Polaris
MINERALS CORPORATION

2007 Second Quarter Report

August 21, 2007

TO OUR SHAREHOLDERS:

I am very pleased to report that the start-up and production ramp-up of the Orca Quarry is proceeding according to plan. During the second quarter of 2007, we commenced regular shipments of high quality sand and gravel, generating revenues of $4.4 million in the quarter. We have initiated regular shipments into San Francisco Bay and the Vancouver area, and have made a first shipment of sand to Hawaii. The Orca plant and shiploader have been performing well and we are continuing to make progress in discussions with potential customers and port terminal owners. In short, we are off to a good start.

Operating costs at the Orca Quarry are in-line with expectations during this start-up period. We expect gross margins to strengthen in the coming years, influenced by increasing sales and the amortization of fixed costs over increasing tonnage. We remain on track to meet or exceed our sales target of 1.54 million tons in the first 12 months of production.

One of the most gratifying developments during the second quarter is the emergence of construction projects being built with concrete made with high quality sand and gravel from the Orca Quarry. Amongst them are the Legacy Towers in Burnaby, BC, and several more high-rise buildings in the Vancouver area. In California, Orca products are building the spectacular new Oakland – San Francisco Bay Bridge; the Highway 580 and Highway 101 interchange project in San Rafael; the Ellis Creek Water Recycling Facility (a wastewater treatment plant) in Petaluma; and, the new Green Music Center at the Sonoma State University. The high strength concrete made from Orca aggregates is one of the reasons the products are so well suited for such projects. Images of these structures are posted on the Polaris website, so that you can see these aggregates at work, as they are converted into lasting elements of residential, commercial and civil infrastructure.

Aggregate pricing in the target markets remains strong, despite a significant decline in demand in California, a result of the current residential construction downturn. The decline in housing activity is being offset by increasing commercial and infrastructure building projects. While the overall demand for construction aggregates has decreased in California year-over-year, indigenous reserves continue to deplete and are proving very difficult and expensive to replace. Polaris is well positioned to fill the growing gap between local supply and demand for high quality construction aggregates.

I am also pleased to report that the construction of the Richmond Terminal is on track for completion in late September and we expect to begin operations and sales early in the fourth quarter. The quality of the construction work is excellent, and the opening of this facility will significantly increase our ability to offload product in San Francisco and to ramp-up production levels.

The proposed terminal in the Port of Redwood City is advancing steadily through the permitting process and is on target for a construction start in 2008.

On the financial front, we are generating cash flow from operations and are well capitalized to proceed with our next phase of growth. With the exception

of mobile equipment leases, we remain debt free. As a result of market conditions and commercial paper liquidity issues, the full recoverability of one of the Company's R-1 High asset backed commercial paper short-term investments, a $5.5 million investment in Rocket Trust A Notes which matured on August 17, 2007, remains uncertain.

We continue to advance discussions with several potential customers and port terminal owners, and we expect to make solid progress on both fronts in the coming weeks and months.

We are building a solid foundation for long term profitable operations and we have set the stage for sustainable growth.

I look forward to reporting further progress to you soon.

Marco Romero
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of August 14, 2007, and should be read in conjunction with the Company's unaudited consolidated interim financial statements for the six months ended June 30, 2007, as well as the audited consolidated financial statements for the year ended December 31, 2006, which have been prepared in accordance with Canadian generally accepted accounting principles and the related management's discussion and analysis contained in the 2006 Annual Report.

Effective January 1, 2007, the Company changed its reporting currency from Canadian dollars to the US dollar (USD). The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. The Company will conduct most of its sales and shipping contracts in USD. Prior to January 1, 2007, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and cash flows in the Canadian dollar (CAD). In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA), set out in EIC-130, *Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency*.

Based on EIC-130, the financial statements for all years and periods presented have been translated into the new reporting currency using the current rate method. Under this method, the statement of operations and cash flow statement items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheet dates. Shareholders' equity transactions since January 1, 2006 have been translated using the rates of exchange in effect as of the dates of the various capital transactions, while shareholders' equity balances on January 1, 2006 have been translated at the exchange rate on that date. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US Dollars.

OVERVIEW

The second quarter of 2007 represented the first full operating period for the Company following the start-up of operations in the previous quarter. Regular shipments of sand and gravel were established into two principal markets: San Francisco Bay and the Lower Mainland of British Columbia. Products were also shipped to Hawaii during the quarter.

Customers in San Francisco Bay were serviced using self-unloading Panamax vessels provided by CSL International Inc. under the terms of the Company's ten year shipping contract. On arrival in the Bay, these vessels were partially unloaded while at anchor ("lightered") into barges provided by a major customer under the terms of a twenty year aggregate supply agreement. After lightering, the balance of the cargo was unloaded at an existing terminal operated by a third party and, later in the year, will also be unloaded at the Company's own receiving, storage and distribution facility in Richmond, California. This lightering arrangement offers the most economical shipping solution.

