

EVENT: POLARIS MINERALS CORPORATION YEAR-
END 2007 RESULTS CONFERENCE CALL

TIME: 09:30 ET

REFERENCE: CNW GROUP

LENGTH: 01 HOUR 08 MINUTES 36 SECONDS

DATE: APRIL 2, 2008

OPERATOR: Welcome to the Polaris Minerals Corporation's Year-End 2007 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 question. If anyone has any difficulties hearing the conference, please press the star key followed by zero for operator assistance at anytime.

I would like to remind everyone that this conference call is being recorded today April 2nd, 2008, at 9:30 a.m. Eastern Time for replay purposes, and would now like to turn the conference over to Mr. Marco Romero, President and Chief Executive Officer. Mr. Romero, please go ahead.

MARCO ROMERO (President and Chief Executive Officer): Good morning everyone. My name is Marco Romero and I am the President and CEO of Polaris Minerals Corporation and I am speaking to you from Port McNeill near the Orca Quarry. I am pleased to welcome you to our quarterly conference call. I am joined by my colleagues David Singleton, Herb Wilson and Lisa Dea. Together during the course of today's call, we will discuss the financial and operational results for 2007, our first

successful year of production at the Orca Quarry. We will also look forward into what is already proven to be an excellent 2008.

Before starting I am 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 to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In other words, we are still on the lookout for a crystal ball that actually works.

Now, we're very pleased with our 2007 performance and with the successful launch of the Orca Quarry and our Richmond Terminal in California. We're also delighted to have forged an invaluable long-term strategic alliance with CEMEX. In addition, in 2007 we were pleased to initiate regular shipments to Hawaii and Vancouver, British Columbia. During the year, our team successfully completed construction of the Orca Quarry on schedule and on budget and we also managed to produce over 1.4 million tons of high quality sand and gravel. Sales for the year amounted to 1.15 million tons a year and inventories totaled 259,000 tons at year-end. This is a remarkable strong start for a new quarry.

In 2007, Polaris earned revenue of \$15.5 million resulting in a gross operating margin of just over \$1 million. The Company generated a loss of \$18.4 million for the year, most of which is due to non-cash items. I will leave it to Lisa Dea to elaborate on these numbers in a moment. The Orca Quarry is operating very well and our production costs of the quarry are in line with our expectations for this early stage of production. We expect these costs to decline as production levels increase and our fixed costs are amortized over a greater production tonnage.

Productivity per employee is already higher than we had anticipated for this stage of production and far higher than it was in 2007, a strong indicator of how well the quarry is operating. Productivity increased as a direct result of the quality of the Orca team and of the level of training better employees undertook last year. In fact, we invested 10,883 hours in training on our team in 2007 and that investment is paying great dividends in terms of fantastic safety record and high productivity.

As reported earlier, what has principally pushed up our overall costs are our shipping or logistics costs, which in part have been higher than expected due to the tight supply of tugboats available on the coast which has forced us to bring them from time to time from as far as Vancouver. We've addressed this decisively by initiating with a good group of partners,

construction of a berthing tugboat that will be stationed close to the Orca Quarry. This is expected over time to gradually and substantially reduce the cost of docking the ship as the frequency of the shipping gradually increases, which in time should bring our tug costs even below our original estimates. You can see pictures of the construction of this new state of the art tug on our website if you are interested. We expect a new tugboat to be available to us during the third quarter and that once the pilots become accustomed to its capabilities, we also remain hopeful that they will relax the requirements for two tugs to be on hand during docking, resulting in even further cost reductions.

We also suffered from delays in the relaxation of berthing restriction at the Orca Quarry imposed by the BC Coast Pilots. In 2007 and early 2008 we were only able to berth ships during daylight hours and within a narrow tidal current range while the pilots gained familiarity with our ship berths. I am happy to report that the pilots recently removed the daylight-only constraint and have begun lowering the tidal current berthing limits, which is already helping to trim our cost; pilots and demerge costs, and we hope that that will continue. Hopefully, with their experience gained over time they will be able to further relax these restrictions.

Other factors affecting our margins in 2007 were amortization of fixed costs over relatively low production volumes, a normal situation at this time. The appreciation of the Canadian dollar as well as the rising price of bunker fuel and diesel, these will be discussed in greater detail by Lisa and David. I will leave the discussion of customer demand in our markets to David Singleton, but I would like to talk about production guidance for the year.

