(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending September 30, 2011

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of November 12, 2011, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's 2010 comparatives in this MD&A have been presented in accordance with IFRS. The Company's IFRS transition date was January 1, 2010, therefore comparative information for 2009 has not been restated. For a complete understanding of the impact of adopting IFRS, refer to note 14 to the financial statements. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All amounts are in United States dollars unless otherwise noted.

Highlights

- **Sales volume of 484,000 tons was 27% higher than the comparative period last year because of increased demand in northern California, the Company's major market;**
- **Cash used in operations in the quarter reduced by 59% to $696,000;**
- **The operating loss for the quarter decreased by 31% compared with the prior year;**
- **The Company sold its interests in the quarry berthing tug for CAD$1.2 million.**

Results of Operations

The Company incurred a net loss attributable to shareholders of $3.5 million ($0.07 per share loss) during the three months ended September 30, 2011, compared to a net loss attributable to shareholders of $3.2 million ($0.06 per share loss) in 2010. Similarly, the Company incurred a net loss attributable to shareholders of $12.6 million ($0.24 per share loss) during the nine months ended September 30, 2011, compared to a net loss attributable to shareholders of $12.4 million ($0.23 per share loss) in 2010. The net loss for the nine months ended September 30, 2011 was impacted by a $2.1 million loss incurred on the early pre-payment in full of an outstanding loan receivable of $4.5 million, whereas the net loss for nine months ended September 30, 2010, had been impacted by a $6.0 million contract renegotiation charge. The Company's net losses have resulted from a generally low level of sales a situation that began to show significant improvement in the second quarter of 2011, which is continuing. This performance was principally the result of the severely depressed economic conditions in the Company's major market, California, which also prevented the selling price accretion anticipated at the time of the Company's IPO in 2006.

Revenue for the quarter increased by 23.0% to $6.8 million, compared with $5.5 million in 2010. Revenue for the nine months ended September 30, 2011 increased to $16.5 million, compared with $15.1 million in 2010. Sales for the quarter of 484,000 tons represented a 27.0% increase from sales of 381,000 tons in the prior year. Sales for the nine months ended September 30, 2011, of 1,221,000 tons increased 11% above the sales of 1,101,000 tons in comparative period

(000's, except per ton amounts)	Three months ended September 30, 2011		Three months ended September 30, 2010		Nine months ended September 30, 2011		Nine months ended September 30, 2010	
	Tons	$	Tons	$	Tons	$	Tons	$
Sales	484	6,774	381	5,505	1,221	16,454	1,101	15,112
Gross loss		(1,352)		(2,211)		(5,088)		(3,105)[1]
Gross loss per ton		*(2.79)*		*(5.80)*		*(4.17)*		*(2.82)*

(1) Includes reversal of the $1.8 million provision for annual minimum freight volume penalties accrued for under the Company's original shipping contract (see Obligations, Commitments and Contingencies).

For the three and nine month periods ended September 30, 2011, the Company incurred a gross loss of $1.4 million and $5.1 million, respectively, compared with a gross loss of $2.2 million and $3.1 million for the comparable periods in 2010. The nine months ended September 30, 2010 had included the positive impact of the reversal of a $1.8 million provision for annual minimum volume penalties. In the first nine months of this year, ending September 30, 2011 the Company recorded a provision for annual minimum freight volumes of $145,000, a significant decrease from the $1.2 million provision recorded in the same period of 2010.

Average revenue per ton is influenced on a quarter by quarter basis by the shipping fuel surcharges, the distribution of tonnage delivered to the various California terminals, and the varying percentage between delivered and ex-quarry sales. Further, the volume of tons sold in any particular quarter can be significantly affected, positively or negatively, by the timing of specific voyages delivering product into San Francisco Bay.

Shipping Fuel Surcharges

The Company's two major supply agreements in northern California were amended at the beginning of 2009 such that the Company absorbs changes in the cost of shipping fuel during a quarter and then passes the cost, or benefit, through to the customer during the following quarter. Prior to this amendment the fuel surcharge recovery had been made on an annual, rather than quarterly, basis. The commencement selling prices to both customers reflected actual fuel costs at the time of entering into the contracts.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of IFO180/380, the main fuels used in shipping, the Company's delivered price is impacted, positively or negatively, by approximately 3.6 cents per ton.

Other Charges

During the three months ended September 30, 2011, selling, general and administrative expenses of $1.1 million, decreased 17.0% compared with $1.3 million in the same period of 2010. During the nine months ended September 30, 2011, selling, general and administrative expenses were $4.3 million, compared with $4.2 million for the same period in 2010. The continued lower level of general and administrative expenses are principally due to cost reductions in salaries, travel, and investor relations costs, that have continued from 2010. Significant additional professional costs had been incurred in the first half of 2011 due to the transition to the new IFRS accounting standards and contributed to increased costs over the nine months ended September 30, 2011.

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 the United States and Canada.

Summary of Quarterly Results

The selected financial information set out below is based on and derived from the unaudited consolidated financial statements of the Company for each of the quarters listed:

($000's)	2011			2010				2009
	Sept 30	June 30	Mar 31	Dec 31 (3)	Sept 30 (3)	June 30 (3)	Mar 31 (3)	Dec 31 (4)
Revenue	6,774	5,953	3,727	2,905	5,505	4,723	4,884	5,168
Loss from operations	(2,446)	(3,312)	(3,632)	(2,458)	(3,534)	(3,273)	(6,490) (1)	(3,421) (2)
Net loss attributable to shareholders of Polaris	(3,472)	(5,387)	(3,704)	(681)	(3,163)	(3,301)	(5,959) (1)	(7,894) (2)
Basic and diluted net loss per share	(0.07)	(0.10)	(0.07)	(0.02)	(0.06)	(0.06)	(0.11)	(0.15)
(000 Tons)								
Sales	484	448	289	178	381	344	376	391
Production	452	423	267	212	330	360	503	372

(1) Three months ended March 31, 2010 includes a reversal of the $1.8 million provision for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

(2) The three months ended December 31, 2009 includes a $800,000 provision for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

(3) The financial results for the period commencing January 1, 2010 have been restated in accordance with IFRS.

(4) The financial results for the periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

See Customers section for discussion of quarterly and general trends.

