



POLARIS MATERIALS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2015 and 2014
(U.S. dollars)

Polaris Materials Corporation

Consolidated Interim Statements of Financial Position

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

	June 30 2015	December 31 2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	11,343	14,231
Trade and other receivables	7,691	6,156
Inventories (note 3)	1,890	2,659
Other current assets	260	432
	<u>21,184</u>	<u>23,478</u>
Non-current assets		
Security deposits	904	973
Property, plant and equipment (note 4)	57,181	59,427
	<u>79,269</u>	<u>83,878</u>
Liabilities		
Current liabilities		
Trade and other payables	3,125	3,640
Current tax liabilities	16	16
Current portion of finance leases	281	418
Current portion of property tax provision (note 5)	379	379
	<u>3,801</u>	<u>4,453</u>
Non-current liabilities		
Finance leases	719	865
Property tax provision (note 5)	898	898
Restoration provision	3,023	3,211
	<u>8,441</u>	<u>9,427</u>
Equity		
Share capital (note 6)	188,523	188,377
Contributed surplus (note 7)	24,465	23,828
Accumulated other comprehensive income	(8,486)	(4,846)
Deficit	(128,891)	(128,134)
Equity attributable to shareholders of the Company	<u>75,611</u>	<u>79,225</u>
Non-controlling interest	(4,783)	(4,774)
Total equity	<u>70,828</u>	<u>74,451</u>
	<u>79,269</u>	<u>83,878</u>

Commitments and contingent liabilities (note 11)

Subsequent event (note 13)

Approved by the Board of Directors

"Lenard Boggio"
Lenard Boggio, Director

"Herb Wilson"
Herb Wilson, Director

Polaris Materials Corporation

Consolidated Interim Statements of Loss

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Sales	10,328	13,246	20,842	21,774
Cost of goods sold	(9,277)	(13,117)	(19,146)	(21,958)
Gross profit (loss)	1,051	129	1,696	(184)
Selling, general and administrative expenses	(1,387)	(1,321)	(2,788)	(2,630)
Foreign exchange gain (loss)	(249)	(322)	945	(153)
Property holding costs	(254)	(224)	(479)	(444)
Other gains (losses)	4	(16)	9	(14)
	(1,886)	(1,883)	(2,313)	(3,241)
Loss before interest and income taxes	(835)	(1,754)	(617)	(3,425)
Finance income	19	9	41	30
Finance expenses (note 8)	(40)	(36)	(75)	(77)
	(21)	(27)	(34)	(47)
Loss before income taxes	(856)	(1,781)	(651)	(3,472)
Income tax (expense) recovery	(1)	(25)	40	69
Net loss for the period	(857)	(1,806)	(611)	(3,403)
Net loss attributable to:				
Shareholders of the Company	(847)	(1,624)	(757)	(3,150)
Non-controlling interest	(10)	(182)	146	(253)
	(857)	(1,806)	(611)	(3,403)
Net loss per share:				
Basic and diluted loss per common share	(0.01)	(0.02)	(0.01)	(0.04)
Weighted average number of common shares outstanding (000's)	87,708	80,859	87,687	80,676

Polaris Materials Corporation

Consolidated Interim Statements of Comprehensive Loss

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net loss for the period	(857)	(1,806)	(611)	(3,403)
Other comprehensive income (loss) – items that may be reclassified to profit or loss				
Foreign currency translation	685	1,590	(3,795)	(179)
Comprehensive loss for the period	(172)	(216)	(4,406)	(3,582)
Comprehensive loss attributable to:				
Shareholders of the Company	(199)	(131)	(4,397)	(3,321)
Non-controlling interest	27	(85)	(9)	(261)
	(172)	(216)	(4,406)	(3,582)

