and upon achieving positive cash flow in Orca Sand and Gravel Limited Partnership the Namgis may elect that up to one-half of the amount to which they are entitled under the partnership agreement be paid in cash.

Orca owns the quarry assets which are separately disclosed in Note 7. In addition, the environmental restoration provision disclosed in Note 11, relates to the quarrying assets owned by Orca. The majority of sales made by Orca to the Company's subsidiary Eagle Rock Aggregates utilize a transfer price set independently by the Canada Revenue Agency under an advanced transfer price ruling. Orca's net loss for 2014 was $2,468,942.

The following table summarizes select Orca financial information for the years ended December 31, 2014 and 2013.

(in thousands)	December 31, 2014 CAD$	December 31, 2013 CAD$
Current assets	18,811	7,906
Non-current assets	52,583	53,967
Current liabilities	43,616	32,538
Non-current liabilities	4,728	3,905
Revenue	19,179	15,274
Profit (loss)	2,469	3,507
Total comprehensive income	2,469	3,507

15. Expenses by nature

(in thousands)	2014 $	2013 $
Cost of materials and consumables	4,962	6,645
Change in inventories	100	(3)
Salaries, wages, and employee benefits	6,950	6,376
Share based employee benefits	1,470	900
Amortization, depletion and depreciation	4,457	4,495
Distribution costs	23,467	23,029
Royalties and through-put	4,385	4,251
Utilities and rental payments	2,249	2,266
Professional and consulting fees	1,165	815
Operations support	1,240	1,330
Other	174	129
Total cost of goods sold, sales costs, general expenses, and administrative costs	50,619	50,233

16. Finance expense

(in thousands)	2014 $	2013 $
Interest on debt	125	549
Amortization of discount	-	80
Accretion of restoration provision	85	85
	210	714

(U.S dollars, except where noted)

17. Compensation of key management

Key management personnel include the members of the Board of Directors and the Senior leadership team. Compensation for key management personnel (including directors) was as follows:

(in thousands)	2014 $	2013 $
Salaries and other benefits	1,602	1,524
Share based benefits	1,267	711
	2,869	2,235

18. Income taxes

Income tax expense differs from the amount that would result from applying statutory income tax rates to the loss before provision for income taxes due to the following:

(in thousands)	2014 $	2013 $
Loss before income taxes	(6,944)	(8,595)
Combined federal and provincial income tax rates	26.00%	25.75%
Income tax recovery based on the above rates	(1,806)	(2,213)
Non-deductible expenses	410	237
Difference in foreign tax rates	(253)	(44)
Future tax benefit to the non-controlling interest	-	15
Foreign exchange and other items	56	69
Amounts provided for in prior years	15	7
Income tax benefits not previously recognized	-	-
Income tax benefits not recognized	1,593	1,945
Income tax expense	15	16
Represented by:		
Current income tax expense	15	16
Future income tax expense	-	-
	15	16

The combined federal and provincial income tax rates increased due to an increase in income tax rates in Canada.

Unrecognized deferred tax assets

The components of the Company's net unrecognized tax asset (liability) are as follows:

(in thousands)	December 31, 2014 $	December 31, 2013 $
Non-capital losses	20,020	21,152
Property, plant and equipment	12,273	12,424
Asset retirement obligation	835	732
Share issuance costs	387	256
Capital leases	334	307
Unrealized foreign exchange (gains) losses	(721)	745
Capital losses	348	406
Other	-	-
	33,476	36,022

(U.S dollars, except where noted)

18. Income taxes *(continued)*

The majority of the unrecognized deferred tax assets, other than non-capital losses, have no expiry date.

