Polaris
MINERALS CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2011 and 2010
(U.S. dollars)

Polaris Minerals Corporation
Consolidated Statements of Financial Position

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

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Assets			
Current assets			
Cash	2,608	5,311	5,556
Trade and other receivables	2,062	1,855	2,915
Current tax assets	197	155	224
Inventories (note 4)	2,720	3,092	2,785
Other current assets	349	435	581
Current portion of other financial assets (note 5)	534	642	3,146
	8,470	11,490	15,207
Non-current assets			
Other financial assets (note 5)	6,549	6,664	7,311
Interests in joint ventures (note 6)	13,844	14,224	11,857
Property, plant and equipment (note 7)	75,341	75,231	78,183
	104,204	107,609	112,558
Liabilities			
Current liabilities			
Trade and other payables	2,754	2,900	3,541
Current tax liabilities	132	7	101
Short-term financial liabilities (note 8)	5,094	4,941	-
Current portion of finance leases	1,604	1,720	734
Current portion of long term debt (note 9)	1,000	1,000	-
Current portion of provisions (note 10)	120	795	1,800
	10,704	11,363	6,176
Non-current liabilities			
Finance leases	652	685	2,284
Long-term debt (note 9)	4,799	4,652	-
Provisions (note 10)	3,015	2,911	4,696
	19,170	19,611	13,156
Equity			
Share capital (note 11)	149,647	149,592	149,574
Contributed surplus (note 12)	20,807	20,774	20,453
Accumulated other comprehensive income	2,969	2,223	-
Deficit	(86,919)	(83,215)	(70,111)
Equity attributable to shareholders of the parent company	86,504	89,374	99,916
Non-controlling interest	(1,470)	(1,376)	(514)
Total equity	85,034	87,998	99,402
	104,204	107,609	112,558

Going concern (note 2)

Commitments and contingent liabilities (note 10)

Approved by the Board of Directors

"Paul Sweeney"
Director

"Herbert Wilson"
Director

Polaris Minerals Corporation
Consolidated Statements of Loss and Comprehensive Loss

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

	Three months ended March 31	
	2011	2010
	$	$
Sales	3,727	4,884
Cost of goods sold	(4,470)	(4,937)
Reversal of (provision for) annual minimum freight volume penalty (note 10)	(120)	1,800
Amortization, depletion and depreciation	(1,176)	(989)
	(5,766)	(4,126)
Gross (loss) profit	(2,039)	758
Selling, general and administrative expenses	(1,593)	(1,257)
Shipping contract renegotiation costs (note 10)	-	(5,991)
	(1,593)	(7,248)
Operating loss	(3,632)	(6,490)
Interest income	89	308
Interest expense	(428)	(104)
Foreign exchange gain	168	130
Income from equity accounted interests in joint ventures	31	60
Other gains and losses	(10)	(31)
	(150)	363
Loss before taxes	(3,782)	(6,127)
Income tax expense	(160)	(65)
Loss for the period	(3,942)	(6,192)
Other comprehensive income		
Foreign currency translation	890	1,699
Other comprehensive loss for the period	890	1,699
Total comprehensive loss for the period	(3,052)	(4,493)
Loss attributable to:		
Shareholders of the parent company	(3,704)	(5,959)
Non-controlling interest	(238)	(233)
	(3,942)	(6,192)
Total comprehensive loss attributable to:		
Shareholders of the parent company	(2,958)	(4,484)
Non-controlling interest	(94)	(9)
	(3,052)	(4,493)
Loss per share:		
Basic and diluted loss per common share	(0.07)	(0.11)
Weighted average number of common shares outstanding	53,290	53,225

– See Accompanying Notes –

Polaris Minerals Corporation
Consolidated Statements of Cash Flows

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

	Three months ended March 31	
	2011 $	2010 $
Cash flows from operating activities		
Net loss before interest and taxes	(3,507)	(5,769)
Amortization and depreciation	1,183	1,072
Non-cash shipping contract renegotiation costs (note 10)	-	5,453
Share-based employee benefits	33	40
Unrealized foreign exchange gain	(72)	(381)
Provision for (reversal of) annual minimum freight volume penalty (note 10)	120	(1,800)
Income from equity accounted investment	(31)	(60)
Other losses	10	18
Non-controlling interest	(238)	(233)
Other non-cash items	120	-
	(2,382)	(1,660)
Changes in non-cash working capital items (note 13)	442	(759)
	(1,940)	(2,419)
Interest paid	(39)	(54)
Income taxes paid	(158)	(136)
	(2,137)	(2,609)
Cash flows from financing activities		
Proceeds from issue of common shares	55	-
Payment on provision for minimum freight volumes	(795)	-
Finance lease payments	(204)	(181)
	(944)	(181)
Cash flows from investing activities		
Dividends received from equity accounted investment	31	30
Contributions to equity accounted investment	(90)	-
Loan repayments	249	998
Property, plant and equipment purchases	(115)	(218)
Proceeds on disposal of property, plant and equipment	250	-
Security deposit withdrawals	-	(7)
	325	803
Effect of foreign currency translation on cash	53	70
Decrease in cash	(2,703)	(1,917)
Cash - beginning of period	5,311	5,556
Cash - end of period	2,608	3,639

Supplemental cash flow information (note 13)

Polaris Minerals Corporation
Consolidated Statement of Changes in Equity

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

	Attributable to equity holders of the Company							
	Number of common shares (000's)	Amount of common shares $	Contributed Surplus $	Accumulated other comprehensive income $	Deficit $	Shareholders' equity $	Non-controlling interest $	Total $
As at January 1, 2010	53,225	149,574	20,453	-	(70,111)	99,916	(514)	99,402
Share-based employee benefits	-	-	41	-	-	41	-	41
Other comprehensive income	-	-	-	1,475	-	1,475	224	1,699
Net loss	-	-	-	-	(5,959)	(5,959)	(233)	(6,192)
As at March 31, 2010	53,225	149,574	20,494	1,475	(76,070)	95,473	(523)	94,950
Share-based employee benefits	22	18	280	-	-	298	-	298
Other comprehensive income	-	-	-	748	-	748	111	859
Net loss	-	-	-	-	(7,145)	(7,145)	(964)	(8,109)
As at December 31, 2010	53,247	149,592	20,774	2,223	(83,215)	89,374	(1,376)	87,998
Share-based employee benefits	75	55	33	-	-	88	-	88
Other comprehensive income	-	-	-	746	-	746	144	890
Net loss	-	-	-	-	(3,704)	(3,704)	(238)	(3,942)
As at March 31, 2011	53,322	149,647	20,807	2,969	(86,919)	86,504	(1,470)	85,034

(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

The Company has prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated interim financial statements have been prepared consistent with IFRS and in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). IFRS represents standards and interpretations as issued by the International Accounting Standards Board ("IASB"). Subject to certain transition elections disclosed in note 19, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of June 14, 2011, the date the Audit Committee of the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in differences from these current interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

Going concern

These unaudited financial statements are prepared in accordance with IFRS applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

During the three months ended March 31, 2011, the Company incurred a net loss of $3.9 million (March 31, 2010 – net loss $6.2 million), had a negative cash flow from operations of $2.1 million (March 31, 2010 – negative $2.6 million), and as at March 31, 2011, has a deficit of $87 million (December 31, 2010 - $83 million). Additionally, in November 2011 the Company's short term credit facility of CAD$5 million matures. The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control. These include: improvement in the economic outlook, the recovery of demand for the Company's products, particularly in California, and access to capital markets. These market conditions continue to result in reduced revenues, causing the Company to incur losses. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under it's shipping contract (note 10).

The Company is seeking to refinance the CAD$1.1 million of finance leases for quarrying equipment that are otherwise due in October 2011 and to divest non-core financial assets, so that it may continue to meet its operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold (note 6) or the Company can raise equity capital.

There can be no assurance that the steps described above will allow the Company to meet its obligations, which may require the Company to exercise its right to pay interest in the form of additional notes, as allowed under the terms of the senior secured notes (note 9); raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets.

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

2. Basis of preparation *(continued)*

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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. 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 interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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.	Canada	100 %	Consolidated subsidiary
Orca Finance Ltd.	Canada	100 %	Consolidated subsidiary
Polaris Materials Inc.	United States	100 %	Consolidated subsidiary
0791304 B.C. Ltd	Canada	33.3 %	Equity accounted joint venture
Cemera Long Beach LLC	United States	(1)	Equity accounted joint venture

(1) Refer to note 6 for the description of the ownership interest in Cemera Long Beach LLC.

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

3. Significant accounting policies *(continued)*

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant accounts that require estimates and judgements as the basis for determining the stated amounts include but are not limited to the following: accounting for doubtful accounts receivable, inventory valuation, valuation of warrants, impairment of property, plant and equipment, provisions for environmental rehabilitation, share-based payments, accruals, provision for annual minimum freight volume penalties, and income and mining taxes. Depreciation and depletion of property, plant and equipment assets are dependent upon estimates of useful lives and reserve estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Environmental rehabilitation and decommissioning provisions are recognized in the period in which they arise and are stated as the present value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may be subject to future changes in costs, environmental laws and regulations and remediation practices. In view of uncertainties concerning environmental rehabilitation, the ultimate costs could be materially different from the amounts estimated.

Actual results could differ from estimates.

Foreign currency translation

The Company's presentation currency is the United States dollar ("U.S. dollar"). The functional currency of Polaris Minerals Corporation, the parent company, is the Canadian dollar. The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's Canadian operations are expressed in U.S. dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognized in the Company's foreign currency translation reserve.

Inventories

Construction aggregates inventory is stated at the lower of cost and net realizable value. Cost for construction aggregates inventory is determined on an average cost basis. Such costs include fuel, 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.

Property, plant and equipment

Expenditures incurred to develop new construction aggregate properties or marine receiving terminals in advance of construction are capitalized. Costs are written down to fair value if impaired, or written off if the property or interest is sold, allowed to lapse or abandoned.

The carrying values of undeveloped quarrying interests and terminal interests represent costs incurred to date to bring the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. These values do not necessarily reflect present or future values. The recovery of carrying values will depend upon the Company establishing economically recoverable reserves for quarrying interests, obtaining financing for construction and attaining profitable operations.

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

3. Significant accounting policies *(continued)*

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 the calculation of gross margin. Depreciation related to assets used in undeveloped quarrying interests is capitalized to deferred exploration expenditures where appropriate.

The property, plant and equipment is depreciated on a straight line basis over its estimated useful life using the following annual 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 profit or 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.

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 to sell 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 profit or 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 profit or loss.

Operating segments

The Company operates in one segment, the development and operation of construction aggregate properties and projects in western North America.

3. Significant accounting policies *(continued)*

Environmental rehabilitation and decommissioning

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 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 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 additional capitalized amount has been amortized since commercial production commenced and will continue to 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where the expenditure is material, the amount of the provision shall be the present value of the expenditures to be required to settle the obligation. The increase in the provision due to passage of time is included in finance costs.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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 which is determined by using a Black-Scholes option pricing model. Accordingly, the fair value of all share options granted, and estimated to eventually vest, is recorded, over the vesting period, as a charge to operations and a credit to equity reserves. 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 profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. 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 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 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.

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

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not 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.

3. Significant accounting policies *(continued)*

Investment in joint ventures

The Company conducts a portion of its business through joint ventures under which the joint venture participants are bound by contractual agreements establishing joint control over the ventures. The Company accounts for the joint venture in Cemera Long Beach LLC using the equity method whereby the Company recorded the initial costs of the joint venture and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the joint venture after the date of acquisition. The Company also accounts for its interest in the joint venture for 0791304 B.C. Ltd. using the equity method.

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 is measured at amortized cost.

