CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2010 and 2009
(U.S. dollars)

Polaris Minerals Corporation

Consolidated Balance Sheets

(Unaudited)

(thousands of U.S. dollars)

	March 31, 2010 $	December 31, 2009 $
Assets		
Current assets		
Cash	3,662	5,642
Accounts receivable (note 2)	4,255	3,139
Inventories (note 3)	3,172	2,785
Prepaid expenses and other	470	581
Current portion of loans and advances (note 4)	2,261	3,061
	13,820	15,208
Loans and advances (note 4)	5,844	6,132
Property held for sale (note 11)	12,631	12,210
Property, plant and equipment (note 5)	103,510	101,223
Other long-term assets	1,253	1,207
	137,058	135,980
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	3,705	3,907
Current portion of long-term debt (note 7)	773	734
	4,478	4,641
Long-term debt (note 7)	7,573	2,240
Other long-term liabilities (note 8)	2,362	4,030
	14,413	10,911
Non-controlling interest	560	785
Shareholders' equity		
Share capital	149,574	149,574
Warrants	6,837	6,837
Contributed surplus	13,723	13,683
Deficit	(66,853)	(60,348)
Accumulated other comprehensive income	18,804	14,538
	122,085	124,284
	137,058	135,980

Commitments and contingencies (note 14)
Subsequent event (note 4)

Approved by the Board of Directors

"Terrence Lyons"
Terrence Lyons, Director

"Paul Sweeney"
Paul Sweeney, Director

– See Accompanying Notes –

Polaris Minerals Corporation

Consolidated Statements of Loss

(Unaudited)

(thousands of US dollars, except per share amounts)

	Three months ended March 31	
	2010	2009
	$	$
Sales	4,884	2,925
Cost of sales		
Cost of goods sold	(4,937)	(2,419)
Reversal of provision for annual minimum freight volume penalty (note 14)	1,800	-
Amortization, depletion and accretion	(1,257)	(910)
	(4,394)	(3,329)
Gross profit (loss)	490	(404)
Operating expenses		
Selling, general and administrative expenses	(1,225)	(1,364)
Stock-based compensation	(32)	(142)
Shipping contract renegotiation costs (note 14)	(5,991)	-
	(7,248)	(1,506)
Operating loss	(6,758)	(1,910)
Other income and (expenses)		
Interest on long-term debt	(55)	(122)
Interest income	308	91
Foreign exchange (loss) gain	(212)	385
Income (loss) from equity accounted investment	22	(13)
Other gains and losses (note 10)	8	45
	71	386
Loss before taxes and non-controlling interest	(6,687)	(1,524)
Income taxes		
Current income tax expense	(65)	(19)
Loss before non-controlling interest	(6,752)	(1,543)
Non-controlling interest	247	146
Net loss	(6,505)	(1,397)
Basic and diluted loss per common share	(0.12)	(0.03)
Weighted average number of common shares outstanding	53,225	52,056

– See Accompanying Notes –

Polaris Minerals Corporation

Consolidated Statements of Cash Flows

(Unaudited)

(thousands of U.S. dollars)

	Three months ended March 31	
	2010	2009
	$	$
Cash flows from operating activities		
Net loss	(6,505)	(1,397)
Amortization and accretion	1,292	964
Non-cash shipping contract renegotiation costs (note 14)	5,453	-
Stock-based compensation	40	142
Unrealized foreign exchange loss (gain)	93	(12)
Reversal of provision for annual minimum freight volume penalty (note 14)	(1,800)	-
(Income) loss from equity accounted investment	(22)	13
Other gains and losses (note 10)	(21)	(45)
Non-controlling interest	(247)	(146)
	(1,717)	(481)
Changes in non-cash working capital items (note 12)	(955)	(1,317)
	(2,672)	(1,798)
Cash flows from financing activities		
Issue of common shares and warrants	-	21,030
Issue costs	-	(1,491)
Repayment of long-term debt	(181)	(16,965)
	(181)	2,574
Cash flows from investing activities		
Payments received on held-for-trading investments	-	166
Dividends received from equity accounted investment	30	-
Loans and advances funding	-	(93)
Loans and advances repayments	998	102
Property, plant and equipment purchases	(218)	(1,214)
Security deposit withdrawals	(7)	(3)
	803	(1,042)
Effect of foreign currency translation on cash	70	(410)
Decrease in cash	(1,980)	(676)
Cash - beginning of period	5,642	7,036
Cash - end of period	3,662	6,360

Supplemental cash flow information (note 12)

– See Accompanying Notes –

Polaris Minerals Corporation

Consolidated Statements of Shareholders' Equity

(Unaudited)

(thousands of U.S. dollars)

	Number of common shares (000's)	Amount of common shares $	Warrants $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
December 31, 2008	37,580	132,405	4,503	12,733	(42,490)	(3,603)	103,548
Units issued - net	15,625	17,148	2,334	-	-	-	19,482
Options exercised	20	21	-	(4)	-	-	17
Stock based compensation	-	-	-	954	-	-	954
Other comprehensive income	-	-	-	-	-	18,141	18,141
Net loss	-	-	-	-	(17,858)	-	(17,858)
December 31, 2009	53,225	149,574	6,837	13,683	(60,348)	14,538	124,284
Stock based compensation	-	-	-	40	-	-	40
Other comprehensive income	-	-	-	-	-	4,266	4,266
Net loss	-	-	-	-	(6,505)	-	(6,505)
March 31, 2010	53,225	149,574	6,837	13,723	(66,853)	18,804	122,085

Consolidated Statements of Comprehensive Loss

(Unaudited)

(thousands of U.S. dollars)

	Three months ended March 31	
	2010 $	2009 $
Net loss	(6,505)	(1,397)
Other comprehensive income (loss)		
Currency translation adjustment	4,266	(4,705)
Comprehensive loss	(2,239)	(6,102)

– See Accompanying Notes –

(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, 2009. 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, 2009.

