



POLARIS MATERIALS

POLARIS MATERIALS CORPORATION

Suite 2740 – 1055 West Georgia Street

Vancouver, BC, V6E 3R5

Telephone: 604-915-5000

Facsimile: 604-915-5001

Website: <http://www.polarismaterials.com>

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

March 14, 2017

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PRELIMINARY NOTES

Date of Information

All information in this Annual Information Form is as of March 14, 2017, unless otherwise indicated.

Currency

Except where otherwise indicated, all references to currency in this Annual Information Form are to Canadian Dollars (“CAD\$”).

The following table sets forth, for the periods indicated, certain information concerning the number of CAD\$ for which one United States Dollar (“US\$”) could be exchanged based on the quoted rate from the Bank of Canada. No representation is made that the CAD\$ 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, 2012 | US\$1.00 = CAD\$1.044 | US\$1.00 = CAD\$0.964 | US\$1.00 = CAD\$1.000 |
| January 1 – December 31, 2013 | US\$1.00 = CAD\$1.070 | US\$1.00 = CAD\$0.984 | US\$1.00 = CAD\$1.030 |
| January 1 – December 31, 2014 | US\$1.00 = CAD\$1.166 | US\$1.00 = CAD\$1.064 | US\$1.00 = CAD\$1.105 |
| January 1 – December 31, 2015 | US\$1.00 = CAD\$1.3990 | US\$1.00 = CAD\$1.1728 | US\$1.00 = CAD\$1.2787 |
| January 1 – December 31, 2016 | US\$1.00 = CAD\$1.4589 | US\$1.00 = CAD\$1.2544 | US\$1.00 = CAD\$1.3248 |

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” or “forward-looking statements” within the meaning of applicable securities laws. Such forward-looking information or statements include, without limitation, information and 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 or statements 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 (as herein defined) has based these statements or information on its current expectations about future events, the statements or information 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 or statements. 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 or statements. Please refer to the heading “*Risk Factors*” herein and the risk factors in the Company’s Management’s Discussion and Analysis (“MD&A”) for the year ended December 31, 2016 for a discussion

of these and other factors underlying forward-looking information or statements. 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 or statements 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 or statements.

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 that may be used in this Annual Information Form:

| <u>Term</u> | <u>Definition</u> |
|-----------------------------------|--|
| aggregates | Naturally occurring sand and gravel, or crushed rock, used principally for construction purpose |
| °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 |
| 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 |
| feasibility study | A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable modifying factors together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a pre-feasibility study. |
| ft | Feet |
| g | Gram |
| ha | Hectare |

Term**indicated mineral resource****Definition**

That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and is sufficient to assume geological or grade or quality continuity between points of observation. An indicated mineral resource has a lower level of confidence than that applying to a measured mineral resource and may only be converted to a probable mineral reserve.

inferred mineral resource

That part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.

kg

Kilogram

km

Kilometre

kV

Kilovolts

m

Metre

masl

Metres above sea level

measured mineral resource

That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve.

mineral reserve

A mineral reserve is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which mineral reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a mineral reserve must be demonstrated by a pre-feasibility study or a feasibility study.

mineral resource

A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

mm

Millimeter

| <u>Term</u> | <u>Definition</u> |
|---------------------------------|---|
| modifying factors | Considerations used to convert mineral resources to mineral reserves. These include, but are not limited to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. |
| NI 43-101 | National Instrument 43-101 entitled "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators |
| NI 52-110 | National Instrument 52-110 entitled "Audit Committees" issued by the Canadian Securities Administrators |
| probable mineral reserve | A probable mineral reserve is the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proven mineral reserve. |
| proven mineral reserve | A proven mineral reserve is the economically mineable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors. |
| Qualified Person | An individual as such term is defined in NI 43-101 |
| 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 |

This Annual Information Form uses the following units of weight:

| | |
|---------------------------------------|--|
| Metric tonne ("mt" or "tonne") | 2,205 pounds, the unit of weight used in Canada and for international shipping |
| Short ton ("st" or "ton") | 2,000 pounds, the unit of weight commonly used in the United States |

CORPORATE STRUCTURE

Name, Address and Incorporation

Polaris Materials Corporation (the "Company", "Polaris", or "we") is a public company that was incorporated on May 14, 1999, and is governed by the *Business Corporations Act* (British Columbia). On January 1, 2015, the Company amended the Articles of the Company in order to change its name from Polaris Minerals Corporation to Polaris Materials Corporation.

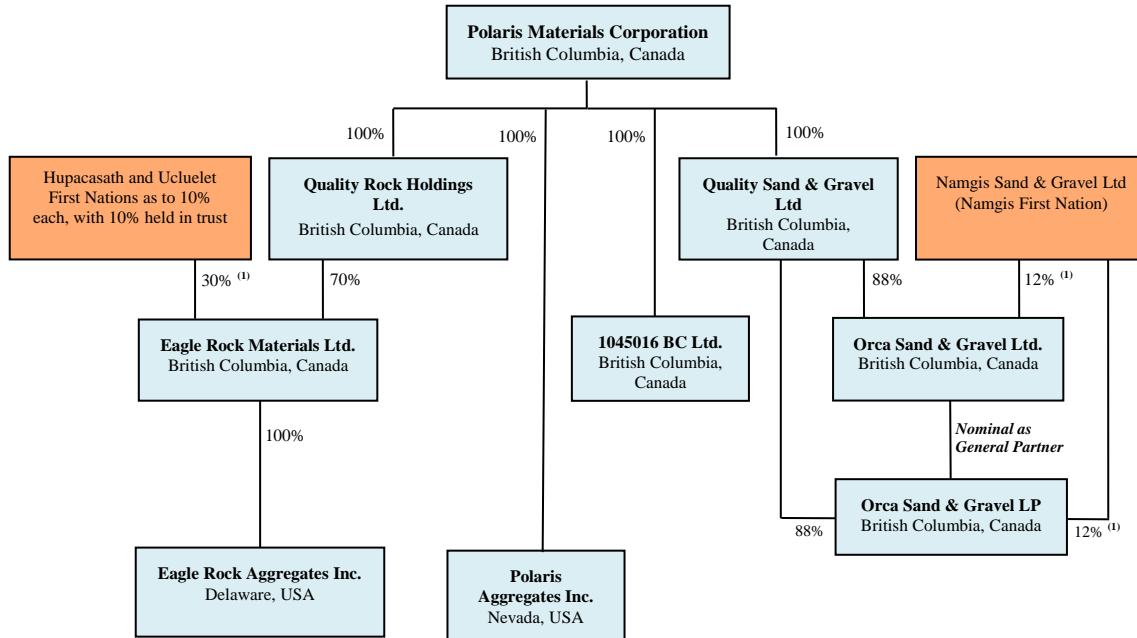
The Company's head office is located at Suite 2740, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3R5 and its registered and records office is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3.

Polaris became a public company in January 2006, following an Initial Public Offering (the "IPO") of common shares ("Common Shares") and is listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "PLS".

Polaris maintains a web site at www.polarismaterials.com where copies of statutory filings and news releases can be accessed, together with photographs and descriptions of the Company's operations.

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:



(1) This interest is held indirectly by the Company's First Nation partners.

GENERAL DEVELOPMENT OF THE BUSINESS

Company Overview

The Company was formed specifically to search for, and develop, 'greenfield' mineral resources suitable for producing high quality construction aggregates that could be economically shipped into major city markets on the west coast of North America where supply shortages were gradually emerging. The success of this complex strategy required the control of three elements: permitted mineral resources, shipping capacity, and access to port terminals within the target markets where cargos could be received, stored and distributed. The Company operates in a single segment: the development and operation of construction aggregate properties and projects in North America.

Polaris commenced trading in March 2007, through its subsidiaries, when it shipped the first marine exports of sand and gravel aggregates from the East Cluxewe Deposit, the associated process plant and ship loader (together, the "Orca Quarry"), located on the north east coast of Vancouver Island near Port McNeill, British Columbia, Canada. At the end of 2007, in order to facilitate entry into the San Francisco Bay markets, the Company completed construction of its own receiving and distribution terminal facility in the Port of Richmond, California (the "Richmond Terminal"). During January 2013, the Company announced that it was planning to start development of a receiving and distribution terminal on a leased site in the Port of Long Beach in order to facilitate entry into the southern California market and in January 2014, advised that it was ordering the long lead-time items that would be required for construction of the ship berth. In July 2015, the Company made its first delivery to the new terminal as an entry point into the southern California market. The Company is presently supplying the majority of its sand and gravel into California under two long-term sales contracts with customers who have also been granted marketing rights to sell the Orca Quarry products to third parties within agreed territories. Shipments to these customers in San

Francisco Bay commenced in April 2007. In February 2013, the Company also commenced sales under a three year supply agreement to a customer that has its own shipping contract and receiving terminal in the city of San Francisco. In January of 2016, the customer notified the Company that it would continue purchases past the third year anniversary date in February 2016, until December 31, 2016. This contract has not been extended into 2017. In November 2007, the Company began selling to a customer in Honolulu, Hawaii. In 2014, such customer was subjected to a change of ownership. Although there were no sales in 2015, the Company continues to discuss future purchasing intentions. In late 2016, the Company entered into a Letter of Intent to provide a new fine sand product to a customer in Hawaii and expects to commence sales of this product in 2017. In March 2007 the Company commenced supplying aggregates for a customer in Vancouver, BC, under a five-year agreement which was not renewed upon expiry. Occasional sales continue to be made into British Columbia and Alaska although not under long-term contractual arrangements.

The Company's construction aggregate interests consist of an 88% ownership in the Orca Sand & Gravel project (the "Orca Project") and a 70% ownership in the Richmond and Long Beach terminals. The Company also has a 70% ownership in the Eagle Rock Quarry project (the "Eagle Rock Quarry Project"), a large, undeveloped, high quality granite resource located near Port Alberni, also on Vancouver Island. In June 2014, the Company announced that it would pursue a potential opportunity to develop a limestone resource located close to the Orca Project. During 2015 the Company's interest refocused on a hard rock deposit located in close proximity to the Orca Quarry, referred to as the Black Bear Project ("Black Bear" or the "Black Bear Project"), and tenure was secured in January 2016. Throughout 2016, the Company advanced permitting and evaluation work on its Black Bear Project. This work culminated on October 3, 2016 with the release of a maiden NI 43-101 compliant Mineral Resource estimate for the Black Bear Project and the filing of the Black Bear Technical Report (as defined herein) on November 17, 2016. The Black Bear Project represents a bolt-on opportunity that will provide the Company with increased flexibility in product mix while utilizing existing infrastructure for crushing and ship loading. The development of additional aggregate mineral resources, new markets, and associated port terminals remains a priority for the Company which also continues to seek opportunities that could provide a basis for progressing with the Eagle Rock Quarry Project.

Construction Aggregates Overview

Construction aggregates are granular materials sourced from either naturally occurring sand and gravel deposits or from a variety of quarried rock types including limestone, granite, and volcanic rocks. Natural sand and gravel aggregates are typically preferred for the manufacture of concrete whereas crushed rock is predominantly used for asphalt, road construction and railroad ballast although it is increasingly used in concrete applications as irreplaceable sand and gravel resources deplete. The production of aggregates involves a relatively simple process of surface mining, crushing, sizing and, frequently, washing which requires large volumes of fresh water. Chemicals are not used in the processing of aggregates although minor quantities of a flocculent, or similar agent, may be used in removing sediments from process wash water. Being a natural product, aggregates are non-toxic and benign to the environment.

All forms of concrete and asphalt are comprised mainly of aggregates and are used to build roads, bridges, buildings, sewers, sidewalks and other components of civil 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, 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 vital component in urban development and transportation infrastructure. The fundamental driver of demand for aggregates is population and particularly the growth in population.

Aggregates are sold and used relatively close to their source of production, generally within fifty miles. In a number of locations in North America, specific circumstances allow rail transportation or ships and barges to be utilized in order to access more distant sources. Construction aggregates are relatively heavy materials with low intrinsic value and the costs of transportation are frequently one half, or more, of the selling price of the material. Thus, the market in North America is, in reality, a large number of local markets within which competitive and supply forces are quite different. The choice of aggregates used in any market is based upon the location, quality and availability of the aggregate sources together with the cost of transportation to the point of usage.

Aggregate Resource Availability

Local reserves of construction aggregates in the Company's target markets have been diminishing as operating quarries have become depleted and new resources are increasingly more difficult to permit unless they are located well outside of the market. The rate of depletion had slowed because the market demand for construction aggregates declined between 2007 and 2012, due to the severe economic recession in North America, which adversely affected the construction industry, particularly in California. Fortunately for the Company, its major market, the San Francisco Bay area, has been experiencing a recovery in demand since the end of 2011, which is still ongoing. The Company entered the Los Angeles market in early 2016 and expects to be positioned for the anticipated expansion in this market over the next several years. As the markets return to growth, increasingly longer and more costly overland haulage will eventually be required to meet supply shortfalls when they arise. This is expected to have the effect of raising the delivered prices of aggregate products in markets such as the San Francisco Bay area, the Los Angeles Basin, and San Diego. In Hawaii, the historic main source of sand for concrete, on the island of Maui, no longer ships aggregate inter-island due to dwindling resources and environmental constraints. This loss of local supply created the opportunity for the Company to ship aggregates into Honolulu in large ocean-going bulk carriers chartered by the customers. Markets closer to the Orca Quarry, such as Vancouver, British Columbia, have also experienced some shortages of construction aggregates and supplies into this market have been made from the Orca Quarry utilizing barges provided by the customer. It is the closure of indigenous aggregate sources within markets that created the opportunity for Polaris to develop its business and although the deep economic recession temporarily alleviated some of the pressures for alternate supply sources, the Company does not believe that the underlying situation has materially changed other than in terms of timing.

Sales Arrangements and Strategic Alliance with Cemex

In September 2007, the Company and CEMEX, Inc. ("Cemex") entered into a strategic alliance agreement (the "SAA"), which establishes and governs the terms of a long-term relationship (the "Strategic Alliance") between the parties. Cemex, a Mexican company, is one of the largest international cement and construction materials groups and also one of the largest producers and consumers of aggregates in California. The SAA has 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. The SAA includes an option to extend the agreement for additional 10-year terms upon mutual agreement by the Company and Cemex. An alliance committee, comprised of two members from each company, oversees the ongoing operations of the Strategic Alliance. Included in the Strategic 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.

Pursuant to the SAA, the Company, through its subsidiary 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 internal use and for sales to third parties in northern California (excluding the counties of Marin, Sonoma, Mendocino and Napa). The agreement provided for minimum annual tonnages to be supplied and purchased and also a market pricing mechanism which is adjusted annually. During 2009, the minimum tonnages were renegotiated to reflect the deep recession in construction activity. This agreement automatically renews for two 10-year periods or as determined by the life of the Orca Quarry and includes a five-year termination notice provision. On December 21, 2016 the Company entered into a factoring agreement with Bank of America which allows the Company to factor the trade receivables from Cemex.

In October 2005, the Company's subsidiary, Eagle Rock Aggregates, Inc., entered into a 20-year aggregates supply agreement, which commenced in September 2007, (the "ASA") with Shamrock Materials, Inc. ("Shamrock"), a long-established private company that is a large manufacturer of ready mixed concrete located in the north San Francisco Bay area. The ASA may be further extended by three five-year periods, at the option of Shamrock. The ASA grants Shamrock the exclusive right to market the Company's sand and gravel within the California counties of Marin, Sonoma, Mendocino and Napa, and grants the Company the exclusive right to provide 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 the defined area. During 2009, to reflect the economic recession, revised volume targets were agreed. Prices for sand and gravel are 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. The sand and gravel is unloaded directly from ships, while at anchor in the Bay, onto barges provided by Shamrock, or collected from the Richmond Terminal by truck.

In December 2012, the Company entered into a three-year sales agreement, with Hanson Aggregates Mid-Pacific Inc. (“Hanson”). Sales under this agreement commenced in February 2013 into ships provided by Hanson under their own shipping contract and delivered into Hanson’s Pier 94 terminal in the Port of San Francisco. The Company and Hanson agreed that purchases would continue past the third year anniversary date in February 2016, until December 31, 2016. In December 2016, Hanson indicated that it would not be renewing the supply agreement.

