Polaris
MINERALS CORPORATION

2009 Second Quarter Report

Polaris MINERALS CORPORATION

August 26, 2009

Second Quarter Letter to Shareholders

During the second quarter we continued to steer Polaris Minerals Corporation through the most severe economic recession experienced since the 1930's. We are managing these immediate challenges without losing sight of the long term goal of increasing our terminal capacity in southern California, which is vital for the Company to ultimately realize its true profit potential.

To date, positive impacts from the Federal Economic Stimulus Plan and the American Recovery and Reinvestment Act, are being offset in our major market area by the financial difficulties experienced by the State of California. Although second quarter revenue was only 6% below the corresponding period in 2008, revenue during the first six months of 2009, declined by 30%. These results are consistent with those recently reported by major companies in the US aggregates industry. To mitigate the effects of lower demand, we have reduced operating hours and aggressively managed costs including overheads. This action, coupled with stable base prices, was influential in keeping the loss from operations at $3.42 million in the first six months, compared to $2.85 million in 2008, particularly notable in light of the $4 million drop in revenue.

On a more positive note, our customers in San Francisco are now reporting an increase in contract bidding activity. Many of the jobs appear to be structure intensive projects, such as elevated highways, bridges and tunnels, requiring substantial quantities of high quality aggregates. Projects of this nature take time to work through planning and engineering stages before construction can begin and orders placed. Polaris, in common with the US construction industry, now anticipates that projects, committed under various Government infrastructure investment programs, will have a positive impact on demand in 2010 and beyond. We expect, however, that private commercial construction will remain depressed, reflecting a continuation of the tight credit market but are pleased to note there are signs suggesting that the private housing sector may have bottomed out and could enter into a growth phase in 2010.

The impact of the economic recession has been to delay the Company's anticipated growth rate but our long term strategy remains unchanged. We are pleased to advise that we have now entered into an Exclusive Negotiating Agreement with the Port of San Diego, under which we have the exclusive right to negotiate a lease option over a strategic site on which to establish an aggregates receiving terminal. We continue to put a high priority on securing the rights to develop these terminals in the firm belief that diminishing and irreplaceable local resources in southern California will need to be augmented by imported materials as market demand returns to more normal levels.

I am also pleased to advise that, subsequent to the quarter's end, the Company sold its Asset Backed Commercial Paper, adding approximately CAD$2.9 million to treasury. Additionally, we continue to move forward with initiatives to realize the investment in the berthing tug used in Port McNeill and to recoup the long term loan used to finance a tug and barge in San Francisco Bay. Although the further release of cash remains a high priority, progress is slow due to the current weak credit market.

In conclusion, the outlook to the end of 2009 is still unclear and will ultimately be influenced by the speed at which large infrastructure projects move through the planning process and create a demand for our products. We remain confident that we will enjoy a stronger demand for construction aggregates in 2010 and thereafter. In the meantime, we will continue to work closely with our customers and shipping partner to ensure that the Company is managed as efficiently as possible and be well positioned to resume growth when economic recovery occurs.

I look forward to reporting our progress at the end of the third quarter.

Sincerely

Herb Wilson
President and CEO
Polaris Minerals Corporation

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

Management's Discussion and Analysis
Second Quarter, 2009

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of August 7, 2009, and should be read in conjunction with the Company's unaudited consolidated interim financial statements for the three and six months ended June 30, 2009, as well as the audited consolidated financial statements for the year ended December 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles, and the related management's discussion and analysis contained in the 2008 Annual Report.

Highlights

- **Sales increased by 136% to 487,000 tons for the second quarter compared with 206,000 tons in the first quarter with a corresponding improvement in gross margin per ton of 64%, a reflection of strident cost control.**
- **Demand for Orca products remains at low levels, on a seasonally comparative basis, with a gradual recovery not now expected to commence until 2010. It appears that stimulus spending is being offset by state budget shortfalls and design and planning delays to major infrastructure projects.**

Results of Operations

During the three months ended June 30, 2009, the Company incurred a loss of $3.3 million ($0.06 per share) compared to a loss of $1.9 million ($0.05 per share) in the comparative quarter. During the six months ended June 30, 2009 the Company incurred a loss of $4.7 million ($0.09 per share) compared to a loss of $4.4 million ($0.12 per share) in the comparative period. Losses for the three and six months ended June 30, 2009 are mainly attributable to lower sales and production tonnages and foreign exchange losses of $0.9 million and $0.5 million, for the three and six months respectively, resulting from the strengthening of the Canadian dollar.

The losses from operations for the three and six month periods ending June 30, 2009, excluding stock-based compensation, were $1.7 million and $3.4 million, respectively, compared with losses of $1.4 million and $2.8 million in the comparative 2008 periods. Revenue for the three months ended June 30, 2009 was $6.2 million from sales of 487,000 tons which compared to $6.6 million from sales of 500,000 tons for the three months ended June 30, 2008. Revenue for the six months ended June 30, 2009 was $9.1 million from sales of 693,000 tons which compared to $13.1 million from sales of 1,021,000 tons for the six months ended June 30, 2008. The prime reason for these reductions was the slowing of demand as a consequence of the current global economic recession and also poor weather conditions along the west coast that impacted the first 5 months of the year by inhibiting construction activity. Sales in the second quarter included 79,500 tons shipped in March that was delayed by weather, the sale thereby falling into the second quarter.

('000 except per ton amounts)	**For the three month period ended June 30, 2009**		For the three month period ended March 31, 2009		For the six month period ended June 30, 2009		For the six month period ended June 30, 2008		For the year ended December 31, 2008	
	Tons	**$**	Tons	$	Tons	$	Tons	$	Tons	$
Sales	487	6,217	206	2,925	693	9,142	1,021	13,121	2,323	29,582
Gross margin		(342)		(404)		(746)		620		(83)
Gross margin per ton		*(0.70)*		*(1.96)*		*(1.08)*		*0.61*		*(0.04)*

The gross margin per ton for the three months ended June 30, 2009 has improved compared to the three months ended March 31, 2009 as a result of increased sales volume in the period reducing the fixed costs per ton incurred. The gross margin per ton for the six months ended June 30, 2009 has declined from the corresponding period in 2008 due to a 33% reduction in tons sold as a result of the worldwide economic recession, which is particularly deep in the state of California. The cost increase per ton resulting from the volume decline was greater than the benefit to the Company's margins from the lower shipping fuel costs over the prior year period, resulting in a reduction in operating margins. The Company incurred deadfreight charges of $241,000 in the second quarter due to the increased complexity of the shipping logistics required to balance customer delivery requirements at each terminal during slower sales periods. During the first quarter of 2009, the Company incurred additional repair and maintenance costs, having taken advantage of the opportunity of the slower winter quarter to prepare equipment for the summer periods. Repairs and maintenance of this nature were not incurred in the six months ended June 30, 2008.

Average revenue per ton is influenced by the dollar exchange rate, shipping fuel surcharges and also the varying percentage between delivered and ex-quarry sales.

Shipping Fuel Surcharges

The Company's two major supply agreements in northern California contained conditions whereby the Company absorbed changes in the cost of shipping fuel during a twelve month period and passed the cost or benefit to the customer during the following year. The commencement selling prices to both customers reflected actual fuel costs at the time of entering into the contract. Accordingly, the Company passed 2007 increased fuel costs as a selling price surcharge on 2008 sales volumes. During 2008, unprecedented increases in the cost of shipping fuel were incurred by the Company, particularly during the second half of the year. In accordance with the supply agreements, 2008 costs absorbed by the Company are being passed as a selling price surcharge on 2009 sales volumes.

On January 1, 2009, in agreement with the two major California customers, the fuel surcharge adjustment mechanism was changed from an annual to a quarterly basis thereby reducing the impact of changing fuel prices on the Company. As a consequence, fuel price variations experienced in any quarter are passed on in the following quarter rather than waiting until the end of the calendar year. Very importantly, this change allowed the benefit of the current lower shipping fuel surcharges to be passed to customers in California more quickly, thus maintaining their competitiveness against trucking which experiences fuel price changes on a daily basis. This timing change will not affect the agreed recovery of the 2008 surcharges.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of IFO180, the main fuel used in the shipping, the Company's delivered price is impacted, positively or negatively, by approximately 3.6 cents per ton.

Other Charges

During the quarter ended June 30, 2009 selling, general and administrative expenses, including stock-based compensation, reduced by 39% to $1.4 million compared with $2.3 million in 2008. For the six month period ending June 30, 2009 these expenses reduced by 46% to $3.0 million compared with $5.6 million in the 2008 period. The most significant factor was a decrease in the non-cash expense for stock based compensation of $0.1 million for the three month period ending June 30, 2009 compared with $0.5 million in the same period for 2008. For the six month period ending June 30, 2009 this expense was $0.3 million compared with $2.1 million in the comparative 2008 period. General and administrative costs in the three and six month periods ended June 30, 2009 decreased to $1.2 million and $2.5 million, respectively, from $1.7 million and $3.3 million in the 2008 period mainly related to decreases in salaries, travel, and investor relations costs, as well as the appreciation of the US dollar in comparison to the same period in 2008.