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. Accounts receivable

(in thousands)	March 31, 2010 $	December 31, 2009 $
Trade receivables	3,462	2,810
Accrued interest	328	29
Income taxes receivable	161	224
Other taxes receivable	85	73
Other non-trade receivables	219	3
	4,255	3,139

3. Inventories

(in thousands)	March 31, 2010 $	December 31, 2009 $
Construction aggregates	2,640	2,060
Components and consumable supplies	532	725
	3,172	2,785

4. Loans and advances

(in thousands)	March 31, 2010 $	December 31, 2009 $
Bridge loan, advanced to a related party, (CAD$3,221) (December 31, 2009 – CAD$4,165)	3,170	3,963
5.5% loan, secured, monthly payments of principal and interest, maturing March 1, 2028	4,935	5,028
Other	-	202
Total	8,105	9,193
Less: current portion	(2,261)	(3,061)
Non-current portion	5,844	6,132

Bridge loan

The Company retains a bridge loan advanced to a related party, an entity in which the Company has a 33.3% ownership interest and was formed as a jointly controlled operation to construct and operate a tugboat for the berthing of freighters at the Orca Quarry. At March 31, 2010, the principal due amounted to $3,170,900 (December 31, 2009 - $3,962,731). Included in accounts receivable at March 31, 2010, is accrued interest at prime plus 4% per annum, of $304,112 (CAD$308,917). The loan is unsecured and repayable upon the related party obtaining refinancing. At December 31, 2009, two thirds of the principal amount outstanding was classified as current as the related party was in the process of refinancing its obligations. The loan is carried at amortized cost.

On April 1, 2010, the Company and the other two ownership groups concluded an agreement to refinance on an equal basis the tug construction costs of CAD$3,497,484 included in the bridge loan, and repay the Company the outstanding operating and shareholder loans also included in the bridge loan. Under the terms of the agreement, the other owners have provided loans to the related party, representing each ownership group's 33.33% proportionate share of the financing of the original tug construction costs. Each ownership group agreed to advance a CAD$1,165,828 long-term loan to the related party, less CAD$120,000 previously paid. On March 31, 2010, one of the other owners prepaid CAD$1,045,828 to the Company. As a result, the balance of the bridge loan at March 31, 2010 has been reduced accordingly. The other ownership group repaid CAD$1,045,828 to the Company on April 5, 2010 and this amount has been classified as current at March 31, 2010.

Subsequent to March 31, 2010 the Company has recorded a long-term loan advanced to a related party, of CAD$1,165,828, due December 1, 2018, and included in accounts receivable the outstanding operating and shareholder loans due to the Company, of CAD$1,009,344. The long-term loan is unsecured and bears interest at an annual rate of 6.5%. Payments of CAD$14,692, representing principal and interest, are due from the related party on a monthly basis. The loan is carried at amortized cost.

5. Property, plant and equipment

(in thousands)	March 31, 2010			December 31, 2009		
	Cost $	Accumulated depletion or amortization $	Net book value $	Cost $	Accumulated depletion or amortization $	Net book value $
Orca Quarry						
Property, plant and equipment	70,246	(10,201)	60,045	67,769	(9,129)	58,640
Equipment under capital lease	5,084	(1,572)	3,512	4,914	(1,396)	3,518
Exploration properties	1,387	-	1,387	1,339	-	1,339
Richmond Terminal						
Property, plant and equipment	40,477	(4,267)	36,210	39,072	(3,663)	35,409
Head office						
Office equipment	518	(332)	186	500	(296)	204
Leasehold improvements	247	(99)	148	239	(88)	151
Eagle Rock Quarry project						
Property development costs	1,839	-	1,839	1,773	-	1,773
Long Beach Terminal project						
Pier D site development costs	74	-	74	71	-	71
Other terminal projects						
Site development costs	109	-	109	118	-	118
	119,981	(16,471)	103,510	115,795	(14,572)	101,223

6. Accounts payable and accrued liabilities

(in thousands)	March 31, 2010 $	December 31, 2009 $
Trade payables	1,854	1,775
Accrued liabilities	1,821	2,031
Income taxes payable	30	101
	3,705	3,907

7. Long-term debt

(in thousands)	March 31, 2010 $	December 31, 2009 $
Senior secured notes at 7.5%, with quarterly interest payments. Principal outstanding of $6.35 million paid in twelve quarterly payments commencing March 31, 2015. Effective yield 10.6%.	5,453	-
Capital lease obligations	2,893	2,974
Total	8,346	2,974
Less: current portion	(773)	(734)
Non-current portion	7,573	2,240

Senior secured notes

On March 26, 2010, the Company issued $6.35 million ($1,000 par value per note) of 7.5% senior secured notes due December 31, 2017 with interest payable quarterly. Repayment of the notes commences on March 31, 2015 with quarterly payments of $525,000, with a final payment of $575,000 on December 31, 2017.

The notes are repayable by the Company, in whole or in part, at its option, at any time without premium or penalty. Mandatory prepayments are required from; certain debt or equity issuances, insurance proceeds, certain asset sales, or upon a change in control.

The notes are secured by a first priority lien over the assets of the Company, including shares of certain subsidiaries. The notes contain certain covenants similar to those found in an arms-length bank financing.

The notes have been classified as financial liabilities measured at amortized cost. The notes are carried net of unamortized discount from par value, which is being amortized by the effective interest method over the life of the notes using an effective rate of 10.6%. For the three months ended March 31, 2010, non-cash accretion of the discount, included in interest on long-term debt, was $828 (March 31, 2009 – nil).

8. Other long-term liabilities

(in thousands)	March 31, 2010 $	December 31, 2009 $
Asset retirement obligations	2,319	2,186
Provision for annual minimum freight volume penalty (note 14)	-	1,800
Other	43	44
	2,362	4,030

9. Stock based compensation

Stock options

The Company's stock options at March 31, 2010 and changes for the period are as follows:

	Number outstanding	Weighted average exercise price (CAD$)
December 31, 2008	3,249,595	$9.20
Issued	725,000	$1.97
Exercised	(20,000)	$1.00
Forfeited	(247,000)	$8.84
December 31, 2009	3,707,595	$7.85
Forfeited	(174,750)	$9.31
March 31, 2010	3,532,845	$7.78

At March 31, 2010, 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	1,010,000	$1.71	7.16	569,999	$1.50	5.55
$2.50 - $4.00	345,000	$3.47	4.15	345,000	$3.47	4.15
$4.56 - $5.60	413,345	$4.91	4.77	380,012	$4.94	4.91
$8.69	85,000	$8.69	7.89	63,750	$8.69	7.89
$11.41	555,000	$11.41	2.76	555,000	$11.41	2.76
$13.75	1,124,500	$13.75	7.51	1,124,500	$13.75	7.51
	3,532,845	$7.78	6.02	3,038,261	$8.65	5.58

10. Other gains and (losses)

	Three months ended March 31	
(in thousands)	2010 $	2009 $
Gain on investment in ABCP/long-term notes	-	52
Loss on credit facility	-	(7)
Gain on accrued property permitting obligation (note 11)	33	-
Other losses	(25)	-
	8	45

11. Joint venture interest

Cemera Long Beach LLC

Cemera Long Beach LLC is a joint venture between the Company and Cemex Inc, to develop a site in the Port of Long Beach, California. The joint venture's 12.4 acre site at Pier B has the potential to accommodate a sand and gravel terminal, an on-site ready mix concrete plant and a crushed rock terminal on commencement of production at the Eagle Rock Quarry. Given the current expectation that it is probable that the Pier B property will be sold in the next twelve months, the Company's proportionate interest of $12,630,600 in the Pier B property costs has been classified as property held for sale.

