Polaris Minerals Corporation

Consolidated Interim Financial Statements
September 30, 2008
(unaudited)
(expressed in thousands U.S. dollars)

Polaris Minerals Corporation

Consolidated Balance Sheets
(unaudited)
(all amounts expressed in thousands, except per share amounts)
(U.S. dollars)

	September 30, 2008 $	December 31, 2007 $
Assets		
Current assets		
Cash and cash equivalents	9,379	15,234
Accounts receivable	5,436	4,376
Loan Receivable (notes 16 and 17)	2,129	-
Prepaid expenses and deposits	392	426
Income taxes receivable	260	-
Inventories (note 3)	2,980	1,781
	20,576	21,817
Property, plant and equipment (note 4)	119,599	111,654
Investment (note 5)	3,563	3,825
Security deposits (note 6)	1,101	1,226
Note receivable (note 7)	5,294	5,471
	150,133	143,993
Liabilities		
Current liabilities		
Accounts payable	1,539	1,102
Income taxes payable	-	269
Accruals	2,129	2,753
Loan (note 8)	18,656	-
Current portion of capital leases (note 9)	666	529
	22,990	4,653
Capital leases (note 9)	3,110	2,723
Asset retirement obligation (note 10)	1,931	1,945
Deferred charges	54	64
Non-controlling interest (note 11)	1,574	1,769
	29,659	11,154
Shareholders' Equity		
Share capital (note 12)	132,405	131,773
Warrants (note 8 and 12(b))	4,522	3,452
Contributed surplus (note 13)	12,401	9,833
	149,328	145,058
Accumulated other comprehensive income (note 14)	11,477	20,478
Deficit	(40,331)	(32,697)
	(28,854)	(12,219)
	120,474	132,839
	150,133	143,993

Commitments (note 15)

Approved by the Board of Directors

John Purkis, Director

Paul Sweeney, Director

Polaris Minerals Corporation

Consolidated Statements of Operations and Deficit
(unaudited)
(all amounts expressed in thousands, except per share amounts)
(U.S. dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**
Sales	9,002	5,466	22,123	9,914
Cost of goods sold	(8,958)	(4,678)	(21,459)	(8,365)
	44	788	664	1,549
Expenses				
Amortization	70	42	210	154
General and administrative	2,095	1,300	5,229	3,597
Marketing	92	111	283	459
Stock-based compensation	576	38	2,718	152
	2,833	1,491	8,440	4,362
Loss from operations	(2,789)	(703)	(7,776)	(2,813)
Non-controlling interest	37	62	77	164
Change in fair value of debt	(951)	-	(951)	(2,909)
Provision on investment	-	(534)	-	(534)
Foreign exchange	400	(993)	691	(2,451)
Interest Income	147	303	545	1,281
Interest Expense	(345)	(64)	(480)	(186)
Net loss before income taxes	(3,501)	(1,929)	(7,894)	(7,448)
Recovery of income taxes	260	-	260	-
Net loss for the period	(3,241)	(1,929)	(7,634)	(7,448)
Deficit - Beginning of period	(37,090)	(19,493)	(32,697)	(13,180)
Adjustment in respect of the adoption of the new accounting standards	-	-	-	(794)
Deficit - beginning of period as restated	(37,090)	(19,493)	(32,697)	(13,974)
Deficit - End of period	(40,331)	(21,422)	(40,331)	(21,422)
Basic and diluted loss per common share	(0.09)	(0.05)	(0.20)	(0.21)
Weighted average number of common shares outstanding	37,580	36,565	37,442	34,655

Polaris Minerals Corporation

Consolidated Statements of Comprehensive Income/(loss)
(unaudited)
(all amounts expressed in thousands, except per share amounts)
(U.S. dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**
Net loss for the period	(3,241)	(1,929)	(7,634)	(7,448)
Other comprehensive income				
Currency translation adjustment	(5,290)	8,884	(9,001)	20,528
Mark-to-market adjustment on available for sale financial instruments				
Less: reclassified to net income on realization	-	320	-	(37)
	(5,290)	9,204	(9,001)	20,491
Comprehensive (loss)/income for the period	(8,531)	7,275	(16,635)	13,043

