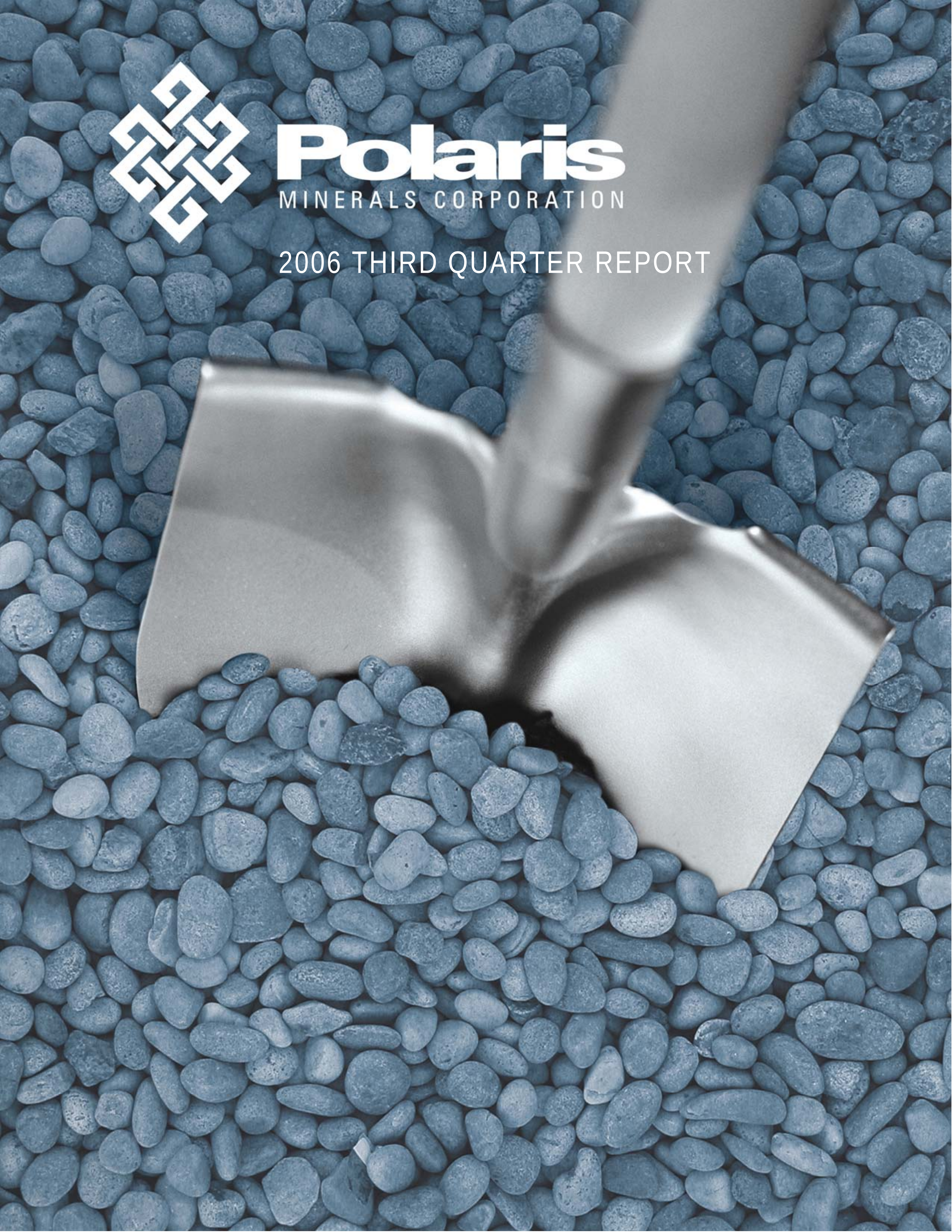

Polaris
MINERALS CORPORATION

2006 THIRD QUARTER REPORT

November 8, 2006

TO OUR SHAREHOLDERS:

I am pleased to report that the construction of the Orca Quarry advanced at a rapid pace during the third quarter. We remain on schedule and on budget, and we expect to start stockpiling our first product inventories by the end of the year. Shipments to market are expected to begin during the first quarter of 2007.

The Orca sand and gravel processing plant is rapidly approaching completion, as are the ship loadout conveyors which link the plant to the foreshore ship loading facility, a distance of 1,700 metres. In October we took delivery of a new fleet of Caterpillar mining equipment and commenced training of the operators by professionals from Finning Canada. We have completed the installation of pilings for the ship loader and mooring dolphins. The quadrant ship loader, which weighs more than 300 tons, will be delivered and installed before the end of November. The conveyor trusses, which connect the shiploader to the shore conveyor, will be arriving on site within days and represent the last major supply component for the project.