In February 2016, Polaris commenced operations at the terminal in the Port of Long Beach, Los Angeles (the “Long Beach Terminal”). Polaris retained its own sales and marketing personnel to market its high quality concrete aggregates from this terminal. Customers include several prominent ready-mix concrete producers in Los Angeles. The Long Beach Terminal accounted for approximately 7% of Polaris’ sales in 2016.

In 2016, California sales represented 99% (2015 – 99%) of the Company’s sales.

Shipping Arrangements

Following extensive research into potential ship ownership, Polaris concluded that the most cost effective strategy for this vital element of its business development was to enter into secure contractual arrangements with CSL International, Ltd., (“CSL”) a U.S. based operator of a large fleet of highly efficient self-discharging bulk carriers. Shipments to California were initially made under a 10-year contract of affreightment (“CoA”) that commenced on July 18, 2007. This contract incorporated fixed rates per tonne of product, subject to inflation and bunker fuel adjustments, for deliveries to locations in San Francisco Bay, and initially provided for up to 4.5 million tonnes of annual shipping capacity. Beginning in January 2008, the rates charged under this contract have been adjusted for inflation.

Following various updates to certain commercial terms in the CoA to reflect both operational changes, shipping capacity and annual commitments, on January 1, 2017, the Company and CSL executed a further amendment to the CoA. The annual minimum cargo commitment has been revised to require the Company to declare shipping tonnage amounts in the range of 2.5 to 2.9 million tonnes for each remaining year of the contract, which currently runs through 2029. The Company has the option in any given year to then increase or decrease the annual commitment by 15% without penalty. As per the original contract, failure by the Company to ship its annual cargo commitment results in a dead-freight charge equal to 75% of the freight rate for the unshipped tonnes. There were also revisions to certain operational terms which are expected to allow the Company to optimize its overall logistics process and result in cost savings. Additional shipping capacity as may be required in future by the Company to reach its permitted shipping capacity of 6.0 million tonnes, exists within the CSL fleet.

The requirements of customers in Hawaii, Alaska and Vancouver have previously been sold on an “ex-quarry” basis (commonly referred to as “FOB”) at the Orca Quarry, by loading ships and barges, provided by the customers. Supplies to Hanson from February, 2013 through December 31, 2016 were made on an FOB basis as Hanson has its own contract of affreightment with CSL. Going forward, the Company may structure new contracts on either an ex-quarry or delivered price basis, depending on the specific requirements of the customer.

Lightering Vessels

A major shipping constraint to supplying northern California is the relatively shallow water of San Francisco Bay, which prevents direct access by fully loaded Panamax-size bulk carriers to most land-based discharge berths. To overcome this constraint, the Company partly discharges and sells products from the fully loaded vessels while anchored in the Bay, a process known as “lightering”. Aggregates are discharged into third party barges and then the lightened vessel, which is now higher in the water, proceeds with the remaining products to the shallower ports. We also have the option of making a delivery to the Long Beach Terminal, which is deep enough to accept a fully laden Panamax-class ship, before sending the balance of the load to San Francisco, if necessary. Lightering enables

the Company to dispatch a fully laden vessel from the Orca Quarry, thus reducing the unit cost compared to the unit cost that would arise from dispatching a partially loaded vessel directly to the shallow terminal.

Fuel Surcharges

The Company's shipping contract includes the cost of fuels within a certain pricing band referred to as the "free range". For each shipment made CSL charges the Company for the actual fuel price at the time of the voyage in accordance with a formula included in the contract. Although the contract provides equally for a credit to be given, until recently, the actual cost of fuels has been significantly higher than the values within the free range and, therefore, the Company has paid additional fuel surcharges per voyage. The contractual arrangements with the two major California customers originally provided for Polaris to absorb these fuel surcharges during a calendar year and then recover them from the customers through an increase to the sand and gravel selling price in the following year. During 2008, an extreme situation was encountered when the world prices for crude oil rose to record highs over a very short period with a consequent major increase in fuel costs and the surcharges absorbed by the Company. Through mutual agreement between Polaris and its California customers, beginning in the first quarter of 2009, fuel surcharges have been adjusted on a quarterly, rather than annual, basis. This has had the effect of reducing the lag in pricing increases or decreases that result from fuel adjustments.

North American Environmental Control Area

On August 1, 2012, the USA EPA and Environment Canada established a North American Emission Control Area (the "ECA") of 200 nautical miles around the US and Canadian coasts. Phase I of the ECA was implemented at this time and required all vessels operating within the ECA to use Low Sulphur Fuel Oil (LSFO) containing a maximum limit of 1% sulphur. Phase II of the ECA took effect on January 1, 2015, requiring the allowable sulphur limit to further reduce to 0.1%. The implementation of Phase I of the ECA significantly increased the cost of shipping for the Company from August 1, 2012, however, the increased costs are passed on to customers quarterly in arrears. Unfortunately, the Pacific west coast fuel suppliers appeared to have only very limited quantities of LSFO available at that time and consequently the shipping cost increase was significantly larger than had been anticipated. The fuel costs associated with the implementation of Phase II of the ECA have initially been lower than anticipated because of an unexpected and substantial drop in world oil prices that began in the fourth quarter of 2014. When, and if, world oil prices eventually recover and surpass recent historical highs, fuel surcharges would then rise above the level seen during 2013 and 2014, although no timescale or degree of certainty can be estimated.

The objective of the ECA is to reduce emissions from ships that might be harmful to coastal environments, and is supported by marine cargo shippers including CSL. However, the US EPA directed that the ECA be 200 miles offshore without the benefit of new research which looks to establish that an ECA limit beyond 50 miles provides no further benefit to coastal environments. This regulation has the potential to adversely impact many freight movements in North America and coastal regions would probably be seriously impacted by the increased air pollution and road congestion that would arise should millions of tons per annum of products, including construction aggregate, be forced to use shore-based truck or rail transportation rather than ships. A Coalition of Short-Sea Shippers, coupled with the Maritime Industrial Transportation Alliance, has been pressing the government agencies for reconsideration and that the ECA be modified to 50 miles for smaller, short-sea, coastal vessels which would include those operated by CSL. The Company supports this approach but to date, no modification to, or relief from, the ECA regulation has been achieved.

Port Terminals and Development

Existing Terminals. Opportunities to develop suitable aggregate terminals in the major ports, especially in California, are very limited and represent a crucial element of Polaris' business and have therefore been a priority for development resources.

Richmond Terminal: The Company owns a 70% interest in and operates the Richmond Terminal in northeast San Francisco Bay which receives, stores and distributes Orca Quarry construction aggregate products. The terminal site is held under a 40-year lease with Levin Enterprises Inc. (the "Richmond Terminal Lease"). In addition to the Richmond Terminal, Polaris supplies the Cemex-controlled Redwood City Terminal to serve markets to the south of

San Francisco Bay and also serves the Cemex terminal at Pier 92, in the city of San Francisco, by barge. The Company supplies Landing Way Depot, a barge-served terminal utilized by Shamrock, located on the Petaluma River in the north San Francisco Bay area. During 2016, the Company supplied sand and gravel loaded FOB at the Orca Quarry into vessels provided by Hanson for unloading at its Pier 94 terminal in the Port of San Francisco.

Long Beach Terminal: In July 2010, the Company, through its 70% owned subsidiary, Eagle Rock Aggregates Inc., entered into an operating lease with L.G. Everist, Inc. for an existing marine aggregate importing terminal at Berth D-44 in the Port of Long Beach (“Berth D-44”). The 8.3 acre, privately owned, Berth D-44 site had operated for many years receiving construction aggregates from barges and storing them in open stockpiles using mobile equipment. The site was already permitted to receive and distribute up to 3 million tons of construction aggregates per year, and is located on a deep water channel close to Interstate 710, which services the greater Los Angeles area. Following the completion of permitting, the development was mechanically completed in February 2015. In July 2015, the Company made its first delivery to the new terminal as an entry point into the southern California market. In February 2016 the Long Beach terminal commenced commercial operations.

Terminal Developments – Other. In April 2009, the Company, through its subsidiary, Eagle Rock Aggregates, Inc., and Cemex formed Cembra San Diego LLC (“Cembra San Diego”) with respect to a potential marine import terminal located at the Port of San Diego. On August 4, 2009, Cembra San Diego entered into an exclusive negotiating agreement with the Port of San Diego for the purpose of negotiating an option to lease and develop a sand and gravel terminal located in the Tenth Avenue Marine Terminal. This exclusive negotiating agreement expired on February 28, 2010 following which the Port of San Diego issued a comfort letter and the parties continued to negotiate in good faith regarding the possibility of Cembra San Diego establishing an aggregate receiving terminal within the port. It has become increasingly clear that the Port of San Diego is involved in a long process to determine its future commercial options and that the outcome is uncertain, consequently, in January 2015, Cembra San Diego was dissolved.

Prior to the formation of the Strategic Alliance, the Company was in the process of permitting its own terminal site in the Port of Redwood City. In view of the long term relationship with Cemex, interest in this site was terminated with the Company preferring to jointly expand and develop Cemex’s existing Redwood City Terminal which offers significantly greater benefits in terms of multi-product storage, increased sales potential and cost effectiveness through reduced capital requirements and shared infrastructure. Cemex and Polaris are also anticipating that Eagle Rock Quarry products may eventually be handled at Redwood City, when and if, the quarry is developed, with a view to establishing a construction materials park at this site. The timing of re-development of the Redwood City Terminal will be dependent upon market demand, permitting and the availability of capital.

The Company has also expressed an interest in developing a future terminal at Hueneme in Ventura County, California, and maintains contact with the appropriate port authority. Under the auspices of the Strategic Alliance, the Company has reviewed certain terminal opportunities in the states of Washington and Oregon although further interest will depend upon market forces as certain anticipated changes in supply patterns have been significantly delayed due to the recession.

Employees

As at December 31, 2016, the Company had 61 full time employees. Operating hours at the Orca Quarry are adjusted as necessary to meet increases in demand, a consequence of which is the complicated additional scheduling required to load ships on a 24 x 7 basis, 365 days per year. The quarry has achieved substantial increases in manpower productivity since 2010 which have been reflected in the unit costs of production.

Financings

2014 Equity Financing

On June 9, 2014, the Company completed a bought deal financing led by Dundee Securities Ltd. together with GMP Securities L.P. and Paradigm Capital Inc. (collectively the “2014 Underwriters”). Pursuant to the offering, the Company issued and sold 6,785,000 Common Shares, which included the 2014 Underwriters exercising in full an over-allotment option to purchase an additional 885,000 Common Shares, for \$2.57 per share with gross proceeds to the Company of \$17.4 million. Net proceeds, after the deduction of the 2014 Underwriters’ commission and other fees and expenses, were \$16.3 million. The proceeds were used to explore a potential opportunity to develop a quarry located in close proximity to its existing Orca Quarry, to pursue further opportunities to develop additional port terminals for the Company’s aggregate products, and for general corporate purposes.

In conjunction with this financing, the Company issued 339,250 common share purchase warrants (the “2014 Warrants”) expiring December 27, 2015 to the 2014 Underwriters. Each 2014 Warrant was exercisable into one Common Share at a cost of \$2.57 per share. All of the 2014 Warrants expired unexercised.

2013 Equity Financing

On June 25, 2013, the Company completed a bought deal financing led by Dundee Securities Ltd. together with GMP Securities L.P. (collectively the “2013 Underwriters”). Pursuant to the offering, the Company issued and sold 13,225,000 Common Shares, which includes the 2013 Underwriters exercising in full the over-allotment option to purchase an additional 1,725,000 Common Shares for \$1.31 per share with gross proceeds to the Company of \$17.3 million. Net proceeds, after the deduction of the 2013 Underwriters’ commission and other fees and expenses, were \$16.3 million of which the Company used \$8.65 million to repay all outstanding debt together with the accrued interest thereon. The proceeds were also used to pursue entry into the Southern California market through the development of the Long Beach Terminal, and for general corporate purposes.

In conjunction with this financing, the Company issued 661,250 common share purchase warrants (the “2013 Warrants”) expiring June 25, 2015 to the 2013 Underwriters. Each 2013 Warrant was exercisable into one Common Share at a cost of \$1.31. On November 14, 2013, 425,687 2013 Warrants were exercised with gross proceeds to the Company of \$557,650; on March 7, 2014, 53,125 2013 Warrants were exercised for gross proceeds of \$69,594; and on March 7, 2014, the remaining 182,438 2013 Warrants were exercised for gross proceeds of \$238,994.

THE COMPANY'S MARKETS

The Company currently supplies the majority of the sand and gravel from the Orca Quarry to contracted customers located in California. It has also supplied Hawaii, but not under contract, with occasional sales also being made into British Columbia and Alaska. These products are used exclusively for the production of concrete for building and construction purposes. The sand and gravel is high quality which makes it ideal for use in applications requiring high strength concrete, a key feature in major structures being designed for high earthquake seismic risk areas, particularly the greater San Francisco area.

In 2016, 3.02 million tons of sand and gravel were sold from the Orca Quarry, of which virtually all was supplied to California.

Market Analysis

Beginning in 2001, the Company has retained the services of several experienced aggregates specialists to evaluate the market for its products. Up to and including 2008, a number of studies were prepared by David A. Holmes, R. Geo. of Holmes Reserves LLC in Colorado, USA ("Holmes") regarding targeted California markets. Holmes is a "Qualified Person" as defined under NI 43-101 and is a registered geologist in the states of California, Oregon and Washington. The studies focused on the supply and demand balance in those markets targeted by the Company and identified aggregate production sources, key consumers, and price trends. In November 2008, the Company received an updated report from Holmes (the "2008 Market Report") following certain revisions to reflect the deep and continuing recession in demand for aggregates being experienced at that time. This independent market research and analysis has been used as a basis for determining the Company's market development strategy. Subsequent to 2008, the Company has been directly involved in the markets for its products through the exclusive marketing agreements with Cemex and Shamrock in Northern California and through its own direct sales efforts in Southern California. Frequent management meetings with these exclusive agents provide 'on the ground' market intelligence which is now considered more appropriate than third party input in a period when the industry has had to deal with considerable annual changes brought about by the unprecedented recession that began in 2008. In 2015 the Company took further steps to enhance its direct marketing knowledge through the appointment of a Manager of Sales and Customer Service for its operations, and in 2016 completed a market study which augmented its understanding of the market structure in San Francisco and the competitive positioning of its products

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

California

California has been facing increasing supply shortages of construction aggregates in certain markets, a situation that diminished significantly due to the recession in construction activity which began in 2007 and continued to diminish until the low point which was during the period from 2010 to 2012. California continues to represent the most important target market for the Company's construction aggregate products with sales under-pinned by the Company's long-term sales and marketing agreements. Since 2013, California has seen a significant recovery in market demand, with market volumes up more than 40% from the lowest levels during such period.

Despite the abundance of sand and gravel available in the past, California's permitted sand and gravel resource base continues to decline and the proportion of crushed rock used in concrete manufacture is rising. Sand and gravel are the dominant materials used in California for which the concrete industry retains a strong preference, particularly for natural concrete sand. Since commencing sales in 2007, the Company has exported high quality sand and gravel from its Orca Quarry to northern California, helping to meet the need for these materials in that market. In early 2014, the Company began to develop the terminal site in the Port of Long Beach to facilitate an entry into the southern California market.

Following the peak year of 2005, the demand for construction aggregates in California experienced a significant and unprecedented decline driven initially by the collapse of private house building (the 'subprime mortgage' impact) and subsequently by the general economic recession and difficult credit markets. In 2005, the production of construction aggregates, being the combination of sand, gravel and crushed rock, was approximately 240 million tons in California (*Source: USGS Mineral Industry Surveys*). This number did not include aggregate consumed from

imported sources; however, on a statewide basis, imports represented less than 1%. Based on the USGS data, in 2010 the production of construction aggregates had fallen to 117 million tons, a reduction of 51% from the 2005 peak market. In 2012 production showed only a marginal increase to 124 million tons, based on revised USGS statistics. This unprecedented decline prevented the Company from achieving the growth anticipated at the time of its IPO. However, the statistics appear to support the Company's view that the San Francisco area market has outpaced the State of California as a whole in terms of a recovery in demand. The Company believes that it has significantly increased its share of the greater San Francisco area market.

