Polaris

MINERALS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 and 2011
(U.S. dollars)

Polaris Minerals Corporation
Consolidated Statements of Financial Position

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

	June 30, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash	1,833	1,629
Trade and other receivables	1,553	2,402
Current tax assets	1,188	300
Inventories (note 3)	4,246	3,758
Other current assets	222	160
	9,042	8,249
Non-current assets		
Financial assets	1,240	1,290
Property, plant and equipment (note 4)	67,384	69,479
Investment in joint venture (note 5)	12,108	11,940
	89,774	90,958
Liabilities		
Current liabilities		
Trade and other payables	6,534	5,197
Short-term financial liability (note 6)	-	5,757
Other current liabilities (note 7)	1,673	190
Current portion of finance leases	804	440
Current portion of long-term debt (note 8)	-	1,103
	9,011	12,687
Non-current liabilities		
Finance leases	583	1,166
Long-term debt (note 8)	13,555	5,072
Restoration provision	3,377	3,339
	26,526	22,264
Equity		
Share capital (note 9)	149,705	149,705
Contributed surplus (note 10)	22,418	21,150
Accumulated other comprehensive income	1,669	1,645
Deficit	(107,196)	(101,002)
Equity attributable to Polaris Minerals Corporation shareholders	66,596	71,498
Non-controlling interest	(3,348)	(2,804)
Total equity	63,248	68,694
	89,774	90,958

Going concern (note 2)
Commitments and contingent liabilities (note 14)
Subsequent event (note 9)

Approved by the Board of Directors

"Herbert Wilson"
Herbert Wilson, Director

"Terry Lyons"
Terry Lyons, Director

Polaris Minerals Corporation
Consolidated Statements of Loss

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

	Three months ended June 30, 2012 $	2011 $	Six months ended June 30, 2012 $	2011 $
Sales	7,659	5,953	14,761	9,680
Cost of goods sold	(8,337)	(7,650)	(17,387)	(13,416)
Gross loss	(678)	(1,697)	(2,626)	(3,736)
Selling, general and administrative expenses	(1,046)	(1,615)	(2,507)	(3,208)
Foreign exchange gain (loss)	(87)	28	79	196
Share of income (loss) from joint ventures	(16)	14	147	45
Property holding costs	(323)	-	(485)	-
Other losses	34	(2,127)	(6)	(2,137)
	(1,438)	(3,700)	(2,772)	(5,104)
Loss before interest and income taxes	(2,116)	(5,397)	(5,398)	(8,840)
Finance income	3	42	5	131
Finance expenses (note 11)	(669)	(434)	(1,942)	(862)
	(666)	(392)	(1,937)	(731)
Loss before income taxes	(2,782)	(5,789)	(7,335)	(9,571)
Income tax (expense) recovery	632	116	592	(44)
Net loss for the period	(2,150)	(5,673)	(6,743)	(9,615)
Net loss attributable to:				
Shareholders of the parent company	(1,886)	(5,387)	(6,194)	(9,091)
Non-controlling interest	(264)	(286)	(549)	(524)
	(2,150)	(5,673)	(6,743)	(9,615)
Net loss per share:				
Basic and diluted loss per common share	(0.04)	(0.10)	(0.12)	(0.17)
Weighted average number of common shares outstanding	53,397	53,381	53,397	53,336

– See Accompanying Notes –

Polaris Minerals Corporation
Consolidated Statements of Comprehensive Loss

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

	Three months ended June 30, 2012 $	2011 $	Six months ended June 30, 2012 $	2011 $
Net loss for the period	(2,150)	(5,673)	(6,743)	(9,615)
Other comprehensive income (loss)				
Foreign currency translation	(461)	273	29	1,163
Comprehensive loss for the period	(2,611)	(5,400)	(6,714)	(8,452)
Comprehensive loss attributable to:				
Shareholders of the parent company	(2,348)	(5,155)	(6,252)	(8,113)
Non-controlling interest	(263)	(245)	(462)	(339)
	(2,611)	(5,400)	(6,714)	(8,452)