The majority of the Company's sales, and shipping costs, are denominated in US dollars. Costs at the Orca Quarry are incurred in Canadian dollars and as such are susceptible to fluctuations in foreign exchange rates upon reporting. Sales into Vancouver, BC, which are denominated in Canadian dollars, offset a portion of the cash costs of production at the Orca Quarry and provide a partial hedge to the Company. Additionally, fixed quarry costs per ton fluctuate significantly with the level of production.

Segmented Analysis

The Company operates in one segment: the development and operation of construction aggregate properties and projects located in North America. See "Segmented Financial Information" (note 16) in the Company's June 30, 2009 financial statements for analysis of its customers and geographic segments.

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:

	2009		2008				2007	
($000's)	**June 30**	**Mar 31**	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30
Revenue	6,217	2,925	7,459	9,002	6,573	6,548	5,553	5,466
Loss from operations	(1,784)	(1,923)	(2,742)	(2,789)	(1,923)	(3,065)	(9,743)	(703)
Net Loss for the quarter	(3,337)	(1,397)	(2,159)	(3,241)	(1,929)	(2,464)	(10,931)	(1,929)
Basic and diluted net loss per share	(0.06)	(0.03)	(0.04)	(0.09)	(0.05)	(0.07)	(0.30)	(0.05)
(000 Tons)								
Sales	487	206	608	694	500	521	393	488
Aggregate production	432[2]	444	338[1]	706	581	793	340	459

(1) Net of 325,000 tons adjustment to yearend inventory.
(2) An independent measurement of inventories at June 30, 2009 verified that the procedure for accounting for moisture losses implemented in 2009 was effective and no adjustments to recorded inventory were required.

See Sales and Seasonality section for discussion of quarterly and general trends.

Overview of the Company, Operations and Outlook

Recent Developments

Sales of the Company's construction aggregates in the first half of 2009 decreased from 2008 as demand in the principal market, California, continued to decline due to the economic recession and credit crunch which have hindered private and public construction projects alike. Wet weather conditions in the first five months of the year also impacted construction activity levels. Sales into British Columbia suffered from the same impacts. In an effort to minimize variable costs, while maintaining the flexibility to respond immediately to any upturn in demand as the year progresses, the Company temporarily reduced the Orca Quarry operating hours in March 2009 by approximately one third and also reduced operating hours at its Richmond Terminal in San Francisco Bay. Full operating hours were restored in May at both operations in anticipation of the traditionally busy second and third quarters. However in July 2009 the Company again reduced hours at the Orca Quarry as a consequence of receiving revised quarterly sales requirements from its major customers that were downgraded following a disappointing level of construction activity in June.

On February 17, 2009, President Obama signed a $787 billion economic stimulus package designed to provide immediate relief to the beleaguered US economy. Included in the package are many elements of spending designed to boost the country's investment in infrastructure. Specifically, the package incorporated $48 billion in new transport investments. Of the $48 billion, California received $3.9 billion for investment in highways and bridges, transit capital, fixed guideway modernization and clean water. This initiative, together with a rescue plan designed to help up to 9 million Americans through modified or refinanced mortgages, coupled with liquidity infusions into banks and investment houses, should lead to increases in construction aggregate demand in each of the three main demand sectors – private housing, private commercial and public sector. It is now apparent that the perilous state of California's budget financing, which has stalled many current projects, coupled with the time required to implement large infrastructure projects, will delay increased construction activity until 2010.

On February 26, 2009, the California state legislature approved an initial 2009/2010 Budget Plan, which contained economic stimulus action, as well as spending cuts and tax increases. However, due to the continuing decline of the economy in California and a resulting reduction in revenue in the first half of 2009, the State budget required further cuts in spending to balance the budget. A revised budget was eventually approved in July 2009 which enabled funding to resume on many state-funded construction projects which had been delayed until a balanced budget could be negotiated.

The demand for construction aggregates is significantly higher per dollar of expenditure through infrastructure projects than in residential construction. Action taken at both federal and state levels in early 2009 is intended to be the financial catalyst to reverse the unprecedented decline in the present economic cycle and in recent weeks, signs of resurgence may be emerging in the construction aggregates market in California as government stimulus funds begin to be released. Relatively simple projects, such as road resurfacing, were the first "shovel ready" projects to get underway. In many cases, the larger, more complex infrastructure projects have been approved to proceed, but the time required to build momentum in major infrastructure projects is such that significant benefits in aggregate demand will not occur until 2010 and thereafter.

Quarries and Terminals

The Orca Quarry is situated to the west of the town of Port McNeill, British Columbia, and commenced shipments of high quality sand and gravel construction aggregates to west coast ready mix concrete producers in March 2007. Mineral extraction takes place from the East Cluxewe deposit which contained a reserve of 134 million tons at the commencement of operations in 2007.

The Company has recently completed exploration on additional lands in the Orca Quarry area, over which it has certain rights, referred to as the East Cluxewe Extension, West Cluxewe and Bear Creek deposits. After due consideration of resource, environmental and permitting factors relative to these areas, the Company has decided to make the East Cluxewe Extension deposit, which is contiguous with its current operations, the first priority to be followed by the West Cluxewe deposit. As a consequence of this sequence and the probable timing, the Company has allowed its agreement with Island Timberlands in respect of Bear Creek to lapse and costs of $0.1 million for exploration on this property were written off in the three month period ended June 30, 2009.

Marine terminal access, whether through owned and operated terminals, or third party terminals, is a key component in the logistical chain. The Company currently delivers construction aggregate to four terminals in San Francisco Bay. The Richmond Terminal is owned and operated by the Company and has a permitted capacity of 1.5 million tons per year, serving the north eastern Bay area: The Redwood City terminal in southwest San Francisco Bay and the Pier 92 terminal near downtown San Francisco are owned and operated by the Company's strategic alliance partner, Cemex, Inc. ("Cemex") having a combined annual capacity of over 1.0 million tons. Landing Way Depot, on the Petaluma River in Sonoma County, has an annual capacity of 1.25 million tons.

The Company's strategic objectives include the development of marine terminals in southern California. In 2008 a joint venture company, named Cemera Long Beach, LLC, was formed with Cemex, which purchased a 12.4 acre parcel of freehold land in the Port of Long Beach, California, intended for development into a major receiving and distribution terminal for aggregates from the Company's quarry properties. The site is currently being permitted for the development of both sand and gravel and granite receiving terminals, together with a ready mix concrete plant. The Company and Cemex are also pursuing an opportunity in the Port of San Diego for the development of a marine aggregate terminal to service the San Diego market, which has significant aggregate supply deficiencies. On August 4, 2009, The Port of San Diego granted Cemera San Diego, LLC, a joint venture between the Company and Cemex, an Exclusive Negotiating Agreement to negotiate an Option to Lease and develop an approximate 100,000 square foot building located at the Tenth Avenue Marine Terminal in San Diego for the purpose of receiving and distributing Orca sand and gravel. The Company expects to advance this opportunity over the next two years.

The Company owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater alongside the Alberni Inlet near Port Alberni, British Columbia. The Eagle Rock Quarry received its mine permit in 2003 and recently renewed the Environmental Assessment Certificate from the Province of BC, which now expires in September 2013. The Company is actively seeking market outlets which would support the development of the quarry to produce crushed rock construction aggregate products. Work is underway to update and complete the previous partially completed feasibility study and is expected to be concluded in 2009. Eagle Rock Quarry products are expected to be shipped in bulk ocean-going carriers to coastal urban markets along the west coast of North America and Hawaii. This high quality aggregate is anticipated to be ideal for asphalt manufacture and over time is expected to be a significant source of coarse aggregate for use in concrete when it will complement Orca Quarry which produces a high proportion of natural sand.

Markets

The Company's primary target markets continue to be the major urban centers along the west coast of North America. The Company currently sells sand and gravel into three distinct markets: the San Francisco Bay area, Hawaii and Vancouver, BC. Local production of construction aggregate has been diminishing in each of these markets as operating quarries are depleted, albeit at a somewhat reduced rate during this recessionary period, and new resources become more difficult to permit. Longer and more costly overland trucking to consumers is required to meet local supply shortfalls, creating a market opportunity for the Company to competitively ship high quality construction aggregate to those markets in large ocean-going bulk carriers or, in the case of Vancouver, in customer contracted barges.

The California market has experienced an unprecedented reduction in demand, from a peak of 246 million tons in 2006 down to 162 million tons in 2008, a drop of 34% (Source: *US Geological Survey*). This rate of decline has continued such that demand in 2009 is projected by the Company to be approximately 123 million tons, a staggering reduction of 50% from the peak demand level in 2006.

