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ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

March 30, 2009

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PRELIMINARY NOTES

Date of Information

All information in this Annual Information Form is as of March 30, 2009, unless otherwise indicated.

Currency

Except where otherwise indicated, all references to currency in this Annual Information Form are to Canadian dollars. Effective January 1, 2007, the Company changed the reporting currency of its annual and quarterly balance sheets and the related consolidated statements of operations and cash flows to the United States dollar (“US\$”). In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants, set out in EIC – 130, *Translation Method with the Reporting Currency Differs from the Measurement Currency or there is a Change in Reporting Currency*.

The following table sets forth, for the periods indicated, certain information concerning the number of Canadian dollars (“CAN\$”) for which one US\$ could be exchanged based on the quoted rate from the Bank of Canada. No representation is made that the CAN\$ amounts actually represent such US\$ amounts or could have been or could be converted into US\$ at the rate indicated, any other rate or at all. Quotations are based on Bank of Canada noon rate of exchange “nominal rates”, which are neither buying nor selling rates. Rates available from financial institutions will likely differ.

Period	High	Low	Average rate
January 1 - December 31, 2004	US\$1.00 = CAN\$1.397	US\$1.00 = CAN\$1.177	US\$1.00 = CAN\$1.302
January 1 - December 31, 2005	US\$1.00 = CAN\$1.270	US\$1.00 = CAN\$1.151	US\$1.00 = CAN\$1.212
January 1 - December 31, 2006	US\$1.00 = CAN\$1.173	US\$1.00 = CAN\$1.099	US\$1.00 = CAN\$1.134
January 1 - December 31, 2007	US\$1.00 = CAN\$1.185	US\$1.00 = CAN\$0.917	US\$1.00 = CAN\$1.075
January 1 - December 31, 2008	US\$1.00 = CAN\$1.297	US\$1.00 = CAN\$0.972	US\$1.00 = CAN\$1.066

Conversion Factors

Metric Unit	Imperial Measure	Imperial Measure	Metric Unit
1 hectare	2.471 acres	1 acre	0.4047 hectares
1 metre	3.281 feet	1 foot	0.3048 metres
1 kilometre	0.621 miles	1 mile	1.609 kilometres
1 kilogram	2.205 pounds	1 pound	0.454 kilograms
1 tonne	1.102 short tons	1 short ton	0.907 tonnes

Forward-Looking Information

Certain statements in this Annual Information Form constitute “forward-looking information” within the meaning of applicable securities laws. Such forward-looking information includes, without limitation, statements evaluating the market and general economic conditions and discussing future-oriented costs, expenditures and other financial or operating performances. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes” or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. While the Company has based these statements on its current expectations about future events, the statements are not guarantees of the Company’s future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking information. Such factors include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures, mineral

resource and reserve estimates and misjudgments in the course of preparing forward-looking information. Please refer to the heading “*Risk Factors*” herein and the risk factors in our Management’s Discussion and Analysis (“MD&A”) for the year ended December 31, 2008 for a discussion of these and other factors underlying forward-looking information. In light of these factors, the forward-looking events discussed in this Annual Information Form might not occur. Further, although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Subject to applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise. As there can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements, readers should not place undue reliance on forward-looking information.

Certain Other Information

This Annual Information Form includes California construction aggregates market and California industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by management on the basis of its knowledge of and experience in these markets. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although believed to be reliable, none of management of the Company or the Company has independently verified any of the data from third party sources.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Annual Information Form:

<u>Term</u>	<u>Definition</u>
Absorption Test	A measure of the porosity of an aggregate and its ability to absorb water
aggregates	A naturally occurring sand and gravel or crushed and graded mineral product used principally for construction purpose
borehole	A drill hole
Bulk Density Tests	A measure of the weight of aggregate contained in a certain volume
Bulk Dry Specific Gravity Test	The ratio of the weight in air of a unit volume of aggregate at a stated temperature to the weight in air of an equal volume of gas-free distilled water at the stated temperature
°C	Degrees Celsius
claims or quarrying claims	The right to explore a property for mineralization, and, if warranted, to develop the property and exploit the minerals
Cretaceous	Sub-division of the Mesozoic Era and refers to a geological period that began approximately 144 million years ago and ended approximately 65 million years ago
Deposits	A descriptive term used to characterize an accumulation of a given material above background level, such as sand, gravel, or, more commonly, metals
dwt	Deadweight tonnage
fault or faulting	A fracture in the Earth’s crust accompanied by a displacement of one side of the fracture with respect to the other and in a direction parallel to the fracture

<u>Term</u>	<u>Definition</u>
feasibility study	A comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production
ft.	Feet
ha	Hectare
indicated mineral resource	That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
inferred mineral resource	That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
kg	Kilogram
km	Kilometre
kV	Kilovolts
Los Angeles Abrasion Test	A measure of an aggregate's resistance to wear through abrasion or mechanical degradation
m	Metre
masl	Metres above sea level
measured mineral resource	That part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
mineral reserve	The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on quarrying, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are subdivided in order of increasing confidence into probable mineral reserves and proven mineral reserves.

<u>Term</u>	<u>Definition</u>
mineral resource	A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
mm	Millimeter
mt	Metric Tonne – 2,205 lbs – unit of weight used in Canada
NI 43-101	National Instrument 43-101 entitled “Standards of Disclosure for Mineral Projects” issued by the Canadian Securities Administrators
Point Load Strength Index Test	A measure of the unconfined mechanical strength of a rock
probable mineral reserve	The economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on quarrying, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
proven mineral reserve	The economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on quarrying, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
Qualified Person	Is an individual as such term is defined in NI 43-101
st	Short ton – 2,000 lbs – the unit of weight used in the United States
Sulphate Soundness Test	A measurement of an aggregate's resistance to freeze thaw cycles using either magnesium or sodium sulphate solutions
Tertiary	Sub-division of the Earth's history that started approximately 65 million years ago and ended approximately 2 million years ago
trend	The directional line of a rock bed or formation

POLARIS MINERALS CORPORATION

CORPORATE STRUCTURE

Name and Incorporation

Polaris Minerals Corporation (“we”, the “Company” or “Polaris”) was incorporated on May 14, 1999, under the *Company Act* (British Columbia) and on September 10, 2004 was transitioned under, and continues to be subject to, the *Business Corporations Act* (British Columbia) (the “BCBCA”).

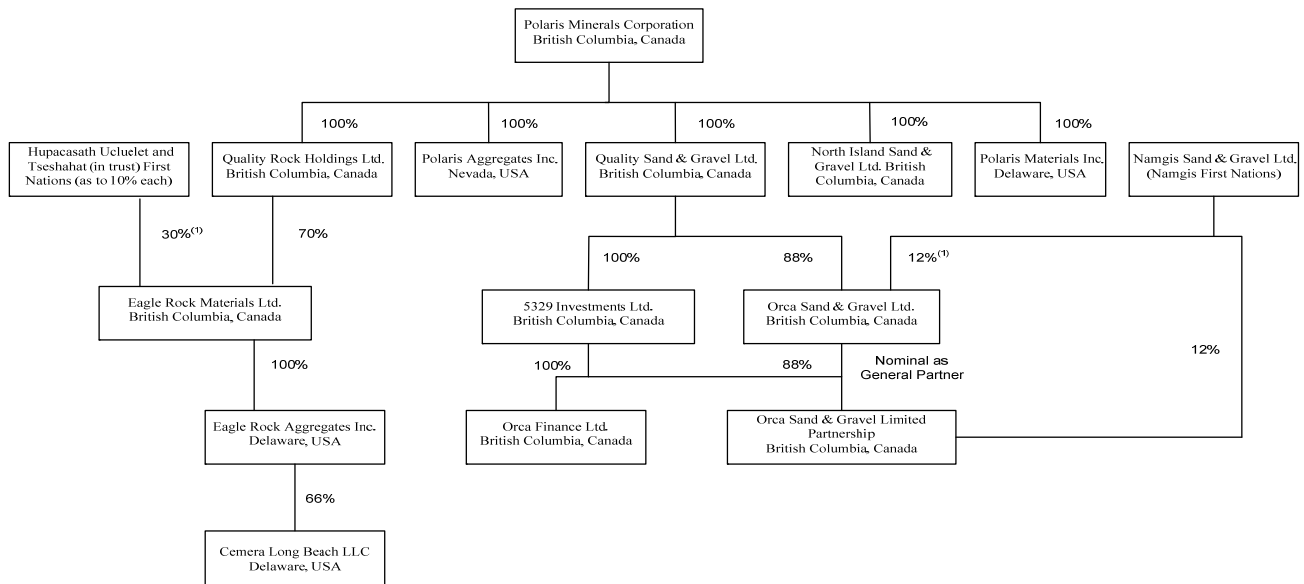
On May 16, 2006, the Articles of the Company were amended to delete the Statutory Reporting Company Provisions and to adopt a new form of Articles. On January 18, 2005, the share capital of the Company was changed from 100,000,000 common shares without par value to an unlimited number of common shares without par value. On September 10, 2004, the Company’s Notice of Articles was amended to remove the pre-existing *Company Act* provisions. On July 24, 2002, the Company’s Articles were revised to remove the prohibition on the offering of securities to the public.

The Company’s head office is located at Suite 2740, 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3R5. The Company’s registered and records office is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada V63 0A3.

The Company’s common shares (“Common Shares”) are listed for trading on the Toronto Stock Exchange (“TSX”) under the symbol “PLS”. Effective January 8, 2009, certain of the Company’s common share purchase warrants became listed for trading on the TSX under the symbol “PLS.WT”. These warrants expire on January 8, 2011 (see “Financings – 2009 Bought Deal Equity Financing”).

Intercorporate Relationships

The following chart illustrates the Company’s corporate structure, including all subsidiaries, jurisdictions of incorporation, and the percentage of voting securities held in the subsidiaries. In addition to the following, the Company also owns 33% of 0791304 B.C. Ltd. which holds a one-third interest in a tugboat on northern Vancouver Island.



(1) This interest is held indirectly by the Company’s First Nation Partners

GENERAL DEVELOPMENT OF THE BUSINESS

Company Overview

Polaris, through its subsidiaries, is engaged in the emerging trade of marine exports of construction aggregates from its coastal properties located on Vancouver Island, British Columbia, Canada to the coastal urban markets on the west coast of North America, particularly California, Oregon, Washington, and British Columbia. The Company is presently supplying into California, British Columbia and Hawaii.

Local reserves of construction aggregates in the Company's target markets have been rapidly diminishing as operating quarries have become depleted and new resources have become increasingly more difficult to permit. This rate of diminution has recently slowed as the market demand for construction aggregates was reduced through 2007 and 2008 due to a period of recession in the United States construction industry generally and particularly in California. Increasingly longer and more costly overland haulage is required to meet supply shortfalls when they arise which has, or will likely have, the effect of raising the prices of aggregate products in the principal target markets of San Francisco Bay, Los Angeles Basin, and San Diego. Hawaii's main source of concreting sand, on the island of Maui, no longer ships aggregate inter-island due to severely dwindling resources and environmental opposition, which has created an opportunity for imported aggregates. This supply gap and price escalation has created a market opportunity for producers along the west coast of British Columbia to ship high quality construction aggregates to those markets in large ocean-going bulk carriers. Local markets, such as Vancouver and Seattle, also have shortages of construction aggregates, thereby creating the potential for shipping by tug and barge. The Company, through its existing 88% owned sand and gravel quarry, contracted shipping, long-term sales contracts, and a 70% owned distribution terminal in the San Francisco Bay area, commenced shipments to customers in Vancouver, British Columbia, and San Francisco, California in March 2007 and April 2007, respectively.

The Company's principal construction aggregates interests consist of an 88% ownership in the Orca Sand & Gravel project (the "Orca Project"), a large, high quality sand and gravel project located near Port McNeill on Vancouver Island, British Columbia, Canada and a 70% interest in the Eagle Rock quarry project (the "Eagle Rock Quarry Project"), a large, quality granite resource located near Port Alberni on Vancouver Island, British Columbia, Canada. The Company has also constructed a 70% owned receiving terminal and distribution facility in the Port of Richmond, San Francisco Bay, California (the "Richmond Terminal") to facilitate the delivery of construction aggregates from its projects to customers in California.

The Orca Project originally hosted three large, high quality, sand and gravel deposits, namely the East Cluxewe, Bear Creek, and the West Cluxewe Deposits. Additionally, on June 15, 2008, the Company received a ten-year Licence of Occupation from the Province of British Columbia covering an area of Crown land, which is contiguous with the East Cluxewe Deposit. The new potential deposit is referred to as the East Cluxewe Extension Deposit. The Company began development of the East Cluxewe Deposit, the associated process plant and shiploader (together the "Orca Quarry") in March 2006 with land clearing and site preparation for the construction of the ship load-out conveyors and the sand and gravel processing plant. The quarry commenced operations in February 2007. The Orca Quarry was originally designed and permitted to produce up to 6.0 million metric tonnes per year working on a two-shift basis. During 2008, the NI 43-101 technical report on the Orca Quarry was updated and concluded that, subject to obtaining a revised mine permit, the quarry could produce approximately 8.7 million metric tonnes per year on a 24/7 operation. On May 1, 2006, the Company entered into a foreshore lease with the Her Majesty the Queen in right of the Province of British Columbia (the "Crown") in respect of the ship loading facility. In the longer term, subject to further studies and permitting, the Company plans to quarry the adjacent East Cluxewe Extension and West Cluxewe Deposits and ship those products to markets, using the process plant and shiploader located at the Orca Quarry site. A comprehensive geological evaluation program was completed on these two deposits during the summer of 2008 in order to quantify potential additional resources; the results of this program are expected to become available during the first half of 2009. The Company commenced deliveries of sand and gravel products from the Orca Quarry to the Greater Vancouver area in March 2007 and commenced deliveries into the San Francisco Bay area in April 2007.

The Company completed construction, in late 2007, of the Richmond Terminal in the San Francisco Bay area, which receives and distributes Orca Quarry construction aggregate products. The terminal is held under a long-term lease

with Levin Enterprises Inc. The terminal received its first shipment of sand and gravel in October 2007 and, following a period of commissioning, commenced distribution of aggregates to local customers. The Company also supplies terminals in the San Francisco Bay area, in Redwood City (the "Redwood City Terminal"), at Landing Way Depot in Petaluma and at Pier 92. In addition, the Company plans to secure and permit additional port facilities in California. See "Narrative Description of the Business – Discharge Points".

In September 2007, the Company and CEMEX, Inc. ("Cemex") entered into a strategic alliance agreement (the "Strategic Alliance Agreement"), which establishes and governs the terms of a long-term relationship (the "Alliance") between the parties. The Alliance involves a long-term supply and distribution agreement for marine transported construction aggregates in the states of California, Oregon and Washington. For this three state area, excluding the four northern California counties of Marin, Sonoma, Mendocino and Napa, the parties have agreed that Cemex will be the exclusive marketer for the Company and the Company will be the exclusive supplier to Cemex of marine transported construction aggregates for Cemex's internal use and for sales by Cemex to third parties. The Company has commenced sand and gravel shipments from the Orca Quarry to the two existing Cemex terminals in San Francisco Bay. In addition, the two companies have entered into an alliance for the development of future construction aggregate import terminals in the same territory.

On August 18, 2008, the Company, through its subsidiary, Eagle Rock Aggregates Inc., and Cemex formed a company, Cembra Long Beach LLC ("Cembra"), to purchase a 12.4 acre parcel of freehold land at Pier B in the Port of Long Beach, California (the "Pier B Land"). The Pier B Land is apportioned into two sections with two separate phases of anticipated development, Section A and Section B respectively. The Company paid US\$7.8 million for a 50% interest in Section A and all development costs and net income from Section A will be shared on an equal basis between the Company and Cemex. The Company paid US\$7.4 million for a 100% interest in Section B. When a development decision is made in respect of Section B, Cemex may purchase 50% of Section B and participate in the development thereof on an equal basis; otherwise Section B will be deeded to the Company.

Included in the Alliance is an expectation that the Company will develop its 70% owned Eagle Rock Quarry Project at a time to be determined by market demand. The parties have agreed to cooperate in the pursuit of markets and terminal capacity for Eagle Rock crushed granite products. The existing construction aggregate supply and distribution agreement entered into between the Company and Shamrock Materials Inc., covering the four northern California counties described above, remains unaffected by this Alliance.

The Alliance also establishes and governs the terms of the long-term relationship between the parties whereby Cemex and certain of the Company's affiliates have entered into an initial long-term aggregate supply agreement and three joint cooperation and development agreements relating to the development of construction aggregates import terminals covering certain portions of the territories.

In respect of Eagle Rock Quarry Project, a mine permit was obtained in 2003 and the Company is seeking market outlets that would support the development of the facility to produce crushed rock construction aggregate products on site. Products would be shipped in bulk carriers to coastal urban markets in the Pacific. The Company believes that demand for those products will develop in time. A feasibility study of the Eagle Rock Quarry Project is being conducted by AMEC and is expected to be completed in 2009.

During 2007, Polaris received a Licence of Occupation from the Province of British Columbia for a potential sand and gravel deposit located 19 kilometres from the Orca Quarry on northern Vancouver Island, British Columbia, referred to as the Cougar Deposit. The geological evaluation of potential sand and gravel resources carried out during the summer of 2008 included a limited quantity of drilling on the Cougar Deposit. The drilling results are expected during the first half of 2009, although preliminary results are not encouraging and, as a consequence, the Company has decided not to proceed with the development of this deposit.

As at December 31, 2008, the Company had 63 employees.

Financings

Special Warrant Private Placement

The Company issued an aggregate of 2,500,000 special warrants (the "Special Warrants") pursuant to an agency agreement between GMP Securities L.P. ("GMP") and the Company dated February 27, 2004. The Special Warrants were issued in reliance upon exemptions from the registration and prospectus requirements of applicable securities legislation. The Special Warrants were sold to investors at a price of \$4.00 per Special Warrant for aggregate gross proceeds to the Company of \$10,000,000. The net proceeds from the Special Warrant offering were principally used by the Company for the evaluation and permitting of the Eagle Rock Quarry Project and Orca Quarry, and for working capital purposes. Each Special Warrant was automatically converted to 1.1 Common Shares on January 10, 2006 in conjunction with the Company's initial public offering (see "Initial Public Offering" below).

In connection with the Special Warrant offering, GMP received 250,000 broker warrants entitling GMP to purchase 1.1 Common Shares per broker warrant at a price of \$5.00 per Common Share until February 27, 2006. GMP did not exercise any of the broker warrants and those warrants have expired.

Debt Facility

For the purpose of funding, indirectly, the development and operation of the Orca Quarry and the shipping, delivery and sale of products therefrom (see "Orca Sand & Gravel Project"), the Company entered into a credit agreement dated November 30, 2005, and amended on January 9, 2006 (the "Credit Agreement"), with Ingalls & Snyder Value Partners, L.P., as senior lender and administrative agent, Ingalls & Snyder, LLC as collateral agent, and a group of accredited investors arranged by Ingalls & Snyder LLC (each a "Purchaser"), pursuant to which the Purchasers agreed to extend credit (the "Debt Facility") in the form of two term loans evidenced by a specified amount of secured notes to be issued to each Purchaser, in an aggregate principal amount of up to US\$47,000,000. The Company subsequently elected to reduce the maximum amount available under the Debt Facility to US\$31,000,000. The reduction of the Debt Facility was principally due to the success of the Company's initial public offering and the expected capital cost savings achieved through a redesign of the Richmond Terminal.

In April 2007, the Company repaid the Debt Facility in full. In May 2007, in accordance with the Credit Agreement and in conjunction with the Company's first sale of construction aggregates in California, the Company granted Ingalls & Snyder LLC 2,153,846 common share purchase warrants, each warrant being exercisable for one Common Share at a price of \$4.80 per Common Share until November 30, 2010.

Initial Public Offering

Pursuant to an agency agreement dated December 21, 2005 with GMP, Canaccord Capital Corporation, Dundee Securities Corporation, Orion Securities Inc., TD Securities Inc., and Wellington West Capital Markets Inc., the Company completed its initial public offering of Common Shares ("IPO") on January 10, 2006. Pursuant to the IPO, the Company issued an aggregate of 15,628,185 Common Shares at a price of \$4.80 per share for aggregate gross proceeds of \$75,015,288, which included the issuance of 2,086,185 Common Shares at the price of \$4.80 per share upon the exercise of an agents' option.

The Company also granted the agents an over-allotment option, exercisable for a period of 30 days from the date of the closing of the IPO, to purchase up to an additional 1,875,000 Common Shares. The agents elected to purchase an additional 1,000,000 Common Shares at \$4.80 per share pursuant to the over-allotment option for additional gross proceeds to the Company of \$4,800,000. The exercise of the over-allotment option closed on February 2, 2006.

Also in connection with the IPO, the Company issued an aggregate of 2,750,000 Common Shares upon the deemed exercise of the 2,500,000 previously issued Special Warrants described above. Each Special Warrant was automatically converted into 1.1 Common Shares.

2007 Bought Deal Equity Financing

Pursuant to an underwriting agreement dated February 27, 2007 with GMP, Canaccord Capital Corporation, CIBC World Markets Inc., Orion Securities Inc., TD Securities Inc., and Wellington West Capital Markets Inc., the Company completed an equity financing on March 15, 2007 and issued, on a bought deal basis, 6,000,000 Common Shares at a price of \$9.00 per share for gross proceeds to the Company of \$54,000,000.

Polaris granted the underwriters an over-allotment option, exercisable at any time, in whole or in part, for a period of 30 days following the closing of the offering, to purchase up to an additional 900,000 common shares of the Company at a price of \$9.00 per share. On March 22, 2007, the underwriters exercised the over-allotment option and, on March 26, 2007, Polaris closed the over-allotment option for additional gross proceeds of \$8,100,000.

The net proceeds of this financing were used to retire US\$31,000,000 outstanding under the Debt Facility described above, to advance the Company's other mineral properties and port terminal strategy, as well as for working capital and general corporate purposes.

Bridge Financing

To facilitate the purchase of the Pier B Land, the Company entered into a credit agreement with GMP Investment Management L.P. and a syndicate of other lenders (collectively, the "Lenders") dated August 18, 2008, for a \$20,000,000 one-year bridge loan facility (the "Bridge Financing"). The loan initially bore interest at 12% per annum which increased to 13% after 90 days of the loan being outstanding. The interest would have increased to 15% if the loan had remained outstanding at 181 days after closing. Furthermore, 1,900,000 common share purchase warrants were issued to the Lenders with a five-year term and an exercise price of \$6.50 per share, of which 475,000 warrants vested on the closing of the financing and another 475,000 warrants vested after 90 days. The remaining 950,000 warrants were canceled prior to vesting at 180 days due to the repayment in full of the loan on January 8, 2009. The principal of \$20,000,000 together with interest accrued thereon, was repaid using the net proceeds of the 2009 Bought Deal Equity Financing described below.

2009 Bought Deal Equity Financing

Pursuant to an underwriting agreement dated December 19, 2008 with GMP, CIBC World Markets Inc., Desjardins Securities Inc., Macquarie Capital Markets Canada Ltd., TD Securities Inc. and Scotia Capital Inc., the Company completed an equity financing on January 8, 2009, pursuant to which it issued and sold, on a bought deal basis, 15,625,000 units (the "Units") of the Company at a price of \$1.60 per Unit, for gross proceeds to the Company of \$25,000,000. Each Unit was comprised of one Common Share 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 at the exercise price of \$2.25 per Common Share for a period of two years following the closing of the offering. Effective January 8, 2009, the Warrants became listed for trading on the TSX under the symbol "PLS.WT". Furthermore, the Warrants are governed by an indenture (the "Warrant Indenture") dated January 8, 2009 entered into between the Company and Computershare Trust Company of Canada, as agent for the holders of the Warrants.

Polaris granted the underwriters an over-allotment option, exercisable at any time, in whole or in part, for a period of 30 days following the closing of the offering, to purchase an additional 2,343,750 Common Shares at a price of \$1.55 per Common Share and/or an additional 1,171,875 Warrants at a price of \$0.10 per Warrant (or \$0.05 per one-half Warrant). The over-allotment option expired unexercised.

The net proceeds of this offering were used to retire \$20,000,000 outstanding under the Bridge Financing described above, as well as for working capital and general corporate purposes.

NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Overview

Construction Aggregates

Construction aggregates are sourced from either natural sand and gravel deposits or from a variety of rock types including limestone, granite, and volcanic rock. Natural sand and gravel aggregates are typically preferred for use for the manufacture of concrete whereas crushed rock is used for asphalt, road construction, railroad ballast and increasingly for concrete applications as sand and gravel resources deplete. The choice of aggregates used is influenced by the location and quality of the naturally occurring minerals and the cost of transportation. Construction aggregates production involves a simple process of surface mining, crushing, sizing and washing. No chemicals are used in the processing of aggregates although minor quantities of a flocculent, or similar, may be used in removing sediments from process wash water.

Uses of Construction Aggregates

All forms of concrete and asphalt are comprised mainly of aggregates — approximately 85% and 90% by weight, respectively. They are used to build roads, bridges, buildings, pipes, sidewalks and other components of our urban infrastructure. Aggregates are also used in their natural state for a wide range of other applications such as rock armour for coastal and river erosion protection, crushed rock and sand in road foundations, and sand in mortars, stucco, and golf course bunkers. Their predominance in the composition of concrete and asphalt, and their wide range of applications, make construction aggregates a fundamental element of urban development and transportation.

In areas where natural sand and gravel is in limited supply, the construction industry has adapted to using crushed rock products in concrete mixes, including manufactured sand made from rock fines. Following certain adjustments to mix designs and equipment, these crushed rock products perform comparably to natural sand and gravel construction aggregates. Nonetheless, the industry retains a preference for natural sand and gravel for concrete manufacture because the rounded particles produce concrete that is easier to place and finish, especially when it is pumped to a final location.

Construction Aggregate Industry in California

California has been facing an increasing supply shortage of certain construction aggregates although the rate of increase has diminished significantly during the recession in construction activity in 2007 and 2008. The Company believes that California continues to represent a key target market for its construction aggregate products, as demonstrated by its long-term sales and marketing agreements.

Despite the abundance of sand and gravel resources in the past, California's permitted sand and gravel resource base is now declining and the proportion of crushed rock used is rising. Sand and gravel have been the dominant materials in California for years and the concrete industry retains a preference for it, especially for natural concrete sand. The Company's current exportation of high quality sand and gravel from its Orca Quarry to California is already meeting, in part, the need for these materials in the Californian market. The Company believes that the Eagle Rock Quarry Project represents a future opportunity as a source of quality crushed granite aggregates.

Corporate Strategies and Implementation

Development Strategy for Aggregate Properties

The Company has developed several key criteria to identify potential construction aggregates properties for further evaluation. These criteria included:

- The location of the properties relative to deep navigable water;
- The location of the properties relative to environmentally sensitive areas;

- The location of the properties relative to potential labour supply, services, fresh water and infrastructure;
- The weather conditions where the properties are located;
- The location of the properties to supply into the principal target markets economically;
- The potential size and quality of the resource; and
- First Nations and local community considerations.

Based on these criteria, the Company evaluated many potential aggregate properties located on the western seaboard of North America, from Mexico to Alaska. This process resulted in the discovery of the Eagle Rock Quarry Project in early 2001 and the Orca Project during the winter of 2002.

Market and Sales Strategy for Construction Aggregates

In 2001, the Company retained David A. Holmes, R. Geo. of Holmes Reserves LLC in Colorado, USA (“Holmes”) to prepare a market study of the San Francisco Bay area and the Los Angeles Basin. David Holmes is a “Qualified Person” as such term is defined under NI 43-101 and is a registered geologist in the states of California, Oregon and Washington. The study focused on the supply and demand balance in these markets and identified aggregate production sources, key consumers, and price trends. An updated assessment of market demand was prepared in 2003. In 2005, the Company requested Holmes to comprehensively update the report (the “2005 Market Report”), and expand it to include the southern California market of San Diego. The 2005 Market Report indicated that, based on the local California supply deficiency and the corresponding pressure on sales prices, the highest priority market for the Company’s products was the San Francisco Bay area, followed by the Los Angeles Basin and San Diego. Subsequent research suggested that Ventura County, north of Los Angeles, offered an attractive market for coarse aggregates. Based on these studies, the Company’s initial focus has been mainly on the San Francisco Bay area. In March 2008, the Company requested Holmes to again update the report (the “2008 Market Report”) which was submitted in November 2008 following certain revisions to reflect what was becoming apparent as a deep and continuing recession in demand for aggregates. See “The Company’s Markets – California”, “The Company’s Target Markets” and “Competitive Conditions”.

The construction and commissioning of the Orca Quarry was completed in February 2007 and production of sand and gravel commenced at that time. The Company commenced deliveries of sand and gravel products to the Greater Vancouver area in March 2007 and into the San Francisco Bay area in April 2007. The Company’s sales strategy has focused on the identification of potential long-term customers, with the objective of securing sales contracts, and on short-term or spot opportunities. See “History of the Orca Project – Sales Arrangements” for a description of the sales arrangements entered into by the Company.

In September 2007, the Company entered into the Alliance with Cemex pursuant to which the Company became the exclusive supplier of marine transported construction aggregates to Cemex and Cemex became the exclusive marketer of such products in the majority of California and in Oregon and Washington. See “History of the Orca Project — Sales Arrangements” and “General Development of the Business – Company Overview” for further details.

Distribution Strategy

Port space and opportunities to develop suitable terminals in California are limited. However, the Company has secured a long-term lease on a site and constructed the Richmond Terminal in the north of San Francisco Bay.

Further, Polaris is supplying the Cemex-controlled Redwood City Terminal to serve markets to the south of San Francisco Bay. In fact, The Company is now the exclusive supplier of imported sand and gravel to Cemex’s terminals at Pier 92 and the Redwood City Terminal. Prior to the Alliance, the Company was in the process of permitting another site in the Port of Redwood City for a marine aggregates receiving terminal which the Company has now substituted with a plan to jointly expand and develop Cemex’s existing Redwood City Terminal. This terminal offers significantly greater benefits to the Company in terms of multi-product storage, increased sales volumes potential and cost effectiveness through reduced capital requirements and shared infrastructure. Cemex and

Polaris are also working together to plan an expansion of these operations at Redwood City to handle products from the proposed Eagle Rock Quarry Project, when and if developed, with a view to developing a major construction materials park at this site. The timing of re-development of the Redwood City Terminal will be dependent upon market demand and availability of capital.

The Company also supplies Landing Way Depot, a barge-served terminal utilized by Shamrock Materials Inc., located on the Petaluma River in the north San Francisco Bay area.

Through the joint venture company, Cemera, Polaris and Cemex have secured ownership of the 12.4 acre Pier B Land in the Port of Long Beach, California, with a view to developing an aggregates terminal conditional on completion of permitting and other regulatory requirements.

The Company is currently in advanced discussions with Cemex and port authorities regarding the joint development of a San Diego terminal.

The Company has also had preliminary discussions with port authorities at Port Hueneme in Ventura County.

Marine Shipping Strategy

Commencing in 2001, the Company commissioned independent shipping and port studies to establish shipping alternatives and freight costs from its properties to potential discharge sites in California. The studies confirmed the costs and viability of bulk aggregates shipping using Panamax-class self-unloading freighters. A major shipping constraint is the shallow waters of San Francisco Bay, which limits discharge access of fully-loaded bulk carriers to most land-based discharge berths. To overcome this constraint, the Company partly discharges and sells products from the fully loaded vessels at anchorage in San Francisco Bay to third party barges and then proceeds to take the lightened vessel with the remaining products to the shallower ports. Lightering enables the Company to utilize a fully laden vessel, thus reducing the unit cost compared to the unit cost of utilizing a lightly laden vessel to proceed directly to the shallow terminal. In July 2005, the Company executed a long-term shipping contract with CSL International Inc. (“CSL”) and, in December 2007, the Company executed a second long-term shipping contract with CSL. See “History of the Orca Project — Shipping Arrangements” for further details.

Discharge Points Strategy

Suitable port discharge sites require adequate water depth and safe access for vessel berthing, accessible and sufficient land which is capable of being developed for product storage and distribution facilities, and efficient road access for distribution to customers. The Company has conducted research to locate terminal discharge points for its construction aggregates products which meet these requirements. The Company’s shipping and barging solution opens up potential port sites in San Francisco Bay, including the Richmond Terminal, which are ideally located at the gateways to its target markets. As San Francisco Bay is environmentally sensitive, in order to facilitate the permitting of the facility, the Company proposed an enclosed construction aggregates terminal facility on its Port of Richmond site that minimized noise and dust and decreased the land area required. In September 2004, the Company, through Eagle Rock Aggregates, Inc., executed a 40-year lease for the Richmond Terminal site and, in February 2006, executed a facilities use agreement for the adjacent berthing dock owned by a third party. Site preparation for the Richmond Terminal was initiated in 2006; construction of the Richmond Terminal began in early 2007 and was completed in December 2007. See “History of the Orca Project — Terminals” for further details.

Tenure and First Nations Consultations

Tenure

Land in British Columbia is either owned privately by fee simple owners or publicly by either the Federal Government of Canada or by the Provincial Government of British Columbia. The Federal and Provincial Governments are commonly referred to as the Crown. In addition, while minerals are generally excluded from fee simple ownership of land in British Columbia, the *Mineral Tenure Act* (British Columbia) specifically excludes sand, gravel and rock or a natural substance used for construction purpose, from the definition of mineral.

Accordingly, in British Columbia, the right of a land owner to remove sand, gravel and rock for construction purposes is a right connected to fee simple ownership. Therefore, the tenure for the Orca Project is secured by agreement with the fee simple owner and the tenure for the Eagle Rock Quarry Project site is secured by a Provincial Crown Lease. However, in order to prevent nuisance staking by third parties, the Company has also staked mineral claims over the entire Orca Project and also over the Eagle Rock Quarry Project.

First Nations Consultations

First Nations in British Columbia have made claims of aboriginal and treaty rights and title (collectively “aboriginal rights”) to substantial portions of land and water in the Province, including areas where the Company’s properties are situated, creating uncertainty as to the status of other public and private property rights. The Supreme Court of Canada has held that aboriginal groups may have a spectrum of aboriginal rights in lands that have been traditionally used or occupied by their ancestors; however, such aboriginal rights are not absolute and may be infringed by government in furtherance of a legislative objective, subject to meeting a justification test. However, a decision of the Supreme Court of Canada casts doubt on the Provincial Government’s ability to justify infringements of treaty rights. Additionally, a decision from the British Columbia Supreme Court calls into question whether the Province can justify an infringement of aboriginal title. The effect on any particular lands will not be determinable until the exact nature of historical use, occupancy and aboriginal rights for any particular piece of property have been clarified.

There is no assurance that the issues surrounding aboriginal rights will be resolved by the Provincial and Federal Governments in the near future.

First Nations are seeking settlement including compensation from governments with respect to these claims, and the effect of these claims cannot be estimated at this time. The Federal Government and Provincial Government have been seeking to negotiate settlements with aboriginal groups throughout British Columbia in order to resolve these claims. In 1992, the Federal Government and Provincial Government instituted a tripartite treaty negotiation process with the First Nations Summit, representing the majority of the First Nations in British Columbia. Any treaties or settlements that may result from these negotiations may involve a combination of cash, resources, grants of conditional rights to gather food on public lands, and some rights of self-government.

In 2004, the Supreme Court of Canada ruled that there is a duty on government to consult with and, where appropriate, accommodate First Nations where government decisions may impact on claimed, but as yet unproven, aboriginal rights. This decision also provided clarification of the duties of consultation and accommodation of aboriginal interests. The Court found that third parties are not responsible for consultation or accommodation of aboriginal interests because this responsibility lies with government. However, environmental and mine permits and Crown tenure will not be granted by provincial and federal agencies unless they are satisfied that the Crown’s duty to consult and accommodate has been fully met. In 2005, the Supreme Court of Canada confirmed that similar duties exist in respect of treaty rights.

As a result of the Supreme Court of Canada decisions, industry does not have an obligation to consult or accommodate aboriginal rights and interests, however, industry has a considerable interest in ensuring that Government conducts its consultation properly. The Company believes that the fostering of mutually beneficial business relationships with First Nations will facilitate these consultations and accommodation processes.

The Company works with the First Nations in connection with the development of its projects. The First Nations asserting aboriginal rights and title over the Company’s proposed project lands were offered participating interests in the projects. Thereafter, the First Nations worked closely with the Company during the environmental assessment process and planning in addressing ecological, cultural, and socio-economic interests. This co-operative and consultative process has resulted in the issuance of environmental and other project permits and Crown tenures by the provincial and federal agencies, and this process has also provided the surface rights owners of private project lands with assurances that the First Nations are in agreement with the arrangements that have been put in place in connection with those privately-held lands. See “History of the Orca Project — Ownership” and “History of the Eagle Rock Quarry Project”.

History of the Orca Project

Ownership

The East Cluxewe and West Cluxewe Deposits are situated on fee simple, private lands owned by Western Forest Products Inc. (“WFP”) over which the Orca Sand & Gravel Limited Partnership (the “Orca Partnership”) has entered into a *profit à prendre* to gain access to, and obtain rights to, the rock stone and sand located thereon. The East Cluxewe Extension Deposit is located on Crown land over which the Company has access rights through a ten-year Licence of Occupation with the Province of British Columbia. The Bear Creek Deposit is located on fee simple private land owned by Island Timberlands LP (“Island Timberlands”). The Orca Partnership has the exclusive right to negotiate a lease with Island Timberlands prior to March 31, 2009 to gain access to, and obtain rights to, the rock, stone and sand located thereon. Although the Company anticipates that this right will be extended to April 30, 2009, the Company does not anticipate being able to further extend this agreement on acceptable terms. The Orca Project lands also lie within the asserted traditional territories of the Kwakiutl Band (the “Kwakiutl”) and the Namgis First Nation (the “Namgis”). The East Cluxewe Deposit, East Cluxewe Extension Deposit, and the Bear Creek Deposit all lie within the asserted traditional territories of the Kwakiutl and the Namgis, whereas the West Cluxewe Deposit is located in traditional territory asserted exclusively by the Kwakiutl.

The rights to the East Cluxewe Deposit, East Cluxewe Extension Deposit, West Cluxewe Deposit and Bear Creek Deposit are held by the Orca Partnership pursuant to a limited partnership agreement (the “Partnership Agreement”) dated March 1, 2005, and amended and restated April 1, 2005, among the Namgis (as to 12%) and the Company (as to 88%), both as limited partners, and Orca Sand & Gravel Ltd., as the general partner of the Orca Partnership (the “Orca General Partner”). See “Corporate Structure – Intercorporate Relationships”.

The Orca Partnership entered into an impact and benefits agreement dated April 1, 2005, with the Namgis, which grants certain preferential opportunities to the Namgis for business development, employment, and training within its community. Contributions based on volumes of construction aggregates sold by the Orca Partnership will be made by the Orca Partnership to foundations that will benefit communities located within the asserted traditional territories of the Namgis and Kwakiutl. In the event that treaties are settled over the Orca Project area granting the Namgis the authority to impose taxes or royalties over the Orca Project, the Namgis will not impose a tenure or tax regime, for a period of 20 years from the date of such treaties, which is less favourable than the tenure and tax regime that would have governed had the treaties not been settled. In December 2031, the Namgis will have a one-time right to increase their ownership in the Orca Partnership by up to 50%, by purchasing Orca Partnership units from the Company for cash at fair market value.

The Orca Partnership has also entered into an impact and benefits agreement dated March 9, 2005, with the Kwakiutl. This agreement applies only to the Orca Quarry development and operations. It provides the Kwakiutl with a gross royalty based on volumes of construction aggregates sold from the East Cluxewe Deposit. This royalty rate increases over four years and, commencing in the fifth year, will be adjusted annually with reference to a price index. Also certain preferential opportunities have been granted to the Kwakiutl for business development, employment, and training within its community. In the event that treaties are settled granting the Kwakiutl jurisdiction over the Orca Project site, the Kwakiutl will not impose a tenure or tax regime, for a period of 20 years from the date of such treaties, which is less favourable than the tenure and tax regime that would have governed had the treaties not been settled.

Namgis Funding

In April 2005, the Company and the Namgis entered into a loan agreement whereby, at the request of the Namgis, the Company will make advances to the Namgis to enable them to meet their required equity contributions to the Orca Partnership. Advances made prior to a construction decision on the Orca Quarry will bear interest at the prime rate determined by a major Canadian bank, plus a small margin. Advances made by the Company to the Namgis after a construction decision will bear substantially higher interest rates. The Company’s sole recourse for repayment of the advances under the terms of this loan agreement is to the distributions receivable by the Namgis from the Orca Partnership. Advances made by the Company to the Namgis after a construction decision are repayable solely from those distributions and cannot be prepaid. Due to the uncertainty associated with the

recoverability of the loan, the Company has never recorded interest receivable on the Namgis loan in its financial statements. As at December 31, 2008, the Company had advanced \$8,015,960 to the Namgis.

Tenure

The Orca General Partner, on behalf of the Orca Partnership, has executed a *profit à prendre* with WFP over its freehold land lying to the south and west of Port McNeill, which includes the East and West Cluxewe Deposits. The *profit à prendre* has been registered against title to the subject lands.

A *profit à prendre* is an agreement made by a landowner granting the right to the holder to enter the land of the grantor and to sever, take away and convert to the holder's own use a product of the land. The holder does not obtain any right or interest in the subject product until it is severed from the land. A *profit à prendre* usually includes compensation payable to the grantor, a right of entry to the holder, and the right of the holder to use such surface land as is necessary and convenient to exercise the rights of access and removal.

In the case of the *profit à prendre* in respect of the East and West Cluxewe Deposits, the designated products are rock, stone and sand, and it provides the Orca Partnership with the right to access the deposits and remove rock, stone and sand therefrom. The term of the *profit à prendre* in respect of the East and West Cluxewe Deposits is for 10 years commencing March 1, 2005, with four separate consecutive options to extend the term for further periods of 10 years each for a total of 50 years. This *profit à prendre* includes a right of entry and use of the necessary area of the surface land.

The *Land Title Act* (British Columbia) requires that an interest in land may not be registered against a parcel of land that is not legally described. The parcel of land over which the *profit à prendre* applies is comprised of portions of more than one legally described parcel. Accordingly, it was necessary for an explanatory plan creating a legal description of the land charged by the *profit à prendre* to be registered in the Land Title Office prior to the registration of the *profit à prendre*. Registration of the explanatory plan and the *profit à prendre* has been completed to provide security of tenure for the Orca Partnership.

The East Cluxewe Deposit is subject to royalties payable by the Orca Partnership to WFP, the Kwakiutl and a local community philanthropic fund aggregating \$1.06 per tonne of construction aggregates sold subject to certain inflation indexation provisions.

In March 2004, the Company entered into an exploration agreement with Weyerhaeuser Company Limited, now Island Timberlands, the owner of the fee simple land hosting the Bear Creek Deposit. The two-year exploration agreement, with subsequent extensions, gives the Company the exclusive right to undertake exploration programs and negotiate a long-term gravel extraction arrangement. The Company has completed its exploration program and has the exclusive right to negotiate a long-term gravel extraction arrangement by March 31, 2009. Although the Company expects to extend this agreement to April 30, 2009, it does not anticipate being able to further extend this agreement on acceptable terms.

In September 2005, the Orca Quarry site was rezoned by the Regional District of Mount Waddington from Rural to Industrial. In October 2005, the Government of British Columbia granted the Orca Partnership a two year Licence of Occupation over the shiploader site at the Orca Quarry. The Licence of Occupation gave the Orca Partnership the right to survey the licence area and negotiate a lease with the Province within the two year period. On May 1, 2006, the Company and the Province entered into a foreshore lease, with a term of 30 years, in respect of the shiploader site.

Permitting

In January 2005, the Company, on behalf of the joint venture with the Namgis, filed applications for an environmental assessment certificate and mine permit for the development and exploitation of the Orca Quarry. Environmental Assessment Certificate M05-01 was received by the Orca Partnership from the Province in July 2005. Mine Permit G-225 was received from the Province in July 2005.

In October and November 2005, the Orca Partnership received the Federal Government's environmental approvals for the Orca Quarry. Receipt of the environmental approvals confirmed that the Provincial and Federal Governments are satisfied that they have met their duties to consult and accommodate the First Nations who have asserted claims over the Orca Quarry site. Both the Kwakiutl and the Namgis supported the Company's permit applications and agreed that they had been adequately consulted and satisfactorily accommodated by the Company, as well as the Federal and Provincial Governments, subject to the terms of their agreements with the Company.

Shipping Arrangements

In July 2005, the Company executed a long-term shipping contract with CSL. The contract has a term of ten years with an effective start date of July 18, 2007. This contract incorporates fixed rates per tonne of product, subject to inflation and bunker fuel adjustments, for deliveries from the shiploader at the Orca Quarry to locations in San Francisco Bay. Beginning in January 2008, the rates charged under this contract have been adjusted for inflation. The Company exceeded the contracted cargo volume for the first year of this contract, ending July 17, 2008, however, due to the recession in demand, it does not expect to meet the originally contracted volume for the year ending July 17, 2009 and will seek ways to mitigate the effects of this shortfall.

In December 2007, the Company executed a second long-term, 15-year, shipping contract with CSL for a minimum of 2,025,000 tonnes per annum of additional shipping capacity, beginning in late 2010. This additional capacity was secured in order to facilitate the development of the Eagle Rock Quarry Project; however, the Company has the flexibility to use it for shipments from the Orca Quarry should markets and timing dictate. Under this contract, additional shipping capacity will be met by a new Panamax-sized vessel, to be constructed by CSL. This contract is incremental to the existing 10-year shipping agreement with CSL, which provides up to 4.5 million metric tonnes per annum of shipping capacity, and is in addition to the existing shipping and barging arrangements established by some of the Company's customers for deliveries into Hawaii and Vancouver. In March 2009, the Company and CSL agreed to restructure the shipping contracts. The first contract has been extended by five years and will now expire on July 18, 2022. The start date for the second contract has been deferred to January 1, 2014 but the Company has retained flexibility to bring this date forward should market development permit.

Both contracts contain minimum annual volumes to be shipped. Vessels supplying materials into San Francisco Bay will continue to be partially discharged into third party barges at anchorage prior to discharging the balance of the cargo at the ports of Richmond and Alliance terminals in San Francisco Bay and/or proceed directly to southern California destinations. See "Narrative Description of the Business – Marine Shipping Strategy" and "Risk Factors".

Sales Arrangements

In October 2005, the Company, through a subsidiary, Eagle Rock Aggregates, Inc., entered into a 20-year aggregates supply agreement ("ASA") with Shamrock Materials, Inc. ("Shamrock"), an arms-length third party construction aggregates consumer located in the north San Francisco Bay area. The ASA may be further extended by three 5-year periods, at the option of Shamrock. The ASA has granted Shamrock the exclusive right to promote, market, resell and distribute sand and gravel within a defined territory (being the counties of Marin, Sonoma, Mendocino and Napa in California). In return, the Company has the right to be the exclusive provider of marine imported sand and gravel to Shamrock within the same territory. The ASA provides for the purchase and supply of minimum annual volumes of sand and gravel from the Orca Quarry for distribution within a defined area of San Francisco Bay. Prices for the supply of sand and gravel pursuant to the ASA will be reviewed on an annual basis and adjusted to accommodate variations in the cost and changes in market prices for similar products within the San Francisco Bay area. Any adjustments based on changes to market prices will be shared by Shamrock and the Company according to an agreed formula. The ASA delivery schedules contemplate that up to 40% of a fully laden vessel will be discharged into Shamrock's barges at anchorage, and the balance discharged and sold at the Company's Richmond Terminal and at Alliance terminals in northern California.

In September 2007, the Company entered into the Strategic Alliance Agreement with Cemex pursuant to which the Company became the exclusive supplier of marine transported construction aggregates to Cemex and Cemex became the exclusive marketer of such products in California (other than the counties of Marin, Sonoma, Mendocino and Napa) and in Oregon and Washington. See "General Development of the Business – Company Overview" for further details. The Strategic Alliance Agreement is for a 10-year term, and sets out the exclusivity

between the Company and Cemex for the purchase and distribution of marine supplied construction aggregates, sand, gravel and crushed rock on the west coast of the United States along with terms for new terminal and quarry development related to these products. An alliance committee, comprised of two members from each company, oversees the ongoing operations of the Alliance. The Strategic Alliance Agreement includes an option to be extended for additional 10-year terms upon mutual agreement by the Company and Cemex.

