Polaris
MINERALS CORPORATION

2009 First Quarter Report

May 22, 2009

First Quarter Letter to Shareholders

I am pleased to report that we are weathering the economic downturn, and made significant progress on several important items during the first quarter.

Sales during the quarter were a reflection of the continuing depressed economic conditions in North America and the particularly poor winter weather experienced this year. Shipments of sand and gravel dispatched from the Orca Quarry were 45% below last year's level at 286,000 tons while the sales recorded of 206,000 tons were 60% below last year, the difference between these numbers being the unexpectedly delayed arrival of the last ship loaded, due to a winter storm. Revenue decreased by 55% to US$2.93 million from US$6.55 million in the first quarter of 2008, this decline offsetting the very positive underlying trends of stable prices, the recovery of last year's shipping fuel surcharges, lower current shipping fuel costs and control of operating costs. Together these positive factors mitigated the loss from operations, net of stock-based compensation to US$1.78 million, a 24% increase compared with US$1.43 million in the first quarter last year. The net loss for the quarter was US$1.40 million (US$0.03 per share) compared with a net loss of US$2.46 million (US$0.07 per share) in the comparable period in 2008.

The Company's cash position remains satisfactory. During the quarter we closed a CAD$25 million financing and repaid the CAD$20 million bridge loan, used to buy the Pier B land in the Port of Long Beach in August 2008. As a consequence the Company is now free of long term debt. At March 31, 2009 we had working capital of US$11.8 million of which US$6.36 million was cash or cash equivalents. During the quarter we had a net use of cash of US$676,000 and invested US$1.8 million in increasing quarry product inventory and US$1.2 million to complete 2008 capital projects. These included the installation of a second crusher at the Orca Quarry, which is proving very effective in maximizing sand production to meet customer preferences, and completion of the mineral exploration program adjacent to the quarry. We also completed permitting at the Richmond Terminal in preparation for the installation of the second truck loadout system. This will more than double the hourly capacity for truck loading and enable this facility to meet increasing customer demand without increasing working hours. We are engaged in discussions with potential lenders to secure a marine mortgage on the new berthing tug built to improve efficiency at the Orca Quarry, which, if concluded will realize approximately US$2.4 million of cash for the Company.

During the quarter two significant changes to contractual arrangements were put in place. Firstly, the Company and CSL International agreed to a mutually beneficial restructuring of the Company's two long-term shipping contracts. Secondly, the shipping fuel pricing arrangement contained in our California supply agreements was changed by mutual agreement with our two long-term customers so that the fuel price variances will now be adjusted on a quarterly basis, which will smooth out the impact of fuel price fluctuations in the future.

Visibility for 2009 remains opaque, but we are beginning to see what was recently referred to as "the first green shoots of a recovery." The US economic stimulus plans contain many measures clearly aimed at jump-starting the economic recovery through investment in public infrastructure projects. We welcome these initiatives since infrastructure spending has the greatest effect on aggregate demand per dollar of expenditure and because the high quality of Orca products is significant in contracts where engineering performance criteria is of significant importance. In California there are several substantial infrastructure projects that have come out for bid in the market areas serviced by our customers. These projects, however, take time to mobilize and the beneficial impact is most likely to be felt in the second half of this year and to accelerate in 2010. California is the largest recipient for funding under this stimulus initiative and on May 4th announced that it is the first state to have obligated over US$1 billion of Recovery Act funding to nearly 80 projects statewide.

Our strategy remains intact, albeit with some slow down in timing and we continue to take the steps necessary to prepare for growth once the economy rebounds. The permitting of the Pier B site in Long Beach is progressing and we continue to enjoy the support of the port authorities. We also appear to be making satisfactory progress in our ambitions for a future San Diego terminal and continue to seek additional sales opportunities to be serviced from existing terminals.

In summary, it was frustrating that the first quarter market and weather conditions depressed volumes such that the positive trends in margin were overwhelmed. The second quarter is improving and sales in the month of April alone matched those for the first quarter and have prompted a plan to return to normal operating hours at the Orca Quarry from mid-May. We are confident of the positive effects that the stimulus packages will eventually have but remain cautious in the near term after the slow start to the year. Increased demand for our products will be the most important influence on our future performance and the basic building blocks are already in place to benefit from the expected growth in 2010 and beyond.

I look forward to reporting our progress at the end of the second quarter.

Sincerely

Herb Wilson
President and CEO
Polaris Minerals Corporation

Management's Discussion and Analysis

Three months ended March 31, 2009

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company") has been prepared by management as of May 6, 2009, and should be read in conjunction with the Company's unaudited consolidated interim financial statements for the three months ended March 31, 2009, and notes thereto, as well as the audited consolidated annual financial statements for the year ended December 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All amounts are in United States dollars unless otherwise noted.

Highlights

- Adjusted EBITDA loss of $195,000 ($0.00 per share) from sales of 206,000 tons in the first quarter of 2009 compared with an adjusted EBITDA of $514,000 ($0.01 per share) from sales of 521,000 tons in the first quarter of 2008. (See Non-GAAP Measures section).
- The Company closed a bought deal equity financing for gross proceeds of CAD$25 million in January 2009 and used the net proceeds to repay the CAD$20 million bridging loan facility that had been secured for the purchase of the Long Beach Pier B lands.
- The Company's working capital increased by $0.7 million to $11.8 million at March 31, 2009 compared to December 31, 2008.

Results of Operations

During the three months ended March 31, 2009, the Company incurred a net loss of $1.4 million ($0.03 per share) compared to a net loss of $2.5 million ($0.07 per share) in the prior period.

The loss from operations for the three months ended March 31, 2009, excluding stock-based compensation, increased to $1.8 million, compared with a loss of $1.4 million in the comparative period. Revenue for the first quarter of 2009 was $2.9 million from sales of 206,000 tons which compared to $6.5 million from sales of 521,000 tons in the first quarter of 2008. The prime reasons for this reduction were the slowing of demand as a consequence of the world wide economic recession and extremely poor weather conditions along the west coast. In addition, a ship that was loaded in March with 79,500 tons was delayed by weather and arrived in San Francisco Bay on April 1, the sale thereby falling into the second quarter.

($000's, except per ton amounts)	For the three months ended March 31, 2009		For the three months ended March 31, 2008		For the year ended December 31, 2008	
	Tons	$	Tons	$	Tons	$
Sales	206	2,925	521	6,548	2,323	29,582
Gross margin		(404)		223		(83)
Gross margin per ton		*(1.96)*		*0.43*		*(0.04)*

The gross margin per ton for the three months ended March 31, 2009 decreased compared to the three months ended March 31, 2008 as a result of the increased fixed costs per ton incurred in the period relative to the lower volume of sales and also increased repairs and maintenance cost as the Company took the opportunity of the slower winter quarter to prepare the equipment for the summer periods which are expected to be busier. As sales volumes rise, production increases which results in the cost per ton of production decreasing, thus improving gross margin per ton. Average revenue per ton is influenced by the dollar exchange rate, shipping fuel surcharges and also the varying percentage between delivered and ex-quarry sales.

Shipping Fuel Surcharges

The Company's two major supply agreements in northern California contain conditions whereby the Company absorbs changes in the cost of shipping fuel during a twelve month period and passes the cost or benefit to the customer during the following year. The commencement selling prices to both customers reflected actual fuel costs at the time of entering into the contract, accordingly, the Company passed 2007 increased fuel costs as a selling price surcharge on 2008 sales volumes. During 2008, unprecedented increases in the cost of shipping fuel were incurred by the Company particularly during the second half of the year, a consequence of the shipping fuel prices lagging the record high world oil prices recorded mid-year. In accordance with the supply agreements, 2008 costs absorbed by the Company are being passed as a selling price surcharge on 2009 sales volumes.

