



CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012
(U.S. dollars)

Polaris Minerals Corporation

Consolidated Statements of Financial Position

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

	June 30 2013 \$	December 31 2012 \$
Assets		
Current assets		
Cash	10,310	5,537
Trade and other receivables	2,710	2,438
Current tax assets	305	686
Inventories (note 3)	2,851	4,069
Other current assets	348	172
	16,524	12,902
Non-current assets		
Financial assets	1,203	1,271
Property, plant and equipment (note 4)	61,888	65,852
Investment in joint venture	-	128
	79,615	80,153
Liabilities		
Current liabilities		
Trade and other payables	3,891	5,005
Current portion of finance leases	300	695
	4,191	5,700
Non-current liabilities		
Finance leases	627	494
Long-term debt (note 5)	-	7,232
Restoration provision	3,283	3,429
	8,101	16,855
Equity		
Share capital (note 6)	171,742	156,772
Contributed surplus (note 7)	22,273	21,347
Accumulated other comprehensive income	501	2,109
Deficit	(118,664)	(113,240)
Equity attributable to Polaris Minerals Corporation shareholders	75,852	66,988
Non-controlling interest	(4,338)	(3,690)
Total equity	71,514	63,298
	79,615	80,153

Commitments and contingent liabilities (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 June 30		Six months ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Sales	10,904	7,659	21,428	14,761
Cost of goods sold	(11,407)	(8,337)	(22,520)	(17,387)
Gross loss	(503)	(678)	(1,092)	(2,626)
Selling, general and administrative expenses	(1,756)	(1,046)	(2,851)	(2,507)
Foreign exchange gain (loss)	28	(87)	62	79
Share of (loss) income from joint ventures	-	(16)	(1)	147
Property holding costs	(207)	(323)	(315)	(485)
Other (losses) gains	(100)	34	16	(6)
	(2,035)	(1,438)	(3,089)	(2,772)
Loss before interest and income taxes	(2,538)	(2,116)	(4,181)	(5,398)
Finance income	-	3	8	5
Finance expenses (note 8)	(316)	(669)	(639)	(1,177)
Finance charges (note 5)	(870)	-	(870)	(765)
	(1,186)	(666)	(1,501)	(1,937)
Loss before income taxes	(3,724)	(2,782)	(5,682)	(7,335)
Income tax (expense) recovery	(100)	632	(230)	592
Net loss for the period	(3,824)	(2,150)	(5,912)	(6,743)
Net loss attributable to:				
Shareholders of the parent company	(3,545)	(1,886)	(5,424)	(6,194)
Non-controlling interest	(279)	(264)	(488)	(549)
	(3,824)	(2,150)	(5,912)	(6,743)
Net loss per share:				
Basic and diluted loss per common share	(0.05)	(0.04)	(0.09)	(0.12)
Weighted average number of common shares outstanding	67,186	53,397	66,965	53,397

Polaris Minerals Corporation

Consolidated Statements of Comprehensive Loss

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Net loss for the period	(3,824)	(2,150)	(5,912)	(6,743)
Other comprehensive income (loss) – items that may be declassified to profit or loss				
Foreign currency translation	(1,019)	(461)	(1,768)	29
Comprehensive loss for the period	(4,843)	(2,611)	(7,680)	(6,714)
Comprehensive loss attributable to:				
Shareholders of the parent company	(4,473)	(2,348)	(7,032)	(6,252)
Non-controlling interest	(370)	(263)	(648)	(462)
	(4,843)	(2,611)	(7,680)	(6,714)

