

EVENT: POLARIS MINERALS CORPORATION
SECOND QUARTER 2006 CONFERENCE CALL
TIME: 1:00 P.M. E.T.
REFERENCE: polaris-Q2-06-24aug06
LENGTH: APPROXIMATELY 31 MINUTES
DATE: AUGUST 24, 2006

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Second Quarter Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press * 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Thursday, August 24, 2006, at 1:00 p.m. Eastern time.

I will now turn the conference over to Marco Romero, President and CEO. Please go ahead.

MARCO ROMERO (President & Chief Executive Officer and Director): Good morning. My name is Marco Romero, and I'm the President and CEO of Polaris Minerals Corporation. Welcome to our second quarter conference call, during which my colleagues Herb Wilson, David Singleton, and I will update you on the progress being made by our company at the Orca Quarry on Vancouver Island, and in our target markets in California.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Lisa Dea, our company's Chief Financial Officer, is also with us today. She will be on hand to answer any questions you may have on the financial aspects of the company.

Before starting, I'm required to advise you that during the course of the conference call, there may be forward-looking statements which involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements of the company, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

Having got that behind us, let me make a start.

During the quarter to June 30, 2006, we have maintained solid progress on all fronts. As Herb will report, development of the Orca Quarry is proceeding on schedule, and, currently, on budget. We continue to expect production to commence before the end of 2006.

Given the complexities involved, a very busy British Columbia construction industry, and the diverse nature of the challenges, the expected outcome will represent a remarkable achievement. Our Orca team deserves congratulations for their excellent work.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Throughout this construction phase, we have continued to pay careful attention to the high social and environmental standards that we have set for ourselves. We're also succeeding in maximizing the use of local supplies and services, and we've been gradually hiring a very competent, locally-based labour force.

On August 10, 2006, we received a Building Permit from the City of Richmond in California, that will allow us to proceed with the development of our redesigned Richmond Terminal. The clearance of the proposed design and building specifications has enabled us to begin the final negotiating stage with the various contractors involved in the construction of the terminal, and has allowed us to finalize our capital cost budget.

Yesterday, we were pleased to report that the new budget of US \$27.4 million is almost 25 percent lower than our original feasibility study budget. Construction is expected to begin shortly.

As with the Orca site, we have incorporated progressive environmental design features into our proposed Richmond Terminal, which will be a totally contained storage and distribution facility, virtually eliminating the dust and noise normally associated with open stockpile alternatives.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

As we move closer to production, third-party interest in our objectives and products has intensified in the marketplace. As David will explain, our marketing attention is being directed to the pursuit of strategically located terminals in California and elsewhere, and to developing relationships with several potential customers who, in addition to our first supply contract in Northern California, may represent the most appropriate way forward, to accelerate market penetration.

On the Eagle Rock front, we continue to pursue markets for its high-quality crushed stone, and we are seeing encouraging signs of demand for these products.

Finally, we continue to work closely with our shipping partner, CSL International, to ensure that their shipped availability is coincident with our ability to load sand and gravel at the Orca Quarry.

As you can see, we are on track.

I'm now pleased to hand over the conference to Herb Wilson, our Chief Operating Officer. Herb?

HERBERT WILSON (Senior Vice President & Chief Operating Officer): Thank you, Marco.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Well, construction for the Orca Quarry commenced on-site in March of this year, and the pace has gradually accelerated throughout this second quarter. We are now at a very high level of activity on all fronts.

One of the most important construction tasks is the marine piling work for the ship loader, which has to be completed against stringent time limits set by Fisheries & Oceans Canada, normally known as DFO. The final design of the piles and method of installation has proven to be environmentally benign, as we always believed it would be, and as a result, DFO has issued time extensions through to September 15th, by which time this work will be complete.

Our contractor, Vancouver Pile Driving, has done a first-class job, and the marine piling is now approximately 80 percent completed.

Construction of the quadrant ship loader is ahead of schedule, and it will be floated out to site mid-October, after our original timetable.

All other components for the ship load-out system are presently on time.

At the quarry end, the land stripping and clearing work is progressing well, and will be completed by early October, shortly before delivery of our mobile plant. Installation of the processing plant by Metso Minerals, and all other facilities, is well under way, and the site is now connected to the B.C.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Hydro power grid. No particular site problems have arisen, and I'm very encouraged by the progress.

The most difficult issue we continue to face is extended deliveries for many common commodities, such as rebar for concrete foundations. This is the result of an extremely busy provincial construction sector.