On January 1, 2009, in agreement with the two major California customers, the fuel surcharge adjustment mechanism was changed from an annual to a quarterly basis thereby reducing the impact of changing fuel prices on the Company. This means that fuel price variations experienced in the first quarter of 2009 are passed on in the following second quarter rather than waiting until 2010. Very importantly, this change allows the benefit of the current low shipping fuel surcharges to be passed to customers in California more quickly, maintaining their competitiveness against trucking which experiences fuel price changes daily. This change will not affect the agreed recovery of the 2008 surcharges.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of IFO180, the main fuel used in the shipping, the Company's delivered price is impacted, positively or negatively, by approximately 3.6 cents per ton.

Other Charges

Total selling, general and administrative expenses, including stock-based compensation, of $1.5 million were charged to operations during the three month period ended March 31, 2009, compared to expenses of $3.3 million in 2008. The non-cash expense for stock based compensation in the quarter decreased to $0.1 million from the issuance of 25,000 options versus $1.6 million from the issuance of 755,000 options in the comparative 2008 quarter. General and administrative costs, the majority of which are incurred in Canadian dollars, decreased to $1.3 million in the quarter from $1.6 million in the first quarter of 2008, mainly due to the appreciation of the US dollar by approximately 25% in quarter one of 2009 compared to quarter one of 2008.

The majority of the Company's sales, and shipping costs, are denominated in US dollars. Costs at the Orca Quarry are incurred in Canadian dollars and as such are susceptible to fluctuations in foreign exchange rates upon reporting. Sales into Vancouver, BC, which are denominated in Canadian dollars, offset a portion of the cash costs of production at the Orca Quarry and provide a natural hedge to the Company. Additionally, quarry costs per ton fluctuate significantly with the level of production.

Segmented Analysis

The Company operates in one segment: the development and operation of construction aggregate properties and projects located in North America. See "Segmented Financial Information" (note 15) in the Company's March 31, 2009 financial statements for analysis of its customers and geographic segments.

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:

	2009	2008				2007		
($000's)	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
Revenue	2,925	7,459	9,002	6,573	6,548	5,553	5,466	4,398
Net loss for the quarter	(1,397)	(2,159)	(3,241)	(1,929)	(2,464)	(10,931)	(1,929)	(1,212)
Basic and diluted net loss per share	(0.03)	(0.04)	(0.09)	(0.05)	(0.07)	(0.30)	(0.05)	(0.03)
(000Tons)								
Sales	206	608	694	500	521	393	488	263
Aggregate production	444	338(1)	706	581	793	340	459	458

(1) Net of 325,000 tons adjustment to year end inventory.

See Sales and Seasonality section for discussion of quarterly and general trends.

Overview of the Company, Operations and Outlook

Recent Developments

Sales of the Company's construction aggregates in the first quarter of 2009 decreased from 2008 as demand in the principle market, California, declined due to wet weather conditions and the continuing economic recession and credit crunch which have hindered private and public construction projects. Demand in British Columbia also suffered from the same impacts. In an effort to minimize variable cost costs, while maintaining the flexibility to respond immediately to the anticipated upturn in demand as the year progresses, in March 2009,, the Company temporarily reduced the Orca Quarry operating hours by approximately one third and also reduced operating hours at its Richmond Terminal in San Francisco Bay.

On February 17, 2009, President Obama signed a $787 billion economic stimulus package designed to provide immediate relief to the beleaguered US economy. Included in the package are many elements of spending which will boost the country's investment in infrastructure projects. Specifically, the package incorporates $48 billion in new transport investments. This initiative, together with a rescue plan designed to help up to 9 million Americans through modified or refinanced mortgages, coupled with liquidity infusions into banks and investment houses, should lead to increases in construction aggregate demand in each of the three main demand sectors – private housing, private commercial and public sector. Of the $48 billion, California will receive $3.9 billion for investment in highways and bridges, transit capital, fixed guideway modernization and clean water.

On February 26, 2009, the California state legislature approved its 2009/2010 Budget Plan, which contains further economic stimulus action, immediately enabling funding to resume on many construction projects which were stalled due to the lack of state spending. The new budget is predicated on the creation of jobs, home buyer tax credits on a newly built home, the streamlining of the environmental permitting process for specific transportation projects and encouraging public-private partnerships for needed transportation projects, including design-build initiatives.

The demand for construction aggregates is significantly higher per dollar of expenditure through infrastructure projects than through residential construction. Action taken at both federal and state levels in early 2009 is intended to be the financial catalyst to reverse the unprecedented decline in the present economic cycle and in recent weeks, signs of resurgence may be emerging in the construction aggregates market in California as the weather improves and government stimulus funds begin to be utilized. The time required to build momentum in major infrastructure projects is such that the significant benefits are most likely to be felt in 2010 and onwards.

Quarries and Terminals

The Orca Quarry is situated to the west of the town of Port McNeill, British Columbia, and commenced shipments of high quality sand and gravel construction aggregates to west coast ready mixed concrete producers in March 2007. Mineral extraction takes place from the East Cluxewe deposit, a reserve of 134 million tons, from which approximately 4.3 million had been extracted up to March 31, 2009.

The Company has recently completed exploration on additional lands in the Orca Quarry area, over which it has certain rights, referred to as the East Cluxewe Extension, West Cluxewe and Bear Creek deposits. After due consideration of resource, environmental and permitting factors relative to these areas, the Company has decided to make the East Cluxewe Extension deposit, which is contiguous with its current operations, the first priority to be followed by the West Cluxewe deposit. As a consequence of this sequence and the probable timing, the Company has allowed its agreement with Island Timberlands in respect of Bear Creek to lapse and therefore costs of $0.1 million for exploration on this property were written off subsequent to March 31, 2009.

Terminal access, whether through owned and operated terminals, or third party terminals, is a key component in the logistical chain. The Company delivers construction aggregate to four terminals in San Francisco Bay. The Richmond Terminal is owned and operated by the Company and has a permitted throughput capacity of 1.5 million short tons per year, serving the north eastern Bay area. Redwood City in southwest San Francisco Bay and Pier 92 near downtown San Francisco are owned and operated by the Company's strategic alliance partner, Cemex, Inc. ("Cemex"). Landing Way Depot on the Petaluma River in Sonoma County has an annual throughput capacity of 1.25 million short tons and is owned and operated by Shamrock Materials.

In 2008, the Company and Cemex formed a joint venture, Cemera Long Beach, LLC, which purchased a 12.4 acre parcel of freehold land in the Port of Long Beach, California, which is intended for development into a major receiving terminal for aggregates from the Company's quarry properties. The site is currently being permitted for development of a sand and gravel terminal, and permit applications are expected to be made eventually for a crushed stone terminal and a ready mix concrete plant as well. The anticipated annual throughput of the sand and gravel terminal in the Port of Long Beach is 3.0 million short tons. The Company and Cemex are also pursuing space in the Port of San Diego for the development of a terminal to service this southern California market, which has significant aggregate supply deficiencies, and expects to make further positive progress during 2008.

The Company owns the rights to develop the Eagle Rock Quarry Project, a very large granite resource located on deep tidewater alongside the Alberni Inlet near Port Alberni, British Columbia. The Eagle Rock Quarry received its mine permit in 2003 and recently renewed the Environmental Assessment Certificate from the Province of BC which now expires in September 2013. The Company is actively seeking market outlets which would support the development of the quarry to produce crushed rock construction aggregate products. Work is underway to update and complete the previous partially completed feasibility study which is expected to be concluded in 2009. Much like the Orca Quarry, Eagle Rock Quarry products are expected to be shipped in bulk ocean-going carriers to coastal urban markets along the west coast of North America and Hawaii. This high quality aggregate is anticipated to be ideal for asphalt manufacture and over time is expected to be a significant source of coarse aggregate for use in concrete when it will complement the Orca Quarry which produces a high proportion of natural sand.