Liquidity and Capital Resources

Liquidity Risk and Going Concern

During the nine months ended September 30, 2011, net loss attributable to shareholders of the Company was $12.6 million (September 30, 2010 – net loss $12.4 million), negative cash flow from operations was $4.5 million (September 30, 2010 – negative $6.6 million) and as at September 30, 2011, the Company has a deficit of $95.8 million (December 31, 2010 - $83.2 million). At September 30, 2011 the Company has a working capital deficit of $3.1 million. Included in the working capital deficit is CAD$1.1 million related to the maturity of the Company's finance leases which, were refinanced in October 2011 and now terminate between October 2013 and 2014. Also included in the working capital deficit is CAD$5.7 million of principal and accrued interest related to the short term credit facility that, subsequent to September 30, 2011, the Company and its lenders agreed in principle to extend the maturity from November 17, 2011 to February 29, 2012, subject to definitive documentation. An arrangement fee of 2% of the outstanding balance will be paid upon signature. The interest rate is unchanged at 15% until December 31, 2011; thereafter, on January 1, 2012, it increases to 17.5% and on February 1, 2012 increases to 20%. The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control. These include: improvement in the economic outlook, the recovery of demand for the Company's products, particularly in California, the ability to close the sale of the Pier B property, and access to capital markets. These market conditions continue to result in reduced revenues, causing the Company to incur losses. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under its shipping contract. In order to assist the Company in its objective to seek further capital, the Company and its shipper agreed subsequent to

September 30, 2011 that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets (*see Contractual Obligations, Commitments and Contingencies)*.

In June 2011, the Company received $2.35 million as an early pre-payment in full on its outstanding loan receivable, due March 1, 2028. In September 2011, the Company sold its interest in 0791304 BC Ltd and received CAD$1.2 million as settlement of its CAD$1.1 million loan receivable, due December 1, 2018, and its shareholder loan of CAD$120,000, which were both advanced to 0791304 BC Ltd to construct and operate the Numas Warrior tugboat for the berthing of freighters at the Orca Quarry. As a result of the sale of the Company's interests in the tugboat, $1.1 million of principal of the senior secured notes has been classified as current due to the mandatory prepayment clause contained in the credit agreement. The Company is seeking confirmation that repayment of that amount will not be demanded under the agreement. The Company continues to have a service contract for use of the tugboat. In October 2011, the Company refinanced the CAD$1.1 million of finance leases for quarrying equipment that were otherwise due in October 2011. These divestitures of non-core financial assets and refinancing were undertaken so the Company may continue to meet its operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold or the Company can raise additional capital. The Company is in discussions with its lenders and other parties to seek access to additional capital by way of debt or equity financing.

The steps described above are subject to uncertainty and may not allow the Company to meet its obligations. The Company may be required to continue to exercise its right to pay interest in the form of additional notes, as allowed under the terms of the senior secured notes; raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets. The success of these initiatives cannot be assured.

Working Capital

At September 30, 2011, the Company had negative working capital of $3.1 million that included cash of $2.8 million. Comparatively, at December 31, 2010 the Company had working capital of $0.1 million and cash of $5.3 million. In an effort to increase cash the Company received, in June 2011, $2.35 million as an early pre-payment in full on its outstanding loan of $4.5 million, representing a 48% discount. In an additional effort to raise cash the Company received, in September 2011, CAD$1.2 million for the sale of its interests in the Numas Warrior berthing tug. These receipts are part of a planned realization of capital from non-core assets. Included in current liabilities of $12.5 million at September 30, 2011, are trade and other payables of $4.6 million which have increased $1.8 million from $2.8 million at December 31, 2010 as the Company endeavours to conserve cash. Additionally, current liabilities include the CAD$5.7 million of principal and accrued interest related to the short term credit facility and the CAD$1.1 million of finance leases. Subsequent to September 30, 2011, the maturity of the short term credit facility was extended to February 29, 2012 and the leases were refinanced (see *Liquidity Risk and Going Concern)*. As the Pier B property no longer meets the criteria as an asset held for sale, the revised $1.5 million of the senior secured notes (see *Contractual Obligations, Commitments and Contingencies*) has been presented as a long-term liability.

The Company continues to work on the sale of the Pier B land but the timing for closing a sale is uncertain. In order to strengthen the balance sheet in the short and long term, the Company intends to seek other sources of funding (see *Risks and Uncertainties*).

Operating, Financing and Investing Activities

For the three months ended September 30, 2011, cash decreased $0.2 million compared with a decrease of $1.8 million for the three months ended September 30, 2010. For the nine months ended September 30, 2011, cash used was $2.6 million compared with cash used of $4.9 million for the nine months ended September 30, 2010.

Operating activities used cash of $0.7 million in the quarter compared to cash used of $1.7 million in 2010. Cash of $4.5 million was used for the nine months ended September 30, 2011, compared to cash used of $6.6 million in 2010. Continuing generally low levels of demand for aggregate products, as a consequence of the severe economic recession, particularly in California, continued to use cash for operations.

Financing activities used cash of $0.2 million for the three months ended September 30, 2011, and also for the same period in 2010. For the nine months ended September 30, 2011, financing activities used cash of $1.3 million compared to cash used of $0.5 million for the same period in 2010. Financing activities for the period related mainly to payment of annual minimum shipping volume penalties and principal repayments for finance leases.

Investing activities during the three months ended September 30, 2011, provided cash of $1.0 million compared to $0.4 million for the same period in 2010 and during the nine months ended September 30, 2011, provided cash of $3.5 million compared to $2.3 million for the same period in 2010. During the nine months ended September 30, 2011, the Company's cash position was strengthened when in June it received $2.35 million as an early pre-payment in full on its outstanding loan and in September received CAD$1.2 million for the sale of its interests in the Numas Warrior berthing tugboat. During the nine months ended September 30, 2010, the Company had received repayment of $2.1 million on the bridge loan made to finance the building of the Numas Warrior tug.

The Company needs to obtain additional financing to fund operations and continue with its strategic plan which includes the development of further terminals in southern California, initially the development of the leased site in the Port of Long Beach and eventually, the construction of the Eagle Rock Quarry, situated near Port Alberni on Vancouver Island, British Columbia. (see *Risks and Uncertainties*).

