

EVENT: POLARIS MINERALS CORPORATION – 2009 YEAR
END FINANCIAL RESULTS CONFERENCE CALL
TIME: 11H00 E.T.
REFERENCE: CNW GROUP
LENGTH: APPROXIMATELY 57 MINUTES
DATE: MARCH 30, 2010

"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 morning. My name is Stephanie and I will be your conference operator today. At this time, I would like to welcome everyone to the Polaris Minerals Corporation's 2009 Year End Financial Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your questions, please press the pound key. Thank you.

Herb Wilson, you may begin your conference.

HERBERT WILSON (President and Chief Executive Officer, Polaris Minerals Corporation): Thank you, Stephanie. Well, good morning, and welcome to the Polaris Minerals Conference Call to discuss the results for 2009 and also the fourth quarter of the year.

I'm Herb Wilson, President and CEO, and I'm joined this morning by my colleagues, Lisa Dea, Chief Financial Officer, and David Singleton, the President of Eagle Rock Aggregates, our U.S. subsidiary. We hope you will find our comments interesting and helpful.

Before beginning with the details, we must advise you that during the course of the conference call there may be forward-looking statements

"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. »

which involve risks and uncertainties that may cause actual results or performance of the company or the industry to be materially different from those expressed or implied by such forward-looking statements. We also encourage you to review the company's annual and quarterly public filings on SEDAR. These are also available on the company's website. As a reminder, all currencies are going to be in U.S. dollars unless otherwise stated.

2009 represented a further significant decline in demand for our products, a direct result of the economic recession recognized as the worst since the Great Depression. These global factors were clearly beyond our control, but despite the enormity of the gloom surrounding the construction industry, we achieved certain positive developments that we believe will prove influential to the success of the company moving forward.

It is not my intention to use this call merely to reiterate a succession of numbers that I expect attendees already have in front of them, but rather to use the time to expand on the more important impact and provide commentary on our plans.

The net loss of \$17.9 million for 2009 was attributable to two factors, the principal factor being a decline in revenue of 36 percent compared with the previous year on sales volumes that were down by a similar amount.

"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 the face of these declining revenues, we cut costs to the maximum extent the business could sustain through manpower reductions at Orca quarry and a 29 percent reduction in selling, general, and administration expenses.

The second factor in the net loss was the impact of three exceptional items, the largest being a provisional estimated impairment charge of \$5.1 million against the three-hole (phon) land purchased on Pier B in the Port of Long Beach, which the company, together with joint owner, Semex, is now offering for sale.

The impairment calculation does not only reflect the value of the land but includes costs and interest charges arising from the bridging loan used for its acquisition, expenditures to date on permitting, holding costs, and also the estimated costs of selling. I will return to this matter later in the presentation.

The 2009 net loss also included a provision of 1.8 million for potential charges arising under our shipping contract. And I'm pleased to advise that this provision will be reversed in 2010 as a result of the restructuring of our contracts with CSL International.

"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 final exceptional item was a foreign exchange loss of 1.4 million reflecting the strengthening of the Canadian dollar during the 12-month period.

In the fourth quarter, revenue declined by 31 percent compared to the fourth quarter of 2008. These very significant volume reductions were not dissimilar to those we have heard disclosed by other companies in our sector. But low volumes have a significant adverse impact on our business because of the high fixed costs. We developed the Orca quarry and associated facilities to meet the target of 6 million tonnes per year towards which we made an excellent start in 2007 and 2008 due to the strength of our long-term sales contracts. However, the magnitude of the continuing downturn in 2009 inevitably impacted our progress.

Despite these dramatically reduced levels of demand, selling prices were maintained, although the growth anticipated in our original business plan has clearly not been possible in the face of this extreme recession. A measure of the recession is that unemployment in the U.S. construction sector is now at 27 percent, almost three times the national average despite the influence of stimulus programs designed to increase infrastructure expenditure.

"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 would now like to move on to review positive developments and, firstly, the most significant issue and the one that delayed the release of the 2009 financial results pending its completion and impact. Polaris and CSL International, our exclusive shipper, together executed two shipping contracts back in 2005 and 2007 that bound both parties to certain obligations in terms of volumes to be shipped and assets to be provided.

Early in 2009 we made mutually beneficial amendments to both contracts to recognize changes in the business that were emerging. It became apparent later in the year, however, that more changes would be required. Most significantly, potential penalties payable by Polaris for failing to meet annual minimum volumes could have been very significant based upon certain assumptions about the future. We are very pleased that this long period of negotiation has led to an agreement with our exclusive shipper that we believe allows us to go forward confidently with commitments that match business potential.