The 2008 Market Report and subsequent updates continue to support the Company's view that:

- The high population growth and depleting available reserves will continue to give the regional aggregate industry a strong economic future, in spite of housing industry economic cyclicality.
- Several areas, such as western San Diego County, are on the verge of becoming aggregate deficient such that operations could see real physical aggregate shortages.
- 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 as demand continues to recover.
- While the decline in market demand slowed the depletion, the overall depletion of local aggregate resources, and particularly natural sand and gravel, remains.

A number of important stimulus measures have helped improve construction activity, beginning in 2009 with the enactment of the *American Recovery and Reinvestment Act* and most recently with the enactment of the *Fixing America's Surface Transportation Act* (the "Fast Act"). Due to the nature of public infrastructure funding in the U.S. these measures may take several years to create an impact; however, over the long term these measures typically have a positive impact on aggregate demand. California has also taken independent action to address critical infrastructure development needs, including a number of recent ballot measures which introduced over US\$1 billion of new state-level infrastructure funding. State infrastructure spending and a recovery in commercial and residential construction led by development in Silicon Valley resulted in significant increases in demand from 2013 through 2015, with demand increasing at a more moderate pace in 2016 as the FAST Act progressed through the funding process. Growth in the Company's target markets, as well as improved market share in a number of local markets resulted in the Company's sales volumes increasing year on year by 35% in 2011, by 30% in 2012, by 50% in 2013 and by 4% in 2014 compared with 2013. The markets supplied by Shamrock in the north Bay area have a much greater component of private investment, particularly housing, and as such have not experienced significant increases compared with the San Francisco area as a whole. Slower growth in overall demand combined with a significant price increase and a management transition at our largest customer in 2015 combined to decrease sales volumes by 14% in 2015, but the start of operations at our Long Beach Terminal as well as sales into BC resulted in a 3% increase in sales volumes in 2016.

The demand for construction aggregate is significantly higher per dollar of expenditure in infrastructure projects, which frequently demand a higher quality specification which Orca Quarry products comfortably meet. This ratio is referred to within the industry as "aggregate intensity" with studies suggesting that the aggregate intensity in infrastructure projects is seven times greater than that in private housing per dollar spent.

Political discourse in the US has been focused on the need to create jobs for many years, and infrastructure investment continues to be recognized as a major component in job creation, which is a principal driver of economic recovery. On June 29, 2012, Congress passed a Surface and Transportation Reauthorization Bill ("MAP-21") to fund the nation's roads, bridges and mass transit systems until the end of 2014. However, the looming insolvency of the Highway Trust Fund compelled Congress to act and on July 31, 2014, a short term patch was authorized that provided \$11.7 billion to finance the Highway Trust Fund and extended MAP-21 until May 2015. Approval of a longer term infrastructure bill is viewed as an essential measure to provide financing certainty for these projects which are invariably longer term, often many years in duration. Accordingly, it was viewed as positive by the construction industry when in December 2015 a \$307 billion, five-year highway and infrastructure bill, the Fixing America's Surface Transportation (FAST) Act of 2015, was signed into law by President Barack Obama, which includes over \$200 billion in Federal Aid Highway Program spending. The newly elected U.S. President has also indicated support

for significant additional infrastructure spending, although details of the implementation of any new stimulus remains to be seen.

Measures were promulgated in the US in 2012 that were intended to accelerate the recovery of the private housing sector and it became clear that a recovery in private housing was underway during 2013, although new starts were well below what might be considered the 'normalized level' as measured prior to the collapse of the subprime-mortgage driven bubble. This recovery has continued during through 2016 on a general basis but with significant regional variances reflecting local economic situations.

Hawaii

The Hawaiian Islands consumed approximately 11 million tons of construction aggregate in 2007, the last year for which the USGS reported the statistics. It is understood that consumption fell to approximately 7.7 million tons in 2010, although there is no longer any independent verification. Prior to 2015, the Company supplied materials used in the Honolulu area market on the island of Oahu, where demand appeared to be increasing since 2013. Activity continues to grow throughout the islands, with a number of important infrastructure projects currently out for bid. We have also recently identified an opportunity for the sale of fine sand from our Orca Quarry which we believe presents a new and unique opportunity for Polaris to provide significant value to its customers in this market.

Vancouver, British Columbia

There are no independent statistics that report demand for construction aggregate in this market, however, the Vancouver market has not been a significant outlet for the Company's products in the recent past. One factor that might change the Company's involvement in British Columbia is the large number of LNG terminal projects that are under consideration along the central and northern coastlines. While only a small number could be expected to be constructed, they represent large projects, some of which are believed to be only accessible from the water, and many of which are located such that the Orca Quarry may provide potential logistics cost savings.

Target Markets

The Company believes that, in the fullness of time, its Black Bear Project has the potential to be a significant source of quality crushed aggregates for use in asphalt and to complement the sand-rich Orca Quarry deposit for use in concrete.

In addition, the Company continues to pursue its objective to acquire and develop new terminals situated along the western seaboard of the United States. As part of the Strategic Alliance with Cemex, a joint cooperation and development agreement commits both companies to locate, negotiate and propose new marine terminals in California, Oregon and Washington State, with each party having the option to participate on a 50:50 basis in agreed new terminals. However, due to capital constraints, Cemex advised the Company in 2011 that it would be unable to participate in the development of the proposed Port of Long Beach Terminal in California, leaving the Company free to progress independently.

Los Angeles

With a population of approximately 18 million, the Los Angeles urban area is second only to New York in population in the United States and, as such, represents a substantial market for aggregate consumption. However, the recession and consequent deep decline in the demand for construction aggregate in southern California extended the remaining life of the existing quarries within the Los Angeles Basin area and selling prices for local aggregate remained relatively low until the introduction of Orca Quarry's high quality concrete aggregates in 2016. The Company's terminal is well situated to supply marine imported aggregates into the Port of Long Beach where the market demand is now being positively influenced by ambitious commercial, residential and infrastructure developments. Development of the leased Berth D-44 site commenced in 2014 following receipt of construction permits and, following commissioning in July 2015 with the first ship unloading, commercial sales commenced during the first quarter of 2016. Market penetration has been successful, with the Company establishing itself as a capable

provider of high quality concrete aggregates. Our material has gained a reputation in the market for its technical and operational performance, and our team at the Long Beach Terminal has demonstrated its ability to deliver high volumes of material while meeting the demanding schedules required by large projects. We expect that development of this market will continue to take time, due to the technical nature of marketing our premium aggregate product, however we expect that the sales volumes at the Long Beach terminal will increase in 2017.

San Diego

Based on projections from the California Geologic Survey, an 83 percent shortfall in the region's demand for aggregate material (800 million tons) could be expected through 2055, with immediate deficits of around 7 million tons per annum. Included in the possible solutions to this significant supply deficit problem is the combination of the development of new quarrying sources, the continuation of long-hauled road deliveries and the importation of two million tons per annum by ship and one million tons per annum by rail.

Polaris, through a jointly owned subsidiary, Cemera San Diego, LLC, had registered an interest in the Port of San Diego in respect of the potential to develop a new aggregate storage and distribution terminal within the Tenth Avenue Marine Terminal, which would offer a contributing source to meet the identified supply deficits. Cemera San Diego, LLC was dissolved in January 2015 as the complex nature of the redevelopment program resulted in continuing delays in reaching an agreement for development. Polaris has maintained contact with the relevant governing bodies and continues to seek a feasible opportunity for delivering materials to this undersupplied market.

Other Markets

Elsewhere in California, the Company and its Strategic Alliance partner, Cemex, have focused attention on possible terminal developments at Port Hueneme in Oxnard County, north of Los Angeles, and in Sacramento in northern California. Consideration has also been given to the possibility of developing marine aggregate terminals in the States of Washington and Oregon, where local aggregate shortages in urban coastal markets are anticipated to create importation opportunities for sand and gravel. Despite the recovery in construction demand, identifying specific opportunities in these markets remains relatively difficult.

COMPETITIVE CONSIDERATIONS

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 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. Delivery by road is the dominant mode for the distribution of aggregates and in many locations there are simply no alternatives. However, viable options do exist in situations where the infrastructure is in place to accommodate alternative methods of transportation, specifically the existence of ports, or railroads, conveniently located within the markets to be served. In these situations, the aggregate source must also be situated on navigable deep waters or adjacent to an appropriate rail line or other commercial waterway. When these alternatives for distribution are available, the physical location of the aggregate source has less significance. Shipping, barging and rail all offer much lower haulage costs on a per ton-mile basis than trucks, the lowest and most cost effective being large self-discharging ships, which are used by Polaris.

Environmental considerations have gained increasing prevalence, especially in California, with new buildings seeking Leadership in Energy and Environmental Design certification (LEED) which is administered by the US Green Building Council. Under LEED v3, a key consideration was the concept of using regional materials in order to minimize the emissions from transportation. Under LEED v4, the emphasis has shifted to the use of Environmental Product Declarations (EPD) which are a key element for a builder to earn LEED credits for the end to end carbon impact of its products. Polaris has recently completed an independent EPD which covers the shipment of material from Orca

Quarry to its terminals in the United States and was able to demonstrate the positive impact of its products versus alternative sources of aggregates.

New Quarries

The ongoing depletion of construction aggregate quarries in California will require the quarrying industry to invest significantly in geological evaluation, permitting, and quarry development if the industry is simply to maintain historic levels of indigenous production even before considering the expected increases in demand created by continuing population growth and infrastructure maintenance. However, there are a number of significant barriers to developing new resources into active quarries. Some barriers particularly prevalent in the current landscape are: issues of environmental protection; acceptability of the development to local communities; and impacts to local road networks from product shipments that utilize large numbers of trucks. In addition, issues of resource quality and quantity, climate, and the availability of fresh water, labour, infrastructure, and power, may also influence whether or not a proposed operation is capable of being viably developed. The costs of identifying and securing the resources, obtaining permits, and the magnitude of capital required for development are substantial and success usually takes many years. While the current political climate in the United States may be moving towards reducing the regulatory burden, the Company expects that this will not eliminate the fundamental lack of aggregate resources located in proximity to end markets. The combination of these factors, and the scarcity of the opportunities for such developments, means that the barriers to entry are high and that costs can run to tens of millions of dollars. There is no certainty of success for any developer of new aggregate sources. See "Risk Factors".

Competitive Modes of Transport

There are three modes of transportation for aggregate: road, rail, or water. 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 suitably deep, navigable, waters or commercial waterways.

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

Therefore, transportation decisions are site specific. Basic factors which influence decision making are as follows:

Road — The cost per ton-mile of road transportation for construction aggregate is significantly higher than by rail or water and as the cost of diesel fuel increases, road transport becomes less competitive on a ton-mile basis. As highways become increasingly congested, the cost per ton-mile increases reflecting the longer time taken to complete a delivery. The effect of these transport logistics is to establish a zone around each source of supply within which that source is more competitive than alternatives. Generally, a supplier located near its customer base can expect to enjoy a competitive advantage over a more remote supplier. Road transportation is the predominant mode of aggregate delivery, especially outside of the targeted coastal markets.

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 growth in container traffic, particularly from Asia, and the increasing demand for coal and grain 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.

Rail operators have, over time, closed many tracks, especially in rural areas. Gaining access from a new resource to a rail service, and permitting land within the major market areas for a rail receiving terminal development, are very difficult. The cost of transporting aggregate by unit trains may depend on whether or not the rail cars must be switched between one rail operator and another. Switching costs between lines can add significantly to the cost of any particular movement and, therefore, a further constraint on a rail dependent development may be the need to find resources and terminals connected by a single operator. Rail policies that favour passenger traffic, rather than freight, together with timing limitations on rail freight movements may negatively affect the transport of aggregates by rail.

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

Water — The waterborne importation of aggregate from coastal quarries into the United States has increased significantly during the last two decades. The growing availability of large vessels that offer cost-effective, long-distance haulage through efficient self-discharge systems has greatly reduced the cost per ton-mile for aggregate shipping. When using waterborne 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 receiving port. This is the case at the Orca Quarry. Logistical and environmental advantages, such as the proximity of ports to urban markets and established road networks, are other essential requirements for economic waterborne distribution. Quarries located in British Columbia, Nova Scotia, New Brunswick, the Bahamas, the Yucatan Peninsula and Baja California in Mexico now supply many coastal U.S. markets. Further development of waterborne aggregate supplies can be anticipated from Caribbean Islands to south east coastal markets in the U.S.

Barging — The Mississippi River is extensively used for the movement of aggregates by barge as are a number of smaller inland waterways. In certain coastal locations barges are used for ocean transportation but generally only on sheltered and shorter routes.

Competition

Two existing British Columbia aggregate operations supply waterborne materials to California and Hawaii in addition to the Orca Quarry. The Lafarge Group, a French-owned international building materials company, supplies crushed rock from a quarrying operation on Texada Island. This includes larger sizes of rock for coastal and river erosion protection in California and aggregate-sized material for asphalt manufacture which is primarily used in Hawaii. Lehigh Hanson, a subsidiary of the German international building materials company Heidelberg Cement, operates the Sechelt sand and gravel quarry (“Sechelt”) in British Columbia and also a receiving terminal in the city of San Francisco operated by Hanson Aggregates Mid-Pacific, another subsidiary. Sechelt supplied aggregates to the San Francisco area until 2012. In December 2012, Polaris and Hanson entered into a supply agreement whereby CSL vessels chartered by Hanson would be loaded FOB Orca Quarry for supply to Hanson’s terminal in San Francisco Bay. Supplies under this agreement commenced in February 2013 and concluded on December 31, 2016. Hanson has indicated that it intends to restart shipments from its Sechelt quarry to San Francisco. Hanson also operates the Mission Valley Rock Company, a large sand and gravel pit operation in the San Francisco Bay area, which they purchased in 2005. In addition to the Texada and Sechelt quarries, there are a number of smaller operations that use barges to supply the greater Vancouver market with both sand and gravel and crushed rock aggregates.

Sources of production have continued to close and new quarry operations remain exceedingly difficult to permit, especially in California. In 2007, Lehigh Hanson closed its Producers Pit, a sand and gravel quarry which produced approximately two million tons per year, located near Victoria, British Columbia, due to exhaustion of reserves. This operation had shipped materials by barge to west coast locations, as well as serving the Victoria area by truck. At the end of 2011, Hanson suspended the production of construction aggregates at its Cupertino limestone quarry near San Jose, which served customers in the south San Francisco Bay markets. The closure was stated to be for a period of two years and production recommenced towards the end of 2013, albeit at a lower level compared with the pre-closure years, before a final closure was announced effective towards the end of 2014. Granite Construction is believed to have closed a granite quarry located south of San Jose towards the end of 2012. The Company believes that these closures have removed well over one million tons per year of coarse aggregate production and have, in part, continued to influence the increasing demand for Polaris’ products since 2011. During 2012 and 2013, two new quarry projects in California failed to obtain permits and were cancelled. These were the Liberty Quarry project near San Diego and the Jesse Morrow Mountain project near Fresno, both of which proposed to develop large hard rock quarries but could not overcome enormous public opposition. More recently, we have seen indications that certain quarries in San Francisco and Los Angeles may be reducing their available supply of concrete-grade aggregate, although they have not closed at this time. A quarry development was approved by the Madera County for planned commissioning in 2016 but the project is currently subject to litigation which likely will take time to resolve. The location of this quarry is over 140 miles from downtown San Jose and it is not expected to be a direct competitor to the Company’s business. It is Polaris’ expectation that new quarries permitted in California would be expected to

be significantly further from the established markets with consequently higher transportation costs, which is a reason for Polaris' competitive advantage, especially in the city areas close to the ports where the Company's terminals are located.