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

The Company's Contract of Affreightment ("CoA"), which is effective from January 1, 2010 with a term of 20 years, requires it to ship minimum tonnages per year, commencing on January 1, 2010, in the amount of 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The 2011 minimum shipping commitment is 1,984,000 short tons. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons, however, subsequent to quarter's end the Company and CSL agreed this penalty rate is reduced to 25% if the Company achieves revised targets. As part of the agreement the Company agreed to increase the payment of $1.0 million to $1.5 million upon completion of the Pier B land sale. Minimum freight volume penalties are payable annually in the year in which freight volumes do not meet the minimum volume requirements in the CoA. For the nine months ended September 30, 2011, the Company accrued $145,400 for penalties associated with the annual minimum volume requirement.

There is a full discussion and description of the Company's contractual obligations, commitments and contingencies in the Year Ending December 31, 2010 Management's Discussion and Analysis.

Non-GAAP Measures

Adjusted Loss

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

	Three months ended September 30,		Nine months ended September 30,	
($000's, except per share amounts)	2011	2010	2011	2010
Net loss for the period attributable to shareholders of Polaris	(3,472)	(3,163)	(12,563)	(12,423)
Adjustments				
Provision (reversal) of provision for annual minimum volume penalties	(61)	894	145	(612)
Share-based employee benefits	76	44	307	191
Shipping contract restructuring costs	-	-	-	5,991
Other gains and losses	67	47	2,194	4
Adjusted net loss for the period	(3,390)	(2,178)	(9,917)	(6,849)
per share	*(0.06)*	*(0.04)*	*(0.19)*	*(0.13)*

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 IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently. The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure.

($000's except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net loss for the period attributed to shareholders of Polaris	(3,472)	(3,163)	(12,563)	(12,423)
Interest expense	442	244	1,304	602
Income tax expense[(1)]	389	50	433	124
Amortization, depletion and accretion	1,430	1,346	3,968	3,670
EBITDA	(1,211)	(1,523)	(6,858)	(8,027)
per share	*(0.02)*	*(0.03)*	*(0.13)*	*(0.15)*
Adjustments				
Provision for (reversal of) annual minimum volume penalties	(61)	894	145	(612)
Share-based employee benefits	76	44	306	185
Shipping contract restructuring costs	-	-	-	5,991
Other gains and losses	67	47	2,194	4
Adjusted EBITDA	(1,129)	(538)	(4,213)	(2,459)
per share	*(0.02)*	*(0.01)*	*(0.08)*	*(0.05)*

(1) The income tax expense arises in one of the Company's US subsidiaries. The Company plans to effect a reorganization of its US subsidiaries that should reduce these taxes in the future.

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

During the quarter, the demand for sand and gravel delivered into the San Francisco Bay area increased significantly, a trend that is anticipated to continue to the end of 2011 and through 2012. Sales in the single month of October, 2011 exceeded the total sales for the fourth quarter of 2010 and the demand for the Company's materials in northern California for the year is expected to have increased by approximately 40 -50% compared with 2010. Additional shipments have been scheduled to meet this requirement. Although the prime reason for this welcome change in the northern California market is increased infrastructure expenditure, there has also been significantly more private commercial activity, particularly in the area between San Francisco and San Jose, which is benefiting from the success of the "high-tech" industry.

In addition to the increased demand created by the improved investment levels in the greater San Francisco area, the Company, through its strategic alliance marketing partner, is commencing supplies to another large concrete producer in November. This opportunity has arisen largely because of the suspension of production at a major local quarry, for a period of two years, that is believed to be for permitting reasons. Further contract supply possibilities are also progressing well representing the most encouraging business climate experienced for three years.

The Company expects to recover pricing incentives granted in 2011, starting in 2012 as well as using the strong increase in demand to allow a better focus on situations where the Orca aggregate's premium quality can begin to be reflected in better average selling prices. The overriding influence to the level of trading continues to be the depressed general economy in the US which has shown little sign of recovery from the recession that began in 2008. The Company believes that the current increased level of demand being experienced by its California customers is the result of investment factors specific to the greater San Francisco area which should continue ahead of the broader economic recovery anticipated. However, the impact of ongoing political uncertainties at the Federal Government level has yet to be understood in respect of future policies that will affect public investment and construction activity, particular concern being the absence of reauthorization of a long term surface transportation funding bill.

In respect of private sector construction investment, the Company believes that the current difficulties being experienced in private housing will continue until such time as the impact of foreclosures is mitigated and employment increases. As a consequence, we expect that private house building is unlikely to show significant growth before 2013. However, this sector is less influential on the demand for Polaris' materials than private commercial investment. In Hawaii the Company's marketing is focused on certain infrastructure projects in and around Honolulu where the ability of the Orca Quarry materials to meet very stringent performance standards provides both a technical and an economic argument for their usage. The initial term of the Company's supply agreement to Hawaii has now ended with sales continuing under a normal commercial pricing arrangement.

Local reserves of construction aggregate continue to decline, albeit at a reduced rate and the development of new replacement quarries is still strongly opposed by local residents in most markets, especially those crucial to our business. A proposed large new granite quarry in Riverside County near San Diego, was voted down after a lengthy and expensive legislative procedure. Transportation costs by road and rail, to supplement local shortages, will continue to increase and marine transportation alternatives, for which the Company is well positioned, remain viable. This view was endorsed in the January 2011 San Diego Region Aggregate Supply Study prepared under the direction of SANDAG (San Diego Area Governments) who stated; "One of the challenges facing this region is how to meet the increasing demand for aggregate at a time when the local supply is shrinking", this being particularly with reference to materials necessary to meet planned public sector expenditure. The report highlighted the need for further land based resources, coupled with the requirement to import materials by ship, train or barge and supports the Company's consideration of a terminal to supply this market.

OPERATIONS

Quarry Properties

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

The Company has also explored additional lands in the Orca Quarry area, over which it has certain rights, referred to as the East Cluxewe Extension and West Cluxewe deposits. After due consideration of the resource, environmental and permitting factors relative to these areas, the Company 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.

