Polaris
MINERALS CORPORATION

2007 Third Quarter Report

December 6, 2007

TO OUR SHAREHOLDERS

I am very pleased to report that the third quarter has proven to be a transformational period for Polaris. We have made important steps to set the stage for our next period of growth. The most notable event of the period was the consummation of a Strategic Alliance with Cemex USA Inc. a leading construction materials company. With this agreement, Polaris has become the exclusive supplier of imported aggregates to Cemex in California, Oregon and Washington states and Cemex has become the exclusive distributor for Orca Quarry products in these markets. Additionally, Cemex becomes our partner in future port terminal developments and eventually, distributor of products from our proposed Eagle Rock Quarry. It is worth highlighting that Cemex will purchase all the Polaris products at market prices.

Cemex brings to the table immediate and exclusive access to two terminals in the San Francisco Bay Area, with an additional terminal currently under construction. Cemex and Polaris are also working to secure additional terminals in coastal cities along the west coast of the USA, with a special emphasis on southern California. As you can therefore see, our alliance with Cemex is a major leap forward for Polaris and our First Nations partners.

Outside of California, sales continue to increase to customers in Vancouver, BC and Hawaii. We expect this trend to continue, particularly into Vancouver where our customer will benefit from the availability of new and larger barges early in 2008, which were built especially for this purpose.

The Company's financial results for the third quarter were in-line with our expectations for the current level of production during this ramp-up period. Distribution costs were higher than anticipated, reflecting minor delays in securing terminal capacity and the resulting need to lightly load two vessels in order to maintain supplies to a San Francisco Bay customer. The high quality of the sand and gravel from the Orca Quarry is well recognized by our customers and has led to sales of 488,414 tons during this quarter. Polaris is on-track to exceed the original sales target of 1.54 million tons in the first full year of production. We also anticipate that in the coming quarters, costs per ton will continue to decrease as sales volumes increase and greater logistical flexibility and further economies of scale are achieved.

The first shipment of approximately 56,000 tons of sand and gravel from the Orca Quarry was unloaded at the Richmond Terminal in San Francisco Bay on October 9, 2007. Commissioning of the truck load-out facility has now been completed, thus opening up a further strategic gateway into the San Francisco Bay market.

A third tractor scraper has been ordered from Caterpillar for delivery in the spring of 2008. This addition to the mobile plant will enable the Orca Quarry to continue ramping up production to meet the anticipated sales demand.

In summary, this has been a satisfying quarter during which we have demonstrated the ability of management to grow a sophisticated new business in a very satisfactory manner. Although the private home building sector has significantly weakened during 2007, increases in private commercial and public sector projects have offset the decline. We expect this trend to continue through 2008 and expect sales of sand and gravel from the Orca Quarry to increase in the coming months.

As we move into 2008, we have every expectation that the momentum created in 2007 will continue, enabling Polaris to move ahead with its ambitious plans for future growth.

I look forward to reporting on even more transformational progress soon.

Best regards,

Marco Romero
President & CEO

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 12, 2007, and should be read in conjunction with the Company's unaudited consolidated interim financial statements for the nine months ended September 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 highlight of the third quarter of 2007 was the successful conclusion of negotiations with Cemex, Inc. ("Cemex") to enter into a Strategic Alliance (the "Alliance"). The Company has joined forces with one of the largest construction materials companies in the world and has gained access to additional marine terminals which are pivotal in the Company's ambition to become a major supplier of construction aggregate into California. The Alliance is governed by several agreements: a Strategic Alliance Agreement; a Supply and Distribution Agreement in respect of Northern California except those four counties which are subject to an existing distribution agreement; Joint Cooperation and Development Agreements in respect of certain prospective new terminal locations and; a Standstill Agreement.

The ten year Strategic Alliance agreement sets out exclusivity between the Company and Cemex for the purchase and distribution of marine supplied construction aggregates, initially sand and gravel and ultimately crushed rock, on the west coast of the United States along with an understanding for the development of new terminals and associated quarry development related to those products. An Alliance Committee, comprised of two members from each company, will supervise the ongoing operations of the Alliance. The agreement has an option to be extended for additional ten year terms upon mutual agreement between the parties.

A twenty year Supply and Distribution Agreement for marine transported construction aggregates provides for Cemex to be the exclusive marketer of the Company's construction aggregates and for the Company to be the exclusive supplier to Cemex for its own internal use and for sales to third parties in Northern California, excluding the counties of Marin, Sonoma, Mendocino and Napa governed by the Company's first purchase and supply agreement. This agreement provides for minimum annual volumes which the Company must supply and Cemex must purchase and an annually adjusted market price mechanism. If Cemex fails to purchase or the Company fails to supply the minimum annual tons, the party which fails to meet the commitment is required to pay a per ton fee for the shortfall, after certain carry-forward provisions. This agreement automatically renews for two, ten year periods, subject to not exceeding the life of the Orca Quarry and a five year termination notice.

The ten year Joint Cooperation and Development Agreements provide a mechanism through which the Company and Cemex will work together to pursue and develop new construction aggregate marine receiving terminals in Washington, Oregon and California (except for the counties of Marin, Sonoma, Mendocino and Napa). A Development Committee, comprised of two members from each company, will use best efforts to identify terminal opportunities that are acceptable to both companies. Each new terminal development will be entered into contemporaneously with a supply and distribution agreement which sets out the exclusive market area to be served by that terminal. In the event that either party decides not to pursue a proposed terminal development, the proposing party is free to pursue the development of that terminal unencumbered, but with the loss of exclusivity for supply or distribution, as the case may be, related to the area served by that terminal. The agreement has an option to be extended for additional ten year terms upon mutual agreement by the Company and Cemex.

Entering into the Alliance underpins the Company's growth aspirations and is expected to provide for accelerated progress towards the permitted production of 6.6 million tons per year from the Orca Quarry.

Customers in San Francisco Bay are 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 are partially unloaded while at anchor ("lightered") into barges provided by a major customer under the terms of a twenty year aggregate supply agreement or a barge operated on behalf of Cemex by an independent towing contractor. After lightering, the balance of the cargo may be unloaded at an existing terminal operated by Cemex or at the Company's own receiving, storage and distribution facility in Richmond, California. This arrangement offers the most economical shipping solution whereby fully loaded Panamax vessels will carry materials from Vancouver Island to San Francisco Bay prior to lightering.

Sales continued on a regular basis in this quarter into the Lower Mainland of BC and were made on an ex-quarry basis under the terms of a five year supply agreement by loading barges supplied by the customer which are unloaded at two terminals located on the Fraser River. Sales also continued to Hawaii during the quarter.

The majority of the Company's sales are denominated in US dollars along with the shipping costs. With the rising Canadian dollar in the third quarter of 2007, the translated costs of producing the product at the Orca quarry is impacted by the currency fluctuations. Sales in the Lower Mainland, which are denominated in Canadian Dollars, offset a portion of the cash costs of production at the Orca Quarry and provided a significant natural hedge to the Company.

Sales commenced from the Orca Quarry at the end of March, 2007 and for the first nine months of 2007 the total sales of sand and gravel were 758,000 tons. At the end of the third quarter the Company had a total of 346,000 tons of aggregate products in inventory. (N.B. a "ton" means a US short ton of 2,000 pounds).

The level of sales achieved during the first two quarters of commercial operations is in line with the Company's expectations for the commencement and build up of sales. The mix of long-term contracted sales and shorter term supply agreements provides flexibility and enables 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 in California and in all other markets and the Company believes that the growing supply deficits will have to be met by increasingly longer and more expensive overland transportation options.

The logistics associated with the distribution of large quantities of aggregates by ocean-going vessel are complex and during this start-up operating period the Company experienced somewhat higher than projected shipping and port costs. This was a result of the relatively low number of vessel movements throughout the start-up periods 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 majority of shipments to San Francisco Bay maximized the shipping capacity; however to ensure a continuous supply to the Company's original customer, and prior to the completion of construction at the Richmond Terminal, two ship loads in this start-up phase sailed partially loaded, resulting in significantly higher shipping costs per ton.. By entering into the Alliance with Cemex and with the commencement of operations at the Richmond Terminal, shipping capacity to San Francisco Bay is expected to be optimized in the future as the complex logistics of this enterprise become easier and more flexible with increasing port and barge options.

The Richmond Terminal in the Port of Richmond in San Francisco Bay, held under a long-term lease with Levin Enterprises, Inc., received the first shipment of sand and gravel inventory on October 9th, and the distribution of aggregate to local customers has now commenced. The Richmond Terminal is a receiving, storage and distribution facility for construction aggregates having a permitted 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 in conjunction with Cemex.

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 Port 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 and complete the previous partially completed feasibility study which is expected to be concluded in 2008. The first stage of this work was the shipment of a bulk sample of several tons of granite from this quarry site to a pilot crushing plant in the US where extensive tests provided detailed data for process plant design and, most importantly, bulk finished aggregate samples for distribution to those potential customers who have expressed a serious interest in supplies from this quarry. Eagle Rock Quarry products are also expected be shipped in bulk carriers to coastal urban markets along the west coast of North America and also to Hawaii. The high quality aggregate is anticipated to be superior for asphalt construction with significant finished product cost benefits. 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.

The Company has commenced a further program of exploration in the area surrounding the Orca Quarry with the objective of identifying additional sand and gravel resources which are capable of extending the operating life of the quarry and in addition is carrying out further evaluation on the Company's Bear Creek and West Cluxewe deposits.

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 September 30, 2007, the Company incurred a loss of $2.0 million ($0.05 per share) compared to a loss of $7,000 ($0.00 per share) in the comparative quarter. During the nine months ended September 30, 2007 the Company incurred a loss of $7.5 million ($0.21 per share) compared to a loss of $2.0 million ($0.07 per share) in the comparative period. The increased loss for the nine months ended September 30, 2007 is mainly attributable to $2.5 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, a $2.9 million loss relating to the change in fair value of the long term debt and $0.8 million increase in G&A expense as a result of the growth of the Company and is offset by a gross margin of $1.5 million in the nine months ended September 30, 2007.

The Company commenced sales of sand and gravel in the last week of the first quarter. Sales in the three months and nine months ended September 30, 2007 were $5.5 million and $9.9 million, respectively. The Company achieved a gross margin of $0.8 million ($1.61 per ton) for the three months ended September 30, 2007 and $1.5 million ($2.04 per ton) for the nine months ended September 30, 2007. The gross margin for the quarter and nine months ended September 30, 2007 declined from the second quarter due to increased quarry labour costs during the third quarter relating to the Company's ramp-up of production and increased shipping costs related to two partly-loaded shipments that were delivered to a San Francisco Bay customer, which increased the shipping cost per ton. These increased costs were due, in part, to delays in completing the Alliance Agreement and in completing construction at the Richmond Terminal.

Operating activities, taking into account non-cash items and non-cash working capital, generated cash of $1.3 million for the three months ended September 30, 2007 compared to $2.1 million in the 2006 period. During the nine month period ended September 30, 2007, operating activities used cash of $17.2 million compared to cash used of $1.4 million in the 2006 period.

Expenses of $1.5 million were charged to operations during the three month period ended September 30, 2007, compared to expenses of $0.9 million in the comparative 2006 period. Expenses in the current nine month period amounted to $4.4 million compared to $4.0 million in the 2006 period.

- General and administrative costs in the three month period ended September 30, 2007 increased to $1.3 million from $0.7 million in the 2006 period. For the 2007 nine month period, costs were $3.6 million compared to $2.8 million in the 2006 period. Accounting for this increase is increased professional fees and travel as a result of the eleven month negotiations with Cemex, increases in investor relations activity, and increases in general office costs and salaries due to the growth of the Company.
- Marketing costs in the three months ended September 30, 2007 increased to $0.1 million from $0.08 million in the three months ended September 30, 2006 and increased to $0.46 million for the nine months ended September 30, 2007 compared to $0.27 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 $0.04 million was recorded in the three months ended September 30, 2007 for stock-based compensation compared with $0.04 million in the 2006 year and for the nine months ended September 30, 2007, an expense of $0.15 million compared with $0.79 million was recorded. In the three and nine month periods ended September 30, 2007, $9,000 and $0.05 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 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)								
	2007			2006				2005
	Sept 30	June 30	March 31	Dec 31	Sept. 30	June 30	March 31	Dec. 31
	$	$	$	$	$	$	$	$
Revenue	5,466	4,398	50	Nil	Nil	Nil	Nil	Nil
Interest income	303	486	492	92	867	617	182	11
Loss for the quarter	(1,929)	(1,212)	(4,308)	(1,349)	(8)	(83)	(1,893)	(566)
Basic and diluted loss per share	(0.05)	(0.03)	(0.14)	(0.04)	(0.00)	(0.01)	(0.06)	(0.05)

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2007, the Company had working capital of $21.3 million, including cash and cash equivalents of $18.8 million compared to working capital of $32.6 million and cash of $42.4 million at December 31, 2006.

During the nine months ended September 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 will 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 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 $4.83 (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. As at September 30, 2007, no warrants were exercised.

Subsequent to September 30, 2007, the Company granted 1,407,250 stock options with an exercise price of $13.82 (CND$13.75) per share, exercisable until October 4, 2017.

During the year ended December 31, 2006, the Company entered into four five-year leases for heavy mining equipment for the Orca Quarry, terminating on October 28, 2011, at fixed annual interest rates of 7.0% and 7.05%. As at September 30, 2007, the total minimum lease payments remaining were $4.0 million.

During the nine months ended September 30, 2007 the Company loaned $5.2 million to a third party for the purchase of certain assets required to facilitate its ability to deliver increased tonnage into the San Francisco Bay area. The loan bears interest of 5.5% per annum payable monthly and with the principal balance due in 2027. Cumulative interest receivable of $0.97 million has been accrued to date. The Company has security over various assets of the third party. The loan is accounted for under the amortized cost method.

The Company has an investment in third party asset backed commercial paper ("ABCP") with a par value of $5.9 million. At the date the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. During August, 2007 the ABCP market experienced liquidity issues and as a result of these market conditions the Company's ABCP did not settle as it matured on August 17, 2007. The ABCP in which the Company has invested continues to be rated R1 (high), albeit it is currently under review by DBRS.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company, considering the best available market data and due to the lack of liquidity in the ABCP market, estimated the fair value of the ABCP and as a result, wrote down the investment by $0.534 million in the quarter ended September 30, 2007. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

The Company expended $8.8 million on property, plant and equipment in the three months ended September 30, 2007 compared with $17.8 million in the three months ended September 30, 2006. For the nine months ended September 30, 2007, the Company expended $24.1 million on property, plant and equipment compared with $33.5 million in the comparative 2006 period. The majority of 2007 expenditures relate to the construction of the Richmond Terminal while the 2006 expenditures relate to the construction of the Orca Quarry. Production commenced at the Orca Quarry on February 20, 2007 with capitalization of project costs diminishing rapidly thereafter. The majority of the expenditures for the Orca Quarry were incurred prior to December 31, 2006 in accordance with budgeted expenditures.

As at September 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	$19,430	$340	$1,772	$1,951	$15,368
Richmond Terminal – Construction Contracts	$3,275	$3,275	-	-	-

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.

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

The Company's shipping contractor is 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 nine months ended September 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 $0.4 million compared to $0.2 million for the nine months ended September 30, 2006. Further, directors of the Company or the Company's subsidiary provided technical services to the Company at a cost of $48,000 compared with $Nil in the comparative 2006 period.

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 ABCP last traded in the active market on August 13, 2007 and there are currently no market quotations available for this SBCP. The Montreal Proposal is a plan, spearheaded by a group of major financial institutions, to convert the ABCP into longer term debt with maturities linked to the underlying assets. The ABCP in which the Company has invested continues to be rated as R1 (High), although this is currently under review. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company estimates the fair value of the ABCP by assessing the currently available market data. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

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.

CAPITAL STOCK

As at the date of this report, the Company had unlimited common shares authorized, of which 36,581,047 were issued and outstanding. The Company also had 2,342,640 options outstanding, exercisable into 2,342,640 common shares of which 2,152,004 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 nine 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 fund operations through to sustainable positive net cash flows but may need additional debt or equity financing to fund further significant capital expenditures. Its principal goals for the remainder of 2007 are to:

- increase production and sales from the Orca Quarry;
- secure additional construction aggregates sales contracts and terminal access;.
- obtain final permits for a second San Francisco Bay area aggregate receiving terminal located in the port of Redwood City;
- continue its resource evaluation program to increase sand and gravel reserves and its exploration programs to secure additional sand and gravel resources;
- advance work on the feasibility study and 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)	September 30, 2007 $	December 31, 2006 $ (restated - note 2)
Assets		
Current assets		
Cash and cash equivalents	18,805	42,397
Accounts receivable	3,838	2,681
Prepaid expenses and deposits	907	146
Inventories (note 3)	2,054	47
	25,604	45,271
Quarrying and terminal interests (note 4)	2,097	1,585
Property, plant and equipment (note 5)	105,830	69,870
Investment (note 6)	5,338	
Security deposits	1,206	601
Loan receivable (note 7)	5,237	-
Deferred financing costs	-	785
	145,312	118,112
Liabilities		
Current liabilities		
Accounts payable	3,195	4,598
Accruals and provisions	593	7,698
Current portion of capital leases (note 8)	521	416
	4,309	12,712
Asset retirement obligation (note 10)	1,896	1,510
Capital leases (note 8)	2,846	2,771
Long term debt (note 9)	-	31,000
Deferred charges	65	-
Non-controlling interest (note 14)	1,897	1,775
	11,013	49,768
Shareholders' Equity		
Share capital (note 11)	129,361	79,280
Warrants (note 9)	3,452	-
Contributed surplus (note 12)	2,250	2,114
	135,063	81,394
Accumulated other comprehensive income (note 13)	20,658	130
Deficit	(21,422)	(13,180)
	(764)	(13,050)
	134,299	68,344
	145,312	118,112

Commitments (note 15)

Subsequent events (note 19)

Approved by the Board of Directors

"Roman Shklanka"
Roman Shklanka, 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 September 30,**		**Nine-month period ended September 30,**	
	2007 $ (unaudited)	**2006** $ (unaudited)	**2007** $ (unaudited)	**2006** $ (unaudited)
Sales	5,466	-	9,914	-
Cost of goods sold	(4,678)	-	(8,365)	-
	788	-	1,549	-
Expenses				
Amortization	42	44	154	69
General and administrative	1,300	737	3,597	2,826
Marketing	111	80	459	270
Stock-based compensation	38	39	152	788
	1,491	900	4,362	3,953
Loss from operations	(703)	(900)	(2,813)	(3,953)
Non-controlling interest	62	47	164	128
Gain on disposal of asset	-	-	-	4
Change in fair value of long-term debt (note 2)	-	-	(2,909)	-
Provision on investment (note 6)	(534)	-	(534)	-
Foreign exchange	(993)	(30)	(2,451)	130
Interest Income	303	876	1,281	1,685
Interest Expense	(64)	-	(186)	-
Net loss for the period	(1,929)	(7)	(7,448)	(2,006)
Deficit - Beginning of period	(19,493)	(11,845)	(13,180)	(9,846)
Adjustment in respect of the adoption of the new accounting standards (notes 2 and 9)	-	-	(794)	-
Deficit - beginning of period as restated	(19,493)	(11,845)	(13,974)	(9,846)
Deficit - End of period	(21,422)	(11,852)	(21,422)	(11,852)
Basic and diluted loss per common share	(0.05)	(0.00)	(0.21)	(0.07)
Weighted average number of common shares outstanding	36,565	29,642	34,655	29,022

Polaris Minerals Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(US dollars in thousands)	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007 $ (unaudited)	**2006** $ (unaudited)	**2007** $ (unaudited)	**2006** $ (unaudited)
Net loss for the period	(1,929)	(7)	(7,448)	(2,006)
Other comprehensive income				
Currency translation adjustment (note 2)	8,884		20,528	-
Mark-to-market adjustment on available for sale financial instruments Less: reclassified to net income on realization	320		(37)	-
	9,204	-	20,491	-
Comprehensive income (loss) for the period	7,275	(7)	13,043	(2,006)

Polaris Minerals Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(*US dollars in thousands)*	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007 $ (unaudited)	2006 $ (unaudited)	2007 $ (unaudited)	2006 $ (unaudited)
Cash flows from operating activities				
Loss for the period	(1,929)	(7)	(7,448)	(2,006)
Items not affecting cash				
Amortization and depletion	1,355	44	1,573	69
Gain on disposal of asset	-	-	-	(4)
Non-controlling interest	(62)	(47)	(164)	(128)
Change in fair value of long-term debt	-	-	2,909	-
Provision on Investments	534	-	534	-
Stock-based compensation	38	39	152	788
	(64)	29	(2,444)	(1,281)
Changes in non-cash working capital items				
Accounts receivable	3,081	(972)	(190)	(2,051)
Prepaid expenses and deposits	(307)	41	(810)	197
Inventories	134	-	(1,439)	-
Accounts payable	(827)	1,687	(4,104)	1,015
Accruals and provisions	(688)	1,289	(8,220)	751
	1,393	2,045	(14,762)	(88)
	1,329	2,074	(17,207)	(1,369)
Cash flows from financing activities				
Net proceeds from issue of common shares	129	120	50,015	64,119
Non-controlling cash contributions	-	-	-	888
Long term debt	-	4,985	(31,000)	4,985
Deferred financing costs	-	-	-	(6)
Capital lease payments	(128)	-	(366)	-
	1	5,105	18,649	69,986
Cash flows from investing activities				
Loan receivable	(881)	-	(4,992)	-
Investment	(5,931)	-	(5,931)	-
Other deferred charges	65	-	65	-
Quarrying and terminal interests	(157)	(423)	(240)	(423)
Property, plant and equipment costs	(8,810)	(17,849)	(24,062)	(33,547)
Security deposits	(503)	-	(503)	(628)
	(16,217)	(18,272)	(35,663)	(34,598)
Effect of foreign currency translation on cash and cash equivalents	3,874	(6)	10,629	2,682
(Decrease) increase in cash and cash equivalents	(11,013)	(11,099)	(23,592)	36,701
Cash and cash equivalents - beginning of period	29,818	48,762	42,397	963
Cash and cash equivalents - end of period	18,805	37,664	18,805	37,664
Cash and cash equivalents consist of				
Cash	18,805	4,118	18,805	4,118
Short-term investments	-	33,546	-	33,546
	18,805	37,664	18,805	37,644

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 and the changes referred to below. 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 9).

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:

	September 30, 2007 $	December31, 2006 $
Construction aggregates	1,839	-
Components and consumable supplies	215	47
	2,054	47

4 Quarrying and terminal interests

	Eagle Rock Quarry project $	Other exploration properties $	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	223	-	48	271
Expenditures	14	145	82	241
Balance - September 30, 2007	1,538	148	411	2,097

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, BC. 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) Other exploration properties

i) 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.

ii) Other

The Company is exploring and performing preliminary geophysical testing on properties in the vicinity of the Orca Quarry.

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 September 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

	September 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	14,135	267	13,868	10,560	-	10,560
Construction in progress	-	-	-	40,843	-	40,843
Richmond Terminal						
Property costs	10,831	-	10,831	4,850	-	4,850
Construction in progress	25,214		25,214	9,799	-	9,799
Motor vehicles	210	88	122	185	31	154
Fixed plant and machinery	23,290	612	22,678	-	-	-
Marine facilities	28,376	650	27,726	-	-	-
Building and land improvements	1,212	51	1,161	-	-	-
Mobile plant	248	13	235	-	-	-
Heavy equipment (held under capital lease)	3,873	515	3,358	3,306	80	3,226
Furniture, equipment, tools and fixtures	724	284	440	601	169	432
Leasehold improvements	225	28	197	14	8	6
	108,338	2,508	105,830	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 nine month period ending September 30, 2007, the Company began construction on the terminal.

6 Investment

The Company has an investment in third party asset backed commercial paper ("ABCP") with a par value of $5.9 million. At the date the Company acquired the ABCP it was rated R1 (High) by Dominion Bond Rating Services ("DBRS"), the highest credit rating issued for commercial paper. During August, 2007 the ABCP market experienced liquidity issues and as a result of these market conditions the Company's ABCP did not settle as it matured on August 17, 2007. A group representing banks, asset providers and major investors has agreed in principle to take steps to re-establish normal operations in the ABCP market. The ABCP in which the Company has invested continues to be rated R1 (high), albeit it is currently under review by DBRS.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company, using the best available market data and information, estimated the fair value of the ABCP which resulted in a write down of $534 at September 30, 2007. Since the fair value of the ABCP is based on the Company's assessment of current conditions, amounts reported may change materially in subsequent periods.

This investment has been classified as available-for-sale on initial recognition and was carried at fair value in cash and cash equivalents. To reflect the lack of liquidity in the ABCP market and the uncertainty surround the timing of cash flows, the investment has been classified as long term.

7 Loan receivable

During the nine months ended September 30, 2007, the Company loaned $5.2 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.

8 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:

	September 30, 2007 $	December 31, 2006 $
2007	185	631
2008	739	631
2009	739	631
2010	739	631
2011	1,616	1,380
Total minimum lease payments	4,018	3,904
Less: Interest portion	651	717
Capital lease obligation	3,367	3,187
Less: Current portion	521	416
Non-current portion	2,846	2,771

9 Long term debt

	September 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 $4.83 (CDN $4.80) per share until November 30, 2010. The Company recognized

the fair value of these warrants of $3,452 effective the beginning of the nine month period with a corresponding reduction in the amount of the debt.