The following details the Company's proportionate share of the joint venture:

(in thousands)	March 31, 2010 $	December 31, 2009 $
Assets		
Current assets	98	86
Property held for sale	12,631	12,210
Total assets	12,729	12,296
Liabilities		
Current liabilities	200	265
Total liabilities	200	265

	Three months ended March 31	
(in thousands)	2010 $	2009 $
Revenue and expenses		
General and administrative	(2)	-
Foreign exchange gain	8	-
Gain on accrued property permitting obligation	39	-
Net income	45	-

	Three months ended March 31	
(in thousands)	2010 $	2009 $
Cash flows		
Operating activities	(138)	-
Investing activities	-	(1,529)
Financing activities	75	1,536
(Decrease) increase in cash	(63)	7

12. Supplemental cash flow information

(in thousands)	Three months ended March 31 2010 $	 2009 $
Changes in non-cash working capital items		
Accounts receivable	(761)	871
Inventories	(310)	(1,780)
Prepaid expenses and other	128	195
Accounts payable and accrued liabilities	(12)	(603)
	(955)	(1,317)
Interest and taxes paid		
Interest paid	54	97
Income taxes paid	136	141
Significant non-cash investing and financing activities		
Property, plant and equipment in accounts payable and accrued liabilities	211	345

13. Related party transactions and balances

During the three months ended March 31, 2010, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of $106,507 (March 31, 2009 - $80,033). At March 31, 2010, included in trade payables and accrued liabilities was $37,434 (December 31, 2009 - $31,445) due to the related parties.

During the three months ended March 31, 2010, a related party (note 4) provided tug berthing services to the Company at a cost of $383,760 (March 31, 2009 - $169,421). At March 31, 2010, included in trade payables and accrued liabilities was $1,002,995 (December 31, 2009 - $851,678) due to the related party.

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

14. Commitments and contingencies

Shipping Tonnage

During the quarter ended March 31, 2010, the Company restructured its shipping arrangements whereby the Company's two shipping contracts (CoA-1 and CoA-2) were amended and amalgamated into a single revised Contract of Affreightment ("NCoA") which is effective from January 1, 2010 with a term of 20 years. The Company paid a contract restructuring fee comprised of a cash payment upon signing of $500,000 and issuance of $6,350,000 in senior secured notes (note 7). The cash payment of $500,000 and the fair value of the notes, of $5,453,480, have been expensed in the first quarter of 2010. Under NCoA, potential annual minimum freight volume penalties incurred under CoA-1 have been cancelled. Due to the restructuring, the $1,800,000 annual minimum freight volume penalties accrued in 2009 have been reversed through cost of goods sold in 2010 (note 8).

The NCoA requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, 1,543,000 short tons escalating to 5,787,000 short tons per annum over seven years. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons.

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:

	Three months ended March 31	
(in thousands)	2010 $	2009 $
Customer A	2,910	1,405
Customer B	1,213	1,312

Sales by geographic area are as follows:

	Three months ended March 31	
(in thousands)	2010 $	2009 $
United States	4,570	2,717
Canada	314	208
	4,884	2,925

Property, plant and equipment by geographic area are as follows:

(in thousands)	March 31, 2010 $	December 31, 2009 $
United States	36,393	36,210
Canada	67,117	65,013
	103,510	101,223

16. Financial instruments

The classification, carrying amounts, and the related balance sheet item of each financial instrument are as follows:

(in thousands)	March 31, 2010	December 31, 2009
Financial assets "Held-for-trading"		
Cash	3,662	5,642
Financial assets "Held-to-maturity"		
Security deposits, included in other long-term assets	1,230	1,179
Loans and receivables		
Accounts receivable	4,009	2,842
Loans and advances (note 4)	8,105	9,193
Other financial liabilities		
Accounts payable and accrued liabilities	3,675	3,806
Senior secured notes (note 7)	5,453	-

At March 31, 2010, all of the Company's financial instruments are recorded on the balance sheet at amortized cost with the exception of cash.

(US dollars, except where noted)
(Unit of weight is US short tons)

Management's Discussion and Analysis
Three months ended March 31, 2010

The following discussion and analysis of the financial condition and operations of Polaris Minerals Corporation (the "Company" or "Polaris") has been prepared by management as of May 7, 2010, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2010, as well as the audited consolidated annual financial statements for the year ended December 31, 2009, 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

- **Revenue in the first quarter of 2010 increased 67% to $4.9 million on sales of 376,000 tons compared with revenue of $2.9 million on sales of 206,000 tons in the first quarter of 2009.**
- **In March, the Company's shipping contracts with CSL International Inc. ("CSL") were restructured and the future minimum annual commitments realigned with revised business expectations. The Company paid $500,000 in cash and issued 7.5% senior secured notes, maturing on December 31, 2017 for a face value of $6.35 million as a consequence.**
- **The Company received a total of $2.1 million cash from repayment of the bridge loan used to finance the construction of the Numas Warrior berthing tug located at the Orca Quarry. One half of the cash was received in March, the balance in April.**

Results of Operations

During the three months ended March 31, 2010, the Company incurred a net loss of $6.5 million ($0.12 per share) compared to a loss of $1.4 million ($0.03 per share) in the prior period. The net loss is principally due to a one-time charge of $6.0 million for restructuring the Company's shipping contracts and a foreign exchange loss of $0.2 million resulting from the strengthening Canadian dollar, these items being positively offset by a reversal of provisions of $1.8 million made in 2009 for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

Revenue for the three months ended March 31, 2010 increased 67% to $4.9 million from sales of 376,000 tons compared to $2.9 million from sales of 206,000 tons for the three months ended March 31, 2009. Gross margins were positively impacted in the quarter by the reversal of the 2009 provision of $1.8 million for potential annual minimum volume shipping penalties. The loss from operations for the three months ending March 31, 2010 was negatively impacted by the $6.0 million CSL restructuring fee resulting in a $6.8 million loss, compared with a loss of $1.9 million for the same period in 2009.

