(US dollars, except where noted)

(Unit of weight is US short tons)

Management's Discussion and Analysis
Quarter Ending September 30, 2012

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 5, 2012, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial reporting, and the audited annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All amounts are in United States dollars unless otherwise noted.

Highlights

- **Sales volume in the quarter was 31% higher than the comparable quarter in 2011 driven by the continuing strength of the northern California market and a broader customer base;**
- **Good progress was made in the sale of the Pier B freehold land in the Port of Long Beach with closing set for the end of November, 2012;**
- **Gross loss per ton for the nine months to September 30, 2012 has improved by 38% over the same period last year. This quarter was impacted by increased shipping fuel costs on August 1st (see North American Emission Control Area below) and a planned cessation of quarry production in July.**

Results of Operations

The Company incurred a net loss attributable to shareholders of $3.4 million ($0.06 per share loss) during the quarter ending September 30, 2012, compared to a net loss attributable to shareholders of $3.5 million ($0.07 per share loss) during the comparable quarter of 2011. The net loss attributable to shareholders during the nine months ending September 30, 2012 was $9.6 million ($0.18 per share loss), compared to a net loss attributable to shareholders of $12.6 million ($0.24 per share loss) during the first nine months of 2011. The net loss for the nine months in 2012 includes a $0.8 million loss incurred on the repayment of the Company's loan with its exclusive shipping contractor.

The positive trend of increased sales volumes in the major San Francisco Bay market continued. Since commencing operations, the company has been impacted by the severe economic recession that saw demand fall dramatically in all target markets and led to the losses reported through low volumes and the inability to raise prices in the depressed market areas. However, since the fourth quarter of 2011 there has been a gradual recovery which has continued through 2012 and bodes well for price advances in 2013.

Revenue for the quarter ending September 30, 2012 increased by 35% to $9.1 million, compared with $6.8 million for the comparable quarter in 2011. Revenue for the nine months ended September 30, 2012 increased by 45% to $23.9 million, compared with $16.5 million for the first nine months of 2011. Aggregate sales in this quarter were 632,000 tons, a 31% increase over sales of 484,000 tons in the third quarter of 2011. Aggregate sales in the first nine months of 2012 were 1,665,000 tons, a 36% increase over sales of 1,221,000 tons in the first nine months of 2011.

(000's, except per ton amounts)	Three months ended Sept. 30, 2012		Three months ended Sept. 30, 2011		Nine months ended Sept. 30, 2012		Nine months ended Sept. 30, 2011	
	Tons	$	Tons	$	Tons	$	Tons	$
Sales	632	9,130	484	6,774	1,665	23,891	1,221	16,454
Gross loss		(1,653)		(1,352)		(4,279)		(5,088)
Gross loss per ton		*(2.62)*		*(2.79)*		*(2.57)*		*(4.17)*

For the three and nine month periods ended September 30, 2012, the Company incurred a gross loss of $1.7 million and $4.3 million, respectively, compared with a gross loss of $1.4 million and $5.1 million, respectively, in 2011. The gross loss per ton was $2.62 for the three months ended September 30, 2012, a $0.17/ton improvement over the gross loss per ton of $2.79 for 2011. The year to date figures continue to demonstrate a significant reduction in gross loss per ton, with gross losses of $2.57/ton for the nine months ended September 30, 2012, compared with gross losses of $4.17/ton in 2011.

The cost of goods sold in the quarter was negatively impacted by two factors that were affected by timing issues. The first was a significant increase in shipping costs due to higher fuel prices from August 1st, the result of the introduction of a new fuel regulation (*see: "North American Emission Control Area"*). The Company bears these additional fuel costs in the quarter in which they arise but are then recovered from contracted customers in the following quarter. Secondly, Orca Quarry production in the quarter was significantly lower than the sales volume resulting in an inventory draw down of 121,000 tons. Lower production in the quarter resulted in a higher fixed cost per tonne of inventory produced. The reduced production was the direct consequence of a production stoppage at the beginning of the quarter as efficient operations at Orca quarry had produced full inventory levels at the end of the second quarter. Production recommenced in late July. The excellent production efficiencies at the quarry bode well to meet the anticipated increasing sales demand in 2013 and thereafter.