The Company also owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater alongside the Alberni Inlet near Port Alberni, British Columbia. The Eagle Rock Quarry received its mine permit in 2003 and renewed its Environmental Assessment Certificate from the Province of BC, which now expires in September 2013. The Company continues to seek market outlets which would support the development of the quarry to produce crushed rock construction aggregate products. This high quality aggregate is anticipated to be ideal for asphalt manufacture and over time is expected to be a significant source of coarse aggregate for use in concrete when it will complement Orca Quarry which produces a high proportion of natural sand. The effects of the recession have made it difficult to predict when it might be possible to advance this project to a construction phase.

Marine Terminals

The Company is still at a relatively early stage of development of its marine receiving terminals despite having commenced production in 2007. Opportunities to develop suitable marine terminals are scarce and access, whether through owned and operated or third party facilities, is a key component in the logistical chain. The Company currently delivers construction aggregate to four terminals in San Francisco Bay. The Richmond Terminal, owned and operated by the Company, has a permitted capacity of 1.5 million tons per year and serves the north and east Bay areas. The Redwood City terminal in southwest San Francisco Bay and the Pier 92 terminal near downtown San Francisco are owned and operated by the Company's strategic alliance partner, Cemex, having a combined annual capacity of over 1.5 million tons. The Landing Way Depot, on the Petaluma River in Sonoma County, owned and operated by Landing Way Depot, Inc., has an annual capacity of approximately 1.25 million tons and serves the requirements of Shamrock Materials Inc.

The Company's strategic objectives include the development of marine terminals in southern California. To further this objective, the Company, together with Cemex, formed a joint venture company, Cemera Long Beach, LLC ("Cemera"), to develop a marine aggregates terminal in the Port of Long Beach, California. Cemera purchased a 12.4 acre parcel of freehold land in the Port of Long Beach, California, in 2008, known as the Pier B site. This land was acquired with the intention of developing a major receiving and distribution terminal for aggregates from the Company's quarry properties. However, in the third quarter of 2009, the Company secured an option to lease an existing marine aggregate importing terminal also in the Port of Long Beach, California, at Berth D-44 and in July 2010 exercised this option and entered into a five year lease with renewal at the Company's option for a further three, five-year, periods to a total of 20 years. This 8.3 acre site is privately owned and has operated for many years receiving construction aggregates from barges with storage in open stockpiles. The site, which was permitted to receive and distribute up to 3 million tons of construction aggregates per year, is located on a deepwater channel and is close to Interstate 710, which services the greater Los Angeles area. Previously aggregates were delivered by barges and the Company is now engaged in modifying the permits to enable delivery by Panamax size vessels. The Ports of Long Beach and Los Angeles are currently engaged in major construction projects designed to enhance the ability of the Ports to receive and efficiently handle modern container vessels as the premier Ports of North America. As a consequence, the demand for concreting aggregate to meet these massive construction projects will increase significantly over the next 2 to 3 years. To mitigate the already over-congested road access and egress from the Ports, the benefits of marine imported aggregates have been recognized and the Company is increasingly confident that the Berth D-44 terminal will play an important part in meeting demand following operational status, presently estimated to be at the end of 2012.

In July 2011, the Company's Strategic Alliance Partner, Cemex Inc. formally advised that it would be unable to participate in the development of the Berth D-44 site in Long Beach due to capital investment constraints. Management had been anticipating this position, which is not unwelcome, and is engaged in reviewing possible alternate marketing relationships that may prove stronger in this particular market area, while maintaining the ability to supply Cemex requirements on an arms-length basis. The capital cost of bringing this terminal into operation is estimated at $4 million.

As a consequence of leasing the Berth D-44 site, Cemera resolved to sell the Pier B land and entered into a purchase and sale agreement for the Pier B land in November 2010. Unfortunately, following the successful completion of due diligence and waiver of that condition, the purchaser exercised the right to withdraw for economic reasons. Considerable interest in the property continues although it remains difficult to anticipate when a sale might be achieved. The Company had estimated the net proceeds to be approximately $14.0 million, however, it is difficult to estimate this until another sale contract is secured.

The Company, through its jointly owned subsidiary company, Cemera San Diego, LLC, is 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, an exclusive negotiating agreement (the "ENA") for an option to lease and develop an approximate 100,000 square foot building located at the Tenth Avenue Marine Terminal for the purpose of receiving and distributing aggregates. On February 28, 2010, the ENA expired; however, the Port of San Diego issued a comfort letter in succession to the ENA and the parties continue to negotiate in good faith to agree on the terms of the option to lease. As in the case of the Berth D-44 terminal development in the Port of Long Beach, the Company has also been advised by Cemex that it will not be exercising its participation rights in the development of the San Diego terminal. Accordingly the Company is actively reviewing marketing and development possibilities although it is unlikely that operational status in this unique location will be achieved before 2015.

SHIPPING

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

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 Cemex's Redwood City terminal or at the Company's Richmond Terminal. These arrangements offer the most economic shipping solution by utilizing fully loaded Panamax vessels from Vancouver Island to San Francisco Bay. However, the continuing low levels of demand for construction aggregates has had the effect of slowing the Company's previously anticipated rate of growth and created situations where individual ship dead freight costs have been incurred, most recently during the second quarter of 2010. It is anticipated that a return to previous levels of demand for Orca Quarry products in northern California, similar to those experienced during 2008, would 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 Company's Strategic Alliance with Cemex, which was established in 2007, provides for the joint development of new port receiving terminals on the US west coast that will ultimately be required to achieve the Orca Quarry's permitted production of 6.6 million tons per year. Either company may proceed with a legitimate terminal development project should the alliance partner decline the right to participate for any reason. Cemex, a public company, headquartered in Mexico, is one of a small number of major international cement manufacturers and a significant producer of construction aggregate and ready mix concrete, in markets throughout the world.

A second long-term supply agreement commenced with Shamrock Materials in 2007. Orca Quarry products are unloaded from Panamax vessels, at anchorage in San Francisco Bay, into Shamrock's own barges for transportation to an aggregate terminal situated at Petaluma, CA. Shamrock Materials is a well-established private company supplying ready mixed concrete in the north San Francisco Bay area.

The Company maintains a close relationship with the management of both Shamrock and Cemex, which together presently account for approximately 90% of the Company's sales.