Other waterborne competition may conceivably arise from the coasts of Alaska, British Columbia, or Mexico. However, during the period from 2000 to 2002, the Company carried out a search on the west coast of North America, from Alaska to Mexico, seeking to identify suitable deposits capable of shipping aggregates to California. In Alaska, the climate and remoteness, a lack of infrastructure, longer distances to markets, and the U.S. *Jones Act* (which increases shipping freight costs for aggregate deposits located in the United States due to a requirement to use US flagged carriers) were all negative factors. Mexico's potential was found to be limited by poor quality material, a lack of infrastructure, and limited fresh water available for processing and washing. In 2010, a new sand and gravel processing plant was installed in Tijuana, Mexico which receives raw materials from diverse riverbed sources. Products from this facility are currently being exported into the San Diego market, although the Company believes that there may be quality issues with these aggregates and therefore this source would be unlikely to present a challenge to the Company's products for use in infrastructure works.

A significant number of sites were examined in British Columbia following which the Company concluded that the Orca Project offered a cost-effective source of high quality sand and gravel that could be shipped from coastal British Columbia. Although a number of other coastal sand and gravel deposits exist, none have yet to be developed and Polaris now has a significant advantage through its long-term customer supply contracts and secured receiving terminals. See "Risk Factors" for further details. A recent attempt to permit a quarry in Desolation Sound was withdrawn by its proponent after significant local opposition, while a new proposal for a quarry in Howe Sound has just initiated its permitting process. The latter quarry would not likely be able to support the loading of deep-sea vessels.

Prices

The Company enjoyed relatively stable pricing for its products since commencing shipments in 2007 through to 2012. However, as a result of the severe recession, the price growth anticipated at the time of the IPO was not realized during that period but can be expected once significant growth in demand becomes evident and the industry as a whole is in a period of strong recovery. The downturn in the demand for construction aggregates did create pricing pressure in certain market areas in California and Polaris experienced some minor reduction in average selling prices during 2011, principally the result of incentive pricing offered to contracted customers to encourage volume growth. Price increases, in line with the rate of inflation, were implemented in May 2012, and thereafter further incremental increases were achieved through 2014. As a result of improving market conditions, the Company achieved a significant price increase for calendar 2015. Because we expect that the market has now recognized the impact of this price increase we believe that the potential exists for an improvement for the Company in 2017. The Company believes that market conditions should continue to support real price increases as the industry's recovery gathers pace in the US, and as additional infrastructure spending programs drive increases in demand. Increases in shipping fuel surcharges during the period 2007 to 2013 caused an increase in the Company's delivered prices into the northern California market and although they were passed through to customers, there was no net benefit to the Company. World oil prices steadily increased during this period and remained reasonably flat through 2014, but have since declined through 2015 and current prices continue to sit at relatively low levels.

Social Responsibility and First Nation Relationships

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, both 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. 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. In the last decade, there have been numerous

judgments by both the Supreme Court of Canada and the British Columbia Supreme Court regarding Aboriginal Rights and the duties of government and individuals to consult with First Nations groups, creating a constantly evolving legal environment.

To deal with this uncertainty, Polaris adopted a guiding principle: to seek to work cooperatively with those First Nations that have asserted traditional territory claims over the Company's areas of operation with a view to developing the projects for mutual benefit. The Company sought and respected the guidance from the relevant First Nations groups which allowed the Company to avoid searching in areas of spiritual or other sensitive uses by the First Nations, thereby avoiding conflict from the outset. Once project areas had been identified as suitable mineral resource areas, the Company undertook an exceptionally detailed and inclusive consultation process that involved not only all those First Nations with overlapping traditional territory claims over the various project lands but also involved every community group and potential stakeholder.

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 resulted in the issuance of environmental and other project permits and Crown tenures by the provincial and federal agencies, and 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. Post-development, the Company is working closely with the First Nations in connection with the operation of the Orca Quarry. As we look to the future and the development of our Black Bear Project, we intend to continue to implement the same inclusive, comprehensive approach to ensure that the development of our projects proceeds in a manner consistent with our and our partners' goals. See "History of the Orca Project" and the "History of the Eagle Rock Quarry Project".

The Company is in good standing under all operating permits and leases at the Orca Quarry and maintains good relationships with the local communities in which it operates.

Financing and Management of the Company's United States Operations

Eagle Rock Aggregates, Inc., one of the Company's U.S. subsidiaries, holds the Richmond Terminal Lease and corresponding easement and facilities use agreements, as well as the Company's Long Beach 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 Strategic Alliance, and manages 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 (as later defined), being the Company and the Hupacasath and Ucluelet First Nations, began discussions in 2008 regarding a potential renegotiation of the terms of the 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 Sand & Gravel Limited Partnership (the "Orca Partnership"). The original concept of the agreement was to ensure that the First Nations involved in the Eagle Rock Quarry Project were protected in the future from economic risk caused by the arbitrary setting of transfer prices between quarry and terminal. However, in practice the transfer pricing has been set independently by the Canada Revenue Agency under an advanced transfer price ruling that was finalized in February 2011. Through market forces that changed the originally anticipated timing of the quarry developments, this agreement is no longer practical in respect of terminal development and the Company does not wish these First Nations to be locked into an agreement that would be greatly to their disadvantage going forward. These discussions were restarted at the end of 2014, however, there is no assurance that a new 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"). See "Port Terminals and Development – Existing Terminals" for further details regarding the Richmond Terminal and Long Beach Terminal. Future terminal interests outside the state of California will be held by Polaris Aggregates Inc., a 100% owned U.S. subsidiary of the Company that became responsible for sales in Hawaii in 2014 upon the dissolution of Polaris Materials Inc., a step taken to simplify the corporate structure and reduce the number of subsidiaries that have to be maintained.

ORCA SAND & GRAVEL PROJECT

History of the Orca Project

The Orca Project was originally comprised of three large, high quality, sand and gravel deposits - the East Cluxewe, West Cluxewe and Bear Creek Deposits. The Company began development of the East Cluxewe Deposit, the associated process plant and ship loader (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 production in February 2007. 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 referred to as the East Cluxewe Extension Deposit, which is contiguous with the East Cluxewe Deposit. In the longer term, subject to further studies and permitting, the Company expects to quarry the East Cluxewe Extension and West Cluxewe Deposits and ship those products to markets, using the process plant and ship loader located at the Orca Quarry site. A comprehensive geological evaluation and drilling program was completed on these two deposits during the summer of 2008 in order to quantify potential additional resources. Until March 31, 2009, the Orca Partnership held the exclusive rights to negotiate a lease to obtain rights to the Bear Creek Deposit located on fee simple private land owned by Island Timberlands LP. However, following consideration of the results of a detailed geological evaluation and the economic requirements of the owner, interests in the Bear Creek Deposit were allowed to lapse during 2009 and, therefore, it is no longer considered a future resource. During 2007, Polaris received a Licence of Occupation from the Province over a potential sand and gravel deposit located 19 kilometres from the Orca Quarry and referred to as the Cougar Deposit. Results of a limited quantity of drilling on the Cougar Deposit in 2008 were not encouraging and, as a consequence, the Company relinquished the Licence of Occupation for this site.

The East Cluxewe and West Cluxewe Deposits are situated on fee simple, private lands owned by Western Forest Products Inc. ("WFP"). 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 Orca Project lands, together with the East Cluxewe Deposit and the East Cluxewe Extension Deposit, all lie within the asserted traditional territories of the Kwakiutl Band (the "Kwakiutl") and the Namgis First Nation (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, and West Cluxewe Deposit are held by the Orca Partnership pursuant to a limited partnership agreement (the "Partnership Agreement") dated March 1, 2005, 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 (the "Orca General Partner"). See "Corporate Structure – Intercorporate Relationships". 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.

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 Kwakiutl and Namgis. 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 increased over four years and, commencing in the fifth year, is 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 would make advances to the Namgis to enable them to meet their required equity contributions to the Orca Partnership. Advances made by the Company to the Namgis following the construction decision bore substantial interest rates. The Company's sole recourse for repayment of the advances is the distributions receivable by the Namgis from the Orca Partnership and the advances cannot be prepaid. The Company does not record interest receivable on the Namgis loan in its financial statements. In light of significant changes in the credit markets since the loan agreement was originally executed, together with the impact of the severe economic recession since the construction decision was made, several terms of the original loan agreement were amended in March 2010 whereby interest payable on the loan was frozen at the amount payable as of September 30, 2009; changes were made to the rate of interest such that they are more reflective of current market conditions; and the terms of the cash distributions and recourse for repayment were adjusted to be less restrictive. As at December 31, 2016, the Company had advanced \$8,032,337 to the Namgis.

Tenure

The Orca General Partner, on behalf of the Orca Partnership, has executed a *profit à prendre* lease 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, exercisable by the Orca Partnership, 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 East Cluxewe Deposit is subject to royalties payable by the Orca Partnership to WFP and the Kwakiutl together with a local community philanthropic fund. Royalties totaled \$0.81 per tonne of construction aggregates sold upon commencement of operations in 2007 and are subject to certain inflation indexation provisions.

Title to the ship loader site is held under a 30-year foreshore lease with the Province of British Columbia entered into on May 1, 2006.

Permitting

Rights to operate the Orca Quarry are granted by Environmental Assessment Certificate M05-01 and Mine Permit G-225, both issued to Orca Sand & Gravel Ltd. by the Province of British Columbia in July 2005.

Information from the Orca Report

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 with an effective date of November 27, 2008 and revised on December 23, 2008 (together, the "Orca Report").

Unless stated otherwise, the 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 on the Company’s website or 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 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, British Columbia. 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 sport 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 ship loading 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 Project 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 Project 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 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 Partnership 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 Project 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 Project 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 2005 and in 2008, 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 2007 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 ship loading 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 following table. 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 on the Company's website and on SEDAR at www.sedar.com.

| <u>Name</u> | <u>Tonnage (mt) (as at October 7, 2005)</u> | | |
|------------------------------------|---|--------------------------------------|---------------------------------------|
| | <u>Probable Reserves</u> | <u>Proven Reserves⁽¹⁾</u> | <u>Proven & Probable Reserves</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.
- (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 21.99 million tonnes. After processing, the amount of saleable product is calculated at 21.59 million tonnes. A summary of the production from East Cluxewe as of December 31, 2016 is as follows:

| Raw Material Processed 'Run-of-Pit' ⁽²⁾ | Saleable Production ⁽¹⁾ | | | | | | |
|---|------------------------------------|----------|---------------|----------|---------------|----------|---------------|
| | Concrete Sand | | Small Gravel | | Large Gravel | | TOTAL |
| <u>Tonnes</u> | <u>Tonnes</u> | <u>%</u> | <u>Tonnes</u> | <u>%</u> | <u>Tonnes</u> | <u>%</u> | <u>Tonnes</u> |
| 21,990,388 | 12,431,601 | 58% | 5,219,511 | 24% | 3,945,641 | 18% | 21,596,753 |

Notes:

- (1) Saleable Production is the summation of invoiced shipments, material donations, and any yearend stockpile inventory adjustment as confirmed by an independent, professional surveying company.
- (2) 'Run-of Pit' raw material feed is measured by a conveyor belt scale that is not a certified scale for trade. It is used for production monitoring and estimating process losses for control purposes only.

Mining Operations

Construction of the Orca Quarry was completed in February 2007 for an overall budget of US\$53 million, including the marine ship loading 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.

Capital and Operating Costs

Capital cost estimates are based on experience gained from current operations, budget data, and quotes received from manufacturers during the year. Capital cost estimates include funding for infrastructure, mobile equipment replacement, development, drilling and permitting as well as miscellaneous expenditures required to maintain production. Infrastructure requirements are incorporated in the estimates as appropriate. Mobile equipment is scheduled for replacement when operating hours reach threshold limits.

| Area | (USD) (thousands) |
|--------------|-------------------|
| Sustaining | 1,687 |
| Expansionary | - |
| Total | 1,687 |

Operating cost estimates are based on actual historical data and include adjustments to reflect market conditions. The estimated average annual operating cost is USD16.28 per ton.

| Area | (USD per ton) |
|-------------------------------------|---------------|
| Cost of goods sold | 14.00 |
| Selling, general and administrative | 1.97 |

| | |
|-----------------------|--------------|
| Other operating costs | 0.31 |
| Total | 16.28 |

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, crushers, and sand washing system. Fine sand (silt), which is removed during the washing process, is sent to a thickener tank and then either to a filter press system, where it is collected and trucked, or pumped directly into the excavated pit. In either case it will be utilized for 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 (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 ship loader. 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 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 Orca 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 but the Company presently has no intention of seeking a change. Production will be entirely dependent upon the demand for the Company’s products.

Financial Analysis

AMEC reviewed the Orca Project cash flow forecasts at the time of the Orca Report, details of which are set out in the Orca Report. All calculations were carried out on an after-tax basis that assumed combined federal and provincial income tax rates of 34% in 2007, 31% in 2008, 30% in 2009, 29% in 2010, 28% in 2011 and 26% in 2012 and thereafter. The net present value is estimated to be US\$ 226.70 million (at a discount rate of 10%), the payback period of the capital was calculated to be 6.61 years from the start of year 2009 and the internal rate of return is estimated to be 22.1% for the defined Project Case.

The results of the AMEC financial analysis of the Orca Project are based on certain underlying assumptions made when the report was prepared in 2008. Such underlying assumptions may no longer be reasonable and, therefore, undue reliance should not be placed on the results of the AMEC financial review. See “Risk Factors”.

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. In February 2011, this permit was amended to include the mining of a small additional resource area close to the processing plant.

Production Tonnage

The Orca Report stated that as at August 25, 2008, a total of 2.88 million tonnes of saleable sand and gravel products had been produced. Subsequent to the Orca Report annual productions are verified by Kenneth Palko, the Company’s President and Chief Executive Officer, who is considered to be a Qualified Person for this purpose. At December 31, 2016 the total of saleable products produced from the East Cluxewe Deposit, since operations began, was 21.99 million tonnes.

BLACK BEAR PROJECT

The information below is summarized, derived or extracted from the Technical Report on the Black Bear Project which was filed on SEDAR on November 17, 2016 (the “Black Bear Technical Report”). The authors of the Black Bear Report are Wm. John Beck, P.Eng, and Gary Nordin, P.Geo, who are “Qualified Persons” as such term is defined in NI 43-101 and are independent of the Company within the meaning of NI 43-101. Certain information below is based on assumptions, qualifications and procedures that are set out only in the Black Bear Technical Report. For a complete description of assumptions, qualifications and procedures associated with the information in the Black Bear Technical Report, reference should be made to the full text of the report that is available for review on the Company’s website or under the Company’s profile on the System for Electronic Document Analysis and Retrieval (SEDAR) located at the website www.sedar.com.

Location and Access

The Black Bear property is located approximately 6 km south-west in a straight line from Port McNeill, B.C., on northern Vancouver Island centred at NAD 83-UTM Zone 9, 633,418E, 5,601,158N. The property is on Crown Lands in the Regional District of Mount Waddington within the Rupert Land Division and Nanaimo Mining Division.

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 and a 3.5-hour drive north on Island Highway #19. The Black Bear property is located approximately 6 km south of Port McNeill and is accessible from both Highway #19 and a network of logging roads maintained by Weyerhaeuser and Western Forest Products.

Land Tenure and Surface Rights

To bring this aggregate deposit to production and market, a significant investment of capital and time will be required on behalf of Polaris, and as such the Company applied for a long-term [5-year] Licence of Occupation. The application has been approved as submitted for a Licence of Occupation (LoO) V926148 for the purpose of carrying out exploration to define deposits suitable for the quarrying of coarse construction aggregate resources over an area of 706.4 hectares of Crown Land. Polaris is required to apply to the British Columbia Ministry of Mines and Environment to mine the Phase I area, this would include the filing of an environmental assessment report which would include a five-year and life of mine and reclamation plan.

On initiation of the project Polaris staked mineral claims 1036965 and 1044495 over the area in order to ensure primacy of claim over the area. These Mineral Claims are in good standing until 2018 and 2017 respectively.

The Licence of Occupation held by Polaris provides for the right to explore on Crown Lands to assess its potential as an aggregate resource. Polaris is required to apply to the British Columbia Ministry of Mines and Environment to mine the Phase I area, this would include the filing of an environmental assessment report which would include a five-year and life of mine and reclamation plan.