Pursuant to the Strategic Alliance Agreement, the Company, through Eagle Rock Aggregates Inc., and Cemex, entered into a 20-year supply and distribution agreement for marine transported construction aggregates that provides for Cemex to be the exclusive marketer of the Company's sand and gravel and for the Company to be the exclusive supplier to Cemex for its own internal use and for sales to third parties in Northern California (excluding the counties of Marin, Sonoma, Mendocino and Napa). The agreement provides for minimum tonnage which the Company must supply and Cemex must purchase each year and a market pricing mechanism for those tons which is adjusted annually. If Cemex fails to purchase, in any given year, the minimum tonnage or the Company fails to supply those tons, then the party which fails to meet the commitment is required to pay a per ton fee for any shortfall unless mutually acceptable changes have been agreed. This agreement automatically renews for two 10-year periods subject to not exceeding the life of the Orca Quarry and a five-year termination notice.

Additionally, the Company entered into a five-year sand and gravel products supply agreement with a ready-mix concrete manufacturer located in Greater Vancouver, British Columbia. In March 2007, shipments of material commenced from the Orca Quarry, in customer-supplied barges, to a receiving terminal in Greater Vancouver.

In January 2008, the Company entered into a three-year supply agreement with a third party construction aggregates consumer with operations in Hawaii. Sales to this customer had commenced in 2007, prior to the execution of the agreement.

See "The Company's Markets" below.

Terminals

In September 2004, the Company, through Eagle Rock Aggregates Inc., leased (the "Richmond Terminal Lease") land on which to construct the Richmond Terminal from Levin Enterprises, Inc. The Richmond Terminal Lease has a term of 20 years following the construction of the Richmond Terminal, with two 10-year extensions, exercisable at the Company's option. The Richmond Terminal Lease has an annual base rent and a throughput royalty that is based on the volume of material passing through the facility. The annual rent and royalty rates will be adjusted annually for cost inflation. The rent and royalty rates during the option periods will be negotiated based on market conditions prevailing at the extension dates.

In May 2004, the City of Richmond approved the Company's application for the construction and operation of the Richmond Terminal and, in February 2005, the final environmental permit for the facility was granted by the San Francisco Bay Conservation and Development Commission. On August 10, 2006, the Company received its building permit at which time site preparation and ground stabilization work began with construction on the site commencing in the first quarter of 2007. The initial construction cost of the Richmond Terminal was estimated at US\$36.5 million but was subsequently reduced to approximately US\$27.4 million through a redesign of the terminal which more economically accommodates the complex ground conditions prevalent around San Francisco Bay. The construction was completed by December 31, 2007.

In February 2006, ERA entered into a facilities use agreement with Pacific Atlantic Terminals LLC which permitted the Company to berth its vessels at Pacific Atlantic Terminals LLC's wharf (now owned by Plains All American Pipelines, Inc.) and discharge and convey construction aggregates from the wharf to its adjacent Richmond Terminal.

Through the Alliance with Cemex, the Company has gained access to the Cemex-operated Redwood City Terminal for marine imported cement and sand and gravel.

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

In August 2008, Cembra purchased the Pier B Land (as described earlier) which is situated close to the 710 Freeway and will receive sand and gravel from the existing Orca Quarry through a receiving terminal which Cembra intends to construct on the site. The site is well suited to also handle crushed granite aggregate from the proposed Eagle Rock Quarry Project, if and when production commences at this facility. The site is also intended to support a ready-mix concrete plant, enabling a wide range of construction materials to be supplied into the heart of this target market. This land is the site of a former industrial facility that was acquired under an agreement with the State of California, referred to as an AB389 agreement, which is intended to provide immunity to a bona fide purchaser, as Cembra is, for pre-existing environmental liabilities. Development of the site must be in accordance with the AB389 agreement as administered by California's Department of Toxic Substance Control, the overall objective of an AB389 being to bring 'brownfield' lands back into productive use.

In conjunction with Cemex, the Company is in advanced negotiations with the Port of San Diego to establish a marine aggregate importation terminal utilizing the existing cement importation berth operated by Cemex. Although there are competing interests for a Port of San Diego marine aggregate terminal, the Company believes that its proposal will meet with Port approval. See "The Company's Target Markets".

The Company is maintaining a relationship with the Port of Hueneme, Oxnard County, California where land suitable for an aggregates terminal may eventually be released. This project is believed to be economically justifiable in terms of sea-freight cost by utilizing fully-loaded Panamax vessels into Pier B, Long Beach partially discharging and carrying residual tonnage into the shallower waters of Port Hueneme. Discussions with its port directors will re-commence as the Pier B and San Diego plans develop. See "The Company's Target Markets".

Investment in Tugboat and Associated Barge in San Francisco Bay

During the year ended December 31, 2007, the Company loaned US\$5.5 million to a third party for the purchase of certain assets required to facilitate its ability to deliver increased tonnage into the San Francisco Bay area. The loan bears interest of 5.5% per annum, principal and interest, with payments received monthly and maturity dates ranging between 2013 and 2027. The Company has been granted security over various assets of the third party.

Investment in Berthing Tugboat at Orca Project

During the year ended December 31, 2008, the Company formed a joint venture with two third parties to construct a tugboat to facilitate berthing at the Orca Quarry. The Company owns 33% of 0791304 B.C. Ltd. which owns a one-third interest in the tugboat. During the year ended December 31, 2008, the Company loaned the joint venture funds for the construction of the tugboat. Interest and principal outstanding at December 31, 2008 was \$3,800,000. The loan is expected to be repaid to the Company when the joint venture refinances the tug through a marine mortgage.

Financing and Management of the Company's United States Operations

The Eagle Rock Shareholders Agreement, which was entered into in 2002 (as described below under the heading "History of the Eagle Rock Quarry Project"), does not contemplate the construction or use of the Richmond Terminal or other terminals by third parties (including the Orca Partnership) prior to the construction of the Eagle Rock Quarry Project. In addition, the Eagle Rock Shareholders Agreement does not contemplate the marketing,

shipment and sale of construction aggregates from other projects prior to the commencement of operations at the Eagle Rock Quarry Project. Accordingly, a subsidiary established for marketing in the United States, Eagle Rock Aggregates Inc., holds the Richmond Terminal Lease, and the corresponding easement and facilities use agreements, and the Company's other potential port interests. It also holds the Company's marketing interests in California, including the initial aggregates supply and distribution agreement with Cemex pursuant to the Alliance, and is expected to continue to manage the Company's operations in California, including the shipment and sale of construction aggregates from the Orca Quarry.

The parties to the Eagle Rock Shareholders Agreement, each being subsidiaries of the Company, and the Hupacasath and Ucluelet First Nations, are negotiating the terms and conditions of an arrangement with Eagle Rock Aggregates Inc. for the financing, construction, and operation of the Richmond Terminal and other California port terminals, and for the purchase, shipping, distribution and sales of construction aggregates from the Orca Partnership. There is no assurance that an agreement will be reached on terms satisfactory to the Company. The failure to enter into such agreement may have a material adverse effect on the Company. See "Risk Factors" and "Orca Sand & Gravel Project — Financial Analysis" and "History of the Orca Project — Terminals" for further details regarding the Richmond Terminal.

Future terminal interests outside the state of California will be held by a 100% owned US subsidiary of the Company, Polaris Materials Inc., which currently sells sand and gravel to Hawaii.

History of the Eagle Rock Quarry Project

The Eagle Rock Quarry Project comprises a large granite deposit located on deep tidewater south of Port Alberni on Vancouver Island, British Columbia. It is located on land held by the Crown within the asserted traditional territories of the Hupacasath, Tseshahat, and Ucluelet First Nations.

In the fall of 2001, the Company entered into cooperation agreements with each of the Hupacasath First Nation (the "Hupacasath") and the Ucluelet First Nation (the "Ucluelet") and, in July 2002, the three parties entered into an unincorporated joint venture. In October 2002, the Company, the Hupacasath and the Ucluelet formed Eagle Rock Materials Ltd. ("Eagle Rock"), which holds all the interests in the Eagle Rock Quarry Project. In 2001, the Company also invited the Tseshahat First Nation (the "Tseshahat") to participate in the Eagle Rock Quarry Project, but was unable to reach an agreement with them on the terms of a potential participation. The Company has kept its invitation open as it wishes the Tseshahat community to share in the socio-economic benefits of the project. Accordingly, the Company owns 70% of Eagle Rock, the Hupacasath and Ucluelet each indirectly own 10% and the remaining 10% is held in trust for the Tseshahat pursuant to the shareholders agreement described below. The Hupacasath and Ucluelet assert shared aboriginal rights to the Eagle Rock Quarry Project site, while the Tseshahat assert exclusive aboriginal rights and title to the Eagle Rock Quarry Project site. The Company has adopted a neutral position electing to deal equally with all three First Nations.

In October 2002, Polaris, through a subsidiary Quality Rock Holdings Ltd., and subsidiaries of the Hupacasath and the Ucluelet, executed a shareholders agreement (the "Eagle Rock Shareholders Agreement") governing the affairs of Eagle Rock. Also, Eagle Rock, the Hupacasath and the Ucluelet entered into an impact and benefits agreement. These agreements provide that Eagle Rock will seek to arrange the preparation of a feasibility study of the Eagle Rock Quarry Project. The Hupacasath and the Ucluelet have the right to each acquire half of the 10% interest held in trust for the Tseshahat if, after a certain time period after the feasibility study is approved by Eagle Rock, the Tseshahat choose not to participate in Eagle Rock. On the 25th anniversary of their equity contributions to the Eagle Rock Quarry Project development financing, each First Nation will have the one-time right to increase their ownership in Eagle Rock by 50%, by purchasing Eagle Rock shares from the Company for cash at fair market value.

Cougar Deposit

The Company holds a Licence of Occupation from the Province of British Columbia covering the Cougar Deposit, a potential sand and gravel deposit on northern Vancouver Island, British Columbia located approximately 19 kilometres south of the Town of Port Hardy. The application was made through one of the Company's wholly owned subsidiaries, North Island Sand & Gravel Ltd. During 2008, the Company carried out a limited exploratory drilling program on the Cougar Deposit and expects to have the results available during the first half of 2009,

although the preliminary results are not encouraging and, as a consequence, the Company has decided not to proceed with the development of this deposit.

THE COMPANY'S MARKETS

The Company currently supplies sand and gravel from the Orca Quarry to customers located in California, Hawaii and Vancouver. The products supplied by the Company are used exclusively for the production of high strength concrete for building and construction purposes.

In 2008, 2.32 million tons were shipped from the Orca Quarry, of which 1.74 million tons were supplied to California.

A brief description of each of the served markets is as follows:

California

In accordance with long-term purchase and supply agreements, the Company delivers sand and gravel to two customers located in the San Francisco Bay area in northern California. Deliveries are achieved through the utilization of self-discharging Panamax vessels operated by CSL, which each carrying approximately 80,000 tons of sand and gravel from Orca Quarry into the San Francisco Bay. Initially the CSL vessels discharge aggregate onto customer owned and operated barges whilst anchored in the Bay. When the discharge to barges is completed, the lighter loaded Panamax vessels proceed to one of two land based terminals where the residual cargo is discharged to ground storage for subsequent delivery by road to customers' ready-mix concrete plants. The current sequence of shipping, barging and terminal distribution is the culmination of many years of pre-operational planning and development.

In July 2005, the Company commissioned the 2005 Market Report, which updated a previous survey carried out in 2003 and confirmed a growing gap between the demand for construction aggregate and the economic availability of local supplies in the urban coastal cities of California. The realization of this increasing supply problem was influential in enabling the Company to secure the long-term supply agreement with two of the major ready-mix concrete manufacturing companies in northern California. Both supply contracts set out target and minimum annual supply and purchase requirements, together with annual pricing considerations.

Since 2005, the demand for construction aggregate in the United States, including California has experienced a significant and unprecedented decline led initially by the collapse of private house building and more recently by the hiatus in the credit markets. In 2005, the overall demand for construction aggregate in California, being a combination of sand, gravel and crushed rock, was approximately 240 million tons (USGS Mineral Industry Surveys). Based on the USGS Mineral Industry Survey to the third quarter of 2008 and extrapolated by the Company, it is expected that demand in 2008 fell to approximately 156 million tons, a four year reduction of 35%. This decline will have the effect of slowing the Company's previously anticipated rate of growth. The Company's two 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 changed 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. See "Risk Factors".

In 2008, the Company commissioned the 2008 Market Report, which re-examined the previous supply and demand relationships. Amongst other observations, the 2008 Market Report concluded that:

- The major ready-mix and asphalt suppliers and aggregate producers are hunkering down into a low-activity state and are confident that they can collectively weather the economic storm and emerge into a more regulated, moderate growth economy during the recovery in California expected to occur in 2010-2012.
- The relentless high population growth and rapidly depleting available reserves will continue to give the regional aggregate industry a strong economic future, in spite of housing industry economic cyclicality.

- Several study areas, such as western San Diego County, are on the verge of becoming so aggregate deficient that operations will remain in an aggregate shortfall situation in spite of a recession economy.
- The Company's supply strategy of import shipping of sand and gravel and ultimately crushed rock from British Columbia into California ports, remains sound, as regional aggregate demand will again face wide shortfalls immediately after the current recessionary cycle.

On February 17, 2009, President Obama signed a US\$787 billion economic stimulus package, the *American Recovery and Reinvestment Act*, designed to provide immediate relief to the beleaguered United States economy. Included in the package are many elements of spending which will boost the country's investment in infrastructure projects. Specifically, the package incorporates US\$48 billion in new transport investments. The Company believes that this initiative, together with a rescue plan designed to help up to nine million Americans through modified or refinanced mortgages, coupled with liquidity infusions into banks and investment houses, is likely to lead to increases in construction aggregate demand in each of the three main demand sectors – private housing, private commercial and the public sector.

Furthermore, through the *American Recovery and Reinvestment Act*, California will receive US\$3.917 billion for investment in highways and bridges, transit capital, fixed guideway modernization and clean water. Based on the most recent end-use analysis developed by management, the demand for construction aggregate is driven by public works – 54%, residential housing – 22% and non-residential – 24%. For the construction aggregate industry, the demand for concreting and road surfacing materials is significantly higher per dollar of expenditure through infrastructure projects than through residential construction.

On February 26, 2009, the delayed 2009/2010 budget plan was approved by the California State legislature, which contains important economic stimulus proposals, and immediately enabled funding to resume on many projects which had stalled due to a lack of state spending. The new budget is predicated on the creation of jobs, home buyer tax credits on newly built homes, 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 Company believes that those actions taken at the Federal and State levels in early 2009, as described above, could be the financial catalyst which reverses the unprecedented decline in the present economic cycle. A reliable and plentiful supply of high quality construction aggregate will be a prerequisite for these Federal and State infrastructure investments and the Company believes that over the coming years it will be well placed to meet these supply challenges in the markets that it currently serves.

Hawaii

The Hawaiian Islands consumed approximately 11 million tons of construction aggregate in 2007, largely unchanged from 2006 (USGS Mineral Industry Surveys). Consumption figures for 2008 are not yet available. On January 1, 2008, the Company commenced a three year supply agreement to meet the requirements of two leading aggregate and ready-mix concrete companies located on Oahu. Under the terms of this agreement, sand is loaded into customer contracted Panamax vessels at the Orca Quarry, for delivery to Barbers Point, west of Honolulu. The demand for marine imported sand from British Columbia is driven by the intense opposition to beach sand removal, particularly from Maui, where this has virtually ceased during the last few years.

The Company anticipates that the overall demand for construction aggregate in the Hawaiian Islands, and particularly on Oahu, will increase as major infrastructure projects begin to impact demand, tourist-related investments quicken and military spending on construction related projects continues.

Vancouver

Demand for construction aggregate remained strong during the first half of 2008 but came under increasing pressure during the second half of the year as various mass transit and high rise residential building contracts were completed.

Under the terms of a five-year purchase and supply agreement, the Company commenced sales in March 2007 to a ready-mix concrete producer in Vancouver, who provides barges which are loaded at the Orca Quarry with sand and gravel. In common with the other served markets, Vancouver is experiencing a gradual decline in locally available aggregate and the Company has high expectations that this contractual relationship, now well established, will offer growth opportunities over the coming years.

THE COMPANY'S TARGET MARKETS

Los Angeles

During 2008, the Company made significant progress in the pursuit of its objective to acquire and develop new terminals situated along the western seaboard of the United States. As part of the Alliance with Cemex, a joint cooperation and development agreement commits both companies to locate, negotiate and develop new terminals in California, Oregon and Washington State. In a major realization of this agreement, the two companies purchased the Pier B Land on August 20, 2008 (as described above).

Subject to obtaining a satisfactory development permit, which the Company is currently progressing, the acquisition of the Pier B Land will enable the first stage construction of a major sand and gravel receiving, storage and distribution terminal, to supply aggregate from the Orca Quarry into the massive Los Angeles Basin area. The second stage of development at the Pier B Land will be the provision of a granite aggregate receiving, storage and distribution terminal to supply granite into the market in anticipation of the Eagle Rock Quarry Project becoming operational. In addition, Cemex is intending to site a ready-mix concrete plant on the Pier B Land, from which a significant part of the concrete requirements of the expanding Ports of Long Beach and Los Angeles might be served.

The recent sharp decline in the demand for construction aggregate in southern California has extended the remaining life of the existing quarries within the Los Angeles Basin area. As in northern California, the Company believes that the Federal and State stimulus packages described above will increase aggregate demand through 2010 and the Company, together with its strategic alliance partner, Cemex, will continually review development timing for the Pier B project.

San Diego

In conjunction with the Pier B initiative, the Company and Cemex are proposing to construct a second southern California marine aggregate terminal located within the Port of San Diego. Advanced negotiations to this end are currently underway with San Diego Port management, based on the shared utilization of the existing Cemex cement importation berth. The County of San Diego is very close to being devoid of local aggregate and has been importing millions of tons of replacement aggregate by road from quarries located in Irwindale, approximately 100 miles north west of San Diego. In common with California as a whole, western San Diego County is projecting population growth of around 60% from 2000 to 2050, which is expected to drive aggregate demand during a period when total aggregate reserves in this market will nominally be depleted by 2024. Against this background, the provision of a marine importation facility in the Port of San Diego, which could supply up to two million tons per annum, is greatly welcomed by those responsible for infrastructure planning. Assuming that development permits will be granted, the Company believes that the San Diego terminal could be in operation by 2012, when market demand is expected to benefit from the growth phase of the next economic cycle.

Others

Elsewhere in California, the Company and its strategic alliance partner are focusing attention on possible terminal developments at Port Hueneme in Oxnard County, north of Los Angeles, and at Sacramento in northern California. Consideration is also being given to the possibility of providing marine aggregate terminals in the State of Washington, where local aggregate shortages in urban coastal markets are creating importation opportunities for the Company and its strategic alliance partner, Cemex.

COMPETITIVE CONDITIONS

Overview

The construction aggregates industry is characterized by the delivery of large volumes of materials which have a relatively low intrinsic value and for which the cost of transportation frequently represents more than half of the final cost to the purchaser. Accordingly, transportation, handling and distribution costs and related considerations play a major role in assessing the viability of a new quarry.

Although the markets for aggregates are generally regarded as being relatively local to the sources of production, this is not always the case. Road deliveries dominate the distribution of aggregates overall and in many locations there are simply no alternatives. However, viable alternatives do exist in situations where the infrastructure is in place to accommodate such movements, specifically the existence of ports, or railroads, conveniently located within the markets to be served. In these situations, the aggregate source must also be either situated on navigable deep waters or adjacent to an appropriate rail line. When these alternatives for distribution are available, the physical location of the aggregate source has less significance. Both shipping and rail offer much lower haulage costs on a per ton-mile basis than trucks, with large self-discharge ships offering the lowest costs of all.

New Quarries

There are a number of competitive barriers to developing new resources into active quarries. Particularly prevalent today are the issues of environmental protection; the acceptability of the development to local communities; and the impacts from product shipments especially when using local road networks. In addition, issues of resource quality and quantity; climate; and the availability of water, labour, infrastructure, and power, may also influence whether or not a proposed operation is capable of being developed and is economically viable. The costs of identifying and securing the resource, obtaining permits and the required capital for development, are substantial and success usually takes many years. The combination of these factors, and the scarcity of the opportunities for such developments, means that the barriers to entry are high and the costs are tens of millions of dollars. There is no certainty of success. See "Risk Factors".

Competitive Modes of Transport

The rapid depletion of existing construction aggregate quarries in California demands significant ongoing investment by the quarrying industry in geological evaluation, permitting, and quarry development if the industry is to maintain current levels of indigenous production let alone meet the burgeoning demand created by continuing population growth.

There are three modes of long-hauled transportation for aggregate: road, rail, or sea. The viability of each transport system is determined by a number of factors, including the location of the resource, the availability of adequate road or rail systems, and the proximity of deep navigable waters.

In the case of rail and sea movements, receiving terminals are required, either within or near to the market area, to serve as the distribution points to the customers. These terminals must also have access to a good road system for final delivery.

It follows, therefore, that transportation decisions are site specific. Basic factors which influence decision making are:

Road — The cost per ton-mile of road transportation for construction aggregate is significantly higher than by rail or sea. As the cost of diesel fuel increases, road transport becomes less competitive on a ton-mile basis. As the highways become ever more congested this also increases the cost per ton-mile for road distribution as the rates are effectively driven by the time taken to complete a delivery which in turn is a combination of distance and speed. The effect of these logistics is to establish a zone around each source of supply within which that source is more competitive than alternatives. Generally, a supplier that locates near its customer base can expect to enjoy a competitive advantage over a more remote supplier.

Rail — The movement of construction aggregate by rail in the United States is well established in many regions, particularly the east coast and south eastern regions. The Company believes that the recent boom in container imports, particularly from Asia, and the increasing demand for coal exports, has largely absorbed existing rolling stock and line capacity primarily in coastal city locations. The large container ports on the west coast, Oakland, Long Beach and Los Angeles, make extensive use of the rail system for distribution.

United States rail companies have closed many tracks and consolidated operations and the Company believes that their ability to respond to the increasing interest of the aggregate industry, especially in California, may well be severely constrained by physical limitations. Rail policies that favour passenger traffic rather than freight and restrictions on hours for freight traffic may negatively affect the transport of aggregates by rail.

Rail operators have, in many instances, removed track in rural areas, and gaining access from a new resource to a rail service and permitting land within the major market areas for a rail receiving terminal development is very difficult. The cost of transporting aggregate by unit trains may depend on whether or not the rail cars have to be switched between one rail operator and another. Switching costs can add significantly to the cost of any particular movement and so a further constraint on rail development may be the desirability of finding resources and terminals connected by a single operator.

There are a relatively small number of existing rail reception depots for construction aggregates in the south San Francisco Bay area and also the greater Los Angeles area. The Company believes that significant further growth of rail competition is unlikely.

Sea — The Company believes the seaborne importation of aggregate from coastal quarries into the United States has grown significantly during the last decade. The growing availability of large vessels, offering cost-effective, long-distance bulk haulage capabilities and efficient self-discharge systems, has greatly reduced the cost per ton-mile for aggregate shipping. Logistical and environmental advantages such as proximity of ports to urban markets and to well established road access are other advantages of seaborne distribution. Quarries located in British Columbia, Nova Scotia and New Brunswick, the Bahamas, the Yucatan Peninsula and California Baja, Mexico now supply many coastal U.S. markets.

Ideally, when using seaborne distribution the mineral resource should be located next to suitably deep, navigable water where loading can take place directly from the quarry without the need to truck materials to a port. This is the case at the Orca Project. Access to suitable receiving port terminals within the markets identified is also critical to the economics of a project. Opportunities to develop suitable port terminals are limited and capital development costs are significant. The control of suitable terminals is a significant advantage for the aggregates business. Finally, cost effective shipping must be secured. The Company's strategy is to secure all three critical elements: resource, shipping and port terminals. The Company believes that, within its target markets, its cost base will be competitive with road and rail hauled materials.

Potential Competition

Prior to 2001, the supply of aggregate from British Columbia to California locations by sea was limited to periodic shipments of large-sized crushed rock, known as "riprap" used for sea defense and other civil engineering purposes. In particular, the Lafarge Group, a French-owned international building materials company, supplied large quantities of riprap from its quarrying operation on Texada Island, British Columbia, for the expansion of the Los Angeles ports. The Lafarge Group continues to supply sea defense rock from Texada Island and has a shiploader to enable its aggregate exportation business to grow in response to the increasing demand. The Texada Island facility produces crushed rock products whereas the Company supplies natural sand and gravel for concrete. As a consequence, the Company expects that the Lafarge Group will focus on road building material. This market is not currently being targeted by the Orca Quarry whose high quality concrete sand is a material for which there are shortages in the San Francisco Bay area.

