Polaris
MINERALS CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2013 and 2012
(U.S. dollars)

Polaris Minerals Corporation
Consolidated Statements of Financial Position

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

	March 31, 2013 $	December 31, 2012 $
Assets		
Current assets		
Cash	3,003	5,537
Trade and other receivables	4,144	2,438
Current tax assets	423	686
Inventories (note 3)	2,625	4,069
Other current assets	439	172
	10,634	12,902
Non-current assets		
Security deposits	1,245	1,271
Property, plant and equipment (note 4)	64,406	65,852
Investments in joint ventures (note 5)	-	128
	76,285	80,153
Liabilities		
Current liabilities		
Trade and other payables	4,236	5,005
Current portion of finance leases	347	695
	4,583	5,700
Non-current liabilities		
Finance leases	713	494
Long-term debt (note 6)	7,122	7,232
Restoration provision	3,378	3,429
	15,796	16,855
Equity		
Share capital (note 7)	156,772	156,772
Contributed surplus (note 8)	21,375	21,347
Accumulated other comprehensive income	1,429	2,109
Deficit	(115,119)	(113,240)
Equity attributable to Polaris Minerals Corporation shareholders	64,457	66,988
Non-controlling interest	(3,968)	(3,690)
Total equity	60,489	63,298
	76,285	80,153

Continuing operations (note 2)

Commitments and contingent liabilities (note 12)

Approved by the Board of Directors

"Lenard Boggio"
Lenard Boggio, Director

"Herb Wilson"
Herb Wilson, Director

Polaris Minerals Corporation
Consolidated Statements of Loss

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

	Three months ended March 31, 2013 $	2012 $
Sales	10,524	7,102
Cost of goods sold	(11,113)	(9,050)
Gross loss	(589)	(1,948)
Selling, general and administrative expenses	(1,095)	(1,461)
Foreign exchange gain	34	166
Share of income from joint ventures	(1)	163
Property holding costs	(108)	(162)
Other gains (losses)	116	(40)
	(1,054)	(1,334)
Loss before interest and income taxes	(1,643)	(3,282)
Finance income	8	2
Finance expense (note 9)	(323)	(508)
Finance charges	-	(765)
	(315)	(1,271)
Loss before income taxes	(1,958)	(4,553)
Income tax expense	(130)	(40)
Net loss for the period	(2,088)	(4,593)
Net loss attributable to:		
Shareholders of the parent company	(1,879)	(4,308)
Non-controlling interest	(209)	(285)
	(2,088)	(4,593)
Net loss per share:		
Basic and diluted loss per common share	(0.03)	(0.08)
Weighted average number of common shares outstanding	66,746	53,397

– See Accompanying Notes –

Polaris Minerals Corporation
Consolidated Statements of Comprehensive Loss

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

	Three months ended March 31, 2013 $	2012 $
Net loss for the period	(2,088)	(4,593)
Other comprehensive loss – items that may be reclassified to profit or loss:		
Foreign currency translation	(749)	490
Comprehensive loss for the period	(2,837)	(4,103)
Comprehensive loss attributable to:		
Shareholders of the parent company	(2,559)	(3,904)
Non-controlling interest	(278)	(199)
	(2,837)	(4,103)

Polaris Minerals Corporation
Consolidated Statements of Changes in Equity

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

	Attributable to equity holders of the Company							
	Number of common shares (000's)	Amount of common shares $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Shareholders' equity $	Non-controlling interest $	Total $
December 31, 2011	53,397	149,705	21,150	1,645	(101,002)	71,498	(2,804)	68,694
Warrants issued	-	-	1,126	-	-	1,126	-	1,126
Share-based employee benefits	-	-	75	-	-	75	-	75
Other comprehensive loss	-	-	-	404	-	404	86	490
Net loss	-	-	-	-	(4,308)	(4,308)	(285)	(4,593)
March 31, 2012	53,397	149,705	22,351	2,049	(105,310)	68,795	(3,003)	65,792
Common shares issue	149	90	-	-	-	90	-	90
Warrants exercised	13,200	6,977	(1,126)	-	-	5,851	-	5,851
Share-based employee benefits	-	-	122	-	-	122	-	122
Other comprehensive loss	-	-	-	60	-	60	9	69
Net loss	-	-	-	-	(7,930)	(7,930)	(696)	(8,626)
December 31, 2012	66,746	156,772	21,347	2,109	(113,240)	66,988	(3,690)	63,298
Share-based employee benefits	-	-	28	-	-	28	-	28
Other comprehensive loss	-	-	-	(680)	-	(680)	(69)	(749)
Net loss	-	-	-	-	(1,879)	(1,879)	(209)	(2,088)
March 31, 2013	66,746	156,772	21,375	1,429	(115,119)	64,457	(3,968)	60,489