Polaris Materials Corporation

Consolidated Interim 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, 2013	80,396	172,517	22,418	(136)	(121,448)	73,351	(4,289)	69,062
Common shares issue	6,785	15,075	-	-	-	15,075	-	15,075
Warrants issued	-	-	202	-	-	202	-	202
Warrants exercised	53	93	(30)	-	-	63	-	63
Share-based employee benefits	-	-	330	-	-	330	-	330
Options exercised	207	287	(108)	-	-	179	-	179
Other comprehensive income	-	-	-	(171)	-	(171)	(8)	(179)
Net loss	-	-	-	-	(3,150)	(3,150)	(253)	(3,403)
June 30, 2014	87,441	187,972	22,812	(307)	(124,598)	85,879	(4,550)	81,329
Warrants exercised	183	327	(96)	-	-	231	-	231
Share-based employee benefits	-	-	1,146	-	-	1,146	-	1,146
Options exercised	41	78	(34)	-	-	44	-	44
Other comprehensive loss	-	-	-	(4,539)	-	(4,539)	(204)	(4,743)
Net loss	-	-	-	-	(3,536)	(3,536)	(20)	(3,556)
December 31, 2014	87,665	188,377	23,828	(4,846)	(128,134)	79,225	(4,774)	74,451
Warrants exercised	94	146	(12)	-	-	134	-	134
Share-based employee benefits	-	-	649	-	-	649	-	649
Other comprehensive income	-	-	-	(3,640)	-	(3,640)	(155)	(3,795)
Net loss	-	-	-	-	(757)	(757)	146	(611)
June 30, 2015	87,759	188,523	24,465	(8,486)	(128,891)	75,611	(4,783)	70,828

Polaris Materials Corporation

Consolidated Interim Statements of Cash Flows

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(857)	(1,806)	(611)	(3,403)
Amortization, depletion and accretion	1,070	1,132	2,149	2,257
Share-based employee benefits	278	157	649	330
Unrealized foreign exchange (gain) loss	189	298	(933)	118
Other gains	(4)	-	(4)	-
	676	(219)	1,250	(698)
Changes in non-cash working capital items (note 9)	755	(176)	(1,191)	(1,070)
	1,431	(395)	59	(1,768)
Cash flows from financing activities				
Proceeds from issue of common shares (net of issue costs)	134	15,560	134	15,709
Finance lease payments	(98)	(76)	(194)	(150)
	36	15,484	(60)	15,559
Cash flows from investing activities				
Property, plant and equipment purchases	(1,551)	(1,603)	(2,234)	(2,435)
Proceeds on disposal of property, plant and equipment	4	-	4	-
	(1,547)	(1,603)	(2,230)	(2,435)
Effect of foreign currency translation on cash	122	227	(657)	(39)
Increase / (Decrease) in cash	42	13,713	(2,888)	11,317
Cash - beginning of period	11,301	6,989	14,231	9,385
Cash - end of period	11,343	20,702	11,343	20,702

Supplemental cash flow information (note 9)

Polaris Materials Corporation

Notes to the Consolidated Interim Financial Statements

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

1. Nature and description of the Company

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

2. Basis of preparation

Basis of preparation

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 August 7, 2015.

Seasonality

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

3. Inventories

	June 30 2015	December 31 2014
(in thousands)	\$	\$
Construction aggregates	1,560	2,349
Components and consumable supplies	330	310
	1,890	2,659

Polaris Materials Corporation

Notes to the Consolidated Interim 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, 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
Cost								
January 1, 2015	40,722	5,516	1,022	27,078	609	4,795	39	79,781
Additions	746	83	-	153	3	1,353	-	2,338
Disposals	(44)	(62)	-	-	-	-	-	(106)
Foreign exchange	(3,680)	(393)	(86)	-	(44)	-	-	(4,203)
June 30, 2015	37,744	5,144	936	27,231	568	6,148	39	77,810
Accumulated depreciation								
January 1, 2015	(9,717)	(2,979)	-	(7,105)	(553)	-	-	(20,354)
Depreciation	(1,156)	(294)	-	(647)	(14)	-	-	(2,111)
Disposals	40	62	-	-	-	-	-	102
Foreign exchange	1,453	241	-	-	40	-	-	1,734
June 30, 2015	(9,380)	(2,970)	-	(7,752)	(527)	-	-	(20,629)
Carrying amount June 30, 2015	28,364	2,174	936	19,479	41	6,148	39	57,181

Polaris Materials Corporation

Notes to the Consolidated Interim 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 June 30, 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 June 30, 2015, there were 87,758,936 common shares issued and outstanding (December 31, 2014 – 87,665,186).

On May 19, 2015, 93,750 common shares were issued at CAD\$1.50 on the exercise of warrants for proceeds of CAD\$140,625.

7. Contributed surplus

(in thousands)	June 30 2015	December 31 2014
	\$	\$
Share-based employee benefits	17,318	16,668
Warrants	7,147	7,160
	24,465	23,828

Share-based employee benefits

The Company's stock options at June 30, 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 June 30, 2015	4,932,542	\$3.73

Polaris Materials Corporation

Notes to the Consolidated Interim Financial Statements

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

7. Contributed surplus (continued)

At June 30, 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	5.97	765,000	\$0.94	5.97
\$1.01 - \$2.00	1,883,333	\$1.67	6.82	1,856,666	\$1.67	6.84
\$2.01 - \$4.00	1,370,000	\$2.57	4.14	456,665	\$2.57	4.14
\$4.01 - \$6.00	127,709	\$4.88	0.60	127,709	\$4.88	0.60
\$6.01 - \$9.00	85,000	\$8.69	2.64	85,000	\$8.69	2.64
\$9.01 - \$13.75	701,500	\$13.75	2.26	701,500	\$13.75	2.26
	4,932,542	\$3.73	5.06	3,992,540	\$4.01	5.27

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	-

Warrants

The Company's warrants at June 30, 2015 and changes for the period from December 31, 2013 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	964,250	\$1.88
Exercised	(93,750)	\$1.50
June 30, 2015	870,500	\$1.92

At June 30, 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)
406,250	November 17, 2015	\$1.50	0.38
125,000	November 19, 2015	\$1.50	0.39
339,250	December 27, 2015	\$2.57	0.49
870,500		\$1.92	0.43

Polaris Materials Corporation

Notes to the Consolidated Interim Financial Statements

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

8. Finance expense

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
(in thousands)	\$	\$	\$	\$
Interest on debt	20	14	35	34
Accretion of restoration provision	20	22	40	43
	40	36	75	77

9. Supplemental cash flow information

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
(in thousands)	\$	\$	\$	\$
<i>Changes in non-cash working capital items</i>				
Trade and other receivables	611	(2,237)	(1,541)	(1,342)
Current tax assets	-	25	-	211
Inventories	485	(141)	654	(354)
Other current assets	149	120	160	(77)
Trade and other payables	(490)	2,057	(464)	492
	755	(176)	(1,191)	(1,070)
<i>Taxes paid</i>				
Taxes paid	-	-	-	23

10. Related party transactions

During the three months ended June 30, 2015, the Company accrued for or paid the following services by related parties. David Singleton provided to the Company management and marketing services at a cost of \$18,283 (three months ended June 30, 2014 - \$56,610). 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 June 30, 2014 - CAD\$11,556). The Company has agreed to pay Navigator a retainer of CAD\$3,000 per month plus expenses under the agreement.

During the six months ended June 30, 2015, the Company accrued for or paid, David Singleton for management services at a cost of \$35,532 (six months ended June 30, 2014 - \$104,759) and Navigator for consulting services at a cost of CAD\$18,000 (six months ended June 30, 2014 - CAD\$20,556).

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

At June 30, 2015, accounts payable included; \$2,000 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 Interim 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:

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
(in thousands)	\$	\$	\$	\$
Loans and receivables				
Cash and cash equivalents	11,301	11,301	14,231	14,231
Trade receivables	7,538	7,538	6,118	6,118
Security deposits	904	904	973	973
Other financial liabilities				
Trade and other payables	3,104	3,104	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.

13. Subsequent event

Finance lease

In July 2015, subsequent to quarter-end, the Company leased equipment for \$522,479 at 3.90% interest. The new lease has been accounted for as a finance lease and terminates July 2019. Monthly lease payments are \$11,781. The equipment is the security for the indebtedness.