The Company also supplies customers in Hawaii and Vancouver, BC both of which are substantial private companies with whom management maintains a working relationship.

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 also sensitive to market conditions and particularly to cyclical swings in construction spending. 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.

Related Party Transactions

During the three months ended September 30, 2011, directors, either directly or through a company controlled by them, provided to the Company, services at a cost of $90,859 (three months ended September 30, 2010 - $82,552) which are included in general and administrative expenses. During the nine months ended September 30, 2011, directors, either directly or through a company controlled by them, provided to the Company, services at a cost of $260,685 (nine months ended September 30, 2010 - $254,873) which are included in general and administrative expenses. At September 30, 2011, accounts payable of $32,261 (December 31, 2010 - $27,315) were due to companies controlled by common directors.

During the three months ended September 30, 2011, a related party provided tug berthing services to the Company at a cost of $280,462 (three months ended September 30, 2010 - $340,199). During the nine months ended September 30, 2011, a related party provided tug berthing services to the Company at a cost of $852,865 (nine months ended September 30, 2010 - $991,394). In September 2011 the Company sold its interest in the related party (see *Liquidity and Capital Resources*).

International Financial Reporting Standards

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly accountable enterprises, with a transition date of January 1, 2010. Effective for the first quarter of 2011, the Company prepares its financial statements in accordance with IFRS. The comparative financial information of 2010 in this Management Discussion and Analysis has also been restated to conform to IFRS.

As previously discussed in the Company's MD&A for the year ended December 31, 2010, the Company implemented its conversion from Canadian GAAP to IFRS through a transition plan with the help of third party advisors. The final phase, which involves the maintenance of sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond, will be carried out throughout 2011.

The conversion from Canadian GAAP to IFRS as a primary basis for preparing the Company's consolidated financial statements has resulted in the following:

(a) Changes in the Company's accounting policies;
(b) Changes to the Company's financial reporting process and systems;
(c) Incremental controls relating to the conversion and the design, implementation and testing of changes to the Company's financial reporting process and systems;
(d) Additional financial expertise and training requirements.

The accounting policies adopted by the Company for the first IFRS annual consolidated financial statements for the year ending December 31, 2011 may differ from the significant accounting policies used in the preparation of the Company's unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2011. The consolidated interim financial statements for the three and nine months ended September 30, 2011, should be read in conjunction with the Company's 2010 annual financial statements prepared in accordance with Canadian GAAP, the consolidated interim financial statements for the three months ended March 31, 2011, and in consideration of the IFRS transition disclosures included in Note 14 to the consolidated interim financial statements of the third quarter of 2011.

Transitional Financial Impact

To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, the following analysis is provided. Please refer to the Company's unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2011 which have been prepared in accordance with existing IFRS standards for full restatement of the consolidated statement of financial position as at September 30, 2010 and statement of earnings and comprehensive income for the nine months ended September 30, 2010, respectively, as previously reported and prepared in accordance with Canadian GAAP.

Property, Plant & Equipment

IFRS requires each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately over its own useful economic life. The Company has applied IAS 16 on a retrospective basis and has identified assets to be separately componentized. At September 30, 2010, this amounted to a decrease in property, plant and equipment of $798,329 (December 31, 2010 - $856,938;) on transition to IFRS.

The Company reassessed the provision for environmental rehabilitation in accordance with IFRS. The changes required under IFRS primarily relate to changes in the risk-free rate used under IFRS. At September 30, 2010, this adjustment resulted in an increase of $2,412,961 (December 31, 2010 - $2,406,014) to property, plant and equipment. At September 30, 2010, $2,564,557 (December 31, 2010 - $2,621,292) was recognized as an increase in the provision for environmental rehabilitation. Cumulative additional depletion at September 30, 2010 of $120,898 (December 31, 2010 - $142,141) was recorded due to the increase in the amounts capitalized to property, plant and equipment. Accretion due to changes in the provision for environmental rehabilitation decreased by $23,392 at September 30, 2010 (December 31, 2010 - $31,515).

In accordance with IFRS 1, the Company elected to measure certain assets at the Orca Quarry, the Richmond Terminal, and the Eagle Rock Quarry Project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of these assets at January 1, 2010 resulted in a $23.0 million reduction in the carrying value of property, plant and equipment and a corresponding adjustment to opening retained earnings. The adjustment impacted the amortization recorded in subsequent periods as follows; nine months ended September 30, 2010 decreased $856,500, and the year ended December 31, 2010 decreased $1,143,000.

The Effects of Changes in Foreign Exchange Rates

As part of the transition to IFRS, the Company identified differences in the application of functional currencies to its US subsidiaries in its consolidated financial statements in accordance with IAS 21, "Effects of Changes in Foreign Exchange Rates", compared to previous Canadian GAAP.

Joint Ventures

Under Canadian GAAP, joint ventures are accounted for using the proportionate consolidation method. IFRS currently provides a choice to either apply proportionate consolidation or the equity method of accounting to joint ventures including jointly controlled entities, operations and assets. As part of the transition to IFRS, the Company began accounting for its investment in Cemera LLC on an equity basis. Cash balances and changes in working capital have been adjusted for the equity method of accounting for the Company's investments in joint ventures under IFRS (Note 5).

Cumulative Translation Differences

The Company has elected to set the previously accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2010.

Non-controlling Interest

The Company previously presented non-controlling interest below liabilities in the statement of financial position as required by Canadian GAAP. IFRS specifies that non-controlling interest is presented as a component of equity. In addition, differences in property, plant and equipment and the effects of changes in foreign exchange rates, impacted the amount of non-controlling interest recorded under IFRS.

Control Activities

Control activities: Internal control over financial reporting
The required accounting process changes that resulted from the application of IFRS accounting policies were not significant. The Company has completed the design, implementation and documentation of the internal controls over accounting process changes that resulted from the application of IFRS accounting policies and will continue to update them as experience is gained.

Control activities: Disclosure controls and procedures
All accounting policy changes from the transition to IFRS and the corresponding adjustments to the financial statements were subject to review by senior management and approval by the audit committee of the board of directors.