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

As a consequence of the Company's two major supply agreements in northern California, the Company absorbs changes in the cost of shipping fuel during a quarter and then passes the cost, or benefit, through to the customer during the following quarter by way of adjustment to selling prices. The initial 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.

North American Emission Control Area

On August 1, 2012, the USA EPA and Environment Canada established a North American Emission Control Area (the "ECA") of 200 nautical miles around the US and Canadian coasts. All vessels operating within the ECA must now use Low Sulphur Fuel Oil (LSFO) which has a limit of 1% sulphur. On January 1, 2015 the allowable sulphur content further reduces to 0.1%. This action significantly increased the cost of shipping for the Company from August 1st although this is a timing issue since these costs are passed on by the Company to customers through oil pass-through clauses in the Company's sales agreements. Unfortunately, Pacific northwest fuel suppliers appear to have only very limited quantities of LSFO available at the time of implementation of the ECA and consequently the increase in freight costs were significantly higher than had been previously projected by our shipper.

The objective of the ECA is to reduce emissions from ships that might be harmful to coastal environments, and is supported by marine cargo shippers including CSL International, the Company's exclusive shipper. However, the US EPA directed that the ECA be 200 miles offshore without the benefit of new research which clearly establishes that an ECA limit beyond 50 miles provides no further benefit to coastal environments. This new regulation has adversely impacted many freight movements in North America and these coastal regions would actually be seriously impacted by the increased air pollution and road congestion that would arise should millions of tons per annum of products, including construction aggregate, be forced to use shore-based truck or rail transportation rather than ships. A Coalition of Short-Sea Shippers, coupled with the Maritime Industrial Transportation Alliance, are actively pressing for reconsideration and that the ECA be modified to 50 miles for smaller, short-sea, coastal vessels which would include those operated by CSL. The Company is engaged with the National Stone and Sand and Gravel Association to support the coastal shippers in achieving a modification to the ECA regulations thus enabling the current economic benefits to be maintained in the vital supply of construction aggregates to coastal cities, without negatively impacting the coastal environment.

Other Charges

During the three months ended September 30, 2012, selling, general and administrative ("SG&A") expenses of $1.1 million were unchanged compared with the same period for 2011. During the nine months ended September 30, 2012 SG&A expenses of $3.6 million, were significantly lower than the $4.3 million in the same period of 2011. The Company has lowered its SG&A expenses through cost reductions in salaries, travel, and investor relations since 2010. Significant professional costs were incurred in 2011 due to the transition to IFRS and contributed to increased costs when compared to the nine months ended September 30, 2012.

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. When sales are made into Vancouver, BC, which are denominated in Canadian dollars, they can offset a portion of the cash costs of production at the Orca Quarry and provide a partial hedge to the Company.

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:

	2012			2011				2010
($000's)	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue	9,130	7,659	7,102	6,984	6,774	5,953	3,727	2,905
Loss before interest and income taxes	(3,176)	(2,116)	(3,282)	(5,504)	(2,952)	(5,397)	(3,443)	(367)
Net loss attributable to shareholders of Polaris	(3,413)	(1,886)	(4,308)	(5,224)	(3,472)	(5,387)	(3,704)	(681)
Basic and diluted net loss per share	(0.06)	(0.04)	(0.08)	(0.09)	(0.07)	(0.10)	(0.07)	(0.02)
(000 Tons)								
Sales	632	535	498	506	484	448	289	178
Aggregate production	511	615	536	590	452	423	267	212

