Polaris
MINERALS CORPORATION

(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending March 31, 2012

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 7, 2012, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2012 and the audited annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All amounts are in United States dollars unless otherwise noted.

Highlights

- **Sales volumes in the quarter increased by 72% over the same quarter of 2011 while cost of goods sold increased only 53%.**
- **Revenue in the quarter increased by 91% over the prior year. After eliminating the effect of shipping fuel adjustments passed through to customers, revenue increased by 78%.**
- **The CAD$5 million bridge loan, due to mature in November 2011, was extended to February 2012, and repaid, together with the Company's debt with its shipping contractor, on March 2, 2012 from a CAD$15 million debt refinancing.**

Results of Operations

The Company incurred a net loss attributable to shareholders of $4.3 million ($0.8 per share loss) during the three months ended March 31, 2012, compared to a net loss attributable to shareholders of $3.7 million ($0.07 per share loss) during the three months ended March 31, 2011. The net loss in 2012 was impacted by a $0.8 million loss incurred on the repayment of the Company's loan with its exclusive shipping contractor.

The net losses have resulted from a generally low level of sales reflecting the severe economic recession experienced in the Company's markets following commencement of operations. These conditions also prevented real selling price improvements and the recovery of inflation in costs. The market demand situation began to show a significant improvement in the second half of 2011, which is continuing. The recent demand trends are more encouraging, however, the first quarter of 2012 financial results still reflect the generally depressed construction sector of the economy in North America.

Revenue for the three months ended March 31, 2012 increased by 91% to $7.1 million, compared with $3.7 million for the three months ended March 31, 2011. Sales for the current quarter, of 498,000 tons, represented a 72% increase from sales of 289,000 tons in the first quarter of 2011.

	Three months ended March 31,			
(000's, except per ton amounts)	2012		2011	
	Tons	$	Tons	$
Sales	498	7,102	289	3,727
Gross loss		(1,948)		(2,039)
Gross loss per ton		*(3.91)*		*(7.06)*

For the three months ended March 31, 2012, the Company's gross loss of $1.9 million was similar to the same period in 2011, representing a significant reduction in gross loss on a per ton basis in this quarter.

Average revenue per ton is influenced on a quarter by quarter basis by the shipping fuel surcharges, the distribution of tonnage delivered to the various California terminals, and the varying percentage between delivered and ex-quarry sales. Further, the volume of tons sold in any particular quarter can be significantly affected, positively or negatively, by the timing of specific voyages delivering product into San Francisco Bay.

Shipping Fuel Surcharges

As a consequence of the Company's two major supply agreements in northern California, the Company absorbs changes in the cost of shipping fuel during a quarter and then passes the cost, or benefit, through to the customer during the following quarter. The initial selling prices to both customers reflected actual fuel costs at the time of entering into the contracts.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of IFO180/380, the main fuels used in shipping, the Company's delivered price is impacted, positively or negatively, by approximately 3.6 cents per ton.

Other Charges

During the three months ended March 31, 2012, selling, general and administrative ("SG&A") expenses of $1.5 million, were slightly lower when compared with $1.6 million in the same period for 2011. The Company has lowered its SG&A expenses, through cost reductions in salaries, travel, and investor relations since 2010 and now considers they are at the lowest sustainable level commensurate with being a TSX listed company.

The majority of the Company's sales and shipping costs are denominated in US dollars. Costs at the Orca Quarry are incurred in Canadian dollars and as such are susceptible to fluctuations in foreign exchange rates upon reporting. When sales are made into Vancouver, BC, which are denominated in Canadian dollars, they can offset a portion of the cash costs of production at the Orca Quarry and provide a partial hedge to the Company. Additionally, fixed quarry costs per ton fluctuate significantly with the level of production.

Segmented Analysis

The Company operates in one segment: the development and operation of construction aggregate properties and projects located in the United States and Canada.