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

iii. Loans and receivables are measured at amortized cost. The Company's trade and other receivables are classified as loans and receivables.

iv. Fair-value-through-profit-or-loss ("FVTPL") are measured at fair value with gains and losses recognized through profit or 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.

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 exactly discounts estimated future cash payments through the expected life of the financial liability. The Company's trade and other payables, and amount due under line of credit facilities are classified as other financial liabilities.

Cash, accounts receivable, loans and advances and security deposits are designated as loans and receivables. Accounts payable and accrued liabilities are designated 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.

Capitalized interest

Interest costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as construction in progress until the related assets are placed into service, at which time they are transferred to property, plant and equipment. Interest costs incurred after the asset has been placed into service are charged to operations.

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.

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

4. Inventories

(in thousands)	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Construction aggregates	2,440	2,611	2,060
Components and consumable supplies	280	481	725
	2,720	3,092	2,785

Construction aggregates held at March 31, 2011 and December 31, 2010 are measured at net realizable value.

5. Other financial assets

(in thousands)	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Loans and receivables measured at amortized cost:			
Loan at 6.5%, advanced to a related party, unsecured, monthly payments comprise principal and interest, due December 31, 2018	1,105	1,105	-
Bridge loan, advanced to a related party	-	-	3,963
Loan at 5.5%, secured, monthly payments of principal and interest, due March 1, 2028	4,511	4,646	5,028
Other	263	381	287
Total loans and receivables	5,879	6,132	9,278
Held-to-maturity investments measured at amortized cost:			
Orca quarry security deposits	1,204	1,174	1,132
Richmond terminal security deposits	-	-	47
Total held-to-maturity investments	1,204	1,174	1,179
Total financial assets	7,083	7,306	10,457
Current portion	534	642	3,146
Non-current portion	6,549	6,664	7,311
	7,083	7,306	10,457

Loan at 6.5%

At March 31, 2011, the Company has a loan of CAD$1,071,146 (December 31, 2010 - CAD$1,097,529), advanced to a related party, an entity in which the Company has a 33.3% ownership interest and was formed as a jointly controlled operation to construct and operate a tugboat for the berthing of freighters at the Orca Quarry. The loan is unsecured and matures December 1, 2018. The loan bears interest at an annual rate of 6.5% from April 1, 2010 to March 31, 2015, and the greater of 6.5% or Prime plus 4% from April 1, 2015 to December 31, 2018. Monthly payments of CAD$14,692, represent principal and interest.

At January 1, 2010, the Company retained a CAD$4,164,830 bridge loan to the related party, which was unsecured and repayable upon the related party obtaining refinancing. Two thirds of the principal amount outstanding was classified as current as the related party was in the process of refinancing its obligations. On April 1, 2010, the Company and the other two ownership groups concluded an agreement to refinance on an equal basis the tug construction costs included in the bridge loan. Under the terms of the agreement, the other owners have each provided long-term loans to the related party representing each ownership group's 33.33% proportionate share of the financing of the original tug construction costs. The amounts provided by the other ownership groups were then used by the related party to repay the Company. As a result of the agreement, the Company retains the loan at 6.5%, which represents its 33.33% proportionate share of the original costs.

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

5. Other financial assets *(continued)*

Loan at 5.5%

The Company has a loan agreement with a third party whereby the third party purchased and refurbished a barge and tug for the facilitation of shipping construction aggregates. The Company retains a $5,471,253 fixed rate secured promissory note receivable from the debtor, with payments due between December 1, 2009 and March 1, 2028. The note bears interest of 5.5% per annum, with monthly payments consisting of principal and interest. The promissory note is secured by various assets, including accounts receivable, inventory, and equipment, such as barges, tug boats, vessels and other maritime transports. At March 31, 2011, principal amounts outstanding total $4,511,208 (December 31, 2010 - $4,646,089; January 1, 2010 - $5,028,647). Included in accounts receivable is accrued interest of $20,177 (December 31, 2010 - $20,617; January 1, 2010 - $22,317).

Orca quarry security deposits

The Company maintains CAD$1,168,499 (December 31, 2010 - CAD$1,167,462; January 1, 2010 - CAD$1,190,094) in interest-bearing term deposits for irrevocable standby letters of credit and 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 March 31, 2011, deposits bear interest at a rate of 0.30% to 1.05% (December 31, 2010 - 0.30% to 1.05%, January 1, 2010 - 0.25% to 1.05%).

6. Interests in joint ventures

The Company conducts a portion of its business through joint ventures under which the venturers are bound by contractual arrangements establishing joint control. The Company records its investments in the following joint ventures using the equity method.

0791304 B.C. Ltd.

The Company has a 33.3% interest in 0791304 B.C. Ltd. The entity was formed to construct and operate a berthing tugboat to facilitate the berthing of freighters at the Orca Quarry.

The investment in 0791304 B.C. Ltd. was $71,185 at March 31, 2011 (December 31, 2010 - $39,431; January 1, 2010 - $28,448).

Cemera Long Beach LLC

Cemera Long Beach LLC (“Cemera”) is a joint venture between the Company and Cemex to develop a construction aggregates receiving terminal, divided into Section A and Section B of the site, in the port of Long Beach, California. The Company, through its 70% owned Eagle Rock Aggregates Inc, paid $7,843,835 for a 50% interest in Section A and $7,382,433 for a 100% interest in Section B. The Company and Cemex, the joint venture partner, have a Strategic Alliance Agreement and a Joint Cooperation and Development Agreement which governs the direction, strategy and operation of the joint venture. Given the current expectation it is probable that the freehold land on Pier B that the joint venture purchased will be sold in the next twelve months, the interest in the Pier B property costs has been classified as property held for sale.

The following details the Company’s share of its investment in Cemera:

	March 31, 2011	**December 31, 2010**	**January 1, 2010**
(in thousands)	**$**	**$**	**$**
Assets			
Cash	2	23	86
Accounts receivable and other	106	169	-
Property held for sale	14,178	14,178	12,093
	14,286	14,370	12,179
Liabilities			
Accounts payable	235	9	65
Accrued liabilities	-	50	200
	235	59	265

(Unaudited)
(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, 2010	46,454	4,914	1,208	26,426	739	71	151	79,963
Additions	477	-	2	839	1	345	-	1,664
Environmental rehabilitation adjustments	(2,315)	-	-	(249)	-	-	(35)	(2,599)
Disposals	(110)	-	-	(1)	(122)	-	(77)	(310)
Foreign exchange	2,574	279	76	-	38	-	-	2,967
December 31, 2010	47,080	5,193	1,286	27,015	656	416	39	81,685
Accumulated depreciation								
January 1, 2010	-	(1,396)	-	-	(384)	-	-	(1,780)
Depreciation	(2,552)	(501)	-	(1,476)	(124)	-	-	(4,653)
Disposals	105	-	-	-	113	-	-	218
Foreign exchange	(120)	(97)	-	-	(22)	-	-	(239)
December 31, 2010	(2,567)	(1,994)	-	(1,476)	(417)	-	-	(6,454)
Carrying amount December 31, 2010	44,513	3,199	1,286	25,539	239	416	39	75,231
Cost								
January 1, 2011	47,080	5,193	1,286	27,015	656	416	39	81,685
Additions	160	-	-	-	-	120	-	280
Other adjustments	(291)	-	-	-	-	-	-	(291)
Foreign exchange	1,241	134	37	-	17	-	-	1,429
March 31, 2011	48,190	5,327	1,323	27,015	673	536	39	83,103
Accumulated depreciation								
January 1, 2011	(2,567)	(1,994)	-	(1,476)	(417)	-	-	(6,454)
Depreciation	(587)	(131)	-	(365)	(28)	-	-	(1,111)
Foreign exchange	(131)	(54)	-	-	(12)	-	-	(197)
March 31, 2011	(3,285)	(2,179)	-	(1,841)	(457)	-	-	(7,762)
Carrying amount March 31, 2011	44,905	3,148	1,323	25,174	216	536	39	75,341

Orca Quarry

The Orca Quarry, located on tidewater west of the town of Port McNeill, British Columbia, is a quarry permitted to produce six million metric tonnes of sand and gravel per year. In early 2007, the quarry commenced the production and shipping of construction aggregates to the markets of Greater Vancouver, Hawaii, and to San Francisco Bay.

Richmond Terminal

The Company operates a construction aggregates storage and distribution terminal in the Port of Richmond in San Francisco Bay. Operations at the terminal began in early 2008, in support of the operations at the Orca Quarry.

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

7. Property, plant and equipment *(continued)*

Long Beach Terminal project

The Company has a lease with L.G. Everist, Inc. for an 8.3 acre site at Berth D-44 site 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. The Company plans to develop a construction aggregates storage and distribution terminal on the site and has begun capitalizing costs related to the project.

Exploration properties

The Company has explored and has certain rights over properties in the vicinity of the Orca Quarry, including the East Cluxewe Extension and the West Cluxewe deposits.

Other terminal development costs

The Company is evaluating, negotiating and permitting access to other sites at ports in California for the discharge, storage and distribution of construction aggregates.

8. Short term financial liabilities

(in thousands)	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Subordinated secured credit facility at 15%. Principal and interest due November 8, 2011. Effective interest rate 17.35%.			
Principal outstanding	5,157	5,027	-
Original discount	(103)	(100)	-
Amortized interest	40	14	-
Carrying amount	5,094	4,941	-

On November 8, 2010, the Company obtained a subordinated, non-revolving credit facility in the amount of CAD$5.0 million for working capital and general corporate purposes. The credit facility matures on November 8, 2011 and bears interest at 15% per annum. The Company has the right to repay the credit facility at any time prior to maturity for the principal plus accrued interest at 15% per annum, plus 5% of the principal. Additionally, the lender has the right, upon sale of certain assets of the borrower greater than CAD$5 million, to demand repayment of the principal plus accrued interest. The facility is secured by a general security agreement providing a second lien over the assets of the Company and contains certain covenants similar to those found in an arms-length bank financing.

The credit facility has been classified as a financial liability measured at amortized cost. The credit facility is carried net of unamortized discount from par value, which is being amortized by the effective interest method over the life of the facility using an effective rate of 17.35%. At March 31, 2011 trade and other payables includes accrued interest of $303,049 (December 31, 2010 - $109,495). For the three months ended March 31, 2011, non-cash accretion of the discount, included in interest was $25,016 (December 31, 2010 – $14,337). In conjunction with the credit facility, the Company issued 625,000 warrants to the lenders (note 12).

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

9. Long-term debt

(in thousands)	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Senior secured notes at 7.5%, with quarterly interest payments. Principal paid in twelve quarterly payments commencing March 31, 2015. Effective interest rate 10.6%.			
Principal outstanding	6,590	6,470	-
Original discount	(897)	(897)	-
Amortized interest	106	79	-
Carrying amount	5,799	5,652	-
Current portion	1,000	1,000	-
Non-current portion	4,799	4,652	-
	5,799	5,652	-

As part of the restructuring of its shipping arrangements (note 10), the Company issued, on March 26, 2010, $6.35 million ($1,000 par value per note) of 7.5% senior secured notes due December 31, 2017 with interest payable quarterly. On September 30, 2010 and March 31, 2011, the Company exercised its right to pay its quarterly interest payments of $120,041 and $119,651, respectively, in the form of additional notes, with the same terms, conditions and maturity date as the original notes. Principal outstanding on the notes at March 31, 2011 totalled $6,589,692. Repayment of the notes commences on March 31, 2015 with quarterly payments of $525,000, with a final payment of $815,000 on December 31, 2017.

The notes are repayable by the Company, in whole or in part, at its option, at any time without premium or penalty. Mandatory prepayments are required from; certain debt or equity issuances, insurance proceeds, certain asset sales, or upon a change in control. The Company has the right to pay interest in the form of additional notes for a period of up to five years from the issue date. All of the notes are secured by a first priority lien over the assets of the Company, including shares of certain subsidiaries, and contain certain covenants similar to those found in an arms-length bank financing.