As at December 31, 2014 the Company has tax losses for income tax purposes in Canada and the United States which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery. A portion of the losses in the US are subject to limitation. The future expiration dates are as follows:

(in thousands)	Canada $	United States $	Total $
2022	-	5	5
2023	-	20	20
2024	-	391	391
2025	161	998	1,159
2026	4,887	4	4,891
2027	2,874	-	2,874
2028	10,302	2,478	12,780
2029	10,275	-	10,275
2030	15,693	-	15,693
2031	6,591	1,595	8,186
2032	4,168	3,903	8,071
2033	2,303	987	3,290
2034	2,193	187	2,380
	59,447	10,568	70,015
Capital losses, no expiry date	2,680		2,680

19. Supplemental cash flow information

(in thousands)	2014 $	2013 $
Changes in non-cash working capital items		
Trade and other receivables	(2,162)	(1,425)
Current tax assets	292	410
Inventories	(111)	1,485
Other current assets	(78)	(206)
Trade and other payables	(704)	(774)
	(2,763)	(510)
Taxes paid		
Taxes paid	23	18

20. Related party transactions

During the year ended December 31, 2014, the Company accrued for or paid the following services by related parties. Proconsult UK Ltd. (“Proconsult”), a company controlled by David Singleton, provided to the Company, management and marketing services at a cost of $151,783 (year ended December 31, 2013 - $292,917). The Company had an agreement to pay Proconsult a retainer of $14,500 per month plus expenses until June 30, 2014, at which time the agreement expired. Navigator Management Ltd. (“Navigator”), a company controlled by Marco Romero, provided to the Company, consulting services at a cost of CAD$42,165 (year ended December 31, 2013 – CAD$42,055). The Company has agreed to pay Navigator a retainer of CAD$3,000 per month plus expenses under the agreement. Martineau & Associates (“Martineau”), a company controlled by Eugene Martineau, provided to the Company commercial and marketing services at a cost of $13,500 (year ended December 31, 2013 – nil). The Company has agreed to pay Martineau a fee of $1,500 per day plus expenses under the agreement.

(U.S dollars, except where noted)

20. Related party transactions *(continued)*

These costs are included in general and administrative expenses. Transactions with related parties are recorded at the price agreed between the parties.

At December 31, 2014, accounts payable included; $6,425 due to Proconsult, (December 31, 2013 - $19,252) and CAD$3,764 due to Navigator, (December 31, 2013 – CAD$3,850).

21. Commitments and contingencies

Shipping Tonnage

The Company has a Contract of Affreightment ("NCoA") which is effective from January 1, 2010 with a term of 20 years. The NCoA requires the Company to ship minimum tonnages per year. On December 19, 2013 the Company and its exclusive shipper, executed an amendment to NCoA that set the annual minimum tonnage at 2,979,000 short tons for each remaining year of the contract. 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 the 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. No penalties were paid by the Company in respect of the 2014 contract year.

Operating and through-put agreements

The following minimum payments are required under operating leases, rent, equipment rentals, car leases, and aggregate through-put commitments as at December 31, 2014:

(in thousands)	$
2015	2,178
2016	2,155
2017	2,196
2018	2,195
2019	2,248
Thereafter	8,525
	19,497

The Company has a 20 year ground lease with an option for two ten-year extensions and a 20 year facilities use agreement with an option for one ten-year extension, the regular term of both ending January 2028, for the site of the Richmond Terminal. Base rent and through-put charges based on minimum aggregate volumes purchased and/or sold through the Richmond Terminal, are payable in monthly payments. Additionally, the Company has a lease for an 8.3 acre site on Berth D-44 in the Port of Long Beach, California, with an initial term of five years and three additional five-year extension options, exercisable by the Company, which would extend the tenure to June 30, 2030.

Cemex strategic alliance

The Company has a long-term alliance with Cemex, an international construction materials company. The alliance consists of a strategic alliance agreement, a supply and distribution agreement, joint cooperation and development agreements and a standstill agreement.

The ten year strategic alliance agreement, entered into in September 2007, sets out the exclusivity between the Company and Cemex for the purchase and distribution of marine supplied construction aggregates, sand, gravel and crushed rock, on the west coast of the United States along with terms for new terminal and quarry development related to those products. An alliance committee, comprised of two members from each company, oversees the ongoing operations of the alliance. The agreement has an option to be extended for additional ten-year terms upon mutual agreement by the Company and Cemex.

The twenty year supply and distribution agreement for marine transported construction aggregates, entered into in September 2007, provides for Cemex to be the exclusive marketer of the Company's sand and gravel and for the Company to be the exclusive supplier to Cemex for its own internal use and for sales to third parties in northern California (excluding the counties of Marin, Sonoma, Mendocino and Napa). The agreement provides for a market pricing mechanism which is adjusted annually. It also provides for annual minimum tonnage purchase and supply commitments; however, previous minimum tonnage commitments are no longer being applied, with supply commitments being negotiated annually. This agreement automatically renews for two ten-year periods, subject to not exceeding the life of the Orca Quarry and a five-year termination notice.

