(US dollars, except where noted)
(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending September 30, 2016

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 8, 2016, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2016, 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, 2015, 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

- Sales were 810,000 tons, an increase of 11% over Q3 2015. YTD sales increased by 7% to 2.3 million tons versus 2.1 million tons in 2015
- Revenue of $12.2 million was an increase of 18% over Q3 2015 revenue of $10.4 million
- Adjusted EBITDA of $1.5 million, or $1.90 per ton and gross profit of $1.2 million, or $1.50 per ton, represents our best quarter in 2016
- Maiden Mineral Resource estimate for Black Bear Project released on October 3, 2016; NI 43-101 technical report being finalized

The Company recorded net loss attributable to shareholders of $162,000 ($0.00 per share loss) during the three months ended September 30, 2016, compared to a net income attributable to shareholders of $954,000 ($0.01 income per share) during the three months ended September 30, 2015. Third quarter results reflect improved sales volumes versus 2015 with sales of 810,000 coming in just above the midpoint of our expectations for the quarter. The benefits of the increased volumes were offset by costs related to the ramp-up of the new Long Beach terminal, unfavourable impact of foreign exchange compared with the prior year, and non-cash corporate costs related to stock-based compensation. We expect gross margins will improve as volumes through Long Beach accelerate and we realize the benefits from our ongoing logistics costs improvement program. Customers and competitors continue to report a healthy construction market outlook in California, with the first signs of the benefits of the 2015 FAST Act now showing up in bid activity for infrastructure projects.

We continue to achieve sales milestones, as our US terminals recorded a one-day volume record on October 29, including over 9,300 tons supplied from our Long Beach Terminal. In San Francisco, a 10,900 cu yd concrete pour for a marquee mixed-use development, expected to contain up to 17,500 tons of aggregates, is scheduled for early December. The pour will be similar to the recent very successful Salesforce Tower foundation pour and will draw from our Richmond terminal as well as customers' depot inventories. Our terminals continue to demonstrate that they can deliver against demanding large project construction schedules, and feedback from end users of our high performance concrete aggregates continues to be very positive.

We have initiated discussions with our Bay Area customers in respect of 2017 pricing and volume commitments, and are commencing data preparation for the scheduled 5-year review of our Strategic Alliance agreement with Cemex, due January 1, 2018. This agreement continues to be a cornerstone of our strategy in California, and we look forward to working with Cemex to take this opportunity to ensure that the agreement balances the needs of both parties now and in the future. We have also continued our efforts to identify new markets and new products where our marine delivery capability uniquely positions us to provide added value to our customers. We continue to negotiate with Hanson in respect of an extension to our supply agreement, originally signed in 2012 and currently scheduled to expire at the end of 2016.

We have identified an exciting opportunity that will expand the range of products at the Orca Quarry. Discussions are advancing regarding potentials sales for a fine sand product that has been exposed by previous mining activity of construction-grade materials. In support of this opportunity, Polaris recently approved a capital project to expand on our product stockpiling capability at the Orca quarry through the expansion of the existing surge tunnel and stacker system. The expanded load-out facility will allow us to stage the fine sand product as well as additional products for loading via our world-class shiploader, including fill materials and manufactured sand and stone products from the Black Bear Project.

At our Black Bear Project, we announced a maiden NI43-101 Mineral Resource estimate on October 3. Our current development plans for Black Bear call initially for a small-scale operation which could provide crushed rock and manufactured sand, or could supplement Orca gravel production and assist in product mix optimization. A Technical Report in support of the Mineral Resource Estimate will be filed in the fourth quarter.

Market Developments

The San Francisco / San Jose corridor continues to be very healthy, and remains a cornerstone of our business in San Francisco. Cemex recently received approval to increase the permit capacity of its terminal at the Port of Redwood City to 2 million tons per annum, and the permitting process continues for a planned new ready-mix concrete facility at the port. Conditions in the north and east Bay Area markets continue to improve, with our Richmond terminal recording its highest daily sales volume for the year (and second highest ever) of 3,712 tons in early October. Sales volumes for the Company in the quarter were an 11% increase over Q3 2015, although a modest decline from a very strong second quarter this year. Year to date, sales of 2.3 million represent an increase of 7% over 2015, and we continue to track well for our revised full year expectation of 3.0 to 3.2 million tons.