Historically, public spending and private investment have been counter-cyclical. However, the significant decline in private spending, exacerbated by the current credit squeeze, out-paced the effect of any ramp-up of large infrastructure projects, thus creating the significant reduction in the overall demand. The recently announced federal and state stimulus packages are now expected to increase the demand for construction aggregate beginning in 2010. In view of the dramatic reductions experienced over the past three years, it is likely that the robust recovery years will be 2010 to 2012 although a return to 2006 levels of demand are not now expected until 2015. (Source: *Portland Cement Association 2009 Conference on the State of the US Cement Industry*).

The combination of dwindling supplies and relatively stable demand for construction aggregate in Hawaii made this market favourable for the Company's products. However, the Hawaiian market is beginning to experience a slowdown in demand for similar economic reasons to those experienced by mainland markets. The High-Capacity Transit Corridor (light rail system) infrastructure project in Honolulu may reduce the impact of this slowdown. The reducing supply of locally available construction aggregate, particularly sand, should enable the Company to gradually increase sales of Orca materials into the Hawaii as the market recovers.

Several large infrastructure projects, which were under construction in Vancouver for the winter Olympic Games in 2010, have now been completed. This factor, coupled with a slowdown in high-rise residential construction, contributed to a significant slowdown of Orca quarry sales into this market in the first half of 2009. The Company expects that this trend will gradually reverse as the federal and provincial governments embark upon an infrastructure stimulus spending plan which includes several major projects in the lower mainland of British Columbia.

Shipping

The Company is currently shipping its products from Vancouver Island, British Columbia, Canada to San Francisco Bay, and supplying customers in Hawaii and Vancouver, B.C., on an ex-quarry basis into vessels or barges supplied by these customers. Customers in the San Francisco Bay area are supplied by self-unloading Panamax vessels provided by CSL International Inc. ("CSL").

On arrival in San Francisco Bay, CSL's vessels are partially unloaded while at anchor ("lightered") into barges provided by Shamrock Materials Inc. under the terms of a twenty-year aggregate supply agreement, or onto a barge operated by an independent towing contractor on behalf of Cemex. After lightering, the balance of the cargo may be unloaded at an existing terminal operated by Cemex at Redwood City or at the Company's Richmond Terminal. These arrangements offer the most economical shipping solution by utilizing fully loaded Panamax vessels from Vancouver Island to San Francisco Bay. However, the decline in demand in construction aggregates in California has had the effect of slowing the Company's previously anticipated rate of growth and created situations where dead freight costs have been incurred. This was not the case in 2008 and it is anticipated that a return to similar levels of market demand will again maximize shipping efficiency.

The lower mainland of British Columbia is supplied with sand and gravel on a regular basis using barges provided by the customer and unloaded at two terminals located on the Fraser River. Sales to Hawaii are made via CSL self-discharging vessels contracted by the Company's Hawaiian customer.

Customers

The Strategic Alliance formed with Cemex in 2007, coupled with the Shamrock Supply Agreement, represents the cornerstone of the Company's long term growth plans and supports progress toward the permitted production of 6.6 million tons per year from the Orca Quarry. Shamrock and Cemex together account for approximately 80% of the Company's sales.

Cemex is a Mexican public company and one of a small number of major international cement producers. The Company follows the financial information disclosed to the public by Cemex and maintains a close working relationship with its regional management.

Shamrock Materials is a well established private company and close relations are maintained with the principals. The Company also has supply contracts with customers in Hawaii and Vancouver, BC both of which are substantial private companies with whom management maintains a close relationship.

In view of the four long term purchase and supply contracts the Company's selling prices, net of recovered shipping fuel surcharges, have remained stable, despite the reduction in demand in the market.

Sales and Seasonality

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions can 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 sensitive to weather and market conditions, particularly to cyclical swings in construction spending. This was no more evident than in the first half of 2009 when poor weather in all west coast markets, coupled with the general construction activity downturn, resulted in substantially lower volumes shipped compared with the previous year. Sales related to construction projects delayed by poor weather tend to be recovered as projects accelerate to meet deadlines in the following periods. Historically, the highest sales are achieved in the summer (second and third quarters) of any year and the lowest realized in the winter (first and fourth quarters) when construction activity may be impacted by adverse weather. However, the decline of economic activity during the current recession has been uncharacteristically sharp, and it is difficult to predict if business levels in 2009 will follow the historic trend.

Liquidity and Capital Resources

Working Capital

At June 30, 2009, the Company had working capital of $11.2 million, including cash of $4.7 million, compared to working capital of $11.1 million and cash of $7.0 million at December 31, 2008. In order to strengthen its cash position, the Company, in conjunction with its joint venture partners, intends to refinance the $2.5 million short term loan receivable it incurred to build the berthing tug, now operational at the Orca Quarry ship loading berth. Further, the Company is also seeking to expedite the realization of the principal of its long term loan receivable.

Operating, Financing and Investing Activities

For the three and six months ended June 30, 2009, cash used was $1.7 million and $2.4 million respectively, compared with $1.9 million and $7.0 million in the three and six months ended June 30, 2008. Operating activities, taking into account non-cash items and non-cash working capital, used cash of $1.2 million and $3.0 million for the three and six month periods ended June 30, 2009, respectively, compared to $0.2 million and $2.0 million in the comparative 2008 periods. Inventories increased from 343,000 tons at December 31, 2008 to 523,000 tons at June 30, 2009. Quarry production is adjusted as necessary to maintain inventory levels.

On January 8, 2009, the Company completed an equity financing and issued, on a bought deal basis, 15,625,000 units (the "Units") of the Company at a price of CAD$1.60 per Unit, for gross proceeds to the Company of CAD$25 million (the "Offering"). Each Unit consisted of one Common Share of the Company and one half of a common share purchase warrant (each full warrant a "Warrant") with each Warrant entitling the holder thereof to purchase an additional Common Share of the Company at the exercise price of CAD$2.25 per Common Share for a period of two years following the closing of the Offering. Polaris granted the underwriters an over-allotment option which was not exercised.

To facilitate the purchase of the Pier B land, the Company entered into a one-year bridge loan facility in August 2008 for CAD$20 million, which was repaid using the net proceeds of the bought deal equity financing outlined above. Upon initial recognition, the Company designated the loan as held for trading and recognizes the fair value of the loan at each measurement date. At December 31, 2008, the fair value of the loan was determined to be $16.4 million and at the time of repayment on January 8, 2009 there had been no material change in the fair value.

The Company may need to obtain additional financing to develop the Pier B terminal and also in the event that the Company successfully meets its objectives of securing additional terminals and developing the Eagle Rock Quarry.

During the six month period ended June 30, 2009, no stock options were exercised and the Company granted 25,000 stock options with a weighted average exercise price of CAD $1.49 per share, expiring in 2019. Subsequent to June 30, 2009, the Company granted 700,000 stock options with a weighted average exercise price of CAD$1.99 per share.

The Company expended $1.0 million and $2.3 million ($0.6 million and $1.9 million after excluding the BC Social Services tax assessment of $0.4 million, which was paid but is in dispute, relating to construction in 2006), respectively on property, plant and equipment in the three and six months ended June 30, 2009 compared with $0.7 million and $3.2 million in the comparative 2008 quarters. The 2009 expenditures relate mainly to payments for the installation of a second crusher at the Orca Quarry completed in 2008, permitting of the Pier B property, the ongoing feasibility study of the Eagle Rock Quarry and improvements to the load-out facilities and storage at the Richmond Terminal, while the 2008 expenditures related to the final construction costs of the Richmond Terminal, the Company's 2008 exploration program and the commencement of the Eagle Rock feasibility study. Included in property, plant and equipment for the three months ended June 30, 2009 is $0.4 million paid by the Company in order to minimize accrued interest, in relation to a BC Social Services tax assessment. The Company is appealing this assessment (See *BC Social Services Tax* under the section *Contractual Obligations, Commitments and Contingencies*).

Restructuring of Investment in Asset Backed Commercial Paper

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the asset backed commercial paper ("ABCP") restructuring process. The restructuring closed on January 21, 2009.

In accordance with an agreement reached with all key stakeholders, the ABCP has been converted into longer term financial instruments with maturities corresponding to the underlying assets. ABCP backed by traditional securitized assets has been restructured on a series-by-series basis into Traditional Asset ("TA") Tracking Notes, with each trust or series maintaining its separate assets. ABCP backed by synthetic assets or a combination of synthetic and traditional securitized assets has been restructured into four different floating rate notes, Class A-1, A-2, B and C, with maturities based upon the maturities of the underlying pooled assets. ABCP backed by US sub-prime assets has been restructured into Ineligible Asset ("IA") Tracking Notes on a series-by-series basis, with each series maintaining its separate exposure to its own assets.

The exchange of restructured ABCP notes was completed on January 21, 2009. A first instalment of interest (to August 31, 2008) was also paid on the same day. Interest payments received have been accounted for in the fair value determination of the notes. The balance of the interest is to be paid in subsequent instalments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from the first interest payment.