In California, we have begun site preparation and ground stabilization work on the Richmond Terminal, which represents a long term strategic gateway into the important San Francisco Bay market. As announced in August, the redesign of this terminal is expected to result in a savings of US$9.1 million, compared with the cost of the original terminal design. This state-of-the-art aggregate receiving, storage and distribution facility is expected to be completed in the summer of 2007.

A few days ago, we were very pleased to note that a $37.3 billion infrastructure funding initiative was approved by California voters and that the State's gas tax proceeds will be dedicated exclusively to funding transportation infrastructure. These are two of a series of measures that will finance the unprecedented $222 billion infrastructure construction program announced by Governor Schwarzenegger in January of this year. We believe that hundreds of construction projects across the State will be triggered by this program, creating a solid base-load of demand for our construction aggregates across California for at least a decade. In the short term, the increase in public sector spending will offset the recent decline in housing construction in California. The timing of our arrival into this major market is, therefore, excellent. Polaris will soon be well-positioned to competitively supply large quantities of high quality sand and gravel into this key market area.

As we rapidly approach the start of production at the Orca Quarry, we are receiving increasing attention from many potential new customers. These aggregate consumers are telling us what we already know: that there is a supply squeeze in the construction aggregates business, particularly for concrete sand, and that they welcome a new West Coast supplier capable of delivering long-term, reliable supplies of high quality aggregates.

If you wish to get a more visual idea of our construction progress at both the Orca Quarry and the Richmond terminal, I encourage you to view the photo gallery on our website. We have also recently added an interesting video to the home page of our website: www.polarmin.com. This computer-generated animation clip follows the movement of aggregates from the Orca Quarry to California, clearly illustrating our logistical solution to the State's long-term aggregate supply needs.

In closing, I would like to acknowledge the remarkable efforts and talents of the great Orca team of employees, contractors and suppliers. They have performed extremely well under our tight schedule and exacting specifications, and we all should be extremely grateful.

I look forward to reporting on our continuing progress as Polaris evolves into a producing company in the coming months. I thank you all for your continuing support.

Sincerely,

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 November 7, 2006, and should be read in conjunction with the Company's unaudited consolidated interim financial statements for the period ended September 30, 2006, as well as the audited consolidated financial statements for the year ended December 31, 2005 and the related management's discussion and analysis contained in the 2005 Annual Report, which have been prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW

The Company is focused on the emerging trade of marine exports of construction aggregates from its coastal properties located on Vancouver Island, British Columbia, Canada to urban markets located in the Pacific coastal region.

The Company's first construction aggregate property, a six million tonne per year sand and gravel quarry located on tidewater, west of the town of Port McNeill, British Columbia (the Orca Quarry), commenced construction in the first quarter of 2006 and production of material is expected to commence before the year end. The Company will quarry and process the sand and gravel resource to produce construction aggregate products on site. These products will be shipped in bulk carriers to Pacific coastal urban markets under a long term contract with CSL International Inc., the world's leading operator of self-discharging vessels.

The Company has a long-term aggregates supply agreement (the "Supply Agreement") with a well established construction aggregates consumer located in the San Francisco Bay area, one of the Company's target markets. Shipments to San Francisco Bay (the "Bay") will be partially discharged into third party barges ("lightered"), provided under the Supply Agreement, at anchorage in the Bay prior to discharging the balance of the cargo at the Company's receiving, storage and distribution facility or a third party terminal, access to which is being sought. This lightering arrangement offers the most economical shipping solution. Shipments to market are anticipated during the first quarter of 2007 and this Supply Agreement will initially account for approximately 55% of the projected first year sales of 1.4 million tons.

The Orca Quarry is held by the Orca Sand & Gravel Limited Partnership which is owned 88% by the Company and 12% by the Namgis First Nation (the "Namgis"). At the request of the Namgis, the Company makes advances to the Namgis to enable them to make their required equity contributions to the Partnership. The Company's sole recourse for repayment is through the distributions receivable by the Namgis from the Partnership. Advances made after the construction decision are repayable solely from those distributions and cannot be prepaid. The Namgis have contributed equity of approximately $1.1 million to the Partnership.

The Company owns the rights to develop the Eagle Rock Quarry, a very large granite resource located on deep tidewater in the Alberni Inlet, south of the town of Port Alberni, British Columbia. A Mine Permit was obtained for this quarry 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 on site. Products would also be shipped in bulk carriers to coastal urban markets in the Pacific. The Eagle Rock Quarry is held by 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.

The Company has a long-term lease with Levin Enterprises, Inc. for a construction aggregates storage and distribution terminal in the Port of Richmond in the Bay. The initial design for the construction of the Richmond Terminal proved to be too expensive and a redesign of the terminal is now complete with construction cost savings of US$9.1 million for a projected cost of US$27.4 million. The redesign more economically accommodates the complex ground conditions prevalent around the Bay. Following receipt of a Building Permit on August 10, 2006, the Company began site preparation and ground stabilization on the site at the end of the quarter, in anticipation of the start of construction of the terminal facilities. The Company is also progressing discussions with other ports and port operators in pursuance of the objective to establish multiple entry locations to serve major cities on the Pacific coast.

Funding for the development of the Orca Quarry and Richmond Terminal was raised in January 2006 when the Company closed its initial public offering (IPO) on the Toronto Stock Exchange and raised net proceeds of approximately $74 million. At the same time, the Company closed a bridge debt facility for up to US$31 million.

During the quarter ended September 30, 2006 the petition made to the Supreme Court of British Columbia by the Komoyue Heritage Society and others disputing the issuance to the Company of the environmental assessment certificate for the Orca Quarry was dismissed.

RESULTS OF OPERATIONS

During the quarter ended September 30, 2006, the Company incurred a loss of $10,000 ($0.00 per share) compared to a loss of $1,077,000 ($0.08 per share) in the comparative 2005 quarter. During the nine months ended September 30, 2006 the Company incurred a loss of $2,248,000 ($0.08 per share) compared to a loss of $2,784,000 ($0.21 per share) in the comparative period. The reduced loss in the quarter was principally a result of an increase in interest received to $982,000 compared with $20,000 in the comparative quarter in 2005. This will reduce in future quarters as the funds raised are expended on construction of the Orca Quarry.

Operating activities, taking into account non-cash items and non-cash working capital, increased cash by $2,022,000 for the three months ended September 30, 2006 compared to a cash outflow of $686,000 in the 2005 period. During the nine month period ended September 30, 2006, operating activities decreased cash by $1,605,000 compared to cash used of $2,391,000 in the 2005 period.

The Company had no operating revenues during the period, and the losses were attributable to expenses incurred, as discussed below.

Expenses of $1,045,000 were charged to operations during the quarter ending September 30, 2006, compared to expenses of $1,145,000 in the comparative quarter. Expenses in the current nine month period amounted to $4,284,000 compared to $2,941,000 in the 2005 period.

- Community relations expenses decreased for the September quarter to $40,000 from $163,000 in the comparative quarter. Expenses amounted to $118,000 in the current nine month period ended September 30, 2006 compared to $593,000 in the comparative period. The majority of these costs represented funding of the Kwakiutl and Namgis First Nations in connection with the restructuring of their participating interests in the Orca Project in 2005. These matters have now been resolved and as expected, costs declined in line with the lower level of community activities at the Orca Quarry and the Eagle Rock Quarry.

- General and administrative costs in the three months ended September 30, 2006 increased to $627,000 from $190,000 in the 2005 year. For the 2006 nine month period, costs were $1,331,000 compared to $653,000 in the 2005 period. The increase is mainly attributable to increased investor relations activity as a result of the Company listing on the Toronto Stock Exchange, increased insurance costs due to the public nature of the Company, increased legal fees for the defence of the Komoyue petition, and increased consultants fees as well as increased general office costs related to the construction of the Orca Quarry.
- Marketing costs in the three months ended September 30, 2006 decreased to $90,000 compared to $97,000 in the 2005 quarter, and increased to $302,000 compared to $289,000 in the nine month period. The overall increase is mainly attributable to increased consulting fees for the Company's shipping, discharging, and marketing arrangements
- Regulatory compliance costs in the three months ended September 30, 2006 increased to $16,000 compared to $Nil in the 2005 quarter and increased to $68,000 compared to $Nil in the nine months ended September 30, 2006 as a result of completing the Company's initial public offering in the first quarter of 2006.
- Salaries and benefits increased to $229,000 in the three month period ended September 30, 2006 from $178,000 in 2005, mainly due to increased staffing levels at the Orca Quarry in 2006. Costs for the 2006 nine month period were $1,582,000 compared to $597,000 in 2005. This increase, in accordance with senior managements' employment contracts, is a result of $800,000 in management bonuses paid as certain milestones were achieved. Increased staffing levels account for the remaining increase in the nine months ended September 30, 2006.
- An expense of $44,000 was recorded in the three months ended September 30, 2006 for stock-based compensation compared with $516,000 in the 2005 period and for the nine months ended September 30, 2006, an expense of $883,000 compared with $810,000 was recorded. Further, $52,000 and $67,000 in stock based compensation was capitalized to property, plant & equipment for the three and nine month period ended September 30, 2006, respectively, compared with $Nil in the comparative periods.

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:

	Three Months Ended							
	2006			2005				2004
	Sept. 30,	June 30,	Mar. 31,	Dec. 31,	Sept. 30,	June 30,	Mar. 31,	Dec. 31,
	$	$	$	$	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest income	982,495	699,326	206,661	12,969	20,480	27,015	22,974	51,442
Loss for the quarter	(9,489)	(94,046)	(2,144,629)	(663,615)	(1,077,440)	(621,716)	(1,084,368)	(718,214)
Basic and diluted loss per share	(0.00)	(0.01)	(0.08)	(0.06)	(0.08)	(0.05)	(0.08)	(0.06)

FINANCING

During the nine months ended September 30, 2006, the Company closed its initial public offering (IPO) and issued 16,628,185 common shares at $4.80 per share for net proceeds of $73,944,142. A cash commission equal to 6.0% of the gross proceeds was paid to the agent. On January 10, 2006, the Company's shares were listed on the Toronto Stock Exchange and commenced trading with the symbol PLS.

At the same time as the IPO, the Company closed a US$31 million debt facility. In the nine months ended September 30, 2006, the Company drew down US$5 million from Tranche A of the facility. The facility is comprised of two Tranches, A and B, for US$21 million and US$10 million, respectively. The loans are repayable on January, 2012, but may be repaid at any time without penalty. The loans bear interest that increases annually, commencing at 10% and 15% for Tranche A and Tranche B respectively, in 2006 and increasing to a maximum of 20% to 25% per annum respectively in 2011. Subsequent to the first sale of a shipment of construction aggregates from the Orca Quarry, the Company must elect either to grant 1,000,000 warrants or grant a royalty of US$0.21 per short ton on 88% of construction aggregates shipments for the life of the quarry to the lenders as the Tranche A fee. Similarly, with respect to the Tranche B fee, the Company elects either to grant 1,153,846 warrants or grant a royalty of US$0.03 per short ton on 88% of construction aggregates shipments for each US$1 million of that facility. Each Tranche A and B warrant is exercisable into one common share at $4.80 per share until November 30, 2010. The Tranche A and B warrants and royalty certificates have been issued and are being held in trust. Draw downs under the facility may be made at the discretion of the Company until December 31, 2006.

INVESTING

The Company capitalizes only direct costs incurred on projects determined to be viable, and charges certain other costs to operations, including salary and support costs; marketing studies and initiatives; and community relations programs.

Orca Sand & Gravel Quarry

The Company capitalized $23,241,000 to the Orca Project during the September 2006 quarter and $42,860,000 during the nine months ended September 30, 2006 compared to $474,000 in the September 2005 quarter and $2,349,000 for the nine month period ended September 30, 2005. Included in this increase is $13,903,000 and $31,783,000 for the quarter and nine months ended September 30, 2006, respectively, of Assets Under Construction which relates to the commencement of construction on the Orca Quarry with a major portion of these costs being associated with the Company's ship loader, process plant, and load-out conveyor system. Also included in capitalized costs are future site reclamation costs of $4,530,000 resulting from a corresponding asset retirement obligation. Other costs incurred in the nine months ended September 30, 2006 include sampling & testing, geotechnical surveys, development of drawings for the Orca Quarry ship loader and the remediation of an old dump adjacent to the Cluxewe River, but outside the Company's lease area. This remediation was mandated by the Land Titles Act and was therefore a precondition to the execution and registration of the lease agreement with Western Forest Products Inc. ("WFP"). However, an agreement is in place to recover 50% of these costs from Orca Quarry royalties payable to WFP. The costs incurred to September 30, 2005 were principally attributable to the preparation and filing of the environmental and mine permit applications and assessment work on the mineral claims, the development of the feasibility study and remediation of the dump near the Cluxewe River.

Eagle Rock Quarry Project

During the three and nine months ended September 30, 2006, $Nil and $9,000 was capitalized to the Eagle Rock Quarry compared with $Nil expenditures in 2005. Costs incurred in 2006 comprised lease costs to keep the property in good standing.

Shipping and Terminals

During the three and nine months ended September 30, 2006, the Company capitalized costs of $2,250,000 and $2,721,000, respectively, compared to $200,000 and $360,000 in 2005. Costs in 2006 were principally incurred in connection with the Company's redesign of the Richmond Terminal, the attainment of the building permit for that terminal and dredging costs for the terminal's ship berth. Costs in 2006 are related to the lease costs of the Richmond Terminal, permitting and product testing.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2006, the Company had working capital of $38 million, including cash of $42 million compared to working capital of $189,000 and cash of $1.2 million at December 31, 2005. On January 10, 2006, the Company raised net proceeds of approximately $74 million and arranged a debt facility of approximately $36 million (US$31 million). The Company expects that these arrangements will finance the construction of the Orca Quarry and Richmond Terminal, and fund their operations through to sustainable positive net cash flows.

Subsequent to its construction decision on January 10, 2006, the Company entered into certain contracts for the construction of the Orca Quarry, which have been included in the following table of contractual obligations:

	Payments Due by Period				
	Total	Less than one year	2-3 years	4-5 years	After 5 years
Operating leases	$7,880,000	$114,000	$873,000	$795,000	6,098,000
Orca Quarry and Richmond Terminal - construction contracts	$19,300,000	$19,300,000	-	-	-
Orca Quarry - purchase obligations	$4,346,000	$4,346,000	-	-	-

RELATED PARTY TRANSACTION

During the nine months ended September 30, 2006, 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 $302,000 respectively (2005 - $189,000).

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Asset Retirement Obligation

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment. The Company records the fair value of any asset retirement obligations 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 fair value of the liability is added to the carrying amount of the capitalized mineral property. This additional capitalized amount will begin to be amortized once commercial production commences and will continue to be amortized over the estimated useful life of the asset. 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.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the December 31, 2005 audited consolidated financial statements. Both the accounting polices used and the estimates made by management can impact the consolidated financial statements. The Company considers the 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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable and prepaid expenses and deposits, restricted cash, accounts payable and accruals and provisions approximate their book value due to their short-term nature. Cash and cash equivalents and restricted cash include cash and short-term investments held in the form of high quality commercial paper. The investment terms are less than three months at the time of acquisition and are highly liquid to ensure that funds are available to meet the financial obligations of the Company.

CAPITAL STOCK

As at the date of this report, the Company had unlimited common shares authorized, of which 29,649,845 were issued and outstanding. The Company also had 2,107,102 options outstanding, exercisable into 2,107,102 common shares of which 1,806,042 are currently vested.

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.

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. Its principal goals for the remainder of 2006 are to:

- complete construction of the Orca Quarry.
- commence construction of the Richmond Terminal for completion in 2007 and in order to accomplish this we will draw down the remainder of the Company's US$31 million debt facility prior to December 31, 2006..
- commence production and build product inventories at the Orca Quarry.
- secure additional construction aggregates sales contracts and terminal access.

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, 2005, 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

(expressed in Canadian dollars)	September 30, 2006 $	December 31, 2005 $
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	42,007,122	1,159,778
Accounts receivable	2,415,335	138,458
Prepaid expenses and deposits	91,196	335,933
	44,513,653	1,634,169
Property, plant and equipment (note 3)	54,146,915	8,557,529
Other assets (note 4)	428,529	55,968
Security deposits (note 5)	700,000	-
Deferred financing costs (note 6)	409,595	807,397
	100,198,692	11,055,063
Liabilities		
Current liabilities		
Accounts payable	5,353,231	695,058
Accruals and provisions	1,533,462	750,388
	6,886,693	1,445,446
Long term debt (note 7)	5,559,796	-
Non-controlling interest (note 9)	2,161,075	1,314,141
Asset retirement obligations (note 10)	4,530,115	-
	19,137,679	2,759,587
Shareholders' Equity		
Share capital (note 8)	92,750,617	18,629,705
Contributed surplus	2,409,701	1,516,912
Deficit	(14,099,305)	(11,851,141)
	81,061,013	8,295,476
	100,198,692	11,055,063

Subsequent Event (note 14)

Commitments (note 11)

Approved by the Board of Directors

"Roman A. Shklanka"
Roman A. Shklanka, Director

"John H. Purkis"
John H. Purkis, Director

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(expressed in Canadian dollars)	Three-month period ended September 30,		Nine-month period ended September 30,	
	2006 $ (unaudited)	2005 $ (unaudited)	2006 $ (unaudited)	2005 $ (unaudited)
Income				
Interest	982,495	20,480	1,888,482	70,469
Expenses				
Community relations	39,519	163,156	117,756	592,653
General and administrative	626,510	190,021	1,331,213	653,460
Marketing	90,049	96,996	302,395	288,511
Regulatory compliance	16,002	-	68,322	-
Salaries and benefits	229,083	178,262	1,581,588	596,828
Stock-based compensation	44,060	516,205	882,647	809,757
	1,045,223	1,144,640	4,283,921	2,941,209
Loss before undernoted items	(62,728)	(1,124,160)	(2,395,439)	(2,870,740)
Non-controlling interest	53,239	46,719	143,066	87,215
Gain on disposal of asset	-	-	4,209	-
Loss for the period	(9,489)	(1,077,441)	(2,248,164)	(2,783,525)
Deficit - Beginning of period	(14,089,816)	(10,110,086)	(11,851,141)	(8,404,002))
Deficit - End of period	(14,099,305)	(11,187,527)	(14,099,305)	(11,187,527)
Basic and diluted loss per common share	(0.00)	(0.08)	(0.08)	(0.21)
Weighted average number of common shares outstanding	29,642,486	12,996,660	29,021,699	12,975,387

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2006 $ (unaudited)	2005 $ (unaudited)	2006 $ (unaudited)	2005 $ (unaudited)
Cash flows from operating activities				
Loss for the period	(9,489)	(1,077,441)	(2,248,164)	(2,783,525)
Items not affecting cash				
Amortization	49,404	10,614	76,855	31,813
Gain on disposal of asset	-	-	(4,209)	-
Non-controlling interest	(53,239)	(46,719)	(143,066)	87,215
Stock-based compensation	44,060	516,205	882,647	809,757
	30,736	(597,341)	(1,435,937)	(1,854,740)
Changes in non-cash working capital items				
Accounts receivable	(1,084,105)	9,121	(2,276,877)	70,701
Prepaid expenses and deposits	47,437	(2,446)	244,737	11,529
Accounts payable	1,589,156	(28,320)	1,080,334	(425,071)
Accruals and provisions	1,438,395	13,621	783,074	(19,044)
	1,990,883	(8,024)	(168,732)	(361,885)
	2,021,619	(605,365)	(1,604,669)	(2,216,625)
Cash flows from financing activities				
Net proceeds from issue of common shares	120,000	-	74,469,053	36,000
Long term debt	5,559,796	-	5,559,796	
Non-controlling interest cash contributions	-	-	990,000	1,276,982
Deferred financing costs	-	-	(7,109)	-
	5,679,796	-	81,011,740	1,312,982
Cash flows from investing activities				
Property, plant and equipment costs	(19,771,487)	(473,713)	(37,414,519)	(2,349,161)
Security deposit	-	-	(700,000)	-
Proceeds on disposal of other assets	-	-	6,209	-
Other assets	(292,211)	(1,201)	(451,417)	(5,849)
	(20,063,698)	(474,914)	(38,559,727)	(2,355,010)
Increase (decrease) in cash and cash equivalents	(12,362,283)	(1,080,279)	40,847,344	(3,258,653)
Cash and cash equivalents - Beginning of period	54,369,405	3,981,573	1,159,778	6,159,947
Cash and cash equivalents - End of period	42,007,122	2,901,294	42,007,122	2,901,294

Polaris Minerals Corporation
NOTES TO CONSOLIDATED STATEMENTS
(expressed in Canadian dollars)
September 30, 2006

1 Nature of operations

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

2 Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. They do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. For further information, refer to the Company's consolidated financial statements, including the accounting policies and notes thereto, for the year ended December 31, 2005.

These interim consolidated financial statements follow the same accounting policies, and the methods of their application, as the annual consolidated financial statements for the year ended December 31, 2005, except as follows:

a) Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment. The Company records the fair value of any asset retirement obligations 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 fair value of the liability is added to the carrying amount of the capitalized mineral property. This additional capitalized amount will begin to be amortized once commercial production commences and will continue to be amortized over the estimated useful life of the asset. 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.

Certain comparative information has been reclassified to conform to the current period's presentation.

3 Property, plant and equipment

	Orca Sand & Gravel Quarry $	Eagle Rock Quarry Project $	Shipping & terminals $	Total $
Balance - December 31, 2004	2,152,348	1,498,505	1,330,319	4,981,172
Expenditures	2,808,816	-	767,541	3,576,357
Balance - December 31, 2005	4,961,164	1,498,505	2,097,860	8,557,529
Expenditures	6,546,597	8,740	2,721,072	9,276,409
Future reclamation (note 10)	4,530,115			4,530,115
Assets under construction	31,782,862	-	-	31,782,862
Balance - September 30, 2006	47,820,738	1,507,245	4,818,932	54,146,915

Assets under construction will not be amortized until the asset is substantially complete and ready for productive use.

a) Orca Sand & Gravel Quarry

The Orca Sand & Gravel Quarry (the “Orca Quarry”) is a sand and gravel quarry with a plant capable of producing six million tonne per year. It is on tidewater, west of the town of Port McNeill, British Columbia. The Company began construction of the quarry in the first quarter of 2006 and once complete, by the end of 2006, will quarry and produce sand and gravel destined for the ready-mix concrete industry in coastal urban markets.. Products will be shipped in bulk carriers to coastal urban markets under a long-term shipping contract.

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) Eagle Rock Quarry Project

The Eagle Rock Quarry Project is a proposed granite quarry located on deep tidewater in the Alberni Inlet, southwest of the city of Port Alberni, British Columbia. Crushed granite products, predominantly destined for the asphalt paving industry, will also be shipped in bulk carriers to coastal urban markets, most probably in California.

The Eagle Rock Quarry Project is held by Eagle Rock Materials Ltd. (“ERM”). The Company owns 70% of ERM, with the remaining 30% being owned by First Nations that have asserted traditional territory rights over the area.

c) Shipping & terminals

The Company holds a long-term lease with Levin Enterprises, Inc. for a construction aggregates storage and distribution terminal in the Port of Richmond in San Francisco Bay.

4 Other assets

	September 30, 2006 $	December 31, 2005 $
Motor vehicles	119,215	8,000
Equipment and furniture	455,615	140,271
Leasehold improvements	16,857	-
	591,687	148,271
Less: Accumulated amortization	(163,158)	(92,303)
	428,529	55,968

5 Security deposits

The Company has issued $700,000 in irrevocable standby letters of credit as performance bonds on the Orca Quarry. The letters of credit are automatically renewed each year until returned to the Company upon completion of the performance bond and are secured by interest-bearing deposits of $700,000.

6 Deferred financing costs

Legal, accounting and other costs directly related to the completion of the Company’s prospectus for its initial public offering (note 8 (a)) and long-term debt facility (note 7) were deferred as at December 31, 2005. On January 10, 2006, the Company closed its initial public offering and, as a result, deferred costs of $420,304 were netted against the proceeds. The remaining deferred costs of $409,595 are attributable to the long-term debt facility and will be amortized over the term of the debt.

7 Long-term debt facility

	September 30, 2006 $	December 31, 2005 $
Ingalls & Snyder Tranche A – 10%	5,528,000	-
Accrued interest	31,796	-
	5,559,796	-
Less: Current portion	-	-
	5,559,796	-

The Company has a US$31 million debt facility comprised of two Tranches, A and B, for US$21 million and US$10 million, respectively. As at September 30, 2006, the Company has drawn down US$5,000,000. The loans are repayable in January 2012, but may be repaid at any time without penalty. The loans bear interest that increases annually, commencing at 10% and 15% for Tranche A and Tranche B, respectively, in 2006 and increasing to a maximum of 20% and 25% per annum, respectively, in 2011. Immediately, subsequent to the first sale of a shipment of construction aggregates from the Orca Quarry, the Company must elect either to grant 1,000,000 warrants or grant a royalty of US$0.21 per short ton on 88% of construction aggregates shipments for the life of the quarry to the lenders as the Tranche A fee. Similarly, with respect to the Tranche B fee, the Company can elect either to grant 1,153,846 warrants or grant a royalty of US$0.03 per short ton on 88% of construction aggregates shipments for each US$1 million of that facility. Each Tranche A and B warrant will be exercisable into one common share at $4.80 per share until November 30, 2010. The Tranche A and B warrants and royalty certificates have been issued and are being held in trust. Draw downs under the facility may be made at the discretion of the Company until December 31, 2006.

8 Share capital

Authorized

Unlimited common shares without par value

Issued

	September 30, 2006		December 31, 2005	
	Number of common shares	Amount $	Number of common shares	Amount $
Balance - Beginning of period	12,996,660	18,629,705	10,206,660	9,332,014
For cash	16,628,185	79,815,288	40,000	36,000
Share issue costs	-	(5,871,146)	-	-
On exercise of stock options	25,000	176,770		
On exercise of special warrants	-	-	2,750,000	9,261,691
Balance - End of period	29,649,845	92,750,617	12,996,660	18,629,705

a) Common shares

In January 2006, the Company completed an initial public offering of 16,628,185 common shares at $4.80 per share for net proceeds of $73,944,142. A cash commission equal to 6.0% of the gross proceeds was paid to the agent.

b) Stock options

	Number outstanding	Weighted average exercise price $	Expiry date
Balance - December 31, 2004	1,427,500	1.47	2011 - 2014
Granted	192,500	4.10	2015
Exercised	(40,000)	0.90	2012
Cancelled	(17,500)	3.82	2014
Balance - December 31, 2005	1,562,500	1.79	2011 - 2015
Granted	594,602	4.87	2013 - 2016
Exercised	(25,000)	4.80	2016
Cancelled	(25,000)	4.80	2016
Balance – September 30, 2006	2,107,102	2.63	2011 - 2016