Markets

The Company's primary target markets continue to be the major urban centers along the west coast of North America. The Company currently sells sand and gravel into three distinct markets: the San Francisco Bay area, Vancouver, BC and Hawaii. Local production of construction aggregate has been diminishing in these markets as operating quarries are depleted and new resources become more difficult to permit. Longer and more costly overland trucking to consumers is required to meet local supply shortfalls, creating a market opportunity for the Company to competitively ship high quality construction aggregate to those markets in large ocean-going bulk carriers or smaller barges.

The California market has experienced an unprecedented reduction in demand, from a peak of 246 million tons in 2006 down to 162 million tons in 2008, a drop of 34% (from US Geological Survey statistics). Historically, public spending and private investment have been counter-cyclical. However, the significant decline in private spending, exacerbated by the current credit squeeze, out-paced the effect of any ramp-up of large infrastructure projects, thus creating the significant reduction in the overall demand. The recently announced federal and state stimulus packages are now expected to increase the demand for construction aggregate, possibly beginning later in 2009 and particularly in 2010.

The combination of dwindling supplies and relatively stable demand for construction aggregate in Hawaii and Vancouver continues to make these two markets favourable for the Company's products. The Hawaiian market, at this time, is somewhat insulated from the downturn in residential construction being experienced by mainland markets, due to a steady demand from the military and leisure sectors, coupled with infrastructure projects, which are expected to include a proposed new light rapid transit system in Honolulu. The reducing supply of locally available construction aggregate, particularly sand, should enable the Company to gradually increase sales of Orca materials into the Hawaiian market.

Several large infrastructure projects, that were under construction in Vancouver for the winter Olympic Games in 2010, have now been completed which, together with a slowdown in high-rise residential construction, contributed to a significant slowdown on sales in this market, particularly in the January to April, 2009 period. The Company expects that this trend will gradually reverse as the federal and provincial governments also embark upon an infrastructure stimulus spending plan with several major projects in the lower mainland of BC.

The Company will continue to seek new markets for its construction aggregate and is currently evaluating new terminal opportunities in southern California and Washington states in conjunction with Cemex.

Shipping

The Company is currently shipping its products from Vancouver Island, British Columbia, Canada to San Francisco Bay, and supplying customers in Vancouver and Hawaii on an ex-quarry basis into vessels or barges supplied by these customers.

Customers in the San Francisco Bay area are supplied by self-unloading Panamax vessels provided by CSL International Inc. ("CSL"). In July 2005, the Company executed its first long term shipping Contract of Affreightment ("CoA-1") with CSL. CoA-1 initially had a term of ten years with an effective start date of July 18, 2007 and incorporates fixed rates per tonne of product, subject to inflation and fuel cost adjustments. CoA-1 covers deliveries from the Orca Quarry to locations in San Francisco Bay and contains minimum annual volumes increasing over the first five years to a maximum of 4.5 million metric tonnes per annum. Beginning in January 2008, the rates charged under the CoA-1 have been adjusted annually for inflation. Shipments exceeded the contracted cargo volume for the first year ending July 17, 2008. For the contract year ending July 17, 2009, the Company elected to exercise its right under the contract to roll forward up to 25% of its annual contracted volume, reflecting the recessionary market conditions.

In December 2007, the Company executed a second long term, 15-year, shipping Contract of Affreightment ("CoA-2") with CSL for a minimum of 2.25 million metric tonnes per annum of additional shipping capacity, beginning in late 2010. This additional capacity was secured at a time when the availability of capacity was severely constrained in order to facilitate the development of the Eagle Rock Quarry; however, the Company has the flexibility to use it for shipments from Orca should markets and timing dictate. The deteriorating market conditions that prevailed throughout 2008 have made it very unlikely that this additional shipping capacity will now be required in 2010 as originally forecast.

To reflect the downturn in market demand, the Company and CSL agreed to a mutually beneficial restructuring of contracts under which CoA-1 has been extended by five years, to expire in 2022 and the commencement date of CoA-2 has been deferred until the beginning of 2014, or earlier, should market conditions be more favourable than current expectations.

On arrival in San Francisco Bay, CSL's vessels are partially unloaded while at anchor ("lightered") into barges provided by Shamrock Materials Inc. under the terms of a twenty-year aggregate supply agreement, or onto a barge operated by an independent towing contractor on behalf of Cemex. After lightering, the balance of the cargo may be unloaded at an existing terminal operated by Cemex at Redwood City or at the Company's Richmond Terminal. These arrangements offer the most economical shipping solution by utilizing fully loaded Panamax vessels from Vancouver Island to San Francisco Bay. However, the decline in demand in construction aggregates in California has had the effect of slowing the Company's previously anticipated rate of growth. The Company's two contracted Bay area customers are currently experiencing similar market demand constraints and while this remains the case, the Company will be able to efficiently manage its shipping contract with CSL. In the unlikely event, however, that one customer's demand changes significantly from the other, the Company would have to review shipping logistics and may, for a period of time, be unable to achieve the present cost efficiency, which is a function of the movement of fully laden Panamax vessels into San Francisco Bay.

The combination of the two long-term supply contracts in northern California and the commencement of operations at the Richmond Terminal, are gradually optimizing shipping logistics.

The lower mainland of British Columbia is supplied with sand and gravel on a regular basis using barges provided by the customer and unloaded at two terminals located on the Fraser River. Sales to Hawaii are made via CSL self-discharging vessels contracted by the Company's Hawaiian customers.

Customers

The Strategic Alliance formed with Cemex in 2007, coupled with the Shamrock Supply Agreement, represent the cornerstone of the Company's long term growth plans and support progress toward the permitted production of 6.6 million tons per year from the Orca Quarry. Shamrock and Cemex together account for approximately 80% of the Company's sales. The Company continues to follow the financial information provided in the public arena by Cemex and maintains a close working relationship with its regional management. Shamrock is an old-established private company and close relations are maintained with the principals. The Company entered into a three year supply contract, effective January 1, 2008, with a Hawaiian company and continues to supply aggregate to a customer in Vancouver, under the terms and conditions of a five year supply agreement, which commenced in March 2007.

Sales and Seasonality

Although the Company's sand and gravel quarry operates year-round, seasonal changes and other weather related conditions can 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 sensitive to regional and local weather and market conditions and, in particular, to cyclical swings in construction spending. This is no more evident than in the first quarter of 2009 where poor weather in all west coast markets, especially northern California, coupled with the general construction market downturn have resulted in substantially lower volumes shipped compared with the previous year's first quarter. Sales related to construction projects delayed by poor weather tend to be recovered as projects accelerate to meet deadlines in the following periods. Typically, the highest sales and earnings will be achieved in the summer (second and third quarters) of any year and the lowest realized in the winter (first and fourth quarters).

Liquidity and Capital Resources

Working Capital

At March 31, 2009, the Company had working capital of $11.8 million, including cash of $6.4 million, compared to working capital of $11.1 million and cash of $7.0 million at December 31, 2008. The Company believes that it has sufficient capital resources to fund operations through to sustainable positive net cash flows. However, to further improve the Company's cash position, the Company, in conjunction with its joint venture partners, intends to refinance the $2.2 million short term loan receivable it incurred to build the berthing tug, now operational at the Orca Quarry shiploader, through a marine mortgage.

Operating, Financing and Investing Activities

For the three months ended March 31, 2009, cash used was $0.7 million compared with $5.1 million in the three months ended March 31, 2008. Operating activities, taking into account non-cash items and non-cash working capital, used cash of $1.8 million for the first quarter of 2009, the majority of which was used to increase product inventories, compared with $2.0 million used in the comparative 2008 quarter. Inventories increased from 343,000 tons at December 31, 2008 to 581,000 tons at March 31, 2009.

