POLARIS MATERIALS

(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending March 31, 2015

The following discussion and analysis of the financial condition and operations of Polaris Materials Corporation (the "Company") has been prepared by management as of May 6, 2015, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2015, 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, 2014, 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

- Net income in the quarter was $0.25 million, an improvement of $1.85 million over the 2014 first quarter net loss of $1.60 million, driven by favourable foreign exchange rates and increased selling prices.
- EBITDA of $1.14 million ($1.59 per ton) improved $1.62 million from the 2014 first quarter of negative $0.48 million ($0.75 loss per ton);
- First quarter tons sold and revenue increased 14% and 23%, respectively, as price increases contributed to revenue growth;
- Gross profit of $0.65 million, or $0.90 per ton, was $1.40 per ton higher than in the prior year period;

Results of Operations

During this winter quarter ended March 31, 2015, aggregate sales volumes of 718,000 tons were 14% higher than in the first quarter of 2014 producing revenues of $10.5 million, an increase of 23% over the same period. During the quarter the Company benefited from selling price increases implemented throughout the period, and anticipates further increases in sales prices this year. Market demand for the full 2015 year is expected to be higher than last year, based on our contracted customers' indicated requirements, consequently shipments in the second quarter have increased in order to meet this increasing demand in northern California. During the quarter, the Company reported reduced costs of goods sold of $13.75 per ton compared to $13.99 per ton in 2014, as the decline in the Canadian dollar exchange rate helped reduce reported operating costs from the Orca quarry. Gross margin for the quarter continued to improve over the prior year as the Company recorded a gross profit of $0.6 million or $0.90 per ton compared to a gross loss of $0.3 million or $0.50 per ton loss for 2014.

	Three months ended March 31,			
(000's, except per ton amounts)	2015		2014	
	Tons	$	Tons	$
Sales	718	10,514	632	8,528
Gross profit (loss)		645		(313)
Gross profit (loss) per ton		*0.90*		*(0.50)*

Revenue and tons sold

Aggregate sales for the first quarter of 2015 were 718,000 tons, a 14% increase over 2014. Revenue for the quarter increased by 23% to $10.5 million, compared with $8.5 million for the quarter ended March 31, 2014. Average selling price ("ASP") for the quarter was $14.64, an increase of $1.15 from $13.49 in 2014. Compared with 2014, revenue had a favorable price variance of $0.99 per ton or 7.3%, due to pricing increases, combined with a sales mix variance which increased revenue by $0.16 per ton. ASP per ton is influenced quarter by quarter by: changes in selling prices;

shipping fuel surcharges; the proportion of tonnage delivered to the various California terminals; and any variance in the proportions between delivered and ex-quarry sales.

Selling Price and Fuel Surcharge Indices

The predominant business of the Company is the supply of its aggregate products to several locations in San Francisco Bay, either delivered under two long term supply agreements or sold ex-quarry to a third contracted customer that has its own shipping contract and terminal in San Francisco (See: *"Customers"*). Each delivery point has a different selling price that can vary quarter by quarter, either for commercial reasons or from 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 the first quarter of 2015 representing the strongest quarterly performance yet with an average increase of 3.9% from the fourth quarter of 2014. The total increase from Q1-2013 is 12.2%. Until midway through the fourth quarter of 2014, the shipping fuel prices had remained relatively stable with only minor quarterly impacts, however, towards the end of 2014 the world prices of crude oil fell substantially which has led to a significant reduction in surcharges in the quarter being reported. Fuel surcharges have ranged between $1.57/ton and $2.59/ton. There does not appear to be a direct correlation between the world oil price and bunker fuel prices paid by the Company's shipping contractor on the west coast. This appears to be because the west coast of North America has limited refining capacity and has also been impacted by other intangible economic impacts such as the seasonal demand of the large cruise ship industry and also recent refinery fires.