As at September 30, 2006, 1,793,542 options were exercisable at a weighted average exercise price of $2.18. The options granted during the three-month period ended September 30, 2006 have been valued using the Black-Scholes option pricing model and the following assumptions:

	September 30, 2006
Average risk-free rate	4.08 - 4.19%
Expected life	3.5 - 5 years
Expected volatility	35.20 - 40.96%
Expected dividends	-

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options. Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

9 Non-controlling interest

	Non-controlling interest in subsidiary $	Namgis loan receivable $	Total $
Balance - December 31, 2004	-	-	-
Equity contributions	2,040,329	(588,917)	1,451,412
Non-controlling interest share of losses	(137,271)	-	(137,271)
Balance - December 31, 2005	1,903,058	(588,917)	1,314,141
Equity contributions	4,461,581	(3,471,581)	990,000
Non-controlling interest share of losses	(143,066)	-	(143,066)
Balance – September 30, 2006	6,221,573	(4,060,498)	2,161,075

The Company holds an 88% interest in the Orca Sand & Gravel Limited Partnership (the "Limited Partnership") formed to develop the Orca Quarry, with the remaining 12% interest held by the Namgis First Nation (the "Namgis"). Non-controlling interest consists of the minority interest's share of the equity in the Limited Partnership offset by the capital contributions loaned to the minority interest by the Company. The principal terms of the loan agreement between the Company and the Namgis are as follows:

- At the request of the Namgis, the Company will make advances to the Namgis to enable them to make their required equity contributions to the Limited Partnership.
- Advances made prior to a construction decision will bear interest at prime plus a small margin. Advances made after a construction decision will bear substantially higher interest rates, reflective of the equity nature of the funding.
- The Company's sole recourse for repayment is to the distributions receivable by the Namgis from the Limited Partnership, after repayment of any approved third party who has loaned the Namgis funds for equity contributions. Advances made after a construction decision are repayable solely from those distributions and cannot be prepaid.

Due to the uncertainty regarding recoverability, the Company has not recognized interest receivable on the Namgis loan. The fair value of this amount receivable cannot be determined by the Company as it is dependent on the future success of the Orca Quarry.

10 Asset retirement obligations

During the nine months ended September 30, 2006, the Company recognized asset retirement obligations in connection with the construction and development of the Orca Quarry. As a result, the Company recorded liabilities totalling $4,530,115 in the nine months ended September 30, 2006 (2005 - $Nil) and increased capitalized property, plant and equipment associated with the Orca Quarry by the same amount.

	September 30, 2006 $	December 31, 2005 $
Obligation – beginning of period	-	-
Liabilities incurred	4,530,115	-
Accretion expense	-	
Liabilities settled	-	
Revisions in estimated cash flows	-	-
Obligation – end of period	4,530,115	-

A determination of the fair value of the liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to September 30, 2006 of approximately $8,678,000, which are expected to be expended throughout the mine life to 2031. These estimated future cash flows have been discounted at credit-adjusted risk-free rates ranging from 4.13% to 4.70%.

11 Commitments

a) The following minimum payments are required under operating leases as at September 30, 2006:

	$
2006	113,874
2007	469,926
2008	402,968
2009	402,968
2010	392,037
Thereafter	6,097,696

b) As at September 30, 2006, the Company has entered into construction contracts and purchase orders totalling approximately $14 million and made leasing commitments of $4.3 million related to the Orca Quarry and has entered into construction contracts and purchase orders totalling approximately $5.3 related to the Richmond Terminal.

12 Segmented financial information

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

13 Related party transactions

During the nine month period ended September 30, 2006, an entity controlled by a director of the Company provided services to the Company in the United States in connection with its shipping, discharge terminals and marketing arrangements at a cost of $302,394 (September 30, 2005 - $189,315) which is included in marketing expenses.

14 Subsequent event

During the year ended December 31, 2005, the Company was served a petition made to the Supreme Court of British Columbia by the Komoyue Heritage Society and others disputing the issuance to the Company of its Environmental Assessment Certificate M05-01. The Company believes that the petition is without merit, and the Company has taken action to protect its interest in the status of Environmental Assessment Certificate M05-01. Subsequent to September 30, 2006 the petition was dismissed by the Supreme Court of British Columbia.

CORPORATE INFORMATION

DIRECTORS AND SENIOR OFFICERS

Marco A. Romero	President and Chief Executive Officer
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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