(U.S dollars, except where noted)

21. Commitments and contingencies *(continued)*

The ten year joint cooperation and development agreements, entered into in September 2007, provide a mechanism through which the Company and Cemex will work together to pursue and develop new construction aggregate marine receiving terminals in Washington, Oregon and California (except for the counties of Marin, Sonoma, Mendocino and Napa). A development committee, comprised of two members from each company, will use their best efforts to identify terminals opportunities that are acceptable to both companies. Each new terminal development will be entered into contemporaneously with a supply and distribution agreement which sets out the exclusive area served by that terminal. In the event that either party does not wish to pursue a proposed terminal development, the proposing party is free to pursue the development of that terminal unencumbered, but with the loss of exclusivity for supply or distribution, as the case may be, related to the area served by that terminal. The agreement has an option to be extended for additional ten-year terms upon mutual agreement by the Company and Cemex.

Shamrock Materials Inc. supply agreement

In October 2005, the Company, through its subsidiary, Eagle Rock Aggregates Inc., entered into a long-term, twenty year, aggregates supply agreement (“ASA”) with Shamrock Materials Inc. (“Shamrock”), a well established construction aggregates consumer located in the San Francisco Bay area. The ASA may be further extended by three 5 year periods, at the option of Shamrock. The ASA has granted Shamrock the exclusive right to promote, market, resell and distribute sand and gravel within a defined territory (the counties of Marin, Sonoma, Mendocino and Napa). In return, the Company has the right to be the exclusive provider of imported sand and gravel to Shamrock within the same territory. The ASA provides for the purchase and supply of minimum annual volumes of sand and gravel from the Orca Quarry for distribution within the defined area in San Francisco Bay. However, previous minimum tonnage commitments are no longer being applied, with supply commitments being negotiated annually. Prices for the supply of sand and gravel pursuant to the ASA will be reviewed on an annual basis and adjusted to accommodate variations in the costs and changes in market prices for similar products within the defined area. Any adjustments based on changes to market prices will be shared by Shamrock and the Company according to an agreed formula. The ASA delivery schedules contemplate that a portion of a fully-laden vessel will be discharged into Shamrock’s barges at anchorage, and the balance discharged and sold at the Company’s Richmond Terminal and at Cemex’s existing land-based discharge terminals.

Royalties

The Company pays combined royalties of CAD$1.25 per metric tonne (2013 – CAD$1.25) based on the tonnage of sand and gravel sold. For the year ended December 31, 2014, an expense of CAD$ 3,896,721 (2013 – CAD$3,760,885) was recorded in respect of royalties. The Company has a guarantee of CAD$100,000 against the payment of royalties.

Royalty Assessment

The Company is disputing a royalty assessment for 2012 and 2013. During the first quarter of 2014, the Company’s subsidiary Eagle Rock Materials Ltd. was notified by the British Columbia Ministry of Forests, Lands and Natural Resource Operations that royalties were due of CAD$456,000 for 2012 and CAD$496,000 for 2013, based on the tenure date, in respect of the Company’s quarrying lease for the Eagle Rock Quarry project. The Company’s position is that royalties are only payable based on actual production, in accordance with a written undertaking from the responsible government agency prior to commencement of the lease, and as the project has not been developed, no royalties are currently due. Accordingly, the Company has not recorded a provision for the royalties.

Community Benefit Fund

In accordance with the Impact and Benefits Agreement (“the Agreement”) established with the Namgis First Nation (“the Namgis”), part owner of the Orca Quarry, the Company was obliged, within five years of commencement of operations, to make contributions of CAD$0.06 per metric tonne to a foundation dedicated to the development of the communities specified in the Agreement. Currently, the Namgis are in the process of establishing the financial structures and governance practices of the foundation. Based on existing discussions with the Namgis a foundation or similar entity will be established within the next year. Therefore the Company has recorded a provision, based on tonnes sold by Orca from and after the date of commencement of contributions (March 2012), of CAD$472,000 which has been classified as a current liability.

