



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2010 and 2009
(U.S. dollars)

Polaris Minerals Corporation

Consolidated Balance Sheets

(Unaudited)

(thousands of U.S. dollars)

	September 30, 2010	December 31, 2009
	\$	\$
Assets		
Current assets		
Cash	811	5,642
Accounts receivable (note 3)	5,026	3,139
Inventories (note 4)	3,121	2,785
Prepaid expenses and other	280	581
Current portion of loans and advances (note 5)	880	3,061
	<u>10,118</u>	<u>15,208</u>
Loans and advances (note 5)	5,325	6,132
Property held for sale (note 12)	12,469	12,210
Property, plant and equipment (note 6)	99,920	101,223
Other long-term assets	1,177	1,207
	<u>129,009</u>	<u>135,980</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	4,868	3,907
Current portion of long-term debt (note 8)	789	734
	<u>5,657</u>	<u>4,641</u>
Long-term debt (note 8)	7,317	2,240
Other long-term liabilities (note 9)	2,442	4,030
	<u>15,416</u>	<u>10,911</u>
Non-controlling interest	-	785
Shareholders' equity		
Share capital	149,592	149,574
Warrants	6,837	6,837
Contributed surplus	13,873	13,683
Deficit	(73,909)	(60,348)
Accumulated other comprehensive income	17,200	14,538
	<u>113,593</u>	<u>124,284</u>
	<u>129,009</u>	<u>135,980</u>
Going concern (note 1)		
Commitments and contingencies (note 15)		
Subsequent events (note 18)		

Approved by the Board of Directors

"Paul Sweeney"
Paul Sweeney, Director

"Herbert G.A. Wilson"
Herbert G.A. Wilson, Director

– See Accompanying Notes –



Polaris Minerals Corporation

Consolidated Statements of Loss

(Unaudited)

(thousands of US dollars, except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales	5,505	4,522	15,112	13,664
Cost of sales				
Cost of goods sold	(5,586)	(5,161)	(15,473)	(12,922)
(Provision) reversal for annual minimum freight volume penalty (note 15)	(894)	(1,000)	612	(1,000)
Amortization, depletion and accretion	(1,518)	(1,281)	(4,195)	(3,408)
	(7,998)	(7,442)	(19,056)	(17,330)
Gross loss	(2,493)	(2,920)	(3,944)	(3,666)
Operating expenses				
Selling, general and administrative expenses	(1,315)	(1,369)	(4,064)	(4,117)
Stock-based compensation	(40)	(482)	(169)	(757)
Shipping contract renegotiation costs (note 15)	-	-	(5,991)	-
	(1,355)	(1,851)	(10,224)	(4,874)
Operating loss	(3,848)	(4,771)	(14,168)	(8,540)
Other income and (expenses)				
Interest on long-term debt	(189)	(53)	(436)	(203)
Interest expense	(3)	-	(3)	(124)
Interest income	85	111	487	291
Foreign exchange loss	(72)	(647)	(229)	(1,162)
Income from equity accounted investment	28	64	96	126
Other gains and (losses) (note 11)	(6)	(210)	18	(166)
	(157)	(735)	(67)	(1,238)
Loss before taxes and non-controlling interest	(4,005)	(5,506)	(14,235)	(9,778)
Income taxes				
Current income tax (expense) recovery	(50)	46	(124)	(22)
Loss before non-controlling interest	(4,055)	(5,460)	(14,359)	(9,800)
Non-controlling interest	235	230	798	(164)
Net loss	(3,820)	(5,230)	(13,561)	(9,964)
Basic and diluted loss per common share	(0.07)	(0.10)	(0.25)	(0.19)
Weighted average number of common shares outstanding	53,247	53,224	53,240	52,753

- See Accompanying Notes -



Polaris Minerals Corporation

Consolidated Statements of Cash Flows

(Unaudited)

(thousands of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(3,820)	(5,230)	(13,561)	(9,964)
Amortization and accretion	1,576	1,268	4,346	3,537
Non-cash shipping contract renegotiation costs (note 15)	-	-	5,453	-
Stock-based compensation	44	482	191	757
Unrealized foreign exchange loss (gain)	69	258	(4)	445
Provision (reversal) for annual minimum freight volume penalty (note 15)	894	1,000	(612)	1,000
Income from equity accounted investment	(28)	(64)	(96)	(126)
Accrued interest on long term debt	120	-	120	-
Other (gains) and losses	-	210	(35)	133
Non-controlling interest	(235)	(230)	(798)	164
	(1,380)	(2,306)	(4,996)	(4,054)
Changes in non-cash working capital items (note 13)	(202)	706	(1,554)	(520)
	(1,582)	(1,600)	(6,550)	(4,574)
Cash flows from financing activities				
Issue of common shares and warrants	-	17	17	21,047
Issue costs	-	-	-	(1,491)
Repayment of long-term debt	(187)	(164)	(554)	(17,282)
	(187)	(147)	(537)	2,274
Cash flows from investing activities				
Payments received on held-for-trading investments	-	2,705	-	2,928
Dividends received from equity accounted investment	30	-	89	-
Loans and advances funding	-	-	(124)	(140)
Loans and advances repayments	121	172	3,007	331
Property, plant and equipment purchases	(290)	(415)	(779)	(2,672)
Security deposit withdrawals (deposits)	30	(13)	69	(16)
	(109)	2,449	2,262	431
Effect of foreign currency translation on cash	32	576	(6)	780
(Decrease) increase in cash	(1,846)	1,278	(4,831)	(1,089)
Cash - beginning of period	2,657	4,669	5,642	7,036
Cash - end of period	811	5,947	811	5,947
Supplemental cash flow information (note 13)				

- See Accompanying Notes -



Polaris Minerals Corporation

Consolidated Statements of Shareholders' Equity

(Unaudited)

(thousands of U.S. dollars)

	Number of common shares (000's)	Amount of common shares \$	Warrants \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income (loss) \$	Total \$
December 31, 2008	37,580	132,405	4,503	12,733	(42,490)	(3,603)	103,548
Units issued - net	15,625	17,148	2,334	-	-	-	19,482
Options exercised	20	21	-	(4)	-	-	17
Stock based compensation	-	-	-	954	-	-	954
Other comprehensive income	-	-	-	-	-	18,141	18,141
Net loss	-	-	-	-	(17,858)	-	(17,858)
December 31, 2009	53,225	149,574	6,837	13,683	(60,348)	14,538	124,284
Options exercised	22	18	-	(1)	-	-	17
Stock based compensation	-	-	-	191	-	-	191
Other comprehensive income	-	-	-	-	-	2,662	2,662
Net loss	-	-	-	-	(13,561)	-	(13,561)
September 30, 2010	53,247	149,592	6,837	13,873	(73,909)	17,200	113,593