In 2001, Hanson Plc, a UK international building materials company ("Hanson") entered into an arrangement to access sand and gravel from Sechelt, British Columbia. The operation at Sechelt is owned by Construction Aggregate Ltd., a subsidiary of Heidelberg Cement of Germany. Hanson has publicly disclosed that it commenced importing construction aggregate from Canada for the manufacture of concrete into the San Francisco Bay area in

2001. Hanson recently acquired Mission Valley Rock Company, which operates a two million ton per annum sand and gravel pit in the San Francisco Bay area. Hanson also operates a sand dredging company within the San Francisco Bay area and imports Mexican sand into San Diego and Los Angeles, California. In the summer of 2007, Hanson was acquired by Heidelberg Cement and re-named Lehigh Hanson. This development consolidated Construction Aggregates Ltd. and Hanson's west coast operations into a single entity.

Other seaborne competition may come from the coasts of Alaska, British Columbia, or Mexico. During the period 2000 to 2002, the Company carried out a search on the west coast of North America for suitable properties capable of shipping to California, and retained Mexican consultants to advise on that country's potential. A significant number of sites were examined in British Columbia. In Alaska, climate and remoteness, a lack of infrastructure, long distances to markets, and the U.S. *Jones Act* (which entails higher freight costs for aggregate deposits located in the United States) were the principal negative factors. Mexican potential was limited by poorer quality material, a lack of infrastructure, and limited fresh water for processing and washing.

In December 2007, the Producers Pit, a sand and gravel quarry located near Victoria British Columbia, closed due to exhaustion of reserves. This was a 2.2 million ton per year quarry owned by Construction Aggregates Ltd., a subsidiary of Heidelberg Cement, which shipped materials by barge to west coast locations.

The Company believes that the Orca Project offers a cost-effective source of high quality sand and gravel from coastal British Columbia.

The marketing objective of the Orca Project is to obtain a share of the present and increasing shortfall between current demand and indigenous supply of construction aggregates in California and markets along the west coast of North America, including Vancouver and Hawaii. Other new sources of supply will be required to fully satisfy market demand, including longer distance road deliveries from land-based sources together with additional sea or rail borne movements. The remaining local quarries currently have a competitive advantage on transportation costs in many market areas and their strategy over the past few years has been to increase selling prices. Plant expansion to meet market shortfalls is costly, it is often difficult to successfully permit, and may be uneconomical depending on the size of the remaining reserve.

The Company is not seeking to compete with or displace existing indigenous suppliers of construction aggregates to the target markets as transportation costs make this unachievable in many cases. Instead, the Company intends to become a competitive supplier that will be able to take advantage of the growing gap between existing supply and future demand. The Company intends to take advantage of local supply deficits in the target markets as demand continues to increase and local supplies continue to decline, as indigenous quarrying operations are depleted and local replacement resources cannot be established.

The Company believes that the Orca Project is a cost-competitive operation; however, other deposits within British Columbia are being investigated and advanced by other companies that could become competitors in the supply of construction aggregates to the target markets. See "Risk Factors" for further details.

The current downturn in the demand for construction aggregates is creating some pricing pressure in certain market areas in California. However, the combination of resolute and publicly announced determination by major producers to maintain pricing levels and pass through cost variations, particularly on fuel, coupled with high road freight costs facing rurally located quarries, considering supplying into urban coastal areas, has led to a stable pricing scenario in the markets supplied by the Company.

ORCA SAND & GRAVEL PROJECT

Overview

The Orca Quarry is a large, high quality, sand and gravel operation located on deep tidewater west of Port McNeill on Vancouver Island, British Columbia. The Company commenced quarrying and processing the sand and gravel resource in 2007 to produce construction aggregates products on site. Products are loaded directly into bulk carriers or onto barges and shipped to certain coastal urban markets of North America and Hawaii. The Orca Quarry was

originally considered to be comprised of three separate deposits being the East Cluxewe Deposit, the West Cluxewe Deposit and the Bear Creek Deposit. During 2008, the Company obtained tenure to certain Crown lands which lie contiguous to the East Cluxewe Deposit and are now referred to as the East Cluxewe Extension Deposit. The Company began development of the Orca Quarry, which includes the East Cluxewe Deposit and the associated plant and shiploader, in early March 2006. The Orca Quarry is presently permitted to produce up to six million tonnes of sand and gravel per year.

The Orca General Partner (the general partner of the Orca Partnership) obtained all approvals for the development of the East Cluxewe Deposit, these being a Mine Permit and Environmental Assessment Certificate from the Province of British Columbia and clearance for the development under the *Environmental Assessment Act* (Canada). As a consequence of the federal environmental clearance, the Company received a *Navigable Water Protection Act* permit from Transport Canada and a *Fisheries Act* authorization from Fisheries and Ocean Canada. On May 1, 2006, the Company entered into a foreshore lease with Her Majesty the Queen in right of the Province of British Columbia (the “Crown”) in respect of the ship loading facility.

The deposits comprising the Orca Quarry are readily accessible surface deposits. Extraction of the minerals utilizes simple open pit methods, which are traditional for the construction aggregates industry throughout North America.

In 2008, the Company engaged Greg Kulla, P. Geo., Ryan Ulansky, P. Eng., and Vladimir Solodkin, P. Eng., of AMEC (each a “Qualified Person” as such term is defined in NI 43-101 and independent of the Company) to prepare an updated NI 43-101 compliant technical report on the Orca Project dated November 27, 2008 (the “Orca Report”).

Unless stated otherwise, information in this section is summarized, derived or extracted from the Orca Report.

Certain information under this heading “Orca Sand & Gravel Project” is based on assumptions, qualifications and procedures that are set out only in the Orca Report. For a complete description of assumptions, qualifications and procedures associated with the information in the Orca Report, reference should be made to the full text of the report that is available for review under the Company’s profile on the System for Electronic Document Analysis and Retrieval (SEDAR) located at the website www.sedar.com.

Property Description and Location

The Orca Quarry produces high-quality construction aggregates from a large sand and gravel resource for export to the coastal city markets of North America, particularly in California, Vancouver and Hawaii. A production capacity of approximately six million metric tonnes per annum is presently permitted, with all products leaving the site in large ocean-going bulk carriers (Panamax class or similar) or barges that are loaded at a dedicated facility constructed on the adjacent foreshore.

The Orca Quarry site is approximately 4 km west of Port McNeill, Vancouver Island, British Columbia, and covers approximately 350 ha of land that was clear-cut logged 45 to 65 years ago. Construction aggregate produced from sand and gravel is a natural material benign to the environment. The production process of construction aggregates utilizes only physical processes, principally crushing, sizing, and washing, although small quantities of flocculants may be used to remove sediments from process wash water. Aggregates are the principal constituents of all forms of concrete and asphalt, and their wide range of applications makes them fundamental to providing homes, highways, schools, hospitals, and virtually all the facilities and infrastructure necessary to support modern society.

Accessibility, Climate, Local Resources and Physiography

The project pit at the East Cluxewe Deposit is located northwest of Port McNeill, British Columbia, on northern Vancouver Island, Canada. Port McNeill is accessible from Vancouver via scheduled daily flights by Pacific Coastal Airlines to Port Hardy, 40 km northwest of Port McNeill, or via ferry to Nanaimo, British Columbia and a 3.5-hour drive north on Island Highway 19. The pit is approximately 4 km from Port McNeill and is accessible from both Highway 19 and a network of logging roads maintained by Island Timberlands and WFP. Port McNeill experiences cool, moist weather typical of northern Vancouver Island. Annual rainfall in neighbouring Port Hardy averages

1,766 mm per year, with the majority falling during the winter months from September to April. Annual temperatures at Port Hardy average 8° C. July and August are the warmest months, averaging 17° C highs. Winter lows average 0.2° C. Temperatures occasionally fall below freezing during winter, but not for prolonged periods. The quarry operates year round.

Traditionally, logging has provided the economic base of Port McNeill, but tourism and sports fishing are becoming larger employers to the community. These resources are supported by a diversity of other businesses such as restaurants, grocery, and general stores. The community has a population of 3,000 people that includes an existing, skilled resource-based industrial workforce. Power supply for the processing and shiploading facilities is provided from an existing power grid that borders the project on its north and eastern boundaries. This power line supplied power to the now-closed Island Copper mining operation, which was located in the Port Hardy area. No upgrading was required to supply power to the project.

Water for product washing and domestic use (non-potable) is obtained from wells drilled on the property.

Northern Vancouver Island consists of three major physiographic units: the Nahwitti Lowland, the Susquash Basin, and the Vancouver Island Mountains immediately to the south. The Nahwitti Plateau dominates the northern tip of Vancouver Island, principally to the west of the coastal area. It is characterized by low relief and a smoothed upland, remnants of a dissected Tertiary erosional surface that slopes northward towards Cape Scott.

The Susquash Basin is a triangular-shaped area along the eastern margin of the Nahwitti Lowland extending between Port Hardy and Port McNeill. It is characterized by gentle, rolling to level topography below 300 m elevation, with scattered uplands or hillocks. The lowlands are underlain by gently dipping Cretaceous-Age sedimentary rocks of the Nanaimo Group; the hillocks are made up of Triassic-Age sediments volcanics of the Vancouver Group. Erosion and glaciation of the soft Cretaceous sediments in the basin have produced the lowland topography. The uplands are mantled by colluvial and glacial moraine deposits. Thick Quaternary glacial fluvial and lacustrine deposits consisting of fluvial and glacial-fluvial sand and gravel and marine lacustrine clay mantle the eastern lowlands in the Port McNeill area. The glacial-fluvial sand and gravel deposits formed 9,000 to 12,000 years ago from the melting of the mountain glaciers to the south. The alluvial and glacial-fluvial sand and gravel deposits are up to 100 m thick in the Cluxewe River area and are the principal targets in the project area.

History

The Orca pit and surrounding area have provided local resources of sand and gravel from several extraction operations. Within the proposed extraction boundary was the Hartford Pit which had been used as a sand and gravel resource by WFP. Quarry Lease No. 1407109, operated by the BC Ministry of Transportation, lies on the Southern border of the Orca pit. On the western border is the OK Paving pit which processes sand and gravel as feedstock for an on-site asphalt plant. The historical production from these pits is not known, but all are under active use.

Geological Setting

Regional Bedrock Geology

In late Middle Triassic time a few hundred feet of black argillite and siltstone were deposited (Parson Bay Formation). Basaltic lava welled up, forming a diabase sill and dyke-complex between the older Paleozoic rocks and the recently deposited Middle Triassic siltstones. Basalt was also sub-aqueously extruded in large quantities forming pillow-lavas. As the water dropped and the area became shallow and subject to wave action, close packed pillow-lavas were replaced by pillow-breccias and sub-aqueous tuffs. Eventually the volcanic shield rose above the water and basaltic flows, with vesicular tops and bottoms, erupted and reached a maximum thickness of about 3,000 m (Karmutsen Formation). In early Jurassic time, renewed island arc-type volcanism occurred and formed the Bonanza Volcanics. Volcanism was confined mainly to the southwestern part of the basin and/or to the outer arc where andesitic to rhyodacitic lava, tuff and breccia erupted, and intercalated with marine clastic sediments. Volcanism was coupled with major plutonic activity. Plutonism ceased in Middle to late Jurassic time. Uplift and erosion followed in late Jurassic time and clastic wedges were laid down on the outer shelf. Farther ocean-ward, flysch-type sedimentation occurred on the continental slope, or slope of the outer island arc and in a trench west of the arc.

Successively overlapping sediments show the eastward transgression of shelf sedimentation in early Cretaceous time. By late Cretaceous time the outer shelf emerged and sedimentation shifted to a northeasterly inner basin with varying marine, delta and lagoon conditions. Bedrock outcrops with and without colluvial veneers are common in the high relief areas south of Port Hardy and in the northwest and southwest corners of the project region, respectively. Scattered outcrops also occur in the highland area south of Port McNeill. The structure of the project region is dominated by block faults and exhibits a medial north northwest trending arch, flanked by fault blocks with outward dipping strata. The entire region is crisscrossed by irregular sets of steep to vertical faults of normal or strikeslip, but largely unknown, displacements. These blocks are divided by the Brooks Fault Zone into southeastern and northwestern groups.

Local Geology

The Susquash Basin borders these blocks on the northeast, and the Pacific Rim block forms the continental slope on the southwest. The Orca Quarry is located at the convergence of several major faults and fault zones. It is underlain by Upper Cretaceous Nanaimo Group sediments, overlying Karmutsen lavas and is pierced by several later Tertiary volcanic structures. The local area is chiefly underlain by the Vancouver Group, consisting of a basal Middle Triassic sediment-sill unit, a thick pile of Triassic basaltic volcanics (Karmutsen Formation), Upper Triassic carbonate, pelitic and volcanoclastic sediments (Quatsino and Parson Bay Formations), and a Lower Jurassic sequence of basaltic to dacitic effusive and pyroclastic volcanics with minor intercalated sediments (Bonanza Subgroup).

Property Geology

The East Cluxewe Deposit rests on flat-lying bedrock of Cretaceous-Age sediments of the Nanaimo Group. The sedimentary bedrock consists principally of coarse sandstone grit with minor inter-bedded shales and coal horizons. The sediments have been intruded by a small andesite body which is exposed in a rock quarry on the east side of the Cluxewe River. It was also intercepted at the bottom of two drill holes. This intrusive body is one of a series of Tertiary-Age intrusives that were emplaced along a northeast structural trend through the northcentral part of Vancouver Island.

The sand and gravel deposit is overlain by overburden material consisting of Podzolic soils that are formed under cold and temperate coniferous forests from the degradation of needles. Overburden material thickness is in the order of 1 m to 2.5 m. The sand and gravel deposit consists of two clearly definable horizons labeled Stratum A (upper) and Stratum B (lower). Material in Stratum A is a mixture of coarse aggregate with fine aggregate in the interstitial spaces. Stratum B is represented by fine to medium sand. The sand and gravel deposit is well exposed in 12 pits and road cuts along its 11,000 m length. A third horizon labeled Stratum C (lowest) was identified which consisted of a very fine sand and silt. This stratum contains silt or fines in excess of 40% and is considered to have no economic value and therefore does not form part of the resource. The sand and gravel is composed predominantly of volcanic material with minor granitic material, dark dyke rock, limestone, and metamorphic material.

Deposit Types

The East Cluxewe Deposit is a well-sorted, fluvio-glacial sand and gravel deposit that reflects a regressive depositional environment. The upper layers consist of approximately 40 m of coarse sands and gravels. This is followed by a layer of predominantly medium and fine-grained sands with minor coarse sand and silts. This middle layer ranges from 22 m thick on the eastern edge of the deposit to almost no thickness at all on the west side near local bedrock highs. Below this is a lower layer of very fine sands and silts.

Mineralization

The East Cluxewe Deposit is situated between the Cluxewe River to the west and Highway 19 to the east and a British Columbia government quarry to the south. The deposit trends northwest and is approximately 3,000 m long and 1,000 m wide and has an average thickness of 60 m. Extensions of the deposit to the northwest and to the southeast are evidence in existing pits and exploration drill holes.

Two reasonably contiguous and homogenous economic horizons have been identified within the East Cluxewe deposits. Stratum A, material in the upper horizon, is approximately 40 m thick and is a mixture of coarse aggregate with fine aggregate in the interstitial spaces. Stratum B, the lower horizon, ranges from 22 m thick on the eastern edge of the deposit to almost no thickness at all on the west side near local bedrock highs and is a mixture of fine to medium sand. The sand and gravel are composed predominantly of volcanic material comprised of approximately 70% granite and 30% metamorphic material. Stratum C, a third and the lowest horizon identified consists of a very fine sand and silt. Stratum C contains silt or fines in excess of 40% and is considered to have no economic value.

Exploration and Drilling

From May to October 2003, a detailed program of road building, line cutting, mapping, surface sampling, and shallow seismic was carried out. The seismic program was undertaken by Frontier Geosciences Inc. ("Frontier"), of North Vancouver, British Columbia. Frontier was also responsible for the interpretation of the results. During May and June 2003, Frontier completed a total of approximately 10 km of seismic refraction survey involving 15 separate seismic lines. On the East Cluxewe Deposit, 11 seismic lines were laid out in an east-west, sub-parallel arrangement at approximate spacing of 250 m to 300 m apart. Three lines were run on the smaller West Cluxewe Deposit. One line was run near a gravel pit approximately 1.5 km east of the main East Cluxewe area.

Polaris conducted a drilling program on the Orca Quarry from September 19 to 29, 2003. Polaris established the hole locations after consultation with Beck & Associates Geo-consultants Inc. and a review of the exploration seismic data. The goal was to improve upon the geological interpretation of the deposit and obtain representative samples for quality analysis.

In 2008, a 24-line kilometer high resolution resistivity survey was completed by Golder and Associates in the East Cluxewe Extension areas southeast of the East Cluxewe pit. Confirmation and exploration drilling was also completed in 2008 within the East Cluxewe pit, at the West Cluxewe target to the northwest and the East Cluxewe Extension lands to the south. This geophysical program and new drilling within the West Cluxewe and East Cluxewe Extension areas were not reviewed by AMEC and were considered to have no impact on the East Cluxewe resources.

In 2008, Orca completed 969.4 m of reverse circulation drilling in 35 holes. Seven holes were drilled as infill holes along the western flank of the East Cluxewe resource area. Analytical results from the 2008 drill program were completed at the writing of the Orca Report but have not been reviewed. AMEC examined drill logs and sample material from these holes and concludes that the 2008 drilling in the East Cluxewe resource area has confirmed the interpretation as presented in the geologic model. If included in an updated mineral resources estimate these holes would likely allow reclassification of some Indicated material to Measured but will not result in a reduction or addition to the resource tonnage estimated in 2005. Ten exploration holes were drilled at the West Cluxewe area, 14 were drilled in the East Cluxewe Extension area and four were drilled in the Cougar area. All holes were vertical. These holes will not impact the East Cluxewe resource estimate.

Sampling, Analysis and Data Verification

Sampling

Samples used for deposit evaluation include surface grab samples and reverse circulation drill hole samples. Surface grab sampling was primarily used for reconnaissance mapping purposes to focus the search to a specific gravel and sand deposit in the area. This was followed up by the detailed sampling from the reverse circulation drill holes on the East Cluxewe Deposit. Polaris established a standardized procedure for recovering, collecting, logging (recording), and representatively sampling the material from the reverse circulation drilling program.

One set of 3.1 m (10 ft.) individual samples and the 16.8 m (60 ft.) composite samples were shipped to laboratories in Burnaby and Surrey, British Columbia for analysis work. The other sets were retained at a warehouse in Port McNeill. No special security measures were taken for loading and transporting the samples to the laboratories other than those for normal freight transport. Samples were transported from the Port McNeill warehouse to the laboratories in Vancouver by a contracted highway trucking firm.

Analysis

All of the 3.1 m (10 ft) individual samples and the 16.8 m (60 ft.) composite samples were sent to AMEC Earth and Environment's geotechnical testing laboratory in Burnaby, British Columbia. Additional testing on the composite samples were performed at Golder Associates' material laboratory in Surrey, British Columbia. All tests performed are standard tests of the American Society for the Testing of Materials ("ASTM") or the California Department of Transportation ("Caltrans").

During 2007, Caltrans submitted samples of Orca aggregates to Kleinfelder Laboratories in Pleasanton, California, for testing by the ASTM C-1260 method, Potential Alkali Reactivity of Aggregates. Kleinfelder Laboratories reported the results for both coarse and fine aggregates were "innocuous". These results formed the basis for Orca aggregates being approved for use in reduced mineral admixture concrete in California.

Data Verification

AMEC technical staff visited the Port McNeill office/warehouse and the East Cluxewe Deposit site on August 11, 2005 and August 21, 2008. During the 2008 visit, the processing facilities, stockpiles and Cluxewe pit excavation site and drill sites were reviewed. Old and new drill sites were accessed to confirm activity had taken place. The reported locations of the 2008 holes were determined by handheld GPS and have been re-surveyed by a professional land surveyor in September 2008. In general the holes were determined to be situated as reported on drill plans. In addition, the access road cuts were examined to confirm the generally thin cover of soils above the gravel deposit.

In 2008 and in 2005, AMEC opened several of the five gallon retained sample and composite pails. Material was checked for mineralogy, and the size distribution was noted and compared to the sample interval reported on drill logs. This helped verify the premise that the coarser gravel material was at shallower depths than the finer sand material. Also, the sample tag information was compared to the information written on the outside of each pail. This information matched for all pails examined.

Security of Samples

No special security measures were taken for loading and transporting the samples to the laboratories other than those for normal freight transport. Samples were transported from the Port McNeill warehouse to the laboratories in Vancouver by a contracted highway trucking firm, Overland Freight Lines Ltd. of Victoria, British Columbia. All sampling was carried out by the Company's staff.

The sampling, sample preparation, security and analytical procedures meet industry standards and sample results are considered suitable for use in resource estimation. In addition, production since February 2005 has met expectations as modeled in the 2005 resource estimate and further validates the sampling.

Mineral Resources and Mineral Reserves Estimates

Mineral Resources

In 2005, AMEC prepared a feasibility study outlining the mineral resource and reserve estimate at the East Cluxewe Deposit. Since 2005, the Company has completed construction of the processing and shiploading facilities and has begun production. In 2008, AMEC prepared an updated feasibility study as part of the Orca Report. Supporting documentation on market, supply contracts, receipts for product sales and operating costs demonstrate the mineral resources outlined in the 2005 feasibility study are economically mineable, which is a requirement to meet the definition of mineral reserve, as stated under CIM Definition Standards for Mineral Resources and Mineral Reserves, and which are incorporated by reference in NI 43-101. After conversion of resources to reserves the remaining resources are zero.

Mineral Reserves

The reserves represent sand and gravel aggregate of a quality suitable for concrete applications. The following factors were used in determining reserves for the East Cluxewe Deposit:

- 2.01 In Situ Specific Gravity;
- 2% loss at the contact with the soils and subsoils; and
- 3% loss of fine material (silt) as determined from the mine scheduling material balance. The AMEC process plant feasibility study, April 2005, estimated 4% silt material.

Volumes were constrained within a conceptual pit above the water table and classification was established by distance from nearest data point. Material lying within 300 m of a drill hole data point and within the pit boundary is classified as Proven. All other material within the pit boundary is classified as Probable.

The reserves figures of the Orca Quarry are set out in the table below. For a complete description of assumptions, qualifications and procedures associated with the information in the Orca AMEC Report, reference should be made to the full text of the report that is available for review on SEDAR at www.sedar.com.

<u>Name</u>	<u>Tonnage (mt)</u>		<u>Proven & Probable Reserves</u>
	<u>Probable Reserves</u>	<u>Proven Reserves⁽¹⁾</u>	
East Cluxewe Deposit			
Stratum A (Coarse Aggregate).....	16.6	78	94.6 ⁽²⁾
Stratum B (Fine Aggregate).....	6.5	20.5	27 ⁽³⁾
Total.....	23.1	98.5	121.6

Notes:

- (1) The mineral reserves have been categorized in accordance with the classifications defined by CIM. Mineral reserves are a subset of the mineral resource numbers. The two quantities cannot be added together or combined in any way and do not take into consideration depletion due to production at the Orca Quarry in 2007 and 2008.
- (2) Represents 77.8% of the total.
- (3) Represents 22.2% of the total.

Since production began, the East Cluxewe reserves have been depleted by mining by 2.93 million tonnes. After processing, the amount of saleable product is calculated at 2.88 million tonnes. A summary of the production from East Cluxewe as of August 25, 2008 is as follows:

<u>Material Processed</u>	<u>Sand Produced</u>	<u>Small Gravel Produced</u>	<u>Large Gravel Produced</u>	<u>Total Production</u>	<u>Percentage Sand</u>	<u>Percentage Small Gravel</u>	<u>Percentage Large Gravel</u>	<u>Percentage Process Loss</u>
2,926,796	1,744,344	540,705	596,936	2,881,985	60%	19%	21%	2%

Note:

- (1) Sand, small gravel and large gravel percentages measured relative to total production. Process loss measured relative to material processed.

Mining Operations

Construction of the Orca Quarry was completed in February 2007 for an overall budget of US\$53 million, including the marine shiploading terminal, and production began that same month. Three 24 cubic metre tandem-powered self-loading scrapers excavate run-of-pit materials. A single tracked dozer supports the scrapers by developing the initial access across and down the production face for each phase of extraction which are approximately 30 m wide established on a downward gradient traversing the production face. To maintain a balanced production face, access to sequenced phases alternate between the established return routes located on the east and west extraction limits of the pit. A front-end loader is used to recover bench remnants and clean up spilled materials.