I am pleased to report that the Orca Quarry produced over 750,000 tons of sand and gravel in the first quarter of 2008 and that we shipped 511,000 tons to our customers, meeting the first quarter guidance that we provided in January. This quarter and the early stage of our ramp-up is a good example of how difficult it is to give quarterly volume guidance because a single 79,000-ton shipment -- at 79,000 tons per shipment, the change in schedule of one ship by a matter of view in a few days can substantially change the amount shipped in a given quarter. For instance, a shipment that was originally planned for late March will now depart in early April making it part of the second quarter.

When we announced earlier this year that we expect to ship between 2.9 and 3.2 million tons of sand and gravel, it probably took some people by surprise, some were incredulous. It seemed counter-intuitive

that we could more than double our sales over what we accomplished in 2007 at a time of dramatic declines in housing construction in the US, economic uncertainty and a liquidity crisis in the debt markets. Nevertheless, our guidance for 2008 remains intact. How can this be? The very high quality of our products is one of the reasons we continue to increase our sales. We have talked about quality before, but I want to emphasize it because it is truly important. High quality material such as ours enable our customers to save money in cement usage and product handling cost and also give them a competitive advantage that comes with producing higher quality of ready mix concrete.

Another reason for the strong market acceptance we have experienced is that consumers of construction aggregates on the West Coast are running out of viable long-term supply options as aggregate reserves rapidly deplete around major urban markets. Let me explain how this affects us. The majority of our production is sold in California to Shamrock and CEMEX. With us as their chosen long-term competitively priced, supply solution, these large consumers of construction aggregates are gradually switching their operations, one ready mix plant at a time to run on our materials.

While we are very competitive, we are not the lowest cost producer today. We have decades of life -- and we have decades of life ahead of us. Many of our -- of the older urban quarries are lower cost producers, but they are facing closure over the short and medium term, some imminently. The end of low cost aggregate production in many markets is within sight. We are increasing our market share in these markets because we represent a long-term highly competitive supply solution. This manifests itself through the long-term commitments that these customers have made to us. The market penetration will be a gradual process that is expected to unfold over a period of years, but it will be a solid one.

We are confident in our ability to grow our business steadily and profitably. Discussions are ongoing with other perspective customers some of which are expected to yield positive results during 2008. We look forward to reporting these to you as they occur. Our ability to effectively operate logistics that deliver these products where are customers need them when they need them is also one of our great strengths. The highly efficient logistical network that we are putting in place will continue to expand as we solidify our position in current markets and make inroads into new ones.

I recently attended the CON/AGG conference, a very large construction industry event held every three years, and I want to share with you a few of my observations. People in our industry know about us and take us very seriously now. They are becoming aware of our high quality products and our ability to deliver. Two themes that kept coming up during the conference were the current housing construction slowdown and on the other side of the spectrum the long-term problem of high quality aggregate reserve replacement. I am pleased to note that so far we are weathering the short-term problem very well. We are increasing our shipments in a year when overall aggregate demand has declined considerably. Remember that residential and commercial construction spending and infrastructure investment tend to work in counter cycles. They generally offset each other. This is exactly what we are currently experiencing in California.

Housing construction declined precipitously in 2007 and has weakened further in 2008. Meanwhile, there is a substantial backlog of commercial construction work. Although, we also expect this to tail off by late 2009. The bright spot is that it is clear to us that major infrastructure programs that California embarked on last year are ramping up. We continue to expect infrastructure activity to underwrite California demand

for our products for the coming decade. During this time, we will also be extremely well-positioned to take advantage of any resumption of residential construction activity which will happen in time. California population will continue to grow and the related need for housing is in time also expected to resume and even outpace the national rate in coming years.

It does not appear as a cycle though and what we do not expect to improve over time is the long-term problem of aggregate reserve replacement. Our ability to produce large quantities of high quality materials for decades, all at a very stable cost, is our greatest competitive advantage. Our very large, high quality and highly competitive deposits are virtually irreplaceable assets. We have the materials to feed enormous markets that are becoming increasingly depleted of these vital products.

Despite the short-term market gyrations, we remain focused on the unique long-term opportunity that is clearly ahead of us. Our customers think long term as well. That is why CEMEX and Polaris are working so hard to develop new port terminals up and down the West Coast of North America with us. They understand the long-term supply and demand fundamentals and they know that in order to sustain and grow their business they must secure a reliable long-term supply of high quality

materials. I believe that is why the CEMEX strategic alliance announced on September 26th of last year is already exceeding all our expectations. The working group we have established with CEMEX, which is chaired by our own David Singleton is developing into an energetic and efficient mechanism for driving forward with our joint marketing and port initiatives along the West Coast.

