POLARIS MATERIALS

(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending September 30, 2015

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 10, 2015, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September, 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.

Executive Summary

HIGHLIGHTS

- Third quarter gross profit of $1.6 million was an increase of 116% compared with the prior year;
- Gross profit per ton of $2.13 represented a new quarterly record, being triple the $0.70 per ton recorded in 2014.
- Gross profit for the nine months ended September 30, 2015 was $3.3 million compared with $0.5 million in the same period of 2014
- The Company recorded its fifth consecutive quarter of positive adjusted EBITDA in the third quarter of $2.0 million ($2.80/ton) compared with $0.7 million ($0.67/ton) last year.
- Adjusted EBITDA for the first nine months of 2015 was $4.1 million compared with $0.1 million in the same period last year.

Third quarter results reflect continuing margin expansion and improvement in profitability. Construction activity remains relatively robust in northern California and overall demand outlook continues to improve. The Company believes it is well positioned to maintain margin growth. Sales improved in the third quarter of 2015 when compared to the first two quarters of the year, as the Company's Strategic Alliance Partner addressed distribution problems encountered in the second quarter through the introduction of a new supply chain management initiative, which seeks to provide better coordination and planning of sales and logistics.

Gross margin for the third quarter and first nine months improved significantly over the prior year. Gross profit was $1.6 million or $2.13/ST in the third quarter, which represented a new record quarterly gross profit and gross profit per ton. Gross profit improved by $0.8 million or 116% over the prior year comparative of $0.7 million and improved to $1.44/ST or more than triple the $0.70/ST achieved in 2014. The Company continues to focus on margin expansion through pricing and cost control. The first nine months of 2015 showed similar growth as the Company recorded a gross profit of $3.3 million or $1.54/ST compared to a gross profit of $0.5 million or $0.20/ST profit in the same period of 2014.

Adjusted EBITDA and EBITDA for the third quarter and first nine months of the year also improved over their year-on-year comparatives (*see Non-IFRS Measures for details)*. Notably, the Company recorded its fifth consecutive quarter of positive adjusted EBITDA with the third quarter metric at $2.0 million ($2.80/ST). For the first nine months of the year adjusted EBITDA was $4.1 million ($1.92/ST), which was an improvement of $4.0 million over the nine months ending September 30, 2014. EBITDA for the third quarter of 2015 was $1.9 million ($2.65/ST), an improvement of $2.9 million over the prior year comparative, and $3.3 million ($1.57/ST) for the first nine months of the year, an improvement of $5.2 million over the nine months ending September 30, 2014.

Results of Operations

QUARTER ENDED SEPTEMBER 30

(000's, except per ton amounts)	Three months ended September 30, 2015		Three months ended September 30, 2014	
	Tons	$	Tons	$
Sales	730	10,395	1,032	13,429
Cost of goods sold		(8,837)		(12,709)
Gross profit		1,558		720
Gross profit per ton		*2.13*		*0.70*

Tons sold

Aggregate sales for the quarter were 730,000 tons, a 29% decrease compared with the third quarter of 2014 but a 9% increase over sales in the second quarter. The Company's sales in the second quarter were impacted by a management restructuring within its Strategic Alliance Partner which resulted in adverse aggregate distribution patterns outside of the agreed budgets. This situation has been addressed by the Company's Partner which has now established a supply chain management group to provide better future coordination between the companies in planning sales and logistics.

Revenue and pricing

Revenue for the three months ended September 30, 2015 decreased by 23% to $10.4 million, compared with $13.4 million for the three months ended September, 2014. Despite lower than expected volumes, current quarter revenue benefited from an increased proportion of sales delivered to San Francisco, as opposed to those sold ex-quarry, and from selling price increases compared to the third quarter of 2014.

Average selling price ("ASP") during the current quarter of $14.24/ST increased $1.23/ST from $13.01/ST in the same period for 2014. Compared with 2014, price variance was a favorable 5% due to price increases. A favorable sales mix variance of 2% was due to increased sales to customers with delivered pricing.

Revenue and ASP per ton are influenced on a quarter by quarter basis by; base pricing, shipping fuel surcharges, the distribution of tonnage to the various California terminals, and the percentage between delivered and ex-quarry sales.

Cost of goods sold

Cost of goods sold per ton for the current quarter decreased by $0.21 per ton to $12.11 compared to the cost of goods sold per ton for the same period in 2014 of $12.31. Somewhat higher delivery costs due to increased sales mix to customers that include freight were partially offset by the declining Canadian dollar as quarry costs are incurred in Canadian dollars and translated into US dollars for reporting purposes.

Gross profit

During the third quarter of 2015 the Company's gross profit was $1.6 million or $12.13 per ton, compared with a gross profit of $720,000 or $0.70 profit per ton in the prior year period. As noted above, the improvement is largely due to selling price increases and the impact of a declining Canadian dollar on quarry costs.

Selling general and administrative costs

Current quarter selling, general and administrative ("SG&A") expenses of $1.3 million, decreased 39%, compared with $2.1 million during the same quarter in 2014. The decrease is principally due to lower share-based employee benefits, a non-cash charge. Total SG&A during the quarter was 12.3% of sales compared to 15.7% of sales during 2014.

Net income (loss)

The Company recorded net income attributable to shareholders of $954,000 ($0.01 per share income) during the three months ended September 30, 2015, compared to a net loss attributable to shareholders of $2.1 million ($0.02 loss per share) during the three months ended September 30, 2014. The current quarter increase in year-on-year profitability was principally attributable to improving gross margins, price increases and the declining Canadian dollar.

YEAR-TO-DATE SEPTEMBER 30

(000's, except per ton amounts)	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Tons	$	Tons	$
Sales	2,116	31,237	2,684	35,203
Cost of goods sold		(27,983)		(34,667)
Gross profit		3,254		536
Gross profit per ton		*1.54*		*0.20*

Tons sold

Aggregate sales for the first nine months of 2015 of 2.1 million tons were a 21% decrease over the first nine months of 2014. The principle reason for this decline was the adverse impact of actions by the Company's Strategic Alliance Partner, as described in *"Tons Sold"* above which caused significant shortfalls to previously agreed sales budgets in the second quarter that carried over into the third quarter. It was not a reflection of the underlying industry market demand and the Company anticipates a significant improvement in the fourth quarter.

Revenue and pricing

Revenue for the nine months ended September 30, 2015 decreased by 11% to $31.2 million from $35.2 million in 2014. Revenue was not impacted to the same degree as sales volume because of a more favourable sales mix and price increases.

The ASP for the first nine months of 2015 was $14.76, an increase from $13.12 in the first nine months of 2014 due to price increases and volumes which include freight charges.

Selling Price and Fuel Surcharge Indices

	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Selling Price Index (Q1 2013=100)	105.1	106.4	107.2	108.3	112.2	110.0	111.4
Fuel Surcharge Index (Q1 2013=100)	96.3	100.2	102.3	101.4	92.3	65.3	75.6

In the third quarter of 2015, the quarter-on-quarter average delivered selling price increased by 1.3% as a consequence of passing through shipping fuel surcharges from the second quarter that reflected the moderate increase in the world crude oil price trend.

Cost of goods sold

Cost of goods sold per ton for the first nine months of 2015 increased to $13.22 compared to the cost of goods sold per ton for the same period in 2014 of $12.92. Similar to the current quarter, the increase is mainly attributable to the increased sales mix to customers that include delivery costs. These effects were partially offset by the declining Canadian dollar as quarry costs are incurred in Canadian dollars and translated in US dollars for reporting purposes.

Gross profit

The gross profit for the first nine months of 2015 was $3.3 million or $1.54 profit per ton, a significant improvement over the gross profit of $0.5 million or $0.20 profit per ton in the same period of 2014. As noted above, the improvement is largely due to selling price increases and the declining Canadian dollar.

Selling, general and administrative costs

During the nine months ended September 30, 2015, SG&A expense was $4.1 million, decreased 14%, compared with $4.7 million during the same period in 2014 principally due to lower share-based employee benefits, a non-cash charge. Total SG&A during the first nine months of 2015 was 13.0% of sales compared to 13.4% of sales during the first nine months of 2014.

Net Income (loss)

The net income attributable to shareholders during the nine months ended September 30, 2015 was $197,000 ($0.00 per share) compared to a net loss attributable to shareholders of $5.2 million ($0.06 per share loss) during the nine months ended September 30, 2014. The year-on-year net loss comparison benefited from improving gross margins, price increases and the declining Canadian dollar.

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
	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue	10,395	10,328	10,514	10,038	13,429	13,246	8,528	14,067
Gross profit (loss)	1,558	1,051	645	657	720	129	(313)	1,234
Earnings (loss) before interest and income taxes	1,130	(835)	218	(1,238)	(2,174)	(1,754)	(1,671)	88
Net income (loss)	1,106	(857)	246	(1,416)	(2,140)	(1,806)	(1,597)	339
Net income (loss) attributable to shareholders of Polaris	954	(847)	90	(1,439)	(2,096)	(1,624)	(1,526)	63
Basic net profit (loss) per share	0.01	(0.01)	0.00	(0.02)	(0.02)	(0.02)	(0.02)	0.00
Fully diluted profit per share	0.01	-	0.00	-	-	-	-	-
(000's Tons)								
Sales	730	668	718	750	1,032	1,020	632	1,068
Aggregate production	957	710	725	789	989	864	776	1,009

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

Liquidity and Capital Resources

Working Capital

At September 30, 2015, the Company had working capital of $16.9 million that included cash of $9.0 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 September 30, 2015 the Company used cash in operating activities of $1.1 million ($1.46 per ton) of which $2.3 million was used for non-cash working capital items that included a $2.4 million increase in inventories. This compared with cash used in operating activities during the three months ended September 30, 2014, of $3.4 million ($3.34 per ton), of which $3.5 million was used for non-cash working capital items. Operating activities used cash of $1.0 million in the nine months ended September 30, 2015 compared to cash used of $5.2 million in the nine months ended September 30, 2014. Operating cash flows during the nine months ended September 30, 2015 were favourably impacted by price increases and operating efficiencies, however, increased levels of trade accounts receivable and inventories since December 31, 2014 continued to drag on year to date cash from operations.

For the three and nine months ended September 30, 2015 financing activities provided cash of $0.04 million and used cash of $0.02 million, respectively, compared to cash used of $0.05 million and cash provided of $15.5 million, respectively for the same periods in 2014. Financing activities for the current quarter and first nine months of 2015, related to proceeds from exercises of warrants and principal repayments on finance leases for mining equipment used at the Orca Quarry.

Investing activities during the three months ended September 30, 2015, used cash of $0.8 million compared to cash used of $1.4 million for three months ended September 30, 2014. Investing activities during the nine months ended September 30, 2015, used cash of $3.1 million compared to cash used of $3.8 million for nine months ended September 30, 2014. Investing activities for the three and nine months ended September 30, 2015 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 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.

Royalty Assessment for Eagle Rock Quarry Project

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 has disputed this royalty assessment on the basis 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.

Non-IFRS Measures

Adjusted Net Income (Loss)

The Company has prepared a calculation of adjusted net income (loss) for the period in order to better reflect underlying business performance by removing certain non-cash adjustments from its IFRS calculation of net income (loss) as it believes this may be a useful indicator to investors. Adjusted net income (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)	2015	2014	2015	2014
Net income (loss) for the period attributable to shareholders of Polaris	954	(2,096)	197	(5,246)
Adjustments				
Share-based employee benefits	106	866	755	1,196
Property tax provision	-	388	-	388
Other (gains) and losses	-	372	(9)	386
Adjusted net income (loss) for the period	1,060	(470)	943	(3,276)
per share	*0.01*	*(0.01)*	*0.01*	*(0.04)*
per ton	*1.45*	*(0.46)*	*0.45*	*(1.22)*

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 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.

