



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Polaris Minerals Corporation

Consolidated Statements of Financial Position

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

	March 31, 2014	December 31, 2013
	\$	\$
Assets		
Current assets		
Cash	6,989	9,385
Trade and other receivables	3,107	4,000
Current tax assets	90	276
Inventories (note 3)	2,838	2,698
Other current assets	558	368
	<u>13,582</u>	<u>16,727</u>
Non-current assets		
Security deposits	1,146	1,190
Property, plant and equipment (note 4)	59,017	60,654
	<u>73,745</u>	<u>78,571</u>
Liabilities		
Current liabilities		
Trade and other payables	2,446	4,031
Current portion of finance leases	607	651
Current portion of property tax provision	289	289
	<u>3,342</u>	<u>4,971</u>
Non-current liabilities		
Finance leases	455	530
Property tax provision (note 5)	867	867
Restoration provision	3,044	3,141
	<u>7,708</u>	<u>9,509</u>
Equity		
Share capital (note 6)	172,748	172,517
Contributed surplus (note 7)	22,509	22,418
Accumulated other comprehensive income	(1,781)	(136)
Deficit	(122,974)	(121,448)
	<u>70,502</u>	<u>73,351</u>
Equity attributable to shareholders of the Company		
Non-controlling interest	(4,465)	(4,289)
	<u>66,037</u>	<u>69,062</u>
Total equity	<u>73,745</u>	<u>78,571</u>

Commitments and contingencies (note 11)

Approved by the Board of Directors

"Lenard Boggio"
Lenard Boggio, Director

"Herb Wilson"
Herb Wilson, Director

Polaris Minerals Corporation

Consolidated Statements of Loss

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

	Three months ended March 31,	
	2014	2013
	\$	\$
Sales	8,528	10,524
Cost of goods sold	(8,841)	(11,113)
Gross loss	(313)	(589)
Selling, general and administrative expenses	(1,309)	(1,095)
Foreign exchange gain	169	34
Property holding costs	(220)	(108)
Other gains	2	115
	(1,358)	(1,054)
Loss before interest and income taxes	(1,671)	(1,643)
Finance income	21	8
Finance expense (note 8)	(41)	(323)
	(20)	(315)
Loss before income taxes	(1,691)	(1,958)
Income tax recovery (expense)	94	(130)
Net loss for the period	(1,597)	(2,088)
Net loss attributable to:		
Shareholders of the Company	(1,526)	(1,879)
Non-controlling interest	(71)	(209)
	(1,597)	(2,088)
Net loss per share:		
Basic and diluted loss per common share	(0.02)	(0.03)
Weighted average number of common shares outstanding	80,492	66,746

Polaris Minerals Corporation

Consolidated Statements of Comprehensive Loss

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

	Three months ended March 31,	
	2014	2013
	\$	\$
Net loss for the period	(1,597)	(2,088)
Other comprehensive loss – items that may be reclassified to profit or loss:		
Foreign currency translation	(1,769)	(749)
Comprehensive loss for the period	(3,366)	(2,837)
Comprehensive loss attributable to:		
Shareholders of the parent company	(3,190)	(2,559)
Non-controlling interest	(176)	(278)
	(3,366)	(2,837)

Polaris Minerals Corporation

Consolidated Statements of Changes in Equity

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

	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 \$	
December 31, 2012	66,746	156,772	21,347	2,109	(113,240)	66,988	(3,690)	63,298
Share-based employee benefits	-	-	28	-	-	28	-	28
Other comprehensive loss	-	-	-	(680)	-	(680)	(69)	(749)
Net loss	-	-	-	-	(1,879)	(1,879)	(209)	(2,088)
March 31, 2013	66,746	156,772	21,375	1,429	(115,119)	64,457	(3,968)	60,489
Common shares issue	13,225	14,970	-	-	-	14,970	-	14,970
Warrants issue	-	-	376	-	-	376	-	376
Warrants exercised	425	775	(205)	-	-	570	-	570
Share-based employee benefits	-	-	872	-	-	872	-	872
Other comprehensive loss	-	-	-	(1,565)	-	(1,565)	(103)	(1,668)
Net loss	-	-	-	-	(6,329)	(6,329)	(218)	(6,547)
December 31, 2013	80,396	172,517	22,418	(136)	(121,448)	73,351	(4,289)	69,062
Share-based employee benefits	-	-	173	-	-	173	-	173
Warrants exercised	53	138	(52)	-	-	86	-	86
Options exercised	100	93	(30)	-	-	63	-	63
Other comprehensive loss	-	-	-	(1,645)	-	(1,645)	(105)	(1,750)
Net loss	-	-	-	-	(1,526)	(1,526)	(71)	(1,597)
March 31, 2014	80,549	172,748	22,509	(1,781)	(122,974)	70,502	(4,465)	66,037