In January 2009, the Company received:

Face value ($000's)		Restructuring categories
4,058	(CAD4,943)	Master Asset Vehicle MAV II Class A-1 Notes
126	(CAD152)	Master Asset Vehicle MAV II Class C Notes
637	(CAD776)	Master Asset Vehicle MAV II Class 13 IA Tracking Notes

Class A-1 Notes bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056 but the expected repayment date of the Class A-1 notes is January 22, 2017. The senior Class A-1 notes have been rated "A" by DBRS while the subordinated Class C notes are unrated. The IA Tracking Notes bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturity of the Class 13 IA Tracking Notes is based on the maturity of the underlying assets. The Class 13 IA Tracking Notes will not be rated.

The exchange of the ABCP for the new notes on January 21, 2009, has been recognized as a transaction of substance. At June 30, 2009, the Company has an investment in debt securities with a par value of $5,048,735 (CAD$5,871,678) and a carrying value of $2,740,295 (CAD$3,186,963). The Company's investment in ABCP was classified as available-for-sale on initial recognition and carried at fair value in cash and cash equivalents. To reflect the lack of liquidity in the ABCP market and the uncertainty surrounding the timing of cash flows, the investment has been reclassified as long-term. The investment in ABCP has been removed from the Company's balance sheet at January 21, 2009 and the new notes initially recognized at a fair value of $2.4 million (CAD$3.1 million). The Company's investment in the new notes has been classified as held-for-trading and carried at fair value. Interest payments received are accounted for in the fair value determination of the notes. Changes in fair value of the new notes are reported in net income as they arise.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the notes. The Company's management has estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates of credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The assumptions used in the valuation model at June 30, 2009 include:

Weighted average interest rate	3.05%
Weighted average discount rate	21.51%
Maturity of notes	6 to 9 years

If these assumptions were to change, the fair value of the investment in ABCP could change significantly. The fair value could range from $3,381,759 (CAD$3,932,986) to $2,369,419 (CAD$2,755,634) based on alternative reasonable assumptions.

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

In July 2005, the Company executed its first long term shipping Contract of Affreightment ("CoA-1") with CSL. On commencement of the marine shipping contract CoA-1 on July 18, 2007, the Company was committed to ship the following tonnage to locations in San Francisco Bay at fixed rates per ton of product, subject to annual inflation and per-voyage fuel cost adjustments.

	Tons
First contract year	1,540,000
Second contract year	2,530,000
Third contract year	3,520,000
Fourth contract year	4,400,000
Fifth contract year and thereafter	4,950,000

The term of CoA-1 has been extended from 10 years to 15 years.

The Company further increased its shipping capacity by entering into its second shipping contract, CoA-2, in 2007 which would have commenced in the third quarter of 2010 but which has been deferred until the beginning of 2014. This additional capacity was secured, at a time when the availability of self discharge shipping capacity was severely constrained, in order to facilitate the future deliveries of the Company's construction aggregates to southern California terminals including the anticipated development of the Eagle Rock Quarry. This contract requires the Company to ship a minimum of 2,480,000 tons annually for the contract term of 15 years.

Failure by the Company, under CoA-1 or CoA-2, to ship its annual cargo commitments will result in a dead freight charge equal to 75% of the freight rate of the unshipped tons. The Company has the option, in any given year, to carry forward up to 25% of the yearly contracted tonnage into the following year and to increase or decrease volume commitments by 10% under a charterer's option. The Company met its first contract year commitment and shipped in excess of 1.5 million tons. For the second contract year ending July 17, 2009, the Company elected to exercise its rights under the contract for CoA-1 to roll forward up to 25% of its annual contracted volume, reflecting the recessionary market conditions, and reduce the commitment by 10% and has now met this reduced shipping requirement.

British Columbia Social Service Tax

The Company is disputing a BC social services tax assessment for the period May 2004 to December 2008. The basis for the dispute is the eligibility of the shiploading installation for the production machinery and equipment exemption available to mining companies such as the Company. The Company believes it qualifies for this exemption and that the amounts related to the shiploading facility are not due. In conjunction with receiving an assessment for $567,167 (CAD$659,616), the Company received a refund of $72,513 (CAD$84,333) for the production and equipment exemption relating to amounts for the Orca Quarry. In order to mitigate additional interest, the Company has paid the net amount due of $494,654 (CAD$575,283), of which $407,037 was capitalized to property, plant and equipment, and $87,617 (CAD$102,232) related to interest, which has been expensed. The Company has retained legal counsel to defend its position and further its appeal.

Non-GAAP Measures

Adjusted Loss

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

('000 except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Loss for the period	(3,337)	(1,929)	(4,734)	(4,393)
Adjustments				
Stock based compensation	133	511	275	2,142
Change in fair value of loan payable	-	-	7	-
Change in fair value of investment	(115)	-	(167)	-
Adjusted loss for the period	(3,319)	(1,418)	(4,619)	(2,251)
per share	*(0.06)*	*(0.04)*	*(0.09)*	*(0.06)*

EBITDA and Adjusted EBITDA

EBITDA, adjusted EBITDA, EBITDA per share and adjusted EBITDA per share ("EBITDA Metrics") are non-GAAP financial measures. EBITDA and EBITDA per share represent net income, excluding income tax expense, interest expense and amortization and accretion. Adjusted EBITDA and adjusted EBITDA per share better reflects the underlying business performance of the Company by removing certain non-cash adjustments from its calculation of EBITDA and EBITDA per share. The Company believes that the EBITDA Metrics trends are valuable indicators of whether its operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. The Company uses the results depicted by the EBITDA Metrics for these purposes, an approach utilized by the majority of public companies in the construction materials sector. The EBITDA Metrics are intended to provide additional information, do not have any standardized meaning prescribed by Canadian GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Other companies may calculate these measures differently. The following table reconciles these non-GAAP measures to the most directly comparable Canadian GAAP measure.

('000 except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	**2009**	2008
	$	**$**	**$**	**$**
Loss for the period	(3,337)	(1,929)	(4,734)	(4,393)
Income taxes	49	-	68	-
Interest expense	152	73	274	136
Amortization, depletion and accretion	1,305	1,611	2,269	2,896
EBITDA	(1,831)	(245)	(2,123)	(1,361)
per share	*(0.03)*	*(0.01)*	*(0.04)*	*(0.04)*
Adjustments				
Stock based compensation	133	511	275	2,142
Change in fair value of loan payable	-	-	7	-
Change in fair value of investment	(115)	-	(167)	-
Adjusted EBITDA	(1,813)	266	(2,008)	781
per share	*(0.03)*	*0.01*	*(0.04)*	*0.02*

Related Party Transactions

During the three month periods ended June 30, 2009 and 2008, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided to the Company, services at a cost of $72,533 (June 30, 2008 - $77,159). During the six month period ended June 30, 2009, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of $152,566 (June 30, 2008 - $150,606).

At June 30, 2009, accounts payable of $25,428 (2008 - $24,844) was due to a company controlled by an officer of a subsidiary company.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

Critical Accounting Estimates

The Company's accounting policies are described in Note 3 to the December 31, 2008 audited consolidated financial statements. Both the accounting polices used and the estimates made by management can impact the consolidated financial statements. The Company considers the accounting policies and estimates for inventories, property plant and equipment, the impairment of long-lived assets, the fair value of financial instruments, asset retirement obligations, stock-based compensation, income taxes, and the translation of foreign currency to be significant. There is a full discussion and description of the Company's critical accounting estimates in the 2008 management discussion and analysis.

Changes in Accounting Policies including Initial Adoption

Accounting policies implemented effective January 1, 2009

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces section 3062, and establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this new section had no impact on the Company's consolidated financial statements.

In January 2009, the CICA issued EIC-173, "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company's valuation of financial assets or liabilities.

In March 2009, the CICA issued EIC-174, "Mining exploration costs" which provides guidance related to the measurement of exploration costs and the conditions that an enterprise should consider when determining the need to perform an impairment review of such costs. This abstract is to apply to all interim and annual statements for periods ending on or after March 27, 2009. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed fiscal years beginning on or after January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS"), replacing Canadian GAAP. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. As a result of this announcement, the Company has commenced planning and preparing for the coming changes in financial reporting requirements. The Company has established a project team, led by finance management, and has engaged a qualified third party advisor to plan for and achieve a smooth transition to IFRS and ensure successful implementation within the required timeframe.