The transition to IFRS has not had a significant impact on the Company's information systems.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,397,102 were issued and outstanding. The Company also had 3,978,133 options outstanding, exercisable into 3,978,133 common shares of which 3,284,802 are currently vested and 1,575,000 warrants outstanding, all of which are vested.

Risks and Uncertainties

Investment in the securities of the Company involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business. The Company has incurred losses and expects to incur further losses. Prior to making an investment in the Company's securities, prospective investors should carefully consider the information described in this Management Discussion and Analysis, and documents incorporated by reference, including the risk factors set out below. Such risk factors could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company.

The Company's operations will require further capital

The quarrying, processing and development of the Company's properties and terminals, including the property at Berth D-44 in the Port of Long Beach and any future terminals which may be acquired and developed by the Company, will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production of the Company's properties and terminals or even a loss of those property interests. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Any future financing may be dilutive to existing shareholders.

The Company may not secure its intended debt refinancing terms

Although the Company has the right to prepay the loan under the Senior Secured Notes in full at any time prior to the maturity date of January 1, 2017, there can be no assurance that the Company will be able to find alternate financing upon terms and conditions acceptable to the Company, or at all.

Although the Company and its lenders have agreed in principle to extend the maturity of the credit facility originally due November 17, 2011 to February 29, 2012, subject to definitive documentation, there can be no assurance that the Company will be able to repay the credit facility or be able to find alternate financing upon terms and conditions acceptable to the Company, or at all, to replace the credit facility once it matures.

Current global financial conditions and liquidity risk

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations and the value and price of the Common Shares could continue to be adversely affected.

During the nine months ended September 30, 2011, net loss attributable to shareholders of the Company was $12.6 million (September 30, 2010 – net loss $12.4 million), negative cash flow from operations was $4.5 million (September 30, 2010 – negative $6.6 million) and as at September 30, 2011, the Company has a deficit of $95.8 million (December 31, 2010 - $83.2 million). At September 30, 2011 the Company has a working capital deficit of $3.1 million. However, in October 2011, CAD$1.1 million of the Company's finance leases were refinanced and subsequent to September 30, 2011 the maturity of the CAD$5.7 million of principal and accrued interest related to the short term credit facility was extended to February 29, 2012 (see *Liquidity Risk and Going Concern*). The Company's losses continue to be negatively affected by the severe recession in the United States and particularly the low volume of demand for construction aggregates in the Company's main market, California. These circumstances create significant doubt about the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The Company's continuing operations depend on a number of factors beyond the Company's control. These include: improvement in the economic outlook, the recovery of demand for the Company's products, particularly in California, the ability to close the sale of the Pier B property, and access to capital markets. These market conditions continue to result in reduced revenues, causing the Company to incur losses. Until the market recovers, it will be difficult to generate positive cash flows and the Company may incur additional penalties under its shipping contract. In order to assist the Company in its objective to seek further capital, the Company and its shipper agreed subsequent to September 30, 2011 that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets (*see Contractual Obligations, Commitments and Contingencies)*.

In June 2011, the Company received $2.35 million as an early pre-payment in full on its outstanding loan receivable, due March 1, 2028. In September 2011, the Company sold its interest in 0791304 BC Ltd and received CAD$1.2 million as settlement of its CAD$1.1 million loan receivable, due December 1, 2018, and its shareholder loan of CAD$120,000, which were both advanced to 0791304 BC Ltd to construct and operate the Numas Warrior tugboat for the berthing of freighters at the Orca Quarry. The Company continues to have a service contract for use of the tugboat. As a result of the sale of the Company's interests in the tugboat, $1.1 million of principal of the senior secured notes has been classified as current due to the mandatory prepayment clause contained in the credit agreement. The Company is seeking confirmation that repayment of that amount will not be demanded under the agreement. In October 2011, the Company refinanced the CAD$1.1 million of finance leases for quarrying equipment that were otherwise due in October 2011. These divestitures of non-core financial assets and refinancing were undertaken so the Company may continue to meet its operating expenditures until the Pier B property held by the Cemera Long Beach LLC joint venture is sold or the Company can raise additional capital. The Company is in discussions with its lenders and other parties to seek access to additional capital by way of debt or equity financing.

The steps described above are subject to uncertainty and may not allow the Company to meet its obligations. The Company may be required to continue to exercise its right to pay interest in the form of additional notes, as allowed under the terms of the senior secured notes; raise equity capital; curtail, reduce or delay expenditures; or seek strategic alternatives to maximize the benefits of the Company's long lived assets. The success of these initiatives cannot be assured.

Reliance on Certain Customers

The Company generates the major proportion of its revenue from sales to two customers, Cemex and Shamrock. The ability of these customers to continue in business could have a material effect on the Company and no assurance can be given in that respect.

The Company may not secure additional construction aggregates sales volumes and prices projected for the Orca Quarry

The value and price of the Common Shares, the Company's financial results, and the Company's development and quarrying activities may be significantly adversely affected if the Company does not secure the sales volumes and prices of construction aggregates intended for the Orca Quarry. Demand for construction aggregates products in the Company's target markets fluctuates and is affected by numerous factors beyond the Company's control such as private sector residential and commercial construction, and public sector construction, including roads, bridges, services, and other infrastructure. The supply of construction aggregates to the Company's target markets may also fluctuate and may be affected by new or expanded local production, or supplies of construction aggregates brought into the target markets by road, rail or vessel. Depending on the sales volumes and prices of construction aggregates, cash flow from quarrying operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some or all of its properties. Future production from the Company's Orca Quarry is dependent on applicable construction aggregates sales volumes and prices being sufficient to make materials extraction from the Orca Quarry economic.

In addition to adversely affecting the Company's financial condition, declining construction aggregates sales volumes and prices can impact operations by requiring a reassessment of the feasibility of the Orca Quarry. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the Orca Quarry. The need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

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

The financial analysis completed by AMEC of the Orca Project detailed in the 43-101 technical report relies on certain underlying assumptions which may no longer be reasonable as a result of the global economic recession since 2008. The analysis undertaken by AMEC was completed in 2008. The cash flow projections were based on various assumptions including assumptions on the capital costs, operating costs, production and sales volumes and sales revenues over the life of the project which were reasonable at the time the financial analysis was completed. Since 2008, the actual sales values suggest that these assumptions made may no longer be reasonable. Therefore, undue reliance should not be given to AMEC's financial analysis of the Orca Project.