Sales into the Lower Mainland of BC were made on an ex-quarry basis under the terms of a five year supply agreement by loading barges supplied by the customer. These barges are unloaded at two terminals located on the Fraser River.

Sales commenced at the end of March, 2007 and for the first six months of 2007 total sales volume of sand and gravel was 269,586 tons. At the end of the second quarter the Company had a total of 339,976 tons of aggregate products in inventory. (N.B. a "ton" means a US short ton of 2000 pounds).

The level of sales achieved during the first full quarter of commercial operations was in line with the Company's expectations for the commencement and build up of sales and it is anticipated that the customer base will further expand as a result of discussions which are ongoing with a number of potential additional customers. The Company anticipates achieving a mix of long-term contracted sales and shorter term supply agreements and believes this approach should provide flexibility and enable the Company to realize the benefit of increasing prices brought about by the depletion of indigenous resources in the target market areas. New resources are increasingly difficult to permit and the Company believes the growing that supply deficits will have to be met by increasingly longer and more expensive transportation options.

The logistics associated with the distribution of large quantities of aggregates by ocean-going vessel are complex and during this first operating period the Company experienced somewhat higher than projected port costs. This was a result of the relatively small number of vessel movements and the travel time required for pilots and berthing tugs. The Company intends to minimize the cost of tugs through the provision of a dedicated local berthing tug and expects to reduce pilot costs as more experience is gained with the new ship berth at Port McNeill and the impact of increasing numbers of vessels loaded.

The Richmond Terminal in the Port of Richmond in San Francisco Bay, held under a long-term lease with Levin Enterprises, Inc., is anticipated to be substantially complete by the end of September, 2007 and in operation early in the fourth quarter of 2007. The Richmond Terminal is a storage and distribution facility for construction aggregates

with an annual throughput capacity of 1.5 million tons. The Company is also progressing with the permitting of its proposed Redwood City Terminal, also in San Francisco Bay, and advancing in discussions with several other ports and port operators with the objective of establishing multiple entry locations to serve major markets on the Pacific coast.

The Company owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater in the Alberni Inlet near Alberni, British Columbia. A Mine Permit was obtained in 2003 and the Company is actively seeking market outlets which would support the development of the quarry to produce crushed rock construction aggregate products. Work has begun to update the previous partially completed feasibility study. Products would also be shipped in bulk carriers to coastal urban markets mainly on the west coast of North America. The Eagle Rock Quarry is the principal project of Eagle Rock Materials Ltd. which is owned 70% by the Company and 30% by First Nations that have asserted traditional territorial rights over the quarry area.

In March 2007, the Company closed an equity issue for gross proceeds of $52.9 million (CDN$62.1 million) and repaid its $31 million debt facility on April 16, 2007.

RESULTS OF OPERATIONS

During the three months ended June 30, 2007, the Company incurred a loss of $1.2 million ($0.03 per share) compared to a loss of $0.1 million ($0.00 per share) in the comparative quarter. During the six months ended June 30, 2007 the Company incurred a loss of $5.5 million ($0.16 per share) compared to a loss of $2.0 million ($0.07 per share) in the comparative period. The increased loss is mainly attributable to $1.5 million in realized foreign exchange losses resulting from the effect of the strengthening of the Canadian dollar on the Company's US dollar cash and cash equivalents and $2.9 million loss relating to the change in fair value of the long term debt which is offset by a gross margin of $0.87 million in the six months ended June 30, 2007.

The Company commenced sales of sand and gravel in the last week of the first quarter and as a result, the sales in the three month and six month ended June 30, 2007 were $4.4 million and $4.5 million, respectively. The Company achieved a gross margin of $0.85 million (19%) for the three months ended June 30, 2007 and $0.87 million (19%) for the six months ended June 30, 2007. Revenues during the second quarter included $0.68 million for limestone which was carried by the Company in one of its shipments to California to assist a customer and maximize shipping efficiency. The cost of goods sold includes the same amount thus having a zero effect on the Company's gross margin. After eliminating the effect of this transaction, the Company's gross margin in the quarter would have increased from 19% to 23%.

Operating activities, taking into account non-cash items and non-cash working capital, used cash of $7.2 million for the three months ended June 30, 2007 compared to a cash inflow of $0.2 million in the 2006 period. During the six month period ended June 30, 2007, operating activities used cash of $18.5 compared to cash used of $1.0 million in the 2006 period.

Expenses of $1.8 million were charged to operations during the three month period ended June 30, 2007, compared to expenses of $1.0 million in the comparative 2006 period. Expenses in the current six month period amounted to $3.0 million compared to $3.0 million in the 2006 period.