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:

	2012	2011				2010		
($000's)	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
Revenue	7,102	6,984	6,774	5,953	3,727	2,905	5,505	4,723
Loss before interest and income taxes	(3,282)	(5,504)	(2,952)	(5,397)	(3,443)	(367)	(3,417)	(3,434)
Net loss attributable to shareholders of Polaris	(4,308)	(5,224)	(3,472)	(5,387)	(3,704)	(681)	(3,163)	(3,301)
Basic and diluted net loss per share	(0.08)	(0.09)	(0.07)	(0.10)	(0.07)	(0.02)	(0.06)	(0.06)
(000 Tons)								
Sales	498	506	484	448	289	178	381	344
Aggregate production	536	590	452	423	267	212	330	360

See *Customers* section for discussion of quarterly and general trends.

Liquidity and Capital Resources

Liquidity Risk and Going Concern

During the three months ended March 31, 2012, net loss attributable to shareholders of the Company was $4.3 million (first quarter 2011 – net loss $3.7 million), negative cash flow from operations was $2.7 million (first quarter 2011 – negative $2.9 million) and as at March 31, 2012, the Company has a deficit of $105.3 million (December 31, 2011 - $101.0 million). At March 31, 2012 the Company has working capital of $1.1 million. The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control, including continued improvement in the economic outlook and the recovery of demand for the Company's products, particularly in California. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under its shipping contract.

In March 2012, the Company completed a debt refinancing and issued CAD$15.0 million in senior secured notes that mature December 31, 2016. Proceeds from the issue of the notes were used to repay, including interest and fees, CAD$6.2 million due on the bridge loan secured in November 2010 and $7.1 million due on the long-term debt with the Company's exclusive shipper. Net proceeds of CAD$1.7 million are being used for general working capital purposes. The refinancing consolidated the Company's debt into a single, five year term facility. The net proceeds will be used towards meeting operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold or other sources of capital are secured.

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

Working Capital

At March 31, 2012, the Company had working capital of $1.1 million that included cash of $0.6 million. Comparatively, at December 31, 2011 the Company had negative working capital of $4.4 million and cash of $1.6 million.

As noted in *Liquidity Risk and Going Concern above,* in March 2012, the Company completed a debt refinancing with proceeds from the issue of the notes used to repay the bridge loan secured in November 2010 and the long-term debt with the Company's exclusive shipper. The net proceeds are being used for general working capital purposes. The Company continues to work on the sale of the Pier B land but the timing for closing a sale is uncertain.

Operating, Financing and Investing Activities

For the three months ended March 31, 2012, cash decreased $1.0 million compared with a decrease of $2.7 million for the three months ended March 31, 2011.

Operating activities used cash of $2.7 million in the quarter compared to cash used of $2.9 million in the three months ended March 31, 2011. Continuing generally low levels of demand for aggregate products, as a consequence of the severe economic recession, particularly in California, continued to use cash for operations.

For the three months ended March 31, 2012, financing activities provided cash of $1.7 million compared to cash used by financing activities of $0.1 million for the same period in 2011. As noted in *Liquidity Risk and Going Concern above,* in March 2012, the Company completed a debt refinancing with proceeds from the issue of the notes used to repay the bridge loan secured in November 2010 and the long-term debt with the Company's exclusive shipper. Financing activities for 2011 related mainly to principal repayments for the finance leases of mining equipment used in the Orca Quarry.

Investing activities during the three months ended March 31, 2012, used cash of $0.05 million compared to cash provided of $0.30 million for three months ended March 31, 2011. Investing activities for the three months ended March 31, 2012 are mainly attributable to purchases of property, plant and equipment. Investing activities for the same period in 2011, included net proceeds from loan repayments and the disposal of property, plant and equipment.

The Company needs to obtain additional financing to fund operations and continue with its strategic plan which includes the development of further terminals in southern California, initially the development of the leased site in the Port of Long Beach. The Company's longer term plans include the potential construction of a marine aggregate terminal in the Port of San Diego and also the construction of the Eagle Rock Quarry near Port Alberni on Vancouver Island, BC. (see *Risks and Uncertainties*).