Western Forest Products (WFP) hold the surface rights to the access roads from Hwy 19 to the site. Negotiations are currently underway to determine wheelage rates on limited use, hauling during WFP off hours.

Royalties

Minimum BC Provincial royalty rates are as follows:

| Quarry Material | Minimum Royalty Rates | | |
|--|--|-------------------------|------------------------|
| | Per metric tonne (dry) | Per cubic meter (loose) | Per cubic yard (loose) |
| 1) Rock for crushing purposes | \$ 0.60 | \$ 0.92 | \$ 0.71 |
| 2) <u>Rock for crushing purposes (export sales only)</u> | <u>1st year: \$ 0.40 for the volume specified in the tenure document</u> <u>2nd year: \$ 0.46 for the volume specified in the tenure document</u> <u>3rd year: \$ 0.51 for the volume specified in the tenure document</u> <u>4th year: \$ 0.57 for the volume specified in the tenure document</u> | | |
| 3) Rock for crushing purposes (export sales only) | 5th year: \$0.62 Where the actual volume in any of years 1 through 4 exceeds the | | |

| | | | |
|--|--|--|--|
| | <p>amount specified for that year, the rate of \$0.62 shall be applied to the excess volume.</p> <p>6th and subsequent years: \$0.62 adjusted monthly by a Statistics Canada derived producers' crushed rock price index</p> | | |
|--|--|--|--|

Higher rates are charged upon the recommendation of provincial staff, supported by independent market appraisal, and approved by Ministry Executive.

The Black Bear product is expected to be subject to royalty in Category 2 - Rock for crushing purposes (export sales only) as defined above, as the ultimate market is for export only, with 100% of sales being shipped via the Orca shiploading facility to offshore markets.

Discussions on structures for partnerships with regards to the Black Bear Project are underway with the Kwakiutl Band and 'Namgis First Nation. As has been the case in all of Polaris' projects, proper engagement and collaborative work with First Nations, the government and local stakeholders has been a key component of the operating environment, and will be no different with Black Bear. The most appropriate path forward for Polaris to involve each First Nation in the most fair, balanced approach possible will be sought.

Permits and Environment

For the Black Bear Project deposit to be quarried will require a mine permit issued by the British Columbia Ministry of Energy and Mines.

The site is currently under pre-application stage of the Environmental Assessment Process. Polaris is incorporating the same project model as in the development of the Orca Quarry located in the Port McNeill area, which has encouraged both First Nations and public involvement.

A preliminary desktop review of potential site constraints with the Licence of Occupation (LOO) area has been completed. The desktop review included information from existing provincial databases and site-specific information from Western Forest Products (WFP). The review focused on species at risk, fish and fish habitat, archaeological significance, visual significance, and recreational use.

The site is located within WFPs Tree Farm License (TFL) 39, and as such the majority of cutblocks of merchantable timber identified within the development area have been logged. Various streams, wetlands and lakes exist within the LoO area, the majority of which are considered to be fish bearing, or directly connected to fish bearing streams (e.g., the Cluxewe River) or water bodies, and as such would require consideration as the project moves forward. Any works requiring alteration of fish habitat would require appropriate authorizations from provincial and/or federal agencies.

The desktop review identified one blue listed species (provincial designation - considered to be of special concern) within the LoO area, the Northern Red legged frog. Appropriate mitigative measures would need to be implemented, as appropriate during site development to prevent impacts to this species. As currently planned it is expected that the site can be developed without impacting local watercourses or wetlands.

The Black Bear LoO area is located within the traditional territories of the Kwakiutl Band and 'Namgis First Nation. No archaeological or cultural features were identified during the desktop assessment, although a more detailed archaeological assessment is currently underway with the assistance and input of both the Kwakiutl Band and 'Namgis First Nation.

The British Columbia Environmental Assessment Office (EAO) had determined that an amendment of the 2005 Environmental Assessment (EA) Certificate for the Orca Sand and Gravel Quarry is required to include the Black Bear Project, should that development option be pursued. In addition an amendment to the existing Mines Act permit is required by the Ministry of Energy and Mines (MEM). Discussions with federal authorities have confirmed that no amendment to the existing federal EA authorization (Canadian Environmental Assessment Act) is required.

Various time-sensitive baseline programs have been initiated in support of the EA and permit amendments and the acquisition of existing information for the area is ongoing. The assessment of baseline conditions will include the evaluation of the large amount of existing information already available from the previous Orca EA and ongoing forestry activities in the area.

In addition, there is ongoing interaction with representatives from the EAO and MEM to develop a final framework for the project application, which takes into consideration appropriate provincial guidance documents.

History

The area surrounding the Black Bear property has provided local resources of sand and gravel from several extraction operations including Orca Sand & Gravel, Quarry Lease No. 1407109, operated by the BC Ministry of Transportation, and the OK Paving pit which processes sand and gravel as feedstock for an on-site asphalt plant. In addition two small rock quarries located 1500-2000 metres northwest of the Black Bear LoO are used for road construction rock ballast by Western Forest Products and McNeill Enterprises. The historical production from these pits is not known, but all are under active use.

There is no recorded history of exploration or production on the property for the use of the exposed Karmutsen formation basaltic rock as crushed construction aggregate. There is a small rock quarry located on the southwest corner of the proposed Black Bear quarry site on the access logging road K-61 C. This small quarry was developed by Western Forest Products for use as road ballast on their local logging roads. The access road network present throughout the Black Bear project area was established by Western Forest Production for the extraction of timber on their Timber Licence.

There is no historical recorded mineral resource or reserve in a quarry site on the project area and no production of rock for use as crushed rock aggregate other than a small quarry on the southwest port of the Black Bear LoO used by Western Forest Products for local logging road ballast.

Geological Setting and Mineralization

The Black Bear Project area is underlain exclusively by Upper Triassic Age Karmutsen Formation basic tholeiitic submarine basalts which are conformably overlain by Quatsino limestones to the north and are in fault contact with Upper Cretaceous Nanaimo group sandstones. The Nanaimo sediments are in turn overlain by Quaternary sand and gravel deposits which are presently being mined at the Orca Sand and Gravel Quarry. The bedrock has been extensively modified by glaciers during the Pleistocene period. In general, most of the surficial material shown on the maps is related to the most recent glacial episode, the Fraser Glaciation, which occurred 9,000 to 25,000 years ago.

The Black Bear property is underlain by a large outcrop ridge of Karmutsen volcanics measuring approximately 3000 metres east west by 2000 metres north south and extending from 220 metres to 300 metres in elevation across the centre of the Black Bear LOO. The observed bedding attitudes in the Karmutsen formation basalts on the west portion of the project is a SW strike and 40 degree north dip and on the east side of the project area a NW strike and 40 degree dip northeast dip. The Karmutsen has a stratigraphic thickness of 2000 metres on the northern part of Vancouver Island and the thickness on the Black Bear project area is estimated to be in excess of 300 metres. Mapping has indicated competent volcanic rocks are present along the entire ridge over an area in excess of 3000 metres east to west and 2000 metres north to south through the centre of the Black Bear LoO. The Karmutsen formation volcanics are cut by north/south and east/west fracture zones which define the boundaries of the more

competent resistant outcrop ridges. The resistant outcrop ridges are the sites of competent bedrock suitable for use as crushed rock construction aggregate. Karmutsen volcanics comprise approximately 60% of the material in the Orca Sand and Gravel quarry and, in addition to stand-alone applications as an asphalt stone or fill material, the coarse crushed rock from the Black Bear Project could potentially be used to blend with material from the Orca Quarry to increase the percentage of coarse aggregate for use in concrete aggregate, subject to confirmation of acceptance with potential customers.

The Measured and Indicated drill defined resource area on the west Black West Quarry site measures 500 metres by 500 metres and has a thickness in excess of 300 metres, while the Inferred resource area on the east and central portion of the Black Bear Project measures 1,500 metres by 1,500 metres and has a thickness in excess of 300 metres.

Analysis of data provided from the drilling program have defined the bedrock as follows:

- Amygdaloidal Basalt: Dark coloured volcanic rock formed from a magma of basic composition erupted on the Earth's surface. Magmas generally contain dissolved gas, which form bubbles in the magma as the pressure is released on eruption, which gradually fill up with quartz, calcite (calcium carbonate) or other minerals called zeolites.
- Massive Basalt: Often referred to as "Trap rock" which typically has no conspicuous crystals, and in its interior regions has a uniform grey or grey brown color.
- Fine-grain Basalt: Mainly a result of sub-aqueous deposition of lava generally so fine in texture that individual crystals are not visible.

Deposit Types

The focus of the exploration on the project area has been to locate areas of competent Karmutsen basalt bedrock without areas of shearing and hydrothermal alteration on well exposed ridgetops with minimal overburden cover and good road access. Follow up surface geological mapping and sampling was then completed in the selected Black Bear project ridgetop bedrock exposure area measuring 3,000 metre by 1,500 metre to determine the suitability of the Kamutsen Formation basaltic volcanic rocks for use as crushed rock for construction aggregate. Follow up drilling then focused on the area of easiest road access for a starter pit on the western portion of the Black Bear LoO.

Exploration

Surface geological mapping and sampling was carried out over the broad bedrock ridge extending throughout the entire Black Bear license area, measuring 3,000 metres east/west by 1,500 metres north/south, to determine the suitability of the Kamutsen Formation basaltic volcanic rocks for use as crushed rock aggregate.

Detailed geological outcrop mapping at a scale of 1:1500 was carried out over a 500 metre by 500 metre area on the western portion of the outcrop ridge covering the Measured and Indicated resource area. Outcrop areas constitute approximately 50% of the west potential quarry bench area and form continuous exposures between and near the diamond drill holes. The mapped Karmutsen basic volcanics are a highly competent uniform rock with a consistent joint set spacing of 5-17 cm with fresh unaltered joint faces throughout the area. The principal geological features noted were rock hardness and joint set orientation and spacing. Two principal joint directions were mapped; one set NW from 300-340 degrees azimuth with 50-70 degree dips and a second set NE 040-080 degrees azimuth with 50-80 degree dips; bedding was also mapped in several places measuring 210-240 degrees azimuth and dips of 25-40 degrees. Strong shear zones were mapped on the eastern and northern margin of the outlined target quarry site near drill hole BB 16-05 with strikes of 310-330 degrees azimuth with steep dips on the east and 080 azimuth strike with steep dips on the north. The shearing is associated with soft dark chloritic fracture coatings and epidote veinlets and disseminations creating a soft friable crushed rock over widths of 5-10 metres with calcite coated micro fractures outward for an additional 10 metres. The mapped northwest trending shear zone on the east and a strongly altered

fracture-shear zone 50 metres to the north of drill hole BB 16-05 define respective east and north limits of the competent northwest trending resource area.

Reconnaissance geological mapping at a scale of 1:5000 was carried out over the central and western portions of the outcrop ridge principally along road exposures. The eastern bedrock exposures are generally more massive than the western and central portions of the bedrock ridge. Joint spacing on the western and central portions of the ridge average 17 cm while the joint spacing on the eastern portion of the ridge range from 50-200 cm and average 100 cm.

Rock outcrop areas were located by GPS waypoints and detailed descriptions of hardness, colour, fracture density and orientation. Bedding features and joint set orientation and spacing were noted and recorded on field notes and later on digital excel spreadsheets.

Drilling

Diamond Drilling Method - Five HQ (2.75") diameter diamond drill holes were drilled to test the rock qualities of the 500 metre by 500 metre western portion of the Black Bear project area for use as crushed rock for construction aggregate. Four diamond drill holes were completed at spacings of 100 metres along a road on the southern portion of the resource bench area in an area with continuous rock exposures between holes. One HQ (3.5 inch) diameter diamond drill hole was drilled 350 metres to the north on the northern end of the outcrop bench. Drilling was carried out by Hardrock Drilling of Penticton, BC and supervised by Gary Nordin, P. Geo.

Drill Hole Collar Surveys Methods - Holes were located using a GPS terminal with nominal accuracy of 2-5 metres.

Down Hole Deviation Survey Methods - The strike and dip of each hole was taken with a compass at the collar of each drill hole. No downhole survey measurements were taken due to the shallow 50-95 metre depth of the holes and the massive competent nature of the Karmutsen formation basaltic volcanic rock.

Sampling

Surface samples - A total of 9 representative surface bedrock samples were taken throughout the Black Bear project area for analytical construction aggregate testing including 1) LA Abrasion, for Coarse Aggregate (ASTM-535-12) and 2) Relative Density (Specific Gravity) and Absorption of Coarse Aggregate (ASTM C127). Surface rock samples were taken with a 3 kilogram rock hammer with an average rock fragment size of 10 cm with sufficient rock to fill a 5 gallon plastic sample bucket with the sample weight averaging 40 kilograms. Four samples were taken within the 500 metre by 500 metre western outcrop resource area and 5 samples were taken from the central –eastern 1,500 metre by 1,000 metre outcrop area.

Core samples - A total of 15 representative composite samples were taken on 20 metre intervals downhole from each hole with on average 50-70 cm of sample taken at 4 metre intervals along each 20-metre interval. The 20-metre composite test sample interval was also used at the Orca Sand and Gravel aggregate testing and at Black Bear is thought to be a representative composite sample for mining on 10-20 metre bench intervals.

The rock is a massive volcanic flow rock with no marker horizons and the sample intervals are representative tests of rock quality. The whole core was placed in 5 gallon sealed buckets and labelled with test intervals in metres and the tests to be run. The average sample weight was 40 kgs. A sample tag was placed in each bucket and a tag stapled to the core box from the interval taken. Photographs of all the core were taken before sampling and after logging with sample intervals marked with red chalk and pink ribbons. All holes were plugged in the field with orange painted wood posts and marked with aluminum plates and discs noting hole number, orientation, dips and UTM coordinates.

The drill holes were oriented at 090 azimuth and at a -60 degree to the east to cross cut the majority of the jointing at 000 to 020/90 degree azimuth and 220/45 azimuth bedding and a 330 degree azimuth shear direction. The western quarry site is a broad 500 metre by 500 metre outcrop bench of competent Karmutsen volcanics bounded on the east and north by strong fracture fault zones with poor rock strength quality.

Drill holes BB 16-02 to BB 16-04 intersected consistent highly competent Karmutsen volcanics throughout with good test results for crushed rock aggregate.

Drill hole BB 16-01 was drilled at an azimuth of 330 which is parallel to the a major fracture-shear trend and the top section of the hole paralld a narrow metre wide fault zone and was not representative of the rock outcrop in the area. Only the bottom of the hole was used in testing away from the narrow fault zone. All subsequent drill holes were oriented either 090 or 270-degree azimuth to crosscut this trend of shearing. Drill hole BB16-05 was drilled on the margin of a 20-metre-wide fracture zone trending 330-degree azimuth on the northern extent of the proposed quarry site. Test results indicate a lower rock quality for all test results for construction aggregate for this hole. Additional drilling is needed east and west of this hole to define the fracture zone and the lower rock quality zone.

Sample Preperation - Samples were selected by G. Nordin, P.Geo. for analysis by the aforementioned independent laboratories. Samples were taken on 20-m centres throughout the core string, then tagged and sealed in 5-gallon pails for shipping to Golder Associates for sample preparation and shipping to the appropriate laboratories. The core was not split. Complete core samples were shipped to the laboratories.

The LA abrasion test is the most commonly used test to determine aggregate durability. Golder conducted LA Abrasion testing (ASTM C535) on the 15 composite samples taken on 20-m intervals through the recovered core which averaged 16.42% loss with a maximum of 30.8%. However, it should be noted that the high value of 30.8% was reported in BB 16-05 at the depth of 70-m in an area of low RQD rating. The average value for loss on the remaining 14 samples was 14.43%.

Absorption is a measure of porosity within aggregate particles. Low porosity aggregates tend to be more durable to mechanical and weathering forces. Tests (ASTM C-127) by Golder for absorption averaged 0.77% with a standard of deviation on 15 samples of 0.37 % compared to that of Orca's 0.46 % with very little variation.