Polaris Minerals Corporation
Consolidated Statements of Cash Flows

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

	Three months ended March 31,	
	2013 $	2012 $
Cash flows from operating activities		
Net loss	(2,088)	(4,593)
Amortization, depletion and accretion	1,121	1,622
Share-based employee benefits	28	75
Unrealized foreign exchange gain	(237)	(494)
Accrued interest	237	280
Share of income from investment in joint ventures	-	(171)
Loss on settlement of long term debt	-	765
Other losses	37	44
	(902)	(2,472)
Changes in non-cash working capital items (note 10)	(1,061)	(210)
	(1,963)	(2,682)
Cash flows from financing activities		
Proceeds from issue of senior secured notes	-	15,216
Financing fees	-	(203)
Repayment of principal on credit facility and senior secured notes	-	(13,165)
Finance lease payments	(105)	(110)
	(105)	1,738
Cash flows from investing activities		
Contribution to joint ventures	-	(35)
Property, plant and equipment purchases	(529)	(63)
Security deposit withdrawals	-	52
	(529)	(46)
Effect of foreign currency translation on cash	63	1
Decrease in cash	(2,534)	(989)
Cash - beginning of period	5,537	1,629
Cash - end of period	3,003	640

Supplemental cash flow information (note 10)

(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 of aggregates from the Orca Quarry; the development of new aggregate marine terminals along the west coast of North America; and the development of additional aggregate quarries.

2. Summary of accounting policies

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as applicable to interim financial reports including IAS 34, "Interim Financial Reporting", and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS. These financial statements were approved by the board of directors for issue on May 3, 2013.

Continuing operations and liquidity risk

The Company's continuing operations and liquidity 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 may be increasingly possible for the Company to generate positive cash flows and avoid penalties under its shipping contract (note 12). Management has taken initiatives to improve the Company's financial position and cash flow. In November 2012, Cemera Long Beach LLC ("Cemera") closed the Pier B land sale for proceeds of $19.5 million, from which the Company has received $12.3 million from a total of approximately $12.4 million, net of closing costs and commissions. In December 2012, the holders of the 13.2 million common share purchase warrants issued on March 1, 2012, exercised the warrants in full which generated cash receipts to the Company of CAD$5.8 million of which CAD$1.9 million was used to further reduce the Company's debt to CAD$8.1 million and the balance retained for general working capital purposes. In February 2013 sales commenced under a new supply contract with an international construction materials company shipping into the San Francisco Bay area. The Company may be further required to: seek additional sources of financing; curtail, reduce or delay expenditures; or look for strategic alternatives to maximize the benefits of the Company's long lived assets. The success of any of these initiatives cannot be assured.

New and amended standards adopted

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

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013.

i. IFRS 10, "Consolidated Financial Statements", replaces the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements", and SIC-12, "Consolidation – Special Purpose Entities". IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any changes in the consolidation status of any of its subsidiaries and investees.

ii. IFRS 11, "Joint Arrangements", supersedes IAS 31, "Interest in Joint Ventures", and requires joint arrangements to be classified either as joint operations or joint ventures depending on the rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28. "Investments in Associates and Joint Ventures" (amended in 2011). The other amendments to IAS 28 did not affect the Company. The Company has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

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

2. Accounting policies *(continued)*

iv. IFRS 13, "Fair Value Measurement", provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

v. The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments require the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes do not result in any adjustments to other comprehensive income or comprehensive income.

vi. IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", sets out the accounting for overburden waste removal (stripping) costs in the production phase of an open pit mine or quarry. Stripping activity may create two types of benefit: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, "Inventories". The latter should be accounted for as an addition to or enhancement of an existing asset. These changes did not result in any changes in or adjustments to the accounting for stripping costs.