This agreement gives CEMEX the security of long lived high-quality supply. In turn, it gives us the certainty of customer demand in the form of minimum take or pay contracts and it creates the means to grow our business much more rapidly than we could have done on our own. It is truly a win-win situation for both parties. A few of us recently attended two separate christening ceremonies for brand new higher capacity barges that would launch to support both Burnco, our Vancouver customer and Shamrock, our first customer in San Francisco Bay. Larger barges mean more carrying capacity and lower cost resulting in even greater competitive strengths for all of us. This is another clear and positive signal of our customers' intentions to grow and improve the competitiveness of their business using our materials.

While we continue to work on the optimization of the logistical pipeline that connects our quarry and our customers – our customer, our

current shipping arrangement with CSL are providing us the flexibility and reliability of service that we need as we ramp up production. In December, we announced that we signed on for an additional 2.8 million tons of shipping capacity under a 15-year agreement with CSL due to begin when a new ship is delivered to us in late 2010. Coupled with our existing 5 million tons per annum contract, we now have 7.8 million tons per annum of shipping capacity booked starting in 2011. We are currently supplying products into four terminals in San Francisco Bay, with a fifth in Sacramento currently under construction, and expected to come on stream in late 2009 or perhaps early 2010.

The Richmond terminal in Northern San Francisco Bay is providing to be show piece of terminal development and is acting as an ambassador for Polaris and its partners opening doors with port operators and authorities who want similar clean and efficient terminals in their ports.

Another step forward for the Company was the signing of an agreement to purchase 12.4 acres as a private partial at Pier B in the Port of Long Beach. Herb will talk more about the Pier B in a moment, but I can tell you that we are very excited about this site because of its potential to give us a strong foothold into the massive Los Angeles market. This port site has a potential to become one of the largest terminals on the West

Coast. We plan to make it another showcase of engineering and environmental excellence. We will have more to say on this once we conclude our due diligence and other related negotiations.

Along with our partners at Hupacasath First Nation, Ucluelet First Nation, our proposed Eagle Rock Quarry remains firmly in our minds. As we look at new terminal opportunities, as we watch the ongoing quarry permitting conflicts in California and elsewhere, and as we learn more about the markets for these products, Eagle Rock's potential is becoming ever clear. We have resumed work with the help of AMEC on a bankable feasibility study there and we expect to see the results of this exercise towards the end of the third quarter.

With all the terminal initiatives landing at the same time and with potential for the proposed new Eagle Rock Quarry to be developed, as well as the ongoing ramp-up of the existing quarry, we have come to realize that we need to give Herb Wilson another pair of hands and a brain too. As a result, I am pleased to welcome, as I know Herb is, Ken Palko (phon) as Polaris' new Vice President of Technical Services. He brings with him very valuable quarrying experience and he has already hit the ground running, working on Orca Quarry ramp-up and optimization initiatives, port terminal design and the Eagle Rock feasibility study.

Looking ahead, in the near term, we will be devoting considerable time and energy on Pier B and other port opportunities, to prudently financing our growth and to safely ramping up production at the Orca Quarry. We are off to a great start as an aggregate producer and quarry developer and we expect 2008 to be a very good year for us. I look forward to reporting on our continuing progress for the first quarter.

Thank you. I will now turn the call over to Herb Wilson, our COO.

HERBERT WILSON (Senior Vice President and Chief Operating Officer): Thank you, Marco. Good morning. I am Herb Wilson, Chief Operating Officer for Polaris. Well, 2007 was an amazing year for us as we established Orca Sand and Gravel as a major supplier of quality construction aggregates in many markets in California, in Vancouver, British Columbia, and also in Hawaii. Our products were used in many prestigious infrastructure and building projects where the quality is scrutinized intensely and such work greatly assists our ability to develop future sales for the products -- production at Orca during the year met our sales requirement, but as always with a large new process plant, we identified bottlenecks for correction, and during the fourth quarter of the year we took a lot of downtime to cure these and prepare for growth in

2008. The results have been very rewarding and I would like to provide some comparison numbers.

During the third quarter of the summer July through September we produced 450,000 tons at Orca. This reduced to 350,000 tons in the fourth quarter as we improved the plant, added personnel and provided the training. The benefits have been immediately obvious. And the first quarter of 2008 just ended, which is also the winter quarter, we have produced over 750,000 tons and we now have over 0.5 million tons of finished product inventory waiting for these ships to arrive, the next of which as Marco said was expected at the very end of March, will now be arriving this weekend and will become a second quarter shipment. But we've demonstrated that we can ramp up to meet the increased sales expectation.

Costs of production for 2007 were in line with the feasibility study, which is again very gratifying. These volumes directly impact fixed cost per ton, which increased in the last quarter of the year as a consequence of the low production and are now reducing substantially.