On January 8, 2009, the Company completed an equity financing and issued, on a bought deal basis, 15,625,000 units (the "Units") of the Company at a price of CAD$1.60 per Unit, for gross proceeds to the Company of CAD$25 million (the "Offering"). Each Unit consisted of one Common Share of the Company and one half of a common share purchase warrant (each full warrant a "Warrant") with each Warrant entitling the holder thereof to purchase an additional Common Share of the Company at the exercise price of CAD$2.25 per Common Share for a period of two years following the closing of the Offering. Polaris granted the underwriters an over-allotment option which was not exercised.

To facilitate the purchase of the Pier B land, the Company entered into a one-year bridge loan facility in August 2008 for CAD$20 million, which was repaid using the net proceeds of the bought deal equity financing outlined above. Upon initial recognition, the Company designated the loan as held for trading and recognizes the fair value of the loan at each measurement date. At December 31, 2008, the fair value of the loan was determined to be $16.4 million and at the time of repayment on January 8, 2009 there had been no material change in the fair value.

The Company may need to obtain additional financing to develop the Pier B terminal and also in the event that the Company successfully meets its objectives of securing additional terminals and developing the Eagle Rock Quarry.

During the three month period ended March 31, 2009, no stock options were exercised and the Company granted 25,000 stock options with a weighted average exercise price of CAD $1.49 per share, expiring in 2019.

The Company expended $1.2 million on property, plant and equipment in the quarter ended March 31, 2009 compared with $2.6 million in the comparative 2008 quarter. The 2009 expenditures relate mainly to the completion of the installation of a second crusher at the Orca Quarry, permitting of the Pier B property, the ongoing feasibility study of the Eagle Rock Quarry and improvements to the load-out facilities and storage at the Richmond Terminal, while the 2008 expenditures related to the final construction costs of the Richmond Terminal.

Restructuring of Investment in Asset Backed Commercial Paper

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the asset backed commercial paper ("ABCP") restructuring process. The restructuring closed on January 21, 2009.

In accordance with an agreement reached with all key stakeholders, the ABCP has been converted into longer term financial instruments with maturities corresponding to the underlying assets. ABCP backed by traditional securitized assets has been restructured on a series-by-series basis into Traditional Asset ("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 has been 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. ABCP backed by U.S. sub-prime assets will be restructured into Ineligible Asset ("IA") Tracking Notes on a series-by-series basis, with each series maintaining its separate exposure to its own assets.

The exchange of restructured ABCP notes was completed on January 21, 2009. A first instalment of interest (to August 31, 2008) was also paid on the same day. Interest payments received have been accounted for in the fair value determination of the notes. The balance of the interest is to be paid in subsequent instalments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from the first interest payment.

In January 2009, the Company received:

Face value ($000's)		Restructuring categories
4,058	(CAD4,943)	Master Asset Vehicle MAV II Class A-1 Notes
126	(CAD152)	Master Asset Vehicle MAV II Class C Notes
637	(CAD776)	Master Asset Vehicle MAV II Class 13 IA Tracking Notes

Class A-1 Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056 but the expected repayment date of the Class A-1 notes is January 22, 2017. The senior Class A-1 notes have been rated "A" by DBRS while the subordinated Class C notes are unrated. The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturity of the Class 13 IA Tracking Notes is based on the maturity of the underlying assets. The Class 13 IA Tracking Notes will not be rated.

The exchange of the ABCP for the new notes on January 21, 2009, has been recognized as a transaction of substance. At March 31, 2009, the Company has an investment in debt securities with a par value of $4,820,754 (CAD$5,871,678) and a carrying value of $2,474,498 (CAD$3,056,105). The Company's investment in ABCP was classified as available-for-sale on initial recognition and carried at fair value in cash and cash equivalents. To reflect the lack of liquidity in the ABCP market and the uncertainty surrounding the timing of cash flows, the investment has been reclassified as long-term. The investment in ABCP has been removed from the Company's balance sheet at January 21, 2009 and the new notes initially recognized at a fair value of $2.4 million (CAD$3.1 million). The Company's investment in the new notes has been classified as held-for-trading and carried at fair value. Interest payments received will be accounted for in the fair value determination of the notes. The Company recorded a $52,000 gain on the change in the fair value of the notes at Mach 31, 2009.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the notes. 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. The assumptions used in the valuation model at March 31, 2009 include:

Weighted average interest rate	3.05%
Weighted average discount rate	21.51%
Maturity of notes	6 to 9 years

If these assumptions were to change, the fair value of the investment in ABCP could change significantly. The fair value could range from $3,074,475 (CAD$3,877,835) to $2,129,619 (CAD$2,686,089) based on alternative reasonable assumptions.

Contractual Obligations and Commitments

On commencement of the marine shipping contract CoA-1 on July 18, 2007, the Company is committed to ship the following tonnage.

	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 met its first contract year commitment and shipped in excess of 1.5 million tons. The term of CoA-1 has been extended from 10 years to 15 years.

The Company further increased its shipping capacity by entering into its second shipping contract, CoA-2 in 2007 which would have commenced in the third quarter of 2010 but which has been deferred until the beginning of 2014. This contract requires the Company to ship a minimum of 2,480 tons annually for the contract term of 15 years.

Failure by the Company, under CoA-1 or CoA-2, to ship its annual cargo commitments 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 carry forward up to 25% of the yearly contracted tonnage into the following year and to increase or decrease volume commitments by 10% under charterer's option. For the contract year ending July 17, 2009, the Company elected to exercise its right under the contract for CoA-1 to roll forward up to 25% of its annual contracted volume.

The Company is disputing a BC social services tax assessment, the formal notice of which has not been received, for the period May 2004 to December 2008. The basis for the dispute is the eligibility of the shiploading installation for the production machinery and equipment exemption available to mining companies such as the Company. The Company believes it qualifies for this exemption and that the amount is not due. It has engaged legal council to defend its position; however, settlement of the amount due, net of any possible refund filed, could range up to a maximum of $475,250 if the Company is unsuccessful in its defence.

Non-GAAP Measures

Adjusted Net Loss

The Company has prepared a calculation of adjusted net loss for the period in order to better reflect underlying business performance by removing certain non-cash adjustments from its Canadian generally accepted accounting principles (GAAP) calculation of net loss as it believes this may be a useful indicator to investors. Adjusted net loss may not be comparable to other similarly titled measures of other companies.

($000's, except per share amounts)	Three months ended March 31, 2009	Three months ended March 31, 2008	Year ended December 31, 2008
Net loss for the period	(1,397)	(2,464)	(9,793)
Adjustments			
Stock based compensation	142	1,631	3,050
Change in fair value of investment	(52)	-	
Loss on fair value of loan payable / debt	7	-	1,065
Impairment loss on long-term investment	-	-	440
Adjusted net loss for the period	(1,300)	(833)	(5,238)
per share	*(0.02)*	*(0.02)*	*(0.14)*

EBITDA and Adjusted EBITDA

Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), adjusted EBITDA, EBITDA per share and adjusted EBITDA per share ("EBITDA Metrics") are non-GAAP financial measures. EBITDA and EBITDA per share represent net income, excluding income tax expense, interest expense and amortization and accretion. Adjusted EBITDA and adjusted EBITDA per share better reflect the underlying business performance of the Company by removing certain non-cash adjustments from its calculation of EBITDA and EBITDA per share. The Company believes that the EBITDA Metrics trends are valuable indicators of whether the Company's operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. The Company uses the results depicted by the EBITDA Metrics for these purposes, an approach utilized by the majority of public companies in the construction materials sector. The EBITDA Metrics are intended to provide additional information, do not have any standardized meaning prescribed by Canadian GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Other companies may calculate these measures differently. The following table reconciles these non-GAAP measures to the most directly comparable Canadian GAAP measure.