Looking forward to 2017 and beyond, the first funding from the FAST Act is now reaching state-level budgets and driving increased infrastructure construction bid activity. Our expectation is that this increase in activity should remain steady through the 5-year life of the Act. Both federal presidential candidates have indicated support for further increases to infrastructure spending, although the approval process for any new spending is expected to take up to several years. We are also aware of a number of legislative measures in California which are expected to be put to voters in late 2016 and early 2017 and could lead to incremental construction spending on the order of $3-5 billion annually. While it is difficult to directly relate state infrastructure bills to aggregate demand, we expect that a significant portion of activity will be focused on roads, bridges, and other important infrastructure in markets where our, and our customers', facilities are well positioned to compete. One of the largest of the pending measures is LA County's Measure M, which aims to introduce a local 0.5% sales tax to fund investment in the city's Metro system. A similar measure in nearby Orange County has generated more than $4 billion in state funds for infrastructure spending since its introduction.

In southern California, we continue to achieve operational milestones at our Long Beach terminal, including Q3 sales volumes of approximately 62,000 tons. Activity continues to be healthy in Q4, and on October 29, we achieved a one-day sales record from terminals operated by Polaris. This record including a one-day record of 9,300 tons from our Long Beach terminal in support of a foundation mat pour for a large multi-use development in the South Park area of Los Angeles, where we continue to demonstrate our capability to meet the exacting material and operational standards of high-specification work. As we look towards the end of the year and into 2017 we continue to see a healthy pipeline of high and mid-rise residential and multi-use projects with designs that utilize high performance concrete for which Orca aggregates provide unmatched benefits. California was recently noted as the state with the largest level of construction job creation in the United States, with Orange County, located near our Long Beach terminal, as the county with the second highest level of construction job creation in the country, based on US federal employment data. Measure M, as noted above, as well as potential work in support of the LA Olympics bid and other major public facility developments could bolster an already robust set of opportunities in this market for 2017.

As expected, 2016 has caught up to 2015 on overall construction starts, with Dodge Data and Analytics reporting that 2016 activity through the end of September is now within 3% of 2015 activity, as a result of overall strengthening in activity as well as a number of large projects that officially broke ground in Q3 2016. Dodge has also released its 2017 construction starts forecast and is predicting 2017 activity to increase by 5% versus 2016, with activity led by residential and non-residential building construction. In particular, institutional building as well as public works construction (led by highway and bridge work) will be significant contributors to growth in 2017.

On the permitting front in California, the Madera County Board of Supervisors approved a proposed 2.5 million ton per annum quarry in a 3-2 vote. As expected, opponents of the quarry have since initiated a lawsuit alleging flaws in the approval process which continues to demonstrate the difficulties in permitting new quarry projects in California, however, the Madera location in the San Joaquin valley is unlikely to have any impact on our markets. Also during the quarter, a proposed seaborne aggregate quarry development in Desolation Sound, British Columbia, was withdrawn after significant local opposition.

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:

	2016			2015				2014
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Consolidated financial information								
($000's, except per share amounts)								
Revenue	12,272	13,311	7,949	11,848	10,395	10,328	10,514	10,038
Cost of goods sold	11,057	12,270	8,257	10,246	8,837	9,277	9,869	9,381
Gross profit (loss)	1,215	1,041	(308)	1,602	1,558	1,051	645	657
Selling, general and administrative expenses	1,604	1,292	1,286	1,183	1,280	1,387	1,401	1,838
Operating income (loss)	(127)	(370)	(2,718)	504	1,130	(835)	218	(1,238)
Net income (loss) attributable to shareholders	(162)	(429)	(2,495)	294	954	(847)	90	(1,439)
per share (basic)	(0.00)	(0.00)	(0.03)	0.01	0.01	(0.01)	-	(0.02)
per share (diluted)	(0.00)	(0.00)	(0.03)	0.00	0.01	(0.01)	-	(0.02)
EBITDA	1,067	839	(1,445)	1,408	1,935	238	1,143	(137)
Adjusted EBITDA	1,539	912	(1,321)	1,471	2,041	514	1,509	436
Cash flows from (used in) operating activities	977	(2,728)	(659)	1,670	(1,061)	1,431	(1,372)	1,440
Cash and cash equivalents	6,605	6,435	9,752	10,501	9,019	11,343	11,301	14,231
Working capital	17,546	17,283	17,073	17,803	16,874	17,383	17,516	19,025
Total assets	76,534	78,880	77,544	77,501	78,452	79,269	80,094	83,878
Total non-current liabilities	4,165	4,715	4,431	4,268	4,321	4,640	4,655	4,974
Key performance indicators								
Sales of aggregates (000's tons)	810	946	516	830	730	668	718	750
Production of aggregates (000's tons)	795	1,000	637	791	957	710	725	789
Average selling price ($/ton)	15.15	14.07	15.41	14.27	14.24	15.46	14.64	13.38
Cost of goods sold ($/ton)	13.65	12.97	16.00	12.34	12.11	13.89	13.75	12.51
Gross profit (loss) ($/ton)	1.50	1.10	(0.60)	1.93	2.13	1.57	0.90	0.88
Gross margin (loss) (%)	9.9	7.8	(3.8)	13.5	15.0	10.2	6.1	6.5
EBITDA ($/ton)	1.32	0.89	(2.80)	1.70	2.65	0.36	1.59	(0.18)
Adjusted EBITDA ($/ton)	1.90	0.96	(2.56)	1.77	2.80	0.77	2.10	0.58

Selling price and fuel surcharge indices

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Selling Price Index (Q1 2013=100)	105.8	103.8	107.5	109.0	111.4	110.0	112.2	108.3
Fuel Surcharge Index (Q1 2013=100)	29.7	17.3	46.4	57.6	75.6	65.3	92.3	101.4

In the third quarter of 2016, the quarter-on-quarter average delivered selling price increased by 1.9% as a consequence of passing through higher shipping fuel surcharges from the second quarter of 2016, which reflected the increasing trend in the world crude oil price during the period.

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.

Review of Financial Results

QUARTER ENDED SEPTEMBER 30

Adjusted EBITDA

Adjusted EBITDA for the third quarter of 2016 of $1.5 million ($1.90 per ton) represented a decline of $0.5 million over the prior year comparative of $2.0 million ($2.80 per ton). Volume effects from increased sales were offset by increased terminal costs attributable to the ramp-up of our Long Beach terminal.

Sales of aggregates

Aggregate sales for the current quarter were 810,000 tons, a 11% increase over sales of 730,000 tons in the third quarter of 2015. Sales increased compared to the prior year due to increased delivered shipments into San Francisco and the Long Beach Terminal, which were offset by a decline in ex-quarry sales.

Revenue and pricing

Revenue for the three months ended September 30, 2016 increased by 18% to $12.3 million, compared with $10.4 million for the three months ended September 30, 2015. Revenue increased due to increased volumes, as well as an increased proportion of sales delivered to San Francisco and Los Angeles, as opposed to volumes sold ex-quarry.

Average selling price ("ASP") during the current quarter of $15.15/ST increased $0.91/ST from $14.24/ST in the same period for 2015. Compared with 2015, price variance was unfavourable by 3% driven by a reduction in fuel surcharges. A favourable sales mix variance of 9% was due to increased sales to customers with delivered pricing, for a total change in ASP of 6%.

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 of delivered versus ex-quarry sales.

Cost of goods sold

Cost of goods sold per ton for the current quarter increased by $1.54 per ton to $13.65 compared to the cost of goods sold per ton for the same period in 2015 of $12.11. Higher delivery costs due to an increased proportion of sales to customers that include freight was the largest contributor to the increase, as well as the addition of higher unit costs for sales via our Long Beach terminal which is a longer shipping distance and consequently has a higher unit freight cost.

Gross profit

During the third quarter of 2016 the Company's gross profit was $1.2 million or $1.50 per ton, compared with a gross profit of $1.6 million or $2.13 profit per ton in the prior year period. The decline in gross margin was driven primarily by costs attributable to the ramp-up of our Long Beach terminal.