Polaris Minerals Corporation
Consolidated Statements of Changes in Equity

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

	Attributable to equity holders of the Company							
	Number of common shares (000's)	Amount of common shares $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Shareholders' equity $	Non-controlling interest $	Total $
December 31, 2010	53,247	149,592	20,774	2,223	(83,215)	89,374	(1,376)	87,998
Options exercised	150	113	-	-	-	113	-	113
Share-based employee benefits	-	-	230	-	-	230	-	230
Other comprehensive income	-	-	-	978	-	978	185	1,163
Net loss	-	-	-	-	(9,091)	(9,091)	(524)	(9,615)
June 30, 2011	53,397	149,705	21,004	3,201	(92,306)	81,604	(1,715)	79,889
Share-based employee benefits	-	-	146	-	-	146	-	146
Other comprehensive loss	-	-	-	(1,556)	-	(1,556)	(279)	(1,835)
Net loss	-	-	-	-	(8,696)	(8,696)	(810)	(9,506)
December 31, 2011	53,397	149,705	21,150	1,645	(101,002)	71,498	(2,804)	68,694
Warrants issued	-	-	1,126	-	-	1,126	-	1,126
Share-based employee benefits	-	-	142	-	-	142	-	142
Other comprehensive income	-	-	-	24	-	24	5	29
Net loss	-	-	-	-	(6,194)	(6,194)	(549)	(6,743)
June 30, 2012	53,397	149,705	22,418	1,669	(107,196)	66,596	(3,348)	63,248

Polaris Minerals Corporation
Consolidated Statements of Cash Flows

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

	Three months ended June 30, 2012 $	Three months ended June 30, 2011 $	Six months ended June 30, 2012 $	Six months ended June 30, 2011 $
Cash flows from operating activities				
Net loss	(2,150)	(5,673)	(6,743)	(9,615)
Amortization, depletion and accretion	889	1,355	2,511	2,538
Share-based employee benefits	67	198	142	231
Unrealized foreign exchange gain	469	(87)	(25)	(159)
Provision for annual minimum freight volume penalty (note 14)	-	86	-	206
Share of loss (income) from investment in joint ventures	67	(14)	(104)	(45)
Loss on settlement of long-term debt (note 8)	-	-	765	-
Other losses	38	2,117	82	2,127
Other non-cash items	318	124	598	244
	(302)	(1,894)	(2,774)	(4,473)
Changes in non-cash working capital items (note 12)	2,142	192	1,932	(161)
	1,840	(1,702)	(842)	(4,634)
Cash flows from financing activities				
Proceeds from issue of common shares	-	58	-	113
Proceeds from issue of senior secured notes	-	-	15,216	-
Financing fees	-	-	(203)	-
Repayment of principal and interest on credit facility and senior secured notes	-	-	(13,165)	-
Finance lease payments	(110)	(212)	(220)	(416)
	(110)	(154)	1,628	(303)
Cash flows from investing activities				
Dividends received	-	32	-	63
Contribution to joint ventures	(30)	(30)	(65)	(120)
Loan repayments	-	2,447	-	2,696
Property, plant and equipment purchases	(505)	(312)	(568)	(427)
Proceeds on disposal of property, plant and equipment	-	-	-	250
Security deposit withdrawals	-	-	52	-
	(535)	2,137	(581)	2,462
Effect of foreign currency translation on cash	(2)	65	(1)	118
Increase (decrease) in cash	1,193	346	204	(2,357)
Cash - beginning of period	640	2,608	1,629	5,311
Cash - end of period	1,833	2,954	1,833	2,954

Supplemental cash flow information (note 12)

(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 and going concern

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as in the most recent annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

Going concern

These consolidated 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 six months ended June 30, 2012, net loss attributable to shareholders of the Company was $6.2 million (six months ended June 30, 2011 – net loss $9.1 million), negative cash flow from operations was $0.8 million (six months ended June 30, 2011 – negative $4.6 million) and as at June 30, 2012, the Company has a deficit of $107.2 million (December 31, 2011 - $101.0 million). At June 30, 2012 the Company has working capital of $0.03 million. 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, including continued improvement in the economic outlook and the recovery of demand for the Company's products, particularly in California. Assuming the market continues to recover, it will be increasingly possible for the Company to generate positive cash flows and avoid additional penalties under its shipping contract (note 14).

In March 2012, the Company completed a debt refinancing and issued CAD$15.0 million in senior secured notes that mature December 31, 2016 (note 8). Proceeds from the issue of the notes were used to repay, including interest and fees, CAD$6.2 million due on the bridge loan secured in November 2010 (note 6) and $7.1 million due on the long-term debt with the Company's exclusive shipper (note 8), with net proceeds of CAD$1.7 million remaining for general working capital purposes. The refinancing was undertaken to consolidate the Company's debt into a single, five year term facility and enable the Company to continue to meet its operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold (note 5). In May, 2012 the Company's subsidiary Cemera Long Beach LLC entered into a purchase and sale agreement with respect to the Pier B land at a purchase price of $19.5 million, of which the Company anticipates receiving $12.1 million, net of estimated closing costs and commissions. From the sale proceeds $5 million will be used to reduce the Company's outstanding debt (note 5). During the three months ended June 30, 2012, the Company received $1.7 million in advanced payment on fourth quarter aggregate shipments expected to be delivered before December 31, 2012. Effective June 30, 2012, the Company and the holders of the notes agreed to defer the interest payment due on June 30, 2012. The interest payment will now be paid upon the earlier of; the completion of the sale of the Company's jointly held Pier B freehold land, or December 31, 2012 (note 8).