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(thousands of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Net loss	(3,820)	(5,230)	(13,561)	(9,964)
Other comprehensive income				
Currency translation adjustment	3,883	10,551	2,662	15,725
Comprehensive income (loss)	63	5,321	(10,899)	5,761

- See Accompanying Notes -



Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

1. Going concern

These unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles 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 nine months ending September 30, 2010, the Company incurred a net loss of \$13.6 million (nine months ending September 30, 2009 - \$10.0 million), and as at September 30, 2010, has a deficit of \$74 million (December 31, 2009 - \$60.3 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 continue as 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. The previously expected recovery of demand in the California market has not yet materialized. These market conditions continue to result in reduced revenue levels, 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 the CSL shipping contract (note 15).

Given these market conditions, the Company has obtained a short term credit facility of \$5.0 million (CAD\$5.0 million) (note 18) to meet its operating expenditures until the sale of the Pier B property held by the Cembra Long Beach LLC joint venture (note 18) is complete. The Company's share is anticipated to be approximately \$14.0 million, net of closing costs. Closing of the purchase and sale agreement is anticipated by the end of January 2011. There can be no assurance that the asset sale will be successful or completed on a timely basis.

There is some risk that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to postpone additional interest payments on the senior secured notes (note 8), as allowed under the term of the notes; raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets.

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.

2. Basis of presentation

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2009. These unaudited interim consolidated financial statements do not include all the disclosures required by Canadian generally accepted accounting principles for annual financial statements, and should be read in conjunction with the audited annual financial statements of the Company as at December 31, 2009.

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.

Certain comparative figures have been reclassified to conform to the current period presentation.

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

3. Accounts receivable

(in thousands)	September 30, 2010	December 31, 2009
	\$	\$
Trade receivables	4,366	2,810
Accrued interest	28	29
Income taxes receivable	300	224
Other taxes receivable	183	73
Other non-trade receivables	149	3
	5,026	3,139

4. Inventories

(in thousands)	September 30, 2010	December 31, 2009
	\$	\$
Construction aggregates	2,573	2,060
Components and consumable supplies	548	725
	3,121	2,785

5. Loans and advances

(in thousands)	September 30, 2010	December 31, 2009
	\$	\$
6.5% loan, advanced to a related party, CAD\$1,123, unsecured, monthly payments comprise principal and interest, due December 1, 2018	1,092	-
Bridge loan, advanced to a related party, (December 31, 2009 – CAD\$4,165)	-	3,963
5.5% loan, secured, monthly payments of principal and interest, due March 1, 2028	4,744	5,028
Other	369	202
Total	6,205	9,193
Less: current portion	(880)	(3,061)
Non-current portion	5,325	6,132

Related party loans

At September 30, 2010, the Company has a loan of CAD\$1,123,487, 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. The loan is carried at amortized cost.

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

5. Loans and advances - continued

At December 31, 2009, the Company retained a CAD\$4,164,830 bridge loan advanced to the related party. The loan 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. The loan was carried at amortized cost. 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 of CAD\$3,497,484 included in the bridge loan, and repay the Company the outstanding operating and shareholder loans also included in the bridge loan. Under the terms of the agreement, the other owners have provided long-term loans to the related party of CAD\$1,165,828, less CAD\$120,000 previously paid, representing each ownership group's 33.33% proportionate share of the financing of the original tug construction costs.

6. Property, plant and equipment

(in thousands)	September 30, 2010			December 31, 2009		
	Cost \$	Accumulated depletion or amortization \$	Net book value \$	Cost \$	Accumulated depletion or amortization \$	Net book value \$
Orca Quarry						
Property, plant and equipment	69,531	(11,475)	58,056	67,769	(9,129)	58,640
Equipment under capital lease	5,019	(1,802)	3,217	4,914	(1,396)	3,518
Exploration properties	1,370	-	1,370	1,339	-	1,339
Richmond Terminal						
Property, plant and equipment	40,058	(5,231)	34,827	39,072	(3,663)	35,409
Head office						
Office equipment	390	(263)	127	500	(296)	204
Leasehold improvements	244	(112)	132	239	(88)	151
Eagle Rock Quarry project						
Property development costs	1,883	-	1,883	1,773	-	1,773
Long Beach Terminal project						
Berth D-44 site development costs	200	-	200	71	-	71
Other terminal projects						
Site development costs	108	-	108	118	-	118
	118,803	(18,883)	99,920	115,795	(14,572)	101,223

7. Accounts payable and accrued liabilities

(in thousands)	September 30, 2010	December 31, 2009
	\$	\$
Trade payables	2,512	1,775
Accrued liabilities (note 15)	2,356	2,031
Income taxes payable	-	101
	4,868	3,907

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

8. Long-term debt

(in thousands)	September 30, 2010	December 31, 2009
	\$	\$
Senior secured notes at 7.5%, with quarterly interest payments. Principal outstanding of \$6.47 million paid in twelve quarterly payments commencing March 31, 2015. Effective yield 10.6%.	5,626	-
Capital lease obligations	2,480	2,974
Total	8,106	2,974
Less: current portion	(789)	(734)
Non-current portion	7,317	2,240

Senior secured notes

On March 26, 2010, the Company issued \$6.35 million (\$1,000 par value per note) of 7.5% senior secured notes due December 31, 2017 with interest payable quarterly. Repayment of the notes commences on March 31, 2015 with quarterly payments of \$525,000, with a final payment of \$575,000 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.

On September 30, 2010 the Company exercised its right to pay its quarterly interest payment of \$120,041 in the form of additional notes, with the same terms, conditions and maturity date as the original notes.

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.

The notes have been classified as financial liabilities measured at amortized cost. They 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 nine months ended September 30, 2010, non-cash accretion of the discount, included in interest on long-term debt, was \$52,024 (June 30, 2009 – nil).