(000's)	**Three months ended March 31, 2010**		Three months ended March 31, 2009	
	Tons	**$**	Tons	$
Sales	**376**	**4,884**	206	2,925
Gross profit (loss)		**490**[1]		(404)
Gross profit (loss) per ton		***1.30***		*(1.96)*

[1] Includes the reversal of the $1.8 million provision

The gross margin per ton for the quarter ended March 31, 2010 was positively impacted due to the reversal of the $1.8 million provision. The gross margin, excluding this one-off adjustment, was a loss of $3.48 per ton. This increased loss is principally a result of increased shipping fuel surcharges in the quarter compared with the first quarter of 2009, which will be recovered in the second quarter of 2010; a lower realized average sales price due to the changing proportions of tonnage delivered to the California terminal locations and; reduced ex-quarry prices due to the effect of foreign exchange from a strengthening Canadian dollar.

Average revenue per ton is influenced by the currency exchange rate, shipping fuel surcharges, the distribution of tonnage delivered to the various California terminals and the varying percentage between delivered and ex-quarry sales. Further, the volume of tons sold in any particular quarter can be significantly affected positively or negatively by the timing of specific voyages as they deliver product into San Francisco Bay.

Shipping Fuel Surcharges

The Company's two major supply agreements in northern California were amended at the beginning of 2009 so that the Company absorbs changes in the cost of shipping fuel during a quarter and then passes the cost, or benefit, through to the customer during the following quarter. Prior to this amendment the fuel surcharge recovery had been made on an annual, rather than quarterly, basis. The commencement selling prices to both customers reflected actual fuel costs at the time of entering into the contracts.

The Company's sensitivity to changes in fuel prices is as follows: for every $10 movement per metric tonne in the price of IFO180/380, the main fuels used in shipping, the Company's delivered price is impacted, positively or negatively, by approximately 3.6 cents per ton.

Other Charges

During the three months ended March 31, 2010, selling, general and administrative expenses were reduced by 10% to $1.2 million compared with $1.4 million in the same period for 2009. The reductions were principally due to decreases in salaries as a result of reduced staffing levels, travel, and investor relations costs. For the three months ending March 31, 2010, the non-cash expense for stock based compensation decreased to $0.03 million compared with $0.14 million in the same period for 2009.

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 partial hedge to the Company. Additionally, fixed 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, 2010 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:

($000's)	2010	2009				2008		
	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
Revenue	**4,884**	5,168	4,522	6,217	2,925	7,459	9,002	6,573
Loss from operations	**(6,758)[1]**	(3,547)[2]	(4,707)[2]	(1,784)	(1,923)	(2,742)	(2,789)	(1,923)
Net loss for the quarter	**(6,505)[1]**	(7,894)[2]	(5,230)[2]	(3,337)	(1,397)	(2,159)	(3,241)	(1,929)
Basic and diluted net loss per share	**(0.12)**	(0.15)	(0.10)	(0.06)	(0.03)	(0.05)	(0.09)	(0.05)
(000 Tons)								
Sales	**376**	391	336	487	206	608	694	500
Aggregate production	**503**	372	259	432[3]	444	338[4]	706	581

(1) Three months ended March 31, 2010 includes a reversal of the $1.8 million provision for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

(2) Three months ended September 30, 2009 includes a $1 million provision and the three months ended December 31, 2009 includes an additional $800,000 provision, for potential annual minimum volume penalties under the Company's original shipping contract (see Contractual Obligations, Commitments and Contingencies).

(3) An independent measurement of inventories at June 30, 2009 verified that the procedure for accounting for moisture losses implemented in 2009 was effective and no adjustments to recorded inventory were required.

(4) Net of 325,000 tons adjustment to yearend inventory.

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

Liquidity and Capital Resources

Working Capital

At March 31, 2010, the Company had working capital of $9.3 million, including cash of $3.7 million, compared to working capital of $10.6 million and cash of $5.6 million at December 31, 2009. The Company's cash position was strengthened at the end of the quarter when the Company's joint venture partners in a related party provided loans to the joint venture, allowing it to repay to the Company $2.1 million of the $4.0 million bridge loan made to finance the building of the berthing tug which operates at the Orca Quarry. The timing of this repayment was such that $1.05 million was received and included in the March 31, 2010, cash position with the balance of $1.05 million received subsequent to the quarter's end. The Company also expects to further strengthen its balance sheet through the sale of the Pier B land in the Port of Long Beach, California, which is presently being offered for sale, with net cash proceeds anticipated to be between approximately $12 million and $15 million.

Operating, Financing and Investing Activities

For the three months ended March 31, 2010, cash used was $2.0 million compared with cash used of $0.7 million in the three months ended March 31, 2009. Operating activities, including non-cash items and non-cash working capital, used cash of $2.7 million in the quarter ended March 31, 2010, compared to cash used of $1.8 million in the 2009. The cash used in operations in the current quarter included the $0.5 million cash payment to CSL upon the restructuring of the Company's shipping contracts, $1.07 million to finance increased sales (accounts receivable) and increased product inventories, and the decrease in the average sales price due to the varying prices realized at the delivered terminal locations as well as on an ex-quarry basis. The product inventories during the quarter increased to 545,000 tons from 414,000 tons at December 31, 2009. Quarry production is adjusted as necessary to maintain inventory levels.

The Company expended $0.2 million on property, plant and equipment in the quarter ended March 31, 2010 compared with $1.2 million in 2009. The 2010 expenditure relates mainly to payments for the installation of a second truck loadout system at the Richmond Terminal, completed in this first quarter of 2010, and for permitting costs on the Pier B property incurred in 2009. The 2009 expenditures related mainly to the completion of the installation of a second crusher at the Orca Quarry, permitting of the Pier B property, the feasibility study of the Eagle Rock Quarry and improvements to the load-out facilities and storage at the Richmond Terminal.

The Company may need to obtain additional financing to develop further terminals and the Eagle Rock Quarry, depending on satisfactory market evaluation.