The steps described above are subject to uncertainty and may not allow the Company to meet its obligations. The Company may be required to; raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets. The success of these initiatives cannot be assured.

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.

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

3. Inventories

(in thousands)	June 30, 2012 $	December 31, 2011 $
Construction aggregates	3,909	3,425
Components and consumable supplies	337	333
	4,246	3,758

At December 31, 2011 construction aggregates were measured at net realizable value. Write-downs at December 31, 2011 totalled $386,171.

4. 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, 2011	47,080	5,193	1,286	27,015	656	416	39	81,685
Additions	227	-	-	-	-	-	-	227
Restoration provision adjustments	383	-	-	-	-	-	-	383
Other adjustments	(180)	-	-	-	-	-	-	(180)
Disposals	(183)	-	-	-	-	-	-	(183)
Foreign exchange	(1,246)	(114)	(94)	-	(14)	-	-	(1,468)
December 31, 2011	46,081	5,079	1,192	27,015	642	416	39	80,464
Accumulated depreciation								
January 1, 2011	(2,567)	(1,994)	-	(1,476)	(417)	-	-	(6,454)
Depreciation	(2,824)	(522)	-	(1,523)	(105)	-	-	(4,974)
Disposals	28	-	-	-	-	-	-	28
Foreign exchange	345	58	-	-	12	-	-	415
December 31, 2011	(5,018)	(2,458)	-	(2,999)	(510)	-	-	(10,985)
Carrying amount December 31, 2011	41,063	2,621	1,192	24,016	132	416	39	69,479
Cost								
January 1, 2012	46,081	5,079	1,192	27,015	642	416	39	80,464
Additions	378	111	-	-	-	-	-	489
Disposals	(97)	(81)	-	-	-	-	-	(178)
Foreign exchange	(78)	(6)	(1)	-	-	-	-	(85)
June 30, 2012	46,284	5,103	1,191	27,015	642	416	39	80,690
Accumulated depreciation								
January 1, 2012	(5,018)	(2,458)	-	(2,999)	(510)	-	-	(10,985)
Depreciation	(1,217)	(289)	-	(912)	(36)	-	-	(2,454)
Disposals	16	81	-	-	-	-	-	97
Foreign exchange	30	5	-	-	1	-	-	36
June 30, 2012	(6,189)	(2,661)	-	(3,911)	(545)	-	-	(13,306)
Carrying amount June 30, 2012	40,095	2,442	1,191	23,104	97	416	39	67,384

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

5. Investment in joint venture

Cemera Long Beach LLC ("Cemera") is a joint venture between the Company and Cemex originally established to develop a construction aggregates receiving terminal on Pier B, 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.

On May 23, 2012, Cemera entered into a purchase and sale agreement ("PSA") to sell the Pier B land at a purchase price of $19.5 million. The PSA is subject to a due diligence period of ninety days, plus thirty days to achieve closing. The Company anticipates receiving $12.1 million, net of estimated closing costs and commissions, from the sale proceeds. Under the terms of the senior secured notes due December 31, 2016 (note 8), CAD$5.0 million of the proceeds must be used to pay down, without penalty, one third of the outstanding principal.

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

(in thousands)	June 30, 2012 $	December 31, 2011 $
Assets		
Current assets	52	41
Property	12,086	12,086
	12,138	12,127
Liabilities		
Current liabilities	30	187
	30	187

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
(in thousands)	$	$	$	$
Income (loss)	(16)	(18)	147	(18)

6. Short term financial liabilities

(in thousands)	June 30, 2012 $	December 31, 2011 $
Subordinated secured credit facility, effective interest rate 17.35%		
Principal outstanding	-	4,917
Accrued interest	-	840
	-	5,757

At December 31, 2011, the Company maintained a subordinated, non-revolving credit facility for working capital and general corporate purposes in the amount of CAD$5.0 million.

