Polaris MINERALS CORPORATION

2006 FIRST QUARTER REPORT

Polaris
MINERALS CORPORATION

May 15, 2006

TO OUR SHAREHOLDERS:

During the first quarter of 2006, Polaris was given the green light by its shareholders to proceed with the Company's ambitious business plan. This mandate was clearly evidenced by the successful completion of an $80 million Initial Public Offering on the Toronto Stock Exchange on January 10, 2006. As a result, the Company made the decision to proceed with the development of the Orca Quarry and the associated Richmond Terminal.

Construction of the Orca Quarry began in early March with land clearing and site preparation for the construction of the ship load-out conveyors and the sand and gravel processing plant.

Under the terms of an engineering, procurement and construction management contract with Seabulk Systems Inc. of Richmond, BC, for the construction of the ship loading facility at the Orca quarry, the contract for fabrication and installation of the quadrant loader was awarded to Ramsay Machine Works Ltd. of Sydney, BC. Construction of the ship berth, a critical path item, began with piling operations on April 3rd, under a contract with Vancouver Pile Driving Ltd., a premier contractor in this field.

We are pleased to report that we have secured a turn-key contract for the supply of the sand and gravel processing plant with Metso Minerals, the largest global supplier of mineral processing equipment and process solutions. In addition, we entered into a capital lease agreement with Finning (Canada) for the supply of mobile equipment, a common practice for the construction aggregates industry that offers attractive interest rates and will further reduce the borrowing requirement under our existing bridge loan facility.

Work continued through the quarter on the redesign of the Richmond Terminal, which, we are pleased to report, is now complete and only awaits final design review by the City of Richmond under the Building Code regulations. The redesign offers a material reduction over the previously estimated capital costs set out in our Prospectus dated December 21, 2005. We anticipate construction at the Richmond Terminal to begin in mid 2006.

Polaris continues to have an active presence in its target markets and to pursue additional discharge points to meet the growing demand for construction aggregates in California. Recent announcements on infrastructure spending programs by the state government are most encouraging. Progress continues to be made with the Port of Redwood City and, for the longer term, we are targeting the LA Basin, San Diego and other coastal markets.

We have made significant advances in our business plan this quarter and look forward to the months ahead as we continue to strive to build Polaris into the supplier of choice for high-quality construction aggregates in coastal California. We look forward to a busy construction program in the months ahead and to capitalizing on the significant interest in our materials which has arisen as a direct result of our ability to proceed with construction at the Orca Quarry.

Yours sincerely,

Marco Romero
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of May 11, 2006, and should be read in conjunction with the Company's interim unaudited consolidated financial statements for the period ended March 31, 2006, which have been prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW

The Company is focused on the emerging trade of marine exports of construction aggregates from its coastal properties located on Vancouver Island, British Columbia, Canada to urban markets located on the western seaboard of North America.

In January 2006, the Company closed its initial public offering (IPO) on the Toronto Stock Exchange, and raised net proceeds of approximately $74 million. The Company also closed a bridge debt facility for up to US$47 million, which the Company subsequently elected to reduce to US$31 million.

The Company's 88% owned subsidiary, Orca Sand & Gravel Ltd. (OSG), is the General Partner responsible for the development and operation of the Company's first construction aggregate property, a six million tonne per year sand and gravel plant located on tidewater, west of the town of Port McNeill, British Columbia (the Orca Quarry). OSG will quarry and process the sand and gravel resource to produce construction aggregate products on site. These products will be shipped in bulk carriers to coastal urban markets, initially in California, under a long term contract with CSL International Inc., the world's leading operator of self-discharging vessels. Initially, shipments will be to San Francisco Bay and vessels will be partially discharged into third party barges ("lightered") at anchorage in the Bay prior to discharging the balance of the cargo at the Company's receiving, storage and distribution facility in the Port of Richmond in the Bay (the Richmond Terminal). Access to a third party terminal is also being sought. This lightering arrangement offers the most economical shipping solution. The Company has also entered into a long-term aggregates supply agreement with a well established construction aggregates consumer located in the San Francisco Bay area. The agreement will account for approximately 55% of the projected first year sales of the Orca Quarry, falling to 25% of year four projected sales, and provides the barge capacity for lightering.