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)	2015	2014	2015	2014
Net income (loss) for the period attributed to shareholders of Polaris	954	(2,096)	197	(5,246)
Interest	19	56	54	90
Income tax (recovery)	-	(68)	(40)	(137)
Amortization, depletion and accretion	962	1,170	3,111	3,427
EBITDA	1,935	(938)	3,322	(1,866)
per share	*0.02*	*(0.01)*	*0.04*	*(0.02)*
per ton	*2.65*	*(0.91)*	*1.57*	*(0.70)*
Adjustments				
Share-based employee benefits	106	866	755	1,196
Property tax provision	-	388	-	388
Other (gains) and losses	-	372	(9)	386
Adjusted EBITDA	2,041	688	4,068	104
per share	*0.02*	*0.01*	*0.05*	*0.00*
per ton	*2.80*	*0.67*	*1.92*	*0.04*

Market Outlook and Recent Developments

Sales in the first nine months of 2015 were disappointing at 2,116,000 tons. The second quarter particularly was impacted by a management restructuring within the Company's Strategic Alliance Partner and sales distribution targets, agreed prior to the start of the year, were not met. In addition, the Company's largest customer purchasing ex-quarry encountered physical operational problems. The Company's Strategic Alliance Partner has acted to address the problems through the setting up of a dedicated supply chain management group that now works closely with the Company's management to coordinate logistics and sales expectations. The impact of these positive developments was not felt as quickly as the Company anticipated although sales in the third quarter were 9% higher than in the second quarter and a larger increase is anticipated in the final quarter of the year. The Company's markets in the busy San Francisco/San Jose corridor continue to be strong and there are now signs that the north and east San Francisco Bay markets are benefitting from increases in private housing and commercial developments, an inevitable consequence of the escalating property prices in San Francisco and Silicon Valley. The Company's market for its aggregate products is the ready mixed concrete manufacturing sector and significant structural changes have taken place in that sector around San Francisco Bay. In 2012 Central Concrete Supply Co., a division of US Concrete, a NASDAQ listed public company, acquired a major independent producer, Bode Concrete in the city of San Francisco, and in 2015 they acquired Right-Away Redy Mix, another large independent producer in the East Bay. Through its relationship with Hanson Aggregates, the Company is a supplier to Central Concrete in San Francisco.

The continuing demand in northern California, coupled with the 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 has been patchy with the east and north Bay markets lagging behind in recovery, however, it now appears that this situation is gradually changing with a number of larger projects planned, particularly in the private housing sector. 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 that 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. On October 27th the US Congress passed its 35th consecutive short term extension to fund the highways program, this extension to expire on November 20th. There has been significant bipartisan progress towards new multi-year infrastructure funding. On November 5, 2015, a 6-year, highway and infrastructure bill, the Surface Transportation and Reauthorization and Reform Act of 2015, was passed by the House of Representatives. The industry has high hopes that new funding will now receive final approvals before the short term extension expires. The bill provides for streamlining environmental and permitting processes for major projects and for an increase in annual expenditure compared with the previous long term bill known as MAP-21. 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 increased by 5.8% in September, compared with August.

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. 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 the Company's business. 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 in Riverside County, established in 1982, received a thirty year extension to their mining permit. A new sand and gravel operation located in the Palmdale area, often referred to as 'the high desert', to the north of Los Angeles was recently permitted and a hard rock quarry east of the city was developed by a ready mixed concrete producer as a direct replacement for its depleted sand and gravel resource.

Operations and Sales

Quarry Properties

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. In addition to the limestone investigation, the Company has identified a potential source of an igneous hard rock that appears to be of similar geology to the Orca gravel and therefore possibly interchangeable from a market perspective. This hard rock is also in close proximity to the Orca Quarry and the Company has filed an application for tenure that would permit quarrying on this Crown (public) land.

Marine Terminals and Ship Lightering

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.

Long Beach, California

The Los Angeles market is 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 a terminal in Long Beach. 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. In July, 2015, the Company made its first delivery to the new terminal as an entry point into the southern California market.

The Company's US marketing subsidiary, Eagle Rock Aggregates, Inc., is the exclusive operator of the new Long Beach terminal and directly responsible for sales. There are no formal alliances in this market, which is considered desirable due to the competitive aspect of it being dominated by several vertically integrated cement and concrete producers. An extensive test program of the Orca aggregate in Southern California provided excellent results to support marketing initiatives. The Company focuses its marketing efforts on early-stage planning for projects where the premium quality of the Orca Quarry sand and gravel can offer cost effective design solutions. This is necessarily an approach with a longer lead-in time than experienced in Northern California, however, it offers the potential for market entry at prices that reflect the value of the aggregate. Current marketing efforts seek to secure the initial sale from the terminal. The Company is currently working with a local ready mix concrete producer in its bid to supply the concrete for construction of a major new residential tower in downtown Los Angeles, as the design of the new tower calls for high quality concrete to meet stringent project specifications.