	2013	**2014**				**2015**
	Q1	Q1	Q2	Q3	Q4	Q1
Selling Price Index (Q1-2013=100)	100.0	105.1	106.4	107.2	108.3	112.2
Fuel Surcharge Index (Q1-2013=100)	100.0	96.3	100.2	102.3	101.4	92.3

Cost of goods sold

Cost of goods sold for the three months ended March 31, 2015 increased by 12%, from $8.8 million in 2014 to $9.9 million in the current quarter. Cost of goods sold per ton for the current quarter declined to $13.75 compared to $13.99 per ton for the same period in 2014. Current costs of goods sold have benefited from lower freight costs and the decline in the Canadian dollar as quarry costs are incurred in Canadian dollars and translated into US dollars for reporting purposes.

The Company's shipping costs are denominated in US dollars. Costs at the Orca Quarry are incurred in Canadian dollars and as such are susceptible to fluctuations in foreign exchange rates upon reporting. Additionally, fixed quarry costs per ton fluctuate significantly with the level of production.

Gross profit (loss)

For the quarter ended March 31, 2015, the Company recorded a gross profit of $0.6 million compared with a gross loss of $0.3 million in the first quarter of 2014. Gross profit per ton was $0.90 for the three months ended March 31, 2015, a $1.40 per ton improvement over the gross loss per ton of $0.50 in the first quarter of 2014. As noted above, the improvement is largely due to selling price increases, favourable foreign exchange rates, and reduced delivery costs.

Selling, general and administrative costs

During the three months ended March 31, 2015, selling, general and administrative ("SG&A") expenses of $1.4 million, increased 7% compared with $1.3 million in the same period for 2014. The increase in 2015 general and administrative costs is principally due to higher share-based employee benefits expense, a non-cash charge. Net of non-cash charges for stock based compensation, current quarter SG&A represented 10.4% of sales compared with 13.5% last year. Total SG&A during the quarter was 13.3% of sales compared to 15.3% of sales during 2014.

Net profit (loss)

The Company recorded a net profit attributable to shareholders of $0.09 million ($0.00 per share) during the three months ended March 31, 2015, compared to a net loss attributable to shareholders of $1.53 million ($0.02 per share loss) during the three months ended March 31, 2014. The improved result this quarter was principally attributable to the generation of a gross profit compared with a gross loss in 2014 and the significant effect of foreign exchange gains in the current quarter. These foreign exchange gains are a function of U.S. dollar receivables held by Orca Quarry, which has a Canadian dollar functional currency, owing from the Company's U.S. subsidiary, Eagle Rock Aggregates.

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)	2015	2014				2013		
	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
Revenue	10,514	10,038	13,429	13,246	8,528	14,067	9,398	10,904
Gross profit (loss)	645	657	720	129	(313)	1,234	(118)	(503)
Earnings (loss) before interest and income taxes	218	(1,238)	(2,174)	(1,754)	(1,671)	88	(2,967)	(2,538)
Net income (loss)	246	(1,416)	(2,140)	(1,806)	(1,597)	339	(3,062)	(3,824)
Net income (loss) attributable to shareholders of Polaris	90	(1,439)	(2,096)	(1,624)	(1,526)	63	(2,847)	(3,545)
Basic and diluted net income (loss) per share	0.00	(0.02)	(0.02)	(0.02)	(0.02)	0.00	(0.03)	(0.05)
(000's Tons)								
Sales	718	750	1,032	1,020	632	1,068	687	836
Aggregate production	725	789	989	864	776	1,009	770	866

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

Liquidity and Capital Resources

The Company's primary sources of liquidity and capital resources are cash on hand and other working capital items, finance leases for the procurement of heavy equipment, and access to capital markets. 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 March 31, 2015, the Company had working capital of $17.5 million that included cash of $11.3 million. Comparatively, at December 31, 2014 the Company had working capital of $19.0 million and cash of $14.2 million.