Before leaving the subject of quarry production and indeed sales, I must emphasize that this business of ours will always have a seasonality factor. Construction slows in the winter quarters because of weather and

production, and production at the quarry in the January to March period is always difficult as heavy rains, snow, and low temperatures all take something of a toll. This results in the first quarter of the year being the most affected, and in contrast the third quarter June through September is always the most positive and strongest quarter.

We've frequently commented that the logistics of trading are very complex using these large ocean going Panamax vessels and that efficiency will improve as the business grows and larger volumes are shipped and more receiving terminals are developed. The impact of this was very apparent last year. We had to lightly load two vessels in order to service our sales contracts and the dead freight penalty for this was \$356,000. We have also referred to the cost of tugs and pilots for handling the vessels at the quarry as being too high, the additional cost for this in the – over and above our contracted rate with CSL was \$522,000.

As Marco mentioned, we have now began to see some easing of the pilot issue restrictions and are advancing well on the provision of the modern berthing type to be based in the Port McNeill area, both of which will reduce these penalties considerably in 2008 and help us achieve further cost reductions. Indeed, the increasing frequency of shipments will also help considerably.

The rising cost of the ships' bunker fuel oils in 2007 was also a significant impact. This added \$710,000 to our delivery costs. The impact, being particularly heavy in the fourth quarter when the additional cost was over \$1 per ton delivered virtually double the rate we experienced in the second quarter. This problem for us is a timing problem. As the fuel surcharges average during the first three quarters of any year and then applies forward to their shipping rates in the following year so that we recover the increased bunker fuel rate, but on a "time-like" basis. The lagging cash flow we experience in times of rapid fuel price increase and decrease was particularly strong in the fourth quarter of 2007.

Different rates and conditions pertain to each of our sales contract as they reflect known conditions at the time of the negotiations, and therefore there's a considerable variation. The plan to showcase Richmond Terminal in San Francisco Bay, this was completed at the year-end and the facility is now servicing customers on a daily basis and, in fact, I was advised yesterday afternoon that we had a record day and dispatched 2,200 tons from the terminal, which is very gratifying indeed.

During 2008 we expect to secure additional external customers for the terminal and gradually ramp up the volume handled. In a manner similar to the quarry, we have already identified efficiency improvements

which will be addressed during 2008. The relationship with CEMEX has brought significant terminal development opportunities which are frankly very exciting. In the Port of Redwood City, CEMEX has a large marine terminal, which presently receives cement and also sand and gravel from Orca. This site is much larger than the alternate we were pursuing in this port, and has the capability of handling both sand and gravel and granite aggregate together with room to locate funds for added value products, thus becoming what David Singleton always liked to term a “construction materials park”.

The companies are jointly studying the plans for the redevelopment and the concept is being welcomed by the port Directorate. And for Polaris, it offers a lower capital and operating cost solution to creating a long-term valuable outlet for both Orca and Eagle Rock quarries. As Marco mentioned, we have secured the right to buy 12.4 acres of land in the Port of Long Beach, California, and are currently deeply involved in the due diligence that is an essential step for such an acquisition. From an operating perspective, it is a wonderful site and possibly unique in the Los Angeles basin with sufficient area for both our quarry products and some added value processing. It is adjacent to an existing deep water berth and

has immediate access onto Interstate 710, the area's primary artery for truck deliveries for customers.

Finally, we are advancing on a site in San Diego together with CEMEX and have several other prospects under initial review. There is currently some "doom and gloom" about the construction industry in the US as it is clearly into the down cycle. The important point for Polaris is that we are in the development growth phase and our sales volumes will grow in 2008 bucking the general trend. Most importantly, we have the best climate for developing these additional terminals, the success of which will be the foundation for this very long term business' performance when the general cycle swings up again. We have now resumed work on the feasibility study for our Eagle Rock Quarry project with the intention of having this completed during the third quarter of 2008.

And I must close by saying that I believe we have had groundbreaking performance at Orca Sand and Gravel, which has generated positive margins and cash flow after only nine months start of operations. This is unprecedented in my more than 30 years of experience in this industry. Thank you all. I'm now pleased to hand over to my colleague, David Singleton.

DAVID SINGLETON (Director and President of Eagle Rock Aggregates, Inc.): Hi, good morning everybody. It's David Singleton here, I am President of the Eagle Rock Aggregates Polaris' US operating subsidiary and I am reporting to you from San Diego, which is one of our key target market areas. Let me give -- let me try and put up a marketing perspective on what has happened in this last 12 months and how we see the future. And I am sorry if I repeat some of the issues you've just heard, but they are important whether where at Orca or down here in the massive market of California.