Material Processing

The materials handling portion of the project consists of a receiving hopper equipped with a grizzly screen to prevent large boulders from passing onto the field-collecting conveyor. This hopper receives “as-dug” sand and gravel excavated from the working face by the scrapers. In later years, the receiving hopper will be relocated, and additional collecting conveyors will be installed to suit the mine plan. The field conveyor system transports the sand and gravel from the hopper onto a surge storage stockpile ready for processing.

The processing of the sand and gravel is relatively simple. It consists of screening to separate the individual particle sizes, crushing of oversize gravel that is larger than 25 mm, followed by washing of the products. Material is reclaimed from the run-of-pit storage stockpile by feeders and conveyors mounted in a multi-plate reclaim tunnel to feed the necessary screens, crusher, and sand washing system. Fine material (silt), which is removed during the washing process, is sent to a thickener tank and filter press system where it is collected and eventually used in the site reclamation.

The various products are loaded aboard a ship at a maximum rate of 4,500 tonnes per hour. The products, ready for shipment, are stacked in four stockpiles, one for large gravel (minus 25 mm x 12.5 mm), one for small gravel (12.5 mm x 4.75 mm), and two for concrete sand (minus 4.75 mm). Each stockpile has an estimated live capacity of 30,000 tonnes with a total capacity of approximately 120,000 tonnes per pile. Three belt or gravity gate feeders under each stockpile withdraw the gravel and sand and feed a common reclaim conveyor running through a multi-plate reclaim tunnel beneath the product stockpiles. Any one of the belt or gate feeders under each stockpile can deliver 1,000 tonnes or more per hour. The reclaim conveyor carries the products from the reclaim tunnel onto the overland conveyor system that terminates at the shiploader. A service road runs along the length of the surface-mounted conveyors from the end of the reclaim tunnel to the shore.

Reclamation

Reclamation of the pit will be progressive, and has already commenced with the first portion of the ultimate pit wall being reclaimed. As progressive reclamation continues, the soils salvaged ahead of the mining advance will be hauled directly to areas ready for reclamation. Progressive reclamation will keep the total area under disturbance to a minimum.

Production Forecasts

The Orca Quarry was designed and permitted to produce up to six million tonnes of sand and gravel per year, operating on a two-shift basis, with an operating life of approximately 25 years. However, the 2008 Orca AMEC Report confirmed that if operations are extended to a 24/7 basis, the capacity of the existing processing plant should be 8.7 million metric tonnes per annum. To achieve this increased production, the Company will need to obtain a revised mine permit, however, management believes that changing the permit will not be unduly difficult. Production will be entirely dependent upon the demand for the Company’s products.

Financial Analysis

AMEC has reviewed the Orca Project cash flow forecasts and conclude that they are reasonable and that they support the mineral reserves declared in the Orca Report. The project case (100% Equity) was analyzed using a discounted cash flow approach, stated in Q4-2008 after-tax dollars. The cash flow projections incorporate the capital costs, including working capital, operating costs, production and sales volumes, and sales revenues over the remaining 17-year life of the project. The projections also incorporate the capital costs, including working capital, and operating costs of the Richmond Terminal, and the costs of shipping construction aggregates from the Orca Project to San Francisco Bay and, later, to southern California. The estimated after-tax net cash flows starting from year 2009 until the end of mine life were used to determine the net present value (“NPV”).

The total sustaining and facility development capital expenditure is estimated at US\$57.75 million, including US\$14.07 million for the Orca quarry and the plant, US\$46.08 million for developing additional receiving terminals such as Pier B in Long Beach, California, and a net working capital gain of US\$2.40 million due to the recovery of

working capital invested in previous years. Life-of-mine cash production costs of the quarry, including royalties and overheads, are estimated at US\$2.55/st, starting at US\$3.72/st in 2009 and declining to US\$2.43/st when targeted production is planned to be achieved in 2015. The economic evaluation results confirmed the viability of the Orca Project, including the Richmond Terminal. Based on the inputted parameters, the NPV of the project case is estimated at US\$266.70 million (at a 10% discount rate). The payback period is estimated at 6.6 years from the start of year 2009 and the internal rate of return (“IRR”) is estimated at 22.1%.

A second case, the beneficial case, was prepared, which recognized the different beneficial interests of the Company in the Orca Project and the Richmond Terminal. The beneficial case also incorporates the capital lease that has been arranged by the Company and that is expected to be arranged, and the financing arrangements of the Company’s First Nations partners for their shares of the development costs of the Orca Project and the Richmond Terminal. The NPV of the beneficial case is estimated at US\$208.91 (at 10% discount rate). The payback period is estimated at 6.4 years from the start of year 2009 and the IRR is estimated at 22.8%.

Environmental and Mine Permits

Environment

The Canadian Environmental Assessment Agency’s Comprehensive Study Report, dated June 30, 2005, concluded that, “Based on the information contained in the Application; communications with agencies and First Nations, and the public; and the Proponent’s responses and commitments, the responsible authorities concluded that the Project is not likely to cause any significant adverse environmental effects”. On October 5, 2005, the Federal Minister of the Environment issued his Decision Statement concluding “No additional information is necessary and that there are no public concerns that need to be further addressed.”

The British Columbia Environmental Assessment Office issued Environmental Assessment Certificate M05-1 on July 14, 2005. Schedule B of this certificate, the Compendium of Proponent Commitments, outlines proponent requirements during construction, operation, and closure of the project, addressing: project design, vegetation, reclamation, wildlife, groundwater, rivers and creeks, marine water quality, marine fish habitat, marine species, air quality, viewshed, noise, employment, archaeology, First Nations, and safety. See “Risk Factors”.

Mine Permit

The BC Mines Permit G-225, issued July 28, 2005, outlines the conditions for the reclamation program. A security bond totaling \$1 million was required which the Company has paid.

EAGLE ROCK QUARRY PROJECT

Overview

The Eagle Rock Quarry Project is a large high quality granodiorite (commonly referred to simply as “granite”) deposit located on deep tidewater 15 kilometers south of Port Alberni, British Columbia on the west coast of Vancouver Island. The Eagle Rock Quarry Project is 70% held by the Company, 10% held by the Hupacasath First Nation (indirectly), 10% held by the Ucluelet First Nation (indirectly) and 10% held in trust should the Tseshaht First Nation participate. It is located on land held by the Crown within the asserted traditional territories of the Hupacasath, Tseshaht, and Ucluelet First Nations. Eagle Rock holds a 50-year Crown lease for the quarrying of crushed rock and sand and gravel resources and covers 339 hectares. Eagle Rock has also applied for a foreshore lease from the Port Alberni Port Authority over a portion of the adjacent foreshore where the ship loading facility would be developed. The directors of the Port Alberni Port Authority have approved the lease, in principle, and negotiations of the commercial terms for the lease are in progress. Although the Company anticipates that it will enter into such foreshore lease, no definitive agreement has been reached in this regard and accordingly no assurance can be given that such agreement will be reached.

A mine permit was obtained for the Eagle Rock Quarry Project in 2003 and the Company is seeking market outlets that would support the development of the Eagle Rock Quarry Project to produce crushed rock construction aggregate products on site. Products would also be shipped in bulk carriers to coastal urban markets in the Pacific.

The Company engaged Larry B. Smith, R. Geo., C.P. Geo. (who is a “Qualified Person” as such term is defined under NI 43-101 and is independent of the Company) to prepare a NI 43-101 compliant technical report on the Eagle Rock Quarry Project dated November 18, 2005 (the “Eagle Rock Report”). Mr. Smith is employed by AMEC E&C Inc. (“AMEC E&C”) in Glendale, Arizona. The Eagle Rock Report provides an independent technical review of the mineral resources, operations, and development of the Eagle Rock Quarry Project as at November 18, 2005.

Unless stated otherwise, information in this section is summarized, derived or extracted from the Eagle Rock Report. The following information under this heading “Eagle Rock Quarry Project” is based on assumptions, qualifications and procedures that are set out only in the Eagle Rock Report, unless otherwise stated. For a complete description of assumptions, qualifications and procedures associated with the information in the Eagle Rock Report, reference should be made to the full text of the report that is available for review on SEDAR at www.sedar.com.

During 2003, the Company engaged AMEC to carry out a feasibility study for the Eagle Rock Quarry Project development and to review a Preliminary Assessment which had been internally prepared. The Company terminated work on the feasibility study prior to completion when it became clear that the prevailing market conditions for aggregates at that time were favouring the development of the Company’s sand and gravel quarry first. During 2008, the Company engaged AMEC to continue the preparation of and complete the feasibility study for the Eagle Rock Quarry Project. Completion of the study is anticipated during 2009.

Property Description, Tenure and Location

The Eagle Rock Quarry Project comprises a large granite deposit located on deep tidewater 15 kilometers south of Port Alberni, British Columbia on the west coast of Vancouver Island.

Eagle Rock holds a 50-year Crown lease for extraction of crushed rock and sand and gravel resources covering the entire area of granodiorite, sand and gravel being considered for mining. The Eagle Rock Quarry Project includes minor occurrences of sand and gravel which are not considered suitable for commercial development but may be used as an aggregate for site development and construction. The lease covers 339 ha and commenced November 1, 2005. Mineral claim and lease boundaries have been surveyed.

The Company originally staked two foreshore lease applications of 25 ha and 6 ha to provide docking facilities north and south of Hocking Point. Eagle Rock subsequently dropped the 25 ha lease to the south in favour of extending the 6 ha lease to 12.5 ha to the north of Hocking Point where water conditions are much better. On January 16, 2002, an agreement was approved by the Port Alberni Port Authority under which Eagle Rock would assume the lease of the southern portions of certain lots thus extending the 6 ha foreshore lease application to the north. The Surveyor General of British Columbia agreed to these revised boundaries, and on September 23, 2004, designated the 12.5 ha parcel as District Lot 2178. This foreshore area is located to the north of Hocking Point and is suitable for ship loading according to a sonar survey.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Eagle Rock Quarry Project is reached by traveling 28 km southwest of Port Alberni on the Macktush Creek and Cous Creek logging roads. The proposed quarry area is comprised of low, tree-covered hills, which have been extensively logged, along the west side of the Alberni Inlet. This area can also be reached by boat at a distance of 15 km southwest of Port Alberni.

The west side of Vancouver Island has a relatively humid and cool climate. Average daytime temperature in the summer is mid 20° C. The average temperature in winter is approximately 0 C. West Vancouver Island is one of the wettest environments in the Pacific Northwest. Annual rainfall is in excess of 100 cm. The proposed Eagle Rock Quarry Project is expected to operate year-round.

Topography at the project is moderate, consisting of a series of terraces that rise from sea level along the shore of the inlet to an elevation of 333 m at a point 1.5 km west of Hocking Point. Bounded by Featherstone Creek on the north, which empties into the Macktush Inlet immediately to the south of the Macktush campsite, and by Cook Creek on the south, the proposed quarry site forms a broad hill approximately 2 km by 1.2 km. This hill is located immediately west of a large topographic bench, which is immediately above tidewater.

The western half of the bench contains sand and gravel deposits. The east half of the bench is proposed as a site for stockpiling and conveying of crushed rock. The proposed quarry area is not cut by perennial streams and has numerous areas where ponds can be constructed for settling fines washed from crushed rock.

Port Alberni is a deep-water port serviced by a community of approximately 19,000 inhabitants. The timber industry and related shipping has been the main source of commerce, but these activities have decreased significantly in the last decade. The local labour force is highly skilled.

The Alberni Inlet is 30 km long and is routinely navigated by ships (lumber carriers) of 43,000 to 56,800 dwt. The Pacific Pilotage Authority located at Cape Beale manages pilotage within the Inlet. Tugs are available in Port Alberni.

During the course of the feasibility study in 2003, BC Hydro confirmed that it would make power available to be supplied through a 25 kV overhead pole line from Port Alberni to the quarry site along existing logging roads at that time. Budget prices were sought from three specialist contractors and were of a similar magnitude to the cost of an on-site diesel generation facility. The Environmental Assessment Certificate held by Eagle Rock was issued on the basis of on-site diesel power generation and an amendment will be required if the BC Hydro grid supply is to be pursued; in addition easements and permits for the pole line over the lands between Port Alberni and the quarry site would be required.

Water for product washing and domestic use (non-potable) will be obtained from holding ponds constructed near the processing facilities with water diverted from South Creek.

History

The Company conducted a review of potential quarry sites in 2001 ranging from Mexico to Alaska. This work resulted in the identification of the Eagle Rock Quarry Project site as the most suitable. In early 2001, the Company commissioned a report to prepare a conceptual study of the aggregate site. This report was used to support the Company's Crown land application and foreshore lease applications.

An exploration program was commenced in January 2002 to better define the development potential of granite resources on the property. Work was designed to determine the suitability of granodiorite for use as concrete and asphalt aggregate and to demonstrate the continuity of these characteristics within the area of interest.

Concurrent with exploration studies, the Company prepared a preliminary assessment of the Eagle Rock Quarry Project in 2002 (the "Preliminary Assessment"). The Preliminary Assessment included an evaluation of aggregate markets in California, review of options for shipping, consideration of appropriate mining, processing, and reclamation plans, evaluation of social, economic, and environmental planning factors, development of preliminary capital and operating costs and preliminary financial modeling of the proposed operation.

The Company also commissioned studies of major aggregate markets in California including the 2005 Market Report (see "Industry Overview – Market and Sales Strategy for Construction Aggregates" for further details).

In July 2002, Eagle Rock was formed as a joint venture with the Company having a 70% interest and the remaining 30% interest held equally divided between the Hupacasath, Ucluelet and Tseshaht First Nations (the latter held in trust by the Company) as to 10% each. In October 2002, the Company, through its wholly owned subsidiary Quality Rock Holdings Ltd., entered into the Eagle Rock Shareholders Agreement with the Hupacasath and Ucluelet First Nations to govern the affairs of Eagle Rock.

In late 2002, Eagle Rock commissioned AMEC to prepare a feasibility study of the Eagle Rock Quarry Project, including updated quarry designs, design of process facilities and infrastructure, geotechnical investigations, environmental considerations, project execution plan and capital and operating cost estimates. The study was continued until March 2003, but was not entirely completed at that time because the Company made the strategic, market-driven decision to develop the Orca Project first and defer development of the Eagle Rock Quarry Project. The Company has resumed preparation of the feasibility study, which is being updated and completed by AMEC as a continuation of their previous work, and is anticipated to be complete during 2009.

Eagle Rock was granted a 50-year Crown lease covering the upland portion of the project commencing November 1, 2005. An agreement in principle was made with the Port Alberni Port Authority and the landowners for the foreshore portion of the project for the docking facilities and the terms of the draft lease are currently being negotiated.

In 2005, the Company commissioned AMEC to prepare a NI 43-101 compliant report of the Eagle Rock Quarry Project, and that report is the Eagle Rock Report which was completed on November 18, 2005.

Eagle Rock was issued a Mine Permit on September 24, 2003 for the Eagle Rock Quarry Project. An Environmental Assessment Certificate for the Eagle Rock Quarry Project was granted on September 17, 2003 and was subsequently extended, for five years, on September 2, 2008. A conditional water licence was granted on March 15, 2005.

Geological Setting

Regional Geology

The Eagle Rock Quarry Project is located in the southern part of the Insular Belt of the Canadian Cordillera. The region is underlain by Paleozoic, Mesozoic, and Cenozoic age sedimentary, igneous, and metamorphic rocks, which are partitioned by a northwesterly-aligned structural fabric. Devonian calc-alkaline, marine volcanic rocks of the Sicker Group are the oldest rocks in the region. These are present north of the project near the head of the Alberni Inlet. Acid volcanic flows and pyroclastic rocks of the Jurassic Bonanza Formation and tholeiitic lavas of the Triassic Karmutsen Formation overlie the Sicker Group. Karmutsen volcanic rocks underlie most of the area surrounding the proposed quarry site. Early Jurassic granitic plutons of the Island Intrusive suite, which is the same age as Bonanza Formation volcanic rocks, intrude all layered sequences. The plutons occur as a series of relatively small, three to ten kilometre long stocks, most commonly located within the cores of anticlines.

Local Geology

The metamorphosed sedimentary and volcanic rocks of the Alberni Inlet region are folded along northwest trends within a broad anticlinorium termed the Buttle Lake Anticlinorium. The anticlinorium is characterized by broad, open folds in the Karmutsen volcanics and more irregular folds and thrust faults in the Sicker Group and Bonanza Group volcanics. Folds are cut by numerous faults and shear zones orthogonal to fold axes.

The northwest trending, Cowichan Anticlinorium is the most prominent feature in the Alberni region, located near the top of Alberni Inlet. Subsidiary folds are both parallel and oblique to the trend. The subsidiary Macktush Anticline in the project area displays a broad open fold in the massive lavas of the Triassic age Karmutsen Formation, with an axial plane strike of 315° azimuth and symmetrical dips of 30°. A felsic granitic intrusion on the westerly flank of the Corrigan Pluton intrudes massive pillow lavas of the Triassic age Karmutsen Formation along the axis of the anticlinorium in the project area.

Property Geology

Three mappable rock units are present in Eagle Rock Quarry Project: a Jurassic age granitic intrusion of the Island Intrusive Suite, a quartz-feldspar porphyry dyke and the Triassic age Karmutsen Formation consisting of massive basaltic lavas.

The granitic intrusive underlies the majority of the project area. It measures 3 km by 2 km and intrudes Karmutsen lavas in the core of the Macktush anticline along a north trend. The quartz feldspar porphyry dyke intrudes the granitic intrusive in the centre of the project area along an east-west trend. It varies in width from 5 m to 30 m and has been mapped along a strike of 800 m. The Karmutsen Formation massive basaltic lavas are present in the northeast and southwestern margins of the project area and are in fault contact with the granitic intrusive.

Exploration

The Company developed an exploration program to define the continuity of physical and chemical characteristics of the Corrigan granodiorite over the entire area proposed for quarrying. This program consisted of the following elements:

- detailed mapping of outcrops and road cuts;
- collection of bulk samples from road cuts for materials testing;
- drilling nine core holes at a nominal spacing of 0.5 km. Design depth of each core hole was the base of the proposed quarry (75 m elevation);
- detailed geological and geotechnical logging of core;
- sampling of core for materials testing;
- thin-section studies;
- geochemical analyses of seven granodiorite samples.

Geological Mapping

Logging roads traverse a majority of the proposed quarry site. Roads generally follow natural terraces in the granite and are spaced at nominal horizontal and vertical intervals of from 200 m to 300 m and from 50 m to 75 m, respectively. Although vegetation is relatively thick, outcrops of bedrock comprise from 25% to 40% of south-facing slopes in the quarry area. Outcrops are scarcer along the north edge of the proposed quarry where slopes are north facing. The availability of outcrops and road cuts is highly advantageous for mapping physical characteristics of the granodiorite and structures such as fault and fracture zones. Outcrop and roadcut exposures are almost continuous between drill holes and the granodiorite intrusive is highly uniform throughout this area.

The Company geologists mapped road cuts and outcrops in the period between January 8 and March 5, 2002. Geological and geotechnical features were logged at points spaced at a nominal 150 m throughout the map area. The mapping was carried out in a manner that produced data for a majority of surface exposures throughout the entire planned quarry area at elevations from approximately 100 m to the top of the hill at 333 m. A total of 143 sites were mapped.

Jointing is the dominant mappable feature observed in the uniform granite. The Company measured Rock Quality Designation ("RQD") and joint orientations at all surface geological data points and performed detailed logging of joint condition, number of joints and RQD measurements on drill core. AMEC and the Company also plotted RQD measurements on a topographic plan of outcrop locations for the property.

The orientation and frequency of jointing in the Corrigan granodiorite should be beneficial to excavation of an even-sized coarse fraction prior to placement of materials in a primary crusher. Optimal blasting design will need to be determined to produce the best combination of feed to the primary crusher and limit production of fines. The jointing may also be beneficial to development of angular (square) fracture faces in crushed rock, a desirable characteristic for asphalt aggregate.

Exploration, geological mapping, sampling and drilling demonstrate that the physical characteristics of the Corrigan granodiorite have a very high continuity across the proposed quarry area.

For a more detailed discussion of exploration activities conducted at the Eagle Rock Quarry, including results of surveys and investigations, the procedures and parameters relating to such surveys and investigations, and the more detail on the interpretation of the exploration information, see the Eagle Rock Report available on SEDAR.

Mineralization

The host rock for the Eagle Rock Quarry Project is a granitic intrusion identified as the Corrigan Pluton (the "Pluton"). The Pluton measures 3 km by 2 km and intrudes into surrounding Karmutsen Formation lavas. The proposed quarry site is approximately 1.5 km across and is positioned in the centre of the Pluton, away from areas that potentially could have a high frequency of volcanic inclusions or zones of more intense shearing.

This intrusion is a light grey-white weathering, non-foliated granodiorite. It is medium grained, slightly porphyritic, uniform granodiorite to potassium quartz diorite. The granodiorite consists mainly of from 45% to 75% plagioclase generally with more calcic cores and sodic rims, anhedral to subhedral 1 mm to 3 mm crystals. Quartz ranges from 15% to 25% as interstitial 0.5 mm to 2.0 mm grains containing a few inclusions of mafic minerals and K-spar. Potassium feldspar averages 10% to 15% and occurs as anhedral 0.5 mm to 1.0 mm grains. Many grains contain dusting of hematite with patches of calcite-epidote replacement. Mafic minerals comprise from four to five percent of the rock and consist mainly of 0.3 mm to 0.88 mm crystals of biotite with or without hornblende, with slight alteration to chlorite. Opaque minerals average from 0.3% to 0.5% and are generally magnetite.

The dominant alteration is propylitic with slight alteration of the feldspars to chlorite and sericite, and biotite partly altered to chlorite. Potassium feldspar contains dusty hematite and patches of carbonate-epidote. Inclusions of fine to medium-grained diorite or meta-volcanics comprise less than 1% of the rock.

Thin section studies revealed no petrographic characteristics that might be deleterious, nor the presence of undesirable minerals such as opal, chert and chalcedony. The absence of these minerals is very important as they are known to be potentially reactive with the alkalis present in concrete mixes, a damaging reaction referred to as Alkali Silica Reactivity.

AMEC observed in its field examination that small dikes and local zones of leucocratic, fine-grained phases are also present in the Pluton. One felsic dike from two to five meters wide cuts east-west through the centre of the granodiorite and was mapped by the Company as a separate geological unit. The dike area is a dark green siliceous dacite dyke with from 15% to 20%, 2 mm to 3 mm quartz and feldspar subhedral crystals in a very fine grained dark green siliceous groundmass with sericite-ankerite alteration.

Leucocratic zones are relatively small (a few metres across) and irregular. Small (1 cm to 5 cm) inclusions of mafic Karmutsen volcanic rocks are common, but rarely exceed more than a few percent of the rock.

For a complete description of the geology and mineralization of the Eagle Rock Quarry Project, reference should be made to the full text of the Eagle Rock Report on SEDAR at www.SEDAR.com.

Drilling

The Company drilled nine NQ2 (i.e., 50 mm diameter) core holes totaling 1,529.5 m. Core holes are located from 300 m to 500 m apart and were positioned to determine the continuity of granodiorite and any other rock types within the full extent of the proposed quarry. All holes are vertical. Depths range from 100 m to 225 m depending on the collar elevation. The base of the concept quarry (elevation of 80 m) was used to determine the depth of each hole. Hole locations were established with a non-geodetic grade GPS. Acid bottle tests were used at the base of each hole to estimate deviations from vertical. No significant deviations were noted.

Geological and geotechnical logging was performed by the Company geologists during the period between January 8 and March 5, 2002. Logging was performed at a facility in Port Alberni where the core is presently secured in storage.

Core was drilled with a 3.3 m core barrel. Core recovery was generally 100% with local short intervals (0.1 m to 0.3 m) of 75% to 90% recovery in highly fractured and faulted zones. Average recovery was 98%. Core was placed in 4 m wooden boxes and transported to a logging and storage facility in Port Alberni. The core was then washed, photographed with a digital camera and logged for geological and geotechnical elements.

Core was logged according to the Knight Piesgod geotechnical manual and number of features were logged. RQD values indicate a weakly fractured rock without significant zones of strongly broken material. For all nine drillholes, the RQD averages 78%, with a standard deviation of 25% and a coefficient of variation of 0.31. RQD is most strongly affected by jointing, which does not lower the usefulness of the granodiorite but instead may improve angular breakage of the rock. Relatively limited, narrow zones of strongly fractured granodiorite have very low RQD values.