Following the completion of the financing in January 2006, construction of the quarry commenced in March with initial land clearing and subsequent to the quarter end, on April 3, Vancouver Pile Driving began construction of the crucial marine works for the ship loading facility. The Company has also entered into construction contracts for the process plant and supply agreements for the loadout conveyor system and mobile equipment for the Orca Quarry. All construction is expected to be completed by the year end with shipments to market to begin during the first quarter of 2007.

OSG is the General Partner for the Orca Sand & Gravel Limited Partnership (the Partnership) which is 88% owned by the Company and 12% by the Namgis First Nation. At the request of the Namgis, the Company makes advances to the Namgis to enable them to make their required equity contributions to the Partnership. The Company's sole recourse for repayment is to the distributions receivable by the Namgis from the Partnership. Advances made after the construction decision are repayable solely from those distributions and cannot be prepaid. The Namgis have contributed equity of approximately $1.1 million to the Partnership.

Eagle Rock Materials Ltd. (ERM) owns the rights to develop the Eagle Rock Quarry, a very large granite resource located on deep tidewater in the Alberni Inlet, south of the town of Port Alberni, British Columbia. A Mine Permit was obtained for this quarry in 2003 and the Company is actively seeking market outlets which would support the development of the quarry to produce crushed rock construction aggregate products on site. Products would also be shipped in bulk carriers to coastal urban markets, most probably in California.

The Company owns 70% of ERM, the remaining 30% being owned by First Nations that have asserted traditional territory rights over the quarry area.

A wholly owned subsidiary of ERM, Eagle Rock Aggregates Inc. (ERA) is responsible for marketing and terminal development in the USA. ERA holds a long-term lease with Levin Enterprises, Inc. for a construction aggregates storage and distribution terminal in the Port of Richmond in San Francisco Bay. Funding for the construction of the Richmond Terminal was secured by the Company in January 2006, however, initial capital costs were believed to be too high, a result of the complex and poor ground conditions on the site and which are common around the Bay area. A redesign of the terminal was nearing completion at the end of the quarter and it is anticipated that significant capital cost savings will result. The redesign will require a building permit from the City of Richmond and the efficacy of this step will determine the final construction timetable and cost.

RESULTS OF OPERATIONS

During the three months ended March 31, 2006, the Company incurred a loss of $2,145,000 ($0.08 per share) compared to a loss of $1,084,000 ($0.08 per share) in the comparative period. Operating activities, taking into account non-cash items and non cash working capital, used cash of $1,391,000 for the three months ended March 31, 2006 compared to cash outflow of $982,000 in the 2005 period.

The Company had no operating revenues during the period, and the losses were attributable to expenses incurred, as discussed below.

Expenses of $2,398,000 were charged to operations during the three months ended March 31, 2006, compared to expenses of $1,107,000 in the three months ended March 31, 2005.

- Community relations expenses decreased for the three months ended March 31, 2006, at $49,000 compared to $310,000 for the three months ended March 31, 2005. The majority of these costs represented funding of the Kwakiutl and Namgis First Nations in connection with the restructuring of their participating interests in the Orca Project in 2005. These matters have now been resolved and as expected, costs declined in line with the lower level of community activities at the Orca Project and the Eagle Rock Quarry.
- General and administrative costs in the three months ended March 31, 2006 increased to $351,000 from $168,000 in the 2005 year. A substantial portion of these costs were legal fees incurred by the Company in the restructuring of the First Nations' participating interests in the Orca Project, which has now been completed.
- Marketing costs in the three months ended March 31, 2006 remained consistent at $80,000 compared to $91,000 in the three months ended March 31, 2005. Reduced travelling costs related to the marketing efforts and the strengthening of the Canadian dollar against the US dollar accounts for the marginal decline in marketing costs.

- Regulatory compliance costs in the three months ended March 31, 2006 increased to $19,000 compared to $Nil as a result of completing the Company's initial public offering in the first quarter of 2006.
- Salaries and benefits increased to $1,121,000 in the three month period ended March 31, 2006 from $244,000 in 2005. This increase, in accordance with senior managements' employment contracts, is a result of $800,000 in management bonuses paid due to the decision to construct the Orca Quarry. Increased staffing levels account for the remaining increase in the first quarter of 2006.
- An expense of $779,000 was recorded in the three months ended March 31, 2006 for stock-based compensation compared with $294,000 in the 2005 period. The increase is a result of 287,500 stock options being issued in the three months ended March 31, 2006 compared with 167,500 issued in the 2005 period and the differing variables utilized in the Black Scholes option valuation.

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:

	Three Months Ended							
	2006	2005				2004		
	Mar 31, $	Dec. 31, $	Sept. 30, $	June 30, $	Mar 31, $	Dec. 31, $	Sept. 30, $	June 30, $
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest income	206,661	12,969	20,480	27,015	22,974	51,442	39,542	46,791
Loss for the quarter	(2,144,629)	(663,615)	(1,077,440)	(621,716)	(1,084,368)	(718,214)	(552,174)	(806,491)
Basic and diluted loss per share	(0.08)	(0.06)	(0.08)	(0.05)	(0.08)	(0.06)	(0.04)	(0.06)

FINANCING

During the three months ended March 31, 2006, the Company closed its initial public offering and issued 16,628,185 common shares at $4.80 per share for net proceeds of $73,959,535. A cash commission equal to 6.0% of the gross proceeds was paid to the agent. On January 10, 2006 the Company's shares were listed on the Toronto Stock Exchange and commenced trading with the symbol PLS.

The Company also closed a US$31 million debt facility in the three months ended March 31, 2006. The facility comprised two Tranches, A and B, for US$21 million and US$10million, respectively. The loans are repayable on January, 2012, but may be repaid at any time without penalty. The loans bear interest that increases annually, commencing at 10% and 15% for Tranche A and Tranche B respectively, in 2006 and increasing to a maximum of 20% to 25% per annum respectively in 2011. Subsequent to the first sale of a shipment of construction aggregates from the Orca Quarry, the Company must elect either to grant 1,000,000 warrants or grant a royalty of US$0.21 per short ton on 88% of construction aggregates shipments for the life of the quarry to the lenders as the Tranche A fee. Similarly, with respect to the Tranche B fee, the Company elects either to grant 1,153,846 warrants or grant a royalty of US$0.03 per short ton on 88% of construction aggregates shipments for each US$1 million of that facility. Each Tranche A and B warrant is exercisable into one common share at $4.80 per share until November 30, 2010. The Tranche A and B warrants and royalty certificates have been issued and are being held in trust. Draw downs under the facility may be made at the discretion of the Company until December 31, 2006, and as of May 3, 2006, no funds had been drawn down. Tranche B was initially secured in the sum of US$26 million and subsequently reduced by the Company to US$10 million resulting in a prorated reduction in the warrants to be issued from 3,000,000 to 1,153,846.

INVESTING

The Company has adopted the accounting policy of capitalising only direct third party costs incurred on projects determined to be viable, and charges all other costs to operations, including salary and support costs; marketing studies and initiatives; and community relations programs.

Orca Sand & Gravel Quarry

The Company capitalised $7,996,000 to the Orca Project during the three months ended March 31, 2006 compared to $162,000. Included in this increase is $7,356,000 of assets under construction which relates to the commencement of construction on the Orca Quarry with a major portion of these costs being associated with the Company's ship loader, process plant, load-out conveyor and land clearing. Other costs incurred in the three months ended March 31, 2006 include sampling and testing, geotechnical surveys, development of drawings for the Orca Quarry ship loader and the remediation of an old dump adjacent to the Cluxewe River, but outside the Company's lease area. This remediation was mandated by the Land Titles Act and was therefore a precondition to the execution and registration of the lease agreement with Western Forest Products Inc. ("WFP"). However, an agreement is in place to recover 50% of these costs from Orca Quarry royalties payable to WFP. The costs incurred to March 31, 2005 were principally attributable to the preparation and filing of the environmental and mine permit applications and assessment work on the mineral claims.

Eagle Rock Quarry Project

During the three months ended March 31, 2006, $9,000 was capitalised to the Eagle Rock Quarry compared with $Nil expenditures in 2005. Costs incurred in 2006 comprised lease costs to keep the property in good standing.

Shipping and Terminals

During the three months ended March 31, 2006, the Company capitalised costs of $248,000 compared to $48,000 in 2005. Costs in 2006 and 2005 were principally incurred in connection with the Company's leased terminal site at the Port of Richmond, permitting and on product testing.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2005, the Company had working capital of $66 million, including cash of $67 million compared to working capital of $189,000 and cash of $1,160,000 at December 31, 2005. On January 10, 2006, the Company raised net proceeds of approximately $74 million and arranged a debt facility of approximately $55 million (US$47 million) that was subsequently reduced by the Company to approximately $36 million (US$31 million). The Company expects that these arrangements will finance the construction of the Orca Quarry and Richmond Terminal, and fund their operations through to sustainable positive net cash flows.

Subsequent to its construction decision on January 10, 2006, the Company entered into certain contracts for the construction of the Orca Quarry, which have been included in the following table of contractual obligations:

	Payments Due by Period				
	Total	Less than one year	2-3 years	4-5 years	After 5 years
Operating leases	$152,000	$86,000	$66,000	-	-
Orca Quarry - construction contracts	$29,395,000	$29,395,000	-	-	-
Orca Quarry - purchase obligations	$4,346,000	$4,346,000	-	-	-

RELATED PARTY TRANSACTION

During the three months ended March 31, 2006, a company controlled by a director provided services to the Company in the United States in connection with its proposed shipping, discharging, and marketing arrangements, at a cost of $58,000 (2005 - $55,000).

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the December 31, 2005 audited consolidated financial statements. Both the accounting polices used and the estimates made by management can impact the consolidated financial statements. The Company considers the estimate of stock-based compensation to be significant.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the option and the discount rate. Changes in these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable and prepaid expenses and deposits, restricted cash, accounts payable and accruals and provisions approximate their book value due to their short-term nature. Cash and cash equivalents and restricted cash include cash and short-term investments held in the form of high quality commercial paper. The investment terms are less than three months at the time of acquisition and are highly liquid to ensure that funds are available to meet the financial obligations of the Company.

CAPITAL STOCK

As at the date of this report, the Company had unlimited common shares authorized, of which 29,624,845 were outstanding. The Company also had 1,850,000 options outstanding exercisable into 1,850,000 common shares.

RISKS AND UNCERTAINTIES

During 2005, the Company was served a petition made to the Supreme Court of British Columbia by the Komoyue Heritage Society and others disputing the issuance to the Company of the environmental assessment certificate for the Orca Quarry. The Company believes that the petition is without merit and has taken action to protect its interest in the status of the environmental assessment certificate.

The development and operation of the Company's construction aggregates 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.

The quarrying industry is competitive and the Company may not secure the construction aggregates sales volumes and prices anticipated for the Orca Quarry. As the Company's sales will be in US dollars, currency fluctuations may adversely affect the Company's revenues once sales commence. Further, 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.

Quarrying involves a high degree of risk and the Company has no history of construction aggregates 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 aggregates 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 resource that has an estimated life of 25 years. In order to maintain its annual production the Company will be required to obtain other construction aggregates 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.

OUTLOOK

The Company expects to meet its long-term business objective of becoming a leading exporter of construction aggregates from British Columbia to the west coast of North America. Its principal goals for 2006 are to:

- complete construction of the Orca Quarry.
- commence construction of the Richmond Terminal for completion in 2007.
- commence production and build product stockpiles at the Orca Quarry.
- secure additional construction aggregates sales contracts and terminal access.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Statements contained in this document that are not historical facts are forward looking statements that involve risks and uncertainties that could cause actual outcomes to differ materially from those expressed or implied by those forward looking statements. Readers are therefore cautioned not to place undue reliance on those statements, which speak only as of the date the statements were made, and readers are advised to consider such forward looking statements in light of the aforementioned risks.

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.

Polaris Minerals Corporation

CONSOLIDATED BALANCE SHEETS

(expressed in Canadian dollars)

	March 31, 2006 $	December 31, 2005 $
Assets		
Current assets		
Cash and cash equivalents (note 3)	66,594,295	1,159,778
Accounts receivable	350,009	138,458
Prepaid expenses and deposits	108,623	335,933
	67,052,927	1,634,169
Property, plant and equipment (note 4)	16,809,919	8,557,529
Other assets (note 5)	133,346	55,968
Restricted cash (note 6)	200,000	–
Deferred financing costs (note 7)	402,486	807,397
	84,598,678	11,055,063
Liabilities		
Current liabilities		
Accounts payable	1,335,230	695,058
Accruals and provisions	112,044	750,388
	1,447,274	1,445,446
Non-controlling interest (note 10)	2,261,859	1,314,141
	3,709,133	2,759,587
Shareholders' Equity		
Share capital (note 9)	92,589,240	18,629,705
Contributed surplus	2,296,075	1,516,912
Deficit	(13,995,770)	(11,851,141)
	80,889,545	8,295,476
	84,598,678	11,055,063

