Polaris
MINERALS CORPORATION

(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending September 30, 2013

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of November 5, 2013, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial reporting, and the audited annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with 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 volume in the quarter represented a 9% increase over the third quarter last year and for the first nine months of 2013, was an increase of 38% over the previous year.**
- **Adjusted EBITDA showed a substantial improvement to a loss of only $6,000 compared with a loss of $1.6 million for the comparable quarter in 2012.**
- **The gross loss in the third quarter was substantially reduced to $0.17 per ton compared with a gross loss of $2.62 per ton in the same quarter last year.**

Results of Operations

The Company continues to experience increasing demand in its principal market in northern California compared to prior years and anticipates this trend continuing. Notably, the Company significantly reduced costs of goods sold per ton during both the third quarter and on a year to date basis, as customer sales mix reduced delivery costs and production efficiencies reduced costs at the Orca quarry. The Company has also benefited from certain selling price increases that were implemented throughout the nine months ended September 30, 2013. Sales demand of approximately 160,000 tons this quarter was met from inventories held at Bay area terminals as a result of the Company and its strategic alliance partner jointly making a planning decision to defer two July shipments. Inventory levels are now being replenished and as demand for our products in the San Francisco Bay area remains robust, the Company is having a quite exceptional fourth quarter. We anticipate further increases in sales in 2014 reflecting continuing growth in the base business boosted by major contract requirements which, coupled with anticipated price enhancements, will further increase revenues and improve operational efficiencies.

QUARTER ENDED SEPTEMBER 30

(000's, except per ton amounts)	Three months ended September 30, 2013		Three months ended September 30, 2012	
	Tons	$	Tons	$
Sales	687	9,398	632	9,130
Cost of goods sold		(9,516)		(10,783)
Gross loss		(118)		(1,653)
Gross loss per ton		*(0.17)*		*(2.62)*

Revenue and tons sold

Revenue for the three months ended September 30, 2013 increased by 3% to $9.4million, compared with $9.1 million for the three months ended September 30, 2012. Aggregate sales for the current quarter were 687,000 tons, a 9% increase over sales of 632,000 tons in the third quarter of 2012. Current quarter revenue and tons sold has benefited from increasing year on year demand in the Company's principal market in northern California and certain selling price increases that were implemented during the three months ended September 30, 2013.

The average selling price ("ASP") during the current quarter of $13.68 per ton decreased from $14.45 per ton in the same period for 2012. The decrease in ASP for the current quarter is consistent with the additional volumes supplied on a Free-On-Board ("FOB") basis at the Orca quarry under the new agreement that commenced in February 2013. This new supply agreement does not include freight charges for shipping to California and therefore has a significantly lower selling price per ton. ASP per ton is also influenced on a quarter by quarter basis by 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 tonnage sold in any particular quarter can be significantly affected, positively or negatively, by the timing of specific voyages delivering product into San Francisco Bay although this issue is becoming much less significant as volumes increase.

Cost of goods sold

Cost of goods sold for the three months ended September 30, 2013 decreased by 12% to $9.5 million, compared with $10.8 million for the three months ended September 30, 2012, whereas aggregate sales for the current quarter increased 9% over sales in the third quarter of 2012. Accordingly, cost of goods sold per ton for the current quarter declined to $13.85 compared to the cost of goods sold per ton for the same period in 2012 of $17.06. The additional volumes supplied under the new agreement that commenced in February 2013 do not include freight charges and thus contribute to the year-on-year reduction in overall cost of goods sold per ton. Additionally, current quarter quarrying costs have benefited from improved productivity following refurbishment of the main crusher and installation of a new primary screening station earlier in the year.

Gross loss

During the third quarter of 2013 the Company reduced its gross loss to $0.1 million, or $0.17 loss per ton, compared with a gross loss of $1.7 million, or $2.62 loss per ton in the prior year period. As noted above, the improvement is largely due to; certain selling price increases, changes in customer sales mix from the new supply agreement that commenced in February, 2013, on a FOB basis, which contributes to the gross margin without requiring additional working capital to fund freight costs, and production efficiencies at the Orca quarry.

Selling, general and administrative costs

During the quarter ended September 30, 2013, selling, general and administrative ("SG&A") expenses of $1.2 million were essentially in line with the $1.1 million in the same period for 2012. The current quarter SG&A signifies a return to a normal trend in general and administrative costs as the second quarter of 2013 included non-cash charges for stock based compensation on stock options granted in June, 2013.

