Polaris
MINERALS CORPORATION

(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending September 30, 2014

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 7, 2014, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September, 2014, 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, 2013, 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 exceeded one million tons, a 50% increase on last year and the third time this milestone has been reached. Revenue of $13.4 million was 43% greater than last year;
- Gross profit in the quarter was $720,000 compared with a gross loss of $118,000 in the prior year;
- Adjusted EBITDA was $688,000 compared with negative ($6,000) in 2013;
- The Air Permit for the new terminal in the Port of Long Beach, CA, was secured and construction of the major ship berth completed.

Results of Operations

The Company continues to experience improving demand in its principal market in northern California. Aggregate sales volumes in the third quarter of 2014 increased 50% over the third quarter in 2013 and revenues increased 43% over the same period. During the current quarter, the Company reported reduced costs of goods sold per ton of $12.31 per ton compared to $13.85 per ton in 2013, as customer sales mix reduced delivery costs and production efficiencies reduced the costs of quarry operations. The year on year decline in the Canadian dollar exchange rate also helped reduce reported costs from the Orca quarry. In the current quarter gross margins continued to improve over their year on year comparisons as the Company recorded a gross profit of $720,000 or $0.70 per ton compared to a gross loss of $118,000 or $0.17 loss per ton for 2013.

QUARTER ENDED SEPTEMBER 30

(000's, except per ton amounts)	Three months ended September 30, 2014		Three months ended September 30, 2013	
	Tons	$	Tons	$
Sales	1,032	13,429	687	9,398
Cost of goods sold		(12,709)		(9,516)
Gross profit (loss)		720		(118)
Gross profit (loss) per ton		*0.70*		*(0.17)*

Revenue and tons sold

Aggregate sales for the current quarter were 1.03 million tons, a 50% increase over sales of 687,000 tons in the third quarter of 2013.

Revenue for the three months ended September 30, 2014 increased by 43% to $13.4 million, compared with $9.4 million for the three months ended September 30, 2013. Current quarter revenue benefited from further selling price increases compared to the prior year quarter and increasing year on year demand in the Company's principal market in northern California. Compared with 2013, current quarter revenue had a favorable price variance of $0.60 per ton or 4.4%, due to pricing increases. This was offset by a sales mix variance which reduced revenue by $1.27 per ton on an increased percentage of sales to customers with a lower selling price per ton. Accordingly, the average selling price ("ASP") during the current quarter of $13.01 per ton decreased from $13.68 per ton in the same period for 2013. The ASP decrease for the current quarter is consistent with the additional volumes supplied on a Free-On-Board ("FOB") basis at the Orca quarry. Sales made ex-quarry do not include freight charges for shipping to California and therefore have a significantly lower selling price per ton. The ASP per ton is influenced on a quarter by quarter basis by base pricing and any changes thereto, shipping fuel surcharges, the proportion of tonnage that is delivered to the various California terminals, and any variance in the proportions of delivered and ex-quarry sales.

Cost of goods sold

Cost of goods sold per ton for the current quarter declined by $1.54 per ton to $12.31 compared to the cost of goods sold per ton for the same period in 2013 of $13.85. The additional volumes supplied ex-quarry do not include freight charges and thus contribute to the year-on-year reduction in overall cost of goods sold per ton. Additionally, current costs of goods sold have benefited from the decline in the Canadian dollar as quarry costs are incurred in Canadian dollars and translated into US dollars for reporting purposes.

Gross profit (loss)

During the third quarter of 2014 the Company's gross profit was $720,000 or $0.70 per ton, compared with a gross loss of $118,000 or $0.17 loss per ton in the prior year period. As noted above, the improvement is largely due to; certain selling price increases, reduced overall freight charges from additional volumes supplied ex-quarry, production efficiencies at the Orca quarry, and favourable foreign exchange rates.

Selling general and administrative costs

During the quarter ended September 30, 2014, selling, general and administrative ("SG&A") expenses represented 15.7% of sales and were $0.9 million higher than in the same period of 2013 when they represented 12.7% of sales. Net of non-cash charges for stock based compensation, SG&A represented 9.2% of sales in this current quarter compared with 10.9% last year.