We now have a single amended and restated contract (unintelligible) which has a 20-year term effective January 1, 2010. This maintains the previously agreed commercial terms but now contains annual commitments that better reflect our business and anticipated terminal development program.

"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 recognizing the effect on asset allocation for CSL, Polaris has paid a contract restructuring fee consisting of \$500,000 paid at closing and the issuance of 7.5 percent senior secured notes maturing in 2017 with a principal value of \$6.35 million. Interest is payable quarterly in arrears and the notes can be redeemed at any time without penalty. The importance of this negotiated settlement cannot be stressed too highly and it sets the scene for the continuation of the partnership approach to our business that we value greatly.

The sale of the land at Pier B in the Port of Long Beach is now proceeding. And together with our development partner, Semex, we are encouraged by the level of interest shown by potential purchasers at this early stage, but suggested purchase arrangements have quite a range in complexity. So at this stage it is impossible to say whether or not the impairment estimate is conservative, but we are committed to moving ahead as quickly as is prudent. This sale is made possible because of the option secured on the alternative site in the port (unintelligible) D-44 (phon) that expires on June 30, 2010. Due diligence investigations to date have proven positive and we are negotiating lease provisions with the owner. It will take a further 12 months or so to obtain the necessary permit

"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. »

variations for this site, but the much lower capital costs associated with it are very attractive.

In San Diego, we continue to progress our discussions with the port authorities for the option to lease an aggregate terminal site listed under the provisions of a comfort letter recently issued by the port. Progress on this site is complicated by the port's need to address demolition work prior to any possible development and the additional environmental review that this requires; however, we and our partners are satisfied with the progress to date.

In March 2010, we agreed to complete the long delayed refinancing of the company's berthing tug which will provide \$2.3 million Canadian into the company's treasury in early April. It was necessary to note that we have the major shipping contract issue dealt with prior to concluding this refinancing.

We have been very encouraged by the total operating costs in 2009 which were in line with the projections made at the time of construction. And we believe that this unit will prove very valuable as shipping volumes increase. We are very focused on managing our cash position, both short and long term, and the injection from the tug refinancing is helpful at this time.

"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 sale of the Pier B land would also benefit treasury by approximately 12 to \$15 million. And we are hopeful that a successful deal will be concluded before the year end. Capital expenditure requirements are at a minimum and we will continue to keep our spending as tightly controlled as possible. The obligation to CSL under the new contract and the capital or equipment leases at the quarry are at the full extent of the company's debt.

I want to conclude remarks by looking forward. Sales and shipments in the first quarter of 2010 have been encouragingly higher than last year. But the comparison between the effects of weather together with our customers' understandable reluctance to make forecasts at this time means that to comment on the longer term would be unwise. We will refine our thinking on a quarter-by-quarter basis and advise appropriately.

However, there are now clear signs of stimulus-funded projects moving forward and contracts being awarded. The market in 2010 will benefit from increased infrastructure spending and also a possible modest increase in private housing activity. Unfortunately, much of these benefits will be cancelled out by a further expected reduction in the private commercial sector as it now appears that the problem in this sector may no longer be the availability of construction financing but rather that the depth

"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. »

of the recession has lowered rents and lease rates to a point where projects simply aren't viable.

The balance of all this appears to confirm earlier views that there will be a modest increase in demand during 2010 weighted towards the second half year followed by increasing growth in 2011.

Only two weeks ago the U.S. Senate passed and President Obama approved the HIRE Act, more popularly referred to as "the jobs bill." This bill provided \$17.5 billion targeted at job creation and, very importantly, transferred \$19.5 billion into the Highway Trust Fund to restore funding until the end of 2010 that followed the recession in September of 2009 when the long-term SAFETEA-LU bill expired. These measures should significantly benefit the construction industry.

Let me close by saying how delighted management is to have Gene Martineau join the board of Polaris. His knowledge and vast experience of our major markets in the United States will prove invaluable as we continue to press forward with our business plan.

We very much appreciate your interest in Polaris and thank you for listening. David, Lisa, and I will now be pleased to answer your questions. Stephanie, would you please start the question and answer session?

"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: At this time, I would like to remind everyone, in order to ask a question, please press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from David Charles with GMP Securities. Your line is open.