In conclusion, things continue to look good for bringing the quarry onstream by the year-end, and within budget. I will, of course, update this position quarterly.

During the last quarterly conference call, I observed that the Orca Sand and Gravel Project is not just building a plant, but we're building a new company at the same time. This aspect continues to move forward well. Marco referred to it. We have our first group of employees working with the various plant installation crews, and formal hiring and training procedures are now in place.

We have just been able to announce that the redesigned Richmond, California, Aggregate Receiving, Storage, and Distribution Terminal has received a Building Permit. The capital cost savings projected, compared with our IPO prospectus, are a reduction of US \$9.1 million, or 24.9 percent, and this is a very significant sum, considering the stage of the company's development.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

We now anticipate being able to mobilize to start construction by the end of September, and to complete the facility in 9 months -- that is, by June 30, 2007. This is 3 months later than our original plan, but this difficult development path serves only to emphasize that there are no remaining, readily available, easily developed waterfront sites around the bay, or, indeed, anywhere along the whole of the West Coast. Therefore, once we complete the construction, the strategic value of this site is significant, enhanced by its environmentally sensitive design.

There is no reason to believe that this short delay will prevent us from shipping our initial cargoes, as other potential market developments make take up the slack, and David Singleton will cover this aspect of our business.

All in all, it's very pleasing to be advancing well on the construction and development phase, and I look forward to keeping you all informed of progress in the forthcoming months, and I'm pleased to hand over to David Singleton.

DAVID SINGLETON (Director and President of Eagle Rock Aggregates Inc.): Good morning, everybody. It's David Singleton here. I'm responsible for the marketing end, through Eagle Rock Aggregates, and I'm happy to be talking to you today.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The demand for imported marine aggregate in Northern California continues to reflect current and increasing shortages of high-quality sand in particular. In this respect, we are well placed at Orca, where the majority of our finished product will be sand, which has been shown to exceed all stage and national quality and strength specifications.

Since the IPO, in January 2006, we've attracted increasing interest in the availability of Orca Sand and Gravel, and discussions are proceeding with a number of end-users and potential distributors of our product.

Throughout California, aggregate producers are reviewing how the future demand for construction aggregate may be met, in the light of the inevitable decline of local resources. As we've pointed out on many occasions, there will have to be multiple solutions found to this potentially serious problem, which will include long-haul road deliveries, but coupled importantly with marine and rail importation.

As evidenced by various intense environmental battles taking place at local levels, the replacement of traditional resources within the market area will continue to be vigorously opposed by local communities, which in itself gives rise to accelerating local supply deficits.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Average selling prices of current production units have been increasing, a reflection of the changing supply characteristics, and we expect this trend to continue over the foreseeable future.

In addition to firming ex-quarry prices, the sharply increasing cost of diesel is forcing up transportation costs, which further impact on delivered prices, as determined by specific locations.

In general terms, the overall change in the 2005 average prices in the Pacific Coast area showed sand and gravel up by 13.6 percent, well ahead of percentage gains reported in 2003 and 2004.

In terms of demand, increasing interest rates have affected residential construction in certain areas, although more pessimistic views at the beginning of the year were challenged during the first 3 months, when residential development surged by an 8.8 percent annual pace.

However, housing starts, although up by 4.8 percent during the first 3 months of 2006, have fallen back in more recent months, and the sale of houses in July was reported yesterday to have fallen by 4.3 percent, which suggests that the decline may be faster than previously anticipated.

In truth, it's too early to predict the eventual outcome of the residential cycle, other than to be assured that we're off this very high top, at least for the time being.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

In California, however, the very good news concerns the future level of public-sector spending, which, following 2 years of uncertain federal highway funding, and reduced state expenditures on infrastructure projects, seems set to rebound in 2007 and onwards.

In May 2006, California legislators approved a bond package to fund the state's share of the proposed \$222 billion infrastructure program. California voters will be asked to vote on these measures, as part of the November 7, 2006 election. The package includes four separate measures, to fund \$19.9 billion for transportation; \$10.4 billion for school improvements; 4.1 billion for flood control; and 2.9 billion for new housing. All of these sectors, of course, big aggregate-requiring expenditures.

Importantly, voters will be asked to improve a constitutional amendment that would prohibit the California State Gas Tax from being used by any spending program other than Transportation.

Traditionally, public sector spending provides around 44 percent of the demand for construction aggregates, and so these California measures, if approved by the voters in November, will work through to a robust level of demand within the markets being targeted by Polaris.