Net loss

The Company incurred a net loss attributable to shareholders of $2.1 million ($0.02 per share loss) during the three months ended September 30, 2014, compared to a net loss attributable to shareholders of $2.8 million ($0.04 loss per share) during the three months ended September 30, 2013. The improved result this quarter was principally attributable to the generation of a gross profit compared with a gross loss in 2013, and a reduced property tax provision this year compared with last.

YEAR-TO-DATE SEPTEMBER 30

(000's, except per ton amounts)	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Tons	$	Tons	$
Sales	2,684	35,203	2,296	30,826
Cost of goods sold		(34,667)		(32,036)
Gross profit (loss)		536		(1,210)
Gross profit (loss) per ton		*0.20*		*(0.53)*

Revenue and tons sold

Aggregate sales for the first nine months of 2014 were 2.68 million tons, a 17% increase over the first nine months of 2013.

Revenue for the nine months ended September 30, 2014 increased by 14% to $35.2 million, compared with $30.8 million for the nine months ended September 30, 2013. Similar to the current quarter, overall revenue and tons sold have benefited from improving demand in northern California and price increases implemented throughout the nine months ended September 30, 2014. The ASP for the first nine months of 2014 was $13.12 a decrease from $13.43 in the first nine months of 2013 due to an increased proportion of ex-quarry sales where prices are exclusive of delivery costs.

Selling Price and Fuel Surcharge Indices

The predominant business of the Company is delivery of its aggregate to several locations in San Francisco Bay under two long term supply agreements (See: *"Customers"*). Each delivery point has a different selling price that also varies quarter by quarter due to the pass-through of shipping fuel surcharges. The indices below are provided to assist understanding of the movement of prices, and the impact of the fuel surcharges, starting in Q1-2013. The selling price index is based on the delivered price at the end of the quarter, net of fuel surcharges, assuming each of the five delivery points in the Bay has equal weighting in order to provide a comparison that is not distorted by constant changes in activity levels. The Company has achieved an increase in delivered prices in each quarter since the first quarter of 2013 with a total increase of 7.2% over the period. Over the same period the shipping fuel prices have remained relatively stable with only minor quarterly impacts. Fuel surcharges have ranged between $1.65/ton and $2.59/ton

	Q1-2013	Q2-2013	Q3-2013	Q4-2013	Q1-2014	Q2-2014	Q3-2014
Selling Price Index (Q1-2013=100)	100	101.8	103.5	103.8	105.1	106.4	107.2
Fuel Surcharge Index (Q1-2013=100)	100	95.8	97.9	102.8	96.3	100.2	102.3

Cost of goods sold

Cost of goods sold per ton for the first nine months of 2014 declined to $12.92 compared to the cost of goods sold per ton for the same period in 2013 of $13.95. Similar to the current quarter, the reduction in cost of goods sold per ton benefited principally from, the additional volumes supplied ex-quarry, the reduced impact of fixed quarrying costs (measured on a per ton basis), and the decline in the Canadian dollar. Year to date the cost of goods sold has been impacted by $0.7 million in additional barging costs and inefficiencies in shipping caused by the reduction in draft at the Redwood City terminal which was reported last quarter.

Gross profit (loss)

The gross profit for the first nine months of 2014 was $536,000 or $0.20 profit per ton, a significant improvement over the gross loss of $1.21 million or $0.53 loss per ton in the same period of 2013. As noted above, the improvement is largely due to increasing selling prices, increased volumes that have enabled the Company to operate more efficiently, and reduce unit fixed costs per ton.

Selling, general and administrative costs

During the nine months ended September 30, 2014, SG&A expense was 13.4% of sales compared to 13.1% of sales for the nine months ended September 30, 2013. Similar to the current quarter, year to date SG&A has incurred increased non-cash charges for stock based compensation but benefited from reduced consulting fees.

Net loss

The net loss attributable to shareholders during the nine months ended September 30, 2014 was $5.2 million ($0.06 per share loss) compared to a net loss attributable to shareholders of $8.3 million ($0.12 per share loss) during the nine months ended September 30, 2013. The year-on-year net loss comparison benefited from improved gross margins as well as a significant decrease in finance charges due to the repayment of long term debt in 2013.

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)	2014			2013				2012
	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue	13,429	13,246	8,528	14,067	9,398	10,904	10,524	8,305
Gross profit (loss)	720	129	(313)	1,234	(118)	(503)	(589)	(1,009)
Earnings (loss) before interest and income taxes	(2,174)	(1,754)	(1,671)	88	(2,967)	(2,538)	(1,643)	(2,034)
Net income (loss)	(2,140)	(1,806)	(1,597)	339	(3,062)	(3,824)	(2,088)	(2,734)
Net income (loss) attributable to shareholders of Polaris	(2,096)	(1,624)	(1,526)	63	(2,847)	(3,545)	(1,879)	(2,631)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.02)	0.00	(0.03)	(0.05)	(0.03)	(0.05)
(000's Tons)								
Sales	1,032	1,020	632	1,068	687	836	773	571
Aggregate production	989	864	776	1,009	770	866	641	619

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

Liquidity and Capital Resources

Working Capital

At September 30, 2014, the Company had working capital of $20.8 million that included cash of $14.8 million. Comparatively, at December 31, 2013 the Company had working capital of $11.8 million and cash of $9.4 million.

Operating, Financing and Investing Activities

During the three months ended September 30, 2014 the Company used cash in operating activities of $3.4 million ($3.34 per ton) of which $3.5 million was used for non-cash working capital items that included a $3.2 million increase in accounts receivable. This compared with cash used in operating activities during the three months ended September 30, 2013, of $1.7 million ($2.48 per ton), of which $1.3 million was used for non-cash working capital items. Operating activities used cash of $5.2 million in the nine months ended September 30, 2014 compared to cash used of $3.1 million in the nine months ended September 30, 2013. Operating cash flows during the nine months ended September 30, 2014 were principally absorbed for non-cash working capital items as trade accounts receivable increased by $4.4 million through a combination of increased sales volumes and prices and a major customer returning to contracted payment terms whereas their payments previously had been accelerated.

For the three and nine months ended September 30, 2014 financing activities used cash of $0.05 million and provided cash of $15.5 million, respectively, compared to cash used of $0.1 million and cash provided of $6.8 million, respectively for the same periods in 2013. During the second quarter of 2014, the Company completed a bought deal financing of 6.8 million common shares, issued at CAD$2.57 per share, for gross proceeds of CAD$17.4 million. Net proceeds, after the deduction of the underwriters' commission and other fees and expenses were CAD$16.5 million. The proceeds are being used to evaluate a potential limestone resource development and additional port terminal opportunities, and for working capital purposes.

Investing activities during the three months ended September 30, 2014, used cash of $1.4 million compared to cash used of $0.5 million for three months ended September 30, 2013. Investing activities during the nine months ended September 30, 2014, used cash of $3.8 million compared to cash used of $1.0 million for nine months ended September 30, 2013. Investing activities for the three and nine months ended September 30, 2014 are mainly attributable to purchases of plant and equipment at the Orca quarry along with site development costs and purchases of equipment for the Long Beach terminal project.

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. On December 19, 2013 the Company and its exclusive shipper amended the NCoA to reflect changes in the operation of the contract that included a fixed annual minimum tonnage commitment of 2,970,000 tons in each of the remaining years of the contract. 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 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 first quarter following the year in which freight volumes do not meet the minimum volume requirements in the NCoA. The Company did not pay penalties in respect of the 2013 year.

Royalty Assessment for Eagle Rock Quarry Project

The Company is disputing a royalty assessment for 2012 and 2013. During the first quarter of 2014, the Company's subsidiary Eagle Rock Materials Ltd. was notified by the British Columbia Ministry of Forests, Lands and Natural Resource Operations that royalties were due of CAD$456,000 for 2012 and CAD$496,000 for 2013, based on the tenure date, in respect of the Company's quarrying lease for the Eagle Rock Quarry project. The Company position is that royalties are only payable based on actual production, in accordance with a written undertaking from the responsible government agency prior to commencement of the lease, and as the project has not been developed, no royalties are currently due. Accordingly, the Company has not recorded a provision for the royalties. The Company has presented its case to the Ministry but has yet to receive a response.

Community Benefit Fund

In accordance with the Impact and Benefits Agreement ("the Agreement") established with the Namgis First Nation ("the Namgis"), part owner of the Orca Quarry, the Company was obliged, within five years of commencement of operations, to make contributions of $0.06 per metric tonne to a foundation dedicated to the development of the communities specified in the Agreement. Currently, the Namgis are in the process of establishing the financial structures and governance practices of the foundation. Based on existing discussions with the Namgis a foundation or similar entity will be established within the next year. Therefore the Company has recorded a provision, based on tonnes sold by Orca from and after the date of commencement of contributions (March 2012), of CAD$432,000 which has been classified as a current liability.

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)	2014	2013	2014	2013
Net loss for the period attributable to shareholders of Polaris	(2,096)	(2,847)	(5,246)	(8,271)
Adjustments				
Share-based employee benefits	866	170	1,196	720
Loss on settlement of loan	-	-	-	870
Property tax provision	388	1,535	388	1,535
Other (gains) and losses	372	(45)	386	(60)
Adjusted net loss for the period	(470)	(1,187)	(3,276)	(5,206)
per share	*(0.01)*	*(0.01)*	*(0.04)*	*(0.07)*
per ton	*(0.46)*	*(1.73)*	*(1.22)*	*(2.27)*

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)	2014	2013	2014	2013
Net loss for the period attributed to shareholders of Polaris	(2,096)	(2,847)	(5,246)	(8,271)
Interest	56	16	90	533
Income tax (recovery)	(68)	75	(137)	305
Amortization, depletion and accretion	1,170	1,090	3,427	3,204
EBITDA	(938)	(1,666)	(1,866)	(4,229)
per share	*(0.01)*	*(0.02)*	*(0.02)*	*(0.06)*
per ton	*(0.91)*	*(2.43)*	*(0.70)*	*(1.84)*
Adjustments				
Share-based employee benefits	866	170	1,196	720
Loss on settlement of loan	-	-	-	870
Property tax provision	388	1,535	388	1,535
Other (gains) and losses	372	(45)	386	(60)
Adjusted EBITDA	688	(6)	104	(1,164)
per share	*0.01*	*(0.00)*	*0.00*	*(0.02)*
per ton	*0.67*	*(0.01)*	*0.04*	*(0.51)*

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

Sales in the first nine months of 2014, were 2,684,000 tons, an increase of 17% over the first nine months of 2013 which reflected a continuing increase in the northern California market as private housing, private commercial, and public infrastructure sectors all continue to improve following the recession. The Company had secured a dedicated smaller self-discharging vessel with which to supply a one-off major contract and although the start of this contract was delayed it contributed to the volume in the second and third quarters of this year.

The continuing increase in northern California's demand, coupled with the increasing recognition of the value of the high quality Orca aggregate to meet exacting specifications for concrete, is enabling the Company to achieve real price increases. The California customers that service the markets from the city of San Francisco down the peninsula to San Jose, the corridor generally referred to as Silicon Valley, are seeing the strongest demand driven by the very successful high-tech sector in those areas. However, the market remains patchy with the east and north Bay markets not yet demonstrating a substantial recovery although the Company anticipates that this will begin to change in 2015 with a number of large projects planned.

In the US, the aggregates market nationally is being impacted through uncertainty regarding the future funding for highways and major infrastructure. A major issue has been the potential insolvency of the Highway Trust Fund. On July 31st, 2014, Congress authorized a short-term financing patch that extends MAP 21 through May 2015, and provided $11 billion of transfers to the Highway Trust Fund, however, the need for a long term solution to this crucial component of the economy remains. One positive initiative that is in place enables states to apply for funding assistance under the Transportation Infrastructure Finance and Innovation Act (TIFIA) which will provide $1.75 billion of Federal credit assistance through 2015 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. The Spring 2014 economic outlook from the Portland Cement Association forecast that cement consumption would increase by 7.8% in 2014 and then increase by a further 10% in each of 2015 and 2016.

In respect of private sector construction investment, the Company believes that the encouraging statistics showing a resurgence in private housing will continue albeit at a measured pace. Statistics in terms of housing sales, starts, inventories and pricing have been difficult to read as they often appear contradictory, however, a recent view from Stan Humphries, the top economist at real estate site Zillow, was "The reality is that the market is moving from one defined by distortions including high negative equity and constricted inventory, to one defined by fundamentals like household formation rates, jobs and income growth……we are slowly getting back to normal". 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 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 for Orca Quarry product. House prices are reported to be increasing strongly in the San Francisco market which can be expected to benefit housing starts and commercial development to the north of the Golden Gate Bridge and also in the east Bay, areas that have lagged behind the upsurge in demand experienced in the south and west Bay area.

Local reserves of construction aggregate continue to decline 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" which 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. The Company's development strategy has been delayed by the severe economic recession that began in 2008 but the fundamental principles remain and future sources of aggregate, particularly sand and gravel, will be considerably further from the ports serviced by Orca aggregate which will place further upward pressure on selling prices.

Recent examples of the difficult resource permitting climate are: Lehigh-Hanson advising that limestone aggregate production at the Cupertino quarry would cease permanently by the end of 2014 (this operation had been suspended some three years earlier pending resolution of a permitting matter); 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 the San Diego and Fresno proposals failed due to the high level of public concern about such new operations. In August, 2014, an application to develop a sand and gravel quarry at Paicines Ranch, approximately 90 miles south of San Jose, was abandoned by the proponent before the county board could consider it following "significant opposition". Not all applications fail. In July, 2014, West Coast Aggregate Supply received a thirty year extension to their mining permit. This operation, in Riverside County to the east of Los Angeles, has been in production since 1982. 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. For example, 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, the results were extremely positive. This will eventually benefit sales for very demanding applications although the Company recognizes that the expected increase in volumes would be modest in comparison to California demand. The initial term of the Company's supply agreement with its Hawaiian customer has expired although sales continued at previous levels during the third quarter of 2014.

Relatively small quantities of materials continue to be sold occasionally 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 be 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 and will need to be renewed prior to commencing development. 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

Marine receiving terminals are a crucial component in the Company's logistics and opportunities to develop further suitable terminals are scarce and may require substantial investment. 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 is owned and operated by the Company and has a permitted capacity of 1.5 million tons per year serving 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. During 2014, Cemex received an increased permit for Redwood City such that these terminals have a combined annual capacity exceeding 2.0 million tons.

The shipping channel leading into the Port of Redwood City has required dredging for some time as it is silting. A reduced draft negatively affects the capacity of the CSL vessels to deliver and therefore impacts the efficiency and costs of shipping. Dredging of this Federal Channel is the responsibility of the US Army Corps of Engineers and it has taken more than two years for the Port and the Corps to obtaining funding for this work which finally commenced in October, 2014 and will be substantially completed by the yearend with a small second phase to be carried out in 2015. Unfortunately, while carrying out surveys necessary for planning this dredging during the first half of 2014, the Corps found the silting to be worse than expected and immediately placed a further reduction in the safe navigation draft for the channel which has caused the Company and Cemex to incur additional barge lightering costs which are presently being shared on a 50:50 basis.

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 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. The Los Angeles market is now exhibiting strong recovery and following enquiries from major contractors experienced in the use of Orca aggregates, the Company decided to proceed with the development of the terminal. 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. The capital cost of bringing this terminal into operation is estimated at $4 million.

The necessary building permit from the City of Los Angeles was finally received in July enabling the construction of foundations to commence on July 21st with completion during the fourth quarter of 2014. The Company had placed orders in the first quarter of 2014 for the conveying and material handling equipment necessary to operate the terminal, along with berthing equipment to be used for mooring vessels at the site. This equipment has now been delivered to site.

Previously aggregates were delivered by barges and the Company obtained a Harbor Development Permit for the site to enable delivery by Panamax size vessels following the submission of an Environmental Impact Report. 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 and, following a procedural delay, this work was carried out in March, 2014. The Company had to apply to the Southern California Air Board for an Air Permit for the new operation and the permit was finally issued in September, 2014. This permit has an initial capacity of one million tons per year which the Company was able to secure without requiring the purchase of offsets, an increasingly prevalent component in permitting in these most difficult locations. However, the permit may be expanded in the future on an incremental basis.

The Company has appointed Richard A. Williams as Director Business Development for its US marketing and distribution. Mr. Williams is an experienced concrete engineer and marketing professional based in the greater Los Angeles area who will provide technical expertise in design for projects where the premium quality of the Orca Quarry sand and gravel can offer cost effective solutions. An extensive test program of the Orca aggregate for the Southern California market has provided very encouraging results that support the ongoing discussions with potential customers.

The Company, through a jointly owned subsidiary, Cemera San Diego, LLC, has continued to register an interest in 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. The Company maintains a low-key relationship with this port recognizing that environmental and community issues at this location are complex and it is increasingly difficult to predict what the eventual outcome may be. The Company has maintained an interest in the Port of Hueneme to the north of Los Angeles. The opportunity to develop a terminal in this location, where coarse aggregate supply shortages have been identified, could be of interest, however, a significant change for the Company in 2014 has been a rapid surge in the use of the Orca coarse aggregate (gravel). This may mitigate the Company's need to further develop coastal terminals.

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"). Sales to Hawaii, Alaska, British Columbia, and under the supply agreement to California 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.

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.

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. The coalition continues to tackle this issue in advance of a proposed second stage of restrictions on fuel sulphur that will be effective January 1, 2015. The Company's exclusive shipper is understood to be negotiating with the US EPA in respect of a program of exhaust scrubbers to be fitted to its vessels over a certain period of time. Negotiations are described as positive but until a definitive agreement is executed and the impacts evaluated, it is impossible for the Company to estimate what, if any, the effect on its business might be.

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 73% of the Company's sales in 2013.

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 headquartered in Germany. 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, however, these sales are effectively made on a spot basis.

SALES AND SEASONALITY

The Company's Orca sand and gravel quarry operates year-round, however, sales demand is seasonal due to the impact of poor weather conditions, particularly in the first (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, 2014, the Company accrued for or paid the following services by related parties. Proconsult UK Ltd. ("Proconsult"), a company controlled by David Singleton, provided to the Company, management and marketing services at a cost of $20,127 (three months ended September 30, 2013 - $57,712). The Company had an agreement to pay Proconsult a retainer of $14,500 per month plus expenses until June 30, 2014, at which time the agreement expired. Navigator Management Ltd. ("Navigator"), a company controlled by Marco Romero, provided to the Company, consulting services at a cost of CAD$10,485 (three months ended September 30, 2013 - CAD$9,949). 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, 2014, the Company accrued for or paid, Proconsult for management services at a cost of $124,887 (nine months ended September 30, 2013 - $223,798) and Navigator for consulting services at a cost of CAD$31,041 (nine months ended September 30, 2013 - CAD$29,995).

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, 2014, accounts payable included; $5,498 due to Proconsult, (December 31, 2013 - $19,252) and CAD$3,140 due to Navigator, (December 31, 2013 - CAD$3,850).

Significant accounting judgments and estimates

The Company's accounting policies are described in Note 3 to the December 31, 2013 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 2013 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.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 87,623,519 were issued and outstanding. The Company also has 4,776,709 options outstanding, exercisable into 4,776,709 common shares, of which 3,565,042 are currently vested, and 964,250 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 2013 Management Discussion and Analysis and under the heading "Risk Factors" in the Company's Annual Information Form (AIF) in respect of its financial year ended December 31, 2013, 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 may require further capital

The quarrying, processing and development of the Company's properties and terminals, and any future terminals which may be acquired and developed by the Company may 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 affect the Company's financial performance

The effects on financial performance and cash flows from the Canadian dollar foreign exchange rate versus the U.S. dollar are significant. The Company does not enter into hedging contracts in connection with foreign currencies. Changes in the Canadian dollar against the U.S. dollar could materially 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 again amended and restated in December 2013, provides for minimum annual volumes of construction aggregates. 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. The Company has recorded a provision for its current best estimate of the property taxes owing of $1.923 million. The estimated liability at September 30, 2014 of $1.136 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.

Eagle Rock Quarry Project Royalty Assessment

The Company has received a royalty assessment from the British Columbia Ministry of Forests, Lands and Natural Resource Operations for overdue royalties of CAD$456,000 for 2012 and CAD$496,000 for 2013, in respect of the Company's quarrying lease for the Eagle Rock Quarry project ("ERQ project") located on the Alberni Inlet to the south of the City of Port Alberni, British Columbia. The Company is disputing the assessment. The Company has not recorded a provision for the royalties. The amount of any payment, if required, is currently uncertain and it may be necessary to record a provision in future periods.

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, 2014 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 development of construction aggregate quarries, 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, 2013, 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).