Contractual Obligations, Commitments and Contingencies

Shipping Tonnage

During the quarter ended March 31, 2010, the Company restructured its shipping arrangements whereby the Company's two shipping contracts (CoA-1 and CoA-2) were amalgamated into a single amended and restated Contract of Affreightment ("NCoA") which is effective from January 1, 2010, with a term of 20 years. The Company paid a contract restructuring fee comprised of a cash payment upon signing of $500,000 and the issuance of $6.35 million in 7.5% senior secured notes maturing December 31, 2017. The cash payment of $500,000 and the fair value of the notes, of $5,453,480, have been expensed in the first quarter of 2010. The restructuring cost for NCoA included settlement of any potential annual minimum freight volume penalties under CoA-1. Due to the restructuring, the $1,800,000 potential minimum freight volume penalties accrued in 2009 have been reversed this quarter.

NCoA requires the Company to ship minimum tonnages per year, commencing on January 1, 2010, of 1,543,000 short tons escalating to 5,787,000 tons per year over seven years. The Company has the option in any given year to increase or decrease the annual commitment by 10% without penalty. Failure by the Company to ship its annual cargo commitment will result in a dead-freight charge equal to 75% of the freight rate for the unshipped tons.

Non-GAAP Measures

Adjusted Loss

The Company has prepared a calculation of adjusted 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 (Canadian GAAP) calculation of loss as it believes this may be a useful indicator to investors. Adjusted loss may not be comparable to other similarly titled measures of other companies.

($000's, except per share amounts)	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Net loss for the quarter	**(6,505)**	(1,397)
Adjustments		
Reversal of provision for annual minimum volume penalties	**(1,800)**	-
Stock based compensation	**32**	142
Shipping contract restructuring costs	**5,991**	-
Other gains and losses	**(8)**	(45)
Adjusted net loss for the year	**(2,290)**	(1,300)
per share	***(0.04)***	*(0.02)*

EBITDA and Adjusted EBITDA

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 reflects 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 its 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, 2010**	Three months ended March 31, 2009
Net loss for the quarter	**(6,505)**	(1,397)
Interest	**55**	122
Current income tax expense	**65**	19
Amortization, depletion and accretion	**1,292**	964
EBITDA	**(5,093)**	(292)
per share	***(0.10)***	*(0.01)*
Adjustments		
Reversal of provision for annual minimum volume penalties	**(1,800)**	-
Stock based compensation	**32**	142
Shipping contract restructuring costs	**5,991**	-
Other gains and losses	**(8)**	(45)
Adjusted EBITDA	**(878)**	(195)
per share	***(0.02)***	*(0.00)*

Overview of the Company, Operations and Outlook

Recent Developments

Sales of the Company's construction aggregates in first quarter of 2010 were 376,000 tons, an increase of 82.5% from the 206,000 tons sold in the first quarter of 2009 as shipments to each of the Company's markets improved, particularly California, while Hawaii and British Columbia, improved slightly. This improvement was partly a function of extremely wet weather conditions in the first quarter of 2009 which had impacted construction activity and a requirement to rebuild terminal inventories that had been reduced during the fourth quarter of 2009. In order to minimize variable costs, the Company reduced the Orca Quarry workforce during 2009 by one third. In February 2010, the Company temporarily reinstated its second production shift at the quarry in order to meet increased shipping activity in the first quarter of 2010.

On February 17, 2009, President Obama signed a $787 billion economic stimulus package designed to provide immediate relief to the beleaguered US economy. Specifically included in the package was $48 billion in new transportation investments, of which California was to receive $3.9 billion for investment in highways and bridges, transit capital, fixed guideway modernization and clean water. The perilous state of California's budget financing, however, diminished the immediate benefits of the stimulus spending. At the federal level, the failure of Congress to reauthorize the multi-year highway funding bill, known as SAFETEA-LU, has created further uncertainty amongst state transportation departments regarding spending authorities as they move into 2010. In January 2010, the Senate approved a one year $1.1billion spending bill that includes a slight increase in highway funding. On March 18th, 2010 President Obama signed into law a Senate bill referred to as the "HIRE ACT" or more popularly referred to as the "jobs bill". This bill provided for $17.5 billion to help create employment and also included the transfer of $19.5 billion into the Highway Trust Fund as restoration of the funding rescission that took effect when SAFETEA-LU expired on September 30, 2009. This highway funding is for the period to December 31, 2010 by which time a longer term extension of this vital piece of the construction economy should be in place. Demand for construction aggregates is significantly higher per dollar of expenditure through infrastructure projects than in residential construction. Action taken at both federal and state levels during 2009 was intended to be the financial catalyst to reverse the unprecedented decline in the present economic cycle and signs of resurgence may be emerging in the construction aggregates market in California as government stimulus funds begin to be released. In many states, relatively simple projects, such as road resurfacing, were the first "shovel ready" projects to get underway and with some larger, more complex infrastructure projects being approved to proceed. However the time required to build momentum in major infrastructure projects is such that significant benefits in aggregate demand will not occur until mid 2010 and thereafter.

Quarry Properties

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 mix concrete producers in March 2007. Mineral extraction takes place from the East Cluxewe deposit which contained a reserve of 134 million tons at the commencement of operations in 2007.

The Company has also explored additional lands in the Orca Quarry area, over which it has certain rights, referred to as the East Cluxewe Extension and West Cluxewe deposits. After due consideration of the 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.

The Company also 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 renewed its 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. Eagle Rock Quarry products are also 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 Orca Quarry which produces a high proportion of natural sand. The effects of the recession have made it difficult to predict when it might be possible to advance this project to a construction phase.

Marine Terminals

Despite having commenced production in 2007 the Company is still at a relatively early stage of development. Significant management time and expense is being devoted to developing additional marine receiving terminals in key markets which will be essential in reaching optimum economies of scale and profitability. Opportunities to develop suitable marine terminals are scarce and access, whether through owned and operated or third party facilities, is a key component in the logistical chain. The Company currently delivers construction aggregate to four terminals in San Francisco Bay. The Richmond Terminal, owned and operated by the Company, has a permitted capacity of 1.5 million tons per year and serves the north and east Bay areas. The Redwood City terminal in southwest San Francisco Bay and the Pier 92 terminal near downtown San Francisco are owned and operated by the Company's strategic alliance partner, Cemex, Inc. ("Cemex") having a combined annual capacity of over 1.5 million tons. The Landing Way Depot, on the Petaluma River in Sonoma County, owned and operated by Landing Way Depot, Inc., has an annual capacity of approximately 1.25 million tons and serves the requirements of Shamrock Materials Inc.