Polaris Minerals Corporation

Consolidated Statements of Cash Flows
(unaudited)
(all amounts expressed in thousands, except per share amounts)
(U.S. dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2008 $	2007 $	2008 $	2007 $
Cash flows from operating activities				
Loss for the period	(3,241)	(1,929)	(7,634)	(7,448)
Items not affecting cash				
Amortization and depletion	1,061	1,355	3,957	1,573
Non-controlling interest	(37)	(62)	(77)	(164)
Change in fair value of debt	951	-	951	2,909
Provision on investments	-	534	-	534
Stock-based compensation	576	38	2,718	152
	(690)	(64)	(85)	(2,444)
Changes in non-cash working capital items				
Accounts receivable	(1,799)	3,081	(1,434)	(190)
Prepaid expenses and deposits	1,336	(307)	6	(810)
Income taxes receivable	(260)	-	(260)	-
Inventories	982	134	(831)	(1,439)
Accounts payable	(168)	(827)	798	(4,104)
Accruals and provisions	1,234	(688)	400	(8,220)
	1,325	1,393	(1,321)	(14,763)
	635	1,329	(1,406)	(17,207)
Cash flows from financing activities				
Net proceeds from issue of common shares	-	129	483	50,015
Long term debt	18,793	-	18,793	(31,000)
Warrant related financing fees	(22)	-	(22)	-
Capital lease payments	(146)	(128)	(465)	(366)
	18,625	1	18,789	18,649
Cash flows from investing activities				
Loan receivable	80	(881)	178	(4,992)
Investment	-	(5,931)	-	(5,931)
Other deferred charges	-	65	-	65
Loan receivable	(375)	-	(1,819)	-
Property, plant and equipment costs	(17,991)	(8,967)	(21,205)	(24,302)
Security deposits	(1)	(503)	41	(503)
	(18,287)	(16,217)	(22,805)	(35,663)
Effect of foreign currency translation on cash and cash equivalents	132	3,874	(433)	10,629
Increase/(decrease) in cash and cash equivalents	1,105	(11,013)	(5,855)	(23,592)
Cash and cash equivalents - beginning of period	8,274	29,818	15,234	42,397
Cash and cash equivalents - end of period	9,379	18,805	9,379	18,805

Supplemental cash flow information (note 19)

1 Nature of operations

Polaris Minerals Corporation (The "Company") was incorporated on May 14, 1999. It 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, 2007 and the changes referred to below. They do not include all the disclosures required by generally accepted accounting principles for annual financial statements, and should be read in conjunction with the most recent annual financial statements of the Company.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries and the Company's ownership interests therein are as follows: Eagle Rock Materials Ltd. ("ERM") (70%), Eagle Rock Aggregates, Inc. ("ERA") (70%), Quality Rock Holdings Ltd. (100%), Polaris Aggregates Inc. (100%), Orca Sand & Gravel Limited Partnership ("OS&G LP") (88%), Orca Sand & Gravel Ltd. (88%), Quality Sand & Gravel Ltd. (100%), 5329 Investments Ltd. (100%), Orca Finance Ltd. (100%), North Island Sand & Gravel Ltd. (100%), Polaris Materials Inc. (100%), 0791304 B.C. Ltd. (33.3%) Cemera Long Beach LLC is 66% owned by ERA (Note 17(b)). The Orca Sand & Gravel Limited Partnership's year-end is January 31st.

New accounting policies adopted

Capital Disclosures

In December 2006, the CICA issued Section 1535, *Capital Disclosures*, which establishes standards for disclosing qualitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. The impact on adoption of the new standard is disclosed in Note 21.

Financial Instruments

In January 2007, the CICA issued Section 3855 "*Financial Instruments – Recognition and Measurement*". This new standard requires that all financial assets are classified as one of the following: held-to-maturity investments, loans and receivables, available-for-sale or held for trading. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost, and amortization is calculated using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits the designation of any financial instrument as held for trading upon initial recognition. On August 18, 2008, the Company closed and concurrently drew down a CDN$20 million one-year bridge loan facility. This bridge loan facility has been designated as a held for trading financial instrument, and the impact of this treatment is disclosed in Note 8.

In March 2007, the CICA issued Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The impact on adoption of the new standard is disclosed in Note 22.

Inventories

In June 2007, the CICA issued Section 3031, *Inventories*, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write down to net realizable value. The pronouncement also provides guidance on the cost formulas that are used to assign costs to inventories. Adoption of the new standard did not have an impact on the Company's net income or loss.

Investment in joint ventures

The Company conducts a portion of its business through joint ventures under which the joint venture participants are bound by contractual agreements establishing joint control over the ventures. The Company records its proportionate share of assets, liabilities, revenue and operating costs of the joint ventures.