Selling general and administrative costs

Current quarter selling, general and administrative ("SG&A") expenses of $1.6 million, increased 25%, compared with $1.3 million during the same quarter in 2015. The increase is principally due to higher share-based employee benefits, a non-cash charge which increased by $353,000 over the prior year due to units and options which fully vested on grant. Total SG&A during the quarter was 13.1% of sales compared to 12.3% of sales during 2015.

Net income (loss)

The Company recorded net loss attributable to shareholders of $162,000 ($0.00 per share loss) during the three months ended September 30, 2016, compared to a net income attributable to shareholders of $954,000 ($0.01 income per share) during the three months ended September 30, 2015. The decrease in year on year profitability was mainly attributable to a decline in foreign exchange gains.

YEAR-TO-DATE SEPTEMBER 30

Adjusted EBITDA

Adjusted EBITDA for the first nine months of 2016 of $1.1 million, or $0.50 per ton, declined $2.9 million compared with the prior year comparative of $4.1 million, or $1.92 per ton. Adjusted EBITDA was reduced primarily by a $2.9 million change in the impact of foreign exchange, from a gain of $2.1 million to a loss of $0.8 million.

Sales of aggregates

Aggregate sales for the first nine months of 2016 of 2.3 million tons represented a 7.4% increase over the first nine months of 2015. Sales increases on a delivered basis into San Francisco and Long Beach, were offset by a decline in ex-quarry sales.

Revenue and pricing

Revenue for the nine months ended September 30, 2016 increased by 7% to $33.5 million from $31.2 million in 2015. The change in revenue was in-line with the increase in sales volumes, as well as the impact from changes in the sales mix.

The ASP for the first nine months of 2016 was $14.76, which increased compared to $14.76 during the first nine months of 2015, with declines in fuel surcharges offset primarily by changes in mix.

Cost of goods sold

Cost of goods sold per ton for the first nine months of 2016 increased to $13.90 compared to the cost of goods sold per ton for the same period in 2015 of $13.22. Similar to the current quarter, the increase is mainly attributable to the increased sales mix to customers that include delivery costs, as well as the impact of costs from our Long Beach terminal as it ramps up.

Gross profit

The gross profit for the first nine months of 2016 was $1.9 million or $0.86 profit per ton, a decline versus the gross profit of $3.3 million or $1.54 profit per ton in the same period of 2015. As noted above, the decline is largely due to changes in sales mix and increased terminal costs attributable to Long Beach.

Selling, general and administrative costs

During the nine months ended September 30, 2016, SG&A expense increased 3% to $4.2 million, compared with $4.1 million during the same period in 2015. Total SG&A during the first nine months of 2016 was 12.5% of sales compared to 13.0% of sales during the first nine months of 2015.

Net Income (loss)

The net loss attributable to shareholders during the nine months ended September 30, 2016 was $3.1 million ($0.03 loss per share) compared to net income attributable to shareholders of $197,000 ($0.00 per share) during the nine months ended September 30, 2015. The year-on-year net loss comparison was impacted primarily by reduced gross margins and the change in the impact of foreign exchange.

Liquidity

Cash and cash equivalents

At September 30, 2016, the Company had cash and cash equivalents of $6.6 million. Comparatively, at December 31, 2015 the Company had cash and cash equivalents of $10.5 million. The decline in cash versus December 31, 2015 is primarily due to changes in working capital to support the higher pace of seasonal activity.

Operating, Financing and Investing Activities

During the three months ended September 30, 2016 the Company generated cash from operating activities of $1.0 million ($1.21 per ton) including $0.3 million used for non-cash working capital items. This compared with cash used by operating activities during the three months ended September 30, 2015 of $1.1 million ($1.46 per ton) that included $2.3 million used for non-cash working capital items. Operating activities used cash of $2.4 million in the nine months ended September 30, 2016 compared to cash used of $1.0 million in the nine months ended September 30, 2015, including a use of cash for non-cash working capital items of $4.2 million and $3.5 million, respectively. Operating cash flows during the nine months ended September 30, 2016 were unfavourably impacted by investments in working capital and reduced gross margins. Increased levels of trade accounts receivable and inventories since December 31, 2015 continued to be a use of cash from operations.