9. Other long-term liabilities

(in thousands)	September 30, 2010	December 31, 2009
	\$	\$
Asset retirement obligations	2,403	2,186
Provision for annual minimum freight volume penalty (note 15)	-	1,800
Other	39	44
	2,442	4,030

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

10. Stock based compensation

Stock options

The Company's stock options at September 30, 2010 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD\$)
December 31, 2008	3,249,595	\$9.20
Granted	725,000	\$1.97
Exercised	(20,000)	\$1.00
Forfeited	(247,000)	\$8.84
December 31, 2009	3,707,595	\$7.85
Granted	50,000	\$1.80
Exercised	(22,500)	\$0.78
Forfeited	(323,750)	\$8.41
September 30, 2010	3,411,345	\$7.76

At September 30, 2010, the following stock options are outstanding and exercisable:

Exercise prices (CAD\$)	Options outstanding			Options exercisable		
	Number of options outstanding	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price (CAD\$)	Weighted average remaining contractual life (years)
\$0.75 - \$2.00	957,500	\$1.72	6.80	745,835	\$1.66	6.21
\$2.50 - \$4.00	345,000	\$3.47	3.65	345,000	\$3.47	3.65
\$4.56 - \$5.60	413,345	\$4.91	4.27	413,345	\$4.91	4.27
\$8.69	85,000	\$8.69	7.38	63,750	\$8.69	7.38
\$11.41	555,000	\$11.41	2.26	555,000	\$11.41	2.26
\$13.75	1,055,500	\$13.75	7.01	1,055,500	\$13.75	7.01
	3,411,345	\$7.76	5.52	3,178,430	\$8.14	5.28

During the nine months ended September 30, 2010, options granted had a total fair value of \$49,972 (September 30, 2009 - \$730,198) and a weighted average grant-date fair value of \$1.00 (September 30, 2009 - \$1.01) per option. The options have been valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Average risk free rate	2.92 %	2.45 %
Expected life	5.30 years	5.25 years
Expected volatility	63.47 %	68.20 %
Expected dividends	-	-

Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the input assumptions can materially affect the fair value estimate.

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

11. Other gains and (losses)

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Loss on investment in ABCP/long-term notes	-	(210)	-	(43)
Exploration costs written off	-	-	-	(116)
Other	(6)	-	18	(7)
	(6)	(210)	18	(166)

12. Joint venture interest

Cemera Long Beach LLC

Cemera Long Beach LLC is a joint venture between the Company and Cemex Inc, to develop a site in the Port of Long Beach, California. The joint venture's 12.4 acre site at Pier B has the potential to accommodate a sand and gravel terminal, an on-site ready mix concrete plant and a crushed rock terminal on commencement of production at the Eagle Rock Quarry. Given the current expectation that it is probable that the Pier B property will be sold in the next twelve months, the Company's proportionate interest of \$12.5 million in the Pier B property costs has been classified as property held for sale.

The following details the Company's proportionate share of the joint venture:

(in thousands)	September 30, 2010 \$	December 31, 2009 \$
Assets		
Current assets	113	86
Property held for sale	12,469	12,210
Total assets	12,582	12,296
Liabilities		
Current liabilities	238	265
Total liabilities	238	265

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Revenue and expenses				
General and administrative expenses	(84)	-	(104)	-
Foreign exchange (loss) gain	(18)	-	1	-
Other gains	-	-	39	-
Net loss	(102)	-	(64)	-

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

12. Joint venture interest - continued

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash flows				
Operating activities	(11)	-	(173)	-
Investing activities	-	(100)	-	(218)
Financing activities	-	200	200	317
Increase (decrease) in cash	(11)	100	27	99

13. Supplemental cash flow information

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
<i>Changes in non-cash working capital items</i>				
Accounts receivable	(1,191)	450	(1,498)	503
Inventories	393	271	(415)	(575)
Prepaid expenses and other	(18)	15	311	397
Accounts payable and accrued liabilities	614	(30)	48	(845)
	(202)	706	(1,554)	(520)
<i>Interest and taxes paid</i>				
Interest paid	44	53	264	291
Income taxes paid	33	43	314	232
<i>Significant non-cash investing and financing activities</i>				
Property, plant and equipment in accounts payable and accrued liabilities	25	315	25	315

14. Related party transactions and balances

During the three months ended September 30, 2010, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of \$82,552 (September 30, 2009 - \$77,844). During the nine months ended September 30, 2010, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of \$254,873 (September 30, 2009 - \$230,409). At September 30, 2010, trade payables and accrued liabilities include \$27,315 (December 31, 2009 - \$31,445) due to the related parties.

During the three months ended September 30, 2010, a related party (note 4) provided tug berthing services to the Company at a cost of \$340,199 (September 30, 2009 - \$322,062). During the nine months ended September 30, 2010, the related party provided tug berthing services to the Company at a cost of \$991,394 (September 30, 2009 - \$827,967). At September 30, 2010, trade payables include \$59,975 (December 31, 2009 - \$851,678) due to the related party.

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

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

15. Commitments and contingencies

Shipping Tonnage

During the nine months ended September 30, 2010, the Company restructured its shipping arrangements whereby the Company's two shipping contracts (CoA-1 and CoA-2) were amended and amalgamated into a single revised Contract of Affreightment ("NCoA") which is effective from January 1, 2010 with a term of 20 years. The Company paid a contract restructuring fee comprised of a cash payment upon signing of \$500,000 and issuance of \$6,350,000 in senior secured notes (note 8). The cash payment of \$500,000 and the fair value of the notes, of \$5,453,480, have been expensed in the first quarter of 2010. Under NCoA, potential annual minimum freight volume penalties incurred under CoA-1 have been cancelled. Due to the restructuring, the \$1.8 million annual minimum freight volume penalties accrued in 2009 and included in other long-term liabilities (note 9), have been reversed through cost of goods sold in 2010 (note 9).

The NCoA requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons. Minimum freight volume penalties are payable annually in the year in which freight volumes do not meet the minimum volume requirements in the NCoA. During the nine months ended September 30, 2010, the Company accrued \$1.2 million for penalties associated with the annual minimum volume requirement, which are included in accrued liabilities.

Operating agreements and through-put agreements

In July 2010, the Company entered into an operating lease, with L.G. Everist, Inc for the 8.3 acre 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 following minimum payments are required under operating leases, rent, equipment rentals, car leases, and aggregate through-put commitments as at September 30, 2010:

(in thousands)	\$
Three months ended December 31, 2010	424
Twelve months ended December 31, 2011	1,698
Twelve months ended December 31, 2012	2,110
Twelve months ended December 31, 2013	2,036
Twelve months ended December 31, 2014	2,057
Twelve months ended December 31, 2015	993
Thereafter	10,446
	19,764

16. Segmented financial information

The Company operates in one segment: the development and operation of construction aggregates properties and projects located in western North America. The Company's sales were to one customer in Vancouver, BC and four customers in the United States of America comprising 100% of the Company's sales. The customers with significant sales are as follows:

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Customer A	2,590	2,282	7,911	6,247
Customer B	2,044	2,023	4,538	5,389

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

16. Segmented financial information - continued

Sales by geographic area are as follows:

	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
(in thousands)				
United States	5,275	4,305	14,196	12,927
Canada	230	217	916	737
	5,505	4,522	15,112	13,664

Property, plant and equipment by geographic area are as follows:

	September 30, 2010	December 31, 2009
(in thousands)	\$	\$
United States	35,027	36,210
Canada	64,893	65,013
	99,920	101,223

17. Financial instruments

The classification, carrying amounts, and the related balance sheet item of each financial instrument are as follows:

	September 30, 2010	December 31, 2009
(in thousands)		
Financial assets "Held-for-trading"		
Cash	811	5,642
Financial assets "Held-to-maturity"		
Security deposits, included in other long-term assets	1,134	1,179
Loans and receivables		
Accounts receivables	4,515	2,842
Loans and advances (note 5)	6,205	9,193
Other financial liabilities		
Accounts payables and accrued liabilities	4,868	3,806
Senior secured notes (note 8)	5,626	-

At September 30, 2010, all of the Company's financial instruments are recorded on the balance sheet at amortized cost with the exception of cash.

Polaris Minerals Corporation

Notes to the Consolidated Financial Statements

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

18. Subsequent events

Short term credit facility agreement

On November 8, 2010, the Company obtained a subordinated, non-revolving credit facility in the amount of \$5.0 million (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 \$5 million, to demand repayment of the principal plus accrued interest. Further, upon the completion of the Pier B land sale, the Company will pay \$1 million to CSL, to be applied against the outstanding debt of \$6.47 million (note 8). The facility is secured by a general security agreement providing a second lien over the assets of the Company.

As part of the lending agreement, the Company will issue 625,000 common share purchase warrants to the lenders. Each warrant will be exercisable to acquire one common share of the Company at a price of CAD\$1.50 for 5 years.

Pier B purchase and sale agreement

On November 8, 2010, the Company entered into a purchase and sale agreement with respect to the sale of the freehold land on Pier B in the Port of Long Beach, California, property held by the Cembra Long Beach LLC joint venture, at a price of \$22.75 million in cash. The Company's share is anticipated to be approximately \$14.0 million, net of closing costs.

The agreement is subject to due diligence on the part of the purchaser. It affords the purchaser sixty days from the opening of escrow to conduct due diligence investigations and a further thirty days thereafter to close the transaction which is anticipated to be in January 2011. Accordingly, the Company has not revised its estimate of the fair value of the Pier B property until all subjects have been removed.



(US dollars, except where noted)
 (Unit of weight is US short tons)

Management's Discussion and Analysis Quarter Ending September 30, 2010

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company" or "Polaris") has been prepared by management as of November 9, 2010, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010, as well as the audited consolidated annual financial statements for the year ended December 31, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles. 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

- Revenue increased by 21.7% in the quarter and by 10.6% for the first nine months of 2010 compared with the same periods in 2009. Sales volumes increased by 13.1% and 7.0% in the quarter and first nine months respectively compared with last year;
- Entered into a CAD\$5 million, one year bridge loan facility with a private group of investors to address short term liquidity concerns;
- Entered into a purchase and sale agreement for the freehold land on Pier B in the Port of Long Beach with anticipated net receipts to the Company of \$14.0 million.

Results of Operations

The Company incurred a net loss of \$3.8 million (\$0.07 per share) in the quarter compared to a net loss of \$5.2 million (\$0.10 per share) in the comparative quarter in 2009. The net loss for the three month period is mainly attributable to a continuing low level of sales and production as well as an accrual of \$894,000 for annual minimum volume penalties under the Company's shipping contract. For the nine months ended September 30, 2010, the Company incurred a net loss of \$13.6 million (\$0.25 per share) compared to a loss of \$10.0 million (\$0.19 per share) in the comparative period in 2009. The loss for the nine month period has been negatively impacted by the accrual of \$1.2 million for the annual minimum volume penalties to the Company's shipper, together with a one-time net charge of \$4.2 million for restructuring the Company's shipping contracts at the beginning of 2010. This charge consisted of a \$6.0 million charge offset by the reversal of provisions of \$1.8 million made in 2009 for potential penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

Revenue for the quarter increased 22% to \$5.5 million, compared with \$4.5 million in the prior year on sales of 381,000 tons a 13% increase from sales of 336,000 tons in the prior year. Revenue for the nine months ended September 30, 2010 increased 11% to \$15.1 million from \$13.7 million in the prior year. Sales in the first nine months of 2010 increased by 7.0% to 1.1 million tons compared with the prior year.

(000's)	Three months ended September 30, 2010		Three months ended September 30, 2009		Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	Tons	\$	Tons	\$	Tons	\$	Tons	\$
Sales	381	5,505	336	4,522	1,101	15,112	1,029	13,664
Gross loss		(2,493)		(2,920)		(3,944) ⁽¹⁾		(3,666)
Gross loss per ton		(6.54)		(8.69)		(3.58)		(3.56)

⁽¹⁾ Includes reversal, on a net basis, of \$0.6 million of the provision for annual minimum freight volume penalties.

(US dollars, except where noted)
(Unit of weight is US short tons)

For the three and nine month periods ended September 30, 2010, the Company incurred a gross loss of \$2.5 million and \$3.9 million, respectively, compared with \$2.9 million and \$3.7 million, respectively, in 2009. The decreased loss for the three month period is principally the result of: increased average sales prices which benefited from the recovery of higher shipping fuel surcharges compared with the same quarter in 2009; decreased net accrual for annual minimum volume penalties under the Company's shipping contract and; reduced production costs per ton due to increased production in the quarter which was partially offset by the strengthening Canadian dollar. Gross loss for the nine months was consistent with the 2009 period after the impact of increased quarry costs due to the strengthening Canadian dollar which were offset by an increase in average sales price due to the recovery of fuel surcharges and also the reversal of the 2009 provision of net \$0.6 million.

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 as they deliver 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 so 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 September 30, 2010, selling, general and administrative expenses were \$1.3 million, compared with \$1.4 million in the same period for 2009. During the nine months ended September 30, 2010, selling, general and administrative expenses were \$4.1 million, unchanged from the same period for 2009.

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 North America. See "Segmented Financial Information" (note 16) in the Company's September 30, 2010 financial statements for analysis of its customers and geographic segments.

(US dollars, except where noted)
(Unit of weight is US short tons)

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)	2010			2009				2008
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue	5,505	4,723	4,884	5,168	4,522	6,217	2,925	7,459
Loss from operations	(3,848)	(3,563)	(6,758) ⁽¹⁾	(3,547) ⁽²⁾	(4,771) ⁽²⁾	(1,859)	(1,910)	(2,742)
Net loss for the quarter	(3,820)	(3,237)	(6,505) ⁽¹⁾	(7,894) ⁽²⁾	(5,230) ⁽²⁾	(3,337)	(1,397)	(2,159)
Basic and diluted net loss per share	(0.07)	(0.06)	(0.12)	(0.15)	(0.10)	(0.06)	(0.03)	(0.05)
(000 Tons)								
Sales	381	344	376	391	336	487	206	608
Aggregate production	330	360	503	372	259	432 ⁽³⁾	444	338 ⁽⁴⁾

(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) An independent measurement of inventories at June 30, 2009 verified that the procedure for accounting for moisture losses implemented in 2009 was effective and no adjustments to recorded inventory were required.

(4) Net of 325,000 tons adjustment to yearend inventory.

See Sales and Seasonality section for discussion of quarterly and general trends.

Liquidity and Capital Resources

Working Capital

At September 30, 2010, the Company had working capital of \$4.5 million, including cash of \$0.8 million, compared to working capital of \$10.6 million and cash of \$5.6 million at December 31, 2009. Subsequent to the end of the quarter, the Company has strengthened its cash position through a CAD\$5.0 million, one year non-revolving credit facility and expects to further strengthen its balance sheet through the sale of the freehold land on Pier B in the Port of Long Beach, California, which is subject to a purchase and sale agreement for \$22.75 million in cash, of which the Company's share is anticipated to be approximately \$14.0 million, net of closing costs. The purchase and sale agreement affords the purchaser sixty days from the opening of escrow to conduct due diligence investigations and a further thirty days thereafter to close the transaction which is anticipated to be in January 2011. The Company is also negotiating for a recovery of cash from the \$4.7 million, 5.5% secured loan which it holds that, if successful, would further strengthen cash resources.

Operating, Financing and Investing Activities

For the three months ended September 30, 2010, cash used was \$1.8 million compared with cash generated of \$1.3 million in the three months ended September 30, 2009. For the nine months ended September 30, 2010, cash used was \$4.8 million compared with cash used of \$1.1 million in the nine months ended September 30, 2009.

(US dollars, except where noted)
(Unit of weight is US short tons)

Operating activities, including non-cash items and non-cash working capital, used cash of \$6.6 million in the nine months ended September 30, 2010, compared to cash used of \$4.6 million in the comparative period for 2009. Cash used in operations included the \$0.5 million cash payment to CSL upon the restructuring of the Company's shipping contracts and \$1.5 million to finance increased sales. At the end of the quarter inventories were 503,000 tons compared with 414,000 tons at December 31, 2009.

Investing activities during the nine months ended September 30, 2010 strengthened the Company's cash position. The Company's joint venture partners in the berthing tugboat provided loans to the joint venture, allowing it to repay \$2.1 million of the \$4.0 million bridge loan made by the Company to finance the building of the tug which operates at the Orca Quarry. The Company expended \$0.8 million on property, plant and equipment in the nine months ended September 30, 2010 compared with \$2.7 million in 2009. The 2010 expenditure relates mainly to payments for the installation of a second truck loadout system at the Richmond Terminal, completed in the first quarter and for permitting costs on the Pier B property incurred in 2009 but paid for in 2010. The 2009 expenditures related mainly to the completion of the installation of a second crusher at the Orca Quarry, permitting of the Pier B property, the feasibility study of the Eagle Rock Quarry and improvements to the load-out facilities and storage at the Richmond Terminal.

Subsequent to quarter end, the Company entered into a credit agreement with a private group of investors, dated November 8, 2010 for a CAD\$5 million one year bridge loan facility. The Company will issue 625,000 warrants to the lenders with a five year term and a strike price of CAD\$1.50 and the loan is repayable at the end of the term for \$5,750,000. The lender has the option upon the sale of certain assets greater than \$5 million to demand repayment of the principal plus accrued interest at the rate of 15% per annum. The Company also has the option to repay the loan at any time prior to maturity for the principal plus accrued interest at 15% per annum plus 5%. Further, upon completion of the Pier B land sale, the Company will pay \$1.0 million to CSL to be applied against their outstanding debt of \$6.47 million.

Depending on the speed and strength of the recovery of the US economy, particularly in the construction sector, the Company may need to obtain additional financing to fund operations, develop further terminals and, depending on satisfactory market evaluation, advance the development of the Eagle Rock Quarry.

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

During the nine months ended September 30, 2010, the Company restructured its shipping arrangements whereby the Company's two shipping contracts of affreightment (CoA-1 and CoA-2) were combined into a single amended and restated Contract of Affreightment ("NCoA") effective from January 1, 2010, with a term of 20 years. The Company paid a contract restructuring fee comprised of a cash payment upon signing of \$500,000 and the issuance of \$6.35 million in 7.5% senior secured notes maturing December 31, 2017. The cash payment of \$500,000 and the fair value of the notes, of \$5,453,480, have been expensed in the first quarter of 2010. The restructuring cost for NCoA included settlement of any potential annual minimum freight volume penalties under CoA-1. Due to the restructuring, the \$1.8 million potential minimum freight volume penalties accrued in 2009 have been reversed in the nine months ended September 30, 2010.

NCoA requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, of 1,543,000 short tons escalating to 5,787,000 tons per year over seven years. 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. During the three month periods ended June 30, 2010 and September 30, 2010, the Company accrued \$295,000 and \$894,000, respectively for total penalties of \$1.2 million associated with the annual minimum volume requirement as a result of the failure of the economic stimulus measures to produce the anticipated positive impacts on construction activity in northern California on which the revised minimum tonnages had been based.

Lease agreement

In July 2010, the Company entered into a lease at commercial annual rates, with L.G. Everist, Inc for the 8.3 acre 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.

There is a full discussion and description of the Company's contractual obligations, commitments and contingencies in the 2009 management discussion and analysis.

(US dollars, except where noted)
 (Unit of weight is US short tons)

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 Canadian generally accepted accounting principles (Canadian GAAP) 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 September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net loss for the period	(3,820)	(5,230)	(13,561)	(9,964)
Adjustments				
Provision (reversal) for 2009 annual minimum volume penalties	-	1,000	(1,800)	1,000
Stock based compensation	44	482	191	757
Shipping contract restructuring costs	-	-	5,991	-
Other gains and losses	6	210	(18)	166
Adjusted net loss for the period	(3,770)	(3,538)	(9,197)	(8,041)
per share	(0.07)	(0.07)	(0.17)	(0.15)

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 Canadian GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Other companies may calculate these measures differently. The following table reconciles these non-GAAP measures to the most directly comparable Canadian GAAP measure.

(US dollars, except where noted)
 (Unit of weight is US short tons)

(\$000's except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net loss for the period	(3,820)	(5,230)	(13,561)	(9,964)
Interest expense	192	53	439	327
Current income tax expense	50	(46)	124	22
Amortization, depletion and accretion	1,576	1,268	4,346	3,537
EBITDA	(2,002)	(3,955)	(8,652)	(6,078)
<i>per share</i>	<i>(0.04)</i>	<i>(0.07)</i>	<i>(0.16)</i>	<i>(0.12)</i>
Adjustments				
Provision (reversal) of 2009 annual minimum volume penalties	-	1,000	(1,800)	1,000
Stock based compensation	44	482	191	757
Shipping contract restructuring costs	-	-	5,991	-
Other gains and losses	6	210	(18)	166
Adjusted EBITDA	(1,956)	(2,263)	(4,310)	(4,155)
<i>per share</i>	<i>(0.04)</i>	<i>(0.04)</i>	<i>(0.08)</i>	<i>(0.08)</i>

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

Sales of the Company's construction aggregates in the third quarter of 2010 were 381,000 tons compared to 336,000 tons in the previous year and, sales for the three quarters of the year totaled 1,101,000 tons, an increase from the 1,029,000 tons sold in the three quarters of 2009. Prices have continued to hold steady. Shipments in the fourth quarter of 2010 will be lower than in the same quarter of 2009 as the Company's shipper will have less capacity available because of the need for routine dry docking of the Panamax vessel primarily used for Orca Quarry shipments. However, supplies to customers will not be affected as there are substantial inventories of Orca products held at the various San Francisco Bay area terminals. It is difficult to draw conclusions from individual quarters when weather and seasonal factors vary significantly year to year as well as the timing of individual shipments. However, considering the likely impact of the reduced fourth quarter shipping capacity, the Company's expectation for full year sales in 2010 is effectively static compared with 2009 which reflects that the economic recession is still continuing and that the various stimulus measures implemented by federal and state governments have yet to impact demand in the Company's primary market.

In August 2010, President Obama, introduced a Transportation Funding Plan that called for a \$50 billion injection of Federal money to boost spending on roads, rail and runways. The intention of the plan is to frontload the reauthorization of a long-term Transportation Bill, using the \$50 billion in the first year to create job growth throughout the country. The construction industry has been pressing Congress to reauthorize a long-term Federal Highway Bill and it is hoped that this latest initiative by the President will be endorsed by Congress and bring the necessary financial confidence to State legislators, thus enabling design and planning steps to be taken in a timely manner. On a more positive note, it is expected that stimulus spending will increase in 2011, as the emphasis begins to shift from road resurfacing to more structural projects, which have been moving through the planning and development phases in 2010. Such developments are evident in northern California, including new road and bridge construction which have a higher concrete content that should benefit Company sales accordingly. Of continuing concern to the Company is the extent of California's budget deficit which may well continue to negatively impact the level of traditional infrastructure spending and offset benefits from Stimulus funded projects.

During the first few months of 2010, private house building was showing signs of recovery and expectations were increasing. As we moved through the year, however, it became clear that the tax credit incentive of \$8,000 for a new house purchase, had created a temporary anomaly which, at the cessation of the benefit in April 2010, effectively

(US dollars, except where noted)
(Unit of weight is US short tons)

wiped out continuing growth prospects. By September 2010, it became apparent that the almost overwhelming numbers of foreclosures on existing homes were significantly reducing property values to levels less than the cost of building new houses. It appears, therefore, that until the level of foreclosure is substantially reduced together with the inventory of vacant properties, there will be little expectation for meaningful growth in the private housing sector.

In previous years the building materials industry in northern California had benefited from a buoyant private commercial sector. In 2008, consequent upon the near collapse of the banking system and the resulting credit squeeze, virtually all new commercial building activity ceased as contracts were completed. As we approach the end of 2010, there is still no sign of the revival of this sector and growth is not expected to return until the second half of 2011, at the earliest.

Discussions with customers in Hawaii suggest that the advancement of certain infrastructure projects in, and around, Honolulu, could bring about an increase in their 2011 requirements. In Vancouver, however, indications are for a largely unchanged level of demand through 2011. In May 2010, the Company began shipping products by barge to a customer in Alaska and expects that this welcome business, albeit modest, will continue through 2011.

Despite continuing economic pressures, which are depressing the demand for construction aggregate in the main markets served by the Company, management 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 and the development of new replacement quarries is still strongly opposed by local residents. Transportation costs by road and rail, to supplement local shortages, continue to increase and marine transported alternatives, of which the Company currently has an unassailable position, remains viable into the heart of major coastal Cities in North America and Hawaii. It is against this background that the Company continues to advance expansion plans through existing market penetration and new terminal evaluation and development.

Taking each of these factors into account, the Company is projecting a modest increase in the demand for its products in 2011, to be followed by more significant upturns in 2012 and 2013, as the recovery in all sectors begins to positively impact construction activity. These expectations are broadly in line with the most recent market projections of the Portland Cement Association.

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

Despite having commenced production in 2007 the Company is still at a relatively early stage of development. 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

(US dollars, except where noted)
(Unit of weight is US short tons)

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, Inc. ("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, Cembra Long Beach, LLC, to develop a marine aggregates terminal in the Port of Long Beach, California. Cembra Long Beach, LLC, owns a 12.4 acre parcel of freehold land in the Port of Long Beach, California, 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 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, the Company resolved to sell the Pier B land and has entered into a purchase and sale agreement for the Pier B land with net proceeds to the Company estimated to be approximately \$14.0 million.

The Company, through its jointly owned subsidiary company, Cembra 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 Cembra 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 in San Diego 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 an existing terminal operated by Cemex at Redwood City 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.

(US dollars, except where noted)
(Unit of weight is US short tons)

CUSTOMERS

The Company's Strategic Alliance with Cemex, which was established in 2007, represents a cornerstone of the growth plans, including the development of new port receiving terminals that will ultimately be required to achieve the Orca Quarry's permitted production of 6.6 million tons per year. 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 sales.

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 during the first nine months of 2010. 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 rate although the underlying price has not declined.

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 three months ended September 30, 2010, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of \$82,552 (September 30, 2009 - \$77,844). During the nine months ended September 30, 2010, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of \$254,873 (September 30, 2009 - \$230,409). At September 30, 2010, trade payables include \$27,315 (December 31, 2009 - \$31,445) due to the related parties.

During the three months ended September 30, 2010, a related party provided tug berthing services to the Company at a cost of \$340,199 (September 30, 2009 - \$322,062). During the nine months ended September 30, 2010, the related party provided tug berthing services to the Company at a cost of \$991,394 (September 30, 2009 - \$827,967). At September 30, 2010, trade payables include \$59,975 (December 31, 2009 - \$851,678) due to the related party.

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

Critical Accounting Policies and Estimates

The Company's accounting policies are described in Note 1 to the December 31, 2009 audited consolidated financial statements. Both the accounting policies used and the estimates made by management can impact the consolidated financial statements. The Company considers the accounting policies and estimates for; inventories, property plant and equipment, the impairment of long-lived assets, the fair value of financial instruments, asset retirement obligations, stock-based compensation, income taxes, and the translation of foreign currency to be significant. There is a full discussion and description of the Company's critical accounting estimates in the 2009 management discussion and analysis.

Convergence with International Financial Reporting Standards

The Company continues to monitor deliberations and progress on plans to adopt International Financial Reporting Standards (“IFRS”) by accounting standard-setting bodies and securities regulators in Canada and other countries where the Company has operating and other interests.

Differences between Canadian GAAP and IFRS will impact the Company’s accounting activities to varying degrees, some of which are dependent on policy choice decisions. The main objective in the selection of IFRS policies and elections is to maintain meaningful and transparent information to shareholders.

The Company is currently in the process of finalizing their initial assessments of impacts as a result of the transition to IFRS. The major differences between the current accounting policies of the Company and those that the Company expects to apply in preparing the IFRS financial statements as well as some of the more significant adjustments currently expected are included below. These differences do not represent a complete list of expected changes under IFRS as the Company’s transition project may be impacted by changes to IFRS that may occur prior to changeover date causing the analysis below to change. These assessments are currently being considered by the Company’s external auditors. The Company will continue to report progress updates, as well as any additional impacts identified through the transition process.

IFRS 1 – First-time adoption of International Financial Reporting Standards (“IFRS 1”)

IFRS 1 First-time Adoption of International Financial Reporting Standards outlines guidance for a first-time adopter with the objective to ensure that an entity’s first IFRS financial statements contain information that:

- Is transparent for users and comparable over all periods presented;
- Provides a suitable starting point for accounting under IFRSs; and
- Can be generated at a cost that does not exceed the benefits to users.

Transition to IFRS requires retrospective application of accounting policies adopted with all adjustments applied from the date of the Company’s inception. IFRS 1 allows certain exemptions from retrospective application. In the absence of an exemption, all such adjustments to assets and liabilities are taken to retained earnings. The Company has elected to apply the following exemptions to its first IFRS financial statements:

- (i) Recognizing the cumulative translation differences from translating foreign operations previously recorded in Accumulated Other Comprehensive Income (“AOCI”) in retained earnings at January 1, 2010. This effectively sets the Company’s AOCI to Nil at January 1, 2010.
- (ii) Not re-measuring stock-based compensation expense relating to stock options and restricted share units granted prior to November 7, 2002 and those granted after November 7, 2002 but have vested as at January 1, 2010;
- (iii) Not applying the recognition and measurement principles of IFRIC 1 – *Changes in Existing Decommissioning, Restoration and Similar Liabilities* for changes in such liabilities that occurred prior to January 1, 2010; and instead measuring the Company’s reclamation and closure cost obligations at fair value on January 1, 2010, estimating the decommissioning liability as at the date of transition to IFRS in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
- (iv) Not accounting for any business combinations that occurred prior to January 1, 2010, using the principles of IFRS 3 – *Business Combinations*;
- (v) Designating the date of transition, January 1, 2010, as the date to apply the transitional provisions set out in IAS 23 *Borrowing Costs*. The capitalization of borrowing costs related to all qualifying assets will commence from this date onwards, and previously capitalized borrowing costs remain unchanged on transition;
- (vi) Taking the IFRIC 4 exemption and assessing whether an arrangement contains a lease on the basis of facts and circumstances existing at the date of transition to IFRS. The Company will not reassess the determination of whether an arrangement contains a lease under IFRS if the determination made under CGAAP gives the same outcome as that from the application of IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

(US dollars, except where noted)
(Unit of weight is US short tons)

Changes to accounting policies and financial statement elements

Property, Plant & Equipment

CGAAP 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 opening adjustment to the balance sheet as a result of the impact of componentization is approximately \$0.6 million decrease to property, plant and equipment with a corresponding increase in the deficit.

Asset retirement obligations

CGAAP and IFRS have some differences in this area, 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 opening adjustment on the balance sheet as a result of using a different discount rate under IFRS is approximately a \$2.5 million increase to the asset retirement obligations with a corresponding increase to property, plant and equipment of \$2.4 million and deficit of \$0.1 million.

The Effects of Changes in Foreign Exchange Rates

IAS 21 – *The Effects of Changes in Foreign Exchange Rates* has some differences from CGAAP in the assessment of and application of functional currency of the companies within the consolidated financial statements. The Company has assessed the impact of the differences resulting from this application and an increase of \$1.9 million in AOCI estimated and a decrease to property, plant and equipment of \$1.9 million. The impact on AOCI has been reduced with a corresponding increase in the deficit of \$1.9 million as the Company has elected the option to set the AOCI balance to Nil at January 1, 2010.

Project updates

The Company has also begun its process of assessing the impact of IFRS on its financial statement presentation and disclosure. These assessments will need to be further analyzed and evaluated, however we continue to be on track with our original timetable to implement this as part of the transition project. Initial draft financial statements have been prepared internally and are currently in the process of being reviewed by management.

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 result from the application of IFRS accounting policies are not anticipated to be significant. The Company will complete the design, implementation and documentation of the internal controls over accounting process changes that result from the application of IFRS accounting policies in the last quarter of 2010.

Control activities: Disclosure controls and procedures

All accounting policy changes from the transition to IFRS and the corresponding adjustments to the financial statements are subject to review by senior management and approval by the audit committee of the board of directors. These are currently being reviewed internally before being finalized.

The extent of the impact on the Company's information systems for transitioning to IFRS has been assessed and the adoption of IFRS will not have a significant impact on the Company's information systems and with the assistance of our third party advisor we are in the process of designing and implementing changes for an efficient conversion to IFRS.

The Company has begun various levels of training for key personnel in both financial and operating capacities, and the required changes to the Company's internal control environment, completion of formal authorization processes to approve recommended accounting policy changes, and disclosure controls and procedures are currently being addressed. This process will continue throughout 2010 to be ready for the transition to IFRS in 2011.

(US dollars, except where noted)
 (Unit of weight is US short tons)

Financial Instruments and Related Risk

The classification and amounts of each financial instrument are as follows:

(\$000's)	September 30, 2010	December 31, 2009
Financial assets "Held-for-trading"		
Cash	811	5,642
Financial assets "Held-to-maturity"		
Security deposits, included in other long-term assets	1,134	1,179
Loans and receivables		
Accounts receivable	4,515	2,842
Loans and advances (note 5)	6,205	9,193
Other financial liabilities		
Accounts payable and accrued liabilities	4,868	3,806
Senior secured notes (note 8)	5,626	-

At September 30, 2010, all of the Company's financial instruments are recorded on the balance sheet at amortized cost with the exception of cash.

On April 1, 2010, the Company and the other two ownership groups in a related party concluded an agreement to refinance on an equal basis the tug construction costs of CAD\$3,497,484 included in the bridge loan, and repay the Company the outstanding operating and shareholder loans also included in the bridge loan. Under the terms of the agreement, the other owners have provided loans to the related party, representing each ownership group's 33.33% proportionate share of the financing of the original tug construction costs. Each ownership group agreed to advance a CAD\$1,165,828 long-term loan to the related party, less CAD\$120,000 previously paid. The Company's refinanced loan to the related party is unsecured and matures December 31, 2010. 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. Payments of CAD\$14,692, representing principal and interest, are due from the related party on a monthly basis. The loan is carried at amortized cost.

On March 26, 2010, the Company issued \$6.35 million (\$1,000 par value per note) of 7.5% senior secured notes due December 31, 2017 with interest payable quarterly. Repayment of the notes commences on March 31, 2015 with quarterly payments of \$525,000, with a final payment of \$575,000 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 notes are secured by a first priority lien over the assets of the Company, including shares of certain subsidiaries. The notes contain certain covenants similar to those found in an arms-length bank financing. The notes have been classified as financial liabilities measured and recorded at fair value at inception and subsequently on an amortized cost basis. 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 issue using an effective rate of 10.6%. On September 30, 2010, the Company exercised its right to pay its quarterly interest payment of \$120,041 in the form of additional notes, with the same terms, conditions and maturity date as the original notes.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,247,102 were issued and outstanding. The Company also had 3,411,345 options outstanding, exercisable into 3,411,345 common shares of which 3,178,430 are currently vested and 11,541,346 warrants outstanding, all of which are vested.

(US dollars, except where noted)
(Unit of weight is US short tons)

Risks and Uncertainties

The development and operation of the Company's construction aggregate properties involves a high degree of financial risk. The risk factors which should be taken into account in assessing the Company's activities include, but are not necessarily limited to, those set out in the paragraphs below. These risks are not intended to be presented in any assumed order of priority. Any one or more of these risks could have a material effect on the Company and should be taken into account in assessing the Company's activities.

Current global financial conditions have been subjected to increased volatility and access to financial markets has been severely restricted, which may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, it may not be on terms favourable to the Company. Failure to obtain financing in the future may result in the delay or indefinite postponement of the future development of the Company's properties and terminals and could potentially result in the loss of those property interests.

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. The previously expected recovery of demand in the California market has not yet materialized. These market conditions continue to result in reduced revenue levels, 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 the CSL shipping contract.

Given these market conditions, the Company has obtained a short term credit facility of \$5.0 million (CAD\$5.0 million) (See *Liquidity and Capital Resources*) to meet its operating expenditures until the sale of the Pier B property held by the Cembra Long Beach LLC joint venture (See *Liquidity and Capital Resources*) is complete. The Company's share is anticipated to be approximately \$14.0 million, net of closing costs. Closing of the purchase and sale agreement is anticipated by the end of January 2011. There can be no assurance that the asset sale will be successful or completed on a timely basis.

There is some risk that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to postpone payment of interest on the senior secured notes, as allowed under the term of the notes; raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets.

The quarrying industry is competitive and the Company may not secure the construction aggregate sales volumes and prices anticipated for the Orca Quarry. As the majority of the Company's sales are in US dollars, currency fluctuations may adversely affect the Company's revenues. Furthermore, the Company must secure access to additional discharge points and additional shipping volumes for its products. An additional risk exists that the Company may be unable to meet minimum freight contract volumes, particularly during the earlier years of the contract which could have a materially adverse affect on the Company's revenues, operations and financial condition.

Quarrying involves a high degree of risk and the Company has a limited history of construction aggregate project development or operations. Additionally, certain groups are opposed to quarrying and could attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. The Company's title to its properties may be subject to disputes or other claims, including land title claims of First Nations. Construction aggregate quarrying, processing and development activities are highly regulated and changes to government regulations or interpretation of those regulations may also adversely affect the Company. The Company currently depends on a single property with a construction aggregate reserve that has an estimated life at inception of 25 years. In order to maintain its annual production the Company will be required to obtain other construction aggregate resources in the future to bring into production. The Company's operations are subject to environmental risks and the actual costs of reclamation for the property are uncertain. Further, the Company's insurance will not cover all the potential risks associated with a quarrying operation.

The Company is principally dependent upon its key personnel and will also be required to recruit and retain personnel to facilitate the growth of the Company.

The specifics of the Company's risks are detailed in disclosures with the heading "Risk Factors" in the Company's periodic filings with securities regulators.

(US dollars, except where noted)
(Unit of weight is US short tons)

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 nine months ended September 30, 2010 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, 2009, 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 kg (2,205 imperial pounds).