The Company's strategic objectives include the development of marine terminals in southern California. To further this objective, the Company, along with Cemex, formed a joint venture company, Cemera Long Beach, LLC, to develop a marine aggregates terminal in the Port of Long Beach, California. Cemera Long Beach, LLC, owns a 12.4 acre parcel of freehold land in the Port of Long Beach, California, known as Pier B. This land was acquired with the intention of developing a major receiving and distribution terminal for aggregates from the Company's quarry properties. However, in the third quarter of 2009, the Company secured an option to lease an existing marine aggregate importing terminal also in the Port of Long Beach, California. The 8.3 acre site is privately owned and has operated for many years receiving construction aggregates from barges with storage in open stockpiles. The site, which is permitted to receive and distribute up to 3 million tons of construction aggregates per year, is located on a deepwater channel and is close to Interstate 710, which services the greater Los Angeles area. The option period expires on June 30, 2010, and the Company is presently carrying out customary due diligence. An amendment to the existing permit to accommodate the use of self-discharging Panamax vessels for marine delivery of sand and gravel from the Company's Orca Quarry will be required. The Company believes that this site could be developed sooner and with significant capital savings over Pier B. Upon satisfactory conclusion of due diligence and completion of a lease, the Company expects that it will pursue the necessary changes to the development permit and thereafter commence the development of this new site. The sale process for the Pier B land has already commenced but is at a very early stage and a significant net benefit to cash resources is anticipated upon completion.

The Company, through its jointly owned subsidiary company, Cemera San Diego, LLC, is also pursuing an opportunity in the Port of San Diego for the development of a marine aggregate terminal to service the San Diego market, which has significant aggregate supply deficiencies. On August 4, 2009, The Port of San Diego granted Cemera San Diego, LLC, an exclusive negotiating agreement (the "ENA") for an option to lease and develop an approximate 100,000 square foot building located at the Tenth Avenue Marine Terminal in San Diego for the purpose of receiving and distributing aggregates. On February 28, 2010, the ENA expired; however, the Port of San Diego issued a comfort letter in succession to the ENA and the parties continue to negotiate in good faith to agree on the terms of the option to lease. The Company expects to advance this opportunity over the next two years.

Markets

The Company's primary target markets continue to be the major urban centers along the west coast of North America, where new replacement resources are very difficult to permit. The Company currently sells sand and gravel into three distinct markets: the San Francisco Bay area, Hawaii and Vancouver, BC. Local production of construction aggregate has been diminishing in each of these markets as operating quarries are depleted, albeit at a reduced rate during this recessionary period. 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 in large ocean-going bulk carriers or, in the case of Vancouver, in customer contracted barges.

The California market has experienced an unprecedented reduction in demand, from a peak of 230 million tons in 2006 down to 177 million tons in 2008, a drop of 23% (Source: *US Geological Survey*). This rate of decline has continued such that demand in 2009, based on USGS statistics for the first nine months, is projected by the Company to be approximately 140 million tons, a staggering reduction of 39% from 2006.

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 federal and state stimulus packages, announced in early 2009, are expected to increase the demand for construction aggregates in 2010 and the Company began to see signs of increased activity in the fall of 2009. The Company now believes that a gradual recovery will commence in 2010, although a return to 2006 levels of demand is not expected until 2015. (Source: *Portland Cement Association 2009 Conference on the State of the US Cement Industry*). The anticipated recovery in 2010 will result from increased infrastructure expenditure and some small recovery in private housing activity. Unfortunately private commercial investment is expected to continue to decline significantly in 2010, offsetting much of the gains. It appears that the root cause of the private commercial decline is that the economic recession has reduced lease and rental rates such that projects are not currently viable, as opposed to a lack of available construction financing. The general consensus is that this situation will slowly begin to reverse during 2011.

The combination of dwindling supplies and relatively stable demand for construction aggregate in Hawaii made this market favourable for the Company's products. The Hawaiian market has also experienced a reduction in demand, although the High-Capacity Transit Corridor (light rail system) infrastructure project in Honolulu, and continuing military spending, may reduce the impact of this slowdown. The reducing supply of locally available construction aggregate, particularly sand, should enable the Company to gradually increase sales of Orca materials into Hawaii when the market recovers.

Several large infrastructure projects associated with the 2010 Winter Olympic Games in Vancouver were largely completed in 2008. This factor, coupled with a slowdown in high-rise residential and private commercial construction, contributed to a significant slowdown of Orca Quarry sales into this market during 2009. The Company expects that this trend will gradually reverse as the federal and provincial governments embark upon an infrastructure stimulus spending plan which includes several major projects in the lower mainland of British Columbia.

Shipping

The Company is currently shipping its products from Vancouver Island, British Columbia, to San Francisco Bay by self-unloading Panamax vessels provided by CSL International Inc ("CSL"). Customers in Hawaii and Vancouver, BC, are supplied on an ex-quarry basis into vessels or barges provided by them.

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 economic shipping solution by utilizing fully loaded Panamax vessels from Vancouver Island to San Francisco Bay. However, the continuing decline in demand in construction aggregates in 2009 has had the effect of slowing the Company's previously anticipated rate of growth and created situations where individual ship dead freight costs have been incurred, most recently during 2009. This was not the case in 2008 and it is anticipated that a return to previous levels of demand for Orca Quarry products in northern California would again maximize shipping efficiency.

A serious consequence of this unprecedented decline in the California construction market was that the Company was unlikely to meet its contractual shipping commitments commencing with the third contract year ending July 17, 2010 and as a result, the Company entered into negotiations with its exclusive shipper, CSL, to restructure its contractual commitment. These negotiations were concluded in March 2010. (See: *"Contractual Obligations, Commitments and Contingencies")*

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 customer.

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 supports progress toward the permitted production of 6.6 million tons per year from the Orca Quarry. Shamrock and Cemex together currently account for approximately 80% of the Company's sales.

Cemex is a Mexican public company and one of a small number of major international cement producers, as well as a major producer of construction aggregate and ready mixed concrete. The Company maintains a close working relationship with Cemex management. Shamrock Materials is a well established private company and close relations are maintained with the principals.