For the three and nine months ended September 30, 2016 financing activities used cash of $0.1 million and $0.4 million, respectively, compared to cash provided of $0.04 million and cash used of $0.02 million, respectively for the same periods in 2015. Financing activities for the current quarter and first nine months of 2016, related to principal repayments on finance leases for equipment used at the Orca Quarry and the Long Beach terminal.

Investing activities during the three months ended September 30, 2016, used cash of $0.6 million compared to cash used of $0.8 million for three months ended September 30, 2015. Investing activities during the nine months ended September 30, 2016, used cash of $1.5 million compared to cash used of $3.1 million for nine months ended September 30, 2015. Investing activities for the three and nine months ended September 30, 2016 are mainly attributable to purchases of plant and equipment at the Orca quarry and the Long Beach terminal and are reduced from 2015 due to the completion of construction and start-up of commercial operations at Long Beach.

Capital Resources

The Company's primary sources of capital resources are finance leases for the procurement of heavy equipment and access to capital markets. The Company manages its long-term capital structure and resources in order to minimize the cost of capital while properly managing credit, liquidity, and other market risks. To effectively manage capital requirements, the Company has in place a planning and budgeting process which determines the funds required to ensure the Company has the appropriate liquidity to meet its operating objectives. The Company ensures there are sufficient resources to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

At September 30, 2016, the Company expects it has the capital resources and anticipated future cash flows from operations to support its normal operating requirements on an ongoing basis, along with planned development and exploration related to quarrying projects. At September 30, 2016, the Company was not subject to any externally imposed capital requirements.

Finance Leases

In April 2016 the Company leased equipment for $0.5 million at 0.0% interest. The new lease has been accounted for as a finance lease and terminates March 2020. Monthly lease payments are $10,285. The equipment is the security for the indebtedness.

Equity

Common share issuances are summarized below:

(000's)	2016
Common shares issued and outstanding at January 1	88,335
Common share issuances	-
Options exercised	-
Common shares issued and outstanding at September 30	88,335

During the nine months ended September 30, 2016, there were no common share issuances.

Capital Expenditures

During the quarter ended September 30, 2016, the Company invested approximately $0.6 million in plant and equipment; of which $0.5 million related to processing plant equipment at Orca quarry and $0.1 million related to exploration of the Company's Black Bear Project.

Operations

Orca quarry

The Orca quarry continues to be a safe, efficient aggregates production and shipping operation. The quarry operated without issue during the quarter and as of November 7, 2016 has achieved 14 consecutive months without any lost time incidents.

We have identified an exciting opportunity that will expand the range of products at the Orca Quarry. Discussions are advancing regarding potentials sales for a fine sand product that has been exposed by previous mining activity of construction-grade materials. In support of this opportunity, Polaris recently approved a capital project to expand on our product stockpiling capability at the Orca quarry through the expansion of the existing surge tunnel and stacker system. The expanded load-out facility will allow us to stage the fine sand product as well as additional products for loading via our world-class shiploader, including fill materials and manufactured sand and stone products from the Black Bear Project.

Marine terminals and ship lightering

Long Beach, California

On February 1st, 2016 the company began commercial operation at its new Long Beach terminal. Sales from the terminal total over 155,000 tons through September 2016, including materials for several large foundation mat concrete pours at a number of large projects, as well as continuing daily sales. We initiated deliveries to a large multi-use development project in early Q4 2016 and are on pace to achieve sales near the top end of our target range for Long Beach. The Long Beach terminal has operated accident and injury free and continues to demonstrate its ability to deliver to large and high specification construction projects. We continue to optimize our delivery capabilities from the site to reduce unit costs towards long-term targets.

Port of Redwood City, California

Dredging of the Federal Channel in the Port of Redwood City has improved our logistical flexibility, as expected, although balancing deliveries to this facility with available lightering capacity remains one of our most important logistical challenges. The US Army Corps of Engineers has initiated its maintenance dredging program, with a target of further progressing towards the 30 foot target depth for the channel. The program is partially complete and is expected to be finalized by mid-December 2016, with final available draft to be confirmed by the San Francisco Bar Pilots Association. A longer term project to deepen the overall target depth of this channel to 32 feet from its present 30 foot target depth is currently undergoing evaluation by the Port of Redwood City and Army Corps of Engineers. Improved depth in this channel directly increases the tonnage we can deliver into Redwood City.