Against this background, our efforts continue, to develop terminals in Northern and Southern California. As Marco and Herb both reported, we've

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

made progress at Richmond, and although the operation of the terminal will be delayed by approximately 3 months from our original expectations, we hope that progress with other marketing opportunities will still enable the commencement of sales to begin earlier in 2007, as we previously projected.

We're progressing the proposed Redwood City Terminal, in conjunction with the port of Redwood City, and hope to submit a draft Mitigated Negative Declaration in the fall of 2006. Assuming approval is forthcoming, we expect construction to start in 2007, followed by the commencement of sales in 2008.

Continuing attention is being directed to gaining access to terminals in Southern California, where intensifying local supply-and-demand deficiencies will require significant importation solutions in the coming years. Our target entry locations remain San Diego, Wainimi, and Los Angeles.

Finally, Polaris is exploring alternative markets, including British Columbia and Hawaii, where the shortage of high-quality aggregate is already causing supply problems.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

We're also evaluating the emerging supply-and-demand relationship in the major markets of Washington State, where the longer-term importations of materials will be a necessity.

This summarizes an interesting quarter, from my perspective, one of progress, and I'm very pleased to see the progress that we have indeed made, and I look forward to reporting to you on even further developments in future quarterly conference calls. Thank you.

MARCO ROMERO: Thank you very much, everyone. This is Marco Romero again. We would like now to open for questions, if any.

OPERATOR: Thank you. One moment, please. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the * followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset, if you're using a speakerphone, before pressing any keys.

You have a question from Richard Stoneman of Dundee Securities. Please go ahead.

MARCO ROMERO: Hello, Richard.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RICHARD STONEMAN: Hi, Marco. A question, in terms of '07 production. What production level do you think you'll achieve next year, in tonnes, for the year as a whole?

MARCO ROMERO: We stand by our projections that were put in the IPO, and expect that we will be able to deliver these numbers.

HERBERT WILSON: It's about 1.4 million metric tonnes, Richard, and that's what we're gearing up our operation to do.

One of the nice things about the plant, and supported by the Board here at Polaris -- we've actually installed the entire full plant, capable at the top level of production of 6 million tonnes.

There were considerations in the early days, as it's a twin-line plant, two parallel lines. Do we just install one of them, and defer the other until sales build up?

But when we look at our costs here, the bulk of it is in fixed infrastructure -- the ship loader particularly; the conveyers loading, feeding the ship loader, and those other infrastructure items. So there's very little truly to be saved by deferring the plant.

So, the plant is there, and if Mr. Singleton suddenly throws some extra sales at me -- which, knowing him, he's quite likely to do -- then I believe we can respond to it. But the base line is 1.4 million.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

RICHARD STONEMAN: Second question, on the California market. David Singleton mentioned that there was a 4.3 percent decline. Is that for the year to date, or is that just in the recent--... over the last month? What period is that measured against?

DAVID SINGLETON: Richard, it's David. That was measured against the previous month. And this was the sale of houses, not the new build, but the actual overall national sale of houses declined by that amount, in the month of July.

RICHARD STONEMAN: And that's not California-specific?

DAVID SINGLETON: No, no. No. I haven't got the breakdown yet of the state-by-state situation. I'd be a bit surprised if California is really very different to that. We've begun to see, as we travel around the market, of course, to see the fall-off of residential building, and it's something we just--... We've lived, all our careers, going through cycles like this. It's not surprising.

In the Wall Street Journal yesterday, there was a comment to the effect that it was thought that this downward trend wouldn't change until the beginning of next year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

I just think we're going to find that the very high peak, which was probably unsustainable, is not going to be met for quite a little while, but I think we'll get back to a steady situation.

RICHARD STONEMAN: And, David, you mentioned that prices of sand and gravel were up 13.6 percent, year to date. Against what base is that measured?

DAVID SINGLETON: No, that wasn't year-to-date. That was in 2005, compared with 2004. Each there, there is a track of prices, and they get reported, as you go through to the middle of the following year, and that was most recent statistic I have. It's assessed on information that's provided by producing units, and it was an annual change, compared with the previous year.

RICHARD STONEMAN: And so, what did that take the average price up to?

[laughter]

DAVID SINGLETON: I always get asked that question, and I can't tell you the answer, because, as I did actually say in my little address, the true price of the product is to the eventual customer, and the transportation plays such a large part in that, and, of course, depending where that

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

customer is depends on the extent of the transportation costs. So, we can't give you a price.