DAVID CHARLES: Yes, good morning, gentlemen and lady. I have a sort of a question, really sort of looking at the structure of your balance sheet after these changes, I do understand that some of this might be a little bit difficult for you to answer, but I'm just wondering if you could maybe walk me through it.

Assuming that the deal for the tug closes and you get \$2.5 million in from that and you sort of finish the month of March closer to where you were at the end of December with a little over \$5 million, \$5.6 million in cash, is it safe to assume that in April you would have -- and add up the \$500,000 that you would give to -- or pay CSL as a penalty about \$10.4 million, to which at some point this year we would add another -- take the lower number, 12 million, and then we should assume that you will have a \$6.3 million debt against this which would give you net cash at some point this year of about 13.1 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. »

HERB WILSON: Well, I'll start off, David, and good morning to you. And then I'll hand it over to the finance professional. But I think your numbers are a little bit on the high side because our balance at the end of the first quarter isn't quite as high as the number you assumed. Your tracking of where this is going is quite correct. We are absolutely certain that this tug refinancing now is closing. In fact, we're expecting banker's drafts to be presented on April 1st, so that's imminent.

We also feel pretty confident about the Pier B numbers. It's simply a question of timing. It is a complex site and it will take a little bit of time for the closing. But our hope and expectation is that we will close the year with a significant positive cash balance.

I'd like to remind everyone that the attraction of this alternative site on pier and D-44 in Long Beach is that, worst case, the total capital requirement is \$6 million and, therefore, our share would be 3, some of which could be lease of mobile equipment and reduce that further. And we do have the consideration of what we want to do with the CSL obligation which is repayable at any time in any amount without penalty.

So I think we're going to be -- it's all about timing. It's all about timing and the timing of the Pier B closing. But you've essentially stated how we're seeing things just with a slightly high starting point.

"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 (Chief Financial Officer, Polaris Minerals Corporation):
Yes, I would agree. And the one thing that you have to consider also we do have a bit of a burn rate still going on. We're not cash flow positive at this point, but we hope to be.

HERB WILSON: We're getting closer each quarter that goes by.

LISA DEA: Yes, so that's -- we need to also factor into your calculations (unintelligible).

DAVID CHARLES: That then brings up -- I mean, I assume you're still guiding towards very limited capital spending this year, probably a million dollars or less?

HERB WILSON: It's certainly less on the operations. It certainly wouldn't exceed half a million on the actual physical operations. Our capital expenditure, as such, is the permitting and environmental studies under the California CEQA Act, the California Environmental Quality Act, which you have to go through for these port developments. But they're not extreme and hopefully -- well, yes, we're certain a million would be tops for all of it this year.

DAVID CHARLES: And maybe then -- just you've touched on it, and clearly this is very difficult for you, given that you're trying to match your production with your fixed costs. I suppose when do you think -- I mean,

"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. »

clearly, there's this magic number maybe, or maybe I'm wrong, somewhere around 2 million tonnes a year shipping where you'll actually sort of be -- break even and maybe you've actually driven that down. How do you see it going forward, Herb? I mean, clearly, laying off people, bringing them back is not the most efficient way to run this very large open pit. And I'm just wondering, how can you get the most optimal cost structure out of that given your outlook for the sales?

HERB WILSON: Yes, that's an interesting question, David, and it goes to the heart of how you run a business like this.

Fortunately, we do have quite a bit of flexibility with our labour situation, obviously. Quarry, we have a base crew on a single shift because you can't operate without that. And I have to match output to the shipping schedule, which is not only the total number of tonnes that Mr. Singleton wants us to send down to the U.S. but also the spacing between the ships.

And so we have called labour in on a temporary basis even in this first quarter because of a number of ships added into the schedule. And then we haven't yet reached the decision point whether we send them back or retain them. We are able to make those sorts of commitments.

"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. »

But it's rarely, as we would say in the industry, playing with the team money. The truly big costs in this company you can't just shed on a temporary basis. That small amount of additional labour, which is only there because it's warranted by tonnes, isn't a big impact. And we've got this thing tightened down as far as we possibly can. I have to say the quarry production costs in this first quarter have been extraordinarily encouraging even at these volumes. So it's now back to volume. And comments about 2 million tonnes as probably the cash break-even, that is as good a number as I could have thrown out myself at this time. We just need those tonnes to come back.