Upon completion of the Pier B land sale (note 6), the Company will pay $1 million to CSL, to be applied against the outstanding principal.

The notes have been classified as financial liabilities measured at amortized cost. The notes are carried net of unamortized discount from par value, which is being amortized by the effective interest method over the life of the notes using an effective rate of 10.6%. For the three months ended March 31, 2011, non-cash accretion of the discount, included in interest on long-term debt, was $26,883 (three months ended March 31, 2010 – $828).

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

10. Provisions

(in thousands)	**Annual freight volume** $	**Environmental rehabilitation and decommissioning** $	**Total** $
January 1, 2010	1,800	4,696	6,496
Current portion	1,800	-	1,800
Non-current portion	-	4,696	4,696
Liabilities settled	(1,800)	-	(1,800)
New or revised provisions	795	(2,254)	(1,459)
Accretion expense	-	241	241
Foreign exchange	-	228	228
December 31, 2010	795	2,911	3,706
Current portion	795	-	795
Non-current portion	-	2,911	2,911
Liabilities settled	(795)	-	(795)
New or revised provisions	120	-	120
Accretion expense	-	64	64
Foreign exchange	-	40	40
March 31, 2011	120	3,015	3,135
Current portion	120	-	120
Non-current portion	-	3,015	3,015

Environmental rehabilitation and decommissioning

At December 31, 2010, due to the low volume of demand for construction aggregates and reduced production levels, the Company reviewed its progress to date against the original reclamation plan and revised the timing and amount of future cash flows related to environmental rehabilitation. The liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to March 31, 2011 of approximately CAD$4.8 million which are expected to be expended throughout the quarry life to 2035. These estimated future cash flows have been discounted at a risk-free rate of 3.87% after applying an inflation rate of 2.04%.

Annual freight volume

On July 18, 2009, the Company entered into two shipping contracts (CoA-1 and CoA-2). These contracts required the Company to ship certain minimum tonnages. During 2009, the Company did not meet its minimum tonnage shipped and accrued a provision for expected payments of $1,800,000 at December 31, 2009.

During the quarter ended March 31, 2010, the Company restructured its shipping agreements, amalgamating them into a single revised Contract of Affreightment (“NCoA”) which is effective from January 1, 2010 with a term of 20 years. This renegotiation resulted in the amount provided at December 31, 2009 being released through cost of goods sold in 2010 as under the NCoA, annual minimum freight volume penalties incurred under CoA-1 were cancelled. The Company incurred a restructuring fee, comprising of a payment of $500,000 on signing of the agreement and issuance of $6,350,000 in senior secured notes (note 9). The cash payment of $500,000 and the fair value of the notes at the date of restructuring of $5,453,480 was expensed in the year ended December 31, 2010. The NCoA requires the Company to ship minimum annual tonnages of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2011 minimum shipping commitment is 1,984,000 short tons.

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 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. For the three months ended March 31, 2011, the Company accrued $119,890 for penalties associated with the annual minimum volume requirement.

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

11. Share capital

At March 31, 2011, the Company had unlimited common shares without par value and 53,322,102 common shares issued and outstanding (December 31, 2010 - 53,247,102).

12. Contributed surplus

(in thousands)	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Share-based employee benefits	13,871	13,838	13,616
Warrants	6,936	6,936	6,837
	20,807	20,774	20,453

Share-based employee benefits

The Company established an incentive stock option plan ("the Plan") on April 23, 2002. 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 amended 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. As at March 31, 2011, the maximum options to be allowed outstanding under the plan are 5,332,210 (December 31, 2010 – 5,324,710; January 1, 2010 - 5,320,460) and all options are exercisable in Canadian dollars.

The Company's stock options at March 31, 2011 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
At January 1, 2010	3,707,595	$7.85
Granted	50,000	$1.80
Exercised	(22,500)	$0.78
Forfeited	(323,750)	$8.41
At December 31, 2010	3,411,345	$7.76
Granted	-	-
Exercised	(75,000)	$0.75
Forfeited	(10,000)	$1.99
At March 31, 2011	3,326,345	$7.93

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

12. Contributed surplus *(continued)*

At March 31, 2011, 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)**
0.75-2.00	872,500	1.8	6.81	672,501	1.76	6.35
2.50-4.00	345,000	3.46	3.15	345,000	3.47	3.15
4.56-5.60	413,345	4.91	3.78	413,345	4.91	3.78
8.69	85,000	8.69	6.89	85,000	8.69	6.89
11.41	585,000	11.41	1.76	555,000	11.41	1.76
13.75	1,055,500	13.75	6.51	1,055,500	13.75	6.51
	3,326,345	7.93	5.12	3,126,346	8.31	4.91

The total compensation cost relating to share-based payments was $33,000 (December 31, 2010 - $205,000; March 31, 2010 - $32,000) on the options exercised during the period with a corresponding decrease to contributed surplus.

Warrants

The Company's warrants at March 31, 2011 and changes for the period are as follows:

	Number of warrants outstanding	**Weighted average exercise price (CAD$)**
January 1, 2010	10,916,346	$3.12
Issued	625,000	$1.50
Expired	(2,153,846)	$4.80
December 31, 2010	9,387,500	$2.63
Issued	-	-
Expired	(7,812,500)	$2.25
March 31, 2011	1,575,000	$4.52

At March 31, 2011, 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	2.38
500,000	November 17, 2015	$1.50	4.64
125,000	November 19, 2015	$1.50	2.64
1,575,000		$4.52	3.28

13. Supplemental cash flow information

Changes in non-cash working capital items

	March 31, 2011	March 31, 2010
(in thousands)	$	$
Accounts receivable	(240)	(620)
Inventories	189	(310)
Prepaid expenses and other	92	124
Accounts payable and accrued liabilities	401	47
	442	(759)

Significant non-cash investing and financing activities

	March 31, 2011	March 31, 2010
(in thousands)	$	$
Property, plant and equipment in accounts payable and accrued liabilities	-	211

14. Related party transactions

During the period ended March 31, 2011 and 2010, directors, either directly or through a company controlled by them, provided to the Company, services at a cost of $106,936 (March 31, 2010 - $106,507) which are included in general and administrative expenses. At March 31, 2011, accounts payable of $33,530 (March 31, 2010 - $37,434; December 31, 2010 - $27,315) was due to a company controlled by a common director.

During the three months ended March 31, 2011, a related party provided tug berthing services to the Company at a cost of $252,373 (March 31, 2010 - $383,760). At March 31, 2011, included in trade payables and accrued liabilities was $105,000 (December 31, 2010 - $76,500) due to the related parties.

15. Transition to IFRS

The Company adopted IFRS effective January 1, 2010 ("the transition date") and prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company will ultimately prepare its opening IFRS balance sheet by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2010 comparative balance sheet presented in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time.

(1) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

Business combinations

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

Cumulative translation differences

The Company has elected to set the previous accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010.

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

15. Transition to IFRS *(continued)*

Share-based payment transactions

The Company has elected not to apply IFRS 2, "Share-based Payments" ("IFRS 2") to stock options granted prior to November 7, 2002 or to those granted after, that have vested by the transition date.

Borrowing costs

The Company has elected the transition date, January 1, 2010, as the date to apply the transitional provisions set out in IAS 23, "Borrowing Costs" ("IAS 23"). The capitalization of borrowing costs under IAS 23 will commence from this date onwards. Borrowing costs previously capitalized under Canadian GAAP have not been adjusted on transition to IFRS.

Decommissioning liabilities

The Company has elected to apply the IFRS 1 optional exemption for its decommissioning liabilities. Accordingly the decommissioning liabilities have been re-measured as per the requirements of IFRIC 1, "Changes in existing Decommissioning, Restoration and Similar Liabilities" ("IFRIC 1") as at January 1, 2010, the date of transition to IFRS.

Deemed cost of property, plant and equipment

IFRS 1 provides the option to measure individual items of property, plant and equipment at the transition date at fair value and use that fair value as its deemed cost. The Company has elected to use the fair value of certain assets at the Orca Quarry, the Richmond Terminal, and the Eagle Rock Quarry Project at the transition date as their deemed cost.

(2) Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 the Company has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

Consolidated and separate financial statements

The Company has prospectively applied certain elements of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") as required by the mandatory exemption in IFRS 1.

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

15. Transition to IFRS *(continued)*

(3) Reconciliation from Canadian GAAP to IFRS

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of assets, liabilities and equity as at January 1, 2010 (in thousands)	**Canadian GAAP [1] (audited)**	**Note**	**Effect of transition to IFRS**	**IFRS (un-audited)**
	$		**$**	**$**
Assets				
Current assets				
Cash	5,642	(d)	(86)	5,556
Trade and other receivables	2,915		-	2,915
Current tax assets	224		-	224
Inventories	2,785		-	2,785
Other current assets	581		-	581
Current portion of other financial assets	3,061	(d)	85	3,146
	15,208		(1)	15,207
Non-current assets				
Assets held for sale	12,210	(d)	(12,210)	-
Other financial assets	7,311		-	7,311
Interests in joint ventures	28	(d)	11,829	11,857
Property, plant and equipment	101,223	(a)(b)	(23,040)	78,183
	135,980		(23,422)	112,558
Liabilities				
Current liabilities				
Trade and other payables	3,806	(d)	(265)	3,541
Current tax liabilities	101		-	101
Current portion of finance leases	734		-	734
Current portion of provisions	1,800		-	1,800
	6,441		(265)	6,176
Non-current liabilities				
Finance leases	2,284		-	2,284
Long-term debt	-		-	-
Provisions	2,186	(a)	2,510	4,696
Non-controlling interest	785	(e)	(785)	-
	11,696		1,460	13,156
Shareholders' equity				
Share capital	149,574		-	149,574
Contributed surplus	20,520	(c)	(67)	20,453
Accumulated other comprehensive income	14,538	(c)	(14,538)	-
Deficit	(60,348)		(9,763)	(70,111)
Equity attributable to shareholders of the parent company	124,284		(24,368)	99,916
Non-controlling interest	-	(e)	(514)	(514)
Total equity	124,284		(24,882)	99,402
	135,980		(23,422)	112,558

[1] Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

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

15. Transition to IFRS *(continued)*

Reconciliation of assets, liabilities and equity as at March 31, 2010 (in thousands)	**Canadian GAAP** [1] **(audited)**	**Note**	**Effect of transition to** IFRS	**IFRS** (un-audited)
	$		**$**	**$**
Assets				
Current assets				
Cash	3,662	(d)	(23)	3,639
Trade and other receivables	4,094	(d)	141	4,235
Current tax assets	161		-	161
Inventories	3,172		-	3,172
Other current assets	470	(d)	(4)	466
Current portion of other financial assets	2,261		-	2,261
	13,820		114	13,934
Non-current assets				
Assets held for sale	12,631	(d)	(12,631)	-
Other financial assets	7,069		-	7,069
Interests in joint ventures	28	(d)	11,916	11,944
Property, plant and equipment	103,510	(a)(b)(d)	(24,563)	78,947
	137,058		(25,164)	111,894
Liabilities				
Current liabilities				
Trade and other payables	3,675	(d)	(59)	3,616
Current tax liabilities	30		-	30
Current portion of finance leases	773		-	773
Current portion of provisions	-		-	-
	4,478		(59)	4,419
Non-current liabilities				
Finance leases	2,163		-	2,163
Long-term debt	5,454		-	5,454
Provisions	2,318	(a)	2,590	4,908
Non-controlling interest	560	(e)	(560)	-
	14,973		1,971	16,944
Shareholders' equity				
Share capital	149,574		-	149,574
Contributed surplus	20,560	(e)	(66)	20,494
Accumulated other comprehensive income	18,804	(c)	(17,329)	1,475
Deficit	(66,853)		(9,217)	(76,070)
Equity attributable to shareholders of the parent company	122,085		(26,612)	95,473
Non-controlling interest	-	(e)	(523)	(523)
Total equity	122,085		(27,135)	94,950
	137,058		(25,164)	111,894