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

The Company's Contract of Affreightment ("CoA"), effective from January 1, 2010 with a term of 20 years, requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, in the amount of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2012 minimum shipping commitment is 1,984,000 short tons. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons. Minimum freight volume penalties are payable annually within 15 days of the yearend in which freight volumes do not meet the minimum volume requirements in the CoA. The Company and its shipper agreed in principle, subject to definitive documentation, that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets. For the 2011 fiscal year the Company recorded a $190,000 penalty associated with the annual minimum freight volume commitment. For 2012 the Company anticipates meeting its minimum volume requirement and, therefore, at March 31, 2012 no accrual was considered necessary.

Non-GAAP Measures

Adjusted Loss

The Company has prepared a calculation of adjusted loss for the period in order to better reflect underlying business performance by removing certain non-cash adjustments from its IFRS calculation of loss as it believes this may be a useful indicator to investors. Adjusted loss may not be comparable to other similarly titled measures of other companies.

	Three months ended March 31,	
($000's, except per share amounts)	2012	2011
Net loss for the period attributable to shareholders of Polaris	(4,308)	(3,704)
Adjustments		
Provision for annual minimum volume penalties	-	120
Share-based employee benefits	75	33
Loss on settlement of loan	765	-
Other gains and losses	40	11
Adjusted net loss for the period	(3,428)	(3,540)
per share	*(0.06)*	*(0.07)*

EBITDA and Adjusted EBITDA

EBITDA, adjusted EBITDA, EBITDA per share and adjusted EBITDA per share ("EBITDA Metrics") are non-GAAP financial measures. EBITDA and EBITDA per share represent net income, excluding income tax expense, interest expense and amortization and accretion. Adjusted EBITDA and adjusted EBITDA per share better reflects the underlying business performance of the Company by removing certain non-cash adjustments from its calculation of EBITDA and EBITDA per share. The Company believes that the EBITDA Metrics trends are valuable indicators of whether its operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. The Company uses the results depicted by the EBITDA Metrics for these purposes, an approach utilized by the majority of public companies in the construction materials sector. The EBITDA Metrics are intended to provide additional information, do not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently.

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure.

	Three months ended March 31,	
($000's except per share amounts)	2012	2011
Net loss for the period attributed to shareholders of Polaris	(4,308)	(3,704)
Finance expense	1,273	428
Income tax expense	40	160
Amortization, depreciation and depletion	1,622	1,183
EBITDA	(1,373)	(1,933)
per share	*(0.03)*	*(0.04)*
Adjustments		
Provision for annual minimum volume penalties	-	120
Share-based employee benefits	75	33
Other gains and losses	40	11
Adjusted EBITDA	(1,258)	(1,769)
per share	*(0.02)*	*(0.03)*

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

Sales in this first quarter or 2012, the winter quarter, were 498,000 tons which was a 72% increase over the comparable winter quarter of 2011. The increase is due to a substantial increase in demand from the San Francisco Bay area markets attributable to two factors; principally increasing infrastructure and private commercial expenditures, particularly in the area between San Francisco and San Jose, which is benefiting from the success of the "high-tech" industry; and also the loss of coarse aggregate production in December 2011 from a major limestone quarry near San Jose.

The Company, through its strategic alliance marketing partner, commenced supplies towards the end of the year to two large ready mixed concrete producers, an opportunity that arose primarily because of the cessation of production from a major local quarry. This widening of the supply base, coupled with increasing building and construction activity, represents the most encouraging business climate experienced for three years. Aggregate consumption numbers recently released by the US Geological Survey showed that construction aggregate consumption in California increased by 13.8% in 2011 compared with 2010, a trend that is continuing in 2012. During April 2012, the state broke ground on a $3.2 billion extension of the BART transportation system into San Jose and announced funding for 19 road construction projects worth $5 billion, the majority of which are around San Francisco Bay and San Jose. There now appears to be a firm belief that the US construction sector has entered a period of recovery as underlined by a revised forecast of cement consumption by the Portland Cement Association. Released in April, 2012, the association now anticipates demand for cement increasing by 3.7% in 2012, followed by a 7.6% increase in 2013 and a further 14.1% in 2014.