Port of Redwood City, California

The operating draft of the shipping channel leading into the Port of Redwood City is a very important factor for the Company's logistics because 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 maintenance dredging which finally commenced in October, 2014 and approximately 75% of the work was completed by December 2014 when dredging stopped for fisheries protection. The final phase of this work is now expected to be completed by the end of November 2015. The Corps of Engineers has completed a study to improve shipping access to Redwood City for the long term with additional dredging that includes work over shoals in the Bay itself. The environmental assessment associated with this proposal entered a public comment period at the end of June 2015. Funding of this more ambitious project will still need to be secured from both state and federal sources but if successful it would represent a further significant improvement in the Company's ability to serve this key market.

Lightering

On arrival in San Francisco Bay, fully laden Panamax vessels are partially unloaded while at anchor ("lightered") into barges provided by either Shamrock Materials Inc., or Cemex, under the terms of the long term aggregate supply agreements with each company. Barges are chartered occasionally from an independent operator, particularly during periods 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, Hanson Aggregates' San Francisco 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 the balance between the individual terminals requires careful management being market driven and therefore highly variable. The access to secured lightering capacity is an important barrier to entry into this market.

Fully laden Panamax vessels can dock directly at the Company's Long Beach terminal and lightering is not required to support this operation.

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.

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 an initial term of three years from commencement and is automatically renewed for a further two, 3 year, terms unless either Hanson or the Company delivers six months advance written notice of election not to renew the agreement. Sales under the agreement commenced in February, 2013. Based on the progress of discussions to date, negotiations on the renewal terms continue between the Company and Hanson, as the Company has agreed to a request to extend the renewal notice period.

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, 2015, the Company accrued for or paid the following services by related parties. David Singleton, a director of a subsidiary, provided to the Company management and marketing services at a cost of $14,137 (three months ended September 30, 2014 - $20,127). 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 September 30, 2014 - CAD$10,485). The Company has agreed to pay Navigator a retainer of CAD$3,000 per month plus expenses under the agreement. At the quarter end, Herb Wilson retired from the position of President and CEO and accepted a position as Executive Vice Chair at a monthly cost of CAD$10,000.

During the nine months ended September 30, 2015, the Company accrued for or paid, David Singleton for management services at a cost of $49,669 (nine months ended September 30, 2014 - $124,887) and Navigator for consulting services at a cost of CAD$27,000 (nine months ended September 30, 2014 - CAD$31,041).

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, 2015, accounts payable included; $4,313 due to David Singleton, (December 31, 2014 - $5,498) and CAD$3,000 due to Navigator, (December 31, 2014 - CAD$3,140).

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 87,971,436 were issued and outstanding. The Company also has 4,907,542 options outstanding, exercisable into 4,907,542 common shares, of which 4,329,212 are currently vested, and 683,000 warrants outstanding, all of which are vested.

Risks and Uncertainties

The development and operation of the Company's construction aggregate properties involves a high degree of business and financial risk. Accordingly, investment in the securities of the Company involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business. The Company has incurred losses and may incur further losses. The following are the relevant risks of the Company related to the operations, results, earnings, properties, business and condition and the interim consolidated financial statements of the Company for the quarter ending September 30, 2015 which the Company has reviewed and updated as of the date hereof with respect to such quarter. The following risks are not intended to be a complete list of all risk factors. 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 and which remain applicable to the Company are disclosed under the heading "Risks and Uncertainties" in the Company's Management Discussion and Analysis for the year ending December 31, 2014 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 favorable 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 September 30, 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 contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information appear 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, including maximizing sales opportunities with third parties, sales volumes from its main Strategic Alliance Partner and selling prices, the outlook for the remainder of the year, costs of production, the pursuit of supplies for major projects and infrastructure, the San Francisco and east Bay markets, capital and operating expenditures, expected timing of shipments, 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.polarismaterials.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 (ST)'.
Metric Tonne – a unit of weight commonly used in Canada and worldwide in shipping operations consisting of 1,000 kilograms (2,205 imperial pounds).