[1] Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

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

15. Transition to IFRS *(continued)*

Reconciliation of assets, liabilities and equity as at December 31, 2010 (in thousands)	Canadian GAAP [1] (audited) $	Note	Effect of transition to IFRS $	IFRS (un-audited) $
Assets				
Current assets				
Cash	5,312	(d)	(1)	5,311
Trade accounts and other receivables	1,855			1,855
Current tax assets	155		-	155
Inventories	3,092		-	3,092
Other current assets	435		-	435
Current portion of other financial assets	642		-	642
	11,491		(1)	11,490
Non-current assets				
Assets held for sale	14,178	(d)	(14,178)	-
Other financial assets	6,664		-	6,664
Interests in joint ventures	39	(d)	14,185	14,224
Property, plant and equipment	100,673	(a)(b)(d)	(25,442)	75,231
	133,045		(25,436)	107,609
Liabilities				
Current liabilities				
Trade and other payables	2,907	(d)	(7)	2,900
Current tax liabilities	7		-	7
Short-term financial liabilities	4,941		-	4,941
Current portion of finance leases	1,720		-	1,720
Current portion of long term debt	1,000		-	1,000
Current portion of provisions	795		-	795
	11,370		(7)	11,363
Non-current liabilities				
Finance leases	685		-	685
Long-term debt	4,652		-	4,652
Provisions	872	(a)	2,039	2,911
Non-controlling interest	-	(e)	-	-
	17,579		2,032	19,611
Shareholders' equity				
Share capital	149,592		-	149,592
Contributed surplus	20,849	(e)	(75)	20,774
Accumulated other comprehensive income	21,112	(c)	(18,889)	2,223
Deficit	(76,087)		(7,128)	(83,215)
Equity attributable to shareholders of the parent company	115,466		(26,092)	89,374
Non-controlling interest	-	(e)	(1,376)	(1,376)
Total equity	115,466		(27,468)	87,998
	133,045		(25,436)	107,609

[1] Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

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

15. Transition to IFRS *(continued)*

Reconciliation of statement of loss and comprehensive loss for the three months ended March 31, 2010 (in thousands, except per share amounts)	Canadian GAAP [1] (audited) $	Note	Effect of transition to IFRS $	IFRS (un-audited) $
Sales	4,884		-	4,884
Cost of goods sold	(4,937)		-	(4,937)
Reversal of provision for annual minimum freight volume penalty	1,800		-	1,800
Amortization, depletion and depreciation	(1,257)	(a)	268	(989)
	(4,394)		268	(4,126)
Gross (loss) profit	490		268	758
Selling, general and administrative expenses	(1,257)		-	(1,257)
Shipping contract renegotiation costs	(5,991)		-	(5,991)
	(7,248)		-	(7,248)
Operating loss	(6,758)		268	(6,490)
Interest income	308		-	308
Interest expense	(55)	(a)	(49)	(104)
Foreign exchange gain (loss)	(212)	(b)	342	130
Income from equity accounted interests in joint ventures	22	(d)	38	60
Other gains and losses	8	(d)	(39)	(31)
	71		292	363
Loss before taxes	(6,687)		560	(6,127)
Income tax expense	(65)		-	(65)
Loss for the period	(6,752)		560	(6,192)
Other comprehensive income				
Foreign currency translation	4,266	(b)	(2,567)	1,699
Other comprehensive income (loss) for the period	4,266		(2,567)	1,699
Total comprehensive loss for the period	(2,486)		(2,007)	(4,493)
Loss attributable to:				
Shareholders of the parent company	(6,505)		546	(5,959)
Non-controlling interest	(247)	(e)	14	(233)
	(6,752)		560	(6,192)
Total comprehensive income (loss) attributable to:				
Shareholders of the parent company	(2,239)	(b)	(2,245)	(4,484)
Non-controlling interest	(247)	(e)	238	(9)
	(2,486)		(2,007)	(4,493)
Loss per share:				
Basic and diluted loss per common share	(0.13)	-	0.02	(0.11)
Weighted average number of common shares outstanding	53,225	-	-	53,225

[1] Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

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

15. Transition to IFRS *(continued)*

Reconciliation of statement of loss and comprehensive loss for the year ended December 31, 2010 (in thousands, except per share amounts)	Canadian GAAP [1] (audited) $	Note	Effect of transition to IFRS $	IFRS (un-audited) $
Sales	18,017		-	18,017
Cost of goods sold	(19,207)		-	(19,207)
Reversal of provision for annual minimum freight volume penalty	1,005		-	1,005
Amortization, depletion and depreciation	(5,253)	(a)	1,108	(4,145)
	(23,455)		1,108	(22,347)
Gross (loss) profit	(5,438)		1,108	(4,330)
Selling, general and administrative expenses	(5,566)	(d)	132	(5,434)
Shipping contract renegotiation costs	(5,991)		-	(5,991)
	(11,557)		132	(11,425)
Operating loss	(16,995)		1,240	(15,755)
Interest income	571		-	571
Interest expense	(912)	(a)	(200)	(1,112)
Foreign exchange gain (loss)	(1,112)	(d)	1,343	231
Income from equity accounted interests in joint ventures	122	(d)	(108)	14
Other gains and losses	2,000	(d)	(39)	1,961
	669		996	1,665
Loss before taxes	(16,326)		2,236	(14,090)
Income tax expense	(211)		-	(211)
Loss for the period	(16,537)		2,236	(14,301)
Other comprehensive income				
Foreign currency translation	6,574	(b)	(4,016)	2,558
Other comprehensive income (loss) for the period	6,574		(4,016)	2,558
Total comprehensive loss for the period	(9,963)		(1,780)	(11,743)
Loss attributable to:				
Shareholders of the parent company	(15,739)		2,635	(13,104)
Non-controlling interest	(798)	(e)	(399)	(1,197)
	(16,537)		2,236	(14,301)
Other comprehensive income (loss) attributable to:				
Shareholders of the parent company	(9,165)	(b)	(1,716)	(10,881)
Non-controlling interest	(798)	(e)	(64)	(862)
	(9,963)		(1,780)	(11,743)
Loss per share:				
Basic and diluted loss per common share	(0.30)		0.05	(0.25)
Weighted average number of common shares outstanding	53,238			53,238

[1] Certain Canadian GAAP numbers have been presented differently to conform to IFRS.

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

15. Transition to IFRS *(continued)*

(a) Property, plant and equipment

IFRS requires each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately over its own useful economic life. The Company has applied IAS 16 on a retrospective basis and has identified assets to be separately componentized. At March 31, 2010, this amounted to a decrease in property, plant and equipment of $641,179 (December 31, 2010 - $856,938; January 1, 2010 - $628,862) on transition to IFRS.

The Company reassessed the provision for environmental rehabilitation in accordance with IFRS, which resulted in an increase of $2,434,465 at March 31, 2010 (December 31, 2010 - $2,406,014; January 1, 2010 - $2,450,650) which was included in property, plant and equipment. The changes required under IFRS primarily relate to the use of a country specific risk-free rate under IFRS. At March 31, 2010, $2,644,854 (December 31, 2010 - $2,621,292; January 1, 2010 - $2,510,449) was recognized as an increase in the provision for environmental rehabilitation. Cumulative additional depletion at March 31, 2010 of $113,690 (December 31, 2010 - $142,141; January 1, 2010 - $97,505) was recorded due to the increase in the amounts capitalized to property, plant and equipment. Accretion due to changes in the provision for environmental rehabilitation decreased by $7,953 at March 31, 2010 (December 31, 2010 - $31,515).

In accordance with IFRS 1, the Company elected to measure certain assets at the Orca Quarry, the Richmond Terminal, and the Eagle Rock Quarry Project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of these assets at January 1, 2010 resulted in a $23.0 million reduction in the carrying value of property, plant and equipment and a corresponding adjustment to opening retained earnings. The adjustment impacted the amortization recorded in subsequent periods as follows; three months ended March 31, 2010 decreased $284,000, and the year ended December 31, 2010 decreased $1,143,000.

(b) The effect of changes in foreign exchange rates

As part of the transition to IFRS, the Company identified differences in the application of functional currencies to its US subsidiaries in its consolidated financial statements in accordance with IAS 21, “Effects of Changes in Foreign Exchange Rates”, compared to previous Canadian GAAP.

(c) Cumulative translation differences

The Company has elected to set the previously accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010.

(d) Joint venture interests

In accordance with IFRS, all joint ventures which qualify as jointly-controlled entities, as defined in IAS 31, “Interests in Joint Ventures”, are required to be accounted for using the equity method Canadian GAAP allowed joint ventures to be proportionately consolidated or the use of the equity method was permissible where the investment was considered a variable-interest entity for which the investor was not considered the primary beneficiary. The Company therefore applies the equity method of accounting for its investments in joint ventures under IFRS.

(e) Non-controlling interest

The Company previously presented non-controlling interest below liabilities in the statement of financial position as required by Canadian GAAP. IFRS specifies that non-controlling interest is presented as a component of equity.

(f) Explanation of material adjustments to the cash flow statement for 2010

Cash balances and changes in working capital have been adjusted for the equity method of accounting for the Company’s investments in joint ventures under IFRS (Note 6).

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under Canadian GAAP for the quarter ended March 31, 2010.

(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending March 31, 2011

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of June 13, 2011, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's 2010 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's IFRS transition date was January 1, 2010, 2009 comparative information included in this MD&A has not been restated. For a complete understanding of the impact of adopting IFRS, refer to note 15 to the financial statements. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All amounts are in United States dollars unless otherwise noted.

Highlights

- **Inventory levels at the terminals around San Francisco Bay fell substantially during the quarter as the usage of Orca Quarry materials exceeded the ordered shipments. The increased level of demand is expected to continue throughout the year and the Company will seek an opportunity to rebuild inventories.**

- **Public sector infrastructure spending on major projects increased significantly in northern California leading Polaris to request additional shipments to San Francisco over the remainder of 2011.**

- **Additional letters of intent to purchase the Pier B freehold land were received and the sale process recommenced.**

Results of Operations

The Company incurred a net loss attributable to shareholders of $3.7 million ($0.07 per share) during the three months ended March 31, 2011, compared to a net loss attributable to shareholders of $6.0 million ($0.11 per share) in 2010. The net loss for the quarter is mainly attributable to a continuing low level of sales and production.

Revenue for the three months ended March 31, 2011 decreased to $3.7 million, compared with $4.9 million in 2010. Sales of 300,000 tons represented a 20.0% decrease from sales of 376,000 tons in the three months ended March 31, 2010. The prime reason for this lower volume was that it simply reflected the number of shipments that had been ordered for the first quarter of 2011 before the Company became aware of the rate at which customer inventories were declining. The Company is required to order ships 90 days in advance.

(000's, except per ton amounts)	**Three months ended March 31, 2011**		Three months ended March 31, 2010	
	Tons	**$**	Tons	$
Sales	**300**	**3,727**	376	4,884
Gross loss		**(2,039)**		758[1]
Gross loss per ton		***(6.80)***		*2.02*

[1] Includes reversal of the $1.8 million provision for annual minimum freight volume penalties accrued for under the Company's original shipping contract (see Obligations, Commitments and Contingencies).

The Company incurred a gross loss of $2.0 million in the quarter, principally the result of the lower level of tons sold. This compared to a gross profit of $0.8 million in 2010 which included the positive impact of the reversal of a $1.8 million provision for annual minimum volume penalties.

Average revenue per ton is influenced on a quarter by quarter basis by the currency exchange rate, shipping fuel surcharges, the distribution of tonnage delivered to the various California terminals and the varying percentage between delivered and ex-quarry sales. Further, the volume of tons sold in any particular quarter can be significantly affected, positively or negatively, by the timing of specific voyages delivering product into San Francisco Bay.