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, 2012, net loss attributable to shareholders of the Company was $9.6 million (nine months ended September 30, 2011 – net loss $12.6 million), negative cash flow from operations was $2.0 million (nine months ended September 30, 2011 – negative $5.3 million) and as at September 30, 2012, the Company has a deficit of $110.6 million (December 31, 2011 - $101.0 million). At September 30, 2012 the Company has a working capital deficit of $2.4 million. The Company's losses are principally attributable to the severe recession in the United States, particularly the low volume of demand for construction aggregates in California, the Company's main market. 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, including continued improvement in the economic outlook and the recovery of demand for the Company's products, particularly in California. Assuming the market continues to recover, it may be increasingly possible for the Company to generate positive cash flows and avoid additional penalties under its shipping contract. Management has taken initiatives to improve the Company's financial position and cash flow. In March 2012, a debt refinancing was completed by the issuance of CAD$15.0 million in senior secured notes (the "Notes") that mature December 31, 2016. Proceeds from the issue of the Notes were used to repay all outstanding debt, including interest and fees, comprising CAD$6.2 million due on the bridge loan secured in November 2010 and $7.1 million due on the long-term debt with the Company's exclusive shipper. Net proceeds of CAD$1.7 million remained for general working capital purposes. The refinancing consolidated the Company's debt into a single, five year term facility. In June 2012, the Company and the holders of the Notes agreed to defer the interest payment due on June 30, 2012 until the earlier of; the completion of the sale of the Company's jointly held Pier B freehold land, or December 31, 2012. In May, 2012 Cemera entered into a purchase and sale agreement with respect to the Pier B land at a sale price of $19.5 million, from which the Company anticipates receiving approximately $12.1 million, net of estimated closing costs and commissions. $5 million of the net proceeds will be used to reduce the Company's outstanding debt with a further $0.6 million used to pay the deferred June 2012 interest payment. In August 2012, Cemera and the purchaser agreed to extend the closing of the sale of the Pier B land to October 11, 2012. Subsequent to the quarter end, on October 9, 2012, Cemera and the purchaser agreed to further extend the closing date to November 29, 2012. In recognition of the extended time that has been required to complete the transaction, the purchaser has released non-refundable payments totalling $275,000. Finally, in June 2012, the Company received $1.7 million in advanced payment on fourth quarter aggregate shipments expected to be delivered before December 31, 2012. The steps described above are subject to uncertainty and may not allow the Company to meet its obligations. The Company may be further required to; seek additional sources of financing; curtail, reduce or delay expenditures; or look for strategic alternatives to maximize the benefits of the Company's long lived assets. The success of any of these initiatives cannot be assured.

Working Capital

At September 30, 2012, the Company has working capital deficit of $2.4 million that included cash of $0.3 million. Comparatively, at December 31, 2011 the Company had a working capital deficit of $4.4 million and cash of $1.6 million.

As noted in *Liquidity Risk and Going Concern above,* in March 2012, the Company completed a debt refinancing. Proceeds from the issue of the notes were used to repay the bridge loan secured in November 2010 and the long-term debt with the Company's exclusive shipper, with the net proceeds available for general working capital purposes.

Operating, Financing and Investing Activities

For the three months ended September 30, 2012, cash decreased $1.5 million compared with a decrease of $0.2 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, cash decreased $1.3 million compared with a decrease of $2.6 million for the nine months ended September 30, 2011.

Operating activities used cash of $1.2 million for the three months ended September 30, 2012, compared to cash used of $0.7 million in 2011 and used cash of $2.0 million for the nine months ended September 30, 2012, compared to cash used of $5.3 million in 2011. In June 2012 the Company received $1.7 million in deferred revenue which is included in operating activities. For the nine months ended September 30, 2012, operations continued to use cash due to the overall low levels of demand for aggregate products, as a consequence of the severe economic recession, particularly in California.