In the 43 years I've been involved in the construction aggregates industry, I have never experienced such a sharp drop in demand as the US industry is currently experiencing. However, in these same 43 years, I have never been in a position where the combination of factors under my control presents such a great opportunity to buck the trend, achieve immediate growth, and establish the basis for the long term realization of the Company's ambitious objectives.

Let me explain this again from a marketing perspective. Polaris has invested in the very best new sand and gravel quarry in North America. It secured the very best shipping contracts to enable the Company to realize its growth objectives, as well as investing in the very best terminal facility

at Richmond that you will not find anywhere in North America. In addition, Polaris entered into a strategic alliance with the world's foremost producer of building materials and has secured a long-term supply contract with the Shamrock Materials Group, the only ready-mix concrete Company in Northern California capable of offering an effective solution to accessing shallow water ports in this important area.

This investment strategy is not being done for short-term gain but rather for long-term supremacy. This has already been achieved in part by controlling – securing control over several Northern California marine aggregate terminals, and through the strategic alliance with CEMEX, as had already been mentioned, Polaris is advancing its strategy to extend terminal control to Southern California and the States of Washington and Oregon, and as you know, contracts have already been secured and are underway supplying materials to Vancouver and Hawaii.

It's worthy of thought that in 2007 when the demand for aggregate in California dropped by 21.4% over 2006, Polaris increased its sales from zero to 1.15 million tons. Why? Well, we have a high-quality product, we have the ability to deliver it cost-effectively to our customers whose traditional supplies of construction aggregates in all markets are rapidly being exhausted. You know, there's a dichotomy between the need for

essential infrastructure maintenance and expansion and the availability of basic materials with which to achieve these objectives. Put in another way, you can throw as much money as you like at having the best diamond ring in the world, but first, you must have the diamond.

Throughout California, there's an increasing anxiety in the minds of legislators that their ambitious infrastructure plans may be disrupted if the basic materials, such as construction aggregates are no longer available. There's no substitute for construction aggregate if you wish to build and construct, and you cannot replace it once it's quarried and put in place. This is the challenge to which Polaris has responded. We've been prepared to say here is one solution, which not only offers a higher-quality product with attendant manufacturing savings, but is also cost effective and importantly, offers long-term availability.

In dealing with the short term, it has to be said that Polaris cannot be immune from the shock and aftershock of the present declining market demand, by which in my opinion, may at worst delay the achievement of maximum permitted output, although this extraordinary venture will not be derailed. As we projected at the time of the Polaris IPO, prices of construction aggregate in California did increase in 2007 over 2006 by approximately 10% despite significant volume decline. We believe that

this increasing price trend will continue as resources become more expensive and haulage distances to markets significantly increase.

For 2008 however, we believe that the recovery of cost increases will probably represent our best achievement with real price increases delayed until the commencement of the next upward cycle, but in the terms of our two supply contracts to the US west coast, we have the built-in ability to pass through shipping fuel costs, although, the cost recovery is calculated on the average cost incurred in the year previous to the application of price increases. Herb has covered this point, but it is important to realize that if, therefore, the price of oil continued to increase indefinitely, Polaris would always be 12 months behind in recovery.

If, however, oil prices fluctuate, which I hope will be the case and as indeed we expected at the time of contract negotiations, then the effect should be neutral over time to all parties. It has hiccups though and Herbs has covered it, but I am going to cover it again because during the three quarters of 2007 this relentless increase of oil has been absorbed by Polaris and it's approaching \$1 a ton as Herb said on delivered products to California. It's interesting though and important to recognize that we don't carry those increased fuel costs to our material supply to Vancouver and Hawaii.

So, looking ahead, I expect to see the volume sales in 2008 and 2009 exceed the IPO projections and I look forward to updating you quarter-by-quarter as much as developed. I expect to have additional terminals in place prior to 2010 and I hope the upturn of the next cycle will be evident. During this time, I look to translate the keen interest being expressed in Eagle Rock Granite into real production and sales and to urgently require the additional shipping capacity, which we've already secured with CSL.

And with that I am pleased to hand you over to Lisa Dea, our Chief Financial Officer.

LISA DEA (Vice-President, Finance and Chief Financial Officer):
Good morning. From a financial perspective and what was our start-up year, I have to say I am impressed with our financial performance. In our first nine months of operations, we sold 1.15 million tons of aggregates to \$15.5 million and achieved a positive growth margin of \$1 million. Our total loss for the year was \$18.6 million, the majority of which was \$15.7 million of non-cash items. The loss from operations after removing stock based compensation was \$4.4 million for the year, virtually unchanged from the previous year.