The Company's IFRS conversion project consists of three phases: assessment, design and implementation. Although the Company, with the assistance of its qualified third party advisor, has completed a preliminary assessment of the significant differences between Canadian GAAP and IFRS as they affect the Company's systems and processes and other areas of the business, the Company has not yet finalized these assessments. This assessment has provided insight on the high risk and complex areas relating to the conversion. These areas include: First time adoption of IFRS; The Effects of Changes in Foreign Exchange Rates, Property, Plant & Equipment; Impairment of Assets; Provisions, Contingent Liabilities and Contingent Assets (including Asset Retirement Obligations (AROs)); Interest in Joint Ventures; Share-based Payments; Presentation of Financial Statements; and Related Party Disclosure. In the second half of 2009, the Company will initiate the design phase in which it will establish specific project plans and training programs for those areas affected by IFRS.

The Company will provide disclosures of the key elements of progress on this transition as the information becomes available during the transition period and will report regularly to the audit committee of the Board of Directors on the status of the IFRS implementation project.

Financial Instruments and Related Risk

Financial instruments

Cash and investments are designated as financial assets held-for-trading and measured at fair value. Security deposits, included in Other Assets, have been designated as financial assets available-for-sale. Accounts receivable, loan receivable, and long-term loans are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities.

Financial assets held-for-trading are measured at fair value with changes in those fair values recognized in net earnings. Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income ("OCI") except for other-than-temporary impairment which is recorded as a charge to other expenses. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost.

Financial Instrument Risks

The following describes the types of risks that the Company is exposed to and its objectives and policies for managing those risk exposures.

Credit risk

Credit risk is the risk that the Company will incur a loss due to a customer or other third party failing to discharge their obligation due to the Company. The Company has four customers and is, therefore, exposed to credit risk related to accounts receivable from these customers. The Company's largest customer is one of the world's largest international construction materials companies and the remaining customers are well established significant construction materials companies within their markets of San Francisco, Vancouver and Hawaii. At the time the Company entered into the loan receivable and the long-term loan, the Company assessed to its satisfaction the credit worthiness of the counter parties and continues to maintain close contact with those parties. The Company and partners in the joint venture that owns the new berthing tug intend to obtain a marine mortgage for the loan receivable.

Except for the short-term investments and the long-term loan, no collateral is held as security in respect of the amounts that comprise the Company's exposure to credit risk. The Company is in the process of renegotiating the long term-loan and its payment terms.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by continuing to seek sources of financing at appropriate costs of capital.

Market Risk

The Company is exposed to the following market risks:

Currency risk – The Company reports in US dollars and the Canadian dollar is its functional currency. Operations in the USA are integrated with the Company's Canadian operations. As a result, the Company is exposed to foreign currency gains and or losses affecting net income and cumulative translation adjustments which affect other comprehensive income. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Interest rate risk – The Company's interest rate risk arises primarily from the interest received on cash, security deposits and the loan receivable which are at floating rates. The Company's long-term loan and capital leases are at fixed rates. The Company has also made advances to the Namgis First Nation. The advances made prior to the construction decision bear interest at prime plus a small margin and advances made subsequent to the construction decision bear interest at substantially higher floating rates. The Company does not record the interest on these advances until recovery is assured through the establishment of continued positive cash flow at the Orca Quarry, accordingly interest on the advances has not been factored into the analysis.

Fair value of financial instruments

The fair values of cash, accounts receivable, loan receivable, security deposits included in other assets, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The Company's management has estimated the fair value of its investments by discounting the future cash flows using a valuation model that incorporates management's best estimates of credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the investment. If management's assumptions were to change, the fair value of the investment could change significantly. See the Liquidity and Capital Resources section for details regarding the restructuring of the Company's investment in ABCP.

The fair value of the Company's long-term loan, which is carried at amortized cost, is estimated by discounting the anticipated future cash flows determined using a valuation model that incorporated management's best estimate of the counterparties credit risk and relevant market interest rates. As the Company is in the process of renegotiating the loan and its payment terms, actual amounts could differ.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,224,602 were issued and outstanding. The Company also had 3,717,595 options outstanding, exercisable into 3,717,595 common shares of which 2,957,760 are currently vested and 10,916,346 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 financial risk. The risk factors which should be taken into account in assessing the Company's activities include, but are not necessarily limited to, those set out in the paragraphs below. These risks are not intended to be presented in any assumed order of priority. Any one or more of these risks could have a material effect on the Company and should be taken into account in assessing the Company's activities.

Current global financial conditions have been subjected to increased volatility and access to financial markets has been severely restricted, which may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Failure to obtain financing in the future may result in the delay or indefinite postponement of the future development of the Company's properties and terminals and could potentially result in the loss of those property interests. Further, the Company has an investment in ABCP and due to the uncertain global economy, there can be no assurance that the Company's investment will be recoverable in whole, in part or at all.

The quarrying industry is competitive and the Company may not secure the construction aggregate sales volumes and prices anticipated for the Orca Quarry. As the Company's sales will be in US dollars, currency fluctuations may adversely affect the Company's revenues once sales commence. Furthermore, the Company must secure access to additional discharge points and additional shipping volumes for its products. An additional risk exists that the Company may be unable to meet minimum freight contract volumes, particularly during the earlier years of the contract which could have a materially adverse affect on the Company's revenues, operations and financial condition.

Quarrying involves a high degree of risk and the Company has a limited history of construction aggregate project development or operations. Additionally, certain groups are opposed to quarrying and could attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. The Company's title to its properties may be subject to disputes or other claims, including land title claims of First Nations. Construction aggregate quarrying, processing and development activities are highly regulated and changes to government regulations or interpretation of those regulations may also adversely affect the Company. The Company currently depends on a single property with a construction aggregate reserve that has an estimated life of 25 years. In order to maintain its annual production the Company will be required to obtain other construction aggregate resources in the future to bring into production. The Company's operations are subject to environmental risks and the actual costs of reclamation for the property are uncertain. Further, the Company's insurance will not cover all the potential risks associated with a quarrying operation.

The Company is principally dependent upon its key personnel and will also be required to recruit and retain personnel to facilitate the growth of the Company.

The specifics of the Company's risks are detailed in disclosures with the heading "Risk Factors" in the Company's periodic filings with securities regulators.

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 six months ended June 30, 2009 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, 2008, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.polarmin.com.

Glossary of Terms

Ton – the unit of weight used in the US consisting of 2,000 imperial pounds.

Metric Tonne – a unit of weight commonly used in Canada and worldwide in shipping operations consisting of 1,000 kg (2,205 imperial pounds).

Polaris Minerals Corporation

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(thousands of U.S. dollars)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash	$ 4,669	$ 7,036
Accounts receivable	3,765	3,648
Loan receivable (note 3)	2,456	2,069
Inventories (note 4)	3,491	2,250
Prepaid expenses and other	255	675
	14,636	15,678
Investments (note 5)	2,740	2,675
Long-term loan (note 6)	4,967	5,193
Property, plant and equipment (note 7)	109,605	105,361
Other assets	1,057	1,008
	$ 133,005	$ 129,915
Liabilities		
Current liabilities		
Accounts payable (note 14)	$ 1,710	$ 2,438
Accrued liabilities	1,127	1,515
Current portion of capital lease obligations	641	592
	3,478	4,545
Loan payable (note 8)	-	16,413
Capital lease obligations	2,361	2,566
Asset retirement obligation (note 9)	1,884	1,740
Other long-term liabilities	44	45
	7,767	25,309
Non-controlling interest (note 10)	1,493	1,058
Shareholders' equity (note 11)		
Share capital	149,553	132,405
Warrants	6,837	4,503
Contributed surplus	13,008	12,733
Accumulated other comprehensive income	1,571	(3,603)
Deficit	(47,224)	(42,490)
	123,745	103,548
	$ 133,005	$ 129,915

Commitments and contingencies (note 15)
Subsequent events (note 11 and 15)

Approved by the Board of Directors

" Paul Sweeney "
Paul Sweeney, Director

" Herbert G.A. Wilson "
Herbert G.A. Wilson, Director

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(thousands of U.S. dollars, except per share amounts)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Sales	$ 6,217	$ 6,573	$ 9,142	$ 13,121
Cost of goods sold	(5,342)	(4,635)	(7,761)	(9,745)
Amortization, depletion and accretion	(1,217)	(1,541)	(2,127)	(2,756)
Gross margin	(342)	397	(746)	620
General and administrative	(1,222)	(1,719)	(2,511)	(3,274)
Marketing	(87)	(90)	(175)	(191)
Stock-based compensation	(133)	(511)	(275)	(2,142)
Loss from operations	(1,784)	(1,923)	(3,707)	(4,987)
Interest on loan payable and capital lease obligations	(53)	(73)	(150)	(136)
Interest expense	(99)	-	(124)	-
Interest income	89	182	180	399
Foreign exchange (loss) gain	(900)	(125)	(515)	291
Gain on fair value of investments	115	-	167	-
Loss on fair value of loan payable	-	-	(7)	-
Exploration property costs written off (note 7)	(116)	-	(116)	-
Loss before non-controlling interest and taxes	(2,748)	(1,939)	(4,272)	(4,433)
Non-controlling interest (note 10)	(540)	10	(394)	40
Current income tax expense	(49)	-	(68)	-
Net loss for the period	$ (3,337)	$ (1,929)	$ (4,734)	$ (4,393)
Basic and diluted loss per common share	$ (0.06)	$ (0.05)	$ (0.09)	$ (0.12)
Weighted average number of common shares outstanding	53,205	37,410	52,514	37,373