But, to give you a feel for it, if you're looking at an average selling price of somewhere around about \$12.00 per tonne, at a quarry, then you'll see that 13 percent is quite a significant change in that.

RICHARD STONEMAN: Yes.

DAVID SINGLETON: And that's, I'm afraid, the best I can do.

RICHARD STONEMAN: A couple of questions on aggregate markets. In California, what's the split between residential and industrial infrastructure?

DAVID SINGLETON: The difference between private sector spending, and public sector, is 56 percent for the private sector-- not just housing, of course. Commercial, everything to do with private investment, about 56 percent of demand, and 44 percent, traditionally, has been forthcoming from public sector dollar spending.

It's likely -- and the way in which these two cycles are actually counter-cyclical -- it's likely, as we move ahead, that the public sector spending, assuming it gets approved in November, and it seems that there's all-party support for it, so that's encouraging -- assuming that, I can see that percentage changing slightly, with public sector spending on

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

aggregates probably increasing a little bit, maybe 45, 46 percent. But it's of that order.

RICHARD STONEMAN: And have you signed any new customer contracts in the last quarter?

DAVID SINGLETON: No, we haven't. As I said, we've had discussions with many potential purchasers, and I'm very confident that we will be moving closer to specific volumes in the fairly near future. Clearly, I can't speak in detail on that.

What I can reassure you about is, as I said, since the IPO, since the great progress that Herb and the team have been making at Orca, the interest in us is quite intense.

And there is no question that people are concerned about the future availability. It's all to do with how effectively we can get into these markets. Clearly, everybody's aware of our Richmond Terminal. They're aware of the efforts that we're making at Redwood City, and we ourselves are aware of opportunities in Southern California. Breaking into them is difficult, but we'll achieve it.

Within the next 6 months, I hope to be able to indicate to you where our second and, hopefully, third customer is, and then to be able to give Herb the instructions to get producing the material. We talked about

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

1.4 million tonnes. I believe that's achievable. Next year, it depends a little bit on timing, clearly, but the opportunities that are swirling around us suggest that, given that 800,000 tonnes of that is already earmarked to our first customer, then the remaining 600,000 looks to me very achievable, and it could be I'll be asking Herb to press the button a little harder.

RICHARD STONEMAN: A question on shares outstanding. At the end of the quarter, you had 29.6 million issued, and another 2 million options. Have there been any changes there?

LISA DEA (Vice President Finance and Chief Financial Officer): There's been a couple of stock options exercised -- very minor. That's about it.

RICHARD STONEMAN: Okay. Thank you very much.

MARCO ROMERO: Thank you very much, Richard.

HERBERT WILSON: Thank you, Richard.

OPERATOR: Your next question comes from Rob Northfleet [phon] of Davenport Companies. Please go ahead.

MARCO ROMERO: Good morning, Rob.

ASHLEY ALLENBACH: Hey, guys, this is Ashley Allenbach [phon], standing in for Rob. I'm filling in the story -- I want to make sure I'm correct on the timeline here.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

From my understanding, by the end of '06, we expect to have the Orca plant up and running. By the end of '07, we'll be having the Richmond Terminal up and running, and then sales in '08. Is that correct?

DAVID SINGLETON: Not quite, on the Richmond side, if I may say.

ASHLEY ALLENBACH: Sure.

DAVID SINGLETON: Orca, certainly up and running by the end of this year. Richmond Terminal, we believe now, will be ready to receive materials and commence sales at the beginning of June 2007.

ASHLEY ALLENBACH: Gotcha. And then the 1.4 metric tonnes that you expect in '07 -- that is production and not sales? Or, what's the mix, there?

DAVID SINGLETON: Those are the sales that we're anticipating. And it's a good question, actually, because to be able to accommodate vessels of the types that we're going to be utilizing, which carry 70,000 tonnes, Herb's got to have large stockpiles of material on the ground. So, although we might talk about 1.4 million tonnes, we'll probably produce more than that, just to make sure that our stocks are adequate, going forward.

Would you like to mention something on that, Herb?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

HERBERT WILSON: Well, you're quite right, David, thank you. Our production plan includes building inventories at the Orca Quarry, and also at Richmond, but it's splitting hairs a little bit, because I'm sincerely hoping we'll get the inventory on the ground at Orca before we all go home for Christmas. So it's not, strictly speaking, '07.

ASHLEY ALLENBACH: Great. Thank you, guys, very much. Keep up the good work.