($000's except per share amounts)	Three months ended March 31, 2009	Three month ended March 31, 2008	Year ended December 31, 2008
Net loss for the period	(1,397)	(2,464)	(9,793)
Interest expense and financing fees	122	62	874
Income taxes	19	-	(255)
Amortization and impairment charges for capital assets	964	1,285	5,601
EBITDA	(292)	(1,117)	(3,573)
per share	*($0.01)*	*($0.03)*	*($0.10)*
Adjustments			
Stock based compensation	142	1,631	3,050
Change in fair value of investments	(52)	-	-
Loss on fair value of loan payable / debt	7		1,065
Impairment loss on long-term investment	-	-	440
Adjusted EBITDA	(195)	514	982
per share	*($0.00)*	*$0.01*	*$0.03*

Related Party Transactions

During the three month periods ended March 31, 2009 and 2008, directors, either directly or through a company controlled by them, provided to the Company, marketing services at a cost of $80,000 (2008 - $73,000).

At March 31, 2009, accounts payable of $27,000 (2008 - $25,000) was due to a company controlled by a common director.

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

Critical Accounting Estimates

The Company's accounting policies are described in Note 3 to the December 31, 2008 audited consolidated financial statements. Both the accounting polices used and the estimates made by management can impact the consolidated financial statements. The Company considers the accounting policies and estimates for; inventories, property plant and equipment, the impairment of long-lived assets, the fair value of financial instruments, asset retirement obligations, stock-based compensation, income taxes, and the translation of foreign currency to be significant. There is a full discussion and description of the Company's critical accounting estimates in the 2008 management discussion and analysis.

Changes in Accounting Policies including Initial Adoption

Accounting policies implemented effective January 1, 2009

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces section 3062, and establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this new section had no impact on the Company's consolidated financial statements.

In January 2009, the CICA issued EIC-173, "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company's valuation of financial assets or liabilities.

In March 2009, the CICA issued EIC-174, "Mining exploration costs" which provides guidance related to the measurement of exploration costs and the conditions that an enterprise should consider when determining the need to perform an impairment review of such costs. This abstract is to apply to all interim and annual statements for periods ending on or after March 27, 2009. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed fiscal years beginning on or after January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS"), replacing Canadian GAAP. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. As a result of this announcement, the Company has commenced planning and preparing for the coming changes in financial reporting requirements. The Company has established a project team, led by finance management and has engaged a qualified third party advisor to plan for and achieve a smooth transition to IFRS and ensure successful implementation within the required timeframe.

The Company's IFRS conversion project consists of three phases: assessment, design and implementation. With the assistance of our qualified third party advisor, the Company is currently in the process of identifying significant differences between Canadian GAAP and IFRS. In the second half of 2009, the Company will initiate the design phase in which it will establish specific project plans and training programs for those areas affected by IFRS.

The Company will provide disclosures of the key elements of its plan and progress on this transition as the information becomes available during the transition period and will report regularly to the audit committee of the Board of Directors on the status of the IFRS implementation project.

Financial Instruments and Related Risks

Financial instruments

Cash and investments are designated as financial assets held-for-trading and measured at fair value. Security deposits have been designated as financial assets available-for-sale. Accounts receivable, loan receivable, and long-term loans are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities.

Financial assets held-for-trading are measured at fair value with changes in those fair values recognized in net earnings. Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income ("OCI") except for other-than-temporary impairment which is recorded as a charge to other expenses. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost.

Financial Instrument Risks

The following describes the types of risks that the Company is exposed to and its objectives and policies for managing those risk exposures.

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 four 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 long-term loan, the Company assessed to its satisfaction the credit worthiness of the counter parties and continues to maintain close contact with those parties. The Company and partners in the joint venture that owns the new berthing tug intend to obtain a marine mortgage for the loan receivable.

Except for the short-term investments and the long-term loan, no collateral is held as security in respect of the amounts that comprise the Company's exposure to credit risk. The Company is in the process of renegotiating the long term loan and its payment terms.

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.

Market Risk

The Company is exposed to the following market risks:

Currency risk – The Company reports in US dollars and the Canadian dollar is its functional currency. Operations in the USA are integrated with the Company's Canadian operations. As a result, the Company is exposed to foreign currency gains and or losses affecting net income and cumulative translation adjustments which affect other comprehensive income. 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, security deposits and the loan receivable which are at floating rates. The Company's long-term loan and capital leases are at fixed rates. The Company has also made advances to the Namgis First Nation. 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, accordingly interest on the advances has not been factored into the analysis.

Fair value of financial instruments

The fair values of cash, accounts receivable, loan receivable, security deposits, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The Company's management has estimated the fair value of its investments by discounting the future cash flows 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. There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the investment. If management's assumptions were to change, the fair value of the investment could change significantly. See the Liquidity and Capital Resources section for details regarding the restructuring of the Company's investment in ABCP.

The fair value of the Company's long-term loan, which is carried at amortized cost, is estimated by discounting the anticipated 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 the Company is in the process of renegotiating the loan and its payment terms, actual amounts could differ.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,204,602 were issued and outstanding. The Company also had 3,274,595 options outstanding, exercisable into 3,274,595 common shares of which 2,859,552 are currently vested and 10,916,346 warrants outstanding all of which are vested.

Risks and Uncertainties

The development and operation of the Company's construction aggregate properties involves a high degree of 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.

Current global financial conditions have been subjected to increased volatility and access to financial markets has been severely restricted, which may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Failure to obtain financing in the future may result in the delay or indefinite postponement of the future development of the Company's properties and terminals and could potentially result in the loss of those property interests. Further, the Company has an investment in ABCP and due to the uncertain global economy; there can be no assurance that the Company's investment will be recoverable in whole, in part or at all.

The quarrying industry is competitive and the Company may not secure the construction aggregate 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. Furthermore, 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 which could have a materially adverse affect on the Company's revenues, operations and financial condition.

Quarrying involves a high degree of risk and the Company has a limited history of construction aggregate project development or operations. Additionally, certain groups are opposed to quarrying and could attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. The Company's title to its properties may be subject to disputes or other claims, including land title claims of First Nations. Construction aggregate quarrying, processing and development activities are highly regulated and changes to government regulations or interpretation of those regulations may also adversely affect the Company. The Company currently depends on a single property with a construction aggregate reserve that has an estimated life of 25 years. In order to maintain its annual production the Company will be required to obtain other construction aggregate resources in the future to bring into production. The Company's operations are subject to environmental risks and the actual costs of reclamation for the property are uncertain. Further, the Company's insurance will not cover all the potential risks associated with a quarrying operation.

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

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.

Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis release contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information appear in a number of places in this document and include estimates, forecasts, information and statements as to management's expectations with respect to, among other things the future financial or operating performance of the Company, costs and timing of the development of the construction aggregate quarry, the timing and amount of estimated future production, costs of production, capital and operating expenditures, requirements for additional capital, government regulation of quarrying operations, environmental risks, reclamation expenses, and title disputes. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risks and Uncertainties" in the Company's Annual Report and under the heading "Risk Factors" in the Company's Annual Information Form (AIF) in respect of its financial year-ended December 31, 2008, 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 on SEDAR at www.sedar.com and at the Company's website at www.polarmin.com.

Glossary of Terms

Ton or **Short Ton** – the unit of weight used in the US consisting of 2,000 imperial pounds.

Metric Tonne – a unit of weight commonly used in Canada and world wide in shipping operations consisting of 1000kg (2,205 imperial pounds).