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							
	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, 2011	53,397	149,705	21,150	1,645	(101,002)	71,498	(2,804)	68,694
Warrants issued	-	-	1,126	-	-	1,126	-	1,126
Share-based employee benefits	-	-	142	-	-	142	-	142
Other comprehensive income	-	-	-	24	-	24	5	29
Net loss	-	-	-	-	(6,194)	(6,194)	(549)	(6,743)
June 30, 2012	53,397	149,705	22,418	1,669	(107,196)	66,596	(3,348)	63,248
Common shares issue	149	90	-	-	-	90	-	90
Warrants exercised	13,200	6,977	(1,126)	-	-	5,851	-	5,851
Share-based employee benefits	-	-	55	-	-	55	-	55
Other comprehensive loss	-	-	-	440	-	440	90	530
Net loss	-	-	-	-	(6,044)	(6,044)	(432)	(6,476)
December 31, 2012	66,746	156,772	21,347	2,109	(113,240)	66,988	(3,690)	63,298
Common shares issue	13,225	14,970	-	-	-	14,970	-	14,970
Warrants issued	-	-	376	-	-	376	-	376
Share-based employee benefits	-	-	550	-	-	550	-	550
Other comprehensive income	-	-	-	(1,608)	-	(1,608)	(160)	(1,768)
Net loss	-	-	-	-	(5,424)	(5,424)	(488)	(5,912)
June 30, 2013	79,971	171,742	22,273	501	(118,664)	75,852	(4,338)	71,514

Polaris Minerals Corporation

Consolidated Statements of Cash Flows

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(3,824)	(2,150)	(5,912)	(6,743)
Amortization, depletion and accretion	993	889	2,114	2,511
Share-based employee benefits	522	67	550	142
Unrealized foreign exchange gain	410	469	173	(25)
Share of loss (income) from investment in joint ventures	-	67	-	(104)
Loss on settlement of long-term debt (note 5)	767	-	767	765
Other losses	211	38	248	82
	(921)	(302)	(2,060)	(2,774)
Changes in non-cash working capital items (note 9)	1,519	2,142	695	1,932
	598	1,840	(1,365)	(842)
Cash flows from financing activities				
Proceeds from issue of common shares (net of issue costs)	15,346	-	15,346	-
Proceeds from issue of senior secured notes	-	-	-	15,216
Financing fees	-	-	-	(203)
Repayment of principal and interest on credit facility and senior secured notes	(8,223)	-	(8,223)	(13,165)
Finance lease payments	(100)	(110)	(205)	(220)
	7,023	(110)	6,918	1,628
Cash flows from investing activities				
Contribution to joint ventures	-	(30)	-	(65)
Property, plant and equipment purchases	(25)	(505)	(554)	(568)
Security deposit withdrawals	-	-	-	52
	(25)	(535)	(554)	(581)
Effect of foreign currency translation on cash	(289)	(2)	(226)	(1)
Increase in cash	7,307	1,193	4,773	204
Cash - beginning of period	3,003	640	5,537	1,629
Cash - end of period	10,310	1,833	10,310	1,833

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 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 issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as in the most recent annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

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	December 31
	2013	2012
(in thousands)	\$	\$
Construction aggregates	2,626	3,793
Components and consumable supplies	225	276
	2,851	4,069

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, 2012	46,081	5,079	1,192	27,015	642	416	39	80,464
Additions	569	434	-	26	-	-	-	1,029
Environmental rehabilitation adjustments	(70)	-	-	-	-	-	-	(70)
Disposals	(103)	(244)	-	-	-	-	-	(347)
Foreign exchange	937	116	31	-	16	-	-	1,100
December 31, 2012	47,414	5,385	1,223	27,041	658	416	39	82,176
Accumulated depreciation								
January 1, 2012	(5,018)	(2,458)	-	(2,999)	(510)	-	-	(10,985)
Depreciation	(3,200)	(546)	-	(1,621)	(58)	-	-	(5,425)
Disposals	40	239	-	-	-	-	-	279
Foreign exchange	(119)	(64)	-	-	(10)	-	-	(193)
December 31, 2012	(8,297)	(2,829)	-	(4,620)	(578)	-	-	(16,324)
Carrying amount December 31, 2012	39,117	2,556	1,223	22,421	80	416	39	65,852
Cost								
January 1, 2013	47,414	5,385	1,223	27,041	658	416	39	82,176
Additions	421	108	-	-	2	-	-	531
Disposals	(273)	(179)	-	-	-	-	-	(452)
Foreign exchange	(3,159)	(290)	(22)	-	(37)	-	-	(3,508)
June 30, 2013	44,403	5,024	1,201	27,041	623	416	39	78,747
Accumulated depreciation								
January 1, 2013	(8,297)	(2,829)	-	(4,620)	(578)	-	-	(16,324)
Depreciation	(1,097)	(267)	-	(618)	(15)	-	-	(1,997)
Disposals	80	124	-	-	-	-	-	204
Foreign exchange	1,049	177	-	-	32	-	-	1,258
June 30, 2013	(8,265)	(2,795)	-	(5,238)	(561)	-	-	(16,859)
Carrying amount June 30, 2013	36,138	2,229	1,201	21,803	62	416	39	61,888

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

5. Long-term debt

	June 30 2013	December 31 2012
(in thousands)	\$	\$
Senior secured notes CAD\$8.1 million principal, due December 31, 2016. Semi-annual interest payments at 12% (per annum). Effective interest rate 15.71%.	-	7,232

Senior secured notes, due December 31, 2016

The notes were senior secured obligations of the Company with a first charge against the assets of the Company other than cash and accounts receivable. The notes were classified as financial liabilities and initially recorded at fair value, which was established in proportion to the combined fair value of the notes and concurrently issued warrants. The notes were subsequently carried at amortized cost and amortized by the effective interest method over the life of the notes.

The notes were repayable by the Company, in whole or in part, as its option, at any time without premium or penalty. In June 2013, the Company repaid the notes and accrued interest. Upon settlement, the unamortized discount of \$870,111 was recorded to finance expenses for the three and six months ended June 30, 2013.

6. Share capital

The Company has unlimited common shares without par value.

On June 25, 2013, the Company issued 13,225,000 common shares on a bought deal basis at CAD\$1.31 each for gross proceeds of CAD\$17.3 million. Proceeds to the Company, after issue and transaction costs, were \$15.3 million.

At June 30, 2013, there were 79,970,602 common shares issued and outstanding (December 31, 2012 - 66,745,602).

7. Contributed surplus

	June 30 2013	December 31 2012
(in thousands)	\$	\$
Share-based employee benefits	14,961	14,411
Warrants	7,312	6,936
	22,273	21,347

Share-based employee benefits

The Company's stock options at June 30, 2013 and changes for the period from January 1, 2012, are as follows:

	Number outstanding	Weighted average exercise price (CAD\$)
At January 1, 2012	3,776,709	\$6.11
Forfeited	(365,000)	\$9.37
Expired	(50,000)	\$1.00
At December 31, 2012	3,361,709	\$5.84
Granted	1,350,000	\$1.56
Forfeited	(30,000)	\$1.29
Expired	(522,500)	\$9.90
At June 30, 2013	4,159,209	\$3.97

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

7. Contributed surplus (continued)

At June 30, 2013, the following stock options are outstanding and exercisable:

Options outstanding				Options exercisable		
Exercise price (CAD\$)	Number of options outstanding	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)
\$0.94	995,000	\$0.94	7.96	995,000	\$0.94	7.96
\$1.00 - \$2.00	1,865,000	\$1.67	8.86	964,998	\$1.77	7.86
\$2.50 - \$4.00	285,000	\$3.53	0.91	285,000	\$3.53	0.91
\$4.56 - \$5.60	227,709	\$4.74	1.48	227,709	\$4.74	1.48
\$8.69	85,000	\$8.69	4.94	85,000	\$8.69	4.64
\$13.75	701,500	\$13.75	4.26	701,500	\$13.75	4.26
	4,159,209	\$3.97	6.83	3,259,207	\$4.64	5.98

Warrants

In conjunction with the 13,225,000 share issue on June 25, 2013, (note 6), the company issued 661,250 warrants that are exercisable at a price of \$1.31 per share until June 25, 2015. At the date of issue the estimated fair value of the warrants was CAD\$395,091. Fair value of the warrants has been determined using the Black Scholes option pricing model. The following assumptions have been used for the Black Scholes option pricing model:

Average risk free rate	1.25 %
Expected life	2 years
Expected volatility	74 %
Expected dividends	-

The Company's warrants at June 30, 2013 and changes for the period from January 1, 2012 are as follows:

	Number of warrants outstanding	Weighted average exercise price (CAD\$)
January 1, 2012	1,575,000	\$4.52
Issued	13,200,000	\$0.44
Exercised	(13,200,000)	\$0.44
December 31, 2012	1,575,000	\$4.52
Issued	661,250	\$1.31
June 30, 2013	2,236,250	\$3.57

At June 30, 2013, the following warrants are outstanding and exercisable:

Number of warrants outstanding and exercisable	Expiry date	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)
950,000	August 17, 2013	\$6.50	0.13
500,000	November 17, 2015	\$1.50	2.38
125,000	November 19, 2015	\$1.50	2.39
661,250	June 25, 2015	\$1.31	1.99
2,236,250		\$3.57	1.31

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

8. Finance expense

(in thousands)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Interest on debt	255	566	517	1,006
Amortization of discount	40	82	80	129
Accretion of restoration provision	21	21	42	42
	316	669	639	1,177

9. Supplemental cash flow information

(in thousands)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
<i>Changes in non-cash working capital items</i>				
Trade and other receivables	1,435	(174)	(138)	850
Current tax assets	118	(702)	381	(888)
Inventories	(180)	(1,067)	1,295	(479)
Other current assets	83	103	(189)	(62)
Trade and other payables	300	2,309	(654)	1,028
Other current liabilities	(237)	1,673	-	1,483
	1,519	2,142	695	1,932
<i>Taxes paid</i>				
Taxes paid	5	69	12	399

10. Related party transactions

During the three months ended June 30, 2013, 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 \$87,550 (three months ended June 30, 2012 - \$88,365). The Company agreed to pay Proconsult a retainer of \$26,112 per month plus expenses under the agreement. Effective July 2013, Proconsult's monthly retainer was reduced to \$14,500 per month plus expenses. Navigator Management Ltd. ("Navigator"), a company controlled by a director of the Company, provided to the Company, consulting services at a cost of CAD\$9,763 (three months ended June 30, 2012 - CAD\$9,000). 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, 2013, the Company accrued for or paid, Proconsult for management services at a cost of \$176,035 (six months ended June 30, 2012 - \$175,109) and Navigator for consulting services at a cost of CAD\$19,664 (six months ended June 30, 2012 - \$18,295).

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, 2013, accounts payable included; \$29,020 due to Proconsult, (December 31, 2012 - \$26,585) and CAD\$3,021 due to Navigator, (December 31, 2012 - CAD\$3,000).

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

11. Commitments and contingencies

Shipping Tonnage

The Company's Contract of Affreightment, effective from January 1, 2010 with a term of 20 years, requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, in the amount of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2013 minimum shipping commitment is 2,979,000 short tons. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Sales under the Company's supply agreement with a new customer, that commenced February 2013, are FOB shipping point and are not included toward the Company's minimum shipping commitment. 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. The Company and its shipper have agreed in principle, subject to definitive documentation, that the penalty rate for 2011 to 2016 can be reduced to 25% if the Company achieves certain revised business targets.

12. Financial instruments

Cash, trade receivables, security deposits and other receivables are classified as loans and receivables. Trade payables are classified as other financial liabilities. Financial instruments that are classified as loans and receivables and other financial liabilities are measured at amortized cost.

The Company does not measure any financial instruments or other assets at fair value on a recurring basis in the statement of financial position. 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.

Liquidity risk arises from the Company's general and capital financing needs. The Company has planning and budgeting processes to help determine the funding requirements to meet various contractual and other obligations. The equity financing completed on June 25, 2013 improved the Company's liquidity position; however, the Company's long term liquidity depends on a number of factors, including continued improvement in the economic outlook in North America and the continuing recovery in demand for the Company's products, particularly in California.