In this first quarter the Company has begun to recover pricing incentives granted in 2011 and has agreed certain further price increases that will apply during the second quarter. The Company is taking advantage of the strong increase in northern California's demand to better focus on situations where the Orca aggregate's premium quality can begin to be reflected in higher average selling prices. The Company believes that the current increased level of demand being experienced by its California customers is the result of investment factors specific to the greater San Francisco area which should continue ahead of the broader construction recovery now being forecast. Unfortunately it is now clear that the multi-year surface transportation reauthorization bill ("MAP-21") will not be passed until the end of this year with Congress passing short term continuing resolutions for federal highway funding until that time, which casts uncertainty on the funding levels of, and therefore the contribution from, major transportation infrastructure projects.

In respect of private sector construction investment, the Company believes that the current difficulties being experienced in private housing will largely continue although during this quarter some statistics are suggesting that single family housing starts may gradually begin to increase. Starts on multiple occupancy units in northern California are believed to have shown a significant increase since mid-2011. This sector is less influential on the demand for Polaris' materials than private commercial investment.

Local reserves of construction aggregate continue to decline, albeit at a reduced rate and the development of new replacement quarries is still strongly opposed by local residents in most markets, especially those crucial to our business. A good example is the proposed large new granite quarry in Riverside County north of San Diego, which was voted down after a lengthy and expensive legislative procedure including an appeal. Transportation costs by road and rail, to supplement local shortages, will continue to increase and marine transportation alternatives, for which the Company is well positioned, remain viable. This view was endorsed in the January 2011 San Diego Region Aggregate Supply Study prepared under the direction of SANDAG (San Diego Area Governments) who stated; "One of the challenges facing this region is how to meet the increasing demand for aggregate at a time when the local supply is shrinking", this being particularly with reference to materials necessary to meet planned public sector expenditure. The report highlighted the need for further land based resources, coupled with the requirement to import materials by ship, train or barge and supports the Company's consideration of a marine aggregate terminal to supply this market.

In Hawaii, the Company is focusing on major infrastructure projects where the ability of Orca Quarry materials to meet stringent performance requirements provides strong technical and economic justification for their usage. The initial term of the Company's supply agreement with its Hawaiian customer has now expired although sales continue under normal purchase and supply arrangements. Sales to the Company's Vancouver based customer are rather spasmodic, reflecting a changed mix of construction activity in their served market areas.

OPERATIONS

Quarry Properties

The Orca Quarry is situated to the west of the town of Port McNeill, British Columbia, and commenced shipments of high quality sand and gravel construction aggregates to west coast ready mix concrete producers in March 2007. Mineral extraction takes place from the East Cluxewe deposit which contained a reserve of 134 million tons at the commencement of operations in 2007. Estimates of remaining reserves are contained in the Company's Annual Information Forms.

The Company has also explored additional lands in the Orca Quarry area, over which it has certain rights, referred to as the East Cluxewe Extension and West Cluxewe deposits. After due consideration of the resource, environmental and permitting factors relative to these areas, the Company aniticipates that, following completion of extraction of the East Cluxewe deposit, working the East Cluxewe Extension deposit, which is contiguous with its current operations, will the first priority to be followed by the West Cluxewe deposit. The necessary permits for working these additional deposits will be sought much nearer the time when they will be required.

The Company also owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater alongside the Alberni Inlet near Port Alberni, British Columbia. The Eagle Rock Quarry received its mine permit in 2003 and in 2008 renewed the Environmental Assessment Certificate from the Province of BC, which now expires in September 2013. The Company continues to seek market outlets which would support the development of the quarry to produce crushed rock construction aggregate products. This high quality aggregate is anticipated to be ideal for asphalt manufacture and over time is expected to be a significant source of coarse aggregate for use in concrete when it will complement Orca Quarry which produces a high proportion of natural sand. The effects of the recession have made it difficult to predict when it might be possible to advance this project to a construction phase.