On November 17, 2011, the Company and its lenders extended the maturity of the credit facility originally due November 17, 2011 to February 29, 2012 for an arrangement fee of 2% of the outstanding balance. The interest rate remained at 15% until December 31, 2011; on January 1, 2012, it increased to 17.5% and on February 1, 2012 it increased to 20%.

On March 2, 2012, the Company repaid in full, without corresponding gain or loss, the credit facility, including interest and fees.

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

7. Other current liabilities

(in thousands)	June 30, 2012 $	December 31, 2011 $
Annual minimum freight volume penalties	-	190
Deferred revenue	1,673	-
	1,673	190

Annual minimum freight volume penalties

At June 30, 2012, an accrual was not recorded for penalties associated with the annual minimum freight volume requirements of the Company's shipping contract as the Company anticipates meeting the requirement for 2012 (December 31, 2011 - $190,000) (note 14).

Deferred revenue

During the three months ended June 30, 2012, the Company received $1.7 million in advanced payment on fourth quarter aggregate shipments expected to be delivered before December 31, 2012. The balance can be applied to future shipments at the customer's discretion.

8. Long-term debt

(in thousands)	June 30, 2012 $	December 31, 2011 $
Senior secured notes, due December 31, 2017. Quarterly interest payments at 7.5% (per annum). Effective interest rate 10.6%.	-	6,175
Senior secured notes, due December 31, 2016. Semi-annual interest payments at 12% (per annum). Effective interest rate 15.54%.	13,555	-
	13,555	6,175
Current portion	-	1,103
Non-current portion	13,555	5,072
	13,555	6,175

Senior secured notes, due December 31, 2017

As part of the restructuring of its shipping arrangements in 2010 the Company issued 7.5% per annum, senior secured notes due December 31, 2017 with interest payable quarterly. Principal outstanding on the notes at December 31, 2011 totalled $6,969,113. At December 31, 2011, $1.1 million of principal of the notes was classified as current due to a mandatory prepayment clause contained in the credit agreement. In March 2012, the Company repaid the notes and accrued interest without premium or penalty. Upon settlement, the unamortized discount of $765,421 was recorded to finance expenses.

Senior secured notes, due December 31, 2016

On March 2, 2012, the Company completed a debt refinancing and issued CAD$15 million in senior secured notes that mature December 31, 2016.

The notes are senior secured obligations of the Company that have a first charge against the assets of the Company other than cash and accounts receivable and contain certain non-financial affirmative and restrictive covenants similar to those found in a bank financing. The Company is not held to any financial performance covenants. The notes bear interest at a rate of 12% per annum, payable semi-annually beginning June 30, 2012 and may be redeemed by the Company at any time without penalty. The notes also require a mandatory repayment of CAD$5.0 million in the event that the Company completes an equity financing or disposes of any asset for proceeds of greater than CAD$5.0 million. The Company has estimated that both prepayment features have minimal or nil estimated fair value and thus no amount has been recorded at inception or as at June 30, 2012. In conjunction with the senior secured notes, the Company issued 13,200,000 warrants to the lenders (note 10).

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

8. Long-term debt *(continued)*

The notes have been classified as financial liabilities and initially recorded at fair value, which was established in proportion to the combined fair value of the senior secured notes and warrants (note 10). The notes are subsequently carried at amortized cost and amortized by the effective interest method over the life of the notes using an effective rate of 15.54%. For the six months ended June 30, 2012, non-cash accretion of the discount which is included in interest expense, was $108,805 (six months ended June 30, 2011 – nil).

Effective June 30, 2012, the Company and the holders of the notes agreed to defer the interest payment due on June 30, 2012. That interest payment will now be paid upon the earlier of; the completion of the sale of the Company's jointly held Pier B freehold land, or December 31, 2012. As compensation, the Company agreed to pay a fee of CAD$89,100 by issuing 148,500 common shares at the June 28, 2012 closing price of CAD$0.60.

9. Share capital

The Company has unlimited common shares without par value. At June 30, 2012, there were 53,397,102 common shares issued and outstanding (December 31, 2011 - 53,397,102).

On July 4, 2012, subsequent to the quarter ended June 30, 2012, the Company issued 148,500 common shares at CAD$0.60 each as settlement of the fee for the deferral of the June 30, 2012 interest payment (note 8).