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. When required, barges are occasionally chartered from an independent operator to balance availability of customer barging capacity and shipping needs. After lightering, the balance of the cargo is 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 as market forces can make each point of sale 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, so lightering is not required to support shipments to this operation. This can provide additional logistical flexibility as we have the option to deliver first to Long Beach and send the balance to San Francisco. This is an alternative to lightering in the Bay and an option for additional flexibility rather than previous planned shipping routines.

A dredging permit for minor work to improve draft at the Company's Richmond terminal is presently being sought and discussions with our Strategic Alliance partner will seek to maximize future sales performance from this location. The Company is reviewing its options to maximize shipping deliveries into San Francisco Bay in 2017should the Hanson Pier 94 terminal no longer be available as one of the lightering points used to service Redwood City terminal.

Customers

The Company's Strategic Alliance with Cemex, established in 2007, provides for the joint development of new port receiving terminals on the US west coast. Either company may proceed on its own with a legitimate terminal development project should the other alliance partner decline the right to participate for any reason; which is the situation in Long Beach, CA, where Cemex declined to participate. Cemex, a public company, headquartered in Monterrey, 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. The most significant aspect of this Strategic Alliance is that Cemex was granted exclusive marketing rights for the Company's aggregate products in California (excluding four northern counties reserved for Shamrock Materials) as well as Washington and Oregon. On declining to participate in the Long Beach development, Cemex automatically relinquished the marketing rights in the area serviced by that terminal. The Strategic Alliance and related agreements are subject to a periodic review due January 1, 2018. This review will present both parties an opportunity to update the agreements and ensure that both parties' interests continue to be represented, following significant compromises made in order to survive the Great Recession.

A long-term supply agreement was entered into with Shamrock Materials in 2005 under which deliveries commenced in 2007. Orca Quarry products are unloaded from Panamax vessels, at anchorage in San Francisco Bay, into Shamrock's own barges for transportation to their Landing Way aggregate terminal on the Petaluma River. Shamrock Materials, headquartered in Petaluma, CA, is a well-established private company supplying ready mixed concrete in the north San Francisco Bay area. The agreement with Shamrock also granted them exclusive marketing rights to the Company's aggregates in the counties of Marin, Napa, Sonoma and Mendocino.

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 Heidelberg, Germany. The agreement had an initial term of three years from the commencement of sales in February 2013. In January of 2016, the Company and Hanson agreed that purchases would continue past the third year anniversary date in February 2016 and this sales agreement is now scheduled to expire on December 31, 2016. We are in ongoing discussions to find terms for renewal that mutually benefit the Company and Hanson, while evaluating alternative logistical arrangements and additional sales opportunities, should the contract not be renewed.

The Los Angeles market is host to several competing ready-mix concrete producers, including CalPortland, A&A Ready Mixed Concrete, Robertson's Ready-mix, Standard Concrete, and Cemex. The Company believes that in this market, where vertical integration of the existing concrete companies is highly developed, it is important to remain independent. We, therefore, do not intend to enter into long-term marketing arrangements with individual companies, and will instead work with our customers to structure competitive bids on a project by project basis.

Other quarry projects

In 2015, the Company identified a potential source of an igneous hard rock that is of similar geology to the Orca gravel and therefore possibly interchangeable from a market perspective. This hard rock deposit is also in close proximity to the Orca Quarry. The deposit, since named Black Bear, received an Investigative License of Occupation on December 18, 2015. The Company has also received initial letters of support for the project from our partners in the Orca Quarry, the Kwakiutl Band and 'Namgis First Nation. A small scale exploratory drilling program was completed in the first quarter of 2016, targeted at confirming the quality and consistency of the surface samples collected. Results from the drilling program were incorporated into a maiden NI 43-101 Mineral Resource Estimate the results of which were disclosed on October 3, 2016. A Technical Report supporting the resource estimate will be published in the fourth quarter and will be available on SEDAR (www.sedar.com) and the Company's website (www.polarismaterials.com).