Marine Terminals

The Company is still at a relatively early stage of development of its marine receiving terminals despite having commenced production in 2007. Opportunities to develop suitable marine terminals are scarce and access, whether through owned and operated or third party facilities, is a key component in the logistical chain. The Company currently delivers construction aggregate to four terminals in San Francisco Bay. The Richmond Terminal, owned and operated by the Company, has a permitted capacity of 1.5 million tons per year and serves the north and east Bay areas. The Redwood City terminal in southwest San Francisco Bay and the Pier 92 terminal near downtown San Francisco are owned and operated by the Company's strategic alliance partner, Cemex, with a combined annual capacity of well over 1.5 million tons. The Landing Way Depot, on the Petaluma River in Sonoma County, owned and operated by Landing Way Depot, Inc., has an annual capacity of approximately 1.25 million tons and serves the requirements of Shamrock Materials Inc.

The Company's strategic objectives include the development of marine terminals in southern California. To further this objective, the Company, together with Cemex, formed a joint venture company, Cemera Long Beach, LLC ("Cemera"), to develop a marine aggregates terminal in the Port of Long Beach, California. In 2008 Cemera purchased a 12.4 acre parcel of freehold land in the Port of Long Beach, California, known as the Pier B site. This land was acquired with the intention of developing a major receiving and distribution terminal for aggregates from the Company's quarry properties. However, in the third quarter of 2009, the Company secured an option to lease an existing marine aggregate importing terminal also in the Port of Long Beach, California, at Berth D-44 and in July 2010 exercised this option and entered into a five year lease with renewal at the Company's option for a further three, five-year, periods to a total of 20 years. This 8.3 acre site is privately owned and has operated for many years receiving construction aggregates from barges with storage in open stockpiles. The site, which was permitted to receive and distribute up to 3 million tons of construction aggregates per year, is located on a deepwater channel and is close to Interstate 710, which services the greater Los Angeles area. Previously aggregates were delivered by barges and the Company is now engaged in modifying the permits to enable delivery by Panamax size vessels. The Ports of Long Beach and Los Angeles are currently engaged in major construction projects designed to enhance their ability to receive and efficiently handle much larger container vessels. As a consequence, the demand for concrete aggregate to meet these massive construction projects will increase significantly. To mitigate the already over-congested road access and egress from these Ports, the benefits of marine imported aggregates have been recognized and the Company is increasingly confident that the Berth D-44 terminal will play an important part in meeting demand following operational status, presently estimated to be in 2013.

In July 2011, the Company's Strategic Alliance Partner, Cemex Inc. formally advised that it would be unable to participate in the development of the Berth D-44 site in Long Beach due to capital investment constraints. Management had been anticipating this position, which is not unwelcome, and is engaged in reviewing possible alternate marketing relationships that may prove stronger in this particular market area, while maintaining the ability to supply Cemex requirements on an arms-length basis. The capital cost of bringing this terminal into full operation is estimated at $4 million, however, the Company is presently exploring options to commence delivery of aggregates and offset a proportion of leasing costs while delaying the investment of capital.

As a consequence of leasing the Berth D-44 site, Cemera resolved to sell the Pier B land and entered into a purchase and sale agreement for the Pier B land in November 2010. Unfortunately, following the successful completion of due diligence and waiver of that condition, the purchaser exercised the right to withdraw for economic reasons. Serious interest in the property continues although it remains difficult to anticipate when a sale might be achieved. Net proceeds accruing to the Company are expected to be approximately $12 million, of which $5 million will be used to reduce the Company's outstanding debt in accordance with the Purchase Agreement for the Senior Secured Notes dated March 1, 2012.