As Herb has mentioned, we have cost related to the rise in bunker fuels, debt rates and tugs and pilots that have negatively impacted our margin along with the gain in the Canadian dollar over the year. As previously discussed, we are working on reducing the tug and pilot costs and with the number of terminal options we have now, we don't anticipate that's going to be an issue again. The cost of bunker fuel invoiced with the Company for the ships has gone up about 65% in 2007, and as mentioned we have a recovery mechanism built into our contracts with our customers, but it is reset annually and therefore, lacks the fuel price change. As David said earlier, it is designed to neutralize fuel price fluctuations over the long term, but in the short term, it has a negative effect on our cost and our margins.

The contracts we have set with our customers were designed to be fair and neutral over the long term for both parties. Another factor we cannot control is the strength of the Canadian dollar or conversely the weakness of the US dollar. Our largest single expense is shipping, which is in US dollars providing us with some natural hedging. We cannot predict the direction of the dollar and we are not in a business of currency speculation. We will continue with our strategy of not hedging our remaining currency exposure preferring instead to focus our attention on

running our quarry business. As tonnage increases, our cost will go down, not necessarily in a straight line but they will go down. We have said in earlier conference calls that we expect our margin to improve in time and that expectation remains intact as we ramp up our sales.

Our cash position was \$15.2 million at year-end and we had almost no debt with only \$3.3 million remaining on our long-term leases for our tractor scrapers and other mobile equipment on site. From the Orca Quarry perspective, we do not have any significant additional capital expenses expected this year, keeping in mind that we just took delivery of our third tractor scraper, but where the capital expenditures will likely appear are in the terminal initiatives that are currently underway. The 12.4 acre site at Pier B is estimated to cost \$43.5 million with the potential that CEMEX will partner with us for 50% of this cost.

Finally, I want to talk about our \$5.9 million asset-backed commercial paper that we hold as a long-term investment. We wrote this paper down by 35% at year-end and that translates to approximately \$3 (phon) million. In the past year we had taken substantial step to de-risk our business. We have invested in our workers through extensive training to benefit higher productivity, lower turnover, lower cost per ton and unbeatable safety record. We have pursued a strategic approach of

increasing market share over charging a price premium and our growth rate is much higher than originally planned.

We have taken – we have significant take-or-pay commitments from our industry-leading customers. We have a portion of our currency exposure naturally hedged through our shipping cost in US dollars. We are developing new strategic quarry assets and we continue to have a solid community with support. As a result of these steps, I am happy to report we are a much lower risk enterprise than we were 12 months ago.

We cannot control the movement of the currency, the price of fuel, the housing construction market in the US or the rate of infrastructure expansion, what we can do is focus on our business, building and expanding our franchise in the markets, growing our market share by providing the best materials in the market, growing our productivity and production and lowering our cost, and taking advantage of the opportunities to pick up strategic assets like terminals to open up new markets for our products, and therefore secure our future growth profile.

Our first nine months of operations has set the stage for our growth in 2008 and beyond and I look forward to reporting our progress in the first quarter. I will now pass the call over to Marco.

MARCO ROMERO (President and Chief Executive Officer): Thank you very much, Lisa, Dave, and Herb. Well, I have – at this stage I would just like to thank you for listening to the call and invite questions from any of those who would like to hear from us. Thank you very much.

OPERATOR: Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star key followed by the one on your touchstone 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 are using a speakerphone before pressing any keys. One moment please, for your first question.

Your first question comes from Catherine Gignac of Wellington West Capital Markets. Please proceed.

CATHERINE GIGNAC: Oh, hi, good morning everybody, an early start for you. Good to see the results out and good year and looks like it might be a little more trying for 2008, but, you know, as far as the industry in particular with two questions. One, can you give us a sense in terms of the end-products that your customers are delivering and the breakdown in

terms of industrial versus residential? And I know it's – we've talked about this before in terms of the specific customers, you know, that you have versus what's happening in the California market, but if you can give a general breakdown on where you see your sales for 2008, it would be helpful.

MARCO ROMERO: Thank you Catherine, I will let David answer this question.

DAVID SINGLETON: Yes. Catherine, the traditional breakdown in the market is round about 34% taken by the private house building and the remainder made up of commercial and public sector spending. It's interesting to try to speculate on how it's going to work out in 2008. Let me just give you some figures for 2007 however, which I think are important. Taking information from the US Commerce Department, the value of all construction work actually in 2007 over 2006 was down only by 2.5%. However within that, residential was down 17.5 and non-residential was up 15.5 and it was made of all sorts of interesting things; hotels up 66%, for example, no doubt Vegas playing its part, retail was up 31, offices 21%, healthcare 14%, and highways and bridges were up 7% and that's a big, big consumer of aggregates.