In the near term, and subject to receiving all the necessary permits, the Black Bear deposit is expected to provide a potential source of crushed stone and manufactured sand products, and may also represent a bolt-on source of stone to improve utilization of the Orca Quarry plant capacity and a better balance to the sand/stone ratio of production to meet market demands. The long term potential of the deposit could also provide the opportunity for the Company to begin marketing materials for asphalt and other construction markets. Utilizing the existing Orca infrastructure and ship loading facilities, with the same high quality material properties as the Orca Quarry, Black Bear improves the Company's capacity to supply its current customers and add additional sales opportunities with a relatively modest capital outlay.

Q4 Outlook

We are currently expecting shipments in Q4 2016 in the range of 700,000 to 900,000 tons, consistent with our full year expectations for sales volumes of 3.0 to 3.2 million tons.

A steady pace of deliveries through the fourth quarter, the continued ramp-up of our Long Beach terminal, as well as our ongoing logistics cost improvement programs are expected to lead to margin improvements through the end of the year. As we look forward to 2017, we have initiated discussions regarding pricing and volume expectations with our customers and look forward to updating the market as these discussions progress.

We will continue to focus on advancing permitting of the Black Bear Project during the balance of 2016 and are executing on a project plan with modest funding requirements. This program will allow the Company to continue the evaluation of the project in co-operation with First Nations partners and local stakeholders with a goal to begin operations in 2017. We are currently in active discussions with our First Nations partners to negotiate appropriate terms for the development of this project with respect to the agreements already in place under which Orca Quarry was developed.

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)	2016	2015	2016	2015
Net (loss) income for the period attributable to shareholders of Polaris	(162)	954	(3,086)	197
Adjustments				
Share-based employee benefits	459	106	609	755
Other (gains) and losses	13	-	58	(9)
Adjusted net income (loss) for the period	310	1,060	(2,419)	943
per share	*0.00*	*0.01*	*(0.03)*	*0.01*
per ton	*0.38*	*1.45*	*(1.06)*	*0.45*

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)	2016	2015	2016	2015
Net income (loss) for the period attributed to shareholders of Polaris	(162)	954	(3,086)	197
Interest	11	19	36	54
Income tax (recovery)	(44)	-	(44)	(40)
Amortization, depletion and accretion	1,262	962	3,555	3,111
EBITDA	1,067	1,935	461	3,322
per share	*0.01*	*0.02*	*0.01*	*0.04*
per ton	*1.32*	*2.65*	*0.20*	*1.57*
Adjustments				
Share-based employee benefits	459	106	609	755
Other (gains) and losses	13	-	58	(9)
Adjusted EBITDA	1,539	2,041	1,128	4,068
per share	*0.02*	*0.02*	*0.01*	*0.05*
per ton	*1.90*	*2.80*	*0.50*	*1.92*

Commitments

Shipping tonnage

The Company has an exclusive Contract of Affreightment ("CoA") with CSL International, Inc. ("CSL"), which is effective from January 1, 2010 with a term of 20 years. The CoA requires the Company to ship annual minimum tonnages of 2,979,000 short tons for each remaining year of the contract. Prior to and for 2015, the Company had the option in any given year to increase or decrease the annual commitment by 10% without penalty. The Company and its shipper have agreed in principle, subject to definitive documentation that after 2015, the future latitude in minimum annual commitment increases to plus or minus 15% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons. Minimum freight volume penalties are payable annually in the year in which freight volumes do not meet the minimum volume requirements in the CoA.

Contingencies

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 presented its case to the Ministry in 2014 but has yet to receive a response.

Related Party Transactions

During the three months ended September 30, 2016, the Company accrued for or paid for the following services provided by related parties. David Singleton, a director of a subsidiary, provided to the Company management and marketing services at a cost of $5,920 (three months ended September 30, 2015 - $14,137). 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, 2015 - CAD$9,000). The Company has agreed to pay Navigator a retainer of CAD$3,000 per month plus expenses under the agreement.