The Company has supply contracts with customers in Hawaii and Vancouver, BC both of which are substantial private companies with whom management maintains close relationships.

As a consequence of the Company's four purchase and supply contracts, the Company's base selling prices, net of recovered shipping fuel surcharges, remained stable throughout 2009 and during the first quarter of 2010. The Hawaiian contract is linked to a Producer Price Index which has short term fluctuations whereas the British Columbia pricing is affected upon translation by the Canadian dollar exchange rate although the underlying rate has not declined.

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 also sensitive to market conditions and particularly to cyclical swings in construction spending. This was never more evident than in the first quarter of 2009 when poor weather in all west coast markets, coupled with the general construction activity downturn, resulted in substantially lower volumes shipped compared with the previous year. Sales related to construction projects delayed by poor weather tend to be recovered as projects accelerate to meet deadlines in the following periods. Historically, the highest sales are achieved in the summer (second and third quarters) of any year and the lowest realized in the winter (first and fourth quarters) when construction activity may be impacted by adverse weather.

Related Party Transactions

During the three months ended March 31, 2010, directors and/or an officer of a subsidiary company, either directly or through a company controlled by them, provided services to the Company at a cost of $106,507 (March 31, 2009 - $80,033). At March 31, 2010, included in accounts payable was $37,434 (December 31, 2010 - $26,667) due to related parties.

During the three months ended March 31, 2010, a company under joint control provided tug berthing services to the Company at a cost of $383,760 (March 31, 2009 - $169,421). At March 31, 2010, included in trade payables and accrued liabilities was $1,002,995 (December 31, 2009 - $851,678) due to the related party.

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

Critical Accounting Policies and Estimates

The Company's accounting policies are described in Note 1 to the December 31, 2009 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 2009 management discussion and analysis.

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 Generally Accepted Accounting Principles ("CGAAP"). 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. The Company, with the assistance of its qualified third party advisor, has completed the diagnostic assessment phase ("phase 1") by performing comparisons of the differences between CGAAP and IFRS as they affect the Company's accounting policies, systems and processes and other areas of the business. This assessment has provided insight on the high impact and complex areas relating to the conversion. These areas include:

The Effects of Changes in Foreign Exchange Rates

The Company's reporting currency is the United States dollar. The functional currency of the parent Company is the Canadian dollar and certain subsidiaries of the Company are integrated. These subsidiaries rely on the parent company to obtain and finance for their operations. The concept of integrated and self-sustaining foreign operations does not appear under IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. IFRS requires companies to identify the "functional currency" of the reporting entity and of each of its foreign operations.

Property, Plant & Equipment

CGAAP allows components of plant and equipment to be capitalized as a single asset if allocation to separate classifications is impractical. Costs incurred subsequent to the initial purchase are capitalized when they constitute 'betterment', defined as either: increased production capacity, extension of useful life or when associated operating costs are reduced. Otherwise, these costs are expensed. Under IFRS, costs incurred for plant and equipment on initial recognition are allocated to significant components, capitalized and depreciated separately over the estimated useful lives of each component. Costs incurred subsequently are capitalized when it is probable that future economic benefits will flow and the costs can be measured reliably. Upon capitalization, the carrying amount of components replaced, if any, are derecognized. The Company expects to record an opening IFRS balance sheet adjustment at January 1, 2010 to reflect the retrospective componentization of its terminals and accounting for costs incurred subsequent to initial purchases in accordance with IFRS.

Impairment of Assets; Provisions

Under IFRS, both the testing for impairment of assets and the determination of impairment losses differ from CGAAP. IFRS dictates an entity must assess assets for impairment indicators each reporting period, CGAAP only has a passive requirement to make such an assessment. The requirement for testing goodwill and indefinite life intangibles remains unchanged with an annual impairment test performed, regardless of whether impairment indicators exist. IFRS removes the undiscounted cash flow test under CGAAP for impairment testing, and instead uses a one-step process based on discounted cash flows. In addition, impairment losses are required to be assessed for reversal or reduction under IFRS, if certain criteria are met. Management will have to track both impaired and unimpaired balances over the life of each asset. The reversal of impairment losses related to goodwill is prohibited under both CGAAP and IFRS.

Provisions, Contingent Liabilities and Contingent Assets (including Asset Retirement Obligations)

IFRS does not have a standard that deals specifically with closure costs but applies the general principles set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The closure provision is measured based on the best estimate of expenditure required to settle the obligation at the balance sheet date using current discount rate and inflation assumptions; thus simplifying the calculation by removing the layering concept used for CGAAP. In addition, IFRS requires that the liability be re-measured at each reporting date versus the passive requirement in CGAAP to re-measure in the event of changes in the amount or timing of cash flows required to settle the obligation.

Interest in Joint Ventures

Under IAS 31 - *Interests in Joint Ventures*, the Company has the option to account for its interests in a jointly controlled berthing tug operation and the Cemera Long Beach LLC joint venture using proportionate consolidation. The IASB issued Exposure Draft 9 – *Joint Arrangements* ("ED-9") in September 2007, which proposed to eliminate the choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. The new IFRS standard was originally planned for issuance in the third quarter of 2009 but has not yet been issued. During 2009, the IASB commenced re-deliberations of ED-9 and now proposes to allow proportionate consolidation of a jointly controlled entity if the agreement between joint venture partners indicate that the rights of each joint venture partner to the assets and net earnings of the joint arrangement, and obligations of each joint venture partner to the risks and liabilities of the joint arrangement are in proportion to their respective interests in the joint arrangement. A final IFRS is expected to be issued by the IASB in 2010.

Share-based Payments

Under IFRS 2 share based payments effected through employee share purchase plans are within the scope of the share-based payment standard and any discount provided to employees is recognized as compensation. CGAAP allows employee share purchase plans to be outside the scope of the stock-based compensation standard when certain conditions are met.

Related Party Disclosure
IFRS and CGAAP are similar in that related parties are those with control or significant influence in the Company, including key management and close family members. The two differ with regards to disclosure requirements, with IFRS being more extensive. Under IFRS disclosure of related party relationships between a parent and its subsidiaries is required even if there have been no transactions between them and key management compensation must also be disclosed.