And I think, trying to look at the big picture, there's a lot of people in our industry wondering why all this money that's being thrown at infrastructure and construction -- and we are talking about tens and tens of billions of dollars that actually have no impact.

The 27 percent unemployment in U.S. construction I quoted came out of the National Ready Mixed Concrete Association annual meeting held two weeks ago. That's a very strange and unusual thing in our industry that it hasn't happened before where governments have tried to use construction to stimulate employment and turn an economy around out of recession. And they just supplied the money and nothing's happened.

"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 would like to think that perhaps a little more pent-up activity about to come forward and everybody realizes.

But the industry's had three hard years, last year, 2009, being the most incredibly difficult and unpredicted decline. And so everybody's just gun-shy about making a forecast at this time. But perhaps we could all be pleasantly surprised.

DAVID CHARLES: Excellent. I'll let someone else ask questions. Thank you very much.

HERB WILSON: Thank you, David. Take care.

OPERATOR: Your next question comes from Jonathan Wild with TT International. Your line is open.

JONATHAN WILD: Thank you. I've got two or three smaller questions. One would be, what is it you'd like Plan B for the balance sheet? Even, as the previous caller noted, you make the sale of Long Beach (inaudible), there's a certain amount of cash burn that over a certain amount of time, which obviously gets you close to the line. What is the boundary above and beyond that?

Secondly, can you just remind me what the signs (phon) of the capital (phon) leases are that you mentioned, which is effectively debt (phon) as well, as you noted.

"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. »

And then I've got an operational one. But if we could just touch on those, that would be great.

HERB WILSON: Well, yes, good morning, Jonathan. Let's start there. Plan B for our balance sheet is a very difficult one to comment on because it depends upon timing and the board's view. And we consider it all the time, I have to say. The one thing a company in our position doesn't ever want to do is run perilously close to the margin on availability of cash. And I don't want to pretend that we have any fixed view at the moment.

We have a number of alternatives that have been suggested to us. As you've identified, Plan A is to just keep things tight, get the extra cash in and make it through this year and see the volumes turn things around. Plan B is not to do anything dramatic. And it's very hard for me to say anything more than that, you know. We are just constantly aware of it and what our options may be. I understand the basis for the question. I can only say that we have no plans to do anything dramatic at this moment in time.

The size of the cut (phon) leases, I'll ask Lisa to deal with that one.

LISA DEA: 3.3 million U.S.

HERB WILSON: That's the full remaining obligation to the end of the lease term, isn't it?

"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: Correct, yes.

HERB WILSON: Which is a further two years, two and a half years.

LISA DEA: It goes out to 2013, but the payments taper off as we get farther out.

JONATHAN WILD: The operational one was really at the other end of the business model in terms of the markets you're serving, particularly in California. Could you just give me a sense of how far your aggregates, you know, in terms of end markets (inaudible) at the other end?

And given, obviously, your very significant fixed cost base, clearly, generally, in an aggregate world, people are extremely concerned to maximize the value of aggregates because in the longer term the theory would go that they are very valuable assets and you don't want to sell them at the wrong price.

On the other hand, given in a sense your answers to the first piece, are you cash positive in variable terms -- and I should probably know the answer to this -- such that each tonne (phon) is incrementally cash positive and carry the cash contribution and, therefore, notwithstanding the people that want to sell at lower prices, that you could, in extreme, is take down your prices.

"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. »

HERB WILSON: Yes, an interesting question. And I'm actually going to turn it over to David Singleton who has just got vast experience in these matters and was the gentleman responsible for negotiating our long-term sales contract. Because those contracts do put a different slant on our situation rather than the old traditional can we drop the price, the dollar, and drop some volume.

So, David, could I ask you to address this question?

DAVID SINGLETON (President of Eagle Rock Aggregates, Polaris Minerals Corporation): Yes. So good morning, everybody, particularly Jonathan. This is -- I think it's a key area as we're talking about. And Herb's rightly mentioned that we're a little bit different to the normal quarry in that we are supplying all our materials to four customers, the biggest two, of course, being in northern California. And those sales are governed by the contract -- the long-term contracts that we entered into. That doesn't mean to say that we can't have discussions with our customers in respect of how far do we want to deliver materials by road in California to gain perhaps some additional volume. But discussions like that have been largely around how many concrete plants do we want to supply that are operated by our customers. This has not been a question that we've asked ourselves in respect of third-party sales. And I think that's been

"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. »

demonstrated -- and I think, incidentally, it's the right approach. I think it's been demonstrated by the fact that we have managed to hold on to our prices through this most difficult period. And I think that's one of the real positive aspects to point to.