Financing activities used cash of $0.1 million for the three months ended September 30, 2012, compared to cash used of $0.2 million for the same period in 2011 and provided cash of $1.5 million for the nine months ended September 30, 2012, compared to cash used of $0.5 million for the same period in 2011. As noted in *Liquidity Risk and Going Concern above,* in March 2012, the Company completed a debt refinancing with proceeds from the issue of the notes used to repay the bridge loan secured in November 2010 and the long-term debt with the Company's exclusive shipper. Financing activities for 2011 related mainly to principal repayments for the finance leases of mining equipment used at the Orca Quarry.

Investing activities during the three months ended September 30, 2012, used cash of $0.2 million compared to cash of $1.0 million provided for the same period in 2011 and during the nine months ended September 30, 2012, used cash of $0.8 million compared to cash of $3.5 million provided for the same period in 2011. Investing activities for the nine months ended September 30, 2012 are mainly attributable to purchases of property, plant and equipment. Investing activities for the nine months ended September 30, 2011 included net proceeds received through the disposal of investments and property, plant and equipment.

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. The Company's longer term plans include the potential construction of a marine aggregate terminal in the Port of San Diego and also the construction of the Eagle Rock Quarry near Port Alberni on Vancouver Island, BC. (see *Risks and Uncertainties*).

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

The Company's Contract of Affreightment ("CoA"), effective from January 1, 2010 with a term of 20 years, requires the Company 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 2012 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. Minimum freight volume penalties are payable annually within 15 days of the yearend in which freight volumes do not meet the minimum volume requirements in the CoA. The Company and its shipper agreed in principle, subject to definitive documentation, that the penalty rate for 2011 until 2016 can be reduced to 25% if the Company achieves certain revised business targets. For the 2011 fiscal year the Company recorded a $190,000 penalty associated with the annual minimum freight volume commitment. For 2012 the Company anticipates meeting its minimum volume requirement and, therefore, at September 30, 2012 no accrual was considered necessary.

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 Sept. 30,		Nine months ended Sept. 30,	
($000's, except per share amounts)	2012	2011	2012	2011
Net loss for the period attributable to shareholders of Polaris	(3,413)	(3,472)	(9,607)	(12,563)
Adjustments				
Provision for annual minimum volume penalties	-	(61)	-	145
Share-based employee benefits	27	76	169	307
Loss on settlement of loan	-	-	-	2,127
Other gains and losses	6	67	12	67
Adjusted net loss for the period	(3,380)	(3,390)	(9,426)	(9,917)
per share	*(0.06)*	*(0.06)*	*(0.18)*	*(0.19)*

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.

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
($000's except per share amounts)	2012	2011	2012	2011
Net loss for the period attributed to shareholders of Polaris	(3,413)	(3,472)	(9,607)	(12,563)
Finance expense	589	442	2,531	1,304
Income tax expense (recovery)	(20)	389	(612)	433
Amortization, depreciation and depletion	1,302	1,430	3,813	3,968
EBITDA	(1,542)	(1,211)	(3,875)	(6,858)
per share	*(0.03)*	*(0.02)*	*(0.07)*	*(0.13)*
Adjustments				
Provision for annual minimum volume penalties	-	(61)	-	145
Share-based employee benefits	27	76	169	307
Other gains and losses	6	67	12	2,194
Adjusted EBITDA	(1,509)	(1,129)	(3,694)	(4,212)
per share	*(0.03)*	*(0.02)*	*(0.07)*	*(0.08)*

Overview of the Company, Operations, Markets and Outlook

MARKET OUTLOOK AND RECENT DEVELOPMENTS

Sales in the third quarter of 2012 were 632,000 tons, a 31% increase over the comparable quarter of 2011. For the first nine months of 2012, sales were 1,665,000 tons an increase of 36% over the same period in 2011. The increase is due to substantial growth in demand from the San Francisco Bay area markets attributable to two factors; improving infrastructure and private commercial expenditures, particularly in the area between San Francisco and San Jose, which is benefiting from the success of the “high-tech” industry and also the commencement of sales to new ready mixed concrete customers.