The decisions on first time adoption of IFRS resulting from the assessment of phase 1 are detailed below:

IFRS 1 – First-time adoption of International Financial Reporting Standards ("IFRS 1")

IFRS 1 First-time Adoption of International Financial Reporting Standards outlines guidance for a first-time adopter with the objective to ensure that an entity's first IFRS financial statements contain information that:

- Is transparent for users and comparable over all periods presented;
- Provides a suitable starting point for accounting under IFRSs; and
- Can be generated at a cost that does not exceed the benefits to users.

Transition to IFRS requires retrospective application of accounting policies adopted with all adjustments applied from the date of the Company's inception. IFRS 1 allows certain exemptions from retrospective application. In the absence of an exemption, all such adjustments to assets and liabilities are taken to retained earnings. The Company has elected to apply the following exemptions to its first IFRS financial statements:

(i) Recognizing the cumulative translation differences from translating foreign operations previously recorded in AOCI in retained earnings at January 1, 2010;

(ii) Not re-measuring stock-based compensation expense relating to stock options and restricted share units granted prior to November 7, 2002 and those granted after November 7, 2002 but have vested as at January 1, 2010;

(iii) Not applying the recognition and measurement principles of IFRIC 1 – *Changes in Existing Decommissioning, Restoration and Similar Liabilities* for changes in such liabilities that occurred prior to January 1, 2010; and instead measuring the Company's reclamation and closure cost obligations at fair value on January 1, 2010, estimating the decommissioning liability as at the date of transition to IFRS in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The Company will estimate the amount that would have been included in the cost of the related asset, as well as the accumulated depreciation up until the date of transition.

Phase 2 involves the design of business, reporting and system processes to support the compilation of data to enable the Company to produce IFRS compliant data for the opening balance sheet date of January 1, 2010 and thereafter. The extent of the impact on the Company's information systems for transitioning to IFRS has been assessed during phase 1 and modifications are being considered as part of phase 2. Adoption of IFRS will not have a significant impact on the Company's information systems and with the assistance of our third party advisor we are in the process of designing and implementing changes for an efficient conversion to IFRS.

The Implementation stage ("phase 3") involves ongoing training for key personnel in both financial and operating capacities, required changes to the Company's internal control environment, completion of formal authorization processes to approve recommended accounting policy changes, and disclosure controls and procedures. Phase 3 will continue to be conducted throughout 2010 in anticipation for transition in 2011.

The Company is currently assessing the effects of adoption and finalizing its conversion plan under phase 2. The Company continues to focus on analyzing and developing implementation strategies and processes for the key IFRS transition issues identified. Where applicable, key IFRS transition alternatives are being considered and evaluated. The International Accounting Standards Board ("IASB") has a number of active agenda topics, which will add to, amend or replace current standards and interpretations. The Company continues to monitor the IASB activities, and amend its transition plan. The Company continues to perform preliminary accounting assessments on less critical IFRS transition issues and has commenced analysis of IFRS financial statement presentation and disclosure requirements. These assessments will need to be further analyzed and evaluated throughout phase 3, implementation of the Company's project. At this time, the impact on the Company's financial position and results of operations is not determinable or estimable.

The Company will provide disclosures of the key elements of 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 Risk

The classification and amounts of each financial instrument are as follows:

($000's)	**March 31, 2010**	December 31, 2009
Financial assets "Held-for-trading"		
Cash	3,662	5,642
Financial assets "Held-to-maturity"		
Security deposits	1,230	1,179
Loans and receivables		
Accounts receivable	4,009	2,842
Bridge loan advanced to a related party	3,170	3,963
Loan receivable	4,935	5,028
Other financial liabilities		
Accounts payable and accrued liabilities	3,675	3,806
Senior secured notes	5,453	-

At March 31, 2010, all of the Company's financial instruments are recorded on the balance sheet at amortized cost with the exception of cash.

On April 1, 2010, the Company and the other two ownership groups in a related party concluded an agreement to refinance on an equal basis the tug construction costs of CAD$3,497,484 included in the bridge loan, and repay the Company the outstanding operating and shareholder loans also included in the bridge loan. Under the terms of the agreement, the other owners have provided loans to the related party, representing each ownership group's 33.33% proportionate share of the financing of the original tug construction costs. Each ownership group agreed to advance a CAD$1,165,828 long-term loan to the related party, less CAD$120,000 previously paid. On March 31, 2010, one of the other owners prepaid CAD$1,045,828 to the Company. As a result, the balance of the bridge loan at March 31, 2010 has been reduced accordingly. The other ownership group repaid CAD$1,045,828 to the Company on April 5, 2010 and this amount has been classified as current at March 31, 2010. The loan is unsecured and bears interest at an annual rate of 6.5%. Payments of CAD$14,692, representing principal and interest, are due from the related party on a monthly basis. The loan is carried at amortized cost.

On March 26, 2010, the Company issued $6.35 million ($1,000 par value per note) of 7.5% senior secured notes due December 31, 2017 with interest payable quarterly. Repayment of the notes commences on March 31, 2015 with quarterly payments of $525,000, with a final payment of $575,000 on December 31, 2017. The notes are repayable by the Company, in whole or in part, at its option, at any time without premium or penalty. Mandatory prepayments are required from; certain debt or equity issuances, insurance proceeds, certain asset sales, or upon a change in control. The notes are secured by a first priority lien over the assets of the Company, including shares of certain subsidiaries. The notes contain certain covenants similar to those found in an arms-length bank financing. The notes have been classified as financial liabilities measured and recorded at fair value at inception and subsequently on an amortized cost basis. The notes are carried net of unamortized discount from par value, which is being amortized by the effective interest method over the life of the issue using an effective rate of 10.6%.

Capital Stock

As at the date of this report, the Company had unlimited common shares authorized, of which 53,224,602 were issued and outstanding. The Company also had 3,582,845 options outstanding, exercisable into 3,582,845 common shares of which 3,054,928 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, it may not be 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.

The Company may not secure its intended debt refinancing terms. Although the Company has the right to prepay the loan under the Secured Debt Financing in full at any time prior to the maturity date of January 1, 2017, there can be no assurance that the Company will be able to find alternate financing upon terms and conditions acceptable to the Company, 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 majority of 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 at inception 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 three months ended March 31, 2010 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, 2009, both of which are filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.polarmin.com.

Glossary of Terms

Ton – the unit of weight used in the US consisting of 2,000 imperial pounds, often referred to as a 'Short Ton'.

Metric Tonne – a unit of weight commonly used in Canada and worldwide in shipping operations consisting of 1,000 kg (2,205 imperial pounds).