Going concern

Effective January 1, 2008, the Company adopted an amendment to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" in relation to going concern. The amendment requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The adoption did not have a material impact on the consolidated financial statements for any of the periods presented.

Recent accounting pronouncements

Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

3 Inventories

Inventories are as follows:

	September 30, 2008 $	December 31, 2007 $
Construction aggregates	2,370	1,515
Components and consumable supplies	610	266
	$2,980	$1,781

Polaris Minerals Corporation

Notes to Consolidated Financial Statements
(unaudited)
(all amounts expressed in thousands, except per share amounts)
(U.S. dollars)

4 Property, plant and equipment

	September 30, 2008			December 31, 2007		
	Cost $	**Accumulated depletion or amortization**	**Net book value $**	**Cost $**	**Accumulated depletion or amortization**	**Net book value $**
Orca Quarry Property costs	13,516	(1,357)	12,159	14,204	(666)	13,538
Richmond Terminal Property costs	10,534	(306)	10,228	11,277	-	11,277
Pier B Terminal Property costs	15,392	-	15,392	11	-	11
Tug Construction in progress	1,064	-	1,064	416	-	416
Motor vehicles	220	(156)	64	236	(108)	128
Fixed plant and machinery	22,783	(1,691)	21,092	23,775	(887)	22,888
Marine facilities	26,918	(1,709)	25,209	28,862	(943)	27,919
Building and land improvements	27,073	(904)	26,169	28,729	(41)	28,688
Mobile plant	623	(104)	519	662	(21)	641
Equipment (held under capital lease)	4,860	(772)	4,088	3,887	(470)	3,417
Furniture, equipment, tools and fixtures	904	(487)	417	866	(356)	510
Leasehold improvements	231	(53)	178	248	(35)	213
Eagle Rock Quarry project	1,705	-	1,705	1,553	-	1,553
Other exploration properties	1,233	-	1,233	368	-	368
Other marine receiving terminals	82	-	82	87	-	87
	127,138	(7,539)	119,599	115,181	(3,527)	111,654

a) Orca Quarry

The Orca Quarry, located on tidewater west of the town of Port McNeill, BC, is a quarry permitted to produce 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 twenty-year lease, with two ten-year extensions, with Levin Enterprises, Inc. for a construction aggregates storage and distribution site in the Port of Richmond in San Francisco Bay. In combination with the Levin lease, the Company has a twenty-year lease, with two ten-year extensions for the berthing of vessels at the Richmond Terminal. Construction on the terminal began in early 2007 and operations commenced at the terminal on January 1, 2008 after which the Company ceased to capitalize costs of the project unless they are capital in nature.

c) Pier B Terminal

The Company has a joint venture in a 12.4 acre site within Pier B in the Port of Long Beach, California (Note 17(b)). This site will initially accommodate a sand and gravel terminal with expansion capabilities for a crushed rock terminal on commencement of production at the Eagle Rock Quarry. The site is also expected to provide the opportunity for an on-site ready-mix concrete plant.

d) Eagle Rock quarry Project

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

e) Other exploration properties

- The Company is exploring and performing preliminary geophysical testing on properties in the vicinity of the Orca Quarry, including the Bear Creek, West Cluxewe and Cougar Deposits.

- The Company has exclusive right to negotiate a lease associated with the Bear Creek deposit with Island Timberlands prior to March 31, 2009 to gain access to, and obtain rights to, the rock, stone and sand located thereon.

f) 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.

- In the fourth quarter of 2007, the Company ceased negotiations with the Port of Redwood City for the development of its Redwood City construction aggregates marine receiving terminal and therefore wrote off $347 in capitalized costs. The Company has an agreement in principle with Cemex to jointly re-develop Cemex's Redwood City Terminal to expand the construction aggregate marine receiving terminal facilities.

5 Investment

The Company has an investment in third party asset backed commercial paper ("ABCP") with a par value of $5,544 (December 31, 2007 - $5,952) (CDN$5,900). 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. There has been no active trading of the ABCP since mid-August 2007 and no market quotations are currently available. In September 2007, a Pan Canadian Committee (the "Committee") was formed consisting of banks, asset providers and major investors (the "Montreal Group") whereby an agreement in principle was reached to restructure the ABCP market. The Committee subsequently retained Goodmans and JP Morgan Chase as legal and financial advisors, respectively, to oversee the proposed restructuring process. On December 23, 2007, the Committee agreed in principle to the conversion of the ABCP investments into longer term financial instruments with maturities corresponding to the underlying assets.

Key elements of the restructuring plan include a comprehensive restructuring with distinct solutions. ABCP backed by traditional securitized assets will be restructured on a series-by-series basis into TA Tracking Notes, with each trust or series maintaining its separate assets. ABCP backed by synthetic assets or a combination of synthetic and traditional securitized assets will be restructured into four different floating rate notes, Class A-1, A-2, B and C, with maturities based upon the maturities of the underlying pooled assets, expected to be an average of seven years. Investors should receive senior and subordinated pooled notes in exchange for their ABCP. Finally, ABCP backed by U.S. sub-prime assets will be restructured into IA Tracking Notes on a series-by-series basis, with each series maintaining its separate exposure to its own assets. The restructuring plan was approved by the ABCP noteholders on April 25, 2008 and sanctioned by the Ontario Superior Court of Justice on June 5, 2008. On June 18, 2008 proceedings were taken by a number of corporate noteholders in the Ontario Court of Appeal seeking to challenge the Ontario Superior Court of Justice decision that sanctioned the restructuring plan. The Ontario Court of Appeal heard the appeal on June 25 and 26, 2008 and on August 18, 2008 ruled in favour of the restructuring plan. A further appeal was taken to the Supreme Court of Canada, which the court refused to consider. A completion date for the restructuring has not yet been determined.

The Company's investment in ABCP has been classified as available-for-sale on initial recognition and was carried at fair value in cash and cash equivalents. As at December 31, 2007, the Company wrote down its investment in its ABCP by $2,039 and reclassified it as a long term investment to reflect the lack of liquidity in the ABCP market and the uncertainty surrounding the timing of cash flows. At March 31, 2008, June 30, 2008 and September 30, 2008, the Company reassessed its fair value determination of this investment taking into account the approved restructuring plan and changes in the credit markets since December 31, 2007. Since there is no active market for ABCP securities, the Company's management has estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates of credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. For the purposes of estimating future cash flows, the Corporation estimated that the long-term financial instruments arising from the conversion of its ABCP would generate an interest return of $1,431. These future cash flows were discounted over eight years using a discount rate of 7%, which factors in liquidity. The Company also took into account its estimated share of the restructuring costs. As a result of this valuation, the Company's estimate of fair value remains unchanged.

However, the fair value could range from $4,668 to $3,218 based on alternative reasonable assumptions. As at September 30, 2008, the face value of the investment, based on the types of series in the restructuring is allocated as follows: $4,673 is invested in Class A-1 notes which are expected to receive a AA rating at the completion of the restructuring, $145 is invested in Class C notes and $726 in IA Tracking notes which are mainly backed by US subprime assets.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. Changes in significant assumptions could substantially affect the value of ABCP securities in the coming quarters.

6 Security deposits

The Company has issued $1,101 (December 31, 2007 - $1,226) in irrevocable standby letters of credit and safekeeping agreements 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 $1,101 (December 31, 2007 - $1,226). Deposits bear interest at a rate of 1.95% to 4.25% as at September 30, 2008 and December 31, 2007.

7 Note receivable

As at September 30, 2008, the Company has a note outstanding of $5,294 (December 31, 2007 – $5,471) to a third party for the purchase of certain assets for the facilitation of shipping construction aggregates. The note bears interest of 5.5% per annum with interest payable monthly and the principal balance due by 2027. As at September 30, 2008, a total of $295 in principal and interest has been repaid on this note. The Company has security over various assets of the third party. The note has been accounted for under the amortized cost method. At September 30, 2008, the fair value of the note receivable approximates carrying value.

8 Loan

	September 30, 2008 $	**December 31, 2007 $**
Loan	$18,656	-

On August 18, 2008, the Company closed and concurrently drew down a CDN$20 million one-year bridge loan facility. The initial interest rate on the loan is 12%, increasing to 13% and 15% if the loan remains outstanding at 91 days and 181 days respectively. Interest expense on the debt facility for the period ended September 30, 2008 is $278.

Upon closing and draw down of the facility, 475,000 warrants with a 5-year term and an exercise price of CDN$6.50 were issued. An additional 475,000 and 950,000 warrants have also been issued with the same terms, but are not exercisable unless the loan remains outstanding at 91 days and 181 days, respectively, after closing. In the event the loan is repaid prior to the start of the exercisable period, the warrants are cancelled.

The debt is secured by a first priority lien over the assets of the Company including shares of certain subsidiaries and is repayable at any time without penalty. The Company's bridge loan is due on August 18, 2009. In the event that the Company is unable to arrange financing to retire this bridge loan on acceptable terms, the Company may be unable to repay the bridge loan when it falls due, and the lenders would then be in a position to exercise their rights under the credit agreement. Management has received unsolicited expressions of interest in respect of facilities that might be available to repay the bridge loan and provide longer term and/or equity financing. Management is in the process of responding to the expressions of interest and is attempting to negotiate acceptable terms prior to the repayment date of the bridge loan, but there are no guarantees of success. Global and local markets that currently negatively affect credit availability, currency rates, and commodity prices may impact the success of such negotiations.

The Company designated the loan as held for trading and recognizes the fair value of the loan at each measurement date. The Company also fair valued the first and second tranches of warrants. The third tranche of warrants was not fair valued as the Company expects to refinance the debt prior to the third tranche of warrants vesting . At inception of the loan, the Company pro-rated the face value of the loan between the loan and the warrants based on the respective fair values and as such recorded the loan at $17,701 and the warrants at $1,092 at its inception. At September 30, 2008 the Company remeasured the loan fair value to $18.7 million with a resulting loss on change in the fair value of the long-term debt of $1.0 million recognized into operations.

The fair value of the warrants was determined using an option pricing model with the following assumptions:

Average risk free rate	3.12%
Expected life	5 years
Expected volatility	42.64%
Expected dividends	0.00%
Fair value per warrant	$1.27

9 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 an interest rate of 7.0% and 7.05% and one, five year lease agreement, terminating February 28, 2013 at an interest rate of 6.2%. The quarrying equipment is the security for the indebtedness. Future minimum lease payments are as follows:

	September 30, 2008 $	December 31, 2007 $
2008	225	742
2009	901	742
2010	901	742
2011	1722	1,621
2012	211	-
2013	431	-
Total minimum lease payments	4,391	3,847
Less: Interest portion	(615)	(595)
Present value of capital lease obligation	3,776	3,252
Less: Current portion	(666)	(529)
Non-current portion	3,110	2,723

10 Asset retirement obligation

During the year ended December 31, 2006, the Company recognized asset retirement obligations in connection with the Orca Quarry. As a result, the Company recorded liabilities totalling $1,540 in the year ended December 31, 2006 and increased capitalized property, plant and equipment associated with the Orca Quarry by the same amount. A determination of the fair value of the liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to September 30, 2008 of approximately $9,935 (December 31, 2007 – $10,481), which are expected to be expended throughout the quarry life to 2030. These estimated future cash flows have been discounted at a credit-adjusted risk-free rate of 10.2% and assumes an inflation rate of 2.75%. Included in security deposits (note 6) is a $950 (December 31, 2007 - $1,020) term deposit required by the British Columbia Ministry of Energy and Mines for reclamation at the end of the life of the Orca Quarry.

	September 30, 2008 $	December 31, 2007 $
Obligation - beginning of period	1,945	1,510
Foreign exchange	(136)	265
Accretion expense	122	170
Obligation - end of period	1,931	1,945

No asset retirement obligation has been provided for the Richmond Terminal based on management's estimation that the likelihood of an asset retirement obligation arising is remote.

11 Non-controlling interest

	Non-controlling interest in subsidiary $
Balance - December 31, 2006	1,775
Non-controlling interest share of losses	(293)
Foreign exchange	287
Balance - December 31, 2007	1,769
Non-controlling interest share of losses	(77)
Foreign exchange	(118)
Balance – September 30, 2008	1,574

The Company holds an 88% interest in the Partnership formed to develop the Orca Quarry, with the remaining 12% interest held by the Namgis. Non-controlling interest consists of the minority interest's share of the equity in the 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 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 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.

The Company has made advances to the Namgis, through 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.

12 Share capital

Authorized
Unlimited common shares without par value

Issued

	September 30, 2008		December 31, 2007	
	Number of common shares	**Amount $**	**Number of common shares**	**Amount $**
Balance - beginning of period	37,325	131,773	29,650	79,820
For cash	-	-	6,900	52,923
Share issue costs	-	-	-	(3,105)
On exercise of stock options	255	632	775	2,135
Balance - end of period	37,580	132,405	37,325	131,773

a) Stock options

As at September 30, 2008, the maximum options to be allowed outstanding under the plan are 3,580 (December 31, 2007 – 3,732) and all options are exercisable in Canadian dollars.