ALL: Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the * followed by the 1. As a reminder, if you're using a speakerphone, please lift the handset before pressing any keys. You have a question from Tom Lawson of Citigroup. Please go ahead.

TOM LAWSON: Hello, Marco and team. How are you?

MARCO ROMERO: Very good. Good to hear you.

TOM LAWSON: Good. Look, just a quick question. Could you break out the demand from the private sector a little bit, between industrial and residential? Or do you have that?

MARCO ROMERO: David, would you answer that?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

DAVID SINGLETON: Do you know, right off the top of my head, I can't, because it's quite complex. Ask another question, Tom, whilst I try and--

TOM LAWSON: Sure, no worries. Now, as far as the Richmond Terminal, I mean, obviously, it's great news that it's 25, 26 percent below the original feasibility study. And are you going to draw down the entire Tranche 1 to finance this? Or are you going to draw down Tranche 1 only to finance it as it progresses, and then try and refinance the other one? Because if I remember correctly, they were quite high interest rates.

MARCO ROMERO: Thanks for asking, Tom. Right now, we would, in order to do this, we would have to draw the entire Tranche 1, and part of Tranche B. I can't tell you what the exact number will be, but I don't mind also telling you that we are aggressively pursuing the refinancing of that facility. But I have nothing to report beyond that.

TOM LAWSON: Okay.

DAVID SINGLETON: Tom?

TOM LAWSON: Yes?

DAVID SINGLETON: It's David. I'm miraculously back again.

TOM LAWSON: Okay.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

DAVID SINGLETON: I'll give you some figures. The total private sector is, as I was saying, about 56 percent of construction aggregates, which includes residential housing at about 34 percent; commercial buildings at 17, which gives you a feel for that; and then, on the public sector side, road construction and maintenance uses about 29 percent of all aggregates. Public highways, streets... Transit facilities, about 26 percent. And then you can get down into water and sewage facilities, railroads, utilities -- they make up the difference.

So, broadly, those sectors are, importantly, the 34 percent from residential housing, 17 percent commercial, and then the public sector, mainly generated by road construction in one form or another.

TOM LAWSON: Thank you very much. And just the last question, on the shipping side, with CSL. So there's no problem in securing--... I know, I think you were saying you had two or three ships that were going to get dedicated to shipping from Orca. So, in the meantime, there's no problem in getting ship capacity?

MARCO ROMERO: Tom, it's Marco here. What I can tell you about the relationship with CSL is it's a very close one. We communicate with them very regularly, updating ourselves, working on strategy and plans together, and they are working right now to bring in new capacity. They've

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

committed to build several new vessels. One of them came onstream just recently, a few months ago. Another one is coming in in the fall, and so on.

And essentially, what we are drawing from is, from their pool of ships, a certain capacity that will grow with us over time.

As we get near to the point that we can actually pull the trigger and say, "We need a ship," we are gradually updating them of our progress, as they are updating us of their progress in having ship availability.

In the long run, we would utilize a number of vessels to do this. It's not so much that we would have one or two or three, although our agreement gives us the option to draw on dedicated capacity for us.

And all I can say right now is that we're working closely, to make sure that the shipping availability is coincident with our readiness to start shipping.

TOM LAWSON: Okay, thanks. Actually, the one other question I had, about the aggregate pricing for '05. Do you have any indication of how much it's up this year, to date?

MARCO ROMERO: David?

DAVID SINGLETON: No, not really. The feeling is that it's going up, largely reflecting surcharges on diesel. I have no real information yet about

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

the ex-quarry prices, but the pressure is for upward movement. There is no question about that. And as I said, we do expect that to continue.

If you look back over the last few years, the changes in California in aggregate prices have been very significant indeed, and as they are, at the moment, so it will enable alternative materials to be brought in, and we expect that the prices of those alternatives will create another value measurement on these products, as we move forward.

But this year, I would have thought, mainly reflecting increases in diesel.

TOM LAWSON: Thank you very much, and congratulations on a job well done so far, and keep up the great work.

DAVID SINGLETON: Thank you, Tom.

MARCO ROMERO: Thank you.

HERBERT WILSON: Thank you so much.

OPERATOR: Mr. Romero, there are no further questions at this time. Please continue.

MARCO ROMERO: Good. Well, I want to take the opportunity to thank those of you that have listened in on the call, and questions as well. And we will be working very hard, between now and the next conference

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

call, for shareholders, and look forward to reporting more news as we make the news. Thank you very much.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »