



# POLARIS MATERIALS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**March 31, 2015 and 2014**  
(U.S. dollars)

# Polaris Materials Corporation

## Consolidated Statements of Financial Position

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

	March 31, 2015	December 31, 2014
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	11,301	14,231
Trade and other receivables	8,281	6,156
Inventories (note 3)	2,379	2,659
Other current assets	406	432
	<u>22,367</u>	<u>23,478</u>
<b>Non-current assets</b>		
Security deposits	891	973
Property, plant and equipment (note 4)	56,836	59,427
	<u>80,094</u>	<u>83,878</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	4,171	3,640
Current tax liabilities	16	16
Current portion of finance leases	285	418
Current portion of property tax provision	379	379
	<u>4,851</u>	<u>4,453</u>
<b>Non-current liabilities</b>		
Finance leases	796	865
Property tax provision (note 5)	898	898
Restoration provision	2,961	3,211
	<u>9,506</u>	<u>9,427</u>
<b>Equity</b>		
Share capital (note 6)	188,377	188,377
Contributed surplus (note 7)	24,199	23,828
Accumulated other comprehensive income	(9,134)	(4,846)
Deficit	(128,044)	(128,134)
<b>Equity attributable to shareholders of the Company</b>	<u>75,398</u>	<u>79,225</u>
Non-controlling interest	(4,810)	(4,774)
<b>Total equity</b>	<u>70,588</u>	<u>74,451</u>
	<u>80,094</u>	<u>83,878</u>

Commitments and contingencies (note 11)

Approved by the Board of Directors

"Lenard Boggio"  
Lenard Boggio, Director

"Herb Wilson"  
Herb Wilson, Director

# Polaris Materials Corporation

## Consolidated Statements of Income (Loss)

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

	Three months ended March 31,	
	2015	2014
	\$	\$
<b>Sales</b>	10,514	8,528
<b>Cost of goods sold</b>	(9,869)	(8,841)
<b>Gross profit (loss)</b>	645	(313)
Selling, general and administrative expenses	(1,401)	(1,309)
Foreign exchange gain	1,194	169
Property holding costs	(225)	(220)
Other gains	5	2
	<u>(427)</u>	<u>(1,358)</u>
<b>Income (Loss) before interest and income taxes</b>	218	(1,671)
Finance income	22	21
Finance expense (note 8)	(35)	(41)
	<u>(13)</u>	<u>(20)</u>
<b>Income (Loss) before income taxes</b>	205	(1,691)
Income tax recovery (expense)	41	94
<b>Net income (loss) for the period</b>	<u>246</u>	<u>(1,597)</u>
<b>Net income (loss) attributable to:</b>		
Shareholders of the Company	90	(1,526)
Non-controlling interest	156	(71)
	<u>246</u>	<u>(1,597)</u>
<b>Net income (loss) per share:</b>		
Basic and diluted loss per common share	0.00	(0.02)
Weighted average number of common shares outstanding	87,665	80,492

# Polaris Materials Corporation

## Consolidated Statements of Comprehensive Loss

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

	Three months ended March 31,	
	2015	2014
	\$	\$
<b>Net income (loss) for the period</b>	246	(1,597)
<b>Other comprehensive loss – items that may be reclassified to profit or loss:</b>		
Foreign currency translation	(4,480)	(1,769)
<b>Comprehensive loss for the period</b>	(4,234)	(3,366)
<b>Comprehensive loss attributable to:</b>		
Shareholders of the parent company	(4,198)	(3,190)
Non-controlling interest	(36)	(176)
	(4,234)	(3,366)

# Polaris Materials 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							
	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, 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)
<b>Net loss</b>	-	-	-	-	(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
Common shares issue	6,785	15,075	-	-	-	15,075	-	15,075
Warrants issue	-	-	202	-	-	202	-	202
Warrants exercised	183	282	(74)	-	-	208	-	208
Share-based employee benefits	-	-	1,303	-	-	1,303	-	1,303
Options exercised	148	272	(112)	-	-	160	-	160
Other comprehensive loss	-	-	-	(3,065)	-	(3,065)	(107)	(3,172)
<b>Net loss</b>	-	-	-	-	(5,160)	(5,160)	(202)	(5,362)
December 31, 2014	87,665	188,377	23,828	(4,846)	(128,134)	79,225	(4,774)	74,451
Share-based employee benefits	-	-	371	-	-	371	-	371
Other comprehensive loss	-	-	-	(4,288)	-	(4,288)	(192)	(4,480)
<b>Net income</b>	-	-	-	-	90	90	156	246
March 31, 2015	87,665	188,377	24,199	(9,134)	(128,044)	75,398	(4,810)	70,588

# Polaris Materials Corporation

## Consolidated Statements of Cash Flows

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

	Three months ended March 31,	
	2015 \$	2014 \$
<b>Cash flows from operating activities</b>		
Net income (loss)	246	(1,597)
Amortization, depletion and accretion	1,079	1,125
Share-based employee benefits	371	173
Unrealized foreign exchange gain	(1,122)	(180)
	574	(479)
Changes in non-cash working capital items (note 9)	(1,946)	(894)
	(1,372)	(1,373)
<b>Cash flows from financing activities</b>		
Proceeds from issue of common shares	-	149
Finance lease payments	(96)	(74)
	(96)	75
<b>Cash flows from investing activities</b>		
Property, plant and equipment purchases	(683)	(832)
	(683)	(832)
<b>Effect of foreign currency translation on cash</b>	(779)	(266)
<b>Decrease in cash</b>	(2,930)	(2,396)
<b>Cash - beginning of period</b>	14,231	9,385
<b>Cash - end of period</b>	11,301	6,989
<b>Supplemental cash flow information (note 9)</b>		

# Polaris Materials Corporation

## Notes to the Consolidated Financial Statements

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

### 1. Nature and description of the Company

Polaris Materials 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, 2014, which have been prepared in accordance with IFRS. These financial statements were approved by the board of directors for issue on May 6, 2015.

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

#### *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

	March 31, 2015	December 31, 2014
(in thousands)	\$	\$
Construction aggregates	2,128	2,349
Components and consumable supplies	251	310
	2,379	2,659

# Polaris Materials 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	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
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
<b>Accumulated depreciation</b>								
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)
<b>Carrying amount December 31, 2014</b>	<b>31,005</b>	<b>2,537</b>	<b>1,022</b>	<b>19,973</b>	<b>56</b>	<b>4,795</b>	<b>39</b>	<b>59,427</b>
<b>Cost</b>								
January 1, 2015	40,722	5,516	1,022	27,078	609	4,795	39	79,781
Additions	494	58	-	142	3	706	-	1,403
Disposals	(29)	(37)	-	-	-	-	-	(66)
Foreign exchange	(4,332)	(464)	(102)	-	(51)	-	-	(4,949)
March 31, 2015	36,855	5,073	920	27,220	561	5,501	39	76,169
<b>Accumulated depreciation</b>								
January 1, 2015	(9,717)	(2,979)	-	(7,105)	(553)	-	-	(20,354)
Depreciation	(569)	(148)	-	(334)	(9)	-	-	(1,060)
Disposals	8	37	-	-	-	-	-	45
Foreign exchange	1,706	283	-	-	47	-	-	2,036
March 31, 2015	(8,572)	(2,807)	-	(7,439)	(515)	-	-	(19,333)
<b>Carrying amount March 31, 2015</b>	<b>28,283</b>	<b>2,266</b>	<b>920</b>	<b>19,781</b>	<b>46</b>	<b>5,501</b>	<b>39</b>	<b>56,836</b>

# Polaris Materials Corporation

## Notes to the Consolidated Financial Statements

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

### 5. 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 had 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 concluded a negotiated settlement of the property tax liability. The liability at March 31, 2015 of \$1.277 million is net of amounts already paid, and consists of three remaining annual installments. Of this amount \$898,000 has been classified as a long-term liability based on the Plan agreed with the County.

### 6. Share capital

The Company has unlimited common shares without par value. At March 31, 2015, there were 87,665,186 common shares issued and outstanding (December 31, 2014 – 87,665,186).

### 7. Contributed surplus

(in thousands)	March 31, 2015	December 31, 2014
	\$	\$
Share-based employee benefits	17,039	16,668
Warrants	7,160	7,160
	24,199	23,828

The Company's stock options at March 31, 2015 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD\$)
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
Granted	285,000	\$2.15
Expired	(87,500)	\$4.00
At March 31, 2015	4,932,542	\$3.73



# Polaris Materials Corporation

## Notes to the Consolidated Financial Statements

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

### 7. Contributed surplus (continued)

At March 31, 2015 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	765,000	\$0.94	6.21	765,000	\$0.94	6.21
\$1.01 - \$2.00	1,883,333	\$1.67	7.07	1,408,335	\$1.70	6.74
\$2.01 - \$4.00	1,370,000	\$2.57	4.38	456,665	\$2.57	4.38
\$4.01 - \$6.00	127,709	\$4.88	0.85	127,709	\$4.88	0.85
\$6.01 - \$9.00	85,000	\$8.69	2.89	85,000	\$8.69	2.89
\$9.01 - \$13.75	701,500	\$13.75	2.51	701,500	\$13.75	2.51
	4,932,542	\$3.73	5.31	3,544,209	\$4.32	5.18

On February 3, 2015 the Company granted 285,000 options which have a total fair value of CAD\$0.41 million and a weighted average grant-date fair value of CAD\$1.43 per option. The options have been valued using the Black-Scholes options pricing model, with the following assumptions:

Average risk free rate	0.64%
Expected life	5.0 years
Expected volatility	85.4%
Expected dividends	-

The Company's warrants at March 31, 2015 and changes for the period are as follows:

	Number of warrants outstanding	Weighted average exercise price (CAD\$)
December 31, 2013	860,563	\$1.45
Issued	339,250	\$2.57
Exercised	(235,563)	\$1.31
December 31, 2014 and March 31, 2015	964,250	\$1.88

At March 31, 2015, 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	0.63
125,000	November 19, 2015	\$1.50	0.64
339,250	December 27, 2015	\$2.57	0.74
964,250		\$1.88	0.67

# Polaris Materials Corporation

## Notes to the Consolidated Financial Statements

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

### 8. Finance expense

(in thousands)	Three months ended March 31,	
	2015	2014
	\$	\$
Interest on debt	15	20
Accretion of restoration provision	20	21
	35	41

### 9. Supplemental cash flow information

(in thousands)	Three months ended March 31,	
	2015	2014
	\$	\$
<i>Changes in non-cash working capital items</i>		
Trade and other receivables	(2,152)	895
Current tax assets	-	186
Inventories	169	(213)
Other current assets	11	(197)
Trade and other payables	26	(1,565)
	(1,946)	(894)
<i>Taxes paid</i>		
Taxes paid	-	23

### 10. Related party transactions

During the three months ended March 31, 2015, the Company accrued for or paid the following services by related parties. David Singleton, a director of subsidiary of the Company, provided to the Company, management and marketing services at a cost of \$17,249 (three months ended March 31, 2014 - \$48,149). Navigator Management Ltd. ("Navigator"), a company controlled by Marco Romero provided to the Company, consulting services at a cost of CAD\$9,000 (three months ended March 31, 2014 - CAD\$9,000). 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, 2015, accounts payable included; \$8,053 due to David Singleton, (December 31, 2014 - \$6,425) and CAD\$3,000 due to Navigator, (December 31, 2014 - CAD\$3,764).

# Polaris Materials Corporation

## Notes to the Consolidated Financial Statements

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

### 11. 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.

#### *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.

### 12. Financial instruments

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

(in thousands)	March 31, 2015		December 31, 2014	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Loans and receivables</b>				
Cash and cash equivalents	11,301	11,301	14,231	14,231
Trade receivables	8,281	8,281	6,118	6,118
Security deposits	891	891	973	973
<b>Other financial liabilities</b>				
Trade and other payables	4,171	4,171	3,640	3,640

Financial instruments that are classified as loans and receivables and other financial liabilities are measured at amortized cost. The fair values of cash and cash equivalents, trade receivables, security deposits, 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.