Polaris Minerals Corporation

CONSOLIDATED BALANCE SHEETS

(unaudited)

(thousands of U.S. dollars)

	March 31, 2009	December 31, 2008
Assets		
Current assets		
Cash	$ 6,360	$ 7,036
Accounts receivable	2,630	3,648
Loan receivable (note 3)	2,206	2,069
Inventories (note 4)	3,931	2,250
Prepaid expenses and other	408	675
	15,535	15,678
Investments (note 5)	2,474	2,675
Long-term loan (note 6)	5,091	5,193
Property, plant and equipment (note 7)	101,663	105,361
Other assets	978	1,008
	$ 125,741	$ 129,915
Liabilities		
Current liabilities		
Accounts payable	$ 1,877	$ 2,438
Accrued liabilities	1,270	1,515
Current portion of capital lease obligations	581	592
	3,728	4,545
Loan payable (note 8)	-	16,413
Capital lease obligations	2,329	2,566
Asset retirement obligation (note 9)	1,695	1,740
Other long-term liabilities	42	45
	7,794	25,309
Non-controlling interest	877	1,058
Shareholders' equity		
Share capital	149,553	132,405
Warrants	6,837	4,503
Contributed surplus	12,875	12,733
Accumulated other comprehensive income	(8,308)	(3,603)
Deficit	(43,887)	(42,490)
	117,070	103,548
	$ 125,741	$ 129,915

Commitments and contingencies (note 14)
Subsequent event (note 17)

Approved by the Board of Directors

" John Purkis "
John Purkis, Director

" Herbert G. A. Wilson "
Herbert G. A. Wilson, Director

Polaris Minerals Corporation
CONSOLIDATED STATEMENTS OF LOSS
(unaudited)

(thousands of U.S. dollars, expect per share amount)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Sales	$ 2,925	$ 6,548
Cost of goods sold	(2,419)	(5,110)
Amortization, depletion and accretion	(910)	(1,215)
Gross margin	(404)	223
General and administrative	(1,289)	(1,556)
Marketing	(88)	(101)
Stock-based compensation	(142)	(1,631)
Loss from operations	(1,923)	(3,065)
Interest on loan payable and capital lease obligations	(122)	(62)
Foreign exchange gain	385	416
Gain on fair value of investments	52	-
Loss on fair value of loan payable	(7)	-
Interest income	91	217
Loss before non-controlling interest and taxes	(1,524)	(2,494)
Non-controlling interest	146	30
Current income tax expense	(19)	-
Net loss for the period	$ (1,397)	$ (2,464)
Basic and diluted loss per common share	$ (0.03)	$ (0.07)
Weighted average number of common shares outstanding	52,056	37,336

Polaris Minerals Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(thousands of U.S. dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Operating activities		
Net loss	$ (1,397)	$ (2,464)
Amortization and accretion	964	1,285
Accrued interest	(33)	-
Non-controlling interest	(146)	(30)
Gain on fair value of investments	(52)	-
Loss on fair value of loan payable	7	-
Unrealized foreign exchange gain	(12)	(140)
Stock-based compensation	142	1,631
	(527)	282
Changes in non-cash working capital items (note 12)	(1,271)	(2,243)
Net cash used in operating activities	(1,798)	(1,961)
Financing activities		
Issue of common shares and warrants	21,030	57
Issue costs	(1,491)	-
Repayment of loan payable	(16,824)	-
Capital lease payments	(141)	(154)
Net cash provided by (used in) financing activities	2,574	(97)
Investing activities		
Advances on loan receivable	(93)	(83)
Payment received on investments	166	-
Long-term loan principal payments received	102	-
Property, plant and equipment purchases	(1,214)	(2,556)
Security deposit (withdrawal) deposit	(3)	51
Net cash used in investing activities	(1,042)	(2,588)
Effect of foreign currency translation on cash	(410)	(425)
Decrease in cash	(676)	(5,071)
Cash - beginning of period	7,036	15,234
Cash - end of period	$ 6,360	$ 10,163

Supplemental cash flow information (note 12)

Polaris Minerals Corporation
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(unaudited)

(thousands of U.S. dollars)

	Share Capital						
	Number of common shares (000's)	Amount	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
December 31, 2007	37,325 $	131,773 $	3,452 $	9,833 $	20,478 $	(32,697) $	132,839
Warrants issued	-	-	1,051	-	-	-	1,051
Options exercised	254	632	-	(150)	-	-	482
Stock based compensation	-	-	-	3,050	-	-	3,050
Other comprehensive income	-	-	-	-	(24,081)	-	(24,081)
Net loss	-	-	-	-	-	(9,793)	(9,793)
December 31, 2008	37,579	132,405	4,503	12,733	(3,603)	(42,490)	103,548
Units issued (note 10)	15,625	17,148	2,334	-	-	-	19,482
Stock based compensation	-	-	-	142	-	-	142
Other comprehensive income	-	-	-	-	(4,705)	-	(4,705)
Net loss	-	-	-	-	-	(1,397)	(1,397)
March 31, 2009	53,204 $	149,553 $	6,837 $	12,875 $	(8,308) $	(43,887) $	117,070

Polaris Minerals Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

(thousands of U.S. dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Net loss for the period	$ (1,397)	$ (2,464)
Other comprehensive loss		
Currency translation adjustment	(4,705)	(4,569)
Comprehensive loss for the period	$ (6,102)	$ (7,033)

(unaudited)
(U.S. dollars , except where noted)

1. Basis of presentation

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2008, except as noted below (note 2). These unaudited interim consolidated financial statements do not include all the disclosures required by Canadian generally accepted accounting principles for annual financial statements, and should be read in conjunction with the audited annual financial statements of the Company as at December 31, 2008.

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, market conditions, and, in particular, to cyclical variations in construction spending.

Certain comparative figures have been reclassified to conform to the current period presentation.

2. Changes in accounting policies

Accounting policies implemented effective January 1, 2009

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, and establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this section had no impact on the Company's consolidated financial statements.

In January 2009, the CICA issued EIC-173, "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company's valuation of financial assets or liabilities.

In March 2009, the CICA issued EIC-174, "Mining exploration costs" which provides guidance related to the measurement of exploration costs and the conditions that an enterprise should consider when determining the need to perform an impairment review of such costs. This abstract is to apply to all interim and annual statements for periods ending on or after March 27, 2009. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of exploration assets.

Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed fiscal years beginning on or after January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to adopt IFRS as issued by the International Accounting Standards Board, with earlier adoption permitted. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Company will present its first financial reporting in accordance with IFRS for the three-month period ended March 31, 2011. The Company has begun assessing the effect of the adoption of IFRS on the financial statements; however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Loan receivable

The Company has a loan receivable at March 31, 2009 of $2,205,866 from its joint venture partners in 0791304 B.C. Ltd (note 11). The total amount due is comprised of principal of $2,079,170 (December 31, 2008 – $1,921,942) and accrued interest of $126,696 (December 31, 2008 – $146,916). The joint venture is seeking third party financing; therefore, the loan has been classified as current.

4. Inventories

(in thousands)		March 31, 2009		December 31, 2008
Construction aggregates	$	3,256	$	1,623
Components and consumable supplies		675		627
	$	3,931	$	2,250

5. Investments

(in thousands)		March 31, 2009		December 31, 2008
Investment in debt securities	$	2,474	$	2,675

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the asset backed commercial paper ("ABCP") restructuring process. The restructuring closed on January 21, 2009.

In accordance with an agreement reached with all key stakeholders, the ABCP has been converted into longer term financial instruments with maturities corresponding to the underlying assets. ABCP backed by traditional securitized assets has been restructured on a series-by-series basis into Traditional Asset ("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 has been 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. Finally, ABCP backed by U.S. sub-prime assets has been restructured into Ineligible Asset ("IA") Tracking Notes on a series-by-series basis, with each series maintaining its separate exposure to its own assets.

The exchange of restructured ABCP notes was completed on January 21, 2009. A first instalment of interest (to August 31, 2008) was also paid on the same day. Interest payments received have been accounted for in the fair value determination of the notes. The balance of the interest is to be paid in subsequent instalments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from this first interest payment.