- General and administrative costs in the three month period ended June 30, 2007 increased to $1.4 million from $0.8 million in the 2006 period. For the 2007 six month period, costs were $2.3 million compared to $2.1 million in the 2006 period. The increase is due to increased investor relations and regulatory activity as a result of the Company listing on the Toronto Stock Exchange, increased professional fees, general office costs and salaries due to the growth of the Company as well as a $0.09 million bonus was paid in accordance with a senior management employment contract as certain milestones were achieve.
- Marketing costs in the three months ended June 30, 2007 increased to $0.24 million from $0.12 million in the three months ended June 30, 2006 and increased to $0.35 million for the six months ended June 30, 2007 compared to $0.19 million in corresponding 2006 period. The increase is attributable to a $0.19 million bonus paid in accordance with a consultancy contract as certain milestones were achieved.
- An expense of $0.05 million was recorded in the three months ended June 30, 2007 for stock-based compensation compared with $0.07 million in the 2006 year and for the six months ended June 30, 2007, an expense of $0.11 million compared with $0.75 million was recorded. In the three and six month periods ended June 30, 2007 a further $0.02 million and $.0.04 million, respectively, in stock based compensation was capitalized to property, plant & equipment compared with $Nil in the corresponding 2006 periods.

The Company now reports comprehensive income having adopted the new accounting standards for financial instruments which were effective for the Company on January 1, 2007. The most significant components of other comprehensive loss was the unrealized mark-to-market gains on the Company's investments in the available for sale securities category and currency translation adjustments.

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:

(in '000)	Three Months Ended							
	2007		2006				2005	
	June 30	March 31	Dec 31	Sept. 30	June 30	March. 31	Dec. 31	Sept. 30
		$	$	$	$	$	$	$
Revenue	4,398	50	Nil	Nil	Nil	Nil	Nil	Nil
Interest income	486	492	92	867	617	182	11	18
Loss for the quarter	(1,212)	(886)	(1,349)	(8)	(83)	(1,893)	(566)	(897)
Basic and diluted loss per share	(0.03)	(0.03)	(0.04)	(0.00)	(0.01)	(0.06)	(0.05)	(0.07)

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, the Company had working capital of $31.8 million, including cash and cash equivalents of $29.8 million compared to working capital of $32.6 million and cash of $42.4 million at December 31, 2006.

During the six months ended June 30, 2007, the Company issued 6,900,000 common shares at $7.67 (CDN$9.00) per share for gross proceeds of $52.9 million (CDN$62.1 million) through a bought deal equity financing. A cash commission equal to 5.0% of the gross proceeds was paid to the underwriters. The Company expects that the remaining funds from the bought deal will finance the construction of the Richmond Terminal, and fund operations through to sustainable positive net cash flows.

The Company closed its IPO and issued 16,628,185 common shares during the year ended December 31, 2006 for net proceeds of $62.7 million (CDN$73.9 million). At the same time as the IPO, the Company closed a $31 million debt facility which the Company fully drew down in the year ended December 31, 2006. The Company repaid the outstanding debt facility of $32.3 million, including accrued interest, on April 16, 2007 from the proceeds of the bought deal equity issue.

In connection with the Company's first sale of construction aggregates to California, the Company issued 2,153,846 warrants in accordance with the terms of the long term debt agreement. Each warrant is exercisable into one common share at $4.16 (CDN $4.80) per share until November 30, 2010. Effective January 1, 2007, the Company recognized the fair value of these warrants of $3.5 million in the financial statements with a corresponding reduction in the amount of the debt.

During the year ended December 31, 2006, the Company entered into four five-year leases for heavy equipment for the Orca Quarry, terminating on October 28, 2011, at annual interest rates of 7.0% and 7.05%. As at June 30, 2007, the total minimum lease payments remaining were $3.3 million.

During the three months ended June 30, 2007 the Company loaned $4.7 million to a third party for the purchase of certain assets. The loan bears interest of 5.5% per annum payable monthly and with the principal balance due in 2027. The Company has security over various assets of the third party. The Company loaned these funds to facilitate its ability to deliver increased tonnage into the San Francisco Bay area. The loan is accounted for under the amortized cost method.

As a result of market conditions and commercial paper liquidity issues subsequent to June 30, 2007, the recoverability of the Company's investment of $5.5 million in an R-1 high asset backed commercial paper which matures on August 17, 2007 is uncertain on that date.

The Company expended $9.2 million on property, plant and equipment in the three months ended June 30, 2007 compared with $11.1 million in the three months ended June 30, 2006. The majority of 2007 expenditures relate to the construction of the Richmond Terminal while the 2006 expenditures are due to the construction of the Orca Quarry. Production commenced at the Orca Quarry on February 20, 2007 with capitalization of project costs discontinuing on March 1, 2007 and therefore the decline in capitalized costs is in line with management's expectations as the majority of the expenditures for the Orca Quarry were incurred prior to December 31, 2006 in accordance with budgeted expenditures.