Sampling and Analysis

Roadcut and Outcrop Sampling

The Company collected seven 60 kg samples of granodiorite from road cuts at different sites throughout the proposed quarry. The road cuts are actually small quarries of granodiorite that Weyerhaeuser used for base materials in building timber access roads in the immediate area. In this regard, the sites are good locations for unweathered granodiorite. Road cuts form vertical faces from five to ten meters high. Sample locations were surveyed with a non-geodetic grade GPS. Location accuracy is ± 5 m.

The Company geologists collected samples using a 6 kg sledgehammer. Samples were first stored at a locked facility in Port Alberni then transported to the AMEC Earth and Environmental (“AMEC E&E”) laboratory in Burnaby, British Columbia for materials testing. AMEC E&E performed the Los Angeles Abrasion Test, Magnesium Sulphate Soundness Test, Bulk Specific Gravity and Absorption, and Bulk Specific Gravity (S.S.D. basis) (collectively the “Tests”) on each sample.

Drill Core Sampling

Drill core was sampled for materials testing. The Company selected generally representative samples totalling from 0.6 m to 1.5 m from each 4 m core box. Each marked interval was then cut in half with a core saw. One half was placed in sample bags and the other half retained in the core box for reference. All samples for each drill hole were then composited to produce a 50 to 60 kg sample representing each drill hole. Two composite samples were collected for hole A05-02 and one composite sample was collected from all other holes. The samples were first stored in a locked facility in Port Alberni then transported to AMEC E&E Laboratories in Burnaby, British Columbia for testing. AMEC E&E performed the Tests on each sample.

Sampling Method and Analysis

Sample preparation protocols followed methods specified for each of the Tests. The Company also measured the Point Load Strength Index of surface rock and diamond drill core samples to determine the relative strengths of granodiorites within the proposed quarry. Point Load Strength Indices were calculated according to ASTM Designation D5731 -95, “Standard Test Method Determination of the Point Load Strength Index of Rock.”

The point load testing procedure consists of placing a sample between two platen contact points, measuring the distance between the platens and then applying a loading force via a hydraulic jack to the contact points until the sample breaks. The breaking point (failure load) is measured on a calibrated dial as kilo-Newtons. The measured platen separation and the failure load are plotted on the nomogram Table in order to compute the Point Load Strength Index in MN/m² and the correlating Strength Designation increments between Extremely Low and Extremely High.

Polaris submitted nine core samples for geochemical analysis for a 34-trace element suite to be determined by Induced Coupled Plasma Atomic Adsorption. The samples were nominal 200 g splits of materials sent to John G. Payne for thin-section studies. Analyses were performed by ALS Chemex in Vancouver, British Columbia. In addition, ALS performed whole-rock analyses of the same samples.

Assay Quality Assurance and Quality Control

Chemical analyses were done in accordance with standard analytical procedures for Induced Coupled Plasma Atomic Absorption. Whole rock analyses were done by standard procedures for X-Ray Fluorescence. Given that the determination of chemical components is for the purpose of determining the relative presence of deleterious elements, rather than the determination of accurate estimates of saleable metals, insertion of blanks, duplicates and standards are not necessarily appropriate in the case of the Eagle Rock Quarry Project.

Data Verification

AMEC checked joint-set mapping of outcrops and road cuts and core logging for the five core holes available at the time of its field review. The Company's logging and mapping were done professionally and accurately. AMEC visited drill collar sites for core holes AOI -02 to A05-02 and found that their locations agree with the locations shown on project maps.

AMEC E&E provided certificates for the Los Angeles Abrasion Resistance, Magnesium Sulphate Soundness, Absorption and Bulk Specific Gravity tests. These are on file at the Vancouver office of AMEC. Values recorded on certificates agree with values for these measurements as tabulated in this report.

Mineral Processing and Metallurgical Testing

In late 2002, Eagle Rock commenced preparation of a feasibility study for the conceptual design and capital cost of the process plant for the Eagle Rock Quarry . The design covered all crushing, screening and processing facilities.

The primary objective of the design of the aggregate crushing and screening plant was to provide a process facility capable of handling initial and future production rates and flexible enough to meet the demands of the aggregate market. The design allowed for expansion from an initial capacity of 3 million metric tonnes per annum during years 1 through 4 to 6 million metric tonnes per year later in the project life as the mine production rate ramps up. Five product sizes and production rates were determined. The Company abandoned this feasibility study, but has since engaged AMEC to resume the feasibility study which is anticipated to be completed in 2009.

Mineral Resource and Mineral Reserve Estimates

The mineral resource estimate for the Eagle Rock Quarry Project comprised three components:

- demonstration of physical and chemical property homogeneity, i.e., mineral resource quality;
- volume/tonnage estimate of material, i.e., mineral resource quantity;
- marketability of the mineral resource.

Consideration of these components is necessary in order to classify an aggregate mineral resource and is consistent with the guidelines for the reporting of industrial minerals in NI 43-101.

Mapping and diamond drilling data showed that the Corrigan granodiorite displays uniform textural and structural characteristics. The rock was demonstrated to be highly competent and to contain a potentially favourable jointing pattern with respect to obtaining an even-sized coarse fraction and angular fracture faces in resulting crushed material. Results of key quality measurements used in assessing aggregate resources (including the Tests) gave highly favourable results.

The volume and tonnage of the Corrigan granodiorite in the project area were estimated from a 3-dimensional block model utilizing commercial mine planning software (MineSight®). Model cell size was 20 m east x 20 m north x 15 m high.

Market studies support classification of the Corrigan granodiorite as a mineral resource as specified in NI 43-101. Mineral resources do not have demonstrated economic viability until all economic, design and other modifying factors are applied to demonstrate that the resources can be extracted at a profit.

No consistent classification guidelines for measured, indicated, and inferred mineral resources are available for aggregate deposits. AMEC developed a protocol for the Eagle Rock Quarry Project which incorporated research into existing methodology (e.g., The Aggregate Handbook by the US National Stone Association), all data types (outcrop, quarry and drill hole) and demonstrated Corrigan granodiorite characteristics. The classification protocol consisted of two parts: defining limits at surface followed by a set of rules for sub-surface projection. The remarkable continuity in observed and measured characteristics allowed for a measured mineral resource to be declared up to 200 m laterally from a drill hole, if supported in that particular area by a sampled quarry site. Indicated mineral resources were then defined as material within 2 x 400 m. The remaining project surface area met this condition. No surface inferred mineral resource material is present.

The resource figures for the Eagle Rock Quarry Project are as follows, as of April 4, 2002. As of the date of the Eagle Rock Report, these figures have not changed. For a complete description of assumptions, qualifications and procedures associated with the information in the Eagle Rock Report, reference should be made to the full text of the report that is available for review on SEDAR at www.SEDAR.com.

<u>Name</u>	<u>Tonnage (MT)</u>			
	<u>Inferred Resources⁽¹⁾</u>	<u>Indicated Resources⁽¹⁾</u>	<u>Measured Resources⁽¹⁾</u>	<u>Indicated & Measured Resources</u>
Eagle Rock Quarry Project ^{(2) (3) (4)}	—	448.9	238.0	686.9

Notes:

- (1) Mineral resources are not mineral reserves and do not have demonstrated economic viability. The mineral resources and reserves have been categorized in accordance with the classifications defined by CIM.
- (2) A Qualified Person has verified the data relating to this Deposit.
- (3) Bulk density value = 2.66; Mineral Resource calculated only to 75 m elevation.
- (4) Quality of Mineral Resources – Samples tested as of the date of the Eagle Rock Report meet specifications for concrete, Portland cement and asphalt aggregate.

Reserves have not been declared because the feasibility study has not been completed; therefore the mineral resources do not yet have economic viability. Quarry designs ensure that the resources have reasonable expectations for future economic extraction and therefore meet the CIM definition of mineral resources. The Company expects to receive the results of the completed feasibility study on the Eagle Rock Quarry Project some time in 2009.

Mining Operations

Mining studies as part of the Eagle Rock Feasibility Study were based upon the removal of 3.0 million metric tonnes per year of aggregate and scalpings in years 1 through 4, increasing production to 6.0 million metric tonnes per year in subsequent years. Scalpings are the product of a primary screening of the shot rock from the quarry which ensures that any residual soil or organic overburden is removed prior to the processing plant as it would be deleterious to quality aggregate products. Equipment sizing is adequate for an operation of this size.

The preliminary quarry design uses an existing logging road as the pit crest, with inter-ramp pit slopes of 45° projecting down to the pit base at 75 masl. Preliminary pit designs incorporate three production phases using only Measured and Indicated Mineral Resources. Reserves have not been declared because the feasibility study has not been completed; therefore the mineral resources do not yet have a demonstrated economic viability. Preliminary quarry designs instead ensure that the resources have reasonable expectations for future economic extraction and therefore meet the CIM definition of mineral resources.

In the Eagle Rock Feasibility Study, a process plant was designed with flexibility to handle initial and future production rates and production of variable products. The proposed plant is comprised of the following components:

- primary crushing;
- fine crushing and screening;
- manufactured sand plant;
- final sizing and washing;
- storage/blending and ship loadout.

The proposed plant will produce five saleable product sizes through four-stage crushing and screening.

Marine Facility and Shipping

The design of the marine facility was completed in 2003. The site for the marine facility (north of Hocking Point) has been suitably chosen due to both its sheltered location from southwesterly winds and the presence of deep, unimpeded, water close to shore. The site location has deep water relatively close to shore allowing a solution to be utilized for mooring the ships using “stiff legs” or mooring supports anchored to the shore, thus avoiding construction in the waters of the inlet.

AMEC has determined that the majority of deep-sea ships calling into Port Alberni facilities are lumber carriers (maximum 56,800 dwt) destined for Japan. AMEC is not aware of any navigational constraints for Panamax class vessels in the Alberni Inlet, but the use of such vessels needs to be confirmed with the necessary authorities.

Shiploading rates were increased to 5,000 tonnes per hour per Terra Nova Technologies’ process plant feasibility study, Conveyor C54. It is recommended that further investigation into freight portfolio management be undertaken as this cost may have a large net effect on the project’s internal rate of return.

Environmental

Eagle Rock was issued Environmental Assessment Certificate M03-01 on September 17, 2003 by the Province of British Columbia, executed by the Minister of Sustainable Resource Management, the Minister of Energy and Mines, and the Minister of Water, Land and Air Protection. This certificate covers the construction, operation, and dismantling of the Eagle Rock Quarry Project and is subject to conditions outlined in the certificate document. Since the date of the Eagle Rock Report, on September 2, 2008, the Environmental Assessment Certificate was extended and now expires on September 17, 2013.

The main environmental issues and concerns have been highlighted and no potentially significant flaws have been identified in the approach taken by Eagle Rock in addressing environmental issues.

The most significant environmental issues associated with the project are related to surface water, fisheries and visual impacts. Potential concerns have been adequately highlighted and means of addressing these identified. An environmental baseline study was conducted to assess potential environmental impacts and to prepare the Environmental Assessment Certificate Application Report.

The Company took the approach to have First Nations and the local population involved early on in the project. This would benefit the project and facilitate the permitting process. Eagle Rock was subsequently formed, after completion of the resource evaluation phase, to be the development company for Eagle Rock Quarry Project and provide the vehicle in which the First Nations would own their project interests. The project could provide a boost to the local depressed economy that relies highly on the forestry sector.

Capital Cost

AMEC reviewed capital cost estimates in the Preliminary Assessment. At that time, total capital costs for mine, infrastructure, processing facilities, and loading facilities for a three metric tonnes per year production rate were estimated to be \$83.9 million (2002 Canadian dollars) at an accuracy of $\pm 30\%$. AMEC’s review consisted of evaluation of the estimating approach, completeness of capital items and total cost relative to similar operations. AMEC believed that this estimate was low relative to site preparation costs that would be incurred, and that a final estimate based on a more thorough estimating approach would be at or marginally over the $+30\%$ of the expected range of accuracy.

Capital costs were updated in the Eagle Rock Feasibility Study. The capital cost for Eagle Rock was re-estimated at \$120.9 million (2003 Canadian dollars) in the study. This estimate included direct field costs, plus indirect costs associated with the design, construction and commissioning of the facilities at a three metric tonnes per year production rate. Direct costs included mining, site development, production facilities, utilities, ancillary buildings, and loadout facilities. Cost estimates were based on design criteria, process flowsheets, general arrangement

drawings, budget quotations from vendors, AMEC's database, and project work breakdown structures. AMEC quoted the accuracy as being $\pm 15\%$ at an 80% confidence level.

Development of the Eagle Rock Quarry Project

The Company is currently seeking customers and markets for its construction aggregate products derived from the Eagle Rock Quarry Project. The Company has engaged AMEC to complete the feasibility study on the Eagle Rock Quarry Project. At this time the Company is assessing the market for Eagle Rock products.

RISK FACTORS

Investment in the securities of the Company involves a high degree of risk and should be regarded as speculative due to the nature of the Company's business. The Company has incurred losses and expects to incur further losses. Prior to making an investment in the Company's securities, prospective investors should carefully consider the information described in this Annual Information Form and documents incorporated by reference, including the risk factors set out below. Such risk factors could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company.

The Company's operations may require further capital

The quarrying, processing and development of the Company's properties and terminals, including the property at Pier B in the Port of Long Beach and any future terminals which may be acquired and developed by the Company, may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production of the Company's properties and terminals or even a loss of those property interests. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Any future financing may be dilutive to existing shareholders.

Current global financial conditions

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors 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. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the Common Shares could continue to be adversely affected. Cemex Inc. has publically advised that it is attempting to restructure a heavy debt load arising from acquisitions; this major customer's business in California could be impacted by the outcome of the refinancing efforts.

Investment in asset-backed commercial paper

The Company has an investment in third party asset-backed commercial paper ("ABCP") with a par value of Cdn\$5.9 million. In mid August 2007, a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not redeem ABCP due to unfavourable conditions in the Canadian capital markets. As a result, there has been no active trading of the ABCP since August 2007 and no market quotations are currently available. The Company has re-valued its investment in ABCP using information that is publicly available and management's best estimates. Continuing uncertainties regarding the value of the assets that underlie these investments and the amount and timing of cash flows associated with the ABCP could give rise to a further change in their fair value. There can be no assurance that the Company's investment will be recoverable in whole, in part or at all.

The Company may not secure additional construction aggregates sales volumes and prices projected for the Orca Quarry

The value and price of the Common Shares, the Company's financial results, and the Company's development and quarrying activities may be significantly adversely affected if the Company does not secure the sales volumes and prices of construction aggregates intended for the Orca Quarry. Demand for construction aggregates products in the Company's target markets fluctuates and is affected by numerous factors beyond the Company's control such as private sector residential and commercial construction, and public sector construction, including roads, bridges, services, and other infrastructure. The supply of construction aggregates to the Company's target markets may also fluctuate and may be affected by new or expanded local production, or supplies of construction aggregates brought into the target markets by road, rail or vessel. Depending on the sales volumes and prices of construction aggregates, cash flow from quarrying operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some or all of its properties. Future production from the Company's Orca Quarry is dependent on applicable construction aggregates sales volumes and prices being sufficient to make materials extraction from the Orca Quarry economic.

In addition to adversely affecting the Company's financial condition, declining construction aggregates sales volumes and prices can impact operations by requiring a reassessment of the feasibility of the Orca Quarry. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the Orca Quarry. The need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company must secure access to discharge points and additional shipping volumes for its products

The Company's business plan includes discharges of Orca Quarry construction aggregates to barges, the Richmond Terminal and to Cemex through its strategic alliance with Cemex. Although the Company has access to certain terminals through its strategic alliance, there is no certainty that its strategic alliance will secure further joint terminals to meet the increasing deliveries and sales incorporated by the Company in its business plan. If the Company is unable to continue to secure access to additional discharge terminals, or acquire its own discharge terminals, its revenues, operations and financial condition could be materially adversely affected.

When the Eagle Rock Shareholders Agreement was entered into in 2002, it did not contemplate the construction or use of the Richmond Terminal or other terminals by third parties (including the Orca Partnership) prior to the construction of the Eagle Rock Quarry Project. In addition, the Eagle Rock Shareholders Agreement did not contemplate the marketing, shipment and sale of construction aggregates from other projects prior to the commencement of operations at the Eagle Rock Quarry Project. Eagle Rock Aggregates, Inc., a subsidiary of Eagle Rock Materials Ltd., holds the Richmond Terminal Lease, the building permit for the Richmond Terminal, the corresponding easement and facilities use agreements, and the Company's other potential port interests. Eagle Rock Aggregates, Inc. also holds the marketing interests of the Company and it is expected that it will continue to manage the Company's operations in the United States, including the shipment and sale of construction aggregates from the Orca Quarry.

The parties to the Eagle Rock Shareholders Agreement are negotiating the terms and conditions of an arrangement with respect to Eagle Rock Aggregates, Inc. and the financing, construction, and operation of the Richmond Terminal, and the purchase, shipping, distribution and sales of construction aggregates from the Orca Partnership. There is no certainty when or if an agreement will be reached.

The Company's two freight contracts have sufficient volume capacity to transport approximately 7.05 million metric tonnes of construction aggregates per annum by 2014. To achieve the anticipated sales from the Orca Quarry and the Eagle Rock Quarry Project, the Company will have to secure additional shipping capacity. If the Company is unable to secure the additional shipping volumes, or fails to meet the contracted annual minimum volumes, its revenues, operations and financial condition could be materially adversely affected.

The quarrying industry is competitive

The quarrying industry is competitive and the Company faces strong competition from other quarrying companies, or prospective quarrying companies, in connection with the supply of construction aggregates to the Company's target markets. A number of these companies may have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain quarrying operations on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Government regulation and assessments may adversely affect the Company

The Company's construction aggregates quarrying, processing, and development activities are subject to extensive laws governing prospecting, quarrying, development, production, taxes, labour standards and occupational health, quarry safety, waste disposal, toxic substances, land use, environmental protection and remediation, endangered and protected species, water use, aboriginal rights, land claims of First Nations and local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit, curtail or prevent production, development or exploration. Amendments to current laws, regulations and permits governing operations and activities of quarrying and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new quarrying properties. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations may result in orders to cease or curtail production, development or exploration.

With respect to the transfer pricing of aggregates between the Orca Partnership and Eagle Rock Aggregates Inc., the Company applied for a Small Business Advanced Pricing Arrangement with the Canada Revenue Agency in 2006 for a transfer pricing formula. The Company is currently in discussions with the Canada Revenue Agency over this formula and the outcome of such discussions remain uncertain and may result in unfavourable tax consequences to either or both of the Orca Partnership and Eagle Rock Aggregates Inc.

Furthermore, during 2008, the Company and its subsidiaries were audited by the Consumer Taxation Branch of British Columbia ("CTB"). The focus of such audit was in relation to provincial sales tax on the Orca Project's construction costs. The Company is currently in discussions with the CTB over this issue and no formal assessment has been made by the CTB. Although the Company believes that it has properly accounted for its tax liabilities, there are no assurances that the outcome will not result in additional tax payable by the Company.

The Company's title to its properties may be subject to disputes or other claims including land title claims of First Nations

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Title to and the area of resource claims may be disputed. The Company's construction aggregates property interests may be subject to prior unregistered agreements or transfers, aboriginal rights, or, in the case of the Orca Quarry, treaty rights, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties, which, if successful, could impair their development and/or operations.

First Nations in British Columbia have made claims of aboriginal rights and title to substantial portions of land and water in the Province including areas where the Company's operations are situated, creating uncertainty as to the status of competing property rights. The Supreme Court of Canada has held that aboriginal groups may have a spectrum of aboriginal rights in lands that have been traditionally used or occupied by their ancestors; however, such aboriginal rights or title are not absolute and may be infringed by government in furtherance of a legislative objective, subject to meeting a justification test. However, a decision of the Supreme Court of Canada casts doubt on the Provincial Government's ability to justify infringements of treaty rights. Additionally, a case from the British Columbia Supreme Court calls into question whether the Province can justify an infringement of aboriginal title. The effect on any particular lands will not be determinable until the exact nature of historical use, occupancy and rights in any particular piece of property have been clarified. First Nations are seeking settlements including

compensation from governments with respect to these claims, and the effect of these claims cannot be estimated at this time. The Federal Government and Provincial Government have been seeking to negotiate settlements with aboriginal groups throughout British Columbia in order to resolve many of these claims. Any settlements that may result from these negotiations may involve a combination of cash, resources, grants of conditional rights to gather food on public lands, and some rights of self-government. The issues surrounding aboriginal title and rights are not likely to be resolved by the Federal Government or Provincial Government in the near future.

In a landmark decision in 2004, the Supreme Court of Canada determined that there is a duty on government to consult with and, where appropriate, accommodate First Nations where government decisions may impact on claimed, but as yet unproven, aboriginal rights or title. This decision also provided much needed clarification of the duties of consultation and accommodation. The Court found that third parties are not responsible for consultation or accommodation of aboriginal interests and that this responsibility lies with government. However, government permits, including environmental and mine permits, will not be granted by provincial and federal agencies unless they are satisfied that the duty to consult and accommodate has been fully met. In 2005, the Supreme Court of Canada confirmed this duty exists with respect to claimed treaty rights. A decision of the Supreme Court of Canada casts doubt on the Provincial Government's ability to justify infringements of treaty rights.

The Tseshaht First Nation has asserted traditional rights and title over the Eagle Rock Quarry Project site. The Hupacasath First Nation and the Ucluelet First Nation, who are shareholders of Eagle Rock Materials, have also asserted traditional rights and title over the Eagle Rock Quarry Project site. The Company has agreed pursuant to the Eagle Rock Shareholders Agreement to seek the participation of the Tseshaht in the Eagle Rock Quarry Project. The Company is currently in negotiations with Tseshaht with respect to the participation terms. The terms of any participation have not been agreed upon, and the Tseshaht may, therefore, seek to dispute the Company's title in the Eagle Rock Quarry Project, despite the fact that the Company has received the environmental assessment certificate for the Eagle Rock Quarry Project. Any such dispute could delay or, if resolved in a manner adverse to the Company, impair the development and operation of the Eagle Rock Quarry Project.

Quarrying involves a high degree of risk

Quarrying operations involve a degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the development and production of construction aggregates, including, without limitation, unusual and unexpected geologic formations, seismic activity, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, quarries and other producing facilities, damage to life or property, environmental damage and legal liability. In addition to these risks stated above, processing operations are subject to various hazards, including, without limitation, equipment failure, labour disputes and industrial accidents. Should any of these risks occur, it may result in increased cost of production, delays, write-down of an industrial property, work stoppages, legal liability or injury or death to personnel, all of which may have an adverse effect on the Company's operations and financial condition.

Construction aggregates resources are estimates only

There is no certainty that the construction aggregates resource represented at the Company's properties will be realized or that such resource can be economically quarried. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Until a deposit is actually mined and processed, the quantity of construction aggregates resources must be considered as estimates only. There is a risk that the actual deposits encountered and the economic viability of the deposits may differ materially from the resource estimates. Any material change in quantity of construction aggregates resources may affect the economic viability of the Company's properties.

The volume of construction aggregates quarried and processed may not be the same as currently anticipated in the Company's resource estimates. Any material reductions in estimates of construction aggregates resources, or of the Company's ability to extract these construction aggregates, could have a material adverse effect on the Company's results of operations and financial condition.

Currency fluctuations may adversely affect the Company's revenues

The effects on operating revenues and, hence, on cash flows, of the foreign exchange rate and the escalation of the Canadian dollar against the U.S. dollar are significant. The Company does not currently have any intention to enter into hedging contracts in connection with foreign currencies. The appreciation of the Canadian dollar against the U.S. dollar would increase Canadian dollar costs, due to stronger Canadian dollars being converted into U.S. dollars, and could materially and adversely affect the Company's U.S. dollar-reported operational profitability and financial condition.

The Company currently depends on a single property

The Company's only material mineral producing property is the East Cluxewe Deposit. Unless the Company acquires or develops additional material properties or projects, the Company will be solely dependent upon the operation of the Orca Quarry for its revenue and profits, if any.

The actual costs of reclamation are uncertain

The actual costs of reclamation included in the Company's plan for the Orca Quarry are estimates only and may not represent the actual amounts required to complete all reclamation activity. It is not possible to determine the exact amount that will be required, and the amount that the Company is required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of the operation of the Orca Quarry. Although the Company has included estimated reclamation amounts in its plan for the Orca Quarry, it may be necessary to revise the planned expenditures, and the operating plan for the Orca Quarry, in order to fund required reclamation activities. Any additional amounts required to be spent on reclamation may have a material adverse affect on the Company's financial condition and results of operations.