Provision for property tax assessment

During the fourth quarter of 2012, the Company's subsidiary Eagle Rock Aggregates Inc. ("ERA"), was verbally notified by the County Assessor for Contra Costa County ("the County') that the property taxes in respect of the Company's aggregate terminal located in the City of Richmond, California, may not have been duly reassessed following the completion of construction at the end of 2007. The Company entered into discussions with the County Assessor which were ongoing at the end of June, 2013. However, during the current quarter ERA received a payment demand, including penalties, for property tax dating back to 2008. Under the terms of its lease agreement with Levin Terminals Inc. ("Levin"), ERA has paid its pro-rata share of property tax on the Richmond terminal land each year to Levin. The County's new assessment is in regard to personal property taxes on the value of the building, leasehold improvements, and equipment at the site. To date the Company has been successful in reducing the original assessment period from five years to four under a statute of limitations applicable to the tax code and has also filed a notice of appeal against the assessment. To prevent any additional accumulation of interest and/or penalties, ERA entered into an Escape Assessment Installment Plan (the "Plan") with the County, and made a payment of $379,000 on August 15th, which was equal to 20% of the assessed taxes and will be applied against the final settlement which depends on the outcome of the appeal. Under the Plan, the remaining outstanding balance of the taxes is payable in four equal annual installments commencing August 31, 2014. The Company is appealing on the basis that certain of the costs included in the assessment should not be subject to property tax and should not be included in the assessed value. The Company has recorded a provision for its current best estimate of the property taxes owing of $1.535 million. The liability at September 30, 2013 of $1.156 million is net of the amount already paid. Of this amount $868,000 has been classified as a long-term liability based on the Plan agreed with the County. The Company's appeal is unlikely to be heard before the second half of 2014.

Net loss

The Company incurred a net loss attributable to shareholders of $2.8 million ($0.04 per share loss) during the three months ended September 30, 2013, compared to a net loss attributable to shareholders of $3.4 million ($0.06 per share loss) during the three months ended September 30, 2012. The current quarter decrease in year-on-year net loss was principally attributable to similar factors that improved the Company's gross loss during the current quarter off set by the property tax assessment provision.

YEAR-TO-DATE SEPTEMBER 30

(000's, except per ton amounts)	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
	Tons	$	Tons	$
Sales	2,296	30,826	1,665	23,891
Cost of goods sold		(32,036)		(28,170)
Gross loss		(1,210)		(4,279)
Gross loss per ton		*(0.53)*		*(2.57)*

Revenue and tons sold

Revenue for the nine months ended September 30, 2013 increased by 29% to $30.8 million, compared with $23.9 million for the nine months ended September 30, 2012. Aggregate sales for the first nine months of 2013 were 2.3 million tons, a 38% increase over sales of 1.7 million tons in the first nine months of 2012. Similar to the current quarter, overall revenue and tons sold have benefited from increasing demand in northern California and price increases implemented throughout the nine months ended September 30, 2013.

The average selling price ("ASP") for the first nine months of 2013 of $13.43 decreased from $14.35 in the first nine months of 2012. The decrease in ASP is consistent with the additional volumes supplied under the new FOB agreement which does not include freight charges.

Cost of goods sold

Cost of goods sold for the nine months ended September 30, 2013 increased by 14% to $32.0 million, compared with $28.2 million for the nine months ended September 30, 2012, whereas aggregate sales for the first nine month increased 38% over sales in the first nine months of 2012. Accordingly, cost of goods sold per ton for the first nine months of 2013 declined to $13.95 compared to the cost of goods sold per ton for the same period in 2012 of $16.92. Similar to the current quarter, the reduction in cost of goods sold per ton benefited principally from, the additional volumes supplied under the new FOB agreement and the reduced impact of fixed quarrying costs, measured on a per ton basis.

Gross loss

The gross loss for the first nine months of 2013 was $1.2 million or $0.53 loss per ton, a significant improvement over the gross loss of $4.3 million or $2.57 loss in the same period of 2012. As noted above, the improvement is largely due to the increased volumes that have enabled the Company to operate more efficiently and reduce unit fixed costs per ton together with the implementation of certain selling price increases.

Selling, general and administrative costs

During the nine months ended September 30, 2013, SG&A expense was $4.0 million compared to SG&A of $3.6 million for the nine months ended September 30, 2012. The principal reason for the increase is the recognition of a $0.6 million non-cash charge for stock based compensation arising from stock options granted in June, 2013.