As at June 30, 2007, the Company's remaining contractual obligations for the construction of the Richmond Terminal and operating leases are outlined in the following table:

('000)	Payments Due by Period				
	Total	Less than one year	2-3 years	4-5 years	After 5 years
Operating leases	$20,476	$520	$2,002	$2,179	$15,774
Richmond Terminal – Construction Contracts	$7,081	$7,081	-	-	-

On commencement of the marine contract on July 18, 2007, the Company is committed to ship the following tonnage. Failure by the Company to ship its annual cargo commitment will result in a dead freight charge equal to 75% of the freight rate of the unshipped tonnes. The Company has the option, in any given year, to carryforward up to 25% of the yearly contracted tonnage into the following year.

	Tonnes
First contract year	1,400,000
Second contract year	2,300,000
Third contract year	3,200,000
Fourth contract year	4,000,000
Fifth contract year and thereafter	4,500,000

The Company's shipping contractor is equally committed to provide shipping capacity to meet these volume projections and has given the Company assurances that, subject to the Company making the required commitments and allowing for an appropriate lead time, it will be able to meet an accelerated sales ramp-up, should it be required.

RELATED PARTY TRANSACTION

During the six months ended June 30, 2007, a company controlled by a director of the Company provided services to the Company in the United States in connection with its proposed shipping, discharging, and marketing arrangements, at a cost of $0.13 million compared to $0.11 million for the six months ended June 30, 2006.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Other than disclosed elsewhere, the Company adopted the following new accounting policies in 2007:

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, *Accounting Changes*, which require that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosure of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has made one voluntary change in accounting principles since the adoption of the revised standard for a change in reporting currency.

Financial Instruments

In 2005, the Accounting Standards Board issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. Effective January 1, 2007, the Company adopted these standards. Prior periods have not been restated.

i. Financial Instruments

   On January 27, 2005, the CICA issued Handbook section 3855, *Financial Instruments – Recognition and Measurement*. This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are presented.

   Effective January 1, 2007, the Company's cash equivalents have been classified as available-for-sale and will be recorded at fair value on the balance sheet with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

   All derivatives will be recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments will be included in net income.

   The Company's long-term debt contained an embedded prepayment option. Management concluded that it was unable to reliably estimate the fair value of the prepayment option to enable it to be segregated from the underlying long-term debt and accounted for separately. Accordingly at January 1, 2007 management accounted for long-term debt at fair value at that date and accounted for changes in the fair value in the statement of operations for each period until repaid.

   Transaction costs associated with the long-term debt were charged to deficit at January 1, 2007.

ii. Hedges

   In April 2005, the CICA issued Handbook section 3865, *Hedges*. This standard is applicable when a Company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline (AcG-13), *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, by

specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard did not have a material effect on the Company's financial statements.

iii. Comprehensive Income

In April 2005, the CICA issued Handbook section 1530, *Comprehensive Income*. This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. This statement has been included in the consolidated financial statements started this period.

Revenue recognition

Revenue, net of any discounts, is recognized on the sale of products at the time the product's title is transferred to the buyer, all significant contractual obligations have been satisfied and the collection of the resulting accounts receivable is reasonable assured.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the December 31, 2006 audited consolidated financial statements. Both the accounting polices used and the estimates made by management can impact the interim consolidated financial statements. The Company considers the estimate of stock-based compensation and asset retirement obligations to be significant.

The Company uses the fair-value method of accounting for stock based compensation related to incentive stock options granted. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the option and the discount rate. Changes in these estimates could result in the fair value of the stock-based compensation being materially less than or greater than the amount recorded.

The Company records the fair value of any asset retirement obligation as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs. The obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and the discount rate to be used.

A substantial portion of the Company's financial assets and liabilities are denominated in United States dollars giving rise to risks from changes in exchange rates. The Company does not use derivative financial instruments to reduce its foreign exchange exposure; however, the Company maintains a significant portion of its cash and cash equivalents in US dollars.

CAPITAL STOCK

As at the date of this report, the Company had unlimited common shares authorized, of which 36,562,931 were issued and outstanding. The Company also had 2,094,016 options outstanding, exercisable into 2,094,016 common shares of which 1,886,713 are currently vested and 2,153,846 warrants.

RISKS AND UNCERTAINTIES

The development and operation of the Company's construction aggregates properties involves a high degree of financial risk. The risk factors which should be taken into account in assessing the Company's activities include, but are not necessarily limited to, those set out in the paragraphs below. These risks are not intended to be presented in any assumed order of priority. Any one or more of these risks could have a material effect on the Company and should be taken into account in assessing the Company's activities.

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

Quarrying involves a high degree of risk and the Company has no history of construction aggregates 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 aggregates 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 resource that has an estimated life of 25 years. In order to maintain its annual production the Company will be required to obtain other construction aggregates resources in the future to bring into production. The Company's operations are subject to environmental risks and the actual costs of reclamation for the property are uncertain. Further, the Company's insurance will not cover all the potential risks associated with a quarrying operation.