The Company will require other construction aggregates resources in the future

According to the Orca Report, the Orca Quarry has an estimated quarry life of 17 years, which may not prove to be accurate. Because quarries have limited lives based on proven and probable construction aggregates reserves, in the longer term, the Company will have to replace and expand its construction aggregates resources as the Orca Quarry depletes. The Company's ability to maintain or increase its annual production of construction aggregates will be dependent almost entirely on its ability to bring new quarries into production.

There is, however, a risk that depletion of reserves will not be offset by future discoveries of mineral reserves. Exploration for minerals is highly speculative in nature and the projects involve many risks. Many projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves and to construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and availability of financing. In addition, assuming discovery of an economic reserve, depending on the type of mining operation involved, many years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurances that the Company's current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

The Company's operations are subject to environmental risks

All phases of the Company's operations are subject to Federal, Provincial and local environmental regulation in the various jurisdictions in which it operates which could potentially make operations expensive or prohibit them all together. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of

proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or prevent operations all together. Environmental hazards may exist on the properties on which the Company holds and will hold interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations, which could potentially make operations expensive or prohibit them altogether. To the extent such future approvals are required and not obtained, the Company may be curtailed or prohibited from restarting or continuing its quarrying operations or from proceeding with planned exploration or development of construction aggregates properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in quarrying operations or in the development of construction aggregates properties may be required to compensate those suffering loss or damage by reason of the quarrying activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company does not insure against all risks

The Company's insurance will not cover all the potential risks associated with a quarrying company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the quarrying industry on acceptable terms. The Company might also become subject to liability for environmental occurrences pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Certain groups are opposed to quarrying

In North America there are organizations opposed to quarrying, particularly open pit quarries such as the Orca Quarry and the Eagle Rock Quarry Project. The Company believes it has the support of representatives from the community and First Nation groups nearest these quarries and from various levels of government in British Columbia having jurisdiction over these quarries. Although the Company believes that it is complying with all environmental laws and permitting obligations in conducting its business, there is a risk that those opposed to its operation at these quarries will attempt to interfere with the Company's operations, whether by legal process, regulatory process or otherwise. Such interference could have an impact on the Company's ability to operate its properties in the manner that is most efficient or appropriate, if at all, and any such impact could materially adversely affect the financial condition and results of operations of the Company.

The Company is dependent on its key personnel

The Company is dependent upon certain of its executive management team. The loss of the services of its executive officers could have a material adverse effect on the Company. The Company's ability to manage its development and operating activities, and hence its success, will depend in large part on the efforts of its executive officers and other members of management of the Company. The Company faces intense competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel. The Company does not yet have in place formal programs for succession or training of management.

The Company's growth will require new personnel

The Company has experienced significant growth in its number of employees as a result of the development of its construction aggregate production and marine export business. The Company's ability to assimilate this new personnel will be critical to its performance. The Company will be required to recruit additional personnel and to train, motivate and manage its employees. The Company may also have to adopt and implement new systems in all aspects of its operations. There can be no assurance that the Company will be able to recruit or retain personnel required to execute its programs or to manage these changes successfully.

The Company may not meet minimum freight contract volumes

The Company's freight contract provides for minimum annual volumes of construction aggregates that increase substantially, particularly during the earlier years of the contract. If the Company is unable to secure sufficient sales volumes to meet those minimum freight volumes, its revenues, operations and financial condition could be materially adversely affected.

The Company's directors and officers may have conflicts of interest

Certain of the directors and officers of the Company also serve as directors, officers and/or significant shareholders of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

The Company does not have a dividend history or policy

No dividends on the Common Shares have been paid by the Company to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

DIVIDENDS AND DIVIDEND POLICY

The Company has never paid dividends. The Company intends to retain all available funds, if any, for use in our business and does not anticipate paying any dividends in the foreseeable future.

CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value as well as warrants as described below.

Common Shares

The holders of Common Shares are entitled to one vote per share at all meetings of shareholders of the Company except for meetings at which only the holders of shares of another class or of a particular series are entitled to vote separately as a class or series. The holders of Common Shares are entitled to receive dividends if, as and when declared by the Company's Board of Directors. In the event of the dissolution, liquidation, winding-up or other distribution of our assets, such holders are entitled to receive on a pro-rata basis all of our assets remaining after payment of all of our liabilities. The Common Shares carry no pre-emptive or conversion rights. As of the date hereof, 53,204,602 Common Shares were issued and outstanding.

Warrants

In May 2007, in accordance with the Credit Agreement as described above, the Company granted Ingalls & Snyder LLC 2,153,846 common share purchase warrants, each warrant being exercisable for one Common Share at \$4.80 until November 30, 2010.

In August 2008, in accordance with the Bridge Financing described above, the Company issued to the Lenders an aggregate of 1,900,000 common share purchase warrants with a five-year term and an exercise price of \$6.50 per share, of which 475,000 warrants vested on the closing of the financing and another 475,000 warrants vested after 90 days. The remaining 950,000 warrants were canceled prior to vesting at 180 days due to the repayment in full of the loan on January 8, 2009.

On January 8, 2009, pursuant to the 2009 Bought Deal Equity Financing described above, the Company issued 7,812,500 Warrants. These Warrants have an exercise price of \$2.25 and expire on January 8, 2011. These Warrants are listed for trading on the TSX under the symbol "PLS.WT" and are governed by the Warrant Indenture.

Incentive Stock Option Plan

Effective April 23, 2001, the Board of Directors of the Company adopted and approved an Incentive Stock Option Plan, which was approved by the shareholders of the Company on March 26, 2002, and which has been subsequently amended (the "Option Plan"). The purpose of the Option Plan is to attract and retain superior directors, officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Company an incentive for such persons to put forth maximum effort for the continued success and growth of the Company and in combination with these goals, to encourage their participation in the performance of the Company.

The Option Plan currently reserves up to 10% of the outstanding Common Shares of the Company for issue pursuant to options granted under the Option Plan and permits options that have been exercised to be available for subsequent grants under the Plan. As of the date hereof, 3,274,595 options have been granted under the Option Plan to purchase 3,274,595 Common Shares (representing approximately 6.2% of the issued and outstanding Common Shares as of the date hereof).

The Option Plan provides that the Board of Directors may from time to time grant Options to acquire all or part of the Common Shares subject to the Option Plan to directors, officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Company. The options are non-assignable and non-transferable otherwise than by will or by laws governing the devolution of property in the event of death. Each option entitles the holder to one Common Share. The exercise price for options granted pursuant to the Option Plan is determined by the Board of Directors on the date of the grant, which price may not be less than the market value. Market value is defined under the Option Plan as the closing price of the Common Shares on the TSX on the trading day immediately preceding the grant day and if there is no closing price, the last sale prior thereto. The term of the options granted is determined by the Board of Directors, which term may not exceed a maximum of ten years from the date of the grant. The Board also has the authority to determine the vesting conditions of the options, and certain other terms and conditions of the options. Options granted under the Option Plan may be exercised as soon as they have vested. The Option Plan does not contemplate that the Company will provide financial assistance to any optionee in connection with the exercise of options.

In accordance with the rules of the TSX, options granted under the Plan will be subject to certain restrictions which include:

1. the number of Common Shares which may be issued pursuant to the Option Plan (or any other employee related plan or options for services) to any one person may not exceed 5% of the Common Shares issued and outstanding on a non-diluted basis from time to time;
2. the number of Common Shares which may be reserved for issuance pursuant to the Option Plan (or any other employee-related plan or options for services) to all insiders of the Company may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis from time to time; and
3. the number of Common Shares which may be issued pursuant to the Option Plan (or any other employee related plan or options for services) (i) to all insiders of the Company within a one-year period may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis from time to time.

An optionee whose employment with the Company is terminated as a result of retirement, disability or redundancy will have 60 days from the date of termination to exercise any options that had vested as of the termination date. An optionee whose employment with the Company is terminated, other than for cause, at any time in the six months following a change of control of the Company shall have 90 days from the date of termination to exercise any option granted, and all options granted will immediately vest on the date of the termination. In the event of the death of an optionee, either prior to termination or after retirement or disability, the optionee's legal representative will have one year from the date of the optionee's death to exercise any options that had vested on the date of the optionee's death. In the event of any other termination, the optionee shall have 30 days from the date of termination to exercise any options that had vested on the termination date. In the event that an optionee is terminated for cause, any options not exercised prior to the termination shall lapse.

In the event that we:

- a. subdivide, consolidate, or reclassify our outstanding Common Shares, or make another capital adjustment or pay a stock dividend, the number of Common Shares receivable under the Option Plan will be increased or reduced proportionately; and
- b. amalgamate, consolidate with or merge with or into another body corporate, holders of Options under the Option Plan will, upon exercise thereafter of such Option, be entitled to receive and compelled to accept, in lieu of Common Shares, such other securities, property or cash which the holder would have received upon such amalgamation, consolidation or merger if the Option was exercised immediately prior to the effective date of such amalgamation, consolidation or merger.

Pursuant to TSX requirements, shareholder approval is required for all amendments to the Option Plan.

The Board may also amend or terminate any outstanding option, including, but not limited to, substituting another award of the same or of a different type or changing the date of exercise; provided, however, that the holder of the Option must consent to such action if it would materially and adversely affect the holder.

A copy of the Option Plan may be obtained by any shareholder by request to the Secretary of the Company at Suite 2740, PO Box 11175, 1055 West Georgia Street, Vancouver, BC, V6E 3R5, telephone number (604) 915-5000.

Shareholder Rights Plan

On October 17, 2005, the Board of Directors of the Company approved the adoption of a shareholder rights plan agreement (the "Rights Plan") between the Company and Computershare Investor Services Inc. (the "Rights Agent"). The Rights Plan became effective at 12:01 am (Vancouver time) on January 11, 2006 (the "Record Time"). The Rights Plan will expire at the close of the annual meeting of shareholders of the Company in 2009 (the "Expiration Time"), unless reconfirmed by the shareholders at such meeting, or unless the Rights are earlier redeemed or exchanged. The Rights Plan is similar to plans adopted recently by several other Canadian companies.

The Rights Plan is designed to encourage the fair treatment of shareholders in connection with any take-over offer for the Company. The Rights Plan will provide the Board and the shareholders with more time to fully consider any unsolicited take-over bid for the Company without undue pressure, to allow the Board to pursue, if appropriate, other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge. Securities legislation in Canada requires a take-over offer to remain open for only 35 days.

Under the Rights Plan, an offeror making a take-over bid for the Common Shares of the Company that constitutes a "permitted bid" as defined under the Rights Plan may not take up any shares before the close of business on the 60th day after the date of the bid and unless at least 50% of the Company's Common Shares not beneficially owned by the person making the bid and certain related parties are deposited, in which case the bid must be extended for 10 business days on the same terms. The Rights Plan will encourage an offeror to proceed by way of "permitted bid" or to approach the Board with a view to negotiation by creating the potential for substantial dilution of the offeror's position. Under the Rights Plan, a "permitted bid" must be a take-over bid for all of the Common Shares of the Company.

The Rights Plan will not lessen or affect the duty of the Board to act honestly and in good faith and in the best interests of the Company. The Rights Plan is designed to provide the Board with the means to negotiate with an offeror and with sufficient time to seek out and identify alternative transactions on behalf of the Company's shareholders.

One right (the "Right") was issued by the Company in respect of each Common Share outstanding at the Record Time. One Right was also issued for each additional Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time. The Separation Time is defined as the close of business on the eighth trading day after the earlier of (a) the first public announcement that a person has acquired, subject to exceptions, beneficial ownership of 20% or more of the Common Shares of the Company, and (b) the date of commencement of, or first public announcement of an intention to commence a take-over bid (other than a "permitted bid") to acquire beneficial ownership of 20% or more of the Common Shares of the Company. Each Right will entitle the holder to purchase from the Company one Common Share at a price of \$100, subject to certain anti-dilution adjustments. The Rights, however, will not be exercisable until the Separation Time. Upon the occurrence of certain events that constitute "flip-in events" under the Rights Plan, each Right will then entitle the holder to purchase Common Shares having a market price of \$200 for \$100.

The Company may, from time to time supplement or amend the Rights Plan to correct clerical or typographical errors or to maintain the enforceability of the Rights Plan as a result of a change in law. All other amendments require shareholder approval.

If a potential offeror does not wish to make a permitted bid, it can negotiate with, and obtain the prior approval of, the Board to make a bid by take-over bid circular on terms that the Board considers fair to all shareholders. In such circumstances, the Board may waive the application of the Rights Plan to that transaction, thereby allowing such bid to proceed without dilution to the offeror, and will be deemed to have waived the application of the Rights Plan to all other contemporaneous bids made by Take-over Bid circular. All other waivers require shareholder approval.

Until the Separation Time, the Rights will trade together with the Common Shares, will be represented by the Common Share certificates and will not be exercisable. After the Separation Time, the Rights will become exercisable, will be evidenced by Rights certificates and will be transferable separately from the Common Shares.

MARKET FOR SECURITIES

Trading Price and Volume

As of the date hereof, the Common shares are listed and posted for trading on the TSX under the symbol "PLS". The following sets out the price range and volumes traded or quoted on the TSX on a monthly basis for each month since the beginning of the Company's last completed financial year:

Month	High	Low	Close	Volume
February 2009	\$1.73	\$1.25	\$1.31	9,119,672
January 2009	\$1.50	\$1.30	\$1.39	2,461,165
December 2008	\$1.94	\$1.19	\$1.50	2,436,521
November 2008	\$2.00	\$1.55	\$1.82	2,633,874
October 2008	\$2.66	\$1.43	\$1.60	2,953,950
September 2008	\$4.10	\$2.27	\$2.64	1,311,884
August 2008	\$4.60	\$3.55	\$3.99	1,442,865
July 2008	\$5.34	\$4.15	\$4.55	2,316,773
June 2008	\$7.07	\$5.25	\$5.32	4,564,414
May 2008	\$8.53	\$6.89	\$6.99	4,541,265
April 2008	\$8.92	\$6.76	\$6.90	1,122,638
March 2008	\$10.35	\$8.38	\$8.40	1,861,296
February 2008	\$10.17	\$8.25	\$9.59	2,269,946
January 2008	\$11.63	\$8.03	\$9.13	4,124,956

As of the date hereof, the Warrants are listed and posted for trading on the TSX under the symbol “PLS.WT”. The following sets out the price range and volumes traded or quoted on the TSX on a monthly basis for each month since the Warrants were issued:

Month	High	Low	Close	Volume
February 2009	\$0.30	\$0.13	\$0.20	3,768,900
January 2009	\$0.20	\$0.095	\$0.12	112,000

Prior sales

Up to and including the date of this Annual Information Form, the Company issued an aggregate of 955,000 incentive stock options under its stock option plan with exercise prices ranging from \$1.49 to \$11.41 and expiry dates ranging from January 1, 2013 to January 4, 2019. During this same period, the Company issued 254,212 Common Shares upon exercise of its incentive stock options.

On August 18, 2008, the Company issued an aggregate of 1,900,000 common share purchase warrants to the Lenders in connection with the Credit Agreement as described above in “General Description of the Business – Bridge Financing”.

On January 8, 2009, the Company issued 15,625,000 Units of the Company, comprised of 15,625,000 Common Shares and 7,812,500 Warrants, in connection with the 2009 Bought Deal Equity Financing as described above in “General Description of the Business – Financings - 2009 Bought Deal Equity Financing”.

DIRECTORS AND OFFICERS

The Company’s directors are elected by the shareholders at each annual meeting and typically hold office until the next annual meeting at which time they may be re-elected or replaced. Casual vacancies on the Board are filled by the remaining directors and the persons filling those vacancies hold office until the next annual general meeting at which time they may be re-elected or replaced. The officers are appointed by the Board and hold office at the pleasure of the Board.

The following table sets forth the names and municipality, province and country of residence of all our executive officers and directors, the positions and offices with us held by such persons, their principal occupations, together with the number of Common Shares held, directly or indirectly or over which control or discretion is exercised. Collectively, as of the date hereof the directors and executive officers of the Company, as a group, own 2,029,575 Common Shares (4,879,391 on a fully diluted basis), representing approximately 3.81% (8.00% on a fully diluted basis) of the issued and outstanding Common Shares.

Name, Municipality of Residence and Present Position with the Company	Date Became a Director/Officer	Principal Occupation	Common Shares Held
HERBERT G.A. WILSON West Vancouver, B.C. Director, President & Chief Executive Officer	July 13, 2002	Appointed General Manager, Project Development of the Company on July 10, 2001; Senior Vice President & Chief Operating Officer of the Company on July 13, 2002; Director on July 14, 2008; President & Chief Executive Officer on January 1, 2008	304,825
ROMAN SHKLANKA Vancouver, B.C. Director and Chairman	August 18, 2000	International minerals explorationist	1,017,000

Name, Municipality of Residence and Present Position with the Company	Date Became a Director/Officer	Principal Occupation	Common Shares Held
COLIN K. BENNER Vancouver, B.C. Director	November 6, 2008	Corporate Director Professional Engineer (Mining)	50,000
TERRENCE A. LYONS ^{(1), (2), (3)} Vancouver, B.C. Director	April 22, 2004	Corporate Director	25,000
GARY D. NORDIN North Vancouver, B.C. Director	August 18, 2000	International minerals explorationist	101,200
JOHN H. PURKIS ⁽¹⁾ North Vancouver, B.C. Director	August 18, 2000	Mine engineering and management consultant	210,000
MARCO A. ROMERO ⁽²⁾ Vancouver, B.C. Director	May 14, 1999	President & CEO of Delta Minerals Corporation, a mineral exploration and development company; President and CEO of the Company from 1999 to 2008	80,505
DAVID F. SINGLETON ⁽²⁾ Roswell, Georgia Director	October 5, 2001	President of Proconsult UK Ltd., a consulting company to the construction aggregates industry	167,245
PAUL B. SWEENEY ^{(1), (2), (3)} Surrey, B.C. Director	April 22, 2004	Executive Vice President, Business Development of Plutonic Power Corporation, a renewable energy producer in British Columbia	11,150
LISA J. DEA North Vancouver, B.C. Vice President, Finance & Chief Financial Officer	May 1, 2006	Controller of the Company since October 2005 and Vice President, Finance & Chief Financial Officer of the Company since May 2006	10,000
DARLENE LYNCH Langley, B.C. Corporate Secretary	October 14, 2004	Executive Administrator of the Company since June 2004 and Corporate Secretary of the Company since October 2004	1,550
KENNETH M. PALKO North Vancouver, B.C. Vice President, Technical Services	February 18, 2008	Vice President, Technical Services of the Company since February 2008	10,500

Name, Municipality of Residence and Present Position with the Company	Date Became a Director/Officer	Principal Occupation	Common Shares Held
WILLIAM B. TERRY Vallejo, California Chief Executive Officer, Eagle Rock Aggregates Inc.	July 1, 2006	General Manager, California Operations of Eagle Rock Aggregates Inc., a subsidiary of the Company, since July 2006; Chief Executive Officer of Eagle Rock Aggregates Inc. since January 2009	27,000
MIKE WESTERLUND North Vancouver, B.C. Director, Corporate Development	September 19, 2006	Director, Corporate Development of the Company since September 2006	13,600

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Finance Committee.
- (3) Member of the Governance, Compensation and Nominating Committee.

The following are brief biographies of our directors and senior management team:

Herbert G. A. Wilson, age 58, *Director, President & Chief Executive Officer* — Mr. Wilson has over 35 years of experience in the development and operation of construction materials and industrial minerals operations. Mr. Wilson joined Polaris Minerals Corporation in 2001, prior to which he was President of United States Lime & Minerals Inc., a NASDAQ-listed public company producing lime products and construction materials from limestone quarries located in the south-central states. From 1992 to 1998, he was a founding director and Executive Vice-President and Chief Operating Officer of Global Stone Corporation, a Toronto-listed public company producing construction aggregates and lime products.

Roman Shklanka, age 76, *Chairman and Director* — Dr. Shklanka is the Chairman and a Director of International Barytex Resources, Kobex Resources Ltd. and Pacific Imperial Mines Ltd. He is an independent consultant in mineral exploration. Dr. Shklanka was Chairman of Canico Resource Corp. from February 2002 to December 2005, which was acquired by CVRD in 2005, and was Chairman and a major shareholder of Sutton Resources Ltd. from 1995 to 1999, which was acquired by Barrick Gold Corporation in 1999. For over 20 years, Dr. Shklanka has held various exploration and management positions with Placer Dome Inc. including Vice President of Exploration. He holds a Ph.D. degree in geology from Stanford University, and M.A. and B.Comm. degrees from the University of Saskatchewan.

Colin K. Benner, age 64, *Director* — Mr. Benner is a professional mining engineer with over 40 years of experience in mining engineering and management in the Canadian and international mining industry. Currently he is Chairman of Creston Moly Corp. and Chairman of Capstone Mining Corp. both Canadian public mining companies listed on the TSX-V and the TSX respectively. He has been directly involved in a number of commercial transactions in the mining industry and more recently in the past four years including the creation and selling PBS Coals Inc., the sale of Skye Resources Inc to HudBay Minerals Inc., the acquisition of Rio Narcea Gold Mines by Lundin Mining and the merger of Lundin Mining and Tenke Mining Corp. and, prior to this, the merger of Lundin Mining and EuroZinc Mining Corp. Mr. Benner has held several senior positions in the precious metal, uranium and potash business, as well as the base metal sector. Some of these positions include Vice Chairman and CEO of Skye Resources Inc., Vice Chairman and CEO of Lundin Mining Corporation, Vice Chairman and CEO of EuroZinc Mining Corporation, and President & CEO of Breakwater Resources Ltd. He currently serves on the Board of Directors of Troon Ventures Ltd., Lundin Mining Corporation, Creston Moly Corp. and Capstone Mining Corp. He is a member of the Association of Professional Engineers of Ontario, the Canadian Society of Professional Engineers, the Association of Professional Engineers and Geoscientists of British Columbia, the Association of Professional Engineers and Geo-scientists of Nunavut, the Society of Mining Engineers of the AIME, and the Canadian Institute of Mining. He is also a qualified Independent Corporate Director.

Terrence A. Lyons, age 59, Director — Mr. Lyons' business background includes natural resources, manufacturing, real estate, merchant banking and corporate restructuring activities. Mr. Lyons is currently non-executive Chairman of Northgate Minerals Corporation and a director and officer of several public and private corporations including Lead Director and Chairman of the audit committee of Canaccord Capital Inc., and a director of Diamonds North Resources Ltd. and Sprott Resources Corp. Mr. Lyons was formerly President and Managing Partner of B.C. Pacific Capital Corporation and a Managing Partner of Brookfield Asset Management for 18 years. He is past Chairman of Versatile Pacific Shipyards, Westmin Resources and the Mining Association of British Columbia and past Vice Chairman of Battle Mountain Gold. Mr. Lyons' community activities include serving as a director of the BC Pavilion Corporation and several charitable organizations.

Gary D. Nordin, age 61, Director — Mr. Nordin has over 35 years' experience in the mining industry. He is currently a director of two additional publicly listed Canadian companies, Portal Resources Ltd. (since 2003) and Canasil Resources Inc. (since 2002). Mr. Nordin is also the President of three private exploration companies in Nevada, USA: Trend Resources Inc., Trend Resources LLC and Gale Peak Group (since 1996), and a director of a private Washington, USA based exploration company, Rae Wallace (since November 2007). Mr. Nordin is former founder, director, and Vice President Exploration of Eldorado Gold Corporation (1990-2001) and a former founder, director and Vice-President Exploration of Bema Gold Corporation (1982-1990).

John H. Purkis, age 58, Director — Mr. Purkis has over 35 years' experience in the mining industry covering all aspects from exploration to mine closure. He is presently a director and officer of three private companies engaged in start-up ventures, Galileo Minerals Ltd., Mexico Pacific Gold Ltd. (since April 2007) and New Energy Metals Inc. (since March 2008). He is the former CEO of CanAfrican Metals and Mining Corp. ((January 2006 to July 2006), the former President and Chief Executive Officer of MCK Mining Corp. ((November 2003 to January 2006), and is the former Vice-President Mining and Development of Atna Resources Ltd. ((May 2000 to December 2002), Project Manager of Genel Dominicana ((August 1996 to August 1999), Vice-President, Projects of Inmet Mining Corporation ((October 1993 to July 1996), Vice-President, Mining of Minnova Inc. (November 1991 to October 1993), and Chief Engineer of Cyprus Anvil Mining Corp. ((1979 to 1983).