Shipping Fuel Surcharges

The Company's two major supply agreements in northern California were amended at the beginning of 2009 such that the Company absorbs changes in the cost of shipping fuel during a quarter and then passes the cost, or benefit, through to the customer during the following quarter. Prior to this amendment the fuel surcharge recovery had been made on an annual, rather than quarterly, basis. The commencement selling prices to both customers reflected actual fuel costs at the time of entering into the contracts.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of IFO180/380, the main fuels used in shipping, the Company's delivered price is impacted, positively or negatively, by approximately 3.6 cents per ton.

Other Charges

During the three months ended March 31, 2011, selling, general and administrative expenses of $1.6 million, were reasonably consistent when compared with $1.3 million in the same period for 2010. This continued lower level of general and administrative expenses was principally due to cost reductions in salaries and wages at the Orca quarry, travel, and investor relations that have continued from 2010. However, significant additional professional costs arose that were attributable to the transition to the new IFRS accounting standards.

The majority of the Company's sales and shipping costs are denominated in US dollars. Costs at the Orca Quarry are incurred in Canadian dollars and as such are susceptible to fluctuations in foreign exchange rates upon reporting. Sales into Vancouver, BC, which are denominated in Canadian dollars, offset a portion of the cash costs of production at the Orca Quarry and provide a partial hedge to the Company. Additionally, fixed quarry costs per ton fluctuate significantly with the level of production.

Segmented Analysis

The Company operates in one segment: the development and operation of construction aggregate properties and projects located in the United States and Canada.

Summary of Quarterly Results

The selected financial information set out below is based on and derived from the unaudited consolidated financial statements of the Company for each of the quarters listed:

($000's)	2011	2010				2009		
	Mar 31	Dec 31[(3)]	Sept 30[(3)]	June 30[(3)]	Mar 31[(3)]	Dec 31[(4)]	Sept 30[(4)]	June 30[(4)]
Revenue	**3,727**	2,905	5,505	4,723	4,884	5,168	4,522	6,217
Loss from operations	**(3,632)**	(2,477)	(3,537)	(3,251)	(6,490)[(1)]	(3,421)[(2)]	(4,771)[(2)]	(1,859)
Net loss attributable to shareholders of Polaris	**(3,704)**	(684)	(2,628)	(3,833)	(5,959)[(1)]	(7,894)[(2)]	(5,230)[(2)]	(3,337)
Basic and diluted net loss per share	**(0.07)**	(0.02)	(0.05)	(0.07)	(0.11)	(0.15)	(0.10)	(0.06)
(000 Tons)								
Sales	**300**	178	381	344	376	391	336	487
Production	**267**	212	330	360	503	372	259	432

(1) Three months ended March 31, 2010 includes a reversal of the $1.8 million provision for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

(2) Three months ended September 30, 2009 includes a $1 million provision and the three months ended December 31, 2009 includes an additional $800,000 provision, for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

(3) The financial results for the period commencing January 1, 2010 have been restated in accordance with IFRS and have not been previously disclosed.

(4) The financial results for the periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

See Customers section for discussion of quarterly and general trends.

Liquidity and Capital Resources

Working Capital

At March 31, 2011, the Company had negative working capital of $2.2 million that included cash of $2.6 million and a current liability of $5.1 million arising from a short term loan due in November 2011. The Company had working capital of $0.1 million and cash of $5.3 million at December 31, 2010. The Company also expects to receive $2.35 million near the end of June as an early pre-payment in full on its outstanding loan of $4.5 million representing a 48% discount. This receipt is part of a planned realization of capital from any non-core assets and the Company is also in discussions to sell its interests in the Numas Warrior berthing tug which should realize approximately $1.2 million. The Company continues to work on the sale of the Pier B land but the timing for closing the sale is uncertain. In order to strengthen the balance sheet in the short and long term, the Company intends to seek other sources of funding (see *Risks and Uncertainties*).

Operating, Financing and Investing Activities

For the three months ended March 31, 2011, cash used was $2.7 million compared with cash used of $1.9 million for the three months ended March 31, 2010.

Operating activities used cash of $2.1 million for the three months ended March 31, 2011, compared to cash used of $2.6 million in 2010. Continuing generally low levels of demand for aggregate products, as a consequence of the severe economic recession, particularly in California, continued to use cash flows from operations. Financing activities used cash of $0.9 million for the three months ended March 31, 2011, compared to cash used of $0.2 million for the same period in 2010. Financing activities for the period related mainly to payment of annual minimum volume penalties and principal repayments for finance leases. Investing activities during the three months ended March 31, 2011, were $0.3 million compared to $0.8 million for the same period in 2010.

The Company needs to obtain additional financing to fund operations, develop further terminals and, depending on satisfactory market evaluation, advance the development of the Eagle Rock Quarry (see *Risks and Uncertainties*).

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

The Company's Contract of Affreightment ("CoA"), which is effective from January 1, 2010 with a term of 20 years, requires it 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 2011 minimum shipping commitment is 1,984,000 short tons. 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 CoA. For the three months ended March 31, 2011, the Company accrued $119,890 for penalties associated with the annual minimum volume requirement.

There is a full discussion and description of the Company's contractual obligations, commitments and contingencies in the Year Ending December 31, 2010 Management's Discussion and Analysis.

Non-GAAP Measures

Adjusted Loss

The Company has prepared a calculation of adjusted loss for the period in order to better reflect underlying business performance by removing certain non-cash adjustments from its IFRS calculation of loss as it believes this may be a useful indicator to investors. Adjusted loss may not be comparable to other similarly titled measures of other companies.

($000's, except per share amounts)	**Three months ended March 31, 2011**	Three months ended March 31, 2010
Net loss for the period attributable to shareholders of Polaris	**(3,704)**	(5,959)
Adjustments		
Provision (reversal) of provision for annual minimum volume penalties	**120**	(1,800)
Share-based employee benefits	**33**	32
Shipping contract restructuring costs	**-**	5,991
Other gains and losses	**11**	31
Adjusted net loss for the period	**(3,540)**	(1,705)
per share	***(0.07)***	*(0.03)*

EBITDA and Adjusted EBITDA

EBITDA, adjusted EBITDA, EBITDA per share and adjusted EBITDA per share ("EBITDA Metrics") are non-GAAP financial measures. EBITDA and EBITDA per share represent net income, excluding income tax expense, interest expense and amortization and accretion. Adjusted EBITDA and adjusted EBITDA per share better reflects the underlying business performance of the Company by removing certain non-cash adjustments from its calculation of EBITDA and EBITDA per share. The Company believes that the EBITDA Metrics trends are valuable indicators of whether its operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. The Company uses the results depicted by the EBITDA Metrics for these purposes, an approach utilized by the majority of public companies in the construction materials sector. The EBITDA Metrics are intended to provide additional information, do not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently. The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure.

($000's except per share amounts)	**Three months ended March 31, 2011**	Three months ended March 31, 2010
Net loss for the period attributed to shareholders of Polaris	**(3,704)**	(5,959)
Interest expense	**428**	104
Income tax expense[(1)]	**160**	65
Amortization, depletion and accretion	**1,176**	989
EBITDA	**(1,940)**	(4,801)
per share	***(0.04)***	*(0.09)*
Adjustments		
Provision for (reversal of) annual minimum volume penalties	**120**	(1,800)
Share-based employee benefits	**33**	32
Shipping contract restructuring costs	**-**	5,991
Other gains and losses	**11**	31
Adjusted EBITDA	**(1,776)**	(547)
per share	***(0.03)***	*(0.01)*

(1) The income tax expense arises in one of the Company's US subsidiaries. The Company plans to effect a reorganization of its US subsidiaries that should reduce these taxes in the future.

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

During the quarter, the demand for sand and gravel to be delivered into the San Francisco Bay area increased significantly, resulting in additional shipments being planned for the remainder of the year. The outcome should be an increase in sales to California this year of the order of 25–40% compared with last year. The first quarter sales did not reflect this change because, being winter and subject to adverse weather, the Company's shipping orders had been conservative to avoid exceeding anticipated customer requirements which would have maximized inventories and reduced flexibility for the remainder of the year. Shipping is committed 90 days in advance and when it became apparent, midway through the quarter, that demand had picked up it was too late to affect the first quarter schedule and customer inventories were substantially reduced by the end of the quarter. The prime reason for this welcome change in the market in northern California is a significant number of new major infrastructure projects which supports the assertion made by state authorities some two years ago, that the priority was to build new capacity and as such there would be a longer lead time to the projects.

Average selling prices remained stable during 2010, however, in the light of pricing pressures being faced by our customers, the Company has introduced certain price incentives designed to protect its market position and enable volumes to be maximized in 2011. This initiative appears to be achieving its objective and will positively influence unit production costs at the quarry and mitigate potential shipping volume penalties. The overriding influence to the level of trading continues to be the severity of the economic recession. The US Bureau of Labor Statistics reported that construction unemployment in May, 2011, was 16.1% compared with the national average of 9.1%. Statistics from the US Geological Survey during the quarter reported an overall 4.1% decline in construction aggregate demand in California in 2010, compared with the previous year. It is important to note that state-wide statistics do not necessarily depict specific local market situations accurately. This would particularly be the case when comparing the San Francisco Bay area with, for example, the Sacramento area where the previous private housing boom has collapsed. The Company believes that the current increased level of demand being experienced by its California customers should continue ahead of a broader economic recovery.

Of particular concern to the construction industry is the continuing absence of a multi-year surface transportation act since the previous SAFTE-LU bill was not reauthorized as had been widely expected. In March, 2011, Congress passed only a seven month Surface Transportation Extension Act which set the total obligation limitation levels for transportation funding at $52.7 billion for Fiscal Year 2011. However, the absence of a longer term commitment creates a lack of financial certainty which is preventing states and local governments from advancing vital highway projects that stretch many years beyond the short term financial authorization. This inertia is a major contributor to the high levels of unemployment in the construction industry. US Department of Transportation estimates indicate the need to increase current levels of investment by $27 billion per year simply to sustain highway conditions and an additional $96 billion per annum to make cost-beneficial highway improvements and eliminate the backlog of bridge repairs and replacements.

In respect of private sector construction investment, the Company believes that the current difficulties being experienced in private housing will continue until such time as the impact of foreclosures is mitigated and employment increases. As a consequence, we expect that private house building is unlikely to show significant growth before 2013, however, this sector is less influential than private commercial investment. The Company's major markets around San Francisco Bay are expected to benefit from gradually increasing private investor confidence in 2011. Recent independent economic research concluded that the combination of a strong California Department of Transportation program, together with an improving private investment outlook, would produce a growth in construction output around the Bay in 2011 that would be stronger than the state average and this projection appears to be being realized.

In Hawaii, discussions with customers have focused on the commencement of certain infrastructure projects in and around Honolulu. Sales from the Orca Quarry, however, are expected to be largely unchanged through 2011 because of continuing weakness in the private development sector that is such a large part of the island's economy. The company is investigating new markets for its products, particularly in significant military projects in the region and will continue to devote energy in this direction.

Despite the unprecedented decline in construction since 2005, which has reduced California aggregate consumption by 52%[1], the Company still believes that the fundamental factors which underpinned the original investment and growth strategy are still in place. Local reserves of construction aggregate continue to decline, albeit at a reduced rate and the development of new replacement quarries is still strongly opposed by local residents in those markets crucial to our business. Transportation costs by road and rail, when required to supplement local shortages, will continue to increase and marine transportation alternatives, for which the Company is well positioned, remain viable. This view was endorsed in the January 2011 San Diego Region Aggregate Supply Study prepared under the direction of SANDAG (San Diego Area Governments) who stated; "One of the challenges facing this region is how to meet the increasing demand for aggregate at a time when the local supply is shrinking", this being particularly with reference to materials necessary to meet planned public sector expenditure. The report highlighted the need for further land based resources, coupled with the requirement to import materials by ship, train or barge.