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

The Company's business plan includes discharges of Orca Quarry construction aggregates to barges, the Richmond Terminal and to Cemex through its Strategic Alliance with Cemex. Although the Company has access to certain terminals through its Strategic Alliance, there is no certainty that its strategic alliance will secure further joint terminals to meet the increasing deliveries and sales incorporated by the Company in its business plan. If the Company is unable to continue to secure access to additional discharge terminals, or acquire its own discharge terminals, its revenues, operations and financial condition could be materially adversely affected.

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

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

The Company's NCoA has sufficient volume capacity to transport approximately 5.787 million short tons of construction aggregates per annum by 2017. To achieve the anticipated sales from the Orca Quarry and the Eagle Rock Quarry Project, the Company will have to secure additional shipping capacity. If the Company is unable to secure the additional shipping volumes, or fails to meet the contracted annual minimum volumes, its revenues, operations and financial condition could be materially adversely affected.

The quarrying industry is competitive

The quarrying industry is competitive and the Company faces strong competition from other quarrying companies, or prospective quarrying companies, in connection with the supply of construction aggregates to the Company's target markets. A number of these companies may have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain quarrying operations on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Government regulation and assessments may adversely affect the Company

The Company's construction aggregates quarrying, processing, and development activities are subject to extensive laws governing prospecting, quarrying, development, production, taxes, labour standards and occupational health, quarry safety, waste disposal, toxic substances, land use, environmental protection and remediation, endangered and protected species, water use, aboriginal rights, land claims of First Nations and local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit, curtail or prevent production, development or exploration. Amendments to current laws, regulations and permits governing operations and activities of quarrying and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new quarrying properties. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations may result in orders to cease or curtail production, development or exploration.

Furthermore, during 2008, the Company and its subsidiaries were audited by the Consumer Taxation Branch of British Columbia. The focus of such audit was in relation to provincial sales tax on the Orca Project's constructions costs. As a result, the Company incurred a British Columbia social services tax assessment, for the period May 2004 to December 2008, in the amount of CAD$659,616, offset by a refund of CAD$84,333 for the production and equipment exemption relating to amounts for the Orca Quarry. The Company is disputing this assessment, the basis for which is the eligibility of the shiploading installation for the production machinery and equipment exemption available to mining companies such as the Company. In order to mitigate additional interest, the Company has paid the net amount due of CAD$575,283 and has retained legal counsel to defend its position. Subsequently, the Company received a repayment of CAD$179,792. The provincial Minister of Finance denied the appeal on the outstanding amount following which, on June 3, 2011, the Company filed a petition to appeal this decision in the Supreme Court of British Columbia. Although the Company believes that it has properly accounted for its tax liabilities, there are no assurances that the outcome of the appeal will be in the Company's favour.

The Company's title to its properties may be subject to disputes or other claims including land title claims of First Nations

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Title to and the area of resource claims may be disputed. The Company's construction aggregates property interests may be subject to prior unregistered agreements or transfers, aboriginal rights, or, in the case of the Orca Quarry, treaty rights, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties, which, if successful, could impair their development and/or operations.

First Nations in British Columbia have made claims of aboriginal rights and title to substantial portions of land and water in the Province including areas where the Company's operations are situated, creating uncertainty as to the status of competing property rights. The Supreme Court of Canada has held that aboriginal groups may have a spectrum of aboriginal rights in lands that have been traditionally used or occupied by their ancestors; however, such aboriginal rights or title are not absolute and may be infringed by government in furtherance of a legislative objective, subject to meeting a justification test. However, a decision of the Supreme Court of Canada casts doubt on the Provincial Government's ability to justify infringements of treaty rights. Additionally, a case from the British Columbia Supreme Court calls into question whether the Province can justify an infringement of aboriginal title. The effect on any particular lands will not be determinable until the exact nature of historical use, occupancy and rights in any particular piece of property have been clarified. First Nations are seeking settlements including compensation from governments with respect to these claims, and the effect of these claims cannot be estimated at this time. The Federal Government and Provincial Government have been seeking to negotiate settlements with aboriginal groups throughout British Columbia in order to resolve many of these claims. Any settlements that may result from these negotiations may involve a combination of cash, resources, grants of conditional rights to gather food on public lands, and some rights of self-government. The issues surrounding aboriginal title and rights are not likely to be resolved by the Federal Government or Provincial Government in the near future.

In a landmark decision in 2004, the Supreme Court of Canada determined that there is a duty on government to consult with and, where appropriate, accommodate First Nations where government decisions may impact on claimed, but as yet unproven, aboriginal rights or title. This decision also provided much needed clarification of the duties of consultation and accommodation. The Court found that third parties are not responsible for consultation or accommodation of aboriginal interests and that this responsibility lies with government. However, government permits, including environmental and mine permits, will not be granted by provincial and federal agencies unless they are satisfied that the duty to consult and accommodate has been fully met. In 2005, the Supreme Court of Canada confirmed this duty exists with respect to claimed treaty rights. A decision of the Supreme Court of Canada casts doubt on the Provincial Government's ability to justify infringements of treaty rights.

The Tseshaht First Nation has asserted traditional rights and title over the Eagle Rock Quarry Project site. The Hupacasath First Nation and the Ucluelet First Nation, who are shareholders of Eagle Rock Materials Ltd., have also asserted traditional rights and title over the Eagle Rock Quarry Project site. The Company has agreed, pursuant to the Eagle Rock Shareholders Agreement, to seek the participation of the Tseshaht in the Eagle Rock Quarry Project. The Company has been engaged in negotiations with the Tseshaht, however, to date there has been no agreement with respect to any participation. The terms of any participation have not been agreed upon, and the Tseshaht may, therefore, seek to dispute the Company's title in the Eagle Rock Quarry Project, despite the fact that the Company has received the environmental assessment certificate for the Eagle Rock Quarry Project. Any such dispute could delay or, if resolved in a manner adverse to the Company, impair the development and operation of the Eagle Rock Quarry Project.