The Company, through its jointly owned subsidiary company, Cemera San Diego, LLC, is also pursuing an opportunity in the Port of San Diego for the development of a marine aggregate terminal to service the San Diego market, which has significant aggregate supply deficiencies. On August 4, 2009, The Port of San Diego granted Cemera San Diego, LLC, an exclusive negotiating agreement (the "ENA") for an option to lease and develop an approximate 100,000 square foot building located at the Tenth Avenue Marine Terminal for the purpose of receiving and distributing aggregates. On February 28, 2010, the ENA expired; however, the Port of San Diego issued a comfort letter in succession to the ENA and the parties continue to negotiate in good faith to agree on the terms of the option to lease. The Company had received verbal confirmation from Cemex that it would not be exercising its participation rights in the development of the San Diego terminal, however, this position has presently not been confirmed. The Company is actively reviewing marketing and development possibilities although it is unlikely that operational status in this unique location will be achieved before 2015/16.

SHIPPING

The Company is currently shipping its products from Vancouver Island, British Columbia, to San Francisco Bay by self-unloading Panamax vessels provided by CSL International Inc ("CSL"). Customers in Hawaii and Vancouver, BC, are supplied on an ex-quarry basis into vessels or barges provided by them.

On arrival in San Francisco Bay, CSL's vessels are partially unloaded while at anchor ("lightered") into barges provided by Shamrock Materials Inc. under the terms of a twenty-year aggregate supply agreement, or onto a barge operated by an independent towing contractor on behalf of Cemex. After lightering, the balance of the cargo may be unloaded at Cemex's Redwood City terminal or at the Company's Richmond Terminal. These arrangements offer the most economic shipping solution by utilizing fully loaded Panamax vessels from Vancouver Island to San Francisco Bay. It is anticipated that the increasing demand for Orca Quarry products in northern California, similar to levels experienced during 2008, will assist in maximizing shipping efficiency.

Sales to Hawaii are made via CSL self-discharging vessels contracted by the Company's Hawaiian customer. The lower mainland of British Columbia is supplied with sand and gravel using barges provided by the customer.

CUSTOMERS

The Company's Strategic Alliance with Cemex, which was established in 2007, provides for the joint development of new port receiving terminals on the US west coast that will ultimately be required to achieve the Orca Quarry's permitted production of 6.6 million tons per year. Either company may proceed with a legitimate terminal development project should the alliance partner decline the right to participate for any reason. Cemex, a public company, headquartered in Mexico, is one of a small number of major international cement manufacturers and a significant producer of construction aggregate and ready mix concrete, in markets throughout the world.

A second long-term supply agreement commenced with Shamrock Materials in 2007. Orca Quarry products are unloaded from Panamax vessels, at anchorage in San Francisco Bay, into Shamrock's own barges for transportation to an aggregate terminal situated at Petaluma, CA. Shamrock Materials is a well-established private company supplying ready mixed concrete in the north San Francisco Bay area.

The Company maintains a close relationship with the management of both Shamrock and Cemex, which together accounted for approximately 87% of the Company's sales in 2011.

The Company also supplies customers in Hawaii and Vancouver, BC both of which are substantial private companies with whom management maintains a working relationship.

SALES AND SEASONALITY

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions can have an impact on production volumes and demand for the Company's products. As a consequence, the Company's financial results for any individual quarter are not necessarily indicative of results to be expected for that year. Sales and earnings are also sensitive to market conditions and particularly to cyclical swings in construction spending. Sales related to construction projects delayed by poor weather tend to be recovered as projects accelerate to meet deadlines in the following periods. Historically, the highest sales are achieved in the summer (second and third quarters) of any year and the lowest realized in the winter (first and fourth quarters) when construction activity may be impacted by adverse weather.

Related Party Transactions

During the three months ended March 31, 2012, directors of the Company or of subsidiaries of the Company, either directly or through a company controlled by them, provided to the Company, services at a cost of $97,651 (three months ended March 31, 2011 - $106,507) which are included in general and administrative expenses. At March 31, 2012, accounts payable of $30,292 (December 31, 2011 - $30,292) were due to companies controlled by common directors.