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

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

Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting during the first six months of 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company expects to meet its long-term business objective of becoming a leading exporter of construction aggregates from British Columbia to Pacific coastal destinations. The Company has sufficient capital resources to implement its short and medium term business objectives and does not anticipate needing any debt or equity financing to achieve positive cash flow. Its principal goals for the remainder of 2007 are to:

- increase sales from the Orca Quarry;
- complete construction of the Richmond Terminal;
- secure additional construction aggregates sales contracts and terminal access;.
- obtain permitting on a second San Francisco Bay area aggregate receiving terminal located in the port of Redwood City;
- conduct exploration programs to secure additional sand and gravel resources;
- evaluate development options for the Eagle Rock Quarry.

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, 2006, 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.

Polaris Minerals Corporation

CONSOLIDATED BALANCE SHEETS

(unaudited)

(US dollars in thousands)	June 30, 2007 $	December 31, 2006 $ (restated - note 2)
Assets		
Current assets		
Cash and cash equivalents	29,818	42,397
Accounts receivable	6,561	2,681
Prepaid expenses and deposits	638	146
Inventories (note 3)	1,679	47
	38,696	45,271
Quarrying and terminal interests (note 4)	1,815	1,585
Property, plant and equipment (note 5)	94,307	69,870
Security deposits	658	601
Loan receivable (note 6)	4,658	-
Deferred financing costs	-	785
	140,134	118,112
Liabilities		
Current liabilities		
Accounts payable	3,054	4,598
Accruals and provisions	3,396	7,698
Current portion of capital leases (note 7)	477	416
	6,927	12,712
Asset retirement obligation (note 9)	1,734	1,510
Capital leases (note 7)	2,789	2,771
Long term debt (note 8)	-	31,000
Non-controlling interest (note 13)	1,836	1,775
	13,286	49,768
Shareholders' Equity		
Share capital (note 10)	129,180	79,280
Warrants	3,452	-
Contributed surplus (note 11)	2,255	2,114
	134,887	81,394
Accumulated other comprehensive income (note 12)	11,454	130
Deficit	(19,493)	(13,180)
	(8,039)	(13,050)
	126,848	68,344
	140,134	118,112

Commitments (note 14)

Subsequent events (note 18)

Approved by the Board of Directors

"Paul Sweeney"
Paul Sweeney, Director

"Marco Romero"
Marco Romero, Director

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)

(US dollars in thousands, except per share data)	Three-month period ended June 30,		Six-month period ended June 30,	
	2007 $ (unaudited)	2006 $ (unaudited)	2007 $ (unaudited)	2006 $ (unaudited)
Revenue				
Sales	4,398	-	4,448	-
Cost of goods sold	(3,553)	-	(3,581)	-
	845	-	867	-
Expenses				
Amortization	109	22	218	24
General and administrative	1,364	756	2,297	2,088
Marketing	240	121	348	190
Stock-based compensation	52	71	114	749
	1,765	970	2,977	3,051
Loss from operations	(920)	(970)	(2,110)	(3,051)
Non-controlling interest	34	44	102	80
Gain on disposal of asset	-	-	-	4
Change in fair value of long-term debt (note 2)	513	-	(2,909)	-
Foreign exchange	(1,258)	164	(1,458)	159
Interest Income	486	629	978	809
Interest Expense	(67)	-	(122)	-
Net loss for the period	(1,212)	(133)	(5,519)	(1,999)
Deficit - Beginning of period	(18,281)	(11,712)	(13,180)	(9,846)
Adjustment in respect of the adoption of the new accounting standards (notes 2 and 8)	-	-	(794)	-
Deficit - beginning of period as restated	(18,281)	(11,712)	(13,974)	(9,846)
Deficit - End of period	(19,493)	(11,845)	(19,493)	(11,845)
Basic and diluted loss per common share	(0.03)	(0.00)	(0.16)	(0.07)
Weighted average number of common shares outstanding	36,551	29,624	33,675	28,706

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(US dollars in thousands)	Three-month period ended June 30,		Six-month period ended June 30,	
	2007 $ (unaudited)	**2006** $ (unaudited)	**2007** $ (unaudited)	**2006** $ (unaudited)
Net loss for the period	(1,212)	(133)	(5,519)	(1,999)
Other comprehensive income				
Currency translation adjustment (note 2)	9,983	-	11,644	-
Mark-to-market adjustment on financial instruments				
Unrealized losses on available-for-sale investments arising during the period	(373)	-	(320)	-
Less: reclassified to net income on realization	-	-	(37)	-
	9,610	-	11,287	-
Comprehensive income (loss) for the period	8,398	(133)	5,768	(1,999)

