Polaris
MINERALS CORPORATION

2007 First Quarter Report

May 15, 2007

TO OUR SHAREHOLDERS:

I am pleased to report that our business is developing according to plan. During the first quarter of 2007, we began shipping sand and gravel from the Orca Quarry, completing Polaris' transition into an aggregate producer.

On February 20, 2007, production commenced at the Orca Quarry, one the largest and most modern sand and gravel plants ever built in Canada. On March 22, we loaded a first barge shipment of sand and gravel under a five-year supply agreement with a ready-mix concrete producer in the Vancouver area.

The maiden freighter shipment of sand and gravel from the Orca Quarry departed for San Francisco Bay on April 1, 2007. Sales revenue from this shipment will be recognized in the second quarter. The fully-laden CSL Acadian, a new generation self-discharging ship operated by CSL International Inc., arrived in San Francisco Bay on April 4. After anchoring at common anchorage #9, the ship was met by a fleet of barges operated by, and on behalf of, Shamrock Materials, Inc. The ship off-loaded sand and gravel into the barges, which were towed to the Landing Way Depot, the receiving terminal on the Petaluma River utilized by Shamrock. Shamrock is a leading San Francisco Bay Area ready-mix concrete producer, and has a long term, exclusive supply and distribution agreement for Orca Quarry products within the Northern Bay area. After lightering onto Shamrock's barges, the partially-laden vessel proceeded to another customer's terminal in the Bay Area and off-loaded its remaining cargo.

In March, 2007, we closed a bought deal equity financing that generated gross proceeds of US$52.9 million (CDN$62.1 million). With this share issue, we have significantly strengthened our balance sheet and paid down the bridge debt that we arranged at the time of our initial public offering. We are now virtually debt-free and in a great position to advance our ambitious growth plans.

I am also pleased to report that the commercial-run products of the Orca Quarry have been recently tested and shown to be of very high quality for ready-mix concrete production. The California Department of Transportation, after independent laboratory testing, has recently added sand and gravel from the Orca Quarry to its pre-qualified materials listing, which is a very significant endorsement of the quality of our products.

We continue to make solid progress on our Richmond Terminal, in northern San Francisco Bay, which is expected to be operational around the end of the third quarter of 2007. Additionally, the Redwood City Terminal, our proposed second terminal, received a unanimous vote of support from the Port of Redwood City Commissioners when they approved our Mitigated Negative Declaration application during a public hearing on April 25, 2007. This is a significant step forward in the permitting process. The development of these terminals is a critical element of the logistical chain we need to establish to deliver product to market, and our continued progress is very encouraging.

In February, 2007, we applied for tenure over the Cougar Deposit, located 19 kilometres from the Orca Quarry, as a potential complement to the Orca Quarry. This summer, we plan to begin the quantitative and qualitative evaluation of this promising deposit that appears to be similar to the deposits that support the Orca Quarry.

In March, 2007, we were extremely proud to receive our second major award highlighting the excellence of our social and environmental practices: the 2007 e3 Environmental Excellence in Exploration Award from the Prospectors and Developers Association of Canada. Conscientiously balancing very high environmental, social and economic standards is something we continuously strive to achieve, and it is very gratifying to have these efforts recognized.

Additionally, on April 16, 2007, Polaris' subsidiary Company, Orca Sand and Gravel Ltd., received the Stewart O'Brian Safety Award from the Government of British Columbia for its exemplary safety record. The Orca Quarry team had zero lost-time accidents in 2006 during the construction of the quarry, which required more than 100,000 worker hours.

We have built a solid foundation for long term profitable operations and set the stage for sustainable growth. We continue to advance discussions with several customers, and expect to announce additional long-term supply agreements in the coming months. Meanwhile, we have now embarked upon regular Panamax freighter and barge shipments to our existing customers.

I look forward to reporting further progress to you soon.

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 10, 2007, and should be read in conjunction with the Company's unaudited consolidated interim financial statements for the three months ended March 31, 2007, as well as the audited consolidated financial statements for the year ended December 31, 2006, which have been prepared in accordance with Canadian generally accepted accounting principles and the related management's discussion and analysis contained in the 2006 Annual Report.

Effective January 1, 2007, the Company changed its reporting currency to the US dollar (USD). The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. The Company will conduct most of its sales and shipping contracts in USD. Prior to January 1, 2007, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and cash flows in the Canadian dollar (CAD). In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA), set out in EIC-130, *Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency*.