Significant accounting judgments and estimates

The Company's accounting policies are described in Note 3 to the December 31, 2011 audited consolidated financial statements. The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The Company considers the accounting policies and estimates for; the determination of mineral reserves, asset values and impairment charges, and estimated reclamation and closure costs, to be significant. There is a full discussion and description of the Company's significant accounting judgments and estimates in the 2011 management discussion and analysis.

Financial Instruments

Senior secured notes, due December 31, 2016

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

The notes are senior secured obligations of the Company that have a first charge against the assets of the Company other than cash and accounts receivable and contain certain non-financial affirmative and restrictive covenants similar to those found in a bank financing. The Company is not held to any financial performance covenants. The notes bear interest at a rate of 12% per annum, payable semi-annually beginning June 30, 2012 and may be redeemed by the Company at any time without penalty. The notes also require a mandatory repayment of $5.0 million in the event that the Company completes an equity financing or disposes of any asset for proceeds of greater than $5.0 million. The Company has estimated that both prepayment features have minimal or nil estimated fair value and thus no amount has been recorded at inception or as at March 31, 2012.

The notes have been classified as financial liabilities measured at amortized cost.

In conjunction with the senior secured notes, the Company issued 13,200,000 common share purchase warrants that are exercisable at a price of $0.44 per share until December 31, 2012, $0.50 per share until December 31, 2013, $0.55 per share until December 31, 2014, $0.60 per share until December 31, 2015 and $0.65 per share until December 31, 2016.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,397,102 were issued and outstanding. The Company also had 3,766,709 options outstanding, exercisable into 3,766,709 common shares of which 3,100,045 are currently vested. Additionally, the Company had 14,775,000 warrants outstanding, all of which are vested.

Risks and Uncertainties

The development and operation of the Company's construction aggregate properties involves a high degree of business and financial risk. Accordingly, investment in the securities of the Company involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business. The Company has incurred losses and expects to incur further losses. The following risks are not intended to be a complete list of all risk factors or presented in any assumed order of priority. A full discussion and description of the Company's risks which should be taken into account in assessing important factors that could cause the Company's actual results to differ materially from the Company's expectations are disclosed under the heading "Risks and Uncertainties" in the Company's 2011 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, 2011, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). Any one or more of the following risks could have a material effect on the Company.

The Company's operations will require further capital

The quarrying, processing and development of the Company's properties and terminals, including the property at Berth D-44 in the Port of Long Beach and any future terminals which may be acquired and developed by the Company, will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production of the Company's properties and terminals or even a loss of those property interests. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Any future financing may be dilutive to existing shareholders.

Current global financial conditions and liquidity risk

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations and the value and price of the Common Shares could continue to be adversely affected.

During the three months ended March 31, 2012, net loss attributable to shareholders of the Company was $4.3 million (first quarter 2011 – net loss $3.7 million), negative cash flow from operations was $2.7 million (first quarter 2011 – negative $2.9 million) and as at March 31, 2012, the Company has a deficit of $105.3 million (December 31, 2011 - $101.0 million). At March 31, 2012 the Company has working capital of $1.1 million. The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control, including continued improvement in the economic outlook and the recovery of demand for the Company's products, particularly in California. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under its shipping contract.

In March 2012, the Company completed a debt refinancing and issued CAD$15.0 million in senior secured notes that mature December 31, 2016. Proceeds from the issue of the notes were used to repay, including interest and fees, CAD$6.2 million due on the bridge loan secured in November 2010 and $7.1 million due on the long-term debt with the Company's exclusive shipper. Net proceeds of CAD$1.7 million are being used for general working capital purposes. The refinancing consolidated the Company's debt into a single, five year term facility. The net proceeds will be used towards meeting operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold or other sources of capital are secured.

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

Reliance on Certain Customers

The Company generates the major proportion of its revenue from sales to two customers, Cemex and Shamrock. The ability of these customers to continue in business could have a material effect on the Company and no assurance can be given in that respect.