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(thousands of U.S. dollars)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Operating activities				
Net loss	$ (3,337)	$ (1,929)	$ (4,734)	$ (4,393)
Amortization and accretion	1,305	1,611	2,269	2,896
Accrued interest	-	-	(33)	-
Exploration property costs written off	116		116	
Non-controlling interest	540	(10)	394	(40)
Gain on fair value of investments	(115)	-	(167)	-
Loss on fair value of loan payable	-	-	7	-
Unrealized foreign exchange loss (gain)	203	20	189	(120)
Stock-based compensation	132	511	275	2,142
	(1,156)	203	(1,684)	485
Changes in non-cash working capital items (note 13)	(17)	(403)	(1,288)	(2,646)
Net cash used in operating activities	(1,173)	(200)	(2,972)	(2,161)
Financing activities				
Issue of common shares and warrants	-	426	21,030	483
Issue costs	-	-	(1,491)	-
Repayment of loan payable	-	-	(16,824)	-
Capital lease payments	(153)	(165)	(294)	(319)
Net cash (used in) provided by financing activities	(153)	261	2,421	164
Investing activities				
Advances on loan receivable	(113)	(1,444)	(206)	(1,444)
Payment received on investments	57	-	224	-
Long-term loan principal payments received (net)	124	181	226	98
Property, plant and equipment purchases	(1,043)	(658)	(2,257)	(3,214)
Security deposit (withdrawal) deposit	-	(9)	(3)	42
Net cash used in investing activities	(975)	(1,930)	(2,016)	(4,518)
Effect of foreign currency translation on cash	610	(20)	200	(445)
Decrease in cash	(1,691)	(1,889)	(2,367)	(6,960)
Cash - beginning of period	6,360	10,163	7,036	15,234
Cash - end of period	$ 4,669	$ 8,274	$ 4,669	$ 8,274

Supplemental cash flow information

(note 13)

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(thousands of U.S. dollars)

	Share Capital						
	Number of common shares (000's)	Amount	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
December 31, 2007	37,325	$ 131,773	$ 3,452	$ 9,833	$ 20,478	$ (32,697)	$ 132,839
Warrants issued	-	-	1,051	-	-	-	1,051
Options exercised	255	632	-	(150)	-	-	482
Stock based compensation	-	-	-	3,050	-	-	3,050
Other comprehensive loss	-	-	-	-	(24,081)	-	(24,081)
Net loss	-	-	-	-	-	(9,793)	(9,793)
December 31, 2008	37,580	132,405	4,503	12,733	(3,603)	(42,490)	103,548
Units issued - net (note 11)	15,625	17,148	2,334	-	-	-	19,482
Stock based compensation	-	-	-	275	-	-	275
Other comprehensive income	-	-	-	-	5,174	-	5,174
Net loss	-	-	-	-	-	(4,734)	(4,734)
June 30, 2009	53,205	$ 149,553	$ 6,837	$ 13,008	$ 1,571	$ (47,224)	$ 123,745

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(thousands of U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net loss for the period	$ (3,337)	$ (1,929)	$ (4,734)	$ (4,393)
Other comprehensive income (loss)				
Currency translation adjustment	9,879	858	5,174	(3,711)
	9,879	858	5,174	(3,711)
Comprehensive income (loss) for the period	$ 6,542	$ (1,071)	$ 440	$ (8,104)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(U.S. dollars, except where noted)

1. Basis of presentation

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2008, except as noted below (note 2). These unaudited interim consolidated financial statements do not include all the disclosures required by Canadian generally accepted accounting principles for annual financial statements, and should be read in conjunction with the audited annual financial statements of the Company as at December 31, 2008.

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions 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.

Certain comparative figures have been reclassified to conform to the current period presentation.

2. Changes in accounting policies

Accounting policies implemented effective January 1, 2009

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, and establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this section had no impact on the Company's consolidated financial statements.

In January 2009, the CICA issued EIC-173, "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company's valuation of financial assets or liabilities.

In March 2009, the CICA issued EIC-174, "Mining exploration costs" which provides guidance related to the measurement of exploration costs and the conditions that an enterprise should consider when determining the need to perform an impairment review of such costs. This abstract is to apply to all interim and annual statements for periods ending on or after March 27, 2009. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed fiscal years beginning on or after January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to adopt IFRS as issued by the International Accounting Standards Board, with earlier adoption permitted. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Company will present its first financial reporting in accordance with IFRS for the three-month period ended March 31, 2011. The Company has begun assessing the effect of the adoption of IFRS on the financial statements; however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Loan receivable

The Company has a loan receivable at June 30, 2009 of $2,456,193 (December 31, 2008 - $2,068,858) from its joint venture partners in 0791304 B.C. Ltd (note 11). The amount due is comprised of principal of $2,318,789 (December 31, 2008 – $1,921,942) and accrued interest of $137,404 (December 31, 2008 – $146,916). The joint venture is seeking third party financing, from which, upon completion, it will repay the Company; therefore, the loan has been classified as current.

4. Inventories

(in thousands)		**June 30, 2009**		**December 31, 2008**
Construction aggregates	$	2,750	$	1,623
Components and consumable supplies		741		627
	$	3,491	$	2,250

5. Investments

(in thousands)		June 30, 2009		December 31, 2008
Investment in debt securities	$	2,740	$	2,675

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the asset backed commercial paper ("ABCP") restructuring process. The restructuring closed on January 21, 2009.

In accordance with an agreement reached with all key stakeholders, the ABCP has been converted into longer term financial instruments with maturities corresponding to the underlying assets. ABCP backed by traditional securitized assets has been restructured on a series-by-series basis into Traditional Asset ("TA") Tracking Notes, with each trust or series maintaining its separate assets. ABCP backed by synthetic assets or a combination of synthetic and traditional securitized assets has been restructured into four different floating rate notes, Class A-1, A-2, B and C, with maturities based upon the maturities of the underlying pooled assets. ABCP backed by U.S. sub-prime assets has been restructured into Ineligible Asset ("IA") Tracking Notes on a series-by-series basis, with each series maintaining its separate exposure to its own assets.

The exchange of restructured ABCP notes was completed on January 21, 2009. A first instalment of interest (to August 31, 2008) was also paid on the same day. Interest payments received have been accounted for in the fair value determination of the notes. The balance of the interest is to be paid in subsequent instalments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from this first interest payment.

In January 2009, the Company received:

Face value (in thousands)		Restructuring categories
$4,058	(CAD$4,943)	Master Asset Vehicle MAV II Class A-1 Notes
$126	(CAD$152)	Master Asset Vehicle MAV II Class C Notes
$637	(CAD$776)	Master Asset Vehicle MAV II Class 13 IA Tracking Notes

Class A-1 Notes bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056, but the expected repayment date of the Class A-1 notes is January 22, 2017. The senior Class A-1 notes have been rated "A" by DBRS Limited while the subordinated Class C notes are unrated. The IA Tracking Notes bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturity of the Class 13 IA Tracking Notes is based on the maturity of the underlying assets. The Class 13 IA Tracking Notes will not be rated.

The exchange of the ABCP for the new notes on January 21, 2009, has been recognized as a transaction of substance. At June 30, 2009, the Company has an investment in debt securities with a par value of $5,048,735 (CAD$5,871,678) and a carrying value of $2,740,295 (CAD$3,186,963). The Company's initial investment in ABCP was classified as available-for-sale on initial recognition and carried at fair value in cash and cash equivalents. To reflect the lack of liquidity in the ABCP market and the uncertainty surrounding the timing of cash flows, the investment was reclassified as long-term. The investment in ABCP has been removed from the Company's balance sheet at January 21, 2009 and the new notes initially recognized at a fair value of $2,398,638 (CAD$3,056,105). The Company's investment in the new notes has been classified as held-for-trading long-term investments and carried at fair value. Interest payments received will be accounted for in the fair value determination of the notes. Changes in fair value of the new notes will be reported in net income as they arise.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the notes. The Company's management has estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates of credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The assumptions used in the valuation model at June 30, 2009 include:

Weighted average interest rate	3.05 %
Weighted average discount rate	21.51 %
Maturity of notes	6 to 9 years

If these assumptions were to change, the fair value of the investment in the notes could change significantly. The fair value could range from $3,381,759 (CAD$3,932,986) to $2,369,419 (CAD$2,755,634) based on alternative reasonable assumptions.