During the nine months ended September 30, 2016, the Company accrued for or paid, David Singleton for management and marketing services at a cost of $27,295 (nine months ended September 30, 2015 - $49,669) and Navigator for consulting services at a cost of CAD$27,000 (nine months ended September 30, 2015 - CAD$27,000).

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, 2016, accounts payable included; $nil due to David Singleton, (December 31, 2015 - $1,500) and CAD$3,000 due to Navigator, (December 31, 2015 - CAD$3,000).

Significant Accounting Judgments and Estimates

The Company's accounting policies are described in Note 3 to the December 31, 2015 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 2015 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 88,334,686 were issued and outstanding. The Company also has 5,772,833 options outstanding, exercisable into 5,772,833 common shares, of which 4,839,165 are currently vested. The Company has 260,000 deferred share units outstanding and fully vested, which are exercisable into 260,000 common shares, There are no warrants outstanding.

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, 2016 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, 2015 and under the heading "Risk Factors" in the Company's Annual Information Form (AIF) in respect of its financial year ended December 31, 2015, both of which are filed with Canadian regulators on SEDAR (www.sedar.com) and also available on the Company's website (www.polarismaterials.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, including any future terminals which may be acquired and developed by the Company, will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production of the Company's properties and terminals or even a loss of those property interests. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Any future financing may be dilutive to existing shareholders.

Reliance on Certain Customers

The Company generates the major proportion of its revenue, approximately 88% and 83% in 2015 and 2014 respectively, from sales to two customers, Cemex and Shamrock. The ability of these customers to continue in business, or to retain third party sales, 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.

The assumptions made in AMEC's financial analysis of the Orca Project may no longer be reasonable

The financial analysis completed by AMEC of the Orca Project detailed in the Orca Report relies on certain underlying assumptions which may no longer be reasonable as a result of the global economic recession since 2008. The analysis undertaken by AMEC was completed in 2008. The cash flow projections were based on various assumptions including assumptions on the capital costs, operating costs, production and sales volumes and sales revenues over the life of the project which were reasonable at the time the financial analysis was completed. Since 2008, the actual sales values suggest that the assumptions made may no longer be reasonable. Therefore, undue reliance should not be given to AMEC's financial analysis of the Orca Project.

The Company must secure access to discharge points and additional shipping volumes for its products

The Company's 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 materially adversely affected.

When the Eagle Rock Shareholders Agreement was entered into in 2002, it did not contemplate the construction or use of the Richmond Terminal or other terminals by third parties (including the Orca Partnership) prior to the construction of the Eagle Rock Quarry Project. In addition, the Eagle Rock Shareholders Agreement did not contemplate the marketing, shipment and sale of construction aggregates from other projects prior to the commencement of operations at the Eagle Rock Quarry Project. Eagle Rock Aggregates, Inc., a subsidiary of Eagle Rock Materials Ltd., holds the Richmond Terminal Lease, the corresponding easement and facilities use agreements, and the Company's other potential port interests. Eagle Rock Aggregates, Inc. also holds the marketing interests of the Company and it is expected that it will continue to manage the Company's operations in the United States, including the shipment and sale of construction aggregates from the Orca Quarry.

The parties to the Eagle Rock Shareholders Agreement have been negotiating, and will continue to negotiate, the terms and conditions of an arrangement with respect to Eagle Rock Aggregates, Inc. and the financing, construction, and operation of the Richmond Terminal, and the purchase, shipping, distribution and sales of construction aggregates from the Orca Partnership. There is no certainty when or if an agreement will be reached.

Under the Company's revised CoA its exclusive shipper must provide volume capacity to transport approximately 3.3 million short tons of construction aggregates per annum. To achieve the anticipated sales from the Orca Quarry and the Eagle Rock Quarry Project, the Company will have to secure additional shipping capacity. If the Company is unable to secure the additional shipping volumes, or fails to meet the contracted annual minimum volumes, its revenues, operations and financial condition could be materially adversely affected.

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 contracted 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 $456,000 for 2012 and $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 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 drilling and removal 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 included in the Company's plan for the Orca Quarry are estimates only and may not represent the actual amounts required to complete all reclamation activity. 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, 2016 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, 2015, 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).