	Number outstanding	**Weighted average exercise price $**	**Expiry date**
At December 31, 2006	2,108	2.25	2011 - 2016
Granted	1,406	13.77	2017
Exercised	(775)	1.95	2011 - 2016
At December 31, 2007	2,739	8.61	2011 - 2017
Granted	865	9.64	2013 - 2018
Exercised	(255)	1.80	2011 - 2016
At September 30, 2008	3,349	8.91	2011 - 2018

As at September 30, 2008, 2,667 (2007 – 2,373) options were exercisable at a weighted average exercise price of $9.72 (2007 - $9.52).

The options granted in the three months ended September 30, 2008 have been valued using the following option pricing model assumptions:

Average risk free rate	3.28%
Expected life	3.30 years
Expected volatility	43.08%
Expected dividends	0.00%
Fair value per option	$1.56

b) Warrants

As at September 30, 2008 the Company has 4,053,846 (December 31, 2007 – 2,153,846) warrants outstanding as follows:

	Warrants outstanding	**Warrants exercisable**	**Weighted average exercise price $**	**Expiry date**
At December 31, 2006	-			-
Granted	2,153,846	2,153,846	$4.51	Nov 30, 2010
At December 31, 2007	2,153,846	2,153,846		Nov 30, 2010
Granted	1,900,000	475,000	$6.11	Aug 17, 2013
At September 30, 2008	4,053,846	2,628,846		Nov 30, 2010 to Aug 17, 2013

In the nine month period ended September 30, 2008, the warrants issued were in conjunction with the draw down of the loan (Note 8).

	September 30, 2008 $	December 31, 2007 $
Balance - beginning of period	3,452	-
Fair value on granting of warrant	1,092	3,452
Issue Costs	(22)	-
Balance - end of period	4,522	3,452

13 Contributed surplus

	September 30, 2008 $	December 31, 2007 $
Balance - beginning of period	9,833	2,179
Stock-based compensation	2,718	8,284
Exercise of stock options	(150)	(630)
Balance - end of period	12,401	9,833

14 Accumulated other comprehensive income

	$
Opening balances on adoption of new accounting standards	(95)
Realization of gain on cash and cash equivalents	(37)
Currency translation adjustment	20,610
Balance – December 31, 2007	20,478
Currency translation adjustment	(9,001)
Balance – September 30, 2008	11,477
Components of accumulated other comprehensive loss	
Currency translation adjustment	11,477
Balance – September 30, 2008	11,477

15 Commitments

a) The following minimum payments are required under operating lease, related to rent, equipment rentals, car leases, information technology support contract, and aggregate throughput commitments at the Company's Richmond Terminal as at September 30, 2008.

	$
2008	239
2009	1,073
2010	1,172
2011	1,173
2012	1,132
Thereafter	14,403
	19,192

b) On commencement of the marine contract on July 18, 2007, the Company is committed to ship the following tonnage through its initial 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
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

The Company met its first contract year commitment and shipped in excess of 1.5 million tons.

c) The Company has a second shipping contract which commences in the third quarter of 2010. The Company has committed to ship a minimum of 2,480 tons annually for the contract term of 15 years. 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.

16 Related party transactions

During the periods ended September 30, 2008 and 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:

a) Marketing services at a cost of $221 (September 30, 2007 - $401)

b) Technical services at a cost of $11 (September 30, 2007 - $48)

At September 30, 2008, accounts payable of $25 (December 31, 2007 - $61) was due to a company controlled by a common director.

As at September 30, 2008, the Company has a loan outstanding of $2,129 (December 31, 2007 - $nil) to one of their joint venture partners (Note 17(a)) for the construction of a berthing tug. The loan bears interest at prime +4% per annum and is repayable upon the joint venture entering into third party financing.

During the nine months ended September 30, 2008, the Company's President and Chief Executive Officer resigned, effective January 1, 2009. The Company has accrued $295 of the estimated $659 in severance costs in accordance with the terms of the termination agreement. As at September 30, 2008 the Company has paid $10 with the remainder to be paid on December 31, 2008.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

17 Joint venture interests

The Company conducts a portion of its business through joint ventures under which the venturers are bound by contractual arrangements establishing joint control over the venture. The Company records its proportionate share of assets, liabilities, revenue and operating costs of the joint ventures.

a) 0791304 B.C. Ltd.

The Company has a 33.3% interest in 0791304 B.C. Ltd. The joint venture was formed to construct and operate a berthing tugboat in the waters of Northern Vancouver Island to facilitate the berthing of freighters at the Orca Quarry. As at June 30, 2008, the tugboat was under construction and the joint venture had no other operations. The Company has agreed to finance the construction of the tugboat until its completion and a marine mortgage has been arranged with a third party. A loan receivable of $2,129 remains outstanding as at September 30, 2008 which bears interest at prime plus 4%.

The following condensed statements of cash flows and balance sheet details the Company's share of its investments in its joint venture that has been proportionately consolidated:

	September 30, 2008 $	December 31, 2007 $
Proportionate Joint Venture Balance Sheets		
Equipment	1,064	-
	$ 1,064	$ -
Current liabilities	1,064	-
	$ 1,064	$ -
Proportionate Statements of Joint Venture Cash Flows		
Investing activities	(1,064)	-
Financing activities	1,064	-
Increase in cash and cash equivalents	$ -	$ -

b) Cemera Long Beach LLC

During the three months ended September 30, 2008, the Company formed a joint venture, Cemera Long Beach, LLC ("Cemera"), to purchase a 12.4 acre site within Pier B in the Port of Long Beach, California. It is planned that this site will initially accommodate a sand and gravel terminal and an on-site ready mix concrete plant ("Section A"). The site can also accommodate the development of a crushed rock terminal on commencement of production at the Eagle Rock Quarry ("Section B"). The Company paid $7,844 for a 50% interest in Section A and all development costs and net income from this Section will be shared on an equal basis between the joint venture partners. The Company paid $7,382 for a 100% interest in Section B until a development decision is made, at which point the Company's joint venture partner can purchase 50% of Section B and participate in the development on a 50-50 basis otherwise Section B will be deeded to the Company. As a result, the Company's 70% owned subsidiary, ERA, owns 66% interest in Cemera with the remaining 34% owned by Cemex, Inc. The Company and Cemex, Inc have a Strategic Alliance Agreement and a Joint Cooperation and Development Agreement which governs the direction, strategy and operations of the joint venture.

As at September 30, 2008, the purchase of the land is complete and the joint venture is in the process of obtaining the necessary permits for construction of a sand and gravel terminal.

The following condensed statements of income statement, cash flows and balance sheet details the Company's share of its investments in its joint venture that has been proportionately consolidated:

	September 30, 2008 $	December 31, 2007 $
Proportionate Joint Venture Balance Sheets		
Cash and cash equivalents	65	
Property, plant and equipment	11,752	-
	$ 11,817	$ -
Accounts payable	39	-
Deficit	(5)	
	$ 34	$ -
Proportionate Statements of Joint Venture Income Statement		
Expenses	5	-
Net loss	$ 5	$ -
Proportionate Statements of Joint Venture Cash Flows		
Operating activities	34	
Investing activities	(11,752)	-
Increase in cash and cash equivalents	$ (11,718)	$ -

18 Segmented financial 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 four customers in the United States of America comprising 100% of the Company's sales. The customers with significant sales are as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2008 $	2007 $	2008 $	2007 $
Customer A	4,024	2,432	10,239	4,117
Customer B	3,150	1,910	8,115	3,112
Customer C	-	622	-	-
Customer D	-	-	-	1,708

The Company's sales by geographical area are as follows:

	Three-month period ended September 30, 2008 $	2007 $	Nine-month period ended September 30, 2008 $	2007 $
United States	8,275	4,844	19,949	8,937
Canada	727	622	2,174	977
	9,002	5,466	22,123	9,914

The Company's Property, plant and equipment by geographical location are as follows:

	September 30, 2008 $	December 31, 2007 $
United States	50,822	39,007
Canada	68,777	72,647
	119,599	111,654

19 Supplemental cash flow information

Non-cash investing and financing activities

Property, plant and equipment additions of $1,382 (2007 - $2,825) are financed by accounts payable, accruals and capital lease obligations. Interest paid during period was $480 (2007 - $1,678). Taxes paid during the period was $268 (2007 - $Nil).

20 Seasonality of sales

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions have an impact on production volumes and demand for the Company's products. As a consequence, the Company's financial results for any individual quarter are not necessarily indicative of results to be expected for that year. Sales and earnings are typically sensitive to regional and local weather and market conditions and, in particular, to cyclical swings in construction spending.