So let me just try to summarize your questions, yes, we could. We're looking for a volume by increasing the distribution radius from the terminals. It's not our intention to want to do that. We believe that we are facing a period where the basic growth in the market will grow our volumes and not particularly our market share.

I hope that helps you, Jonathan.

JONATHAN WILD: Yes, well, again, that could be passed to Plan B, though, right?

HERB WILSON: And we would confirm that at the quarry level, yes, every tonne is making a cash contribution to paying our overhead. As I frequently had to comment, it's impossible to run a public company below a certain level of overhead costs. The obligations that the public places on you demands a certain level of overhead and if we could eliminate those, we could be cash positive tomorrow, but --

"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. »

JONATHAN WILD: What sort of quantum is that out of interest? Because I guess an acquirer would be looking at exactly those sorts of numbers.

HERB WILSON: Oh, indeed. I used to spend my very life doing that, working for the majors in the acquisitions department. Our SG&A is like 5.2 million. In 2009 I would think the sort of things that are involved in that, that perhaps the major companies don't have. We have to carry insurance. We have to carry earthquake insurance at the quarry. It's our prime asset and it's in a zone designated as an earthquake zone. Our insurance costs are very nearly a million dollars of that 5.2. The major companies all self-insure. In our previous public companies, we only carried the necessary minor third-party public liability policies, extremely cheap. Because you have so many quarries, if one burned down, you just use your cash flow to replace it. So we have those factors. And I would guess the factors that an acquirer wouldn't have probably represents 4 million of the 5.2.

JONATHAN WILD: Thank you.

HERB WILSON: Thank you, Jonathan.

OPERATOR: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad.

"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. »

Your next question comes from Jason Granger (phon) with BMO Capital Markets. Your line is open.

JASON GRANGER: Thanks very much. Good morning.

HERB WILSON: Yes, good morning, Jason.

JASON GRANGER: Couple of questions here, first on the new shipping agreement with CSL and the second on the impact of fuel in 2010.

So looking at the amended shipping agreement, could you give us some colour on how the minimum tonnage commitment should ramp up each year over the next seven years? Your MD&A makes reference to one and a half escalating up to 5.8 million tonnes over a seven-year period.

HERB WILSON: Yes, well, let me take that one first, Jason. And I'm sure you will appreciate, with us having made the comment that now the contract matches our own business plan and expectations, I can't do a year by year because I can't just give out guide -- what would become guidance for the company on that basis.

What I would say is that, from the management's perspective, it's now a very practical arrangement. It recognizes the business as we are confident it is today. And we have the charter as option still included in the

"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. »

agreement, the plus or minus 10 percent, which we believe is a comfortable band of accuracy. We now understand our operations pretty well and there's a sort of roughly even roundup (phon) between those numbers, but I can't go specifically year by year for reasons which I trust you do understand.

JASON GRANGER: Okay, no, fair enough. That's helpful. Just turning over to the fuel impact, your MD&A is making reference here that -- so you had the decreased sales volumes in 2009 and, therefore, a good chunk of the two thousand -- or all of the 2008 fuel surcharge costs were not recovered in 2009, so as a result, the surcharge on sales volume should continue through 2010, and so all the 2008 costs are recovered. So putting that all together, could you give us -- elaborate on how we should look at the impact there on your fuel cost recovery for 2010?

HERB WILSON: Yes. Perhaps David who handles this negotiation with our customers would like to just follow on. But you're essentially quite correct that we do carry on those surcharges until we've matched them tonne for tonne with the customers. Exactly where we are in 2010 at the moment -- David, would you mind just adding your comments to that?

DAVID SINGLETON: Yes, morning, Jason. The fuel recovery system, you quite rightly point out, supported by Herb, is that we are still

"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. »

recovering 2008 unrecovered fuel costs. That will continue throughout at least three quarters of the year. And at the same time, we have a quarterly fuel recovery arrangement in place so that any increases or decreases in fuel in any particular quarter influence the price of the product in the following quarter. It's the same as the 2008 arrangement which was passing 12-month charges forward, but it's cut them back down to quarterly pass-forwards which we can more easily handle as can our customers.