10 Asset retirement obligation

	September 30, 2007 $	December 31, 2006 $
Obligation - beginning of period	1,510	-
Foreign exchange	259	-
Liabilities incurred	-	1,474
Accretion expense	127	36
Obligation - end of period	1,896	1,510

11 Share capital

Authorized

Unlimited common shares without par value

Issued

	September 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	-	(3,074)	-	(6,004)
On exercise of stock options	31	232	25	171
Balance - end of period	36,581	129,361	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.

12 Contributed surplus

	September 30, 2007 $	December 31, 2006 $
Balance - beginning of period	2,114	1,260
Stock based compensation	202	917
Exercise of stock options	(66)	(63)
Balance - end of period	2,250	2,114

13 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 cash and cash equivalents	37
Opening balances on adoption of new accounting standards	167
Realization of gain on cash and cash equivalents	(37)
Other comprehensive income for the period	20,528
Balance - end of period	20,658
Components of accumulated other comprehensive loss	
Currency translation adjustment	20,658
Balance – end of period	20,658

14 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	(164)
Foreign exchange	286
Balance - June 30, 2007	1,897

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.

15 Commitments

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

	$
2007	340
2008	855
2009	917
2010	977
2011	974
Thereafter	15,368
	19,430

b) As at September 30, 2007, the Company has remaining construction contracts totalling $3,275 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.

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

d) During the three months ended September 30, 2007, the Company entered into a long term alliance (the "Alliance") with Cemex, Inc., an international construction materials company ("Cemex"). The Alliance consists of a strategic alliance agreement, a supply and distribution agreement, joint cooperation and development agreements and a standstill agreement.

The 10 year strategic alliance agreement sets out the exclusivity between the Company and Cemex for the purchase and distribution of marine supplied construction aggregates, sand, gravel and crushed rock, on the west coast of the United States along with terms for new terminal and quarry development related to those products. An Alliance Committee, comprised of two members from each company, will oversee the ongoing operations of the Alliance. The agreement has an option to be extended for additional 10 year terms upon mutual agreement by the Company and Cemex.

The 20 year supply and distribution agreement for marine transported construction aggregates provides for Cemex to be the exclusive marketer of the Company's sand and gravel and for the Company to be the exclusive supplier to Cemex for its own internal use and for sales to third parties in Northern California (excluding the counties of Marin, Sonoma, Mendocino and Napa). The agreement provides for minimum tonnage which the Company must supply and Cemex must purchase each year and a market pricing mechanism for those tons which is adjusted annually. If Cemex fails to purchase, in any given year, the minimum tonnage or the Company fails to supply those tons, then the party which fails to meet the commitment is required to pay a per ton fee for any shortfall. This agreement automatically renews for two, ten year periods, subject to not exceeding the life of the Orca Quarry and a five year termination notice.

The 10 year joint cooperation and development agreements provide a mechanism through which the Company and Cemex will work together to pursue and develop new construction aggregate marine receiving terminals in Washington, Oregon and California (except for the counties of Marin, Sonoma, Mendocino and Napa). A Development Committee, comprised of two members from each company, will use their best efforts to identify terminals opportunities that are acceptable to both companies. Each new terminal development will be entered into contemporaneously with a supply and distribution agreement which sets out the exclusive area served by that terminal. In the event that either party does not wish to pursue a proposed terminal development, the proposing party is free to pursue the development of that terminal unencumbered, but with the loss of exclusivity for supply or distribution, as the case may be, related to the area served by that terminal. The agreement has an option to be extended for additional 10 year terms upon mutual agreement by the Company and Cemex.

16 Related party transactions

During the period ended September 30, 2007, directors of the Company or the Company's subsidiary, either directly or through a company controlled by them, 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 $401 (September 30, 2006 - $176).

b) Technical services at a cost of $48 (September 30, 2006 - $Nil)

At September 30, 2007, accounts payable of $23 (December 31, 2006 - $32) was due to a company controlled by a common director.

17 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	4,117
Customer B	3,112
Customer C	1,708
Customer D	977

18 Supplemental cash flow information

Non cash investing and financing activities

Non cash additions of $2,825 (September 30, 2006 – $7,330) are included in property, plant and equipment which is offset by $2,744 in reallocated non cash costs.

19 Subsequent events

Subsequent to September 30, 2007, the Company granted 1,407,250 stock options with an exercise price of $13.82 (CND$13.75) per share, exercisable until October 4, 2017.

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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