(U.S dollars, except where noted)

22. Segment reporting

The Company operates in one segment: the development and operation of construction aggregates properties and projects located in western North America. The Company's sales were to two customers in Canada and four customers in the United States of America comprising 100% of the Company's sales.

The customers with significant sales are as follows:

(in thousands)	2014 $	2013 $
Customer A	31,162	29,413
Customer B	6,249	8,396
Customer C	5,995	4,932

Sales by geographic area are as follows:

(in thousands)	2014 $	2013 $
United States	45,135	44,582
Canada	106	311
	45,241	44,893

Property, plant and equipment by geographic area are as follows:

(in thousands)	December 31, 2014 $	December 31, 2013 $
United States	24,807	21,671
Canada	34,620	38,983
	59,427	60,654

23. Capital management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern in order to continue development of its aggregates and port terminal properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level.

The Company considers its share capital, contributed surplus, accumulated other comprehensive income, and deficit as capital.

The Company manages its capital structure in order to ensure sufficient resources are available to meet day to day operating requirements and to have the financial ability to grow its operations through terminal and quarry development. Methods used by the Company to manage its capital, taking into consideration changes in economic conditions, include issuing new share capital or obtaining debt financing. The Company is not subject to any externally imposed capital requirements.

24. Financial instruments

Fair value of financial instruments

The carrying amounts and fair values of financial instruments are as follows:

	December 31, 2014		December 31, 2013	
(in thousands)	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Loans and receivables				
Cash and cash equivalents	14,231	14,231	9,385	9,385
Trade and other receivables (note 4)	6,118	6,118	3,943	3,943
Security deposits (note 6)	973	973	1,059	1,059
Other long-term receivables (note 6)	-	-	131	131

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(U.S dollars, except where noted)

24. Financial instruments *(continued)*

The fair values of cash and cash equivalents, trade and other receivables, and security deposits, approximate their carrying values due to their short-term maturities.

Credit risk

Credit risk is the risk that the Company will incur a loss due to a customer or other third party failing to discharge their obligation due to the Company. The Company's cash and cash equivalents consists of demand deposit accounts with major banks in Canada and the USA as well as Canadian government treasury bills. The Company has four significant customers, three of which at December 31, 2014 comprise 100% (2013 – four customers comprise 100%) of trade receivables. The Company's largest customer is one of the world's largest international construction materials companies and the remaining customers are significant construction materials companies within their markets of San Francisco and Hawaii.

The Company's maximum exposure to credit risk is comprised of the following:

(in thousands)	2014 $	2013 $
Demand deposits	9,067	9,385
Trade and other receivables	6,118	3,943
Security deposits	973	1,059
Other long-term receivables	-	131
	16,158	14,518

At December 31, 2014, no allowance for credit losses has been recorded against accounts receivable. No collateral or other form of security is held in respect of the amounts that comprise the Company's exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by continuing to seek sources of financing at appropriate costs of capital.

A maturity analysis of the undiscounted cash flows of the Company's financial liabilities at December 31, 2014 is as follows:

(in thousands)	Within 1 year $	Between 1 – 2 years $	Between 2 – 3 years $	Between 3 – 4 years $	Between 4 – 5 years $	Over 5 years $
Trade and other payables	3,640	-	-	-	-	-
Finance leases	418	311	284	270	-	-
	4,058	311	284	270	-	-

Market Risks

Foreign currency risk

The Company reports in US dollars while operating in both the United States and Canada. The Canadian operations use the Canadian dollar as their functional currency while the US operations have a US dollar functional currency. As a result, the Company is exposed to foreign currency gains and or losses affecting net income and cumulative translation adjustments which affect other comprehensive income. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

For the year ended December 31, 2014 a $0.01 change in the US/Canadian exchange rate, assuming all other variables did not change, would effect net gain/(loss) by $210,000.

Interest rate risk

The Company's interest rate risk arises primarily from the interest received on demand deposit accounts which are at floating rates.

For the year ended December 31, 2014 a 100 basis point change in interest rates, assuming all other variables did not change, would affect annual interest income by $140,000.