Polaris Minerals Corporation

Consolidated Statements of Cash Flows

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

	Three months ended March 31,	
	2014 \$	2013 \$
Cash flows from operating activities		
Net loss	(1,597)	(2,088)
Amortization, depletion and accretion	1,125	1,121
Share-based employee benefits	173	28
Unrealized foreign exchange gain	(180)	(237)
Interest	-	237
Other losses	-	37
	<u>(479)</u>	<u>(902)</u>
Changes in non-cash working capital items (note 9)	(894)	(1,061)
	<u>(1,373)</u>	<u>(1,963)</u>
Cash flows from financing activities		
Proceeds from issue of common shares	149	-
Finance lease payments	(74)	(105)
	<u>75</u>	<u>(105)</u>
Cash flows from investing activities		
Property, plant and equipment purchases	(832)	(529)
	<u>(832)</u>	<u>(529)</u>
Effect of foreign currency translation on cash	(266)	63
Decrease in cash	(2,396)	(2,534)
Cash - beginning of period	9,385	5,537
Cash - end of period	<u>6,989</u>	<u>3,003</u>
Supplemental cash flow information (note 9)		

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 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. Summary of accounting policies

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as applicable to interim financial reports including IAS 34, "Interim Financial Reporting", and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS. These financial statements were approved by the board of directors for issue on May 8, 2014.

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 standard, along with any consequential amendments, effective January 1, 2014.

IFRIC 21, *Accounting for Levies* 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 in accounting for levies.

Seasonality

The Company's sand and gravel quarry operates year-round; however, sales demand is seasonal due to the impact of poor weather conditions, particularly in the first, or winter, quarter which 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

(in thousands)	March 31, 2014	December 31, 2013
	\$	\$
Construction aggregates	2,627	2,461
Components and consumable supplies	211	237
	2,838	2,698

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

4. 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	
	\$	\$	\$	\$	\$	\$	\$	\$
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	420	-	-	-	2	515	-	937
Disposals	(181)	-	-	-	-	(18)	-	(199)
Foreign exchange	(2,042)	(212)	(50)	-	(26)	-	-	(2,330)
March 31, 2014	42,250	5,386	1,082	27,075	592	912	39	77,336
Accumulated depreciation								
January 1, 2014	(9,042)	(2,804)	-	(5,859)	(569)	-	-	(18,274)
Depreciation	(648)	(140)	-	(311)	(7)	-	-	(1,106)
Disposals	181	-	-	-	-	-	-	181
Foreign exchange	738	120	-	-	22	-	-	880
March 31, 2014	(8,771)	(2,824)	-	(6,170)	(554)	-	-	(18,319)
Carrying amount March 31, 2014	33,479	2,562	1,082	20,905	38	912	39	59,017

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

5. Property tax provision

During the fourth quarter of 2012, the Company's subsidiary Eagle Rock Aggregates Inc. ("ERA"), was verbally notified by the County Assessor for Contra Costa County ("the County") that the property taxes in respect of the Company's aggregate terminal located in the City of Richmond, California, may not have been duly reassessed following the completion of construction at the end of 2007. The Company entered into discussions with the County Assessor which were ongoing at the end of March 31, 2014. During 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 new assessment is in regard to personal property taxes on the value of the building, leasehold improvements, and equipment at the site. To date the Company has been successful in reducing the original assessment period from five years to four under a statute of limitations applicable to the tax code and has also filed a notice of appeal against the assessment. To prevent any additional accumulation of interest and/or penalties, ERA entered into an Escape Assessment Installment Plan (the "Plan") with the County, and made a payment of \$379,000 on August 15th, which was equal to 20% of the assessed taxes and will be applied against the final settlement which depends on the outcome of the appeal. Under the Plan, the remaining outstanding balance of the taxes is payable in four equal annual installments commencing August 31, 2013. The Company is appealing on the basis that certain of the costs included in the assessment should not be subject to property tax and should not be included in the assessed value. The Company has recorded a provision for its current best estimate of the property taxes owing of \$1.535 million. The liability at March 31, 2014 of \$1.156 million is net of the amount already paid. Of this amount \$867,000 has been classified as a long-term liability based on the Plan agreed with the County. The Company's appeal is ongoing.