Based on EIC-130, the financial statements for all years and periods presented have been translated in to the new reporting currency using the current rate method. Under this method, the statement of operations and cash flow statement items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheet dates. Shareholders' equity transactions since January 1, 2006 have been translated using the rates of exchange in effect as of the dates of the various capital transactions, while shareholders' equity balances on January 1, 2006 have been translated at the exchange rate on that date. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US Dollars.

OVERVIEW

In the first quarter of 2007, the Company achieved several milestones in its development with the completion of construction and commissioning of the Orca Quarry, commencement of production of sand and gravel in February and the first sale of aggregate into barges bound for the Greater Vancouver market in late March. Further, in April 2007, the Company delivered in a self-unloading Panamax freighter, under its long term contract with CSL International Inc., its first cargo of sand and gravel to the California market. These developments fulfilled the Company's strategy of establishing itself in the emerging trade of marine exports of construction aggregates from its properties located in British Columbia, Canada to urban markets located on the west coast of North America, particularly California, Hawaii and British Columbia.

Local production of construction aggregates in the Company's target markets is rapidly diminishing as operating quarries are depleted and new resources become more difficult to permit. The increasingly longer and more costly overland haulage required to alleviate the supply shortfall are increasing the delivered prices of aggregate products to the target markets of San Francisco Bay, Los Angeles Basin, and San Diego. This supply gap and price escalation has created a market opportunity for producers along the west coast of British Columbia to ship high quality construction aggregates to west coast markets in large ocean-going bulk carriers or tugs and barges.

The Company has a long-term aggregates supply agreement (the "Supply Agreement") with Shamrock Materials, Inc ("Shamrock"), a well established construction aggregates consumer located in the San Francisco Bay area (the "Bay"), one of the Company's target markets. Shipments to the Bay will be partially discharged into Shamrock's barges ("lightered"), provided under the Supply Agreement, while at anchorage in the Bay prior to discharging the balance of the cargo at the Company's receiving, storage and distribution facility or a third party terminal, access to which is being sought. This lightering arrangement offers the most economical shipping solution. The Supply Agreement will initially account for approximately 55% of the projected first year sales of 1.54 million tons. In addition, the Company is pursuing a sales strategy focused on securing further short and long-term customer sales contracts. The Company is in

discussions with third-party consumers, and to date, customers' reactions to the potential of supplies from the Orca Quarry have been positive. The Company anticipates achieving a balance between long-term contracted sales and shorter term arrangements. The Company believes this approach should provide flexibility and allow the Company to participate in any future increases in the sales prices of its construction aggregates products.

On March 8, 2007, the Company entered into its second long term sales agreement, 5 year sand and gravel products supply agreement with an arm's length third party concrete manufacturer located in the lower mainland of British Columbia. Shipments commenced to this customer from the Orca Quarry on March 22, 2007 in barges chartered by the customer.

The Company owns the rights to develop the Eagle Rock Quarry Project, 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 in the Pacific. The Eagle Rock Quarry is the principle project of Eagle Rock Materials Ltd. which is owned 70% by the Company and 30% by First Nations that have asserted traditional territorial rights over the quarry area.

The Company has 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 "Richmond Terminal"). Construction of the terminal facilities commenced in the first quarter of 2007 and is anticipated to be complete in the third quarter of that year. The Company is also progressing discussions with other ports and port operators with the objective to establish multiple entry locations to serve major cities on the Pacific coast.

In March 2007, the Company closed an equity issue for gross proceeds of $52.9 million (CDN$62.1 million) and on that same day issued its 30 day notice of repayment for its $31 million debt facility. Repayment of the debt facility occurred on April 16, 2007.

RESULTS OF OPERATIONS

During the three months ended March 31, 2007, the Company incurred a loss of $4,308,000 ($0.14 per share) compared to a loss of $1,865,000 ($0.07 per share) in the comparative quarter.

Operating activities, taking into account non-cash items and non-cash working capital, used cash of $11,281,000 for the three months ended March 31, 2007 compared to a cash outflow of $1,185,000 in the 2006 period.

The Company commenced production and had its first sale during the quarter ended March 31, 2007. The gross margin attributable to this sale was $22,000 and had a negligible impact on the net loss for the period. The losses were mainly attributable to expenses incurred, as discussed below.

Expenses of $1,412,000 were charged to operations during the period ended March 31, 2007, compared to expenses of $2,086,000 in the comparative period.