The Company, through its strategic alliance marketing partner, commenced supply towards the end of 2011 to two large ready mixed concrete producers, an opportunity that arose primarily because of the cessation of production from a major local quarry. This widening of the supply base, coupled with increasing building and construction activity, represents the most encouraging business climate experienced for five years. Aggregate consumption numbers recently released by the US Geological Survey showed that construction aggregate consumption in California increased by 13.8% in 2011 compared with 2010, a trend that is continuing in 2012. During April 2012, the state broke ground on a $3.2 billion extension of the BART transportation system into San Jose and announced funding for 19 road construction projects worth $5 billion, the majority of which are around San Francisco Bay and San Jose. There now appears to be a firm belief that the US construction sector, including private housing, has entered a period of recovery. A revised forecast of cement consumption was issued by the Portland Cement Association in April, 2012 which anticipated demand for cement increasing by 3.7% in 2012, followed by a 7.6% increase in 2013 and a further 14.1% in 2014.

In the first half of 2012, the Company began to recover pricing incentives granted in 2011 and achieved certain further price increases. The Company is taking advantage of the strong increase in northern California’s demand to better focus on situations where Orca aggregate’s premium quality can begin to be reflected in higher average selling prices. 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 US construction recovery now being forecast. On June 29, 2012, Congress passed a Surface and Transportation Reauthorization Bill (“MAP-21”) which will fund the nation’s roads, bridges and mass transit systems until the end of 2014. This action removed a three-year gridlock during which period funding uncertainty, at both federal and state levels, had contributed to the major decline in construction activity.

In respect of private sector construction investment, the Company believes that the encouraging signs of a resurgence in private housing will continue although this sector is less influential on the demand for Orca Quarry materials than private commercial investment. Nevertheless, increased multiple occupancy unit construction activity in the San Francisco area is proving beneficial to demand.

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 good example is the proposed large new granite quarry in Riverside County north of San Diego, which was voted down after a lengthy and expensive legislative procedure including an appeal. 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 marine aggregate terminal to supply this market.

In Hawaii, the Company is focusing on major infrastructure projects where the ability of Orca Quarry materials to meet stringent performance requirements provides strong technical and economic justification for their usage. Of particular interest is the construction of, the Honolulu Light Rail Project, the commencement of which is slated to start after the resolution of a court challenge to the validity of the environmental impact assessment for the project. The initial term of the Company’s supply agreement with its Hawaiian customer has expired although sales are continuing at previous levels under normal purchase and supply arrangements. Sales to the Company’s Vancouver based customer are depressed, however, supplies to a new customer in Alaska, that collects from the quarry in its own barges, are largely offsetting the Vancouver business.

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 anticipates that, following completion of extraction of the East Cluxewe deposit, working the East Cluxewe Extension deposit, which is contiguous with its current operations, will the first priority to be followed by the West Cluxewe deposit. The necessary permits for working these additional deposits will be sought much nearer the time when they will be required.

The Company also owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater alongside the Alberni Inlet near Port Alberni, British Columbia. The Eagle Rock Quarry received its mine permit in 2003 and in 2008 renewed the Environmental Assessment Certificate from the Province of BC, which 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, with a combined annual capacity of well 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. In 2008 Cemera purchased a 12.4 acre parcel of freehold land in the Port of Long Beach, California, 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 their ability to receive and efficiently handle much larger container vessels. As a consequence, the demand for concrete aggregate to meet these massive construction projects will increase significantly. To mitigate the already over-congested road access and egress from these 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 future demand as construction activity increases in the Los Angeles Basin area and delivered aggregate prices return to pre-depression levels.

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 eventual capital cost of bringing this terminal into full operation is estimated at $4 million, however, the Company is presently exploring options to more economically commence the delivery of aggregates by utilizing part of the site and offsetting leasing costs through short-term sub-let arrangements.