Polaris Minerals Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(US dollars in thousands)	Three-month period ended June 30,		Six-month period ended June 30,	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Cash flows from operating activities				
Loss for the period	(1,212)	(133)	(5,519)	(1,999)
Items not affecting cash				
Amortization	109	22	218	24
Gain on disposal of asset	-	-	-	(4)
Non-controlling interest	(34)	(44)	(102)	(80)
Change in fair value of long-term debt	(513)	-	2,909	-
Stock-based compensation	52	71	114	749
	(1,598)	(84)	(2,380)	(1,310)
Changes in non-cash working capital items				
Accounts receivable	(2,921)	(893)	(3,271)	(1,079)
Prepaid expenses and deposits	42	(30)	(503)	156
Inventories	(1,322)	-	(1,573)	-
Accounts payable	(479)	1,210	(3,277)	1,777
Accruals and provisions	(979)	(10)	(7,532)	(538)
	(5,659)	277	(16,156)	316
	(7,257)	193	(18,536)	(994)
Cash flows from financing activities				
Net proceeds from issue of common shares	(122)	282	49,886	63,999
Non-controlling cash contributions	-	40	-	888
Long term debt	(31,000)	-	(31,000)	-
Deferred financing costs	-	(6)	-	(6)
Capital lease payments	(135)	-	(238)	-
	(31,257)	316	18,648	64,881
Cash flows from investing activities				
Loan receivable	(4,111)	-	(4,111)	-
Quarrying and terminal interests	(17)	-	(83)	-
Property, plant and equipment costs	(9,278)	(11,079)	(15,252)	(18,148)
Security deposits	-	(457)	-	(628)
	(13,406)	(11,536)	(19,446)	(18,776)
Effect of foreign currency translation on cash and cash equivalents	5,730	2,729	6,755	2,688
(Decrease) increase in cash and cash equivalents	(46,190)	(8,298)	(12,579)	47,799
Cash and cash equivalents - beginning of period	76,008	57,060	42,397	963
Cash and cash equivalents - end of period	29,818	48,762	29,818	48,762
Cash and cash equivalents consist of				
Cash	3,565	2,052	3,565	2,052
Short-term investments	26,253	46,710	26,253	46,710
	29,818	48,762	29,818	48,762

Supplemental cash flow information (note 17)

1 Nature of operations

Polaris Minerals Corporation (the Company) was incorporated on May 14, 1999 and is engaged in the development and operation of construction aggregates properties and related projects located on the west coast of North America.

2 Significant accounting policies

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods as per the annual consolidated financial statements for the year ended December 31, 2006 with the following additions. They do not include all the disclosures required by generally accepted accounting principles, and should be read in conjunction with the most recent annual financial statements of the Company.

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, *Accounting Changes*, which require that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosure of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has made one voluntary change in accounting principles since the adoption of the revised standard for a change in reporting currency (see Change in Reporting Currency).

Financial Instruments

In 2005, the Accounting Standards Board issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. Effective January 1, 2007, the Company adopted these standards. Prior periods have not been restated.

i. Financial Instruments

On January 27, 2005, the CICA issued Handbook section 3855, Financial Instruments – Recognition and Measurement. This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are presented.

Effective January 1, 2007, the Company's cash equivalents have been classified as available-for-sale and will be recorded at fair value on the balance sheet with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

All derivatives will be recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments will be included in net income.

The Company's long-term debt contained an embedded prepayment option. Management concluded that it was unable to reliably estimate the fair value of the prepayment option to enable it to be segregated from the underlying long-term debt and accounted for separately. Accordingly at January 1, 2007 management accounted for long-term debt at fair value at that date and accounted for changes in the fair value in the statement of operations for each period until repaid (Note 8).

Transaction costs associated with the long-term debt were charged to deficit at January 1, 2007.

ii. Hedges

In April 2005, the CICA issued Handbook section 3865, *Hedges*. This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline (AcG-13), *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard did not have a material effect on the Company's financial statements.

iii. Comprehensive Income

In April 2005, the CICA issued Handbook section 1530, *Comprehensive Income*. This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other

comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

Revenue recognition
Revenue, net of any discounts, is recognized on the sale of products at the time the product's title is transferred to the buyer, all significant contractual obligations have been satisfied and the collection of the resulting accounts receivable is reasonably assured.

Change in reporting currency
Effective January 1, 2007, the Company changed its reporting currency to the US dollar (USD). The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. The Company will conduct most of its sales and shipping contracts in USD. Prior to January 1, 2007, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and cash flows in the Canadian dollar (CDN). In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA), set out in EIC-130, *Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency*.