So here's the question, we know the market is way down on housing. In some parts, Sacramento for example, we think the housing is down 35% or 40%. Now, it's not the case throughout the whole of California, but that's a hot spot of house building in the last few years and it's way down as it is indeed in Florida and elsewhere, but we are seeing a continuation of the commercial spending and we are seeing the beginnings of the big infrastructure spending, which the State of California announced some 12 or 14 months ago. This 10-year plan to spend \$220 billion on infrastructure, which Governor Schwarzenegger says is absolutely vital, is being kicked off and the bond money that is being raised to start it is of course sacrosanct to that task. So, we are thinking this is going to help. Indeed, our customers are involved, much more or so now on this type work than on the private housing side.

But what I can say, however, is that, and I don't want to be threatened about this, but in a way it's a little bit academic for us in this somewhat privileged position because as already been said and Herb outlined it, our customers are actually replacing materials with our materials. So, we are gaining on market share situation and our indication that we gave out that we could based on what our customers are expecting look to something around 2.9 may be a little high 1 million tons, and 2008

still stands our spend yesterday with Shamrock, our Northern California customer, just going through again what was the acquisition at the moment. How did they see 2008, and they said they see it strong and had an excellent February. They see it running through the spring and summer. It's a little more difficult than in normal years to see what the fall is going to look like.

And so it's a long answer this to your question, but it's a hell of a good question. And we are privileged, I think, in the way in which we're building the Company and no more so than as Herb said, "Let's get the terminals built before the upturn of the next cycle." I hope that helps.

CATHERINE GIGNAC: Right. Yeah. No, that does help. And I will leave other speculation in terms of how your customers are going to do in terms of gaining more government contracts, but that would be additional upside. But the second question, I guess maybe for Lisa is what can you provide us in terms of breakdown in terms of the components of costs, whether it's a percentage breakdown or a per ton breakdown ideally, what will you be able to provide us?

LISA DEA: Well, we don't generally go through a per ton breakdown of our cost; that's not something what we've ever provided before.

CATHERINE GIGNAC: I can ask.

LISA DEA: You can ask, yeah. You can ask. As far as the percentage goes, I don't have that information offhand, I could probably talk to you about it after the call if you like.

CATHERINE GIGNAC: Okay. Yeah, because you're alluding to, you know, some of the components obviously, shipping costs and that sort of thing, but any kind of breakdown would be certainly helpful for guidance. Thank you.

OPERATOR: Your next question comes from John Hughes of Desjardins Securities. Please proceed.

JOHN HUGHES: Thanks, Operator. Just a couple of quick ones. Just on the inventory levels if you're continuing to anticipate in round numbers based on current customer expectations around 3 million, and this is I am assuming it's a shipment number for '08, what would you expect in terms of run-rate inventory level if you're exiting last year I think somewhere around 250 and you're talking about 500 a day in terms of sales and tons in inventory, what should we be modeling as a run-rate inventory for the year?

HERBERT WILSON: Okay, John, it's Herb Wilson; I should really tackle that one up. Our current 0.5 million tons is a result of two factors; the work we did on the processing plant and additional water supplies in the fourth quarter allowed us to demonstrate just how well this plant would run in the first quarter, especially given it's the worse weather of the year and having the inventory built up to a high level ready for moving into the spring and summer period, it's just very reassuring. It allows us to load very, very efficiently having the materials waiting for the vessel. As an average and what I would expect at the year-end would be around up to 150,000 ton level. It will always float up and down a little bit as Marco mentioned, just the delay of a ship by eight days that was going to pick up 74,000, 75,000 tons makes quite a difference. But it's very reassuring going into the summer period knowing that we've got the material both on the ground and the production. 250,000 tons at the year-end would be my target.

JOHN HUGHES: Okay, great. Thank you. That sort of suggested if you're producing through the second quarter at the rate you did in the first that you should be realizing sales levels, you know, in excess of 800,000 in the second quarter, perhaps as high as 1 million depending on what you

assume with regards to the Q2 exit level on inventory; that's a reasonable range.

MARCO ROMERO: Oh, we've chosen not to give quarter-by-quarter guidance, John. You have to bear with us as these numbers come out.

JOHN HUGHES: Okay, how the math works out.

HERBERT WILSON: But your assumption for the year against the guidance for the year, very reasonable.

JOHN HUGHES: Right. So, are you reiterating your guidance for '08, similar to what you did in -- at the end of January in the 2.9 to 3.2 million ton level?