6. Long-term loan

(in thousands)		June 30, 2009		December 31, 2008
Loan	$	4,967	$	5,193

At June 30, 2009, principal amounts outstanding totalled $4,966,700. Included in accounts receivable is accrued interest of $20,649 (December 31, 2008 - $59,454). The Company is in the process of renegotiating the loan's security and payment terms. At June 30, 2009, principal and interest payments totalling $832,996 (December 31, 2008 - $461,435) have been received. The loan has been accounted for under the amortized cost method.

7. **Property, plant and equipment**

(in thousands)	June 30, 2009			December 31, 2008		
	Cost	**Accumulated depletion or amortization**	**Net book value**	**Cost**	**Accumulated depletion or amortization**	**Net book value**
Orca Quarry						
Property costs	$ 12,317	$ (1,620)	$ 10,697	$ 11,762	$ (1,379)	$ 10,383
Construction in progress	-	-	-	430	-	430
Richmond Terminal						
Property costs	9,826	(636)	9,190	9,230	(397)	8,833
Pier B Terminal						
Property costs	15,348	-	15,348	14,399	-	14,399
Tug	1,137	(22)	1,115	1,034	-	1,034
Motor vehicles	201	(185)	16	192	(152)	40
Fixed plant and machinery	21,512	(2,333)	19,179	19,922	(1,714)	18,208
Marine facilities	25,238	(2,289)	22,949	23,560	(1,714)	21,846
Building and land improvements	25,127	(1,722)	23,405	23,711	(1,063)	22,648
Mobile plant	620	(194)	426	592	(125)	467
Equipment (held under capital lease)	4,428	(1,029)	3,399	4,228	(770)	3,458
Furniture, equipment, tools and fixtures	985	(646)	339	839	(507)	332
Leasehold improvements	216	(67)	149	206	(52)	154
Eagle Rock Quarry project	2,091	-	2,091	1,873	-	1,873
Other exploration properties	1,160	-	1,160	1,136	-	1,136
Other marine receiving terminals	142	-	142	120	-	120
	$ 120,348	$ (10,743)	$ 109,605	$ 113,234	$ (7,873)	$ 105,361

During the three months ended June 30, 2009, the Company allowed its option to negotiate a lease agreement with Island Timberlands, in respect to the portion of its lands on the Bear Creek deposit, to lapse after due consideration of its resource, environmental, permitting and timing factors relative to the Company's other deposits. As a consequence costs of $115,701 for exploration on this property were written off.

8. **Loan payable**

(in thousands)	**June 30, 2009**	**December 31, 2008**
Bridge loan credit facility	$ -	$ 16,413

In January 2009, the outstanding principal of $16,823,688 and $47,936 in interest on the loan was repaid from the proceeds of the Company's equity financing (note 11).

9. **Asset retirement obligation**

(in thousands)	**June 30, 2009**	**December 31, 2008**
Obligation – beginning of period	$ 1,740	$ 1,945
Liabilities settled	-	(5)
Accretion expense	60	178
Foreign exchange	84	(383)
Revision in estimated cash flows	-	5
Obligation – end of period	$ 1,884	$ 1,740

10. Non-controlling interest

(in thousands)		Non-controlling interest in subsidiary
Balance - December 31, 2007	$	1,769
Non-controlling interest share of losses		(396)
Foreign exchange		(315)
Balance - December 31, 2008		1,058
Non-controlling interest share of losses		(131)
Change in transfer pricing estimate		525
Foreign exchange		41
June 30, 2009	$	1,493

The Company holds an 88% interest in the partnership formed to develop the Orca quarry, with the remaining 12% interest held by the 'Namgis First Nation. Non-controlling interest consists of the minority interest's share of the equity in the partnership offset by the capital contributions loaned to the minority interest by the Company.

During the quarter, the Company processed a series of adjustments to its revenue in accordance with an Advanced Transfer Pricing Arrangement currently under review by the Canadian Revenue Agency. While the adjustments had no impact on the Company's consolidated revenue, it altered the results of the individual entities within the group. As a result, adjustments were made in the quarter affecting non-controlling interest on the balance sheet and in the income statement.

11. Shareholders' equity

Share capital

Authorized: Unlimited common shares without par value

Common shares and warrants issued

In January 2009, the Company issued 15,625,000 units at $1.35 (CAD$1.60) per unit for gross proceeds of $21,029,543 (CAD$25,000,000). Each unit consists of one common share of the Company and one half of a common share purchase warrant with each full warrant entitling the holder thereof to purchase an additional common share of the Company at the exercise price of CAD$2.25 per common share for a period of two years following the closing of the offering. Based on the pro-rata allocation of the fair value of the shares and warrants issued, $1,362,084 of issue costs has been recorded as a charge to share capital. See below for the allocation to the warrants. The Company has used a portion of the net proceeds from the offering to repay its outstanding bridge loan credit facility (note 8).

Stock options

Under the Company's established incentive stock option plan, as at June 30, 2009, the maximum outstanding options allowed are 5,320,460 (December 31, 2008 – 3,757,960). All options are exercisable in Canadian dollars.

The Company's stock options at June 30, 2009 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
December 31, 2007	2,738,807	$8.54
Granted	930,000	$9.67
Exercised	(254,212)	$1.91
Forfeited	(165,000)	$12.28
December 31, 2008	3,249,595	$9.20
Granted	25,000	$1.49
Forfeited	(30,000)	$8.69
June 30, 2009	3,244,595	$9.14

Subsequent to the period end, on July 7, 2009, the Company granted 700,000 options with an exercise price of CAD$1.99. Options granted expire in ten years. 150,000 of the options granted have a one year vesting schedule, with half vesting on the grant date and half vesting on July 6, 2010. 550,000 of the options granted have a two year vesting schedule, with one third vesting on the grant date, one third vesting on July 6, 2010, and the remaining one third vesting on July 6, 2011.

11. Shareholders' equity - *continued*

At June 30, 2009, the following stock options are outstanding and exercisable:

	Options outstanding			Options exercisable		
Exercise prices (CAD$)	**Number of options outstanding**	**Weighted average exercise price (CAD$)**	**Weighted average remaining contractual life (years)**	**Number of options exercisable**	**Weighted average exercise price (CAD$)**	**Weighted average remaining contractual life (years)**
$0.75 - $2.00	390,000	$1.21	3.88	340,000	$1.14	3.06
$2.50 - $4.00	385,000	$3.46	4.92	385,000	$3.46	4.92
$4.56 - $5.60	477,345	$4.91	5.72	364,011	$4.98	6.10
$8.69	85,000	$8.69	8.64	42,500	$8.69	8.64
$11.41	620,000	$11.41	3.51	476,666	$11.41	3.51
$13.75	1,287,250	$13.75	8.26	1,254,917	$13.75	8.26
	3,244,595	$9.14	6.07	2,863,094	$9.29	6.13

During the six months ended June 30, 2009, options granted had a total fair value of $19,782 (June 30, 2008 - $3,185,850) and a weighted average grant-date fair value of $0.79 (June 30, 2008 - $4.16) per option. The options have been valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Six months ended June 30, 2009	**Six months ended June 30, 2008**
Average risk free rate	2.34%	3.75%
Expected life	7.00 years	4.46 years
Expected volatility	68.03%	39.82%
Expected dividends	-	-

Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

Warrants

The Company's warrants at June 30, 2009 and changes for the period are as follows:

	Number of warrants outstanding	**Weighted average exercise price (CAD$)**
December 31, 2007	2,153,846	$4.80
Granted	1,900,000	$6.50
December 31, 2008	4,053,846	$5.60
Granted	7,812,500	$2.25
Cancelled	(950,000)	$6.50
June 30, 2009	10,916,346	$3.12

950,000 warrants issued in conjunction with the loan payable expired before vesting due to the repayment of the loan payable (note 8).

At June 30, 2009, the following warrants are outstanding and exercisable:

Number of warrants outstanding and exercisable	**Expiry date**	**Weighted average exercise price (CAD$)**	**Weighted average remaining contractual life (years)**
2,153,846	November 30, 2010	$4.80	1.42
7,812,500	January 8, 2011	$2.25	1.52
950,000	August 17, 2013	$6.50	4.13
10,916,346		$3.12	1.73

All warrants are exercisable in Canadian dollars. For the warrants issued during the six months ended June 30, 2009, a fair value of $2,683,365 and a weighted average issue date fair value of $0.34 per warrant, was estimated at the date of issue using the Black-Scholes option pricing model. The weighted average assumptions used are:

	Six months ended June 30, 2009
Average risk free rate	1.14%
Expected life	2.00 years
Expected volatility	71.11%
Expected dividends	-

Based on the pro-rata allocation of the fair value of the shares and warrants issued, $2,333,969, net of issue costs of $185,388, has been recorded as a charge to share capital. Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

12. Joint venture interests

The Company conducts a portion of its business through joint ventures under which the venturers are bound by contractual arrangements establishing joint control over the venture. The Company records its proportionate share of assets, liabilities, revenue and operating costs of the joint ventures.