Specific gravity relates volume to mass and is useful in Portland cement and asphalt concrete mix design when proportioning materials to be mixed. Based on a population of 15 samples the material tested averaged a relative density of 2.943 with a very low standard deviation of 0.04.

The neutralization potential ratio (NPR = NP/AP) is a primary screening tool in the evaluation of the acid base accounting (ABA) results for acid rock drainage (ARD) potential. The Black Bear Phase 1 deposit ARD tests carried out by AGAT Laboratories on 15 samples has demonstrated that the deposit has a mean neutralizing ratio value of 22:1 with a minimum ratio of 9.8:1 and standard deviation of 7.7:1. For the Black Bear proposed starter pit area, results indicate that the samples have a very low potential to produce ARD.

During the feasibility and preliminary design stages of a project, when very little detailed information is available on the rock mass and its stress and hydrologic characteristics, the use of a rock mass classification scheme can be of considerable benefit and can be used as a check-list to ensure that all relevant information has been considered. Each of the rating parameters are given a score, the sum of these scores provides the user with 5 rankings of rock ranging from very good to very poor rock. Black Bear's overall rating for all 15 core sample points was determined as a class III (fair rock) with an assigned cohesion and friction angle of 300 kPa and 35° respectively. Point load testing is used to determine rock strength indexes in geotechnical practice. Point load data of the samples tested in the Golder laboratory have a mean value of Is_{50} which is equal to 6.7 MPa. Using a C factor value of 23.5 converts point load information to that of uniaxial strength produced a mean compressive strength of 158 MPa, having a standard deviation of 57 Mpa.

Sulphate resistance tests per ASTM C88 utilize salt crystal growth in the aggregate pore structure to mimic freeze/thaw effects. ASTM C88 magnesium testing was completed by Golder on 15 composite samples for coarse aggregates. Weight loss values had a recorded a mean of 1.9 with a maximum value of 14.9 and a minimum value of 0.1 percent. The reported maximum value of 14.9% was from the 65 to 78 metre section of borehole BB 16-05, which also reported a low triaxial value. The sulphate test discussed above shows little sign of degradation and the

very small number of fines were generated from the coarse aggregate DI test, suggesting that fine aggregates would perform similarly.

Accelerated mortar bar tests were completed by Golder on a number of composite samples taken on 20-meter intervals through the recovered core. Samples crushed to test aggregate sizes show low loss values in BB 16-01 through to BB 16-04, however high values are reported in BB 16-05.

Particle shape affects the cement-water ratio, workability, and finishing properties of concrete. Rounded particles are preferred for Portland Cement Concrete while angular particles are desirable in asphalt (hot mix) concretes. From visual examination of crushed and broken segments of the recovered core samples, breaks are all angular with multi sided fractures, particle geometry was generally cubic (isometric), with occasional flat and irregular shaped particles and no observed elongated (3:1) particles. Based on the identified particle shapes and stripping test carried out by Kleinfelder, aggregates from the Black Bear deposit appear are ideal for asphalt mix designs of which the following is an example of one-inch and half-inch gradation and limits.

To assess the compatibility of Black Bear basalts for concrete and other uses, whole rock analysis has been carried out on Black Bear core samples and a sample cut from the Orca coarse aggregate stockpile. The mean value analysis of chemical values from the 2016 drill program demonstrates a similarity with the Orca and Black Bear deposits.

Sample Security - 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 Orca warehouse in Port McNeil 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 Polaris Minerals Corporation staff. Samples were tagged and recorded with the necessary instruction for analyses and results of these analysis were reconciled against tag records on receipt of laboratory results. Samples were under the control of Polaris personnel, supervised by Gary Nordin, and logged in a secure site at the Orca Quarry. The core boxes were stacked on pallets and bound and stored at the Orca Sand and Gravel Quarry site

Analysis

Sample Analysis - Tests were completed by the following laboratories: Golder Associates (Golder) 300-3811 North Fraser Way Burnaby BC; AGAT Laboratories 5623 McAdam Road, Mississauga, Ontario and 120-8600 Lanyon Parkway, Burnaby, B.C; and Kleinfelder, 2601 Barrington Court, Haywood, California USA. Aggregate specifications are ASTM International and the State of California Department of Transportation (Caltrans).

Samples were tested at Golder Associates' materials laboratory in Burnaby BC for Los Angeles Abrasion (LA abrasion ASTM C535), Absorption, Soundness, Acid Based Accounting, Whole Rock Analysis, Point load test, Trace element 30 element ICP, and Relative Density (ASTM C127). Additional testing was completed at Golder Associates' materials laboratory in Surrey, BC for durability index (DI) and accelerated mortar bar (AMBT) tests.

Quality Control Measures - This material is fundamentally rock with no economic mineral content and is used for construction aggregate, no potential for salting the samples. Samples were tagged which included sample number – location – description of tests to be performed by the designated laboratory. On receipt of final analysis sample numbers were reconciled against retained portion of the sample identification tags.

Surface samples - The average value of surface rock samples for LA Abrasion and Absorption are 13% and 0.313% respectively and exceed the ASTM Standards for crushed rock aggregate of <50% and <2.0% respectively. Whole Rock analysis was also carried out on seven surface grab samples collected in 2015. The mean value analysis of chemical values from the 2015 grab samples demonstrate a similarity to that of Orca and Phase I Black Bear core samples.

Core samples - The five core holes BB 16-01 through to BB 16-05 were sampled on 20-metre intervals and shipped to Golder Associates for sample preparation and distribution.

The LA abrasion test is the most commonly used test to determine aggregate durability. Aggregates are added into a revolving drum with charge of steel balls. Unlike a ball mill, the LA testing machine also has a 90-mm shelf on the interior of the drum that will raise the charges and drop them on the material at the base of the drum. Degradation occurs from both the impact of the charges and attrition between particles in the drum. Golder conducted LA Abrasion testing (ASTM C535) on the 15 composite samples taken on 20-m intervals through the recovered core which averaged 16.42% loss with a maximum of 30.8% loss. However, it should be noted that the high value of 30.8% was reported in BB 16-05 at the depth of 70-m in an area of low RQD rating. The average value for loss on the remaining 14 samples was 14.43%.

Data Verification

The exploration site was visited by Wm. John Beck, P.Eng. on numerous times prior to the commencement of the drill program in 2015 and he witnessed the drilling of core holes BB 16-01 through to BB 16-05, which were under the direct supervision of Gary Nordin, P.Geo. Mr. 21.6 million tonnes. Beck also viewed core boxes stored at the Orca site and reviewed core photographs prepared by Gary Nordin P.Geo. These photographs are in digital format at the Polaris office.

No in laboratory witnessing of sample analysis was made by Wm. John Beck, P.Eng., however, analysis certificates were issued by the individual laboratories by professionals in their field, and are on file at the Polaris office.

Mineral Processing and Metallurgical Testing

A conventional drill, blast and crush open pit mine is assumed for the purposes of assessing reasonable prospects of eventual economic extraction. No other processing is anticipated. Products will be transported from the Black Bear Quarry to a stockpiling location with access to the shiploader on the Orca site for stockpiling for shipment to various end markets. Material transported from the Black Bear site to stockpiles initially will be moved from the Black Bear site using highway rock trucks.

No deleterious materials were identified in the core or grab samples taken over the site, therefore, other than primary crushing, screening and washing there is no further beneficiation required for construction aggregates.

Like the Orca products, the final product will be transported under Highway 19 by conveyor to the ship-loading facility that is situated north of the highway. The ship-loading facility is located on tidal water within Broughton Strait, part of the "Inside Passage", a deep navigable channel used extensively by large vessels, particularly during the summer cruising season.

Mineral Resource Estimates

An open pit mining scenario is assumed for the Black Bear deposit. The Mineral Resource estimate is constrained within three conceptual pit shells designed to best represent the identified environmental, social, and engineering parameters. This includes appropriate pit slopes, identifying setbacks from existing roads, watercourses, and the maintenance of existing tree visual barriers.

Black Bear Project Mineral Resource Estimate - Effective Date: October 3, 2016

| | | Indicated Mineral Resource | Measured Mineral Resource | Measured & Indicated Mineral Resource | Inferred Mineral Resource |
|----------------|----------------------|-----------------------------------|----------------------------------|--|----------------------------------|
| Phase I | <i>metric tonnes</i> | 28 million | 42 million | 70 million | |
| Phase II & III | <i>metric tonnes</i> | | | | 330 million |
| Total | <i>metric tonnes</i> | 28 million | 42 million | 70 million | 330 million |

- Mineral Resource Estimate prepared by Wm. John Beck P. Eng.
- Mineral Resources are prepared in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves.
- Mining, process, transportation, and G&A cost assumptions are discussed above
- Resources are constrained within a conceptual pit that takes into consideration appropriate pit slopes and setbacks from creeks and infrastructure
- In-situ tonnage values are based on a specific gravity of 2.94t/m³
- 100% mining recovery is assumed.

Measured resources are classified on the basis of materials within 150-m to a cored tested hole; Indicated within 300-m to a cored and tested hole; and inferred resource zones were identified by beyond the 300-m proximity to drill hole locations but are supported by surface grab samples.

The resource estimate is based on results of, logging and sampling of 5 HQ drill holes, in addition to data obtained from surface mapping and sampling of the resource area. Block modeling is based on the deposits lithology (Basalt) vs stratigraphy as all units have the same or similar properties with the variant being the depositional environment of the basalts, and also because the deposit will be quarried as a homogeneous block. Modelling for volumetric analysis requires the development of two three-dimensional surfaces; the surface topography and the proposed pit envelope.

The surficial topography gridded model was created using the government DEM survey 30-metre grid point data. It is proposed to fly a LiDAR survey of the area which will provide bare earth topographic data and facilitate the development of a reserve estimate for the Black Bear project.

The pit envelope surface grid was developed incorporating a geometry of an 11-metre working bench height with a 70° working face and an 8-metre safety berm, producing an overall pit slope of 45° and the pit final bench terminating at the 170-m elevation..

A 10 by 10 by 2-metre (x-y-z) volumetric block model was created. This block model trimmed off all materials above the surface topography and all materials below the constraining pit shell producing an extracted volume of 24 million cubic metres

The resource as reported would have an accuracy in the order of ± 15 percent, this is due the accuracy limit of the topographic data available at the time of the study. It is proposed that a LiDAR survey of the area would improve confidence in the volumes reported.

Polaris will be required to file an application with the BC Ministry of Mines for approval prior to the development of the proposed 250,000 tonnes per annum quarry. There are no other known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors that could materially affect the Mineral Resource estimate other than what is discussed in the Black Bear Technical Report.

EAGLE ROCK QUARRY PROJECT

History of the Eagle Rock Quarry Project

The Eagle Rock Quarry Project (the “Project”) is comprised of 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 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. The Company owns 70% of Eagle Rock, the Hupacasath and Ucluelet each indirectly own 10% and the remaining 10% is held by the Company to be available for the Tseshahat, pursuant to the Eagle Rock Shareholders Agreement as defined below. The Hupacasath and Ucluelet assert shared aboriginal rights to the Project site, while the Tseshahat assert exclusive aboriginal rights and title to the site. The Company has adopted a neutral position electing to deal equally with all three First Nations.

In October 2002, Polaris, through its 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 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 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.

Overview

In 2003, the Company, through its subsidiary Eagle Rock, received an Environmental Assessment Certificate (the “Certificate”) and a Mine Permit for a crushed granite aggregate quarry, located on deep tide water, with a permitted output of 6 million tonnes per year. In September, 2008, the Province of BC extended the validity of the Certificate by 5 years to September, 2013. The BC Environmental Assessment Act does not provide the government with the power to grant a second extension and therefore the certificate expired in 2013. The Company has entered into discussions with the appropriate government agencies to seek to protect the value of the extensive environmental assessment undertaken in 2002. The Project continues to have substantial support from the local communities in which it is located and the Company believes that, should market interest support the development of the Project, it will be possible to obtain new government approvals as necessary. The Company has continued to seek 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 but it is unlikely to be before there is a clear and sustained recovery in the industry in US coastal markets, particularly in California.

Eagle Rock holds a 50-year Crown lease for the quarrying of crushed rock and sand and gravel resources that 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 the Port Authority, in turn, is in communication with its lessor, the Province of British Columbia, regarding the Company’s foreshore lease application. 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.

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 will require further capital

The quarrying, processing and development of the Company's properties and terminals, including any future terminals which may be acquired and developed by the Company, will 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.

Reliance on Certain Customers

The Company generates the major proportion of its revenue, approximately 81% and 88% in 2016 and 2015 respectively, from sales to two customers, Cemex and Shamrock. The ability of these customers to continue in business, or to retain third party sales, could have a material effect on the Company and no assurance can be given in that respect. In addition, there can be no assurance given that the arrangements and agreements with these customers will remain unamended in the future, which could have a material effect on the Company.

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 assumptions made in AMEC's financial analysis of the Orca Project may no longer be reasonable

The financial analysis completed by AMEC of the Orca Project detailed in the Orca Report relies on certain underlying assumptions which may no longer be reasonable as a result of the global economic recession since 2008. The analysis undertaken by AMEC was completed in 2008. The cash flow projections were based on various assumptions including assumptions on the capital costs, operating costs, production and sales volumes and sales revenues over the life of the project which were reasonable at the time the financial analysis was completed. Since 2008, the actual sales

values suggest that the assumptions made may no longer be reasonable. Therefore, undue reliance should not be given to AMEC's financial analysis of the Orca Project.

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 the Long Beach Terminal, 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 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 have been negotiating, and will continue to negotiate, the terms and conditions of an arrangement with respect to Eagle Rock Aggregates, Inc. and the financing, construction, and operation of the Richmond Terminal, the Long Beach 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.

Under the Company's revised NCoA its exclusive shipper must provide volume capacity to transport approximately 3.2 million short tons of construction aggregates per annum. 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.

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 and title and, 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 valid legislative objective, subject to meeting a justification test. 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.

Additional uncertainty has arisen due to the decision in the Supreme Court of Canada in *Tsilhqot'in Nation v. British Columbia* (2014 SCC 44) which represents the first successful claim for aboriginal title in Canada and may lead other First Nations in British Columbia to pursue aboriginal title claims in their traditional land-use areas.

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 (such as the Company) 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.

The Tseshaht First Nation has asserted aboriginal 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 Ltd., have also asserted aboriginal 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 has been engaged in negotiations with the Tseshaht, however, to date there has been no agreement with respect to any participation. 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 margins and, hence, on cash flows, of the foreign exchange rate and the fluctuation 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 effect 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 initially experienced significant growth in its number of employees as a result of the development of its construction aggregate production and marine export business and may experience significant growth in the future as the Company develops its aggregate resource. 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. If the Company is unable to secure sufficient sales volumes to meet contracted 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.

Eagle Rock Quarry Project Royalty Assessment

The Company has received a royalty assessment from the British Columbia Ministry of Forests, Lands and Natural Resource Operations for alleged overdue royalties of \$456,000 for 2012, \$496,000 for 2013, \$529,896 for 2014, \$537,414 for 2015 and \$446,316 for 2016 in respect of the Company's quarrying lease for the Eagle Rock Quarry project ("ERQ project") located on the Alberni Inlet to the south of the City of Port Alberni, British Columbia. The Company is disputing the assessment. The Company has not recorded a provision for the royalties. The amount of any payment, if required, is currently uncertain and it may be necessary to record a provision in future periods. There can be no assurance that the Company's position will prevail.

DIVIDENDS AND DISTRIBUTIONS

The Company has never declared any cash dividends or distributions and does not have a dividend or distribution policy. The Company intends to retain all available funds, if any, for use in its business and does not anticipate declaring dividends or distributions in the foreseeable future.

CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value 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, 88,334,686 Common Shares were issued and outstanding.

Incentive Stock Option Plan

At the Annual General Meeting of shareholders of the Company held on June 9, 2015, the proposed resolution to amend and restate and reconfirm the Company's Incentive Stock Option Plan was withdrawn at the meeting on the basis that there was insufficient support. At the 2016 Annual General and Special Meeting of shareholders of the Company held on June 7, 2016, a new option plan (the "Option Plan"), as set out in the Management Information Circular of the Company dated April 26, 2016, was approved by the shareholders. Options previously granted under the previous option plan remain outstanding in accordance with their terms at the date of their issuance.