Provision for property tax assessment

The 2013 year-to-date loss before interest and income taxes includes the Company's current quarter provision for the property tax assessment in respect of the Company's aggregate terminal located in the City of Richmond, California. (See QUARTER ENDED SEPTEMBER 30, *Provision for property tax assessment* for additional disclosure).

Net loss

The net loss attributable to shareholders during the nine months ended September 30, 2013 was $8.3 million ($0.12 per share loss) compared to a net loss attributable to shareholders of $9.6 million ($0.18 per share loss) during the nine months ended September 30, 2012. The year-on-year net loss comparison benefited from a decrease in gross loss as well as a decrease in interest on long term debt; however, some of these benefits were offset by the property tax assessment provision.

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:

($000's)	2013			2012				2011
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue	9,398	10,904	10,524	8,305	9,130	7,659	7,102	6,984
Loss before interest and income taxes	(2,967)	(2,538)	(1,643)	(2,034)	(3,176)	(2,116)	(3,282)	(5,504)
Net loss attributable to shareholders of Polaris	(2,847)	(3,545)	(1,879)	(2,631)	(3,413)	(1,886)	(4,308)	(5,224)
Basic and diluted net loss per share	(0.04)	(0.05)	(0.03)	(0.05)	(0.06)	(0.04)	(0.08)	(0.09)
(000's Tons)								
Sales	687	836	773	571	632	535	498	506
Aggregate production	770	866	641	619	511	615	536	590

See *Results of Operations* and *Seasonality* sections for discussion of quarterly and general trends.

Liquidity and Capital Resources

Currently the Company's primary sources of liquidity and capital resources available are cash on hand and other working capital items, finance leases for the procurement of heavy equipment, and access to capital markets. In June 2013 the Company repaid its outstanding long-term debt consisting of the Company's 12% senior secured notes. The Company manages its working capital and long-term capital structure and resources in order to minimize the cost of capital while properly managing credit, liquidity, and market risks.

Working Capital

At September 30, 2013, the Company had working capital of $11.0 million that included cash of $8.1 million. Comparatively, at December 31, 2012 the Company had working capital of $7.2 million including cash of $5.5 million.

Operating, Financing and Investing Activities

During the three months ended September 30, 2013 the Company used cash for operations of $1.7 million ($2.48 per ton) compared with cash used of $1.2 million ($1.88 per ton) during the three months ended September 30, 2012. Operating activities used cash of $3.1 million in the nine months ended September 30, 2013 compared to cash used of $2.0 million in the nine months ended September 30, 2012. During both the three months and nine months ended September 30, 2013, operating cash flows were negatively impacted by changes in working capital accounts including approximately $1.0 million that was used to pay overdue trade accounts from the fourth quarter of 2012, with the balance supporting the Company's operations.

For the three and nine months ended September 30, 2013 financing activities used cash of $0.1 million and provided cash of $6.8 million, respectively, compared to cash used by financing activities of $0.1 million and cash provided by financing activities of $1.5 million, for the same periods in 2012. During the second quarter of 2013, the Company completed a bought deal financing of 13.2 million common shares, issued at CAD$1.31 per share, for gross proceeds of CAD$17.3 million. Net proceeds, after the deduction of the underwriters' commission and other fees and expenses were CAD$16.3 million. CAD$8.65 million of the proceeds of the financing was used to repay outstanding long-term debt consisting of the Company's 12% senior secured notes together with accrued interest thereon. The remaining proceeds will be used to facilitate the Company's entry into the Southern California market and for general working capital purposes. The financing completed on June 25, 2013 improved the Company's liquidity position; however, the Company's long term liquidity depends on a number of factors, including continued improvement in the North American economic outlook and the continuing recovery in demand for the Company's products, particularly in California.

Investing activities during the three months ended September 30, 2013, used cash of $0.5 million compared to cash used of $0.2 million for three months ended September 30, 2012. Investing activities during the nine months ended September 30, 2013, used cash of $1.0 million compared to cash used of $0.8 million for nine months ended September 30, 2012. Investing activities for the three and nine months ended September 30, 2013 are mainly attributable to the Orca quarry for: refurbishing equipment; the installation of a new screen station; and deferred overburden stripping costs.