So it's difficult to say exactly what's going to happen in 2010. What I can tell you is that the fuel prices in the first quarter of 2010 actually went up very slightly over the final quarter of 2009 and, therefore, starting on the first of April, there's a small increase in price as a consequence. I've been following, as no doubt we all do, the way in which world prices are performing in oil and they have gone up a little bit, so I anticipate perhaps as we move forward in the second quarter that we might have again a small increase. It's nothing like the dramatic effects, of course, that we've experienced in the past, particularly in 2008. And I hope to goodness it won't return to that. But it's all well in hand. Our customers can handle the smallest variations. We know that we are only incurring either gains or losses on a small basis on a quarterly accounting system.

"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. »

So that summarizes where we're going. We feel comfortable about it. Let's hope that we don't get big spikes again in fuel costs. Let's hope it remains somewhere around this 80 -- 70, 80, \$90 a barrel which it seems to be indicating.

HERB WILSON: Could I just add one follow-up comment, back to the CSL agreement, Jason, that I should just make sure everybody's clear on, the tonnages in the new agreement don't include anything to Hawaii or here into British Columbia that purely are shipments to California at the moment that are covered by that CSL agreement. The other customers supply their own transportation. Even though it may be CSL in the case of Hawaii, it doesn't fall under our contract.

JASON GRANGER: Okay, very good. Thanks for that. That's it for me.

HERB WILSON: Thank you, Jason.

OPERATOR: Your next question comes from Guy Bieber with National Bank Financial. Your line is open.

GUY BIEBER: Okay, I have been in and out of this conference call for the last couple of minutes, but I'm not sure if this was brought up or not. But what -- can you put some clarity on the infrastructure money being spent? I think in a previous conference call you talked about a lot of

"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. »

money flowing down into projects that you guys may be involved in. And can you clear that up for us, that there's actually going to be some money filtering down into the system where you guys will benefit from?

HERB WILSON: Yes, thank you, Guy, and good morning. I know you've been following us for a very long time now. That's very much a question for our marketing expert. So, David, could I again ask you to provide the detail?

DAVID SINGLETON: Yes, of course. We are focused, Guy, as you know, in California. And it's difficult to get specific figures relating to the state. What we do know is that the state of California, as specifically different to other states, didn't pour stimulus monies into the simple expedient of resurfacing roads. What they chose to do, which, of course, suits our business plan, is to direct stimulus funding to more significant new build construction contracts which call for a greater proportion of aggregates as a consequence. That delayed things happening in 2009. And we are seeing the results of that action now reflected in 2010.

There was a spurt, if you like, in contract bidding towards the end of 2009 and we will benefit from that moving forward in 2010. I can give you some interesting statistics on a national basis. It was reported by the Federal Highway Administration that as at January 15th, in fact, 2010, the

"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. »

states collectively in the U.S. had obligated something like 23.3 billion in highway funding under the American Recovery and Reinvestment Act. That was something like 91 percent of available money. Now, that money had been obligated in many states as it being largely spent, as I say, through the -- I think mainly the expedient of resurfacing roads which no doubt needed resurfacing but didn't, of course, impact dramatically on the numbers employed.

As Herb said, this 27 percent unemployment in construction and the construction industry is a very significant figure. At any rate, 10,663 projects were obligated. And some of them, of course, are running and some will continue to run in 2010. In California, we're expecting not only to see some of this funding impacting us in 2010, but the contracts that are being now put in place are so large that they'll run all the way through 2011 as well.

I hope that helps a little bit.

HERB WILSON: Yes, I think if I could just add, David, there are one or two specific contracts, and they're sizeable, that we know our customers have won and that we will be supplying.

I would like to just expand on the comments you read in a lot of our publications about our high-quality aggregates in Orca. The state of

"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. »

California has a system for pre-approval of aggregates to be used in its major public works contract and the approved list of suppliers is available on the Caltrans website. You have to go through a reassessment or research education program on a regular basis as we did only back in February. And the Orca material again performed wonderfully well and you will see that we are one of the few companies on the pre-approved supply list. Very importantly, we are one of the very, very limited list of people in the northern California/San Francisco Bay area. So that means that public works funded projects can use our aggregate without any fear, if you like, without having to refer back and do a lot of testing. That's a very important part of our philosophy here, that we are in this market with the best quality material that is available. It's only the size of the market that's really a question for us.

So, yes, things are moving, Guy. There are some very significant contracts now being awarded and we do know we will be participating in certain of those.