Assuming that volatility in world issues such as oil supply and prices do not unduly influence the US and Canadian economies, the Company expects that the economic recovery will continue. This should stimulate increased construction activity and the decline in local aggregate resources will again accelerate and the need for marine imported materials will become increasingly significant. The Company remains focused on advancing terminal expansion plans, particularly in southern California and to develop market penetration through its existing long-term supply agreements. In this respect the leasehold site secured in 2010 within the Port of Long Beach, CA, is a significant element of the development strategy (see "*Marine Terminals*").

[1] It should be noted that the US Geological Survey frequently revises statistics as additional or updated data becomes available and there might be small differences with previously reported numbers for this reason.

OPERATIONS

Quarry Properties

The Orca Quarry is situated to the west of the town of Port McNeill, British Columbia, and commenced shipments of high quality sand and gravel construction aggregates to west coast ready mix concrete producers in March 2007. Mineral extraction takes place from the East Cluxewe deposit which contained a reserve of 134 million tons at the commencement of operations in 2007. Estimates of remaining reserves are contained in the Company's Annual Information Forms.

The Company has also explored additional lands in the Orca Quarry area, over which it has certain rights, referred to as the East Cluxewe Extension and West Cluxewe deposits. After due consideration of the resource, environmental and permitting factors relative to these areas, the Company has decided to make the East Cluxewe Extension deposit, which is contiguous with its current operations, the first priority to be followed by the West Cluxewe deposit.

The Company also owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater alongside the Alberni Inlet near Port Alberni, British Columbia. The Eagle Rock Quarry received its mine permit in 2003 and renewed its Environmental Assessment Certificate from the Province of BC, which now expires in September 2013. The Company is actively seeking market outlets which would support the development of the quarry to produce crushed rock construction aggregate products. Eagle Rock Quarry products are also expected to be shipped in bulk ocean-going carriers to coastal urban markets along the west coast of North America and Hawaii. This high quality aggregate is anticipated to be ideal for asphalt manufacture and over time is expected to be a significant source of coarse aggregate for use in concrete when it will complement Orca Quarry which produces a high proportion of natural sand. The effects of the recession have made it difficult to predict when it might be possible to advance this project to a construction phase.

Marine Terminals

The Company is still at a relatively early stage of development despite having commenced production in 2007. Significant management time and expense is being devoted to developing additional marine receiving terminals in key markets which will be essential in reaching optimum economies of scale and profitability. Opportunities to develop suitable marine terminals are scarce and access, whether through owned and operated or third party facilities, is a key component in the logistical chain. The Company currently delivers construction aggregate to four terminals in San Francisco Bay. The Richmond Terminal, owned and operated by the Company, has a permitted capacity of 1.5 million tons per year and serves the north and east Bay areas. The Redwood City terminal in southwest San Francisco Bay and the Pier 92 terminal near downtown San Francisco are owned and operated by the Company's strategic alliance partner, Cemex, having a combined annual capacity of over 1.5 million tons. The Landing Way Depot, on the Petaluma River in Sonoma County, owned and operated by Landing Way Depot, Inc., has an annual capacity of approximately 1.25 million tons and serves the requirements of Shamrock Materials Inc.

The Company's strategic objectives include the development of marine terminals in southern California. To further this objective, the Company, together with Cemex, formed a joint venture company, Cemera Long Beach, LLC ("Cemera"), to develop a marine aggregates terminal in the Port of Long Beach, California. Cemera purchased a 12.4 acre parcel of freehold land in the Port of Long Beach, California, in 2008, known as the Pier B site. This land was acquired with the intention of developing a major receiving and distribution terminal for aggregates from the Company's quarry properties. However, in the third quarter of 2009, the Company secured an option to lease an existing marine aggregate importing terminal also in the Port of Long Beach, California, at Berth D-44. This 8.3 acre site is privately owned and has operated for many years receiving construction aggregates from barges with storage in open stockpiles. The site, which is permitted to receive and distribute up to 3 million tons of construction aggregates per year, is located on a deepwater channel and is close to Interstate 710, which services the greater Los Angeles area.

Following satisfactory due diligence, the Company entered into a lease of Berth D-44 on July 1, 2010 which has an initial five year term with three, five year, options to extend the term at the Company's request. The Company believes that, subject to receipt of certain variations to the existing Development Permit, operations could commence in 2012. As a consequence of leasing the Berth D-44 site, Cemera resolved to sell the Pier B land and entered into a purchase and sale agreement for the Pier B land in November 2010. Unfortunately, following the successful completion of due diligence and waiver of that condition, the purchaser exercised the right to withdraw for economic reasons. Following considerable interest that had resulted in the receipt of additional letters of intent to purchase the property, the Company selected a final bidder and recommenced the sale process during the first quarter of 2011. Because of delays outside of the Company's control, it is now anticipated that a further sale and purchase agreement will be entered into during the third quarter. Net proceeds to the Company are estimated to be approximately $14.0 million.

The Company, through its jointly owned subsidiary company, Cemera San Diego, LLC, is also pursuing an opportunity in the Port of San Diego for the development of a marine aggregate terminal to service the San Diego market, which has significant aggregate supply deficiencies. On August 4, 2009, The Port of San Diego granted Cemera San Diego, LLC, an exclusive negotiating agreement (the "ENA") for an option to lease and develop an approximate 100,000 square foot building located at the Tenth Avenue Marine Terminal for the purpose of receiving and distributing aggregates. On February 28, 2010, the ENA expired; however, the Port of San Diego issued a comfort letter in succession to the ENA and the parties continue to negotiate in good faith to agree on the terms of the option to lease. The Company expects to advance this opportunity over the next two years.

SHIPPING

The Company is currently shipping its products from Vancouver Island, British Columbia, to San Francisco Bay by self-unloading Panamax vessels provided by CSL International Inc ("CSL"). Customers in Hawaii and Vancouver, BC, are supplied on an ex-quarry basis into vessels or barges provided by them.

On arrival in San Francisco Bay, CSL's vessels are partially unloaded while at anchor ("lightered") into barges provided by Shamrock Materials Inc. under the terms of a twenty-year aggregate supply agreement, or onto a barge operated by an independent towing contractor on behalf of Cemex. After lightering, the balance of the cargo may be unloaded at Cemex's Redwood City terminal or at the Company's Richmond Terminal. These arrangements offer the most economic shipping solution by utilizing fully loaded Panamax vessels from Vancouver Island to San Francisco Bay. However, the continuing low levels of demand for construction aggregates has had the effect of slowing the Company's previously anticipated rate of growth and created situations where individual ship dead freight costs have been incurred, most recently during the second quarter of 2010. It is anticipated that a return to previous levels of demand for Orca Quarry products in northern California, similar to those experienced during 2008, would again maximize shipping efficiency.

A serious consequence of this unprecedented decline in the California construction market was that the Company was unlikely to meet its contractual shipping commitments commencing with the third contract year ending July 17, 2010 and as a result, the Company entered into negotiations with its exclusive shipper, CSL, to restructure its contractual commitment. These negotiations were concluded in March 2010. (See: *"Contractual Obligations, Commitments and Contingencies")*

The lower mainland of British Columbia is supplied with sand and gravel on a regular basis using barges provided by the customer and unloaded at two terminals located on the Fraser River. Sales to Hawaii are made via CSL self-discharging vessels contracted by the Company's Hawaiian customer.

CUSTOMERS

The Company's Strategic Alliance with Cemex, which was established in 2007, provides for the joint development of new port receiving terminals on the US west coast that will ultimately be required to achieve the Orca Quarry's permitted production of 6.6 million tons per year. Either company may proceed with a legitimate terminal development project should the alliance partner decline the right to participate for any reason. The long-term supply agreement with Shamrock Materials is important from both a sales and logistics perspective. Shamrock and Cemex together currently account for approximately 80% of the Company's tons sold.

Cemex, a public company headquartered in Mexico, is one of a small number of major international cement producers, as well as a major producer of construction aggregate and ready mixed concrete. The Company maintains a close working relationship with Cemex management. Shamrock Materials is a well established private company and close relations are maintained with the principals.

The Company has supply contracts with customers in Hawaii and Vancouver, BC both of which are substantial private companies with whom management maintains close relationships.

As a consequence of the Company's four purchase and supply contracts, the Company's base selling prices, net of recovered shipping fuel surcharges, remained stable throughout 2009 and 2010. In the light of recent price pressures being faced by our customers, the Company has offered certain price incentives designed to maintain market share and enable volumes to be maximized in 2011. The Hawaiian contract is linked to a Producer Price Index which has short term fluctuations and the British Columbia pricing is affected upon translation by the Canadian dollar exchange.

SALES AND SEASONALITY

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions can 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 also sensitive to market conditions and particularly to cyclical swings in construction spending. Sales related to construction projects delayed by poor weather tend to be recovered as projects accelerate to meet deadlines in the following periods. Historically, the highest sales are achieved in the summer (second and third quarters) of any year and the lowest realized in the winter (first and fourth quarters) when construction activity may be impacted by adverse weather.

Related Party Transactions

During the period ended March 31, 2011 and 2010, directors, either directly or through a company controlled by them, provided to the Company, services at a cost of $106,936 (March 31, 2010 - $106,507) which are included in general and administrative expenses. At March 31, 2011, accounts payable of $33,530 (March 31, 2010 - $37,434; December 31, 2010 - $27,315) was due to a company controlled by a common director.

During the three months ended March 31, 2011, a related party provided tug berthing services to the Company at a cost of $252,373 (March 31, 2010 - $383,760). At March 31, 2011, included in trade payables and accrued liabilities was $105,000 (December 31, 2010 - $76,500) due to the related parties.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

International Financial Reporting Standards

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly accountable enterprises, with a transition date of January 1, 2010. Effective for the first quarter of 2011, the Company prepares its financial statements in accordance with IFRS. The comparative financial information of 2010 in this Management Discussion and Analysis has also been restated to conform to IFRS.

As previously discussed in the Company's MD&A for the year ended December 31, 2010, the Company implemented its conversion from Canadian GAAP to IFRS through a transition plan with the help of third party advisors. The final phase, which involves the maintenance of sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond, will be carried out throughout 2011.

The conversion from Canadian GAAP to IFRS as a primary basis for preparing the Company's consolidated financial statements has resulted in the following:

(a) Changes in the Company's accounting policies;
(b) Changes to the Company's financial reporting process and systems;
(c) Incremental controls relating to the conversion and the design, implementation and testing of changes to the Company's financial reporting process and systems;
(d) Additional financial expertise and training requirements.

The accounting policies adopted by the Company for the first IFRS annual consolidated financial statements for the year ending December 31, 2011 may differ from the significant accounting policies used in the preparation of the Company's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011. The consolidated interim financial statements for the first quarter of 2011 should be read in conjunction with the Company's 2010 annual financial statements prepared in accordance with Canadian GAAP and in consideration of the IFRS transition disclosures included in Note 15 to the consolidated interim financial statements of the first quarter of 2011.

Transitional Financial Impact

To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, the following analysis is provided. Please refer to the Company's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011 which have been prepared in accordance with existing IFRS standards for full restatements of the consolidated statement of financial position as at December 31, March 31 and January 1, 2010 and statements of earnings and comprehensive income for the three and twelve months ended March 31 and December 31, 2010, respectively, as previously reported and prepared in accordance with Canadian GAAP.