The purpose of the Option Plan is to attract and retain superior directors (other than non-employee directors), officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Company as 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 reserves for issuance pursuant to options granted under the Option Plan, when taken together with Common Shares reserved for issuance pursuant to all of the Company's security based compensation arrangements then either in effect or proposed, a maximum of 10% of the issued and outstanding Common Shares. Options which have expired, were cancelled or otherwise terminated without having been exercised, and those which have been exercised, are available for subsequent grants under the Option Plan.

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 (other than non-employee directors), officers, advisors, employees, and other persons or companies engaged to provide ongoing services to the Company or a related entity of the Company. The options are non-assignable and non-transferable other than by will or by laws governing the devolution of property in the event of death. Each option entitles the holder to purchase 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 price of 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. If an option expires during a black-out period, then the option shall expire 10 business days after the black-out period is lifted by the Company. 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 Option Plan, options granted under the Option Plan are subject to certain restrictions which include:

- a. The number of Common Shares which may be reserved for issuance pursuant to options granted under the Option Plan to any one person in any one year may not exceed 5% of the Common Shares issued and outstanding on a non-diluted basis from time to time;

- b. The number of Common Shares which may be reserved for issuance pursuant to the Option Plan (or any other share compensation arrangement) 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
- c. The number of Common Shares which may be issued pursuant to the Option Plan (or any other share compensation arrangement) 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 options 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 as of the termination date. In the event that an optionee is terminated for cause, any options not exercised prior to the termination date shall lapse. Notwithstanding the foregoing, no option shall be exercisable following the expiration of the option period applicable thereto.

In the event that the Company:

- a. subdivides, consolidates or reclassifies the Company's outstanding Common Shares, or makes another capital adjustment or pays a stock dividend, the number of Common Shares receivable under the Option Plan will be increased or decreased proportionately; or
- b. amalgamates, consolidates with or merges 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.

Subject, where required, to the approval of the TSX, and/or applicable securities regulatory authorities, the Board of Directors may, from time to time, amend, suspend or terminate the Option Plan in whole or in part. In addition, the Option Plan and any outstanding options may be amended or terminated by the Board of Directors if the amendment or termination is required by any securities regulatory, a stock exchange or a market as a condition of approval to a distribution to the public of the common shares or to obtain or maintain a listing or quotation of the common shares.

The Board may also, subject where required to approval of applicable regulatory authorities, the TSX and shareholders, amend or revise the terms of the Option Plan or any existing option without obtaining shareholder approval in the following circumstances, provided that, in the case of any option, no such amendment or revision may, without the consent of the optionee, materially decrease the rights or benefits accruing to such optionee or materially increase the obligations of such optionee:

- a. amendments of a "housekeeping" nature including, but not limited to, of a clerical, grammatical or typographical nature;
- b. to correct any defect, supply any information or reconcile any inconsistency in the Option Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Option Plan;
- c. a change to the vesting provisions of any option or the Option Plan;
- d. amendments to reflect any changes in requirements of any applicable regulatory authority or the TSX to which the Company is subject;

- e. a change to the termination provisions of an option following a termination of employment, engagement or directorship of an optionee which does not result in an extension beyond the original option period;
- f. in the case of any option, such amendments or revisions contemplated in the adjustment on alteration of share capital provision of the Option Plan;
- g. amendments to the definition of change of control for the purposes of the Option Plan;
- h. the addition of a cashless exercise feature, payable in cash or securities of the Company; and
- i. a change to the class of eligible persons that may participate under the Option Plan, except any amendment to the class of eligible persons to include non-employee directors.

Notwithstanding the above, no amendments to the following matters may be made by the Board of Directors without the Company first obtaining shareholder approval:

- a. increase the number of Common Shares reserved for issuance;
- b. amend the amendment provisions;
- c. any amendment which would permit options granted under the Option Plan to be transferable or assignable otherwise than, by will or by the law governing the devolution of property, to the optionee's executor, administrator or other personal representative in the event of death of the optionee;
- d. any amendment to the class of persons that may participate under the Option Plan to include non-employee directors; and
- e. amend provisions setting out insider participation limits of the Option Plan.

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.

Deferred Unit Plan

At the Annual General and Special Meeting of shareholders of the Company held on June 7, 2016, a new deferred unit plan (the "Deferred Unit Plan"), as set out in the Management Information Circular of the Company dated April 26, 2016, was approved by the shareholders.

The purpose of the Deferred Unit Plan is to promote the alignment of interests between the shareholders of the Company and the independent directors of the Company, being the members of the board of directors of the Company who are not also employees of the Company or the Company's affiliates, and to provide an equity component to such director's total compensation package designed to attract and retain qualified independent directors.

The number of Common Shares that may be reserved for issuance pursuant to deferred units granted under the Deferred Unit Plan and the number of deferred units granted under the Deferred Unit Plan shall not exceed a maximum of 2% of the issued and outstanding common shares. Deferred units which have expired, were cancelled or otherwise terminated without having been exercised, and those which have been exercised are available for subsequent grants under the Deferred Unit Plan.

The Deferred Unit Plan provides that an independent director, defined as a member of the Board of Directors of the Company who is not also an employee of the Company or the Company's affiliates, may elect to receive up to 100% of such director's fees in a particular year in the form of deferred units in lieu of cash by filing an election notice prior to December 15 of the calendar year prior to the year in which the services giving rise to such fees are performed or, if a new director, within 30 days of appointment. The election notice is deemed to be the election until a further election notice is filed. The value of each deferred unit on the date of grant is equal to the market value of the Common Shares on the trading day immediately prior to the date of grant. Market value is defined in the Deferred Unit Plan as the five day volume weighted average trading price of the Common Shares on the TSX, calculated by dividing the total value by the total volume of the Common Shares traded for on the TSX for the five trading days

immediately preceding the relevant date that the Common Shares were traded on, provided that if the Common Shares are suspended from trading or have not traded on the TSX for an extended period of time, then the market value will be the fair market value of a Common Shares as determined by the Board in its sole discretion.

Notwithstanding the filing of an election notice, the deferred units are granted by the Board of Directors in its sole discretion and the independent directors are not entitled to a grant until the grant is approved by the Board of Directors, subject to the value of any deferred units granted with respect of directors fees not being greater than the percentage amount elected to be received in deferred units in the election notice. The Board of Directors also has the authority to determine other terms and conditions of the deferred units. If deferred units are inadvertently granted during a black-out period, then the grant date will be deemed to be the fourth trading day following the end of the black-out period.

The deferred units are non-assignable and non-transferable other than by will or by laws governing the devolution of property in the event of death.

Deferred units will become redeemable on the earlier of the date where the holder ceases to be a member of the Board of Directors for any reason whatsoever including resignation, disability, death, retirement, or loss of office as a director and the date on which the holder is neither an employee nor a member of the board of directors of the Company or any corporation related to the Company for the purposes of the Income Tax Act. On or after such date, the holder of the deferred units may redeem such deferred units at any time prior to the end of the first calendar year commencing after the calendar year of such date. On the date such deferred units are redeemed, the holder of such deferred units will receive either: (a) if the Deferred Unit Plan obtains shareholder approval (and obtains shareholder approval every three years in accordance with TSX policies), a whole number of Common Shares equal to the whole number of deferred units of such holder, or (b) if shareholder approval of the Deferred Unit Plan is not obtained at this Meeting, a cash payment equal to the market value of such deferred units.

If cash dividends are paid on the Common Shares, that number of additional deferred units will be credited to a holder of deferred units that equals the total cash dividends that would have been paid if such holder's deferred units had been common shares as of the relevant record date divided by the market value on the trading day immediately after the record date.

In accordance with the rules of the Deferred Unit Plan, deferred units granted under the Deferred Unit Plan are subject to certain restrictions which include:

- a. The number of Common Shares which may be reserved for issuance pursuant to the Deferred Unit Plan to may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis from time to time;
- b. The number of Common Shares which may be reserved for issuance pursuant to the Deferred Unit Plan 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;
- c. The number of Common Shares which may be issued pursuant to the Deferred Unit Plan 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; and
- d. The issuance or grant to any one participant within a one-year period, of an aggregate number of deferred units and Common Shares issuable or reserved for issuance exceeding a market value on the grant date of \$150,000;

when taken together with Common Shares reserved for issuance pursuant to all of the Company's other security based compensation arrangements.

In the event that the Company:

- a. subdivides, consolidates or reclassifies the Company's outstanding Common Shares, or makes another capital adjustment or pays a stock dividend, the number of Common Shares receivable under the Deferred Unit Plan will be increased or decreased proportionately; or
- b. amalgamates, consolidates with or merges with or into another body corporate, holders of deferred units under the Deferred Unit Plan will, upon redemption thereafter of such deferred units, 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 deferred unit was exercised immediately prior to the effective date of such amalgamation, consolidation or merger or in lieu of a cash payment, the cash payment shall be equal to the fair market value of such other securities, property or cash which the holder would have received upon such amalgamation, consolidation or merger if the deferred unit was exercised immediately prior to the effective date of such amalgamation, consolidation or merger.

Subject, where required, to the approval of the TSX, and/or applicable securities regulatory authorities, the Board may, from time to time, amend, suspend or terminate the Deferred Unit Plan in whole or in part.

In the event of a change of control (as defined in the Deferred Unit Plan), all deferred units that are not vested shall vest immediately and automatically without further action by the Board of Directors, subject to any restrictions imposed by the TSX.

The Board may also, subject where required to approval of applicable regulatory authorities, TSX and shareholders, amend or revise the terms of the Deferred Unit Plan or any existing deferred unit without obtaining shareholder approval in the following circumstances, provided that, in the case of any deferred unit, no such amendment or revision may, without consent of the holder, materially decrease the rights or benefits accruing to such holder or materially increase the obligations of such holder:

- a. amendments of a "housekeeping" nature including, but not limited to, of a clerical, grammatical or typographical nature;
- b. to correct any defect, supply any information or reconcile any inconsistency in the Deferred Unit Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Deferred Unit Plan;
- c. a change to the vesting provisions of any deferred unit or the Deferred Unit Plan;
- d. amendments to reflect any changes in requirements of any applicable regulatory authority or the TSX to which the Company is subject;
- e. in the case of any deferred unit, such amendments or revisions contemplated in the adjustment or alteration of share capital provision of the Deferred Unit Plan; and
- f. a change to the class of eligible persons that may participate under the Deferred Unit Plan.

Notwithstanding the above, no amendments to the following matters may be made by the Board without the Company first obtaining shareholder approval:

- a. increase the number of common shares reserved for issuance;
- b. amend the amendment provisions;
- c. any amendment which would permit deferred units granted under the Deferred Unit Plan to be transferable or assignable otherwise than, by will or by the law governing the devolution of property, to the holder's executor, administrator or other personal representative in the event of death of the holder;

- d. amend any deferred unit granted under the Deferred Unit Plan to extend the redemption date beyond the original redemption date (for both Insider and non-Insider grants); and
- e. amend the number of common shares reserved for issuance and insider participation and non-employee director limits of the Deferred Unit Plan.

Shareholder Rights Plan

The Company does not have a shareholder rights plan.

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 |
|--------------------|-----------|----------|------------|-----------|
| <u>2017</u> | | | | |
| February | 1.25 | 1.17 | 1.20 | 476,905 |
| January | 1.34 | 1.15 | 1.27 | 459,888 |
| <u>2016</u> | | | | |
| December | 1.40 | 1.21 | 1.21 | 680,911 |
| November | 1.48 | 1.11 | 1.30 | 702,334 |
| October | 1.34 | 1.09 | 1.25 | 1,114,671 |
| September | 1.35 | 1.15 | 1.15 | 301,609 |
| August | 1.49 | 1.20 | 1.25 | 306,427 |
| July | 1.40 | 1.00 | 1.39 | 825,966 |
| June | 1.40 | 1.11 | 1.15 | 474,733 |
| May | 1.55 | 1.21 | 1.37 | 225,223 |
| April | 1.60 | 1.35 | 1.51 | 437,370 |
| March | 1.75 | 1.46 | 1.55 | 2,285,769 |
| February | 1.60 | 1.31 | 1.60 | 199,584 |
| January | 1.56 | 1.12 | 1.34 | 322,009 |

The Company's shares are also traded from time to time on various Alternative Trading Systems.

Prior sales

During the most recently completed financial year, being the year ended December 31, 2016 a total of 1,238,000 incentive stock options were granted under the Option Plan, as previously described, on August 12, 2016 with an exercise price of \$1.35 per Common Share and an expiry date of August 11, 2021. There were also a total of 260,000 DSUs issued under the DSU Plan at a deemed price of \$1.32 per DSU.

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 executive officers and directors, the positions and offices 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 officers of the Company, as a group, own 485,713 Common Shares (3,923,750 on a fully diluted basis), representing approximately 0.5% (4.4% 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 |
|---|--------------------------------|---|--------------------|
| TERRENCE A. LYONS ⁽¹⁾ Vancouver, BC Director, Chairman of the Board | April 22, 2004 | Corporate Director | 25,000 |
| HERBERT G.A. WILSON Toronto, ON Director, Vice-Chairman | July 13, 2002 | Vice-Chairman of the Company since January 1, 2017; Executive Vice-Chairman of the Company from October 1, 2015 to December 31, 2016; President & Chief Executive Officer of the Company from January 1, 2009 to September 30, 2015; Senior Vice President & Chief Operating Officer from July 13, 2002 to December 31, 2008. | 353,825 |
| EUGENE P. MARTINEAU ^{(1), (2)} Ponte Vedra Beach, Florida Director | March 18, 2010 | Principal, Martineau and Associates Consulting | 20,000 |
| MARCO A. ROMERO ⁽²⁾ West Vancouver, BC Director, Chairman of the Governance, Compensation and Nominating Committee | May 14, 1999 | President & CEO of Euro Manganese Inc.; President and CEO of the Company from 1999 to 2008 | 46,488 |
| LENARD F. BOGGIO ^{(1), (2)} North Vancouver, BC Director, Chairman of the Audit Committee | April 1, 2013 | Corporate Director | 10,000 |
| KENNETH M. PALKO North Vancouver, BC Chief Executive Officer | February 18, 2008 | Chief Executive Officer of the Company since October 1, 2015; Vice President, Operations from June 2011 to September 30, 2015. | 24,900 |
| DARREN K. McDONALD North Vancouver, BC Vice President, Finance and Chief Financial Officer | May 2, 2011 | Vice President Finance, Chief Financial Officer and Corporate Secretary | 5,000 |

| Name, Municipality of Residence and Present Position with the Company | Date Became a Director/Officer | Principal Occupation | Common Shares Held |
|--|---------------------------------------|---|---------------------------|
| SCOTT W. DRYDEN Langley, BC Vice President, Operations | August 15, 2014 | Vice President, Operations of the Company since October 1, 2015; Vice President, Business Development from August 15, 2014 to September 30, 2015 | Nil |
| NICHOLAS M. VAN DYK North Vancouver, BC Vice President, Investor Relations and Corporate Development | February 1, 2016 | Vice President, Investor Relations and Corporate Development | 500 |

Notes:

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

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

Terrence A. Lyons, ICD.D, age 67, Chairman and Director — Mr. Lyons was appointed Chairman of the Company in June, 2011. Terry Lyons currently serves as the Lead Independent Director and Chairman of the Audit Committee of Canaccord Genuity Group Inc. as well as a Director of Canaccord's subsidiaries in the UK (Chairman), US, Australia and Asia. He is also a Director of several public and private corporations including Sprott Resource Corporation (Chairman) and Martinrea International Inc. (Audit Committee member). Mr. Lyons is a retired Managing Partner of Brookfield Asset Management, past Chairman of Northgate Minerals Corporation which was acquired by Aurico Gold (now Alamos) creating a new mid-cap gold company with a market value of over \$2.5 billion, past Chairman of Eacom Timber Corporation recently sold to a private equity firm for \$300 million, former Chairman Westmin Mining and Vice-Chairman Battle Mountain Gold. After 9 years he recently retired from the Board of Pavco (B.C. Pavilion Corporation) where he also chaired the Audit Committee. Terry is a Civil Engineer (UBC) with an MBA from the University of Western Ontario. He sits on the Advisory Board of the Richard Ivey School of Business and is active in sports and charitable activities, is a past Governor of the Olympic Foundation of Canada, past Chairman of the Mining Association of B.C., past Governor and member of the Executive Committee of the B.C. Business Council, Past Director of the Institute of Corporate Directors (BC) and in 2007 was awarded the INCO Medal by the Canadian Institute of Mining and Metallurgy for distinguished service to the mining industry.