The Company may not secure additional construction aggregates sales volumes and prices projected for the Orca Quarry

The value and price of the Common Shares, the Company's financial results, and the Company's development and quarrying activities may be significantly adversely affected if the Company does not secure the sales volumes and prices of construction aggregates intended for the Orca Quarry. Demand for construction aggregates products in the Company's target markets fluctuates and is affected by numerous factors beyond the Company's control such as private sector residential and commercial construction, and public sector construction, including roads, bridges, services, and other infrastructure. The supply of construction aggregates to the Company's target markets may also fluctuate and may be affected by new or expanded local production, or supplies of construction aggregates brought into the target markets by road, rail or vessel. Depending on the sales volumes and prices of construction aggregates, cash flow from quarrying operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some or all of its properties. Future production from the Company's Orca Quarry is dependent on applicable construction aggregates sales volumes and prices being sufficient to make materials extraction from the Orca Quarry economic.

In addition to adversely affecting the Company's financial condition, declining construction aggregates sales volumes and prices can impact operations by requiring a reassessment of the feasibility of the Orca Quarry. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the Orca Quarry. The need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Currency fluctuations may adversely affect the Company's revenues

The effects on operating revenues and, hence, on cash flows, of the foreign exchange rate and the escalation of the Canadian dollar against the U.S. dollar are significant. The Company does not currently have any intention to enter into hedging contracts in connection with foreign currencies. The appreciation of the Canadian dollar against the U.S. dollar would increase Canadian dollar costs, due to stronger Canadian dollars being converted into U.S. dollars, and could materially and adversely affect the Company's U.S. dollar-reported operational profitability and financial condition.

The Company currently depends on a single property

The Company's only material mineral producing property is the East Cluxewe Deposit. Unless the Company acquires or develops additional material properties or projects, the Company will be solely dependent upon the operation of the Orca Quarry for its revenue and profits, if any.

The Company may not meet minimum freight contract volumes

The Company's freight contract, which was amended and restated in March 2010, provides for minimum annual volumes of construction aggregates that increase during the years of the contract. If the Company is unable to secure sufficient sales volumes to meet those minimum freight volumes, its revenues, operations and financial condition could be materially adversely affected.

Additional risk factors

Quarrying involves a high degree of risk and the Company has a limited history of construction aggregate project development or operations. Additionally, certain groups are opposed to quarrying and could attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. The Company's title to its properties may be subject to disputes or other claims, including land title claims of First Nations. Construction aggregate quarrying, processing and development activities are highly regulated and changes to government regulations or interpretation of those regulations may also adversely affect the Company. The Company currently depends on a single property with a construction aggregate reserve that has an estimated life at inception of 25 years. Construction aggregate reserves are estimates only and the assumptions made in the AMEC financial analysis of the Orca Project may no longer be reasonable. In order to maintain its annual production the Company will be required to obtain other construction aggregate resources in the future to bring into production. The

Company's operations are subject to environmental risks and the actual costs of reclamation for the property are uncertain. Further, the Company's insurance will not cover all the potential risks associated with a quarrying operation. The Company is principally dependent upon its key personnel and will also be required to recruit and retain personnel to facilitate the growth of the Company.

Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis release contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information appear in a number of places in this document and include estimates, forecasts, information and statements as to management's expectations with respect to, among other things the future financial or operating performance of the Company, costs and timing of the development of the construction aggregate quarry, the timing and amount of estimated future production, costs of production, capital and operating expenditures, requirements for additional capital, government regulation of quarrying operations, environmental risks, reclamation expenses, and title disputes. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risks and Uncertainties" in the Company's Annual Report and under the heading "Risk Factors" in the Company's Annual Information Form (AIF) in respect of its financial year-ended December 31, 2011, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.polarmin.com.

Glossary of Terms

Ton – the unit of weight used in the US consisting of 2,000 imperial pounds, often referred to as a 'Short Ton'.

Metric Tonne – a unit of weight commonly used in Canada and worldwide in shipping operations consisting of 1,000 kilograms (2,205 imperial pounds).