Marco A. Romero, age 47, Director— Mr. Romero is an entrepreneur with over 30 years of diversified experience in the mining and construction materials industries. Mr. Romero is the President and CEO of Delta Minerals Corporation, a mineral exploration and development company. He has held senior roles in exploration, environmental permitting, mine development and operations, mergers and acquisitions, corporate finance and business management. Mr. Romero was the founder of Polaris Minerals Corporation and served as its President and Chief Executive Officer from 1999 to 2008. He was Senior Vice President of Corporate Development of Ivanhoe Mines Ltd. from 1998 to 2000. He was a co-founder and Executive Director of Eldorado Gold Corporation from 1991 to 1998. From 1983 to 1991, he was the founder and head of a mineral exploration consulting firm.

David F. Singleton, age 70, Director — Mr. Singleton has been the President of Eagle Rock Aggregates Inc. since 2002. He has over 40 years' experience in the industrial minerals sector and has been President of Proconsult UK Ltd. (since 1990). Mr. Singleton was the Managing Director of ARC Aggregates Limited, from 1987 to 1989,, a large aggregates producer in Europe which was acquired by Hanson Plc in 1989. Mr. Singleton was involved in the creation in 1982 of BACMI (British Aggregates Construction Materials Industries) and acted as Chairman of the Economic and Public Affairs Committee from 1984 to 1987. Mr. Singleton formed Global Stone Corporation, a lime and limestone company. He took the company public on the Toronto Stock Exchange in 1993. Mr. Singleton was the past President and Chief Executive Officer of Global Clay Products LLC from 1999 to 2001, a company in the North American clay brick industry. He was also the former International Director of the National Stone Association from 1994 to 1998.

Paul B. Sweeney, age 59, Director — Mr. Sweeney is a financial executive with over 30 years of experience in the mining industry. He is the Executive Vice President – Business Development of Plutonic Power Corporation (since January 2007). He was previously the Vice President and Chief Financial Officer of Canico Resource Corp. from 2002 to December 2005. Mr. Sweeney is also a director of Pan American Silver Corp., New Gold Inc., and Pacific Rim Mining Corporation.

Lisa J. Dea, age 38, *Vice President, Finance and Chief Financial Officer* — Ms. Dea was Controller of the Company since October 2005 and was appointed Vice President, Finance and Chief Financial Officer in May 2006. Ms. Dea is a Chartered Accountant with the Canadian Institute of Chartered Accountants and began her career in 1994 in the Assurance & Advisory division of Deloitte and Touche LLP and achieved the position of Senior Manager prior to her departure in 2005.

Darlene Lynch, age 46, *Corporate Secretary and Executive Administrator* — Ms. Lynch has been Executive Administrator of Polaris Minerals Corporation since June 2004 and was appointed Corporate Secretary in October 2004. She holds an Honours Bachelor of Business Administration from Wilfrid Laurier University in Waterloo, Ontario. Ms. Lynch has extensive experience in administrative, executive and organizational support and project coordination. She was Property Management Assistant in the Real Estate Management Group at Colliers International in Vancouver from August 2000 to February 2004.

Kenneth M. Palko, age 38, *Vice President, Technical Services* — Mr. Palko joined Polaris Minerals Corporation in February 2008. He has over ten years of experience in the Ontario aggregate industry in various operational, marketing and project management roles with Holcim and Lafarge. Mr. Palko has a B.Sc. (Honours) in Civil Engineering from Queens University in Kingston, Ontario and a B.A. in Psychology from the University of Western Ontario in London, Ontario. He is a Professional Engineer (Civil) in good standing in the Province of Ontario.

William B. Terry, age 61, *Chief Executive Officer, Eagle Rock Aggregates Inc.* — Mr. Terry joined Eagle Rock Aggregates Inc. in 2006 with 38 years of experience in public and private businesses and government. He served in South East Asia, Europe, and the Middle East as a US Army officer. Mr. Terry was Deputy Director of Streets and Sanitation for the City of Dallas, Texas. With Waste Management, Inc., he was General Manager for New Mexico, Vice President -Indiana, Vice President for Human Resources, and Vice President for Landfill Operations and Facilities Development. He has been Chief Operating Office for Rumpke Consolidated Companies and Northern California Area President for Republic Services, Inc.

Mike Westerlund, age 40, *Director, Corporate Development* — Mr. Westerlund has over 18 years' experience in corporate communications and finance. He has been Director, Corporate Development for the Company since September 2006 and is principally responsible for the firm's communications. Prior to joining the Company, he worked in corporate communications in the mineral exploration and high technology industries with Ashton Mining of Canada and Ballard Power Systems. Mr. Westerlund also has banking industry experience. He holds a Bachelor of Science from Simon Fraser University and a Masters in Business Administration from the University of British Columbia.

Cease Trade Orders or Bankruptcies

Except as described below in respect of Terrence A. Lyons, and Roman Shklanka, no director or executive officer of the Company is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as described below in respect of Terrence A. Lyons, Roman Shklanka and Colin K. Benner, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years

prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Terrence A. Lyons is a director and executive officer of FT Capital Ltd. which is currently subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba and Ontario due to the failure of FT Capital Ltd. to file financial statements since the financial year ended December 31, 2001. Mr. Lyons is also a director of Royal Oak Ventures Inc. ("Royal Oak") which is currently subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. Mr. Lyons was a director of International Utility Structure Inc. ("IUSI") which, on October 17, 2003, was granted creditor protection by the Court of Queen's Branch of Alberta under the *Companies' Creditors Agreement Act* (Canada) ("CCAA"). On March 31, 2005, an order was granted approving the final IUSI restructuring plan under the CCAA at which time Mr. Lyons resigned as a director. Mr. Lyons was elected to the board of directors of each of FT Capital Ltd., Royal Oak, and IUSI largely because of the valuable experience and expertise in financial restructurings in the insolvency context.

Roman Shklanka is a director of Pacific Imperial Mines Ltd. which is currently subject to cease trade orders in each of the provinces of British Columbia and Alberta due to the failure of Pacific Imperial Mines Ltd. to file financial statements for the year ended June 30, 2008. Pacific Imperial Mines Ltd. is in the process of applying to the relevant securities regulatory authorities to have these cease trade orders lifted.

Roman Shklanka is a director of Texon Technologies Inc., a private company, which received a Petition for a Receiving Order under the *Bankruptcy and Insolvency Act* (Canada) on August 27, 2004. The issues surrounding the Order were resolved in the first half of 2005 pursuant to a Plan of Arrangement.

Colin K. Benner was a director of Tahera Diamonds Corporation which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the *Companies' Creditors Agreement Act* (Canada) ("CCAA"). Mr. Benner resigned as a director of Tahera Diamonds Corporation on September 29, 2008. Pursuant to a number of extensions, Tahera Diamonds Corporation remains under CCAA protection.

Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the Company's knowledge, and other than as disclosed in this Annual Information Form, there are no known existing or potential conflicts of interest among the Company, its directors and executive officers, or other members of management, or of any proposed director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See "Interest of Management and Others in Material Transactions" and "Risk Factors".

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any material contract or material transaction. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest in respect of the Company and are required to comply with such laws

in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

CORPORATE GOVERNANCE AND BOARD COMMITTEES

Board of Directors

The Board of Directors is responsible for supervising the management of the business and affairs of the Company, including the approval of major transactions such as strategic alliances, acquisitions and financings. The Board establishes the overall policies and standards for the Company and monitors and evaluates the Company's strategic direction and retains plenary power for those functions not specifically delegated by it to management. The directors are kept informed of the Company's operations at meetings of the Board and its committees and through reports and analyses by management. In addition, informal communications between management and directors occur apart from regularly scheduled Board and committee meetings. Certain of the directors are also directors or managers of investment funds that are shareholders of the Company, which could create the possibility for such person to be in a position of conflict of interest. However, these persons have a duty to deal fairly and in good faith with the Company and such other organizations in making any decision or recommendation involving the Company. In addition, as applicable, such directors and officers will refrain from voting on any matter in which they have a conflict of interest.

Committees of the Board of Directors

The Company's Board of Directors has a governance, compensation and nominating committee, a finance committee, and an audit committee.

Governance, Compensation and Nominating Committee

In November 2008, the Compensation Committee and the Corporate Governance and Nominating Committee were merged to form one committee, the Governance, Compensation and Nominating Committee. The Governance, Compensation and Nominating Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the governance of the Company, its relationship with senior management, and compensation. The committee's role includes developing and monitoring the effectiveness of the Company's system of corporate governance, assessing the effectiveness of individual directors, the Board of Directors and various board committees, and is responsible for appropriate corporate governance and proper delineation of the roles, duties and responsibilities of management, the Board of Directors and its committees. The committee's role includes establishing a remuneration and benefits plan for directors, executives and other key employees and reviewing the adequacy and form of compensation of directors and senior management in order to support the Company's business objectives and attract and retain key executives. The committee also reviews and makes recommendations to the Company's Board of Directors regarding the Company's incentive compensation equity-based plans. The members of the former Compensation Committee were Terrence Lyons (Chairman), R. Stuart Angus and Robert Edsel, all independent directors. The members of the former Corporate Governance and Nominating were R. Stuart Angus (Chairman), John Purkis and Robert Edsel, all independent directors. The current members of the Governance, Compensation and Nominating Committee are Terrence Lyons (Chairman) and Paul Sweeney, both independent directors.

Finance Committee

The Finance Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the arrangement, monitoring, and management of the finances of the Company. The committee ensures that the Company considers all reasonable financing alternatives, and arranges the required equity and debt on competitive terms and conditions taking into account the Company's existing financial position and its proposed projects and operations. The Finance Committee reviews and makes recommendations to the Company's Board of Directors regarding new financing arrangements and the monitoring and management of all financing obligations. The current members of the Finance Committee are Terrence Lyons (Chairman) and Paul Sweeney, who are both independent directors, and Marco Romero and David Singleton, who are related directors.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibilities for oversight of financial and accounting matters. In addition to recommending the auditors to be nominated and reviewing the compensation of the auditors, the committee is responsible for overseeing the work of the auditors, and pre-approving non-audit services. The committee also reviews the Company's annual and interim financial statements and releases containing information taken from the Company's financial statements prior to their release. The committee is responsible for reviewing the acceptability and quality of the Company's financial reporting and accounting standards and principles and any proposed material changes to them or their application. The current members of the Audit Committee are John Purkis (Chairman), Terrence Lyons, and Paul Sweeney, who are all independent directors.

Education and Experience of Members of the Audit Committee

All members of the Audit Committee are independent and financially literate, based on either their experience as senior executives of a public and/or private company or their experience in the mining industry.

Audit Committee Mandate

The Company has adopted a mandate to guide the Audit Committee in the fulfillment of its purpose. The mandate is reviewed by the Board of Directors on a periodic basis. The mandate, as most recently approved by the Board of Directors, is attached as appendix A to this Annual Information Form.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemptions in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), Section 3.2 of NI 52-110 (Initial Public Offerings), Section 3.4 of NI 52-110 (Events Outside of Control of Member), Section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Member), Section 3.3(2) of NI 52-110 (Controlled Companies), Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances), Section 3.8 (Acquisition of Financial Literacy) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures of Non-Audit Services

In May 2006, the Audit Committee approved pre-approval policies and procedures for non-audit services to be provided by the Company's auditors, PricewaterhouseCoopers LLP ("PwC"). The Audit Committee has the sole authority to review in advance and grant any appropriate approvals of all auditing services to be provided by PwC and any non-audit services to be provided by PwC as permitted by applicable securities laws. The Audit Committee has adopted policies and procedures for the engagement of non-audit services by the Company's external auditors. Each year the Audit Committee will review a list of audit, audit-related, tax and other non audit services and recommend pre-approval of these services for the upcoming year. Any additional requests will be addressed on a case-by-case specific engagement basis as described below. The Audit Committee will be informed quarterly of the services on the pre-approved list for which the auditor has been engaged.

External Auditor Service Fees

The aggregate fees billed for professional services rendered by PwC and other accounting firms for the years ended December 31, 2008, and 2007 were as follows:

Fiscal year ended December 31,	2008	2007
Audit Fees (for audit of the Company's annual financial statements for the respective year and reviews of the Company's quarterly financial statements) *	\$256,100	\$258,700
Audit-Related Fees (for accounting consultation)	\$47,000	\$100,000
Total audit and audit-related fees	\$303,100	\$358,700
Tax Fees	\$161,160	\$55,500
All Other Fees	-	-
Total Fees	\$454,260	\$414,200

* Audit fees for 2008 estimated.

The Audit Committee considered and concluded that the provision by PwC of such audit, audit-related, tax and other services as were provided to the Company in fiscal 2008, is compatible with maintaining the independence of PwC.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings by or against the Company or affecting any of its properties as of the date of this Annual Information Form.

Furthermore, there are no (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during its most recently completed financial year; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision in the Company; and (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during its most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, senior officer or principal shareholder of the Company and no associate or affiliate of the foregoing have had a material interest, direct or indirect, in any transaction in which the Company has participated within the three year period prior to the date of this Annual Information Form, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Company, except as follows:

On May 12, 2004, Polaris Aggregates Inc. ("PAI"), a subsidiary of the Company, entered into a services agreement (the "Services Agreement") with Proconsult UK Ltd. ("Proconsult"). Proconsult is controlled by David F. Singleton, a director of the Company. The Services Agreement provides that Proconsult will provide management services, including the identification and securement of aggregates discharge, storage and distribution sites at certain California ports, the development of suitable arrangements for the distribution and sale of aggregates from those sites, and the management of related engineering, environmental, marketing and financial research, studies and evaluations. The agreement has a five-year term commencing July 1, 2004. Pursuant to the terms of this agreement, Proconsult will receive an annual fee of US\$200,000, subject to annual adjustments and is eligible for the following performance bonuses: US\$200,000 upon the first shipment of construction aggregates from the Company's Eagle Rock Quarry Project or the Orca Project (the "Projects"); and US\$300,000 upon first achieving the sale of 4 million tonnes of construction aggregates from the Projects within a calendar year. Proconsult is also eligible for the following termination bonuses: if Proconsult terminates the agreement after earning the US\$200,000 first shipment bonus but before earning the 4 million tonnes bonus, it will be entitled to US\$150,000 upon the Company first achieving the sale of 4 million tonnes of construction aggregates from the Projects within a calendar year provided that the end of such calendar year occurs within 2 years of the termination; and if the Company terminates the agreement without just cause after Proconsult earns the US\$200,000 first shipment bonus but before it earns the 4

million tonnes bonus, it will be entitled to US\$300,000 upon the Company first achieving the sale of 4 million tonnes of construction aggregates from the Projects within a calendar year provided that the end of such calendar year occurs within 2 years of the termination. Pursuant to the terms of this agreement, bonuses will be cancelled if the first shipment of construction aggregates from a Project is not achieved by June 30, 2009. Proconsult may terminate the agreement by giving three months' notice to PAI. If PAI terminates Proconsult's engagement without just cause, it will be entitled, if the engagement is terminated during the first or second year of the engagement, to a sum equal to two years of the then current annual fee; if the engagement is terminated during the third or fourth year of the engagement, to a sum equal to one year's then current annual fee; and if the engagement is terminated during the fifth year of the engagement, to a sum equal to the then current annual fee subsequent to the termination until the termination of the agreement. If PAI terminates Proconsult's engagement without just cause after a change of control and prior to the termination date of the agreement, it will be entitled to a sum equal to two years of the then current annual fee plus bonuses otherwise payable. During the years ended December 31, 2007 and 2008, PAI paid fees of US\$245,000 and US\$265,000 respectively, to Proconsult.

On July 14, 2008, the Company entered into a consulting agreement with Marco A. Romero, a director, and former President and CEO, of the Company. This agreement has a nine year term commencing on January 1, 2009, and provides that Mr. Romero will provide strategic advice and perform liaison functions. Pursuant to the terms of this agreement, Mr. Romero will receive an annual fee of \$10.00 per year plus \$150.00 per hour, with a minimum of 20 hours per month for the first 36 months of the agreement.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., and the register of transfers for the Common Shares is held at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

The Warrant Agent for the Warrants is Computershare Trust Company of Canada, and the register of transfers for the Warrants is held at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company within the most recently completed financial year or before the most recently completed financial year (but after January 1, 2002) and still in effect:

1. The underwriting agreement dated December 19, 2008, with GMP, CIBC World Markets Inc., Desjardins Securities Inc., Macquarie Capital Markets Canada Ltd., TD Securities Inc. and Scotia Capital Inc. pursuant to which the Company completed an equity financing. See "General Development of the Business – Financings – 2009 Bought Deal Equity Financing".
2. The Warrant Indenture. See "General Development of the Business – Financings – 2009 Bought Deal Equity Financing".
3. The Strategic Alliance Agreement. See "General Development of the Business – Company Overview".
4. The Partnership Agreement. See "Narrative Description of the Business — History of the Orca Project — Ownership".
5. The *profit à prendre* agreement dated March 1, 2005 between WFP and the Company in respect of the East and West Cluxewe Deposits. See "Narrative Description of the Business – History of the Orca Project — Tenure".
6. The Services Agreement. See "Interest of Management and Others in Material Transactions".

INTEREST OF EXPERTS

Certain information of an economic, scientific or technical nature regarding the Orca Project and Eagle Rock Quarry Project is included in this Annual Information Form based upon the Orca Report and the Eagle Rock Report. These reports provide independent technical reviews of the mineral resources and mineral reserves, operations, and development of the Orca Project and Eagle Rock Quarry Project (as applicable). The authors of the Orca Report and the Eagle Rock Report are “Qualified Persons” as such term is defined in NI 43-101 and all are independent of the Company within the meaning of NI 43-101.

Information regarding the Company’s industry target markets, competition, supply and demand, present and future, included in this Annual Information Form is based upon the 2005 Market Report and the 2008 Market Report. The author of the 2005 Market Report and the 2008 Market Report is David A. Holmes, R. Geo. of Holmes Reserves LLC. Mr. Holmes is a “Qualified Person” as such term is defined in NI 43-101.

To the knowledge of the Company, none of the qualified persons named above beneficially owns, directly or indirectly, or exercises control or direction over more than one percent of the issued and outstanding Common Shares in the capital of the Company.

None of the aforementioned qualified persons are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

The Company’s auditors, PwC, have prepared the audit report attached to the Company’s audited consolidated financial statements for the most recent year end. The Company’s auditors have reported that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities, securities authorized for issuance under equity compensation plans and a statement as to the interest of insiders in material transactions, was contained in our management proxy circular for our annual meeting of shareholders held on June 5, 2008, and will also be contained in our management proxy circular for our annual meeting of shareholders to be held on June 4, 2009. Additional financial information is provided in our audited financial statements and management discussion and analysis (“MD&A”) for our most recent year-end. The foregoing additional information is available on SEDAR at www.sedar.com under the Company name.

Appendix A

CHARTER

OF

THE AUDIT COMMITTEE

OF

POLARIS MINERALS CORPORATION

As Approved by the Board of
Directors on December 20, 2005,
as amended as of March 18, 2008

POLARIS MINERALS CORPORATION
(the “Company”)

AUDIT COMMITTEE
CHARTER

The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board”) of the Company. The role of the Committee is to provide oversight of the Company’s financial management and of the design and implementation of an effective system of internal financial controls as well as to review and report to the Board on the integrity of the financial statements of the Company, its subsidiaries and associated companies. This includes helping directors meet their responsibilities, facilitating better communication between directors and the external auditor, enhancing the independence of the external auditor, increasing the credibility and objectivity of financial reports and strengthening the role of the directors by facilitating in-depth discussions among directors, management and the external auditor. Management is responsible for establishing and maintaining those controls, procedures and processes and the Committee is appointed by the Board to review and monitor them. The Company’s external auditor is ultimately accountable to the Board and the Committee as representatives of the Company’s shareholders.

Duties and Responsibilities

External Auditor

- To recommend to the Board, for shareholder approval, an external auditor to examine the Company’s accounts, controls and financial statements on the basis that the external auditor is accountable to the Board and the Committee as representatives of the shareholders of the Company.
- To oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- To evaluate the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board, if necessary, the replacement of the external auditor.
- To pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services.
- To obtain and review, at least annually, a written report by the external auditor setting out the auditor’s internal quality-control procedures, any material issues raised by the auditor’s internal quality-control reviews and the steps taken to resolve those issues.
- To review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee has adopted the following guidelines regarding the hiring of any partner, employee, reviewing tax professional or other person providing audit assurance to the external auditor of the Company on any aspect of its certification of the Company’s financial statements:
 - a. No member of the audit team that is auditing a business of the Company can be hired into that business or into a position to which that business reports for a period of three years after the audit;
 - b. No former partner or employee of the external auditor may be made an officer of the Company or any of its subsidiaries for three years following the end of the individual’s association with the external auditor;
 - c. The CFO must approve all office hires from the external auditor; and,
 - d. The CFO must report annually to the Committee on any hires within these guidelines during the preceding year.

- To ensure that the head audit partner assigned by the external auditor to the Company, as well as the audit partner charged with reviewing the audit of the Company, are changed at least every five years.
- To review, at least annually, the relationships between the Company and the external auditor in order to establish the independence of the external auditor.

Financial Information and Reporting

- To review the Company's annual audited financial statements with the CEO and CFO and then the full Board. The Committee will review the interim financial statements with the CEO and CFO and, if delegated the power by the Board, approve the interim financial statements.
- To review and discuss with management and the external auditor, as appropriate:
 - a. The annual audited financial statements and the interim financial statements, including the accompanying management discussion and analysis; and,
 - b. Earnings guidance and other releases containing information taken from the Company's financial statements prior to their release.
- To review the quality and not just the acceptability of the Company's financial reporting and accounting standards and principles and any proposed material changes to them or their application.
- To review with the CFO any earnings guidance to be issued by the Company and any news release containing financial information taken from the Company's financial statements prior to the release of the financial statements to the public. In addition, the CFO must review with the Committee the substance of any presentations to analysts or rating agencies that contain a change in strategy or outlook.

Oversight

- To review the internal audit staff functions, including:
 - a. The purpose, authority and organizational reporting lines;
 - b. The annual audit plan, budget and staffing; and
 - c. The appointment and compensation of the controller, if any.
- To review, with the CFO and others, as appropriate, the Company's internal system of audit controls and the results of internal audits.
- To review and monitor the Company's major financial risks and risk management policies and the steps taken by management to mitigate those risks.
- To meet at least annually with management (including the CFO), the internal audit staff, and the external auditor in separate executive sessions and review issues and matters of concern respecting audits and financial reporting.
- In connection with its review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the CEO and CFO certifications (if required by law or regulation) with respect to the financial statements and the Company's disclosure and internal controls, including any material deficiencies or changes in those controls.

Membership

- The Committee shall consist solely of three or more members of the Board, each of whom the Board has determined has no material relationship with the Company and is otherwise "unrelated" or "independent" as required under applicable securities rules or applicable stock exchange rules.

- Any member may be removed from office or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs.
- The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.
- All members of the Committee must be “financially literate” (i.e., have the ability to read and understand a set of financial statements such as a balance sheet, an income statement and a cash flow statement).

Procedures

- The Board shall appoint one of the directors elected to the Committee as the Chair of the Committee (the “Chair”). In the absence of the appointed Chair from any meeting of the Committee, the members shall elect a Chair from those in attendance to act as Chair of the meeting.
- The Chair will appoint a secretary (the “Secretary”) who will keep minutes of all meetings. The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.
- No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one-half of the number of members plus one shall constitute a quorum.
- The Committee will meet as many times as is necessary to carry out its responsibilities. Any member of the Committee or the external auditor may call meetings.
- The time and place of the meetings of the Committee, the calling of meetings and the procedure in all respects of such meetings shall be determined by the Committee, unless otherwise provided for in the bylaws of the Company or otherwise determined by resolution of the Board.
- The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms (including termination) of special counsel, advisors or other experts or consultants, as it deems appropriate.
- The Committee shall have access to any and all books and records of the Company necessary for the execution of the Committee’s obligations and shall discuss with the CEO or the CFO such records and other matters considered appropriate.
- The Committee has the authority to communicate directly with the internal and external auditors.

Reports

- The Committee shall produce the following reports and provide them to the Board:
 - a. An annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this Charter. The performance evaluation should also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make this report; and
 - b. A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.