- General and administrative costs in the three month period ended March 31, 2007 decreased to $1,119,000 from $1,336,000 in the 2006 period. The decrease is mainly attributable to a foreign exchange loss of $200,000 related to the translation of the Company's US assets in the quarter ended March 31, 2007 compared with a loss of $4,000 in the same period in 2006. During both periods there was a weakening in the Canadian dollar, however the Company had significantly fewer US assets in 2006. The remaining increase is due to increased investor relations and regulatory activity as a result of the Company listing on the Toronto Stock Exchange, increased insurance costs due to the public nature of the Company and increased general office costs and salaries due to the growth of the Company.
- Exploration costs of $14,000 were incurred in the quarter ended March 31, 2007 as the Company seeks new properties and projects for development as compared with $Nil in the quarter ended March 31, 2006.
- Marketing costs in the three months ended March 31, 2007 increased to $108,000 from $69,000 in the three months ended March 31, 2006. The increase is attributable to increased consulting fees for the Company's shipping, discharging, and marketing arrangements and an overall increase in marketing activities in the Pacific coastal region.
- An expense of $62,000 was recorded in the three months ended March 31, 2007 for stock-based compensation compared with $678,000 in the 2006 year. Further, $18,000 in stock based

compensation was capitalized to property, plant & equipment for the three months ended March 31, 2007, respectively, compared with $Nil in the comparative year.

The Company is reporting comprehensive income for the first time, having adopted the new accounting standards for financial instruments which were adopted by the Company effective January 1, 2007. The most significant components of other comprehensive loss were the unrealized mark-to-market gains on the Company's investments in the available for sale securities category and currency translation adjustments.

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							
	2007				2006			2005
	March 31	Dec 31,	Sept. 30,	June 30,	Mar. 31,	Dec. 31	Sept. 30	June 30
	$	$	$	$	$	$	$	$
Revenue	50,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest income	492,000	92,000	867,000	617,000	182,000	11,000	18,000	22,000
Loss for the quarter	(886,000)	(1,349,000)	(8,400)	(83,000)	(1,893,000)	(566,000)	(897,000)	(508,000)
Basic and diluted loss per share	(0.03)	(0.04)	(0.00)	(0.01)	(0.06)	(0.05)	(0.07)	(0.04)

FINANCING

During the quarter ended March 31, 2007, the Company issued 6,900,000 common shares at $7.67 (CDN$9.00) per share for gross proceeds of $52,923,000 (CDN$62,100,000) through a bought deal equity financing. A cash commission equal to 5.0% of the gross proceeds was paid to the underwriters.

The Company closed its IPO and issued 16,628,185 common shares during the year ended December 31, 2006 for net proceeds of $62,706,000 (CDN$73,938,000). At the same time as the IPO, the Company closed a $31 million debt facility which the Company fully drew down in the year ended December 31, 2006. The Company repaid the outstanding debt facility of $32.3 million, including accrued interest, on April 16, 2007, from the proceeds of the bought deal equity issue.

In connection with the Company's first sale of construction aggregates to California, the Company will issue 2,153,846 warrants in accordance with the terms of the long term debt agreement. Each warrant is exercisable into one common share at $4.16 (CDN $4.80) per share until November 30, 2010. Effective January 1, 2007, the Company recognized the fair value of these warrants of $3,452,000 in the financial statements with a corresponding reduction in the amount of the debt.

During the year ended December 31, 2006, the Company entered into five year leases for heavy equipment for the Orca Quarry, terminating on October 28, 2011, at annual interest rates of 7.0% and 7.05%. As at March 31, 2007 the total minimum lease payments remaining were $3,786,000.

Subsequent to March 31, 2007, the Company loaned $4,111,000 to a third party for the purchase of certain assets which the Company will have exclusive access to for the term of the loan through a services agreement. The loan bears interest of 5.5% per annum with interest payable monthly and the principle balance due in 2027. The Company has security over various assets of the third party. The Company loaned these funds to facilitate its ability to deliver increase tonnage into the San Francisco Bay area.

INVESTING

The Company capitalizes only direct costs incurred on projects determined to be viable, and charges certain other costs to operations, including salary and support costs; marketing studies and initiatives; and community relations programs.

Property, Plant and Equipment

The Company expended $5,974,000 on property, plant and equipment in the three months ended March 31, 2007 compared with $7,067,000 in the three months ended March 31, 2006. The majority of 2007 expenditures relate to the construction of the Richmond Terminal while the 2006 expenditures are due to the construction of the Orca Quarry. Production commenced at the Orca Quarry on February 20, 2007 and therefore the decline in capitalized costs is in line with management's expectations as the majority of the expenditures for the Orca Quarry were incurred prior to December 31, 2006.

Quarrying and Terminal Interests

During the period ended March 31, 2007, the Company expended $66,000 on Quarrying and Terminal Interests compared with $2,000 in the previous period. Costs were evenly split between advancing permitting on the Company's Cougar deposit and Redwood City marine receiving terminal at $31,000 and $35,000 respectively.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2007, the Company had working capital of $44,037,000, including cash and cash equivalents of $76,008,000 compared to working capital of $32,559,000 and cash of $42,397,000 at December 31, 2006. During the quarter, the Company closed an equity issue for gross proceeds of $52,923,000 (CDN$62,100,000) and the Company used a portion of these proceeds to repay the Company's debt facility. The Company expects that the remaining funds from the bought deal will finance the construction of the Richmond Terminal, and fund operations through to sustainable positive net cash flows.

As at March 31, 2007, the Company's remaining contractual obligations for the construction of the Richmond Terminal and operating leases, are outlined in the following table:

	Payments Due by Period				
	Total	Less than one year	2-3 years	4-5 years	After 5 years
Operating leases	$20,536,000	$731,000	$1,960,000	$2,139,000	$15,706,000
Richmond Terminal – Construction Contracts	$9,062,000	$9,062,000	-	-	-

On commencement of shipping on April 1, 2007, the Company is committed to ship the following tonnage through its marine freight contract. Failure by the Company to ship its annual cargo commitment will result in a deadfreight charge equal to 75% of the freight rate of the unshipped tonnes. The Company has the option in any given year, to carryforward up to 25% of the yearly contracted tonnage into the following year.

	Tonnes
First contract year	1,400,000
Second contract year	2,300,000
Third contract year	3,200,000
Fourth contract year	4,000,000
Fifth contract year and thereafter	4,500,000

RELATED PARTY TRANSACTION

During the three months ended March 31, 2007, a company controlled by a director of the Company provided services to the Company in the United States in connection with its proposed shipping, discharging, and marketing arrangements, at a cost of $64,000 compared to $50,000 for the three months ended March 31, 2006.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Other than disclosed elsewhere, the Company adopted the following new accounting policies in 2007:

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, *Accounting Changes*, which require that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosure of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has made one voluntary change in accounting principles since the adoption of the revised standard (note 3).

Financial Instruments

In 2005, the Accounting Standards Board issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. Effective January 1, 2007, the Company adopted these standards. Prior periods have not been restated.

i. Financial Instruments

   On January 27, 2005, the CICA issued Handbook section 3855, *Financial Instruments – Recognition and Measurement*. This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are presented.

   Effective January 1, 2007, the Company's cash equivalents have been classified as available-for-sale and will be recorded at fair value on the balance sheet with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

   All derivatives will be recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments will be included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

   The Company's long-term debt contained an embedded prepayment option. Management concluded that it was unable to reliably estimate the fair value of the prepayment option to enable it to be segregated from the underlying long-term debt and accounted for separately. Accordingly at January 1, 2007 management accounted for long-term debt at fair value at that date and will account for changes in the fair value in the statement of operations for each period.

   Transaction costs associated with the long-term debt were charged to deficit at January 1, 2007.

ii. Hedges

   In April 2005, the CICA issued Handbook section 3865, *Hedges*. This standard is applicable when a Company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline (AcG-13), *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard did not have a material effect on the Company's financial statements.

iii. Comprehensive Income

   In April 2005, the CICA issued Handbook section 1530, *Comprehensive Income*. This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. This statement has been included in the consolidated financial statements starting this period.

Revenue recognition

Revenue, net of any discounts, is recognized on the sale of products at the time the product's title is transferred to the buyer, all significant contractual obligations have been satisfied and the collection of the

resulting accounts receivable is reasonable assured. Total revenues include sales of product to customers, net of third party delivery costs.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the December 31, 2006 audited consolidated financial statements. Both the accounting polices used and the estimates made by management can impact the interim consolidated financial statements. The Company considers the estimate of stock-based compensation and asset retirement obligations 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 materially less than or greater than the amount recorded.

The Company records the fair value of any asset retirement obligation as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs. The obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and the discount rate to be used.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

A substantial portion of the Company's financial assets and liabilities are denominated in United States dollars giving rise to risks from changes in exchange rates. The Company does not use derivative financial instruments to reduce its foreign exchange exposure; however, the Company maintains a significant portion of its cash and cash equivalents in US dollars.

CAPITAL STOCK

As at the date of this report, the Company had unlimited common shares authorized, of which 36,549,845 were issued and outstanding. The Company also had 2,107,102 options outstanding, exercisable into 2,107,102 common shares of which 1,806,042 are currently vested.

The Company will issue 2,153,846 warrants in connection with the Company's first sale of construction aggregates to California in accordance with the terms of the long term debt agreement. Each warrant is exercisable into one common share at $4.16 (CDN $4.80) per share until November 30, 2010.

RISKS AND UNCERTAINTIES

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.

Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting during the first quarter of 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company expects to meet its long-term business objective of becoming a leading exporter of construction aggregates from British Columbia to Pacific coastal destinations. Its principal goals for the remainder of 2007 are to:

- increase sales from the Orca Quarry;
- complete construction of the Richmond Terminal;
- secure additional construction aggregates sales contracts and terminal access;
- obtain permitting on a second Bay area aggregate receiving terminal located in the port of Redwood City;
- conduct exploration programs to secure additional sand and gravel resources;
- evaluate development options for the Eagle Rock Quarry.

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, 2006, 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.

Polaris Minerals Corporation

CONSOLIDATED BALANCE SHEETS

(Expressed in US Dollars)

	March 31, 2007 $	December 31, 2006 $
Assets		
Current assets		
Cash and cash equivalents	76,007,864	42,396,612
Accounts receivable	3,851,520	2,680,866
Prepaid expenses and deposits	679,337	145,743
Inventories (note 3)	535,916	47,295
	81,074,637	45,270,516
Quarrying and terminal interests (note 4)	1,667,928	1,584,722
Property, plant and equipment (note 5)	78,160,556	69,870,260
Security deposits	607,165	600,704
Deferred financing costs	-	785,463
		-
	161,510,286	118,111,664
Liabilities		
Current liabilities		
Accounts payable	4,245,761	4,597,812
Accruals and provisions	311,271	7,697,877
Current portion of long term debt (note 7)	32,048,502	-
Current portion of capital lease (note 6)	431,845	415,523
	37,037,379	12,711,212
Asset retirement obligations (note 8)	1,562,978	1,510,204
Capital leases (note 6)	2,685,666	2,771,018
Long term debt (note 7)	-	31,000,000
Non-controlling interest (note 12)	1,724,929	1,775,048
	43,010,952	49,767,482
Shareholders' Equity		
Share capital (note 9)	129,287,668	79,279,670
Warrants	3,452,263	-
Contributed surplus (note 10)	2,195,391	2,113,906
Accumulated other comprehensive income (note 11)	1,844,914	130,077
Deficit	(18,280,902)	(13,179,471)
	118,499,334	68,344,182
	161,510,286	118,111,664

Commitments (note 13)

Subsequent events (notes 7, 13(c) and 17)

Approved by the Board of Directors

"Roman A. Shklanka"
Roman A. Shklanka, Director

"John H. Purkis"
John H. Purkis, Director

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in US Dollars)

	Three month period ended March 31,	
	2007 $	2006 $
Revenue		
Sales	49,751	-
Cost of goods sold	(27,832)	-
	21,919	-
Expenses		
Amortization	109,322	2,912
General and administrative	1,119,036	1,335,965
Exploration	13,550	-
Marketing	107,834	69,025
Stock-based compensation	62,158	677,729
	1,411,900	2,085,632
Loss from continuing operations before undernoted items	(1,389,981)	(2,085,632)
Non-controlling interest	68,058	36,778
Gain on disposal of asset	-	3,661
Loss from continuing operations before interest	(1,321,923)	(2,045,192)
Change in fair value of long-term debt (note 2)	(3,421,997)	
Interest Income	491,578	179,757
Interest Expense	(55,178)	-
Net loss for the period	(4,307,520)	(1,865,435)
Deficit - beginning of period	(13,179,471)	(9,846,412)
Adjustment in respect of the adoption of the new accounting standards (notes 2 and 7)	(793,911)	
Deficit - beginning of period as restated	(13,973,382)	
Deficit - end of period	(18,280,902)	(11,711,847)
Basic and diluted loss per common share	(0.14)	(0.07)
Weighted average number of common shares outstanding	30,766,512	27,777,269

Polaris Minerals Corporation

Statement of Comprehensive Income

(Expressed in US Dollars)

	Three month period ended March 31, 2007 $	2006 $
Net loss for the period	(4,307,520)	(1,865,435)
Other comprehensive income		
Currency translation adjustment (note 2)	1,661,876	-
Mark-to-market adjustment on financial instruments		
Unrealized gains on available-for-sale investments arising during the period	52,961	-
Less: reclassified to net income on realization	(37,083)	-
	1,677,754	-
Comprehensive income for the period	(2,629,766)	(1,865,435)

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars)

	Three month period ended March 31, 2007	2006
	$	$
Cash flows from operating activities		
Loss for the period	(4,307,520)	(1,865,435)
Items not affecting cash		
Amortization	109,322	2,912
Gain on disposal of asset	-	(3,661)
Non-controlling interest	(68,058)	(36,778)
Change in fair value of long-term debt	3,421,997	-
Stock-based compensation	62,158	677,729
	(782,101)	(1,225,233)
Changes in non-cash working capital items		
Accounts receivable	(350,073)	(184,858)
Prepaid expenses and deposits	(545,098)	186,036
Inventories	(250,876)	-
Accounts payable	(2,797,993)	566,575
Accruals and provisions	(6,554,806)	(527,451)
	(10,498,846)	40,302
	(11,280,947)	(1,184,931)
Cash flows from financing activities		
Net proceeds from issue of common shares	50,007,998	63,717,287
Non-controlling cash contributions	-	848,256
Capital lease payments	(103,305)	-
	49,904,693	64,565,544
Cash flows from investing activities		
Quarrying and terminal interests	(66,162)	(2,063)
Property, plant and equipment costs	(5,973,673)	(7,067,190)
Security deposits	-	(171,365)
	(6,039,835)	(7,240,618)
Effect of foreign currency translation on cash and cash equivalents	1,027,341	(43,956)
		-
Increase in cash and cash equivalents	33,611,252	56,096,039
Cash and cash equivalents - beginning of period	42,396,612	963,591
Cash and cash equivalents - end of period	76,007,864	57,059,630
Cash and cash equivalents consist of		
Cash	4,469,573	1,006,379
Short-term investments	71,538,291	56,053,252
	76,007,864	57,059,630

Supplemental cash flow information (note 16)

1 Nature of operations

Polaris Minerals Corporation (the Company) was incorporated on May 14, 1999. It is engaged in the development and operation of construction aggregates properties and related projects located on the west coast of North America.

2 Adoption of new accounting standards

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, *Accounting Changes*, which require that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosure of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has made one voluntary change in accounting principles since the adoption of the revised standard for a change in reporting currency.

Financial Instruments

In 2005, the Accounting Standards Board issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. Effective January 1, 2007, the Company adopted these standards. Prior periods have not been restated.

i. Financial Instruments

On January 27, 2005, the CICA issued Handbook section 3855, *Financial Instruments – Recognition and Measurement*. This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are presented.

Effective January 1, 2007, the Company's cash equivalents have been classified as available-for-sale and will be recorded at fair value on the balance sheet with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

All derivatives will be recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments will be included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

The Company's long-term debt contained an embedded prepayment option. Management concluded that it was unable to reliably estimate the fair value of the prepayment option to enable it to be segregated from the underlying long-term debt and accounted for separately. Accordingly at January 1, 2007 management accounted for long-term debt at fair value at that date and will account for changes in the fair value in the statement of operations for each period.

Transaction costs associated with the long-term debt were charged to deficit at January 1, 2007.

ii. Hedges

In April 2005, the CICA issued Handbook section 3865, *Hedges*. This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline (AcG-13), *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard did not have a material effect on the Company's financial statements.

iii. Comprehensive Income

In April 2005, the CICA issued Handbook section 1530, *Comprehensive Income*. This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. This statement has been included in the consolidated financial statements starting this period.

Revenue recognition

Revenue, net of any discounts, is recognized on the sale of products at the time the product's title is transferred to the buyer, all significant contractual obligations have been satisfied and the collection of the resulting accounts receivable is reasonably assured. Total revenues include sales of product to customers, net of third party delivery costs.

Change in reporting currency

Effective January 1, 2007, the Company changed its reporting currency to the US dollar (USD). The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. The Company will conduct most of its sales and shipping contracts in USD. Prior to January 1, 2007, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and cash flows in the Canadian dollar (CDN). In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA), set out in EIC-130, *Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency*.

Based on EIC-130, the financial statements for all years and periods presented have been translated in to the new reporting currency using the current rate method. Under this method, the statement of operations and cash flow statement items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheet dates. Shareholders' equity transactions since January 1, 2006 have been translated using the rates of exchange in effect as of the dates of the various capital transactions, while shareholders' equity balances on January 1, 2006 have been translated at the exchange rate on that date. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

3 Inventories

Inventories are as follows:

	March 31, 2007 $	December 31, 2006 $
Construction aggregates	458,217	-
Components and consumable supplies	77,699	47,295
	535,916	47,295

4 Quarrying and terminal interests

	Eagle Rock Quarry Project $	Cougar deposit $	Other marine receiving terminals $	Total $
Balance - December 31, 2005	1,285,939	-	257,839	1,543,778
Expenditures	14,625	2,862	23,457	40,943
Balance - December 31, 2006	1,300,564	2,862	281,296	1,584,722
Foreign exchange	13,988	31	3,025	17,044
Expenditures	-	31,268	34,894	66,162
Balance - March 31, 2007	1,314,552	34,161	319,215	1,667,928

a) 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. The Company expects to quarry, crush and screen the granite resource to produce construction aggregates products on site. Products are expected to be shipped in bulk carriers or barges to coastal urban markets in California, Hawaii and British Columbia.

b) Cougar deposit

In February 2007, the Company applied for a license of occupation covering a sand and gravel deposit on northern Vancouver Island, B.C. The Cougar deposit is located on the shores of Rupert Inlet, approximately 19 kilometres west of the Orca Quarry and 19 kilometres south of the town of Port Hardy.

c) Other marine receiving terminals

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

During the period ending March 31, 2007, the Company submitted its permit application with the Port of Redwood City for the development of a construction aggregates marine receiving terminal.

5 Property, plant and equipment

	March 31, 2007			December 31, 2006		
	Cost $	Accumulated depletion or amortization $	Net book value $	Cost $	Accumulated depletion or amortization $	Net book value $
Orca Quarry						
Property costs	12,084,367		12,084,367	10,560,286	-	10,560,286
Construction in progress	-	-	-	40,843,185	-	40,843,185
Richmond Terminal						
Property costs	9,798,663	-	9,798,663	4,850,130	-	4,850,130
Construction in progress	10,535,646		10,535,656	9,799,312	-	9,799,312
Motor vehicles	185,433	48,933	136,500	183,460	30,577	152,883
Fixed plant and machinery	18,882,701	78,264	18,804,437	-	-	-
Marine facilities	22,287,378	61,830	22,225,548	-	-	-
Building and land improvements	940,988	23,474	917,514	-	-	-
Mobile plant	52,784	1,691	51,093	-	-	-
Heavy equipment (held under capital lease)	3,341,824	202,090	3,139,734	3,306,264	79,976	3,226,288
Furniture, equipment, tools and fixtures	557,248	176,932	380,316	600,984	169,236	431,748
Leasehold improvements	101,359	14,621	86,738	14,466	8,037	6,429
	78,768,391	607,835	78,160,556	70,158,085	287,825	69,870,260

a) Orca Quarry

The Orca Quarry is a sand and gravel quarry with a plant capable of producing six million tonnes of sand and gravel per year and production began at the Quarry in the period ending March 31, 2007. It is located on tidewater, west of the town of Port McNeill, British Columbia. The Orca Quarry products began shipping to the Greater Vancouver market in barges in March, 2007 and subsequent to March 31, 2007, shipping began in self-unloading bulk carriers to San Francisco Bay.

The Company has a beneficial interest in the Orca Quarry of 88%, the remaining 12% being owned by the Namgis First Nation which has asserted traditional territory rights over the area.

b) Richmond Terminal

The Company has a 20 year lease, with two 10 year extensions, with Levin Enterprises, Inc. for a construction aggregates storage and distribution site in the Port of Richmond in San Francisco Bay. In the period ending March 31, 2007, the Company began construction on the terminal.

6 Capital leases

Included in property, plant and equipment is quarrying equipment that the Company has acquired pursuant to a five year lease agreement, terminating October 28, 2011 at an interest rate of 7.0% and 7.05%. The quarrying equipment is the security for the indebtedness. Future minimum lease payments are as follows:

	March 31, 2007 $	December 31, 2006 $
2007	478,251	630,882
2008	637,668	630,882
2009	637,668	630,882
2010	637,668	630,882
2011	1,394,992	1,380,148
Total minimum lease payments	3,786,247	3,903,676
Less: Interest portion	668,736	717,135
Present value of capital lease obligation	3,117,511	3,186,541
Less: Current portion	431,845	415,523
Non-current portion	2,685,666	2,771,018

7 Long term debt

	March 31, 2007 $	December 31, 2006 $
Tranche A and B	32,048,502	31,000,000

Deferred financing costs of $793,911 have been charged to deficit effective January 1, 2007 upon the adoption of the new accounting standards on Financial Instruments. Subsequent to March 31, 2007, the Company repaid the outstanding debt.

In connection with the Company's first sale of construction aggregates to California, the Company will issue 2,153,846 warrants in accordance with the terms of the long term debt agreement. Each warrant is exercisable into one common share at $4.16 (CDN $4.80) per share until November 30, 2010. The Company recognized the fair value of these warrants effective the beginning of the quarter with a corresponding reduction in the amount of the debt.