Property, Plant & Equipment

Canadian GAAP allows components of plant and equipment to be capitalized as a single asset if allocation to separate classifications is impractical. Costs incurred subsequent to the initial purchase are capitalized when they constitute 'betterment', defined as either: increased production capacity, extension of useful life or when associated operating costs are reduced. Otherwise, these costs are expensed. Under IFRS, costs incurred for plant and equipment on initial recognition are allocated to significant components, capitalized and depreciated separately over the estimated useful lives of each component. Costs incurred subsequently are capitalized when it is probable that future economic benefits will flow and the costs can be measured reliably. Upon capitalization, the carrying amount of components replaced, if any, are derecognized. The adjustment for the year ended December 31, 2010 as a result of the impact of componentization is approximately a $0.9 million decrease to property, plant and equipment with a corresponding increase in retained deficit. The Company has elected to use the fair value of certain assets at the Orca Quarry, the Richmond Terminal, and the Eagle Rick Quarry Project at the transition date as their deemed cost. The fair value of these assets at January 1, 2011 resulted in a $23 million reduction in the carrying value of property, plant and equipment and a corresponding adjustment to opening retained earnings. The adjustment impacted the amortization recorded in the periods as follows; three months ended March 31, 2010 decreased $284,000 and the year ended December 31, 2010 decreased $1,143,000.

Environmental Rehabilitation Provision

Canadian GAAP and IFRS differ in the calculation of environmental rehabilitation provisions, including the recognition of provisions based on the concept of legal and constructive obligations when probable and the measurement requirements for discounting using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the liability. The adjustment to the opening balance sheet as a result of using a different discount rate under IFRS is approximately a $2.5 million increase to the environmental rehabilitation provision with a corresponding increase to property, plant and equipment of $2.4 million and retained deficit of $0.1 million. At December 31, 2010 the Company revised its estimate of cash flows expected to be incurred in the settlement of the environmental rehabilitation provision, this resulted in a $0.5 million adjustment to decrease the provision using a different discount rate under IFRS. The overall impact of the revision in estimated cash flows is a decrease in the provision of $2.3 million.

The Effects of Changes in Foreign Exchange Rates

IAS 21 – *The Effects of Changes in Foreign Exchange Rates* has differences from Canadian GAAP in the assessment of and application of functional currency of the companies within the consolidated financial statements. Accordingly, as part of the transition to IFRS, the Company identified differences in the application of functional currencies to its US subsidiaries.

Joint Ventures

The Company consolidates the venture in Cemera Long Beach LLC using the equity method of consolidation under IAS 31 – *Interest in Joint Ventures* whereby the Company records the initial costs of the joint venture and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the joint venture after the date of acquisition. This is a change in accounting policy from the Canadian GAAP treatment of proportional consolidation. The adjustment for the year ended December 31, 2010 as a result of using equity accounting is an increase in investments of $14.2 million and a reduction in assets held for sale, cash and accounts payable and accrued liabilities by a similar amount.

Cumulative Translation Differences

The Company has recognized the cumulative translation differences from translating foreign operations previously recorded in AOCI in retained earnings at January 1, 2010. This has an impact of $14.5 million and sets the Company's AOCI to Nil at January 1, 2010.

Non-controlling Interest

The Company previously presented non-controlling interest ("NCI") below liabilities in the statement of financial position as required by Canadian GAAP. IFRS specifies that non-controlling interest is presented as a component of equity. After the date of transition, total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. As a result NCI with IFRS is different compared to Canadian GAAP. The adjustment at December 31, 2010 is $1.4 million.

Control Activities

Control activities: Internal control over financial reporting
Management continues to assess the changes necessitated to maintain the integrity of internal control over financial reporting. The required accounting process changes that resulted from the application of IFRS accounting policies were not significant. The Company has completed the design, implementation and documentation of the internal controls over accounting process changes that resulted from the application of IFRS accounting policies and will continue to update them as experience is gained.

Control activities: Disclosure controls and procedures
All accounting policy changes from the transition to IFRS and the corresponding adjustments to the financial statements were subject to review by senior management and approval by the audit committee of the board of directors.

The transition to IFRS has not had a significant impact on the Company's information systems.

Future Expected Changes to IFRS

Continuous monitoring of current IFRS developments is an imperative consideration in the design and implementation phase as multiple changes are expected to come into effect from projects delineated by the timetable of the International Accounting Standard Board as the Company transitions to IFRS, and in subsequent years.

Joint Arrangements
IFRS 11, *Joint Arrangements*, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. IAS 28, *Investments in Associates and Joint Ventures,* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

The Company does not expect the new standard to have a significant impact on its consolidated financial statements as it already applies the equity method of accounting for Joint Ventures.

Financial Statement Presentation (Presentation of Other Comprehensive Income)
The Presentation of Other Comprehensive Income ("OCI") is a part of the Phase B of the Financial Statement Presentation project. In May 2010, the IASB published for public comment an ED "Presentation of Items of Other Comprehensive Income" with proposed changes that aim to address the issues of the lack of distinction between different items in the OCI and the lack of clarity in the presentation of items in OCI. The IASB proposes to group items presented in OCI on the basis of whether they are at some point reclassified ('recycled') from OCI to profit or loss. In addition, the IASB proposes to use the title 'statement of profit or loss and other comprehensive income' for the statement that shall be presented in two sections: profit or loss; and OCI.

Consolidated Financial Statements
IFRS 10, *Consolidated Financial Statements*, established principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and established control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

The Company is currently evaluating the impact, if any, that this standard might have on its consolidated financial statements.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,372,102 were issued and outstanding. The Company also had 3,163,345 options outstanding, exercisable into 3,163,345 common shares of which 2,990,012 are currently vested and 1,575,000 warrants outstanding, all of which are vested.

Risks and Uncertainties

Investment in the securities of the Company involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business. The Company has incurred losses and expects to incur further losses. Prior to making an investment in the Company's securities, prospective investors should carefully consider the information described in this Management Discussion and Analysis, and documents incorporated by reference, including the risk factors set out below. Such risk factors could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company.

The Company's operations will require further capital

The quarrying, processing and development of the Company's properties and terminals, including the property at Berth D-44 in the Port of Long Beach and any future terminals which may be acquired and developed by the Company, will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production of the Company's properties and terminals or even a loss of those property interests. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Any future financing may be dilutive to existing shareholders.

The Company may not secure its intended debt refinancing terms

Although the Company has the right to prepay the loan under the Senior Secured Notes, in full at any time prior to the maturity date of January 1, 2017, there can be no assurance that the Company will be able to find alternate financing upon terms and conditions acceptable to the Company, or at all.

The $5 million credit facility the Company obtained matures on November 8, 2011. There can be no assurance that the Company will be able to repay the credit facility or be able to find alternate financing upon terms and conditions acceptable to the Company, or at all, to replace such credit facility once such credit facility matures.

Current global financial conditions

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the Common Shares could continue to be adversely affected.

During the three months ended March 31, 2011, the Company incurred a net loss of $3.9 million (March 31, 2010 – net loss $6.2 million), had negative cash flow from operations of $2.1 million (March 31, 2010 – negative $2.6 million), and as at March 31, 2011, has a deficit of $87 million (December 31, 2010 - $83 million). Additionally, in November 2011 the Company's short term credit facility of CAD$5 million matures. The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control. These include: improvement in the economic outlook, the recovery of demand for the Company's products, particularly in California, and access to capital markets. These market conditions continue to result in reduced revenues, causing the Company to incur losses. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under its shipping contract.

The Company is seeking to refinance CAD$1.1 million of finance leases for quarrying equipment that otherwise come due in October 2011 and to divest non-core financial assets, so that it may continue to meet its operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold or the Company can raise equity capital.

Reliance on Certain Customers

The Company generates the major proportion of its revenue, approximately 82% in 2010, from sales to two customers, Cemex and Shamrock. The ability of these customers to continue in business could have a material effect on the Company and no assurance can be given in that respect.

The Company may not secure additional construction aggregates sales volumes and prices projected for the Orca Quarry

The value and price of the Common Shares, the Company's financial results, and the Company's development and quarrying activities may be significantly adversely affected if the Company does not secure the sales volumes and prices of construction aggregates intended for the Orca Quarry. Demand for construction aggregates products in the Company's target markets fluctuates and is affected by numerous factors beyond the Company's control such as private sector residential and commercial construction, and public sector construction, including roads, bridges, services, and other infrastructure. The supply of construction aggregates to the Company's target markets may also fluctuate and may be affected by new or expanded local production, or supplies of construction aggregates brought into the target markets by road, rail or vessel. Depending on the sales volumes and prices of construction aggregates, cash flow from quarrying operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some or all of its properties. Future production from the Company's Orca Quarry is dependent on applicable construction aggregates sales volumes and prices being sufficient to make materials extraction from the Orca Quarry economic.

In addition to adversely affecting the Company's financial condition, declining construction aggregates sales volumes and prices can impact operations by requiring a reassessment of the feasibility of the Orca Quarry. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the Orca Quarry. The need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The assumptions made in AMEC's financial analysis of the Orca Project may no longer be reasonable

The financial analysis completed by AMEC of the Orca Project detailed in the 43-101 technical report relies on certain underlying assumptions which may no longer be reasonable as a result of the global economic recession since 2008. The analysis undertaken by AMEC was completed in 2008. The cash flow projections were based on various assumptions including assumptions on the capital costs, operating costs, production and sales volumes and sales revenues over the life of the project which were reasonable at the time the financial analysis was completed. Since 2008, the actual sales values suggest that these assumptions made may no longer be reasonable. Therefore, undue reliance should not be given to AMEC's financial analysis of the Orca Project.

The Company must secure access to discharge points and additional shipping volumes for its products

The Company's business plan includes discharges of Orca Quarry construction aggregates to barges, the Richmond Terminal and to Cemex through its Strategic Alliance with Cemex. Although the Company has access to certain terminals through its Strategic Alliance, there is no certainty that its strategic alliance will secure further joint terminals to meet the increasing deliveries and sales incorporated by the Company in its business plan. If the Company is unable to continue to secure access to additional discharge terminals, or acquire its own discharge terminals, its revenues, operations and financial condition could be materially adversely affected.

Polaris, through a subsidiary Quality Rock Holdings Ltd, and subsidiaries of the Hupacasath and the Ucluelet, First Nations, executed a shareholders' agreement (the "Eagle Rock Shareholders Agreement") governing the affairs of Eagle Rock Materials Ltd. When the Eagle Rock Shareholders Agreement was entered into in 2002, it did not contemplate the construction or use of the Richmond Terminal or other terminals by third parties (including the Orca Partnership) prior to the construction of the Eagle Rock Quarry Project. In addition, the Eagle Rock Shareholders Agreement did not contemplate the marketing, shipment and sale of construction aggregates from other projects prior to the commencement of operations at the Eagle Rock Quarry Project. Eagle Rock Aggregates, Inc., a subsidiary of Eagle Rock Materials Ltd., holds the Richmond Terminal Lease, the building permit for the Richmond Terminal, the corresponding easement and facilities use agreements, and the Company's other potential port interests. Eagle

Rock Aggregates, Inc. also holds the marketing interests of the Company and it is expected that it will continue to manage the Company's operations in the United States, including the shipment and sale of construction aggregates from the Orca Quarry.

The parties to the Eagle Rock Shareholders Agreement have been negotiating and will continue to negotiate the terms and conditions of an arrangement with respect to Eagle Rock Aggregates, Inc. and the financing, construction, and operation of the Richmond Terminal, and the purchase, shipping, distribution and sales of construction aggregates from the Orca Partnership. There is no certainty when or if an agreement will be reached.

The Company's NCoA has sufficient volume capacity to transport approximately 5.787 million short tons of construction aggregates per annum by 2017. To achieve the anticipated sales from the Orca Quarry and the Eagle Rock Quarry Project, the Company will have to secure additional shipping capacity. If the Company is unable to secure the additional shipping volumes, or fails to meet the contracted annual minimum volumes, its revenues, operations and financial condition could be materially adversely affected.