Quarrying involves a high degree of risk

Quarrying operations involve a degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the development and production of construction aggregates, including, without limitation, unusual and unexpected geologic formations, seismic activity, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, quarries and other producing facilities, damage to life or property, environmental damage and legal liability. In addition to these risks stated above, processing operations are subject to various hazards, including, without limitation, equipment failure, labour disputes and industrial accidents. Should any of these risks occur, it may result in increased cost of production, delays, write-down of an industrial property, work stoppages, legal liability or injury or death to personnel, all of which may have an adverse effect on the Company's operations and financial condition.

Construction aggregates resources are estimates only

There is no certainty that the construction aggregates resource represented at the Company's properties will be realized or that such resource can be economically quarried. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Until a deposit is actually mined and processed, the quantity of construction aggregates resources must be considered as estimates only. There is a risk that the actual deposits encountered and the economic viability of the deposits may differ materially from the resource estimates. Any material change in quantity of construction aggregates resources may affect the economic viability of the Company's properties.

The volume of construction aggregates quarried and processed may not be the same as currently anticipated in the Company's resource estimates. Any material reductions in estimates of construction aggregates resources, or of the Company's ability to extract these construction aggregates, could have a material adverse effect on the Company's results of operations and financial condition.

Currency fluctuations may adversely affect the Company's revenues

The effects on operating revenues and, hence, on cash flows, of the foreign exchange rate and the escalation of the Canadian dollar against the U.S. dollar are significant. The Company does not currently have any intention to enter into hedging contracts in connection with foreign currencies. The appreciation of the Canadian dollar against the U.S. dollar would increase Canadian dollar costs, due to stronger Canadian dollars being converted into U.S. dollars, and could materially and adversely affect the Company's U.S. dollar-reported operational profitability and financial condition.

The Company currently depends on a single property

The Company's only material mineral producing property is the East Cluxewe Deposit. Unless the Company acquires or develops additional material properties or projects, the Company will be solely dependent upon the operation of the Orca Quarry for its revenue and profits, if any.

The actual costs of reclamation are uncertain

The actual costs of reclamation included in the Company's plan for the Orca Quarry are estimates only and may not represent the actual amounts required to complete all reclamation activity. It is not possible to determine the exact amount that will be required, and the amount that the Company is required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of the operation of the Orca Quarry. Although the Company has included estimated reclamation amounts in its plan for the Orca Quarry, it may be necessary to revise the planned expenditures, and the operating plan for the Orca Quarry, in order to fund required reclamation activities. Any additional amounts required to be spent on reclamation may have a material adverse affect on the Company's financial condition and results of operations.

The Company will require other construction aggregates resources in the future

According to the 43-101 technical report for the Orca Quarry Project, the Orca Quarry has an estimated quarry life of 17 years, which may not prove to be accurate. Because quarries have limited lives based on proven and probable construction aggregates reserves, in the longer term, the Company will have to replace and expand its construction aggregates resources as the Orca Quarry depletes. The Company's ability to maintain or increase its annual production of construction aggregates will be dependent almost entirely on its ability to bring new quarries into production.

There is, however, a risk that depletion of reserves will not be offset by future discoveries of mineral reserves. Exploration for minerals is highly speculative in nature and the projects involve many risks. Many projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves and to construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and availability of financing. In addition, assuming discovery of an economic reserve, depending on the type of mining operation involved, many years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurances that the Company's current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

The Company's operations are subject to environmental risks

All phases of the Company's operations are subject to Federal, Provincial and local environmental regulation in the various jurisdictions in which it operates which could potentially make operations expensive or prohibit them all together. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or prevent operations all together. Environmental hazards may exist on the properties on which the Company holds and will hold interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations, which could potentially make operations expensive or prohibit them altogether. To the extent such future approvals are required and not obtained, the Company may be curtailed or prohibited from restarting or continuing its quarrying operations or from proceeding with planned exploration or development of construction aggregates properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in quarrying operations or in the development of construction aggregates properties may be required to compensate those suffering loss or damage by reason of the quarrying activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company does not insure against all risks

The Company's insurance will not cover all the potential risks associated with a quarrying company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the quarrying industry on acceptable terms. The Company might also become subject to liability for environmental occurrences pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Certain groups are opposed to quarrying

In North America there are organizations opposed to quarrying, particularly open pit quarries such as the Orca Quarry and the Eagle Rock Quarry Project. The Company believes it has the support of representatives from the community and First Nation groups nearest these quarries and from various levels of government in British Columbia having jurisdiction over these quarries. Although the Company believes that it is complying with all environmental laws and permitting obligations in conducting its business, there is a risk that those opposed to its operation at these quarries will attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. Such interference could have an impact on the Company's ability to operate its properties in the manner that is most efficient or appropriate, if at all, and any such impact could materially adversely affect the financial condition and results of operations of the Company.

The Company is dependent on its key personnel

The Company is dependent upon certain of its executive management team. The loss of the services of its executive officers could have a material adverse effect on the Company. The Company's ability to manage its development and operating activities, and hence its success, will depend in large part on the efforts of its executive officers and other members of management of the Company. The Company faces intense competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel. The Company does not yet have in place formal programs for succession or training of management.

The Company's growth will require new personnel

The Company initially experienced significant growth in its number of employees as a result of the development of its construction aggregate production and marine export business and may experience significant growth in the future as the Company develops its aggregate resource. The Company will be required to recruit additional personnel and to train, motivate and manage its employees. The Company may also have to adopt and implement new systems in all aspects of its operations. There can be no assurance that the Company will be able to recruit or retain personnel required to execute its programs or to manage these changes successfully.

The Company may not meet minimum freight contract volumes

The Company's freight contract, which was amended and restated in March 2010, provides for minimum annual volumes of construction aggregates that increase during the years of the contract. If the Company is unable to secure sufficient sales volumes to meet those minimum freight volumes, its revenues, operations and financial condition could be materially adversely affected.

The Company's directors and officers may have conflicts of interest

Certain of the directors and officers of the Company also serve as directors, officers and/or significant shareholders of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the three months ended September 30, 2011 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, 2010, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Other Information

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

Glossary of Terms

Ton – the unit of weight used in the US consisting of 2,000 imperial pounds, often referred to as a 'Short Ton'.

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