GUY BIEBER: Okay, I have a second question. Thank you. Last year -- well, I guess it was sometime in late '08 when the world started coming to an end and you guys did this massive dilutive equity offering, which I think was a mistake myself, but I guess you guys felt that you had

"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. »

to survive. Can you give us any assurances that you will not do that again? That's had a profound effect on people having a look at your stock because you did it right at the bottom or very near to the bottom. And in view of the fact that you're going to sell your property in Long Beach and you're going to refinance or lease your tugboat, is it fair to assume that you people, your board, will do everything in its power to avoid any dilutive activity to your loyalists like myself that have been involved in your company for years?

HERB WILSON: Yes, and we do appreciate that support, Guy. Let me answer that in a few ways. First of all, you're quite right. It was seen as a survival move. With the benefit of hindsight, and isn't that always the case, the acquisition of the Pier B lands was not well timed, having to use a bridge loan just as the market in the background was going into this nosedive. Did we see this coming? No, we didn't.

And one example I can give that's very personal and close to home is that my wife and I decided to downsize our home here in West Vancouver. Our children are both working in Toronto. And we sold our home in the summer of 2008. And my wife currently allows me to put the excess cash into Polaris stock. And I put half a million dollars in, and I'm not a wealthy guy, I have to say. I'm a working manager. But in excess of

"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. »

four and a half dollars. And it's there in my Fiza (phon) filings for all to see.

Four months later we did that deal. Nobody imagined, and I'm on the inside, that that would be a step we had to take. The balance due was simply that it was a matter of survival. And as I hope our answers to Jonathan Wild suggested, we really are not minded to do that again. Now, I can't speak for the board in its entirety, but I am a member of it, and I have to say we're taking as conservative an approach to our situation as we possibly can.

GUY BIEBER: Okay, well, I guess the pier sale will certainly go a long way to you avoiding that particular activity.

HERB WILSON: Yes, indeed. And we are very, very pleased to have that opportunity, I have to say. It's very, very important to us.

GUY BIEBER: Okay, that's all for me. Thank you.

HERB WILSON: Yes, thank you, Guy.

OPERATOR: Your next question comes from David Charles with GMP Securities. Your line is open.

DAVID CHARLES: Yes. My question was essentially answered. I was just wondering if David would give us an overview of the situation in southern California from the marketing perspective and I think he's

"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. »

probably hit on the major points, though I will give him the opportunity, if he wants, to add to what he's already said.

DAVID SINGLETON: Thanks, David. I was, in fact, I think specifically talking about northern California where our immediate volumes are going to be gained. Southern California is really interesting. Our focus of expansion is and has been, as you well know, David, almost from the start into two areas: one, Los Angeles, which is perhaps the single largest market for aggregates in the U.S. if not in the world, and secondly, down in San Diego.

As you might expect, in the Los Angeles basin area, there's been a huge reduction in demand and the resources that are under the control of the industry are clearly going to last longer than was the case back in 2005 and 2006. And that does impact upon the requirements of alternative materials.

Nevertheless, we know that there are significant massive contracts that are going to be let in the Port of Long Beach and the adjacent Los Angeles port. And we believe that by having what would be a virtual quarry in Long Beach will be quite significant. As Herb said, it's going to take us a year or so to get permitting and another period to develop, but we think our timing is just great to surprise some of these new contractual

"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. »

requirements in that very specific area. Then gradually, as the existing quarries run out of resources, which they're doing all the time, of course, it's just that the rate of run-down is being slowed. As that happens, so we'll be there with a significantly attractive opportunity in the heart of the market. San Diego has always, since we've been in operation, been short of materials. There's still material being imported by road and there is an independent study just being completed in that area to show that there's a deficiency of somewhere around about 7 million tonnes of local materials. And we would like to get into San Diego as quickly as we can. I think circumstances are going to suggest that that's going to be the back end of 2013 as we go through CEQA processes and construction of our terminal down there. But, again, we feel very comfortable long term we've got it right.

HERB WILSON: Yes, that independent report is actually done by the governmental bodies themselves under the acronym SANDAG, the San Diego Area Government. So that's not a marketing guru. That's the guys who are actually spending the dollars making that assessment of a 7 million tonne shortfall.

DAVID CHARLES: Thank you very much.

HERB WILSON: Okay, thanks, David.

"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: Your next question comes from Jonathan Wild with TT International. Your line is open.

JONATHAN WILD: Apologies. You probably thought you'd finished with me, but just a couple (unintelligible). Firstly, you refer to quality. Can you give us a sense of what price premium, if any, you get for (unintelligible) quality?