Seasonality

The Company's sand and gravel quarry operates year-round; however, sales demand is seasonal due to the impact of poor weather conditions, particularly in the first, or winter, quarter which have an impact on production volumes and demand for the Company's products. As a consequence the Company's financial results for any individual quarter are not necessarily indicative of results to be expected for that year. Sales and earnings are typically sensitive to regional and local weather, market conditions, and, in particular, to cyclical variations in construction spending.

3. Inventories

(in thousands)	March 31, 2013 $	December 31, 2012 $
Construction aggregates	2,391	3,793
Components and consumable supplies	234	276
	2,625	4,069

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

4. Property, plant and equipment

(in thousands)	Orca Quarry			Richmond Terminal	Head Office	Long Beach Terminal Project	Other Terminal Projects	
	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, 2012	46,081	5,079	1,192	27,015	642	416	39	80,464
Additions	569	434	-	26	-	-	-	1,029
Environmental rehabilitation adjustments	(70)	-	-	-	-	-	-	(70)
Disposals	(103)	(244)	-	-	-	-	-	(347)
Foreign exchange	937	116	31	-	16	-	-	1,100
December 31, 2012	47,414	5,385	1,223	27,041	658	416	39	82,176
Accumulated depreciation								
January 1, 2012	(5,018)	(2,458)	-	(2,999)	(510)	-	-	(10,985)
Depreciation	(3,200)	(546)	-	(1,621)	(58)	-	-	(5,425)
Disposals	40	239	-	-	-	-	-	279
Foreign exchange	(119)	(64)	-	-	(10)	-	-	(193)
December 31, 2012	(8,297)	(2,829)	-	(4,620)	(578)	-	-	(16,324)
Carrying amount December 31, 2012	39,117	2,556	1,223	22,421	80	416	39	65,852
Cost								
January 1, 2013	47,414	5,385	1,223	27,041	658	416	39	82,176
Additions	421	108	-	-	-	-	-	529
Disposals	(176)	(177)	-	-	-	-	-	(353)
Foreign exchange	(1,191)	(111)	(28)	-	(15)	-	-	(1,345)
March 31, 2013	46,468	5,205	1,195	27,041	643	416	39	81,007
Accumulated depreciation								
January 1, 2013	(8,297)	(2,829)	-	(4,620)	(578)	-	-	(16,324)
Depreciation	(616)	(131)	-	(308)	(8)	-	-	(1,063)
Disposals	191	125	-	-	-	-	-	316
Foreign exchange	393	66	-	-	11	-	-	470
March 31, 2013	(8,329)	(2,769)	-	(4,928)	(575)	-	-	(16,601)
Carrying amount March 31, 2013	38,139	2,436	1,195	22,113	68	416	39	64,406

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

5. Investments in joint ventures

Cemera Long Beach LLC ("Cemera") is a joint venture between the Company and Cemex originally established to develop a construction aggregates receiving terminal on a freehold site situated on Pier B, in the port of Long Beach, California. The Company and Cemex, its joint venture partner, have a Strategic Alliance Agreement and a Joint Cooperation and Development Agreement which governed the direction, strategy and operation of the joint venture. On November 30, 2012, Cemera closed the sale of the Pier B land for cash consideration of $19.5 million. The Company received $12.3 million, net of closing costs and commissions, from the sale proceeds. During the quarter Cemera was wound up.

6. Long-term debt

(in thousands)	**March 31, 2013** **$**	**December 31, 2012** **$**
Senior secured notes CAD$8.1 million principal, due December 31, 2016. Semi-annual interest payments at 12% (per annum). Effective interest rate 15.71%.	7,122	7,232

Senior secured notes, due 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 Company has estimated that the early redemption feature has minimal or nil estimated fair value and thus no amount has been recorded at inception or as at the reporting periods March 31, 2013 and December 31, 2012. In conjunction with the senior secured notes, the Company issued 13,200,000 warrants to the lenders, which were exercised on December 31, 2012 (note 8).

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 8). The notes are subsequently carried at amortized cost and amortized by the effective interest method over the life of the notes. For the three months ended March 31, 2013, non-cash accretion of the discount which is included in interest expense, was CAD$40,140 (three months ended March 31, 2012 – CAD$27,236).

7. Share capital

The Company has unlimited common shares without par value. At March 31, 2013, there were 66,745,602 common shares issued and outstanding (December 31, 2012 – 66,745,602).