The quarrying industry is competitive

The quarrying industry is competitive and the Company faces strong competition from other quarrying companies, or prospective quarrying companies, in connection with the supply of construction aggregates to the Company's target markets. A number of these companies may have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain quarrying operations on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Government regulation and assessments may adversely affect the Company

The Company's construction aggregates quarrying, processing, and development activities are subject to extensive laws governing prospecting, quarrying, development, production, taxes, labour standards and occupational health, quarry safety, waste disposal, toxic substances, land use, environmental protection and remediation, endangered and protected species, water use, aboriginal rights, land claims of First Nations and local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit, curtail or prevent production, development or exploration. Amendments to current laws, regulations and permits governing operations and activities of quarrying and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new quarrying properties. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations may result in orders to cease or curtail production, development or exploration.

Furthermore, during 2008, the Company and its subsidiaries were audited by the Consumer Taxation Branch of British Columbia. The focus of such audit was in relation to provincial sales tax on the Orca Project's constructions costs. As a result, the Company incurred a British Columbia social services tax assessment, for the period May 2004 to December 2008, in the amount of CAD$659,616, offset by a refund of CAD$84,333 for the production and equipment exemption relating to amounts for the Orca Quarry. The Company is disputing this assessment, the basis for which is the eligibility of the shiploading installation for the production machinery and equipment exemption available to mining companies such as the Company. In order to mitigate additional interest, the Company has paid the net amount due of CAD$575,283 and has retained legal counsel to defend its position. Subsequently, the Company received a repayment of CAD$179,792. The provincial Minister of Finance denied the appeal on the outstanding amount following which, on June 3, 2011, the Company filed a petition to appeal this decision in the Supreme Court of British Columbia. Although the Company believes that it has properly accounted for its tax liabilities, there are no assurances that the outcome of the appeal will be in the Company's favour.

The Company's title to its properties may be subject to disputes or other claims including land title claims of First Nations

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Title to and the area of resource claims may be disputed. The Company's construction aggregates property interests may be subject to prior unregistered agreements or transfers, aboriginal rights, or, in the case of the Orca Quarry, treaty rights, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties, which, if successful, could impair their development and/or operations.

First Nations in British Columbia have made claims of aboriginal rights and title to substantial portions of land and water in the Province including areas where the Company's operations are situated, creating uncertainty as to the status of competing property rights. The Supreme Court of Canada has held that aboriginal groups may have a spectrum of aboriginal rights in lands that have been traditionally used or occupied by their ancestors; however, such aboriginal rights or title are not absolute and may be infringed by government in furtherance of a legislative objective, subject to meeting a justification test. However, a decision of the Supreme Court of Canada casts doubt on the Provincial Government's ability to justify infringements of treaty rights. Additionally, a case from the British Columbia Supreme Court calls into question whether the Province can justify an infringement of aboriginal title. The effect on any particular lands will not be determinable until the exact nature of historical use, occupancy and rights in any particular piece of property have been clarified. First Nations are seeking settlements including compensation from governments with respect to these claims, and the effect of these claims cannot be estimated at this time. The Federal Government and Provincial Government have been seeking to negotiate settlements with aboriginal groups throughout British Columbia in order to resolve many of these claims. Any settlements that may result from these negotiations may involve a combination of cash, resources, grants of conditional rights to gather food on public lands, and some rights of self-government. The issues surrounding aboriginal title and rights are not likely to be resolved by the Federal Government or Provincial Government in the near future.

In a landmark decision in 2004, the Supreme Court of Canada determined that there is a duty on government to consult with and, where appropriate, accommodate First Nations where government decisions may impact on claimed, but as yet unproven, aboriginal rights or title. This decision also provided much needed clarification of the duties of consultation and accommodation. The Court found that third parties are not responsible for consultation or accommodation of aboriginal interests and that this responsibility lies with government. However, government permits, including environmental and mine permits, will not be granted by provincial and federal agencies unless they are satisfied that the duty to consult and accommodate has been fully met. In 2005, the Supreme Court of Canada confirmed this duty exists with respect to claimed treaty rights. A decision of the Supreme Court of Canada casts doubt on the Provincial Government's ability to justify infringements of treaty rights.

The Tseshaht First Nation has asserted traditional rights and title over the Eagle Rock Quarry Project site. The Hupacasath First Nation and the Ucluelet First Nation, who are shareholders of Eagle Rock Materials Ltd., have also asserted traditional rights and title over the Eagle Rock Quarry Project site. The Company has agreed, pursuant to the Eagle Rock Shareholders Agreement, to seek the participation of the Tseshaht in the Eagle Rock Quarry Project. The Company has been engaged in negotiations with the Tseshaht, however, to date there has been no agreement with respect to any participation. The terms of any participation have not been agreed upon, and the Tseshaht may, therefore, seek to dispute the Company's title in the Eagle Rock Quarry Project, despite the fact that the Company has received the environmental assessment certificate for the Eagle Rock Quarry Project. Any such dispute could delay or, if resolved in a manner adverse to the Company, impair the development and operation of the Eagle Rock Quarry Project.

Quarrying involves a high degree of risk

Quarrying operations involve a degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the development and production of construction aggregates, including, without limitation, unusual and unexpected geologic formations, seismic activity, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, quarries and other producing facilities, damage to life or property, environmental damage and legal liability. In addition to these risks stated above, processing operations are subject to various hazards, including, without limitation, equipment failure, labour disputes and industrial accidents. Should any of these risks occur, it may result in increased cost of production, delays, write-down of an industrial property, work stoppages, legal liability or injury or death to personnel, all of which may have an adverse effect on the Company's operations and financial condition.

Construction aggregates resources are estimates only

There is no certainty that the construction aggregates resource represented at the Company's properties will be realized or that such resource can be economically quarried. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Until a deposit is actually mined and processed, the quantity of construction aggregates resources must be considered as estimates only. There is a risk that the actual deposits encountered and the economic viability of the deposits may differ materially from the resource estimates. Any material change in quantity of construction aggregates resources may affect the economic viability of the Company's properties.

The volume of construction aggregates quarried and processed may not be the same as currently anticipated in the Company's resource estimates. Any material reductions in estimates of construction aggregates resources, or of the Company's ability to extract these construction aggregates, could have a material adverse effect on the Company's results of operations and financial condition.

Currency fluctuations may adversely affect the Company's revenues

The effects on operating revenues and, hence, on cash flows, of the foreign exchange rate and the escalation of the Canadian dollar against the U.S. dollar are significant. The Company does not currently have any intention to enter into hedging contracts in connection with foreign currencies. The appreciation of the Canadian dollar against the U.S. dollar would increase Canadian dollar costs, due to stronger Canadian dollars being converted into U.S. dollars, and could materially and adversely affect the Company's U.S. dollar-reported operational profitability and financial condition.

The Company currently depends on a single property

The Company's only material mineral producing property is the East Cluxewe Deposit. Unless the Company acquires or develops additional material properties or projects, the Company will be solely dependent upon the operation of the Orca Quarry for its revenue and profits, if any.

The actual costs of reclamation are uncertain

The actual costs of reclamation included in the Company's plan for the Orca Quarry are estimates only and may not represent the actual amounts required to complete all reclamation activity. It is not possible to determine the exact amount that will be required, and the amount that the Company is required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of the operation of the Orca Quarry. Although the Company has included estimated reclamation amounts in its plan for the Orca Quarry, it may be necessary to revise the planned expenditures, and the operating plan for the Orca Quarry, in order to fund required reclamation activities. Any additional amounts required to be spent on reclamation may have a material adverse affect on the Company's financial condition and results of operations.

The Company will require other construction aggregates resources in the future

According to the 43-101 technical report for the Orca Quarry Project, the Orca Quarry has an estimated quarry life of 17 years, which may not prove to be accurate. Because quarries have limited lives based on proven and probable construction aggregates reserves, in the longer term, the Company will have to replace and expand its construction aggregates resources as the Orca Quarry depletes. The Company's ability to maintain or increase its annual production of construction aggregates will be dependent almost entirely on its ability to bring new quarries into production.

There is, however, a risk that depletion of reserves will not be offset by future discoveries of mineral reserves. Exploration for minerals is highly speculative in nature and the projects involve many risks. Many projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves and to construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and availability of financing. In addition, assuming discovery of an economic reserve, depending on the type of mining operation involved, many years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurances that the Company's current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

The Company's operations are subject to environmental risks

All phases of the Company's operations are subject to Federal, Provincial and local environmental regulation in the various jurisdictions in which it operates which could potentially make operations expensive or prohibit them all together. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or prevent operations all together. Environmental hazards may exist on the properties on which the Company holds and will hold interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations, which could potentially make operations expensive or prohibit them altogether. To the extent such future approvals are required and not obtained, the Company may be curtailed or prohibited from restarting or continuing its quarrying operations or from proceeding with planned exploration or development of construction aggregates properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in quarrying operations or in the development of construction aggregates properties may be required to compensate those suffering loss or damage by reason of the quarrying activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company does not insure against all risks

The Company's insurance will not cover all the potential risks associated with a quarrying company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the quarrying industry on acceptable terms. The Company might also become subject to liability for environmental occurrences pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Certain groups are opposed to quarrying

In North America there are organizations opposed to quarrying, particularly open pit quarries such as the Orca Quarry and the Eagle Rock Quarry Project. The Company believes it has the support of representatives from the community and First Nation groups nearest these quarries and from various levels of government in British Columbia having jurisdiction over these quarries. Although the Company believes that it is complying with all environmental laws and permitting obligations in conducting its business, there is a risk that those opposed to its operation at these quarries will attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. Such interference could have an impact on the Company's ability to operate its properties in the manner that is most efficient or appropriate, if at all, and any such impact could materially adversely affect the financial condition and results of operations of the Company.

The Company is dependent on its key personnel

The Company is dependent upon certain of its executive management team. The loss of the services of its executive officers could have a material adverse effect on the Company. The Company's ability to manage its development and operating activities, and hence its success, will depend in large part on the efforts of its executive officers and other members of management of the Company. The Company faces intense competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel. The Company does not yet have in place formal programs for succession or training of management.

The Company's growth will require new personnel

The Company initially experienced significant growth in its number of employees as a result of the development of its construction aggregate production and marine export business and may experience significant growth in the future as the Company develops its aggregate resource. The Company will be required to recruit additional personnel and to train, motivate and manage its employees. The Company may also have to adopt and implement new systems in all aspects of its operations. There can be no assurance that the Company will be able to recruit or retain personnel required to execute its programs or to manage these changes successfully.

The Company may not meet minimum freight contract volumes

The Company's freight contract, which was amended and restated in March 2010, provides for minimum annual volumes of construction aggregates that increase during the years of the contract. If the Company is unable to secure sufficient sales volumes to meet those minimum freight volumes, its revenues, operations and financial condition could be materially adversely affected.

The Company's directors and officers may have conflicts of interest

Certain of the directors and officers of the Company also serve as directors, officers and/or significant shareholders of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis release contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information appear in a number of places in this document and include estimates, forecasts, information and statements as to management's expectations with respect to, among other things the future financial or operating performance of the Company, costs and timing of the development of the construction aggregate quarry, the timing and amount of estimated future production, costs of production, capital and operating expenditures, requirements for additional capital, government regulation of quarrying operations, environmental risks, reclamation expenses, and title disputes. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risks and Uncertainties" in the Company's Annual Report and under the heading "Risk Factors" in the Company's Annual Information Form (AIF) in respect of its financial year-ended December 31, 2010, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.polarmin.com.

Glossary of Terms

Ton – the unit of weight used in the US consisting of 2,000 imperial pounds, often referred to as a 'Short Ton'.

Metric Tonne – a unit of weight commonly used in Canada and worldwide in shipping operations consisting of 1,000 kilograms (2,205 imperial pounds).