Effective May 25, 2012, Cemera Long Beach LLC entered into a Purchase and Sale Agreement for the Pier B freehold land. This agreement afforded the prospective buyer a 90 day due diligence period to be followed by a further 30 days for closing the purchase. The sale has proceeded satisfactorily although the now achieved, clarification of certain historic title matters required an extension to the due diligence period. Closing has now been scheduled for the end of November, 2012 at which time the Company will receive two thirds of the net proceeds, anticipated to be approximately $12 million.

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. The Company had received verbal confirmation from Cemex that it would not be exercising its participation rights in the development of the San Diego terminal, however, this position has presently not been confirmed. The Company is actively reviewing marketing and development possibilities although it is unlikely that operational status in this unique location will be achieved before 2015/16.

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. It is anticipated that the increasing demand for Orca Quarry products in northern California, similar to levels experienced during 2008, will assist in maximizing shipping efficiency.

Sales to Hawaii are made via CSL self-discharging vessels contracted by the Company's Hawaiian customer. The lower mainland of British Columbia is supplied with sand and gravel using barges provided by the 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 accounted for approximately 87% of the Company's sales in 2011.

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

The Company's sand and gravel quarry operates year-round, however, sales demand is seasonal due to the impact of poor weather conditions, particularly in the first, or winter, quarter which have an impact on production volumes and demand for the Company's products. As a consequence the Company's financial results for any individual quarter are not necessarily indicative of results to be expected for that year. Sales and earnings are typically sensitive to regional and local weather, market conditions, and, in particular, to cyclical variations in construction spending.

Related Party Transactions

During the three months ended September 30, 2012, directors of the Company or of subsidiaries of the Company, either directly or through a company controlled by them, provided to the Company, services at a cost of $103,745 (three months ended September 30, 2011 - $90,859) which are included in general and administrative expenses. During the nine months ended September 30, 2012, directors of the Company or of subsidiaries of the Company, either directly or through a company controlled by them, provided to the Company, services at a cost of $297,047 (nine months ended September 30, 2011 - $260,685) which are included in general and administrative expenses. At September 30, 2012, accounts payable of $34,021 (December 31, 2011 - $32,012) were due to companies controlled by common directors.

Significant Accounting Judgments and Estimates

The Company's accounting policies are described in Note 3 to the December 31, 2011 audited consolidated financial statements. The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The Company considers the accounting policies and estimates for; the determination of mineral reserves, asset values and impairment charges, and estimated reclamation and closure costs, to be significant. There is a full discussion and description of the Company's significant accounting judgments and estimates in the 2011 management discussion and analysis.

Financial Instruments

On March 2, 2012, the Company completed a debt refinancing and issued CAD$15 million in senior secured notes that mature December 31, 2016.

The notes are senior secured obligations of the Company that have a first charge against the assets of the Company other than cash and accounts receivable and contain certain non-financial affirmative and restrictive covenants similar to those found in a bank financing. The Company is not held to any financial performance covenants. The notes bear interest at a rate of 12% per annum, payable semi-annually beginning June 30, 2012 and may be redeemed by the Company at any time without penalty. The notes also require a mandatory repayment of $5.0 million in the event that the Company completes an equity financing or disposes of any asset for proceeds of greater than $5.0 million. The Company has estimated that both prepayment features have minimal or nil estimated fair value and thus no amount has been recorded at inception or as at September 30, 2012. The notes have been classified as financial liabilities measured at amortized cost.

In conjunction with the senior secured notes, the Company issued 13,200,000 common share purchase warrants that are exercisable at a price of $0.44 per share until December 31, 2012, $0.50 per share until December 31, 2013, $0.55 per share until December 31, 2014, $0.60 per share until December 31, 2015 and $0.65 per share until December 31, 2016.