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

8. Contributed surplus

(in thousands)	March 31, 2013 $	December 31, 2012 $
Share-based employee benefits	14,439	14,411
Warrants	6,936	6,936
	21,375	21,347

The Company's stock options at March 31, 2013 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
At January 1, 2012	3,776,709	$6.11
Forfeited	(365,000)	$9.37
Expired	(50,000)	$1.00
At December 31, 2012	3,361,709	$5.84
Expired	(442,500)	$10.83
At March 31, 2013	2,919,209	$5.08

At March 31, 2013 the following stock options are outstanding and exercisable:

	Options outstanding			Options exercisable		
Exercise price (CAD$)	Number of options outstanding	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)
$0.94	1,015,000	$0.94	8.21	676,664	$0.94	8.21
$1.00 - $2.00	525,000	$1.95	6.31	525,000	$1.95	6.31
$2.50 - $4.00	285,000	$3.53	1.16	285,000	$3.53	1.16
$4.56 - $5.60	307,709	$4.76	1.34	307,709	$4.76	1.34
$8.69	85,000	$8.69	4.88	85,000	$8.69	4.88
$13.75	701,500	$13.75	4.51	701,500	$13.75	4.51
	2,919,209	$5.08	5.47	2,580,873	$5.62	5.11

The Company's warrants at March 31, 2013 and changes for the period are as follows:

	Number of warrants outstanding	Weighted average exercise price (CAD$)
January 1, 2012	1,575,000	$4.52
Issued	13,200,000	$0.44
Exercised	(13,200,000)	$0.44
December 31, 2012 and March 31, 2013	1,575,000	$4.52

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

8. Contributed surplus *(continued)*

At March 31, 2013, the following warrants are outstanding and exercisable:

Number of warrants outstanding and exercisable	Expiry date	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)
950,000	August 17, 2013	$6.50	0.38
500,000	November 17, 2015	$1.50	2.63
125,000	November 19, 2015	$1.50	2.64
1,575,000		$4.52	1.27

9. Finance expense

	Three months ended March 31,	
	2013	2012
(in thousands)	$	$
Interest on debt	262	440
Amortization of discount	40	47
Accretion of restoration provision	21	21
	323	508

10. Supplemental cash flow information

	Three months ended March 31,	
	2013	2012
(in thousands)	$	$
Changes in non-cash working capital items		
Trade and other receivables	(1,573)	1,024
Current tax assets	263	(186)
Inventories	1,475	588
Other current assets	(272)	(165)
Trade and other payables	(954)	(1,281)
Other current liabilities	-	(190)
	(1,061)	(210)
Taxes paid		
Taxes paid	7	330

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

11. Related party transactions

During the three months ended March 31, 2013, 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 $97,321 (three months ended March 31, 2012 - $97,651) which are included in general and administrative expenses. At March 31, 2013, accounts payable of $34,111 (March 31, 2012 - $30,292) were due to companies controlled by common directors.

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

12. Commitments and contingencies

Shipping Tonnage

The Company has a Contract of Affreightment ("NCoA") which is effective from January 1, 2010 with a term of 20 years. The NCoA requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, in the amount of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2013 minimum shipping commitment is 2,979,000 short tons. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Sales under the Company's supply agreement with a new customer, that commenced February, 2013, are FOB shipping point and are not included toward the Company's minimum shipping commitment. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons. Minimum freight volume penalties are payable annually in the year in which freight volumes do not meet the minimum volume requirements in the NCoA. The Company and its shipper have agreed in principle, subject to definitive documentation, that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets.

13. Financial instruments

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

	March 31, 2013		December 31, 2012	
(in thousands)	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Loans and receivables				
Cash	3,003	3,003	5,537	5,537
Trade receivables	3,977	3,977	2,304	2,304
Security deposits	1,107	1,107	1,130	1,130
Other receivables	138	138	141	141
Other financial liabilities				
Trade payables	2,940	2,940	3,542	3,542
Long-term debt	7,122	7,618	7,232	7,561

Financial instruments that are classified as loans and receivables and other financial liabilities are measured at amortized cost. The Company does not measure any financial instruments or other assets at fair value on a recurring basis in the statement of financial position.

The fair values of cash, trade receivables, security deposits, other receivables, and trade payables, approximate their carrying values due to either their short-term nature or maturities. At each reporting date the fair value of long-term debt, which is carried at amortized cost, is estimated by discounting the anticipated future cash flows using a valuation model that incorporated management's best estimate of the Company's credit risk and relevant market interest rates.