Based on EIC-130, the financial statements for all years and periods presented have been translated in to the new reporting currency using the current rate method. Under this method, the statement of operations and cash flow statement items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheet dates. Shareholders' equity transactions since January 1, 2006 have been translated using the rates of exchange in effect as of the dates of the various capital transactions, while shareholders' equity balances on January 1, 2006 have been translated at the exchange rate on that date. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

3 Inventories

Inventories are as follows:

	June 30, 2007 $	December 31, 2006 $
Construction aggregates	1,511	-
Components and consumable supplies	168	47
	1,679	47

4 Quarrying and terminal interests

	Eagle Rock Quarry Project $	Cougar deposit $	Other marine receiving terminals $	Total $
Balance - December 31, 2005	1,286	-	258	1,544
Expenditures	15	3	23	41
Balance - December 31, 2006	1,301	3	281	1,585
Foreign exchange	124	-	27	151
Expenditures	-	41	38	79
Balance - June 30, 2007	1,425	44	346	1,815

a) Eagle Rock Quarry Project

The Eagle Rock Quarry Project is located on deep tidewater in the Alberni Inlet, southwest of the city of Port Alberni, British Columbia. The Company expects to quarry, crush and screen the granite resource to produce construction aggregates products on site. Products are expected to be shipped in bulk carriers or barges to coastal urban markets in California, Hawaii and British Columbia.

b) Cougar deposit

In February 2007, the Company applied for a license of occupation covering a sand and gravel deposit on northern Vancouver Island, B.C. The Cougar deposit is located on the shores of Rupert Inlet, approximately 19 kilometres west of the Orca Quarry and 19 kilometres south of the town of Port Hardy.

c) Other marine receiving terminals

The Company is evaluating, negotiating and permitting access to several sites at ports in California for the discharge, storage and distribution of construction aggregates.

During the period ending June 30, 2007, the Company submitted its permit application with the Port of Redwood City for the development of a construction aggregates marine receiving terminal.

5 Property, plant and equipment

	June 30, 2007			December 31, 2006		
	Cost $	Accumulated depletion or amortization $	Net book value $	Cost $	Accumulated depletion or amortization $	Net book value $
Orca Quarry						
Property costs	12,496	90	12,406	10,560	-	10,560
Construction in progress	-	-	-	40,843	-	40,843
Richmond Terminal						
Property costs	10,361	-	10,361	4,850	-	4,850
Construction in progress	19,768		19,768	9,799	-	9,799
Motor vehicles	197	64	133	185	31	154
Fixed plant and machinery	21,412	321	21,091	-	-	-
Marine facilities	25,855	330	25,525	-	-	-
Building and land improvements	1,122	36	1,086	-	-	-
Mobile plant	57	4	53	-	-	-
Heavy equipment (held under capital lease)	3,623	351	3,272	3,306	80	3,226
Furniture, equipment, tools and fixtures	641	216	425	601	169	432
Leasehold improvements	209	22	187	14	8	6
	95,741	1,434	94,307	70,158	288	69,870

a) Orca Quarry

The Orca Quarry, located on tidewater west of the town of Port McNeill, BC, is a quarry with a plant capable of producing six million tonnes of sand and gravel per year. Production commenced at the Orca Quarry in February 2007 and as of March 1, 2007, the Company ceased to capitalize costs of the project unless they are capital in nature. Shipping of the product began in March 2007 to the Greater Vancouver market in barges and in April 2007 shipping began in self-unloading bulk carriers to San Francisco Bay.

The Company has a beneficial interest in the Orca Quarry of 88%, the remaining 12% being owned by the Namgis First Nation which has asserted traditional territory rights over the area.

b) Richmond Terminal

The Company has a 20 year lease, with two 10 year extensions, with Levin Enterprises, Inc. for a construction aggregates storage and distribution site in the Port of Richmond in San Francisco Bay. In the period ending June 30, 2007, the Company began construction on the terminal.

6 Loan receivable

During the period ended June 30, 2007, the Company loaned $4.7 million to a third party for the purchase of certain assets for the facilitation of shipping construction aggregates. The loan bears interest of 5.5% per annum with interest payable monthly and the principal balance due in 2027. The Company has security over various assets of the third party. The loan has been accounted for under the amortized cost method.

7 Capital leases

Included in property, plant and equipment is quarrying equipment that the Company has acquired pursuant to four, five year lease agreements, terminating October 28, 2011 at interest rates of 7.0% and 7.05%. The quarrying equipment is the security for the indebtedness. Future minimum lease payments are as follows:

	June 30, 2007 $	December 31, 2006 $
2007	346	631
2008	691	631
2009	691	631
2010	691	631
2011	1,513	1,380
Total minimum lease payments	3,932	3,904
Less: Interest portion	666	717
Capital lease obligation	3,266	3,187
Less: Current portion	477	416
Non-current portion	2,789	2,771

8 Long term debt

	June 30, 2007 $	December 31, 2006 $
Tranche A and B	-	31,000

Deferred financing costs of $794 have been charged to deficit effective January 1, 2007 upon the adoption of the new accounting standards on Financial Instruments. The Company repaid the outstanding debt in the period ended June 30, 2007.

In connection with the Company's first sale of construction aggregates to California, the Company issued 2,153,846 warrants in accordance with the terms of the long term debt agreement. Each warrant is exercisable into one common share at $4.16 (CDN $4.80) per share until November 30, 2010. The Company recognized the fair value of these warrants effective the beginning of the six month period with a corresponding reduction in the amount of the debt.