10. Contributed surplus

(in thousands)	June 30, 2012 $	December 31, 2011 $
Share-based employee benefits	14,356	14,214
Warrants	8,062	6,936
	22,418	21,150

Share-based employee benefits

The Company's stock options at June 30, 2012 and changes for the period from January 1, 2011, are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
At January 1, 2011	3,411,345	$7.76
Granted	1,015,000	$0.94
Exercised	(150,000)	$0.75
Forfeited	(499,636)	$8.43
At December 31, 2011 and June 30, 2012	3,776,709	$6.11

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

10. Contributed surplus *(continued)*

At June 30, 2012, the following stock options are outstanding and exercisable:

	Options outstanding			Options exercisable		
Exercise price (CAD$)	**Number of options outstanding**	**Weighted average exercise price (CAD$)**	**Weighted average remaining contractual life (years)**	**Number of options exercisable**	**Weighted average exercise price (CAD$)**	**Weighted average remaining contractual life (years)**
$0.94	1,015,000	$0.94	8.96	676,664	$0.94	8.96
$1.00 - $2.00	657,500	$1.88	6.03	657,500	$1.88	6.03
$2.50 - $4.00	345,000	$3.47	1.90	345,000	$3.47	1.90
$4.56 - $5.60	332,709	$4.76	2.20	332,709	$4.76	2.20
$8.69	85,000	$8.69	5.63	85,000	$8.69	5.63
$11.41	455,000	$11.41	0.51	455,000	$11.41	0.51
$13.75	886,500	$13.75	5.26	886,500	$13.75	5.26
	3,776,709	$6.11	5.25	3,438,373	$6.62	4.88

Warrants

In conjunction with the senior secured notes issued March 2, 2012 (note 8), the Company issued 13,200,000 common share purchase warrants that are exercisable at a price of $0.44 per share until December 31, 2012, $0.50 per share until December 31, 2013, $0.55 per share until December 31, 2014, $0.60 per share until December 31, 2015 and $0.65 per share until December 31, 2016. At the date of issue the estimated fair value of the warrants was $1,125,780, net of issue costs, with a weighted average fair value of $0.085 per warrant. Fair value of the warrants has been determined using the Black Scholes option pricing model allocated in proportion to the combined fair value of the senior secured notes and warrants. The following assumptions have been used for the Black-Scholes option pricing model:

Average risk free rate	1.15 %
Expected life	0.84 – 4.84 years
Expected volatility	30 %
Expected dividends	–

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

	Number of warrants outstanding	**Weighted average exercise price (CAD$)**
January 1, 2011	9,387,500	$2.63
Expired	(7,812,500)	$2.25
December 31, 2011	1,575,000	$4.52
Issued	13,200,000	$0.44
June 30, 2012	14,775,000	$0.87

At June 30, 2012, 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	1.13
500,000	November 17, 2015	$1.50	3.38
125,000	November 19, 2015	$1.50	3.39
13,200,000	December 31, 2016	$0.44	4.51
14,775,000		$0.87	4.24

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

11. Finance expense

	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
(in thousands)	$	$	$	$
Interest	566	350	1,006	696
Amortization of discount	82	54	129	106
Accretion	21	30	42	60
Loss on settlement of long-term debt (note 8)	-	-	765	-
	669	434	1,942	862

12. Supplemental cash flow information

	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
(in thousands)	$	$	$	$
Changes in non-cash working capital items				
Trade and other receivables	(174)	(864)	850	(1,062)
Current tax assets	(702)	(181)	(888)	(223)
Inventories	(1,067)	439	(479)	628
Other current assets	103	32	(62)	124
Trade and other payables	2,309	766	1,028	372
Other current liabilities	1,673	-	1,483	-
	2,142	192	1,932	(161)
Interest and taxes paid				
Interest paid	23	76	1,156	37
Taxes paid	69	183	399	341

13. Related party transactions

During the three months ended June 30, 2012, directors of the Company or of subsidiaries of the Company, either directly or through a company controlled by them, provided to the Company, services at a cost of $95,652 (three months ended June 30, 2011 - $87,411) which are included in general and administrative expenses. During the six months ended June 30, 2012, directors of the Company or of subsidiaries of the Company, either directly or through a company controlled by them, provided to the Company, services at a cost of $193,303 (six months ended June 30, 2011 - $169,739) which are included in general and administrative expenses. At June 30, 2012, accounts payable of $31,990 (December 31, 2011 - $32,012) were due to companies controlled by common directors.

Transactions with related parties are recorded at the price agreed between the parties.

14. Commitments and contingencies

Shipping Tonnage

The Company's Contract of Affreightment, effective from January 1, 2010 with a term of 20 years, requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, in the amount of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2012 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. The Company and its shipper have agreed in principle, subject to definitive documentation, that the penalty rate for 2011 to 2016 can be reduced to 25% if the Company achieves certain revised business targets.