In January 2009, the Company received:

Face value (in thousands)		Restructuring categories
$4,058	(CAD$4,943)	Master Asset Vehicle MAV II Class A-1 Notes
$126	(CAD$152)	Master Asset Vehicle MAV II Class C Notes
$637	(CAD$776)	Master Asset Vehicle MAV II Class 13 IA Tracking Notes

Class A-1 Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056, but the expected repayment date of the Class A-1 notes is January 22, 2017. The senior Class A-1 notes have been rated "A" by DBRS Limited while the subordinated Class C notes are unrated. The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturity of the Class 13 IA Tracking Notes is based on the maturity of the underlying assets. The Class 13 IA Tracking Notes will not be rated.

The exchange of the ABCP for the new notes on January 21, 2009, has been recognized as a transaction of substance. At March 31, 2009, the Company has an investment in debt securities with a par value of $4,820,754 (CAD$5,871,678) and a carrying value of $2,474,498 (CAD$3,056,105). The Company's initial investment in ABCP was classified as available-for-sale on initial recognition and carried at fair value in cash and cash equivalents. To reflect the lack of liquidity in the ABCP market and the uncertainty surrounding the timing of cash flows, the investment was reclassified as long-term. The investment in ABCP has been removed from the Company's balance sheet at January 21, 2009 and the new notes initially recognized at a fair value of $2,398,638 (CAD$3,056,105). The Company's investment in the new notes has been classified as held-for-trading long-term investments and carried at fair value. Interest payments received will be accounted for in the fair value determination of the notes. Changes in fair value of the new notes will be reported in net income as they arise.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the notes. 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. The assumptions used in the valuation model at March 31, 2009 include:

Weighted average interest rate	3.05%
Weighted average discount rate	21.51%
Maturity of notes	6 to 9 years

If these assumptions were to change, the fair value of the investment in the notes could change significantly. The fair value could range from $3,074,475 (CAD$3,877,835) to $2,129,619 (CAD$2,686,089) based on alternative reasonable assumptions.

6. Long-term loan

(in thousands)	March 31, 2009	December 31, 2008
Loan	$ 5,091	$ 5,193

At March 31, 2009, principal amounts outstanding totalled $5,090,925. Included in accounts receivable is accrued interest of $38,960 (December 31, 2008 - $59,454). The Company is in the process of renegotiating the loan's security and payment terms. At March 31, 2009, principal and interest payments totalling $628,034 (December 31, 2008 - $461,435) have been received. The loan has been accounted for under the amortized cost method.

7. Property, plant and equipment

(in thousands)	March 31, 2009			December 31, 2008		
	Cost	Accumulated depletion or amortization	Net book value	Cost	Accumulated depletion or amortization	Net book value
Orca Quarry						
Property costs	$ 11,359	$ (1,366)	$ 9,993	$ 11,762	$ (1,379)	$ 10,383
Construction in progress	-	-	-	430	-	430
Richmond Terminal						
Property costs	9,060	(488)	8,572	9,230	(397)	8,833
Pier B Terminal						
Property costs	14,118	-	14,118	14,399	-	14,399
Tug	1,051	(11)	1,040	1,034	-	1,034
Motor vehicles	185	(163)	22	192	(152)	40
Fixed plant and machinery	19,835	(1,903)	17,932	19,922	(1,714)	18,208
Marine facilities	22,895	(1,882)	21,013	23,560	(1,714)	21,846
Building and land improvements	22,962	(1,316)	21,646	23,711	(1,063)	22,648
Mobile plant	571	(150)	421	592	(125)	467
Equipment (held under capital lease)	4,083	(846)	3,237	4,228	(770)	3,458
Furniture, equipment, tools and fixtures	877	(543)	334	839	(507)	332
Leasehold improvements	199	(56)	143	206	(52)	154
Eagle Rock Quarry project	1,896	-	1,896	1,873	-	1,873
Other exploration properties	1,166	-	1,166	1,136	-	1,136
Other marine receiving terminals	130	-	130	120	-	120
	$ 110,387	$ (8,724)	$ 101,663	$ 113,234	$ (7,873)	$ 105,361

8. Loan payable

(in thousands)	March 31, 2009	December 31, 2008
Bridge loan credit facility	$ -	$ 16,413

In January 2009, the outstanding principal of $16,823,688 and $47,936 in interest on the loan was repaid from the proceeds of the Company's equity financing (note 10).

9. Asset retirement obligation

(in thousands)		March 31, 2009	December 31, 2008
Obligation – beginning of period	$	1,740 $	1,945
Liabilities settled		-	(5)
Accretion expense		15	178
Foreign exchange		(60)	(383)
Revision in estimated cash flows		-	5
Obligation – end of period	$	1,695 $	1,740

10. Shareholders' equity

Share capital

Authorized: Unlimited common shares without par value

Common shares and warrants issued

In January 2009, the Company issued 15,625,000 units at $1.35 (CAD$1.60) per unit for gross proceeds of $21,029,543 (CAD$25,000,000). Each unit consists of one common share of the Company and one half of a common share purchase warrant with each full warrant entitling the holder thereof to purchase an additional common share of the Company at the exercise price of CAD$2.25 per common share for a period of two years following the closing of the offering. Based on the pro-rata allocation of the fair value of the shares and warrants issued, $1,362,084 of issue costs has been recorded as a charge to share capital. See below for the allocation to the warrants. The Company has used a portion of the net proceeds from the offering to repay its outstanding bridge loan credit facility (note 8).

Stock options

Under the Company's established incentive stock option plan, as at March 31, 2009, the maximum outstanding options allowed are 5,320,460 (December 31, 2008 – 3,757,960). All options are exercisable in Canadian dollars.

The Company's stock options at March 31, 2009 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
December 31, 2007	2,738,807	$8.54
Granted	930,000	$9.67
Exercised	(254,212)	$1.91
Forfeited	(165,000)	$12.28
December 31, 2008	3,249,595	$9.20
Granted	25,000	$1.49
March 31, 2009	3,274,595	$9.14

At March 31, 2009, the following stock options are outstanding and exercisable:

	Options outstanding			Options exercisable		
Exercise prices (CAD$)	Number of options outstanding	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)
$0.75 - $2.00	390,000	$1.21	4.13	340,000	$1.14	3.31
$2.50 - $4.00	385,000	$3.46	5.17	385,000	$3.46	5.17
$4.56 - $5.60	477,345	$4.91	5.97	330,466	$4.92	6.27
$8.69	115,000	$8.69	8.88	72,500	$8.69	8.88
$11.41	620,000	$11.41	3.76	476,666	$11.41	3.76
$13.75	1,287,250	$13.75	8.51	1,254,917	$13.75	8.51
	3,274,595	$9.14	6.34	2,859,549	$9.33	6.40

During the three months ended March 31, 2009, options granted had a total fair value of $19,782 (March 31, 2008 - $3,185,850) and a weighted average grant-date fair value of $0.79 (March 31, 2008 - $4.16) per option. The options have been valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Average risk free rate	2.34%	3.75%
Expected life	7.00 years	4.46 years
Expected volatility	68.03%	39.82%
Expected dividends	-	-

Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

Stock-based compensation

Total stock based compensation recorded in the three months ended March 31, 2009 was $142,348 (March 31, 2008 - $1,630,541).

Warrants

The Company's warrants at March 31, 2009 and changes for the period are as follows:

	Number of warrants outstanding	Weighted average exercise price (CAD$)
December 31, 2007	2,153,846	$4.80
Granted	1,900,000	$6.50
December 31, 2008	4,053,846	$5.60
Granted	7,812,500	$2.25
Cancelled	(950,000)	$6.50
March 31, 2009	10,916,346	$3.12

950,000 warrants issued in conjunction with the loan payable expired before vesting due to the repayment of the loan payable (note 8).