9 Asset retirement obligation

	June 30, 2007 $	December 31, 2006 $
Obligation - beginning of period	1,510	-
Foreign exchange	145	-
Liabilities incurred	-	1,474
Accretion expense	79	36
Obligation - end of period	1,734	1,510

10 Share capital

Authorized

Unlimited common shares without par value

Issued

	June 30, 2007		December 31, 2006	
	Number of common shares ('000)	Amount $	Number of common shares ('000)	Amount $
Balance - beginning of period	29,650	79,280	12,997	16,402
For cash	6,900	52,923	16,628	68,711
Share issue costs	-	(3,073)	-	(6,004)
On exercise of stock options	9	50	25	171
Balance - end of period	36,559	129,180	29,650	79,280

In March 2007, the Company issued 6.9 million common shares at $7.67 (CDN$9.00) per common share for gross proceeds of $52.9 million (CDN$62.1 million). A cash commission equal to 5.0% of the gross proceeds was paid to the underwriters.

11 Contributed surplus

	June 30, 2007 $	December 31, 2006 $
Balance - beginning of period	2,114	1,260
Stock based compensation	155	917
Exercise of stock options	(14)	(63)
Balance - end of period	2,255	2,114

12 Accumulated other comprehensive income

	$
Opening balances on adoption of new accounting standards	
Accumulated other comprehensive income at beginning of period - currency translation adjustment	130
Unrealized gains on investments	37
Opening balances on adoption of new accounting standards	167
Other comprehensive income for the period	11,287
Balance - end of period	11,454
Components of accumulated other comprehensive loss	
Currency translation adjustment	11,774
Unrealized gains on investments	(320)
Balance – end of period	11,454

13 Non-controlling interest

	Non-controlling interest in subsidiary $
Balance - December 31, 2005	1,128
Equity contributions	849
Non-controlling interest share of losses	(202)
Balance - December 31, 2006	1,775
Non-controlling interest share of losses	(102)
Foreign exchange	163
Balance - June 30, 2007	1,836

The Company has made advances to the minority shareholder, the Namgis First Nation (the Namgis), a subsidiary, in order to enable the Namgis to meet its funding obligations to the Company. Due to the uncertainty associated with the recoverability, the Company has never recorded interest receivable on the Namgis loan.

14 Commitments

a) The following minimum payments are required under operating leases as at June 30, 2007:

	$
2007	520
2008	969
2009	1,033
2010	1,089
2011	1,090
Thereafter	15,774
	20,475

b) As at June 30, 2007, the Company has remaining construction contracts totalling $7,081 related to the Richmond Terminal.

c) On commencement of shipping on April 1, 2007, the Company is committed to ship the following tonnage through its marine freight contract. Failure by the Company to ship its annual cargo commitment will result in a deadfreight charge equal to 75% of the freight rate of the unshipped tonnes. The Company has the option in any given year, to carry forward up to 25% of the yearly contracted tonnage into the following year.

	Tonnes ('000)
First contract year	1,400
Second contract year	2,300
Third contract year	3,200
Fourth contract year	4,000
Fifth contract year and thereafter	4,500

15 Related party transactions

During the period ended June 30, 2007, a certain director, through a company controlled by him, provided services to the Company, as follows: Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

a) Marketing services at a cost of $130 (June 30, 2006 - $110).

At June 30, 2007, accounts payable of $Nil (December 31, 2006 - $32) was due to a company controlled by a common director.

16 Segmented Information

The Company operates in one segment: the development and operation of construction aggregates properties and projects located in western North America.
The Company's sales were to one customer in Vancouver, BC and three customers in the United States of America comprising 100% of the Company's sales. The customers with significant sales are as follows:

	$
Customer A	1,685
Customer B	1,202
Customer C	1,206

17 Supplemental cash flow information

Non cash investing and financing activities
Non cash additions of $3,659 (June 30, 2006 – Nil) are included in property, plant and equipment.

18 Subsequent events

The Company has an investment in an R-1 asset backed commercial paper which has experienced liquidity issues as a result of market conditions subsequent to June 30, 2007. The Company's investment matures on August 17, 2007 and redemption of the $5.5 million investment is uncertain on that date.

CORPORATE INFORMATION

DIRECTORS AND SENIOR OFFICERS

Marco A. Romero	President and Chief Executive Officer, Director
Roman Shklanka	Chairman and Director
R. Stuart (Tookie) Angus	Director
Robert M. Edsel	Director
Terrence A. Lyons	Director
Gary D. Nordin	Director
John H. Purkis	Director
David F. Singleton	Director
Paul B. Sweeney	Director
Lisa Dea	Vice President Finance and Chief Financial Officer
Herbert G.A. Wilson	Senior Vice President and Chief Operating Officer

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