Effective June 30, 2012, the Company and the holders of the notes agreed to defer the interest payment due on June 30, 2012. The interest payment will now be paid upon the earlier of; the completion of the sale of the Company's jointly held Pier B freehold land, or December 31, 2012. As compensation, the Company agreed to pay a fee of CAD$89,100 by issuing 148,500 common shares at the June 28, 2012 closing price of CAD$0.60. These shares were issued subsequent to quarter end.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,545,602 were issued and outstanding. The Company also had 3,381,709 options outstanding, exercisable into 3,381,709 common shares of which 3,043,376 are currently vested. Additionally, the Company had 14,775,000 warrants outstanding, all of which are vested.

Risks and Uncertainties

The development and operation of the Company's construction aggregate properties involves a high degree of business and financial risk. Accordingly, investment in the securities of the Company involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business. The Company has incurred losses and expects to incur further losses. The following risks are not intended to be a complete list of all risk factors or presented in any assumed order of priority. A full discussion and description of the Company's risks which should be taken into account in assessing important factors that could cause the Company's actual results to differ materially from the Company's expectations are disclosed under the heading "Risks and Uncertainties" in the Company's 2011 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, 2011, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). Any one or more of the following risks could have a material effect on the Company.

The Company's operations 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.

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, 2012, net loss attributable to shareholders of the Company was $9.6 million (nine months ended September 30, 2011 – net loss $12.6 million), negative cash flow from operations was $2.0 million (nine months ended September 30, 2011 – negative $5.3 million) and as at September 30, 2012, the Company has a deficit of $110.6 million (December 31, 2011 - $101.0 million). At September 30, 2012 the Company has a working capital deficit of $2.4 million. The Company's losses are principally attributable to the severe recession in the United States, particularly the low volume of demand for construction aggregates in California, the Company's main market. 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, including continued improvement in the economic outlook and the recovery of demand for the Company's products, particularly in California. Assuming the market continues to recover, it may be increasingly possible for the Company to generate positive cash flows and avoid additional penalties under its shipping contract. Management has taken initiatives to improve the Company's financial position and cash flow. In March 2012, a debt refinancing was completed by the issuance of CAD$15.0 million in senior secured notes that mature December 31, 2016. Proceeds from the issue of the notes were used to repay all outstanding debt, including interest and fees, comprising CAD$6.2 million due on the bridge loan secured in November 2010 and $7.1 million due on the long-term debt with the Company's exclusive shipper. Net proceeds of CAD$1.7 million remained for general working capital purposes. The refinancing consolidated the Company's debt into a single, five year term facility. In June 2012, the Company and the holders of the notes agreed to defer the interest payment due on June 30, 2012 until the earlier of; the completion of the sale of the Company's jointly held Pier B freehold land, or December 31, 2012. In May, 2012 Cemera entered into a purchase and sale agreement with respect to the Pier B land at a sale price of $19.5 million, from which the Company anticipates receiving approximately $12.1 million, net of estimated closing costs and commissions. $5 million of the net proceeds will be used to reduce the Company's outstanding debt with a further $0.6 million used to pay the deferred June 2012 interest payment. In August 2012, Cemera and the purchaser agreed to extend the closing of the sale of the Pier B land to October 11, 2012. Subsequent to the quarter end, on October 9, 2012, Cemera and the purchaser agreed to further extend the closing date to November 29, 2012. In recognition of the extended time that has been required to complete the transaction, the purchaser has released non-refundable payments totalling $275,000. Finally, in June 2012, the Company received $1.7 million in advanced payment on fourth quarter aggregate shipments expected to be delivered before December 31, 2012. The steps described above are subject to uncertainty and may not allow the Company to meet its obligations. The Company may be further required to; seek additional sources of financing; curtail, reduce or delay expenditures; or look for strategic alternatives to maximize the benefits of the Company's long lived assets. The success of any 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.

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

The Company may not meet minimum freight contract volumes

The Company's freight contract, which was 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.

Additional risk factors

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 at inception of 25 years. Construction aggregate reserves are estimates only and the assumptions made in the AMEC financial analysis of the Orca Project may no longer be reasonable. 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.

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 nine months ended September 30, 2012 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, 2011, 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).