MARCO ROMERO: We are.

JOHN HUGHES: This is short tons as well.

HERBERT WILSON: Yes, it's commented upon in the press release announcing the results, John.

JOHN HUGHES: Right. On the capital front for '08, I guess, Lisa you talked about, you know, what's happening as you're being in the 23.5 million, is there anything else in terms of breakdown like a total number for the year?

LISA DEA: You know, well, it really all depends on some of the initiatives that we are looking at, it's a difficult number to pin down right because some of the things are still ongoing. We know for sure assuming due diligence pans out that 23.5 million is probably (phon) – but as far as the rest of it goes it's difficult to say until we can nail down a few more of these initiatives.

HERBERT WILSON: In terms of the operations, there's very little sustaining or modification capital required this year, the big one was the scraper which we acquired through a Caterpillar finance arrangement, it's an extremely attractive way of financing this equipment. The hauling aggregates industry provides this machinery this way, but we have very little to spend on the funds now, it's -- what I will only describe as tiding up.

DAVID SINGLETON: John, it is David there. I think I'd like to just clarify one point, the Pier B with -- as you've heard we're throwing a huge amount of effort at understanding the environmental issues and we're not yet there in fully understanding its risk and rewards, but it is -- the 23 million is for the land. Once we have acquired the land, then we will proceed with permitting and it will be some while later, as soon as we can, but nevertheless sometime later before we proceed with the actual construction of plants and equipment on that site.

JOHN HUGHES: I see. In terms of timing -- one quick last one in terms of timing on that decision, David, following the due diligence period; are we looking sort of the end of April, end of May kind of timeframe?

DAVID SINGLETON: To acquire the land.

JOHN HUGHES: I wonder (phon) and whether you would partner with it?

DAVID SINGLETON: Well, that's the ongoing discussion with CEMEX. We are working very, very close together on the evaluation of the environmental issues and both companies will take a decision by the 9th of May at the moment as to whether we want to proceed with purchase, there's then 20 days to complete the -- that purchase agreement. So if you say the end of May, that of course will also take into account whether we are fully confident that we will get a permit to put an importation terminal on the site.

And I'm -- I have to say we've had some very good feedback from the Port of Long Beach. In fact, only yesterday they confirmed that we would have berthing guarantees to supply the tonnage expectation for the site, which was quite a step forward and these sorts of things are rolling out as we proceed with the evaluation. I am driving up to Long Beach tomorrow, but -- no, this evening in fact, and we have meetings there to

progress it. So it's all ongoing, but it will be the end of May when we will have decided whether we're going to buy it ourselves and we've made it clear that we think it's an important part of our future entry into this massive market or whether as I hope we will be purchasing it in conjunction with our strategic alliance partner CEMEX.

JOHN HUGHES: Okay, very good, thank you, David. Last one, Eagle Rock Q3 '08 feasibility complete. As the feasibility shows an economics that you're hoping is going to, if it is attractive, could we expect -- when would we expect a green light decision with regards to going ahead with the project?

MARCO ROMERO: John, it's Marco here. I'd -- very, very difficult to answer that question, there are many components that need to come together, and again, we have chosen to just stay guarded on that until we know and we are trying to avoid speculation on this.

JOHN HUGHES: Okay, very good. Thank you very much.

MARCO ROMERO: Thank you.

OPERATOR: Your next question comes from Jason Granger of BMO Capital Markets. Please proceed.

JASON GRANGER: Thanks very much. Good morning, guys.

DAVID SINGLETON: Good morning.

MARCO ROMERO: Good morning, Jason.

JASON GRANGER: A couple of questions here. You had mentioned the downtime that you took in Q4 and some of the refinements operationally, tweaking bottlenecks and making various refinements to the plants. Could you give us a bit more of a sense as to the benefits that -- well, basically as to what some of those refinements were and some of the benefits that you expect to realize from those or that you already have seen?

MARCO ROMERO: Herb?

HERBERT WILSON: Yes, I would be pleased to answer that. I think one of the primary points we identified during the operation last summer was that we weren't generating as much water from the groundwater bore holes at Orca as the hydrologist analysis had suggested, and washing these products and washing them intensely is a very critical part of the processing in meeting the specifications for the high quality in California. So, we had to re-look at that whole situation and eventually drill up a third bore hole some 2 kilometers from the processing plant and link it into the plant. The additional water and the third bore hole have proved to

be extremely productive, allowed us to start running at full capacity for the length of our shift. Previously, we had two options. We had run at full capacity, but only operated for 60% of the shift or we run at a reduced capacity for the whole shift, either way we were limited by water availability. That is now behind us.