Herbert G. A. Wilson, age 66, Director, Executive Vice-Chairman — Mr. Wilson has over 40 years of experience in the development and operation of construction materials and industrial minerals operations. Mr. Wilson joined the Company 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. Mr. Wilson is a director of Hudson Resources Inc.

Eugene P. Martineau, age 76, Director — Mr. Martineau was the founder and first president and CEO of U.S. Concrete Inc., which, under his guidance, became one of the largest concrete producers in the United States. In 2007, he left U.S. Concrete Inc. to found Martineau and Associates Consulting. He has served as a director and member of the Executive Committee of the National Ready Mixed Concrete Association (NRMCA) and has been elected as a lifetime honorary director. He served as the National Director of RMC 2000 from 1993 to 1997. RMC 2000 was a grass roots industry movement which facilitated monumental changes in the industry. He has served as a member of the Board of Trustees for the RMC Research & Education Foundation since its creation and served as chairman in 2004. Mr. Martineau was one of the founders, and served as the chairman, of the National Steering Committee for Concrete Industry Management (CIM). The CIM Program is now installed in five universities across the U.S. and is providing the industry with its future leaders. He currently serves as its Executive Director. In 2007, Mr. Martineau was selected by *Concrete Producer* magazine as one of the top influencers in the concrete industry. Mr. Martineau is the 2010 recipient of NRMCA's Lifetime Achievement Award for Promotion which is awarded to a ready-mix concrete industry

professional whose career has demonstrated outstanding leadership, dedication and achievement in support of concrete promotion and industry advancement.

Marco A. Romero, age 54, Director — Mr. Romero is an entrepreneur with 36 years of diversified international experience in the mining and construction materials industries. He is President and CEO of Euro Manganese Inc. He has held senior roles in exploration, environmental permitting, project development and mining operations, as well as mergers, acquisitions and corporate development. Mr. Romero was founder of Polaris Materials Corporation and served as its President and CEO from 1999 to 2008. He was the founder, President and CEO of Delta Gold Corporation, Senior Vice President of Corporate Development for Ivanhoe Mines Ltd., and co-founder and Executive Director of Eldorado Gold Corporation.

Lenard F. Boggio, FCPA, FCA, ICD.D, age 62, Director — Mr. Boggio is a finance professional and was an audit and assurance partner of PricewaterhouseCoopers LLP, where he led the firm's BC Mining Group prior to his retirement in 2012. He is a current and past board member of numerous private and public companies, including his current appointments to the Board of Sprott Resource Holdings Inc., Lithium Americas Corp., Pure Gold Mining Inc., BC Hydro Corporation and Genome British Columbia. He is a past President of the BC Institute of Chartered Accountants and the current Chair of the Canadian Institute of Chartered Accountants and is a current Commissioner of the Financial Institutions Commission of British Columbia.

Kenneth M. Palko, P.Eng., age 46, President and Chief Executive Officer — Mr. Palko joined the Company in February 2008 as Vice President, Technical Services. During 2011 he was promoted to Vice President, Operations and his role expanded to include responsibility for the Orca Quarry. On October 1, 2015, he was appointed as the Company's Chief Executive Officer. 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 British Columbia.

Darren K. McDonald, CPA, CMA, age 50, Vice President Finance, Chief Financial Officer and Corporate Secretary — Mr. McDonald joined the Company as Corporate Controller in January 2009. He was appointed Vice President, Finance in June 2011 and Chief Financial Officer in December 2013. He assumed the duties of Corporate Secretary in October 2015. He is a member of the Chartered Professional Accountants of British Columbia. He began his accounting career in public practice, including 3 years with Grant Thornton LLP, and has held a number of accounting and finance positions, including corporate controller positions at producing diamond mining and open pit copper mining companies, prior to joining Polaris.

Scott W. Dryden, MBA, age 41, Vice President, Operations, — Mr. Dryden joined the Company in August 2014 as Vice President, Business Development. On October 1, 2015 he was appointed Vice President, Operations and his role expanded to include responsibility for both the Orca Quarry and Eagle Rock Aggregates. Prior to joining the Company he spent seven years in shipping operations serving both coasts of Canada and the Arctic, including five years with the Company's exclusive shipping contractor. Mr. Dryden attended the University of Victoria and holds a Masters of Business Administration from Royal Roads University. Before joining Polaris, he was Director of Marketing and Customer Service and later Managing Director for the Offshore Operations Division for Northern Transportation Company a substantial maritime transportation company owned by, and operating for, a group of First Nations.

Nicholas M. Van Dyk, CFA, age 35, Vice President, Investor Relations and Corporate Development — Mr. Van Dyk joined the Company in February 2016. Prior to joining Polaris, Mr. Van Dyk founded Revelation Financial Inc., an independent financial and strategic advisory firm, and previously worked in the investment banking division of a Canadian chartered bank. Mr. Van Dyk has over 10 years' experience in investor relations, capital markets and corporate finance. Mr. Van Dyk holds the Chartered Financial Analyst® designation and is a member of the CFA Institute and the Canadian Investor Relations Institute.

Cease Trade Orders or Bankruptcies

Except as described below in respect of Terrence A. Lyons and Lenard F. Boggio, 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 and Lenard F. Boggio, 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 was the President and a director of FT Capital Ltd. ("FT") which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec for failure to file financial statements for the financial year ended December 31, 2001 and subsequent periods. At the request of Brascan Financial Corporation (now Brookfield Asset Management Inc. ("Brookfield")), Mr. Lyons joined the board of FT Capital Ltd. and was appointed its President in 1990 in order to assist in its financing restructuring. In June 2009, FT Capital Ltd. was wound up and Mr. Lyons resigned as a director.

Mr. Lyons was also a director of Royal Oak Ventures Inc. ("Royal Oak") at the request of Brookfield, which was subject to cease trade orders in each of the provinces in 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. After restructuring, the cease trade orders were lifted on July 4, 2012. Royal Oak was privatized by Brookfield effective December 31, 2013 and Mr. Lyons resigned as a director.

Mr. Lyons was elected to the board of directors of Royal Oak and FT Capital Ltd. because of his valuable experience and expertise in financial restructuring in the insolvency context.

Lenard F. Boggio was a director of Great Western Minerals Group Ltd. ("GWMG") from January 2013 until his resignation together with all the then current directors in July 2015. On April 30, 2015, GWMG announced that a support agreement was entered into with the holders of a majority of GWMG's secured convertible bonds and GWMG was granted protection from its creditors under the CCAA upon receiving an initial order from the Ontario Superior Court of Justice Commercial List. On May 11, 2015, an order was issued by the Financial and Consumers Affairs Authority of the Province of Saskatchewan that all trading in the securities of GWMG be ceased due to its failure to file financial statements for the year ended December 31, 2014.

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 functions in accordance with its written board mandate and terms of reference, available for viewing on the Company’s website. The Board of Directors is responsible for overseeing 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. Directors have a duty to deal fairly and in good faith in making any decision or recommendation involving the Company and must therefore refrain from voting on any matter in which they have a conflict of interest.

Effective September 11, 2013, the Board of Directors adopted a majority voting policy with respect to the election of the directors of the Company. In connection with the election of directors of the Company at an annual meeting, if a director nominee has more votes withheld than are voted in their favour, then the nominee will be considered by the Board of Directors not to have received the support of shareholders and will be expected to submit their resignation as a director forthwith. Certain exceptions to the policy may apply such as a proxy battle involving nominees not supported by the Board of Directors. A copy of the majority voting policy can be found on the Company’s web site at www.polarismaterials.com.

Committees of the Board of Directors

The Company’s Board of Directors has two committees: a governance, compensation and nominating committee and an audit committee. These are considered adequate given the Company’s size and early stage of development.

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

current members of the Governance, Compensation and Nominating Committee are Marco Romero (Chairman), Eugene Martineau and Lenard Boggio, all independent 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 Lenard Boggio (Chairman), Terrence Lyons, and Eugene Martineau, 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.

| | |
|---------------------------------|--|
| <i>Lenard F. Boggio (Chair)</i> | a former partner at PricewaterhouseCoopers LLP responsible for the audits of several public companies engaged in the mining sector; |
| <i>Terrence A. Lyons</i> | presently the Chair of the audit committee of Canaccord Genuity Group Inc. a leading independent, full-service financial services company; and |
| <i>Eugene P. Martineau</i> | has served as a senior executive and chief executive officer of a number of public companies in the United States. |

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 reviews 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 is 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, the Company's external auditor, for the years ended December 31, 2016, and 2015 were as follows:

| Fiscal year ended December 31, | 2016 | 2015 |
|---|------------------|------------------|
| Audit Fees (for audit of the Company's annual financial statements for the respective year and reviews of the Company's quarterly financial statements) | \$274,000 | \$289,000 |
| Audit-Related Fees (for accounting consultation) | \$0 | \$0 |
| Total audit and audit-related fees | \$274,000 | \$289,000 |
| Tax Related Fees | \$65,100 | \$81,600 |
| All Other Fees | \$0 | \$0 |
| Total Fees | \$339,100 | \$370,600 |

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 2016, is compatible with maintaining the independence of PwC.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings against the Company or affecting any of its properties as of the date of this Annual Information Form, other than as set out in this Annual Information Form.

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 other than as set out in this Annual Information Form.

During the fourth quarter of 2012, the Company's subsidiary Eagle Rock Aggregates Inc., was verbally notified by the County Assessor for Contra Costa County ("the County") that the property taxes in respect of the Company's aggregate terminal located in the City of Richmond, California, may not have been duly reassessed following the completion of construction at the end of 2007. The Company entered into discussions with the County Assessor which were ongoing at the end of June, 2013. However, during the quarter ended September 30, 2013, Eagle Rock Aggregates Inc. received a payment demand, including penalties, for property tax dating back to 2008. Under the terms of its lease agreement with Levin Terminals Inc. ("Levin"), Eagle Rock Aggregates Inc. has paid its pro-rata share of property tax on the Richmond terminal land each year to Levin. The County's new assessment is in regard to personal property taxes on the value of the building, leasehold improvements, and equipment at the site. To date the Company has been successful in reducing the original assessment period from five years to four under a statute of limitations applicable to the tax code and has also filed a notice of appeal against the assessment. To prevent any additional accumulation of interest and/or penalties, Eagle Rock Aggregates Inc. entered into an Escape Assessment Installment Plan (the "Plan") with the County, and made a payment of \$379,000 on August 15, 2013 which was equal to 20% of the assessed taxes. During September, 2014, the Company entered into negotiations with the county assessor and consequently withdrew the appeal. These negotiations led to an increase in the amount owed, to a total of \$2.103 million. At December 31, 2015, the liability was \$898,000.

On April 9, 2014 Eagle Rock Materials Ltd. received a communication from the B.C. Ministry of Forest, Lands and Natural Resources (the “Ministry”) alleging that the Company owes royalty fees of \$0.95 million relating to the Eagle Rock quarry lease. The Ministry’s position was based on an interpretation of the lease relating to a minimum fee assessment for 2012 and 2013. Company management met with the Ministry in 2014 to dispute the minimum fee assessment on the basis that it does not reflect the terms of the lease. Documentation was provided to the Ministry to support that position. The Company also questioned with the Ministry the legality of royalty arrangement under the BC Land Act. Since the meeting Company management has not received a response or further demand for payment from the Ministry. Management’s view is that there is no merit in the Ministry’s position. No further demand is expected and therefore no liability has been recorded.

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 “Agreement”) with Proconsult UK Ltd. (“Proconsult”). Proconsult is controlled by David F. Singleton, a former director of Eagle Rock Aggregates, Inc. and also a former officer of that company. The Agreement provided that Proconsult would provide management services, including the identification and securing 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. During 2015 the annual fee provided for in the agreement was not renewed. However, the Agreement continues to provide that if 4 million tonnes of sales is achieved in any year between 2015 and 2019 a bonus of \$150,000 will be paid within 60 days of the year end. The Company, at its sole discretion, may elect to pay the bonus in Common Shares. During the years ended December 31, 2015 and 2016, PAI paid fees, including the reimbursement of expenses, of US\$72,432 and US\$58,582 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 provides that Mr. Romero will provide strategic advice and perform liaison functions. Pursuant to the terms of this agreement, Mr. Romero receives a fixed annual fee for services until July 2017, at a fee of \$3,000 per month. During the years ended December 31, 2015 and 2016, the Company paid fees of \$36,000 and \$39,900 respectively to Navigator Management Ltd., a company controlled by Mr. Romero.

On June 7, 2010, the Company entered into a consulting agreement with Martineau & Associates, a company controlled by Eugene P. Martineau, a director of the Company. This agreement does not have a fixed term and provides that Mr. Martineau will provide commercial and marketing activities for the Company. Pursuant to the terms of this agreement, Mr. Martineau received a fee of US\$1,000 per day. In 2014 the per diem amount was revised to US\$1,500 per day. During the years ended December 31, 2015 and 2016, the Company paid fees of US\$3,000 and US\$Nil respectively to Martineau & Associates.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. (“Computershare”), and the register of transfers for the Common Shares is held at Computershare’s 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 Strategic Alliance Agreement. See “General Development of the Business – Sales Arrangements and Strategic Alliance with Cemex”.
2. The Partnership Agreement. See “Orca Sand & Gravel Project — History of the Orca Project”.
3. 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”.
4. The Services Agreement. See “Interest of Management and Others in Material Transactions”.

NAMES AND INTERESTS OF EXPERTS

Certain information of an economic, scientific or technical nature regarding the Orca Project is included in this Annual Information Form based upon the Orca Report. The Orca Report provides independent technical reviews of the mineral resources and mineral reserves, operations, and development of the Orca Project. The authors of the Orca Report being Greg Kulla, P.Geo., Ryan Ulansky, P.Eng. and Vladimir Solodkin, P.Eng. of AMEC 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.

Certain information of an economic, scientific or technical nature regarding the Black Bear Project is included in this Annual Information Form based upon the Black Bear Report. The Black Bear Report provides an independent technical review of the mineral resources, geology, and exploration at the Black Bear Project. The authors of the Black Bear Report are Wm. John Beck, P.Eng, and Gary Nordin, P.Geo, who are “Qualified Persons” as such term is defined in NI 43-101 and 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.

Subsequent to the Orca Report, annual productions from the Orca Project are verified by Kenneth Palko, the Company’s President and Chief Executive Officer, who is considered to be a Qualified Person for this purpose 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, except Kenneth Palko, 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 Chartered Professional 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 the management proxy circular for the annual meeting of shareholders held on June 7, 2016, and will also be contained in the management proxy circular for the annual meeting of shareholders to be held in 2017. Additional financial information is provided in the audited financial statements and management discussion and analysis (“MD&A”) for the most recent year-end. The foregoing additional information is available on SEDAR at www.sedar.com under the Company name.

APPENDIX A

AUDIT COMMITTEE CHARTER OF POLARIS MATERIALS CORPORATION

(the “Company”)

As Amended and Re-Approved by the Board of Directors on March 6, 2014

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:
 - 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;
 - 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;
 - The CFO must approve all office hires from the external auditor; and,

- The CFO must report annually to the Committee on any hires within these guidelines during the preceding year.
- 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:
 - The annual audited financial statements and the interim financial statements, including the accompanying management discussion and analysis; and,
 - 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, with the CEO, CFO and others, as appropriate, the Company's internal controls over financial reporting and disclosure controls and procedures and the findings from any evaluation of those controls.
- 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, 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 is "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”, that is to have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

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:
 - 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
 - A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.