And, secondly, can you just run me down in the last, say, quarter what the fixed costs base would be so that I can have a -- run a few numbers on what potential cash burn might be?

HERB WILSON: Okay, well, very happy that you've come back, Jonathan. No problem at all. We're quite happy to talk about the business and try and help people understand this as best we can.

David will add his own remarks to this, but it's very hard to state what a price premium is. Where the price premium really exists for us is that it's access to contracts that others can't access where you can get the price that you want without undue competition. It's very hard for us to put a number on it. Our sales contract in the Bay (phon) are quite unique in that Semex who are the larger of the two with whom we partner, and Semex has marketing rights in a lot of areas, we jointly share the benefits of marketing this material.

"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. »

So at the end of the year we do what we refer to as a true-up (phon) where we look at the actual achieved selling prices in the market and then adjust our transferred price to Semex so that the benefit of price growth is shared on a 50/50 basis. I think my own personal interpretation of the price premium is the fact that in this most three desperate years of decline in our industry that we've seen since the 1930s our prices haven't gone down. They've gone slightly up. How I put that into a dollars per tonne, I'm not sure.

David, is that a reasonable summary?

DAVID SINGLETON: Oh, I think that about sums it up exactly. And I would have answered it in the same way. The premium is the difference between the average decline in prices that have happened in California and a steady price that we've achieved. I think it's going to actually increase as the emphasis is on the demand for stimulus-funded contracts bringing in a much higher requirement for aggregates. I believe that we will continue to see our premium as such reflected in market share. And really, at this particular moment in the cycle, that's pretty good news.

HERB WILSON: Yes, and the other thing that -- where we get an advantage is that, because of the quality of the material, it allows the customer in many cases to achieve the technical requirements that is

"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. »

concrete using less demand, or less expensive materials. So the customer sees a price advantage in using our material which is a fairly expensive aggregate. So there's a balance there, very hard to quantify.

On the fixed cost base, that is a very difficult one, Jonathan. There's one clear impact which is our amortization cost which shows up clearly in the consolidated statement of the company and that's directly varied by the tonnes produced.

But what is often not appreciated, and it's just something that I've been working with all my career in this industry, is how much of your other costs also have a fixed component, for example, the supply of electricity. If you don't run the plant for a week, you don't have zero electricity costs because there is a standing charge for power which is fixed and then a usage charge per kilowatt hour used.

So you're always wondering exactly what percentage of your otherwise operating costs is also a fixed component. The salaries of the supervisory and management team are a fixed cost. We don't lay those guys off if we shut down for a couple of days.

So to get the total picture is very difficult. The amortization is 100 percent fixed. We generally --

DAVID SINGLETON: But not cash.

"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. »

HERB WILSON: Sorry?

DAVID SINGLETON: But not a cash item.

HERB WILSON: But, no, but not a cash item. And then we generally find in the remainder of the operating costs that often to our surprise at least 50% of those are, strictly speaking, a fixed cost. And the remainder is variable on the tonnes.

So it is a complex picture and I'm sorry there isn't one very, very simple answer for it.

JONATHAN WILD: If you (unintelligible) balance sheet, and I'm sure you, as you said repeatedly (unintelligible), one of the key things for you all, then notions of cash burn would be essential to that and, therefore, you must have in mind, if you like, the back of (unintelligible) fixed costs elements here, I would guess, that when you think about if demand for your product was not 1.4 million tonnes but 1.3 million tonnes or 1.5 million tonnes, your notion of what that does to your cash burn would be something you would, I would imagine, have to hand (phon).

HERB WILSON: Yes. Yes, we have (unintelligible) here, pretty comprehensive corporate model and budgeting model and we do run our numbers pretty frequently. It's just impossible in a situation like this to start at one number that you could truly hang your hat on. But as you rightly

"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. »

say, we do look at that carefully. We look at our monthly cash burn very carefully and then plan as best we can. It's a bit of a unique situation for David and I in that we're here with a single operation. Therefore, the steps that one normally takes and the majors can take in this industry of consolidating operations and closing one or two things to shed costs completely, that's simply not available to us. But the efficiency of the quarry, even at this low period in the market, has been very impressive.

OPERATOR: There are no further questions at this time.

HERB WILSON: Okay, well, shall we conclude the call, Stephanie.

OPERATOR: Thank you. This concludes today's conference call.

You may now disconnect.

"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. »