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

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

Non-IFRS 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 September 30,		Nine months ended September 30,	
($000's, except per share and per ton amounts)	2013	2012	2013	2012
Net loss for the period attributable to shareholders of Polaris	(2,847)	(3,413)	(8,271)	(9,607)
Adjustments				
Share-based employee benefits	170	27	720	169
Loss on settlement of loan	-	-	870	-
Property tax provision	1,535	-	1,535	-
Other losses	(45)	6	(61)	12
Adjusted net loss for the period	(1,187)	(3,380)	(5,207)	(9,426)
per share	*(0.01)*	*(0.06)*	*(0.07)*	*(0.18)*
per ton	*(1.73)*	*(5.35)*	*(2.27)*	*(5.66)*

EBITDA and Adjusted EBITDA

EBITDA, adjusted EBITDA, EBITDA per share and adjusted EBITDA per share ("EBITDA Metrics") are non-IFRS 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-IFRS measures to the most directly comparable IFRS measure.

	Three months ended September 30,		Nine months ended September 30,	
($000's except per share and per ton amounts)	2013	2012	2013	2012
Net loss for the period attributed to shareholders of Polaris	(2,847)	(3,413)	(8,271)	(9,607)
Interest	16	480	533	1,486
Income tax (recovery)	75	(20)	305	(612)
Amortization, depletion and accretion	1,090	1,302	3,204	3,813
EBITDA	(1,666)	(1,651)	(4,229)	(4,920)
per share	*(0.02)*	*(0.03)*	*(0.06)*	*(0.09)*
per ton	*(2.43)*	*(2.61)*	*(1.84)*	*(2.95)*
Adjustments				
Share-based employee benefits	170	27	720	169
Loss on settlement of loan	-	-	870	-
Property tax provision	1,535	-	1,535	-
Other losses	(45)	6	(61)	12
Adjusted EBITDA	(6)	(1,618)	(1,165)	(4,739)
per share	*(0.00)*	*(0.03)*	*(0.02)*	*(0.09)*
per ton	*(0.01)*	*(2.56)*	*(0.51)*	*(2.85)*

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

Sales in the first nine months of 2013 were 2,296,000 tons, an increase of 38% over the same period in 2012. Sales under the Company's two existing long term supply and marketing agreements increased by 10%, with the balance being the contribution from a new supply agreement that commenced in February. Demand in the northern California market is increasing as private housing, private commercial, and public infrastructure sectors all continue to recover. On December 13, 2012, the Company entered into a new supply contract with an international construction materials company which was already engaged in importation of aggregates by ocean-going vessels into the San Francisco Bay. The contract is for an initial period of three years with two option periods of three years which, with the agreement of both parties, could extend the contract to a total of nine years. Under this new contract aggregates are loaded at Orca Quarry into vessels chartered by the customer and sales commenced in February 2013.

The continuing strong increase in northern California's demand coupled with the increasing use of the high quality Orca aggregate to meet exacting specifications for use in concrete is enabling the Company to achieve real price increases. The Company believes that the increasing level of demand being experienced by its California customers is the result of investment factors specific to the greater San Francisco area which have been evident ahead of the broader US construction recovery now underway. On June 29, 2012, Congress passed a Surface and Transportation Reauthorization Bill ("MAP-21") which will fund the nation's roads, bridges and mass transit systems until the end of 2014. This action removed a three-year gridlock during which period funding uncertainty, at both federal and state levels, had contributed to the major decline in construction activity. Additionally, states are now able to apply for funding assistance under the Transportation Infrastructure Finance and Innovation Act (TIFIA) which will provide $1.75 billion of Federal credit assistance over the next two years for nationally or regionally significant surface transportation projects. Each dollar of Federal funds can provide up to $10 in TIFIA credit assistance, leveraged up to $30 in transportation infrastructure investment. In September, 2013, the Portland Cement Association published an updated forecast that predicted cement consumption would increase by 4% in 2013 and then increase by 9.7% in each of 2014 and 2015 to be followed by an 11% consumption gain in 2016. It has to be noted that alongside this unbridled optimism is a caution that US economic factors are still uncertain in many areas.

In respect of private sector construction investment, the Company believes that the encouraging statistics showing a resurgence in private housing will continue. Although this sector is less influential on the demand for Orca Quarry materials than private commercial investment, it is nonetheless helpful that each sector of the construction economy should recover towards normalized levels enabling a return to logical competitive factors. Increased multiple occupancy unit construction activity in San Francisco, coupled with strong private commercial activity, particularly in the San Francisco/San Jose corridor is contributing significantly to increasing demand.

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. The California Geological Survey released a report titled "Aggregate Sustainability in California, 2012". This is essentially an update to similarly titled reports published in 2002 and 2006. The report contains a considerable amount of data which demonstrates that aggregate shortages remain a major problem such that in a number of major markets in the State, where aggregate resources continue to decline, they are not being replaced, and complete exhaustion can be projected in a decade or so.

Despite these dire predictions, the quarrying industry's problems in permitting new resources have not changed and it remains extremely difficult, especially around major urban markets, to obtain new permits. Recent examples included the refusal to permit a proposed large new granite quarry in Riverside County north of San Diego and a hard rock quarry proposed near Fresno, both of which have failed due to the high level of public concern about such new operations. The January 2011 San Diego Region Aggregate Supply Study prepared under the direction of SANDAG (San Diego Area Governments) 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 strategy 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 expired although sales are continuing at previous levels under normal purchase and supply arrangements. During April, 2013, a major trial at the Hickam Air Force Base was supervised by the US Army Corps of Engineers. The trial involved concrete paving for runway construction made exclusively from Orca aggregate. It is pleasing to note that the results were extremely positive. This will eventually begin to benefit sales although the Company recognizes that the expected increase in volumes would be modest in comparison to California demand.

Relatively small quantities of materials continue to be sold for use in British Columbia or Alaska and are loaded into barges provided by the customers.

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 Form.

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 anticipates 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 expired in September 2013. The Company has initiated discussion with the Province of BC on the certificate renewal process. 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 five terminals in San Francisco Bay where it is now the exclusive supplier by ocean-going vessel. 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. Since February, 2013, the Company has also supplied the Pier 94 terminal of Hanson Aggregates in the Port of San Francisco. 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. In the third quarter of 2009, the Company secured an option to lease an existing marine aggregate importing terminal 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 deep-water channel and is close to Interstate 710, which services the greater Los Angeles area. Previously aggregates were delivered by barges and the Company has now received a Harbor Development Permit for the site to enable delivery by Panamax size vessels and is in the process of applying for an Air Board Permit. 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 future demand as construction activity increases in the Los Angeles Basin area and delivered aggregate prices return to pre-depression levels. During the second quarter of 2013 the Company received a dredging permit from the US Army Corps of Engineers for the maintenance dredging required at Berth D-44 in order to accommodate the Panamax vessels of CSL. It is anticipated that this work will be carried out in, or before, December 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. The Company had been anticipating this position, which is not problemmatic, 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 eventual capital cost of bringing this terminal into full operation is estimated at $4 million.

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 maintains its relationship with this port and is reviewing marketing and development possibilities while recognizing that environmental and community issues at this location are complex and it is increasingly difficult to predict what the eventual outcome may be.

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"). The Company's new customer and existing customers in Hawaii and British Columbia, 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. Occasionally barge capacity is provided by Hanson Aggregates. 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. The increasing demand for Orca Quarry products in northern California, that now exceeds the level experienced during 2008, assists in maximizing shipping efficiency although balance between the individual terminals requires careful planning.

Sales to Hawaii, Alaska, British Columbia, and under the new supply agreement that commenced in the first quarter of 2013, are made on an FOB, basis by loading ships or barges provided and paid for, by the customer.

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 commencement selling prices to both customers reflected actual fuel costs at the time of entering into the contracts.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of Low Sulphur Fuel Oil ("LSFO"), the main fuel required to be used in shipping since August, 2012, the Company's delivered price is impacted, positively or negatively, by approximately 3.7 cents per ton.

North American Emission Control Area

On August 1, 2012, the USA EPA and Environment Canada established a North American Emission Control Area (the "ECA") of 200 nautical miles around the US and Canadian coasts. All vessels operating within the ECA must now use Low Sulphur Fuel Oil (LSFO) which has a limit of 1% sulphur. This action significantly increased the cost of shipping from August 1st, 2012, which the Company has now passed on to its customers through oil pass-through clauses in the Company's sales agreements.

The objective of the ECA is to reduce emissions from ships that might be harmful to coastal environments, a principle supported by marine cargo shippers including CSL International, the Company's exclusive shipper. However, the US EPA directed that the ECA be 200 miles offshore without the benefit of new research which clearly establishes that an ECA limit beyond 50 miles provides no further benefit to coastal environments. This new regulation has adversely impacted many freight movements in North America and these coastal regions would actually be seriously impacted by the increased air pollution and road congestion that would arise should millions of tons per annum of products, including construction aggregate, be forced to use shore-based truck or rail transportation rather than ships. A Coalition of Short-Sea Shippers, coupled with the Maritime Industrial Transportation Alliance, are actively pressing for the ECA to be modified to 50 miles for smaller, short-sea, coastal vessels which would include those operated by CSL. The Company is engaged with the National Stone and Sand and Gravel Association to support the coastal shippers in achieving a modification to the ECA regulations thus enabling the current economic benefits to be maintained in the vital supply of construction aggregates to coastal cities, without negatively impacting the coastal environment.

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 93% of the Company's sales in 2012.

In December 2012, the Company entered into a sales agreement with Hanson Aggregates Mid-Pacific Inc., a subsidiary of a major international building materials company. The agreement has a fixed first period of three years with two, three-year, renewal options requiring mutual agreement to extend. Sales under the agreement commenced in February, 2013.

The Company also supplies customers in Hawaii and British Columbia, which are substantial private companies with whom management maintains a working relationship.

SALES AND SEASONALITY

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

Related Party Transactions

During the three months ended September 30, 2013, the Company accrued for or paid the following services by related parties. Proconsult UK Ltd. ("Proconsult"), a company controlled by a director of subsidiary of the Company, provided to the Company, management and marketing services at a cost of $57,712 (three months ended September 30, 2012 - $94,100). The Company agreed to pay Proconsult a retainer of $26,112 per month plus expenses under the agreement. Effective July 2013, Proconsult's monthly retainer was reduced to $14,500 per month plus expenses. Navigator Management Ltd. ("Navigator"), a company controlled by a director of the Company, provided to the Company, consulting services at a cost of CAD$9,949 (three months ended September 30, 2012 - CAD$9,600). The Company has agreed to pay Navigator a retainer of CAD$3,000 per month plus expenses under the agreement.

During the nine months ended September 30, 2013, the Company accrued for or paid, Proconsult for management services at a cost of $223,798 (nine months ended September 30, 2012 - $269,209) and Navigator for consulting services at a cost of CAD$29,995 (nine months ended September 30, 2012 - $27,843).

These costs are included in general and administrative expenses. Transactions with related parties are recorded at the price agreed between the parties. At September 30, 2013, accounts payable included; $14,500 due to Proconsult, (December 31, 2012 - $26,585) and CAD$3,620 due to Navigator, (December 31, 2012 - CAD$3,000).

Significant accounting judgments and estimates

The Company's accounting policies are described in Note 3 to the December 31, 2012 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, estimated reclamation, closure costs, and provision for property tax assessment, to be significant. There is a full discussion and description of the Company's significant accounting judgments and estimates in the 2012 management discussion and analysis.

Financial Instruments

Cash, trade receivables, security deposits and other receivables are classified as loans and receivables. Trade payables are classified as other financial liabilities. Financial instruments that are classified as loans and receivables and other financial liabilities are measured at amortized cost.

The Company does not measure any financial instruments or other assets at fair value on a recurring basis in the statement of financial position. The fair values of cash, trade receivables, security deposits, other receivables, and trade payables, approximate their carrying values due to either their short-term nature or maturities.

Liquidity risk arises from the Company's general and capital financing needs. The Company has planning and budgeting processes to help determine the funding requirements to meet various contractual and other obligations. The equity financing completed on June 25, 2013 improved the Company's liquidity position; however, the Company's long term liquidity depends on a number of factors, including continued improvement in the economic outlook in North America and the continuing recovery in demand for the Company's products, particularly in California.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 79,970,602 were issued and outstanding. The Company also has 4,059,209 options outstanding, exercisable into 4,059,209 common shares, of which 3,159,207 are currently vested, and 1,286,250 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 2012 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, 2012, 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

Current global financial conditions have been subject to increased volatility. 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 be adversely affected.

Reliance on Certain Customers

The Company generates the major proportion of its revenue from sales to three customers. 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 financial performance

The effects on financial performance 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.

Property tax provision

The Company has received a payment demand from the County Assessor for Contra Costa County for property taxes in respect of the Company's aggregate terminal located in the City of Richmond, California, including penalties, for property tax dating back to 2008, which the Company has appealed. The Company has recorded a provision for its current best estimate of the property taxes owing of $1.535 million. The estimated liability at September 30, 2013 of

$1.156 million is net of the amount already paid. The amount of the final settlement is uncertain and the provision amount could be subject to change.

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 nine months ended September 30, 2013 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, 2012, 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).