8 Asset retirement obligations

	March 31, 2007 $	December 31, 2006 $
Obligation - beginning of period	1,510,203	-
Foreign exchange	16,243	-
Liabilities incurred	-	1,474,062
Accretion expense	36,531	36,142
Obligation - end of period	1,562,977	1,510,204

9 Share capital

Authorized

Unlimited common shares without par value

Issued

	March 31, 2007		December 31, 2006	
	Number of common shares	Amount $	Number of common shares	Amount $
Balance - beginning of period	29,649,845	79,279,670	12,996,660	16,402,470
For cash	6,900,000	52,923,414	16,628,185	68,711,372
Share issue costs	-	(2,915,416)	-	(6,005,194)
On exercise of stock options	-	-	25,000	171,022
Balance - end of period	36,549,845	129,287,668	29,649,845	79,279,670

a) Common shares

In March 2007, the Company issued 6.9 million common shares at $7.67 (CDN$9.00) per common share for gross proceeds of $52,923,000 (CDN$62,100,000) million. A cash commission equal to 5.0% of the gross proceeds was paid to the underwriters.

10 Contributed surplus

	March 31, 2007 $	December 31, 2006 $
Balance - beginning of period	2,113,906	1,260,312
Stock based compensation	81,485	917,100
Exercise of stock options	-	(63,506)
Balance - end of period	2,195,391	2,113,906

11 Accumulated other comprehensive income

	March 31, 2007 $
Opening balances on adoption of new accounting standards	
Accumulated other comprehensive income at beginning of period – currency translation adjustment	130,077
Unrealized gains on investments	37,083
Opening balances on adoption of new accounting standards	167,160
Other comprehensive income for the period	1,677,754
Balance - end of period	1,844,914
Components of accumulated other comprehensive loss	
Currency translation adjustment	1,791,953
Unrealized gains on investments	52,961
	1,844,914

12 Non-controlling interest

	Non-controlling interest in subsidiary $
Balance - December 31, 2005	1,127,728
Equity contributions	849,567
Non-controlling interest share of losses	(202,247)
Balance - December 31, 2006	1,775,048
Non-controlling interest share of losses	(68,058)
Foreign exchange	17,939
Balance – March 31, 2007	1,724,929

The Company has made advances to the minority shareholder, the Namgis First Nation (the Namgis), a subsidiary, in order to enable the Namgis to meet its funding obligations to the Company. Due to the uncertainty associated with the recoverability, the Company has never recorded interest receivable on the Namgis loan.

13 Commitments

a) The following minimum payments are required under operating leases as at March 31, 2007:

	$
2007	730,788
2008	948,374
2009	1,011,918
2010	1,068,924
2011	1,070,030
Thereafter	15,706,209
	20,536,243

b) As at March 31, 2007, the Company has remaining construction contracts totalling $9,061,851 related to the Richmond Terminal.

c) On commencement of shipping on April 1, 2007, the Company is committed to ship the following tonnage through its marine freight contract. Failure by the Company to ship its annual cargo commitment will result in a deadfreight charge equal to 75% of the freight rate of the unshipped tonnes. The Company has the option in any given year, to carry forward up to 25% of the yearly contacted tonnage into the following year.

	Tonnes
First contract year	1,400,000
Second contract year	2,300,000
Third contract year	3,200,000
Fourth contract year	4,000,000
Fifth contract year and thereafter	4,500,000

14 Related party transactions

During the period ended March 31, 2007, a certain director, through a company controlled by him, provided services to the Company, as follows: Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

a) Marketing services at a cost of $63,879 (March 31, 2006 - $50,093).

At March 31, 2007, accounts payable of $Nil (December 31, 2006 - $32,250) was due to a company controlled by a common director.

15 Segmented 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 British Columbia, Canada.

16 Supplemental cash flow information

Non cash investing and financing activities
Non cash additions of $1,557,389 (March 31, 2006 – Nil) are included in property, plant and equipment.

17 Subsequent events

Other than disclosed elsewhere, subsequent to March 31, 2007, the Company loaned $4,111,000 to a third party for the purchase of certain assets which the Company will have exclusive access to for the term of the loan through a services agreement. The loan bears interest of 5.5% per annum with interest payable monthly and the principle balance due in 2027. The Company has security over various assets of the third party.

CORPORATE INFORMATION

DIRECTORS AND SENIOR OFFICERS

Marco A. Romero	President and Chief Executive Officer, Director
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

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