21 Management of capital risk

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to continue development of its aggregates and related properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company considers its share capital, warrants and contributed surplus as capital, which at September 30, 2008 totalled $149,328 (December 31, 2007 - $145,058)

The Company manages its capital structure in order to ensure sufficient resources are available to meet day to day operating requirements and to have the financial ability to grow its operations through terminal and quarry development. Methods used by the Company to manage its capital, taking into consideration changes in economic conditions, include issuing new share capital or obtaining debt financing. The Company is not subject to any externally imposed capital requirements.

The Company's Board of Directors takes full responsibility for managing the Company's capital and does so through quarterly board meetings, review of financial information and regular communication with Officers and senior management.

22 Financial instruments

Fair value

The Company's cash equivalents, security deposits, and investment in ABCP are carried at fair value as they are accounted for as available-for-sale financial assets, which are remeasured to fair value at the end of each reporting period.

The fair value of the Company's investment in ABCP has been estimated by discounting future cash flows determined using a valuation model that incorporates management's best estimates of credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. As at September 30, 2008, the Company reassessed the fair value of its ABCP and as a result of this valuation, the Company's estimate of fair value remains unchanged.

The Company's loan payable is designated as held for trading and is remeasured to fair value at every reporting period.

The fair value of the Company's notes receivable, which is carried at amortized cost, has been estimated by discounting the future cash flows determined using a valuation model that incorporated management's best estimate of the counterparties credit risk and relevant market interest rates. As at September 30, 2008, the Company reassessed the fair value of the notes receivable and determined its fair value to be $5,100.

The fair values of the Company's accounts receivable, deposits, loan receivable and accounts payable and accruals approximate their carrying values due to their short-term maturities.

Credit risk

Credit risk is the risk that the Company will incur a loss due to a customer or other third party failing to discharge their obligation due to the Company. The Company has five customers and is, therefore, exposed to credit risk related to accounts receivable from these customers. The Company's largest customer is one of the world's largest international construction materials companies and the remaining customers are well established significant construction materials companies within their markets of San Francisco, Vancouver and Hawaii. At the time the Company entered into the loan receivable and the note receivable, the Company assessed to its satisfaction the credit worthiness of the counter parties and continues to maintain close contact with those parties. The Company intends to obtain a marine mortgage for the loan receivable upon completion of the construction of the tug (note 17(a)).

The amount that best represents the Company's maximum exposure to credit risk is $16,682, which is comprised of the following:

	$
Accounts receivable	5,696
Investment in ABCP	3,563
Loan receivable	2,129
Note receivable	5,294
	16,682

Except for the note receivable (note 7) and ABCP (note 5), no collateral is held as security in respect of the amounts that comprise the Company's exposure to credit risk.

All of the Company's accounts receivable are current and no allowance for credit losses has been recorded at September 30, 2008.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by continuing to seek sources of financing at appropriate costs of capital (Note 21).

A maturity analysis of the undiscounted cash flows of the Company's liabilities is as follows:

Due	Loan	Capital lease obligations	Asset Retirement Obligations	Accounts payable, income taxes payable and accruals
Within one month		75	-	2,713
Between 1 – 3 months	385	150	-	322
Between 4 – 12 months	20,724	601	-	632
Between 1 – 5 years		3,565	324	-
Between 6 - 20 years		-	9,611	-
	21,109	4,391	9,935	3,667

Market Risk

The Company is exposed to the following market risks:

Currency risk – The Company's functional currency is the Canadian dollar and the Company has operations in the USA, which are integrated with the Company's Canadian operations. As a result, the Company is exposed to foreign currency risk when it has financial assets or financial liabilities that are denominated in U.S. dollars. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Interest rate risk – The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents, security deposits and the loan receivable which are at floating rates. . The Company's capital leases, loan payable and note receivable are at fixed rates. The Company has also made advances to the Namgis First Nation (note 11). The advances made prior to the construction decision bear interest at prime plus a small margin and advances made subsequent to the construction decision bear interest at substantially higher floating rates. The Company does not record the interest on these advances until recovery is assured through the establishment of continued positive cash flow at the Orca Quarry.

The following table shows the effect on net loss and other comprehensive loss for the three months ended September 30, 2008 had the US Canadian exchange rate increased or decreased by $0.01 as of September 30, 2008, assuming all other variables did not change.

	US Canadian dollar exchange rate
Net loss	56
Other Comprehensive loss	1,005