0791304 B.C. Ltd.

The Company has a 33.3% interest in 0791304 B.C. Ltd. The joint venture was formed to construct and operate a berthing tugboat in the waters of northern Vancouver Island to facilitate the berthing of freighters at the Orca Quarry. The following details the Company's share of its investment in its joint venture that has been proportionately consolidated:

(in thousands)		June 30, 2009		December 31, 2008
Current assets	$	252	$	-
Equipment		1,115		1,034
Total assets	$	1,367	$	1,034
Current liabilities	$	(75)	$	-
Total liabilities	$	(75)	$	-

		Three months ended June 30,				Six months ended June 30,		
(in thousands)		2009		2008		2009		2008
Revenue	$	136	$	-	$	169	$	-
Expenses		(35)		-		(104)		-
Net income	$	101	$	-	$	65	$	-
Operating activities	$	143	$	-	$	69	$	-
Investing activities		(86)		-		(104)		-
Financing activities		100		-		194		-
Increase in cash	$	157	$	-	$	159	$	-

Cemera Long Beach LLC

Cemera Long Beach LLC is a joint venture between the Company and Cemex, Inc to develop a 12.4 acre site at Pier B in the Port of Long Beach, California. The following details the Company's share of its investment in its joint venture that has been proportionately consolidated:

(in thousands)		June 30, 2009		December 31, 2008
Cash	$	4	$	5
Accounts receivable		2		1
Property, plant and equipment		15,348		14,399
Total assets	$	15,354	$	14,405
Accounts payable	$	84	$	61
Accrued liabilities		-		2
Total liabilities	$	84	$	63

		Three months ended June 30,				Six months ended June 30,		
(in thousands)		2009		2008		2009		2008
Operating activities	$	29	$	-	$	20	$	-
Investing activities		(1,230)		-		(949)		-
Financing activities		1,193		-		928		-
Decrease in cash	$	(8)	$	-	$	(1)	$	-

13. Supplemental cash flow information

(in thousands)	Three months ended June 30, 2009	2008	Six months ended June 30, 2009	2008
Changes in non-cash working capital items				
Accounts receivable	$ (851)	$ 2,192	$ 53	$ 366
Inventories	934	(1,539)	(846)	(1,813)
Prepaid expenses and other	187	(351)	382	(1,330)
Accounts payable	(171)	(29)	(307)	966
Accrued liabilities	(116)	(676)	(570)	(835)
	$ (17)	$ (403)	$ (1,288)	$ (2,646)
Interest and taxes paid				
Interest paid	$ 140	$ -	$ 238	$ 63
Taxes paid	$ 48	$ -	$ 189	$ 238
Significant non-cash investing and financing activities				
Property, plant and equipment included in accounts payable and accrued liabilities	$ 28	$ (763)	$ 373	$ 794
Capital lease additions	$ -	$ -	$ -	$ 1,308

14. Related party transactions

During the three month period ended June 30, 2009, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of $72,533 (June 30, 2008 - $77,159). During the six month period ended June 30, 2009, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of $152,566 (June 30, 2008 - $150,606).

At June 30, 2009, accounts payable of $25,428 (December 31, 2008 - $24,844) was due to a company controlled by an officer of a subsidiary company.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

15. Commitments and contingencies

Shipping Tonnage

The Company is committed to ship the following tons under its first 10-year marine Contract of Affreightment ("CoA-1") which commenced on July 18, 2007. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate of the unshipped tons. The Company has the option in any given year to increase or decrease the required tons by 10% and to carry forward up to 25% of the yearly contracted tons into the following year. The Company met its first contract year commitment and shipped in excess of 1.5 million tons. The Company gave formal notice under CoA-1 that it is rolling forward 25% of the contract tonnage from the second year ending July 17, 2009 and subsequent to June 30, 2009 the Company has met this reduced shipping requirement.

(in thousands)	Tons
First contract year	1,540
Second contract year	2,530
Third contract year	3,520
Fourth contract year	4,400
Fifth contract year and thereafter	4,950

During the year ended December 31, 2008, the Company entered into a second 15-year Contract of Affreightment ("CoA-2"), scheduled to commence in the third quarter of 2010 under which the Company committed to ship a minimum of 2,480 tons annually. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate of the unshipped tons. The Company has the option in any given year, to carry forward up to 25% of the yearly contracted tons into the following year.

In March 2009, the Company reached agreement with its shipping contractor to amend both contracts as follows: CoA-1 has been extended by 5 years and will now terminate on July 17, 2022; the start date of CoA-2 was deferred until January 1, 2014 and the contract now terminates on December 31, 2019.

British Columbia Social Service Tax

The Company is disputing a BC social services tax assessment for the period May 2004 to December 2008. The basis for the dispute is the eligibility of the shiploading installation for the production machinery and equipment exemption available to mining companies, such as the Company. The Company believes it qualifies for this exemption and that amounts related to the shiploading installation are not due. After receiving an assessment for $567,167 (CAD$659,616) the Company received a refund of $72,513 (CAD$84,333) for the production and equipment exemption relating to amounts for the Orca Quarry. In order to avoid additional interest, the Company has paid the net amount due of $494,654 (CAD$575,283), of which $407,037 was capitalized to property, plant and equipment, and $87,617 (CAD$102,232) related to interest, has been expensed. The Company continues to engage legal counsel to defend its position and further its appeal.

16. Segmented financial information

The Company operates in one segment: the development and operation of construction aggregates properties and projects located in western North America.

The Company's sales were to one customer in Vancouver, BC and three customers in the United States of America comprising 100% of the Company's sales. The customers with significant sales are as follows:

(in thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Customer A	$ 2,560	$ 3,322	$ 3,965	$ 6,214
Customer B	$ 2,053	$ 2,503	$ 3,365	$ 4,965
Customer C	$ 279	$ 748	$ 454	$ 1,447
Customer D	$ 1,291	$ -	$ 1,291	$ -

Sales by geographic area are as follows:

(in thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
United States	$ 5,904	$ 5,825	$ 8,621	$ 11,674
Canada	313	748	521	1,447
	$ 6,217	$ 6,573	$ 9,142	$ 13,121

Property, plant and equipment by geographic area are as follows:

(in thousands)	June 30, 2009	December 31, 2008
United States	$ 46,134	$ 44,346
Canada	63,471	61,015
	$ 109,605	$ 105,361

17. Financial instruments

Fair value of financial instruments

The fair values of accounts receivable, loan receivable, other assets, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair value of the Company's long-term investments, which are carried at fair value, have been estimated by discounting the anticipated future cash flows determined using a valuation model that incorporated management's best estimate of the counterparties credit risk and relevant market interest rates (note 5).

The fair value of the Company's long-term loan receivable, which is carried at amortized cost, approximates carrying value and has been estimated by discounting the anticipated future cash flows determined using a valuation model that incorporated management's best estimate of the counterparties credit risk and relevant market interest rates (note 6). As the Company is in the process of renegotiating the loan and its payment terms, actual amounts could differ.

Financial instrument risks

The Company is exposed to a number of financial risks in the normal course of its business operations, including credit risks, liquidity risks and market risks resulting from interest rates and foreign currency exchange rates. The Company monitors its exposures to these risks and employs strategies to manage the risks as it considers appropriate. Credit risk is the risk that the Company will incur a loss due to a customer or other third party failing to discharge their obligation due to the Company. The joint venture in 0791304 B.C. Ltd (note 12) is pursuing third party financing, from which it intends to repay the loan due to the Company (note 3). The Company's credit risks regarding its investment in long-term debt securities are discussed in more detail in note 5. The Company's credit risks regarding the long-term loan are discussed in more detail in note 6 and the Company's audited annual financial statements. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. In January 2009, the Company's loan payable was repaid in full (note 8). Otherwise, the Company's financial instrument risk exposure and risk management strategies have not changed significantly from the prior period.

CORPORATE INFORMATION

DIRECTORS AND SENIOR OFFICERS

Colin K. Benner	Director
Lisa Dea	Vice President Finance and Chief Financial Officer
Terrence A. Lyons	Director
Marco A. Romero	Director
Roman Shklanka	Chairman and Director
Paul B. Sweeney	Director
Herbert G.A. Wilson	President and Chief Executive Officer

VANCOUVER OFFICE:
Polaris Minerals Corporation
Suite 2740, 1055 West Georgia Street
PO Box 11175
Vancouver, BC V6E 3R5
Tel: 604.915.5000
Fax: 604.915.5001
Email: info@polarmin.com
www.polarmin.com

PORT McNEILL OFFICE:
Orca Sand & Gravel Ltd.
6505 Island Highway
PO Box 699
Port McNeill, BC V0N 2R0
Tel: 604.628.3353
Fax: 604.628.3354

PORT ALBERNI OFFICE:
Eagle Rock Materials Ltd.
5500 Ahahswinis Drive
PO Box 211
Port Alberni, BC V9Y 7M2
Tel: 250.723.5000
Fax: 250.723.5005