Operating, Financing and Investing Activities

During the three months ended March 31, 2015 the Company used cash for operations of $1.4 million ($1.91 per ton) which was the same as cash used for operations of $1.4 million ($2.17 per ton) in 2014. Current quarter operating cash flows were negatively impacted by changes in working capital accounts. This effect was mainly due to an increase in trade accounts receivable from sales late in the quarter.

For the three months ended March 31, 2015 financing activities used cash of $0.1 million compared to cash provided by financing activities of $0.1 million for the same period in 2014. Financing activities for the current quarter related to principal repayments for the finance leases of mining equipment used at the Orca Quarry.

Investing activities during the three months ended March 31, 2015, used cash of $0.7 million compared to cash used of $0.8 million for 2014. Investing activities for the current quarter are mainly attributable to purchases of plant equipment at the Orca quarry along with some site development costs 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 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 2014 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.

Non-GAAP Measures

Adjusted Loss

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

	Three months ended March 31,	
($000's, except per share and per ton amounts)	2015	2014
Net profit (loss) for the period attributable to shareholders of Polaris	90	(1,526)
Adjustments		
Share-based employee benefits	371	173
Other (gains) and losses	(5)	(2)
Adjusted net profit (loss) for the period	456	(1,355)
per share	*0.01*	*(0.02)*
per ton	*0.64*	*(2.14)*

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-GAAP measures to the most directly comparable IFRS measure.

	Three months ended March 31,	
($000's except per share and per ton amounts)	2015	2014
Net profit (loss) for the period attributed to shareholders of Polaris	90	(1,526)
Interest	15	20
Income tax	(41)	(94)
Amortization, depletion and accretion	1,079	1,125
EBITDA	1,143	(475)
per share	*0.01*	*(0.01)*
per ton	*1.59*	*(0.75)*
Adjustments		
Share-based employee benefits	371	173
Other (gains) and losses	(5)	(2)
Adjusted EBITDA	1,509	(304)
per share	*0.02*	*(0.00)*
per ton	*2.10*	*(0.48)*

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

Sales in the first quarter of 2015 were 718,000 tons, an increase of 14% over 2014. The Company's markets in the busy San Francisco/San Jose corridor continue to be buoyant while the north and east San Francisco Bay markets have yet to experience a similar recovery despite the areas overall strong economic performance. The Company made a decision to book minimum shipping capacity in the first quarter to avoid the potential for deadfreight charges should the very wet weather, that marred the last quarter of 2014, continue. In fact the San Francisco area enjoyed a better than average dry quarter and as a consequence the Company was pressed to increase the rate of shipping in March. The avoidance of significant deadfreight and improved conditions servicing Redwood City, following the fall dredging campaign, led to overall shipping costs that were well controlled

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 northern 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. The market conditions enabled significant price increases to be applied to some of the Company's outlets commencing on January 1, 2015, and very importantly, two fixed-price contracts that commenced in 2013 came to an end during the quarter. One of these contracts has continued albeit with a price increase applied in February while the second contract terminated with the volume being replaced by general market sales at improved prices. In the US, the aggregates market nationally continues to be impacted by uncertainty regarding the future funding for highways and major infrastructure, despite a clear consensus in Congress regarding support for infrastructure investment. 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 extended MAP 21, a multi-year transportation bill enacted in 2005, through May 2015, and provided $11 billion of transfers to the Highway Trust Fund, however, the need for a long term solution 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 latest economic outlook from the Portland Cement Association, in September 2014, forecast that cement consumption would increase by 8.2% in 2014 with further increases of the same magnitude in each of 2015 and 2016. These are national forecasts and significant regional variances should be anticipated, however, the Company expects that California will perform better than the national average. Further evidence of a broad-based construction industry recovery continues to be demonstrated in the Dodge Momentum Index which was 12% higher over the first three months of 2015 than over the same period last year.