6. Share capital

The Company has unlimited common shares without par value. At March 31, 2014, there were 80,549,414 common shares issued and outstanding (December 31, 2013 – 80,396,289).

On January 17, 2014, 100,000 common shares were issued at CAD\$0.94 on the exercise of stock options for proceeds of CAD\$94,000.

On March 7, 2014, 53,125 common shares were issued at CAD\$1.31 on the exercise of warrants for proceeds of CAD\$69,594.

7. Contributed surplus

(in thousands)	March 31, 2014	December 31, 2013
	\$	\$
Share-based employee benefits	15,463	15,340
Warrants	7,046	7,078
	22,509	22,418

The Company's stock options at March 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
Exercised	(100,000)	\$0.94
Expired	(47,500)	\$2.75
At March 31, 2014	3,901,709	\$4.04

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

7. Contributed surplus (continued)

At March 31, 2014 the following stock options are outstanding and exercisable:

Exercise price (CAD\$)	Options outstanding			Options exercisable		
	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	895,000	\$0.94	7.21	895,000	\$0.94	7.21
\$1.01 - \$2.00	1,905,000	\$1.67	8.08	964,998	\$1.77	7.11
\$2.01 - \$4.00	187,500	\$4.00	0.42	187,500	\$4.00	0.42
\$4.01 - \$6.00	127,709	\$4.88	1.85	127,709	\$4.88	1.85
\$6.01 - \$9.00	85,000	\$8.69	3.89	85,000	\$8.69	3.89
\$9.01 - \$13.75	701,500	\$13.75	3.51	701,500	\$13.75	3.51
	3,901,709	\$4.04	6.40	2,961,707	\$4.83	5.55

The Company's warrants at March 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
Exercised	(53,125)	\$1.31
March 31, 2014	807,438	\$1.46

At March 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	1.63
125,000	November 19, 2015	\$1.50	1.64
182,438	June 25, 2015	\$1.31	1.24
807,438		\$1.46	1.54

8. Finance expense

(in thousands)	Three months ended March 31,	
	2014	2013
	\$	\$
Interest on debt	20	262
Amortization of discount	-	40
Accretion of restoration provision	21	21
	41	323

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

9. Supplemental cash flow information

(in thousands)	Three months ended March 31,	
	2014	2013
	\$	\$
<i>Changes in non-cash working capital items</i>		
Trade and other receivables	895	(1,573)
Current tax assets	186	263
Inventories	(213)	1,475
Other current assets	(197)	(272)
Trade and other payables	(1,565)	(954)
	(894)	(1,061)
<i>Taxes paid</i>		
Taxes paid	23	7

10. Related party transactions

During the three months ended March 31, 2014, the Company accrued for or paid the following services by related parties. Proconsult UK Ltd. ("Proconsult"), a company controlled by a director of subsidiary of the Company, provided to the Company, management and marketing services at a cost of \$48,149 (three months ended March 31, 2013 - \$87,549). The Company has an agreement to pay Proconsult a retainer of \$14,500 per month plus expenses until June 30, 2014 when the agreement terminates. Navigator Management Ltd. ("Navigator"), a company controlled by a director of the Company, provided to the Company, consulting services at a cost of CAD\$9,000 (three months ended March 31, 2013 - CAD\$9,901). The Company has agreed to pay Navigator a retainer of CAD\$3,000 per month.

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

At March 31, 2014, accounts payable included; \$14,500 due to Proconsult, (December 31, 2013 - \$19,252) and CAD\$3,000 due to Navigator, (December 31, 2013 - CAD\$3,850).

11. Commitments and contingencies

Acquisition of Property, Plant and Equipment

As of March 31, 2014, the Company has contracted for, but not incurred, the purchase of \$1.1 million in plant and equipment for the development of the terminal site in the Port of Long Beach, California.

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.

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.

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

12. Financial instruments

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

(in thousands)	March 31, 2014		December 31, 2013	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Loans and receivables				
Cash	6,989	6,989	9,385	9,385
Trade receivables	2,969	2,969	3,943	3,943
Security deposits	1,019	1,019	1,059	1,059
Other receivables	127	127	131	131
Other financial liabilities				
Trade and other payables	2,446	2,446	4,031	4,031

Financial instruments that are classified as loans and receivables and other financial liabilities are measured at amortized cost. The fair values of cash, trade receivables, security deposits, other receivables, and trade payables, approximate their carrying values due to either their short-term nature or maturities. The Company does not measure any financial instruments or other assets at fair value on a recurring basis in the statement of financial position.