At March 31, 2009, the following warrants are outstanding and exercisable:

Number of warrants outstanding and exercisable	Expiry date	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)
2,153,846	November 30, 2010	$4.80	1.67
7,812,500	January 8, 2011	$2.25	1.77
950,000	August 17, 2013	$6.50	4.38
10,916,346		$3.12	1.98

All warrants are exercisable in Canadian dollars. For the warrants issued during the three months ended March 31, 2009 a fair value of $2,683,365 and a weighted average issue date fair value of $0.34 per warrant, was estimated at the date of issue using the Black-Scholes option pricing model. The weighted average assumptions used are:

	Three months ended March 31, 2009
Average risk free rate	1.14%
Expected life	2.00 years
Expected volatility	71.11%
Expected dividends	-

Based on the pro-rata allocation of the fair value of the shares and warrants issued, $2,333,969, net of issue costs of $185,388, has been recorded as a charge to share capital. Option pricing models require the input of highly subjective assumptions including expected life and expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

11. 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.

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. The following details the Company's share of its investment in its joint venture that has been proportionately consolidated:

(in thousands)	March 31, 2009	December 31, 2008
Current assets	$ 65	$ -
Equipment	1,042	1,034
Total assets	$ 1,107	$ 1,034
Current liabilities	$ 15	$ -
Total liabilities	$ 15	$ -

(in thousands)	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue	$ 33	$ -
Expenses	(69)	-
Net loss	$ (36)	$ -

Operating activities	$ (74)	$ -
Investing activities	(18)	-
Financing activities	94	-
Increase in cash	$ 2	$ -

Cemera Long Beach LLC

Cemera Long Beach LLC is a joint venture between the Company and Cemex, Inc to develop a 12.4 acre site at Pier B in the Port of Long Beach, California. The following details the Company's share of its investment in its joint venture that has been proportionately consolidated:

(in thousands)	March 31, 2009	December 31, 2008
Cash	$ 12	$ 5
Accounts receivable	1	1
Property, plant and equipment	15,928	14,399
Total assets	$ 15,941	$ 14,405
Accounts payable	$ 48	$ 61
Accrued liabilities	6	2
Total liabilities	$ 54	$ 63

(in thousands)	Three months ended March 31, 2009	Three months ended March 31, 2008
Investing activities	(1,529)	-
Financing activities	1,536	-
Increase in cash	$ 7	$ -

12. Supplemental cash flow information

(in thousands)		Three months ended March 31, 2009		Three months ended March 31, 2008
Changes in non-cash working capital items				
Accounts receivable	$	904	$	(1,826)
Income taxes		-		(238)
Inventories		(1,780)		(274)
Prepaid expenses and other		195		(979)
Accounts payable		(136)		1,233
Accrued liabilities		(454)		(159)
	$	(1,271)	$	(2,243)
Interest and taxes paid				
Interest paid	$	97	$	63
Taxes paid	$	141	$	238
Significant non-cash investing and financing activities				
Property, plant and equipment included in accounts payable and accrued liabilities	$	345	$	1,557

13. Related party transactions

During the three month period ended March 31, 2009 directors, either directly or through a company controlled by them, provided marketing services to the Company at a cost of $80,033 (March 31, 2008 - $73,447).

At March 31, 2009, accounts payable of $26,677 (December 31, 2008 - $24,844) was due to a company controlled by a director.

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

14. Commitments and contingencies

Shipping Tonnage

The Company is committed to ship the following tons under its first 10-year marine Contract of Affreightment ("CoA-1) which commenced on July 18, 2008. 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 tons. The Company has the option in any given year to increase or decrease the required tons by 10% and to carry forward up to 25% of the yearly contracted tons into the following year. The Company met its first contract year commitment and shipped in excess of 1.5 million tons. The Company has given formal notice under CoA-1 that it is rolling forward 25% of the contract tonnage from the second year ending July 17, 2009.

(in thousands)	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

During the year ended December 31, 2008, the Company entered into a second 15-year Contract of Affreightment ("CoA-2"), scheduled to commence in the third quarter of 2010 under which the Company committed to ship a minimum of 2,480 tons annually. 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 tons. The Company has the option in any given year, to carry forward up to 25% of the yearly contracted tons into the following year.

In March 2009, the Company reached agreement with its shipping contractor to amend both contracts as follows: CoA-1 has been extended by 5 years and will now terminate on July 17, 2022; the start date of CoA-2 was deferred until January 1, 2014 and the contract now terminates on December 31, 2019.

British Columbia Social Service Tax

The Company is disputing a BC social services tax assessment, the formal notice of which has not been received, for the period May 2004 to December 2008. The basis for the dispute is the eligibility of the shiploading installation for the production machinery and equipment exemption available to mining companies such as the Company. The Company believes it qualifies for this exemption and that the amount is not due. It has engaged legal counsel to defend its position; however, settlement of the amount due, net of any possible refund filed, could range up to a maximum of $475,250 if the Company is unsuccessful in its defence.

15. 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 three customers in the United States of America comprising 100% of the Company's sales. The customers with significant sales are as follows:

(in thousands)	Three months ended March 31, 2009	Three months ended March 31, 2008
Customer A	$ 1,405	$ 2,891
Customer B	$ 1,312	$ 2,462
Customer C	$ 175	$ 699

Geographic information is as follows:

(in thousands)	Canada	United States	Total
Three months ended March 31, 2009			
Revenue	$ 208	$ 2,717	$ 2,925
At March 31, 2009			
Property, plant & equipment	$ 58,965	$ 42,698	$ 101,663
Three months ended March 31, 2008			
Revenue	$ 699	$ 5,849	$ 6,548
At December 31, 2008			
Property, plant & equipment	$ 61,015	$ 44,346	$ 105,361

16. Financial instruments

Fair value of financial instruments

The fair values of accounts receivable, short-term loan receivable, security deposits, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair value of the Company's long-term investments, which are carried at fair value, have been estimated by discounting the anticipated future cash flows determined using a valuation model that incorporated management's best estimate of the counterparties credit risk and relevant market interest rates (note 5).

The fair value of the Company's long-term loan receivable, which is carried at amortized cost, approximates carrying value and has been estimated by discounting the anticipated 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 the Company is in the process of renegotiating the loan and its payment terms, actual amounts could differ.

Financial instrument risks

The Company is exposed to a number of financial risks in the normal course of its business operations, including credit risks, liquidity risks and market risks resulting from interest rates and foreign currency exchange rates. The Company monitors its exposures to these risks and employs strategies to manage the risks as it considers appropriate. 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 joint venture in 0791304 B.C. Ltd (note 11) is pursuing third party financing, from which it intends to repay the loan due to the Company (note 3). The Company's credit risks regarding its investment in long-term debt securities are discussed in more detail in note 10. The Company's credit risks regarding the long-term loan are discussed in more detail in note 6 and the Company's audited annual financial statements. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. In January 2009, the Company's loan payable was repaid in full (note 8). Otherwise, the Company's financial instrument risk exposure and risk management strategies have not changed significantly from the prior period.

17. Subsequent event

Subsequent to March 31, 2009, the Company allowed its option to negotiate a lease agreement with Island Timberlands, in respect to the portion of its lands on the Bear Creek deposit, to lapse after due consideration of its resource, environmental, permitting and timing factors relative to the Company's other deposits. As a consequence costs of $110,312 for exploration on this property were written off.

CORPORATE INFORMATION

DIRECTORS AND SENIOR OFFICERS

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Lisa Dea	Vice President Finance and Chief Financial Officer
Terrence A. Lyons	Director
Gary D. Nordin	Director
John H. Purkis	Director
Marco A. Romero	Director
Roman Shklanka	Chairman and Director
David F. Singleton	Director
Paul B. Sweeney	Director
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