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 view from Stan Humphries, the top economist at real estate site Zillow in 2014, 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 resource shortages remain a major problem in a number of major markets in the State, where they continue to decline and are not being replaced, with complete exhaustion 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 ceasing limestone aggregate production in Cupertino at the end of 2014, this operation had been suspended some three years earlier pending resolution of a permitting issues; the refusal to permit a proposed large new granite quarry in Riverside County north of San Diego; and the rejection of a new hard rock quarry proposed near Fresno. Both the San Diego and Fresno proposals failed due to the high level of public concern about such 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 supported the Company's original interest to supply that 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 and 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 following which sales continued at previous levels during 2014. The outlook for sales to Hawaii is somewhat uncertain following the acquisitions by local development companies, in 2014, of two of the three customers using Orca aggregate. This has resulted in the termination of the previous working arrangement for the imports. The Company expects to supply Honolulu again in 2015 but details have not yet been decided.

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.

In June, 2014, the Company announced that it would investigate a potential limestone deposit, located close to the Orca Quarry that, if viable, would provide coarse aggregates to complement the sand-rich Orca deposit. Initial field studies commenced in 2015. A resource of potential interest has been identified and during February, 2015, bulk samples were submitted to a materials testing laboratory to begin a range of tests that are an essential precursor to determining whether or not the mineral has the physical and chemical characteristics that would support consideration for use in California in concrete or asphalt.

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 had required dredging for some time because of 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 approximately 75% had been completed at the yearend with a final phase to be carried out in summer 2015. Unfortunately, while carrying out surveys necessary for planning this dredging during the first half of 2014, the Corps had found the silting to be worse than expected and immediately placed a further reduction in the safe navigation draft for the channel which caused the Company and Cemex to incur additional barge lightering costs which were shared on a 50:50 basis in 2014.

Since February, 2013, the Company has supplied aggregates for 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 previously 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.

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 placed orders in the first quarter of 2014 for long lead-time conveying and material handling equipment, along with berthing equipment to be used for mooring vessels at the site and construction commenced on-site in July 2014. Extreme rainfall events in December 2014 and January 2015 have resulted in further requirements for grading and drainage works to be negotiated with the city. All material handling and ship mooring installations were completed by the end of the first quarter of 2015, however, two matters remained outstanding: the City of Long Beach required changes to the drainage and grading plans previously submitted; and, the industrial action taken by the ILWU union members in all west coast ports had the potential to disrupt the Company's operational status if the site became fully operational before a new contract agreement has been ratified. It is expected that these two impediments will have been lifted during the second quarter and that a first shipment can be delivered before the end of that quarter.

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 provides 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 in Southern California has provided excellent results to support the marketing.

The Company, through a jointly owned subsidiary, Cemera San Diego, LLC, had 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. By the end of 2014 it was increasingly clear that the port was involved in a lengthy process to determine the vision for the future use of its lands and that certain entities were pressing for alternate uses that would see the end of marine-based activities. In recognition of the complex issues and uncertainty of outcome, the Company will only maintain a low-key relationship and as a consequence, Cemera San Diego LLC was dissolved in January 2015. 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, was originally of interest, however, demand for the Company's Orca coarse aggregate (gravel) has increased substantially in the northern California markets and it would no longer be possible to support sales in this location. This situation mitigates 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 either Shamrock Materials Inc., or Cemex, under the terms of the twenty-year aggregate supply agreements. Barges are chartered occasionally from an independent operator, particularly during the period of significant draft restrictions for vessels going to Redwood City. 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 assists in maximizing shipping efficiency although balance between the individual terminals requires careful management being market driven and therefore highly variable.

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 passed on to its customers under pass-through clauses in the Company's sales agreements. On January 1, 2015, Phase II of the ECA regulation was implemented that required a further reduction in the sulphur content of the marine fuels to a maximum of 0.1%. The Company had anticipated that this final ECA implementation would result in a further overall increase in the cost of fuels that would be again passed through to customers. However, the unforeseen and substantial fall in world crude oil prices has meant that 2015 has opened with fuel costs below those experienced in 2014 despite the use of the more refined fuel. The Company is unable to predict how long this situation may prevail.