Commitments (note 11)

Contingency (note 14)

Approved by the Board of Directors

Terrence A. Lyons, Director

Marco A. Romero, Director

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(expressed in Canadian dollars)

	Three-month period ended	
	March 31, 2006 $	December 31, 2005 $
Income		
Interest	206,661	22,974
Expenses		
Community relations	48,798	310,313
General and administrative	351,052	168,276
Marketing	79,356	91,409
Regulatory compliance	18,506	–
Salaries and benefits	1,120,906	243,792
Stock-based compensation	779,163	293,552
	2,397,781	1,107,342
Loss before undernoted items	(2,191,120)	(1,084,368)
Non-controlling interest	42,282	–
Gain on disposal of asset	4,209	–
Loss for the period	(2,144,629)	(1,084,368)
Deficit – Beginning of period	(11,851,141)	(8,404,002)
Deficit – End of period	(13,995,770)	(9,488,370)
Basic and diluted loss per common share	(0.08)	(0.08)
Weighted average number of common shares outstanding	27,777,269	12,956,660

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

	Three-month period ended	
	March 31, 2006 $	December 31, 2005 $
Cash flows from operating activities		
Loss for the period	(2,144,629)	(1,084,368)
Items not affecting cash		
Amortization	3,348	10,567
Gain on disposal of asset	(4,209)	-
Non-controlling interest	(42,282)	-
Stock-based compensation	779,163	293,552
	(1,408,609)	(780,249)
Changes in non-cash working capital items		
Accounts receivable	(211,551)	78,233
Prepaid expenses and deposits	227,310	7,461
Accounts payable	640,172	(294,548)
Accruals and provisions	(638,344)	6,875
	17,587	(201,979)
	(1,391,022)	(982,228)
Cash flows from financing activities		
Net proceeds from issue of common shares	74,364,446	-
Non-controlling interest cash contributions	990,000	-
	75,354,446	-
Cash flows from investing activities		
Property, plant and equipment costs	(8,252,390)	(210,160)
Restricted cash	(200,000)	-
Proceeds on disposal of other assets	6,209	-
Other assets	(82,726)	(710)
	(8,528,907)	(210,870)
Increase (decrease) in cash and cash equivalents	65,434,517	(1,193,098)
Cash and cash equivalents - Beginning of period	1,159,778	6,159,947
Cash and cash equivalents - End of period	66,594,295	4,966,849

NOTES TO CONSOLIDATED STATEMENTS

(expressed in Canadian dollars)

March 31, 2006

1. Nature of operations

The Company was incorporated on May 14, 1999. It is engaged in the development and future operation of construction aggregates properties and projects located in western North America.

2. Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. They do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. For further information, refer to the Company's financial statements, including the accounting policies and notes thereto, for the year ended December 31, 2005.

These interim consolidated financial statements follow the same accounting policies, and the methods of their application, as the annual consolidated financial statements for the year ended December 31, 2005. Certain comparative information has been reclassified to conform to the current period's presentation.

3. Cash and cash equivalents

Cash and cash equivalents of $66,594,295 (December 31, 2005 - $1,159,778) consist of highly liquid money market instruments with credit ratings that do not expose the Company to significant credit risk.

4. Property, plant and equipment

	Orca Sand & Gravel Quarry $	Eagle Rock Quarry Project $	Shipping & terminals $	Total $
Balance - December 31, 2004	2,152,348	1,498,505	1,330,319	4,981,172
Expenditures	2,808,816	-	767,541	3,576,357
Balance - December 31, 2005	4,961,164	1,498,505	2,097,860	8,557,529
Expenditures	640,471	8,740	247,589	896,800
Assets under construction	7,355,590	-	-	7,355,590
Balance - March 31, 2006	12,957,225	1,507,245	2,345,449	16,809,919

Assets under construction are not amortized until the asset is substantially complete and ready for productive use.

a) Orca Sand & Gravel Quarry

The Orca Sand & Gravel Quarry (the Orca Quarry) is a six million tonne per year sand and gravel plant located on tidewater, west of the town of Port McNeill, British Columbia. The Company will quarry and process the sand and gravel resource to produce construction aggregates products on site. Products will be shipped in bulk carriers to coastal urban markets, initially in California, under a long-term shipping contract.

In January 2006, the Company completed the necessary financing for the construction of the Orca Quarry, which commenced in March 2006 with initial land clearing, and subsequent to March 31, 2006, the construction of the marine works for the ship loading facility began. All construction is expected to be completed by the year-end, with shipments to market to begin in the first quarter of 2007. The financing will also cover the costs of construction of a receiving terminal in the Port of Richmond, California (the Richmond Terminal).

b) Eagle Rock Quarry Project

The Eagle Rock Quarry Project is located on deep tidewater in the Alberni Inlet, southwest of the city of Port Alberni, British Columbia. A mine permit was obtained for this quarry in 2003 and the Company is seeking market outlets that would support the financing and development of the quarry to produce crushed rock construction aggregate products on site. Products would also be shipped in bulk carriers to coastal urban markets, most probably in California.

The Eagle Rock Quarry Project is held by Eagle Rock Materials Ltd. (ERM). The Company owns 70% of ERM, with the remaining 30% being owned by First Nations that have asserted traditional territory rights over the area.

c) Shipping & terminals

The Company holds a long-term lease with Levin Enterprises, Inc. for a construction aggregates storage and distribution terminal in the Port of Richmond in San Francisco Bay. The Company is in the process of redesigning the Richmond Terminal to reduce the capital costs. This process is anticipated to be complete in the second quarter of 2006, at which time building regulation and code approvals to commence construction will be sought from the City of Richmond building department.

5. Other assets

	March 31, 2006 $	December 31, 2005 $
Motor vehicle	38,595	8,000
Equipment and furniture	167,118	140,271
Leasehold improvements	17,285	-
	222,998	148,271
Less: Accumulated amortization	(89,652)	(92,303)
	133,346	55,968

6. Restricted cash

The Company has issued $200,000 in irrevocable standby letters of credit as performance bonds on the Orca Quarry (note 4). The letters of credit are automatically renewed each year until returned to the Company upon completion of the performance bond and are secured by interest-bearing deposits of $200,000.

7. Deferred financing costs

Legal, accounting and other costs directly related to the completion of the Company's prospectus for its initial public offering (note 9(a)) and long-term debt financing (note 8) were deferred as at December 31, 2005. On January 10, 2006, the Company closed its initial public offering, and as a result, deferred costs of $404,911 were netted against the proceeds. The remaining deferred costs of $402,486 are attributable to the long-term debt financing and will be amortized over the term of the debt or expensed if no funds have been drawn by December 31, 2006.

8. Long-term debt

In January 2006, the Company finalized an agreement for a US$47 million debt facility. The facility comprised two Tranches, A and B, for US$21 million and US$26 million, respectively. Tranche B was subsequently reduced by the Company to US$10 million for a total available debt facility of US$31 million. The loans are repayable in January 2012, but may be repaid at any time without penalty. The loans bear interest that increases annually, commencing at 10% and 15% for Tranche A and Tranche B, respectively, in 2006 and increasing to a maximum of 20% and 25% per annum, respectively, in 2011. Subsequent to the first sale of a shipment of construction aggregates from the Orca Quarry, the Company must elect either to grant 1,000,000 warrants or grant a royalty of US$0.21 per short ton on 88% of construction aggregates shipments for the life of the quarry to the lenders as the Tranche A fee. Similarly, with respect to the Tranche B fee, the Company can elect either to grant 1,153,846 warrants (reduced from 3,000,000 due the reduction in the Tranche B facility) or grant a royalty of US$0.03 per short ton on 88% of construction aggregates shipments for each US$1 million of that facility. Each Tranche A and B warrant is exercisable into one common share at $4.80 per share until November 30, 2010. The Tranche A and B warrants and royalty certificates have been issued and are being held in trust. Draw downs under the facility may be made at the discretion of the Company until December 31, 2006, and as of March 31, 2006, no funds had been drawn down.

9. Share capital

Authorized

Unlimited common shares without par value

Issued

	March 31, 2006		December 31, 2005	
	Number of common shares	Amount $	Number of common shares	Amount $
Balance – Beginning of period	12,996,660	18,629,705	10,206,660	9,332,014
For cash	16,628,185	79,815,288	40,000	36,000
Share issue costs	-	(5,855,753)	-	-
On exercise of special warrants	-	-	2,750,000	9,261,691
Balance – End of period	29,624,845	92,589,240	12,996,660	18,629,705

a) Common shares

In January 2006, the Company completed an initial public offering of 16,628,185 common shares at $4.80 per share for net proceeds of $73,959,535. A cash commission equal to 6.0% of the gross proceeds was paid to the agent. On January 10, 2006, the Company's shares were listed on the Toronto Stock Exchange and commenced trading.

b) Stock options

	Number outstanding	Weighted average exercise price $	Expiry date
Balance - December 31, 2004	1,427,500	1.47	2006 - 2009
Granted	192,500	4.10	2015
Exercised	(40,000)	0.90	2012
Cancelled	(17,500)	3.82	2014
Balance - December 31, 2005	1,562,500	1.79	2011 - 2015
Granted	287,500	4.80	2016
Balance - March 31, 2006	1,850,000	2.25	2011 - 2016

As at March 31, 2006, 1,775,000 options were exercisable at a weighted average exercise price of $2.15.

The options granted during the three-month period ended March 31, 2006 have been valued using the Black-Scholes option pricing model and the following assumptions:

	March 31, 2006
Average risk-free rate	4.03% - 4.06%
Expected life	10 years
Expected volatility	45%
Expected dividends	–

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options. Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

10. Non-controlling interest

	Non-controlling interest in subsidiary $	Namgis loan receivable $	Total $
Balance - December 31, 2004	-	-	-
Equity contributions	2,040,329	(588,917)	1,451,412
Non-controlling interest share of losses	(137,271)	-	(137,271)
Balance - December 31, 2005	1,903,058	(588,917)	1,314,141
Equity contributions	1,440,581	(450,581)	990,000
Non-controlling interest share of losses	(42,282)	-	(42,282)
Balance - March 31, 2006	3,301,357	(1,039,498)	2,261,859

The Company holds an 88% interest in the Limited Partnership formed to develop the Orca Quarry, with the remaining 12% interest held by the Namgis First Nation (the Namgis). Non-controlling interest consists of the minority interest's share of the equity in the Orca Sand & Gravel Limited Partnership offset by the capital contributions loaned to the minority interest by the Company. The principal terms of the loan agreement between the Company and the Namgis are as follows:

- At the request of the Namgis, the Company will make advances to the Namgis to enable them to make their required equity contributions to the Limited Partnership.
- Advances made prior to a construction decision will bear interest at prime plus a small margin. Advances made after a construction decision will bear substantially higher interest rates, reflective of the equity nature of the funding.
- The Company's sole recourse for repayment is to the distributions receivable by the Namgis from the Limited Partnership, after repayment of any approved third party who has loaned the Namgis funds for equity contributions. Advances made after a construction decision are repayable solely from those distributions and cannot be prepaid.

Due to the uncertainty regarding recoverability, the Company has not recognized interest receivable on the Namgis loan. The fair value of this amount receivable cannot be determined by the Company as it is dependent on the future success of the Orca Quarry.

11. Commitments

a) The following minimum payments are required under operating leases as at March 31, 2006:

	$
December 31	
2006	86,362
2007	66,958

b) As at March 31, 2006, the Company has entered into construction contracts totalling $29.4 million and made purchase commitments of $4.4 million related to the Orca Quarry.

12. Segmented financial information

The Company operates in one segment: the development and future operation of construction aggregates properties and projects located in western North America.

13. Related party transactions

During the three-month period ended March 31, 2006, a company controlled by a director provided services to the Company in the United States in connection with its shipping, discharge terminals and marketing arrangements at a cost of $57,590 (March 31, 2005 - $54,450).

14. Contingency

During the year ended December 31, 2005, the Company was served a petition made to the Supreme Court of British Columbia by the Komoyue Heritage Society and others disputing the issuance to the Company of its Environmental Assessment Certificate M05-01. The Company believes that the petition is without merit, and the Company has taken action to protect its interest in the status of Environmental Assessment Certificate M05-01.

Polaris MINERALS CORPORATION

CORPORATE INFORMATION

DIRECTORS AND SENIOR OFFICERS

Marco A. Romero	President & Chief Executive Officer
Roman Shklanka	Chairman and Director
R. Stuart (Tookie) Angus	Director
Robert M. Edsel	Director
Terrence A. Lyons	Director
Gary D. Nordin	Director
John H. Purkis	Director
David F. Singleton	Director
Paul B. Sweeney	Director
Lisa Dea	Vice President Finance and Chief Financial Officer
Herbert G.A. Wilson	Senior Vice President and Chief Operating Officer

Polaris
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