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 trying to achieve a modification to the ECA regulations to enable the 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, despite implementation of the second stage of ECA restrictions on fuel sulphur on January

1, 2015. It is anticipated that a decision will be made by mid-2015, by the coalition, in respect of continuation or abandonment of this campaign.

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 70% 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 March 31, 2015, the Company accrued for or paid the following services by related parties. David Singleton, a director of a subsidiary of the Company, provided to the Company, management and marketing services at a cost of $17,249 (three months ended March 31, 2014 - $48,149). Navigator Management Ltd. ("Navigator"), a company controlled by Marco Romero provided to the Company, consulting services at a cost of CAD$9,000 (three months ended March 31, 2014 - CAD$9,000). The Company has agreed to pay Navigator under a consulting services contract with a minimum monthly commitment that equates to CAD$3,000 per month.

These costs are included in general and administrative expenses. Transactions with related parties are recorded at the price agreed between the parties.

At March 31, 2015, accounts payable included; $8,053 due to David Singleton, (December 31, 2014 - $6,425) and CAD$3,000 due to Navigator, (December 31, 2014 - CAD$3,764).

Significant accounting judgments and estimates

The Company's accounting policies are described in Note 3 to the December 31, 2014 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 2014 management discussion and analysis.

Financial Instruments

Cash and cash equivalents, trade receivables, and security deposits 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 and cash equivalents, trade receivables, and security deposits, 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 87,665,186 were issued and outstanding. The Company also has 4,932,542 options outstanding, exercisable into 4,932,542 common shares, of which 3,544,209 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 may 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 2014 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, 2014, 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.

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 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.

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. There can be no assurance that the Company's position will prevail.

Additional risk factors

The financial analysis completed by AMEC of the Orca Project detailed in the 43-101 technical report relies on certain underlying assumptions which may no longer be reasonable as a result of the global economic recession since 2008. The company business plan includes discharges of Orca Quarry construction aggregates to barges, the Richmond Terminal and to Cemex through its Strategic Alliance with Cemex. Although the Company has access to certain terminals through its Strategic Alliance, there is no certainty that its strategic alliance will secure further joint terminals to meet the increasing deliveries and sales incorporated by the Company in its business plan. If the Company is unable to continue to secure access to additional discharge terminals, or acquire its own discharge terminals, its revenues, operations and financial condition could be martially adversely affected. The quarrying industry is competitive and the Company faces strong competition from other quarrying companies, or prospective quarrying companies, in connection with the supply of construction aggregates to the Company's target markets. Government regulation and assessments may adversely affect the Company. The Company's title to its properties may be subject to disputes or other claims including land title claims of First Nations. The Company's operations will be subject to all the hazards and risks normally encountered in the development and production of construction aggregates, including, without limitation, unusual and unexpected geologic formations, seismic activity, pit-wall failures, cave-ins, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, quarries and other producing facilities, damage to life or property, environmental damage and legal liability. Construction aggregates resources are estimates only and there is no certainty that the construction aggregates resource represented at the Company's properties will be realized or that such resource can be economically quarried. The actual costs of reclamation are uncertain. The Company will require other construction aggregates resources in the future. The Company's operations are subject to environmental risks as all phases of the Company's operations are subject to

Federal, Provincial and local environmental regulation in the various jurisdictions in which it operates which could potentially make operations expensive or prohibit them all together. The Company does not insure against all risks and the Company's insurance will not cover all the potential risks associated with a quarrying company's operations. Certain groups are opposed to quarrying. In North America there are organizations opposed to quarrying, particularly open pit quarries such as the Orca Quarry and the Eagle Rock Quarry Project. The Company is dependent upon certain of its executive management team and the loss of the services of its executive officers could have a material adverse effect on the Company. The Company's growth will require new personnel and there can be no assurance that the Company will be able to recruit or retain personnel required to execute its programs or to manage these changes successfully. Certain of the directors and officers of the Company also serve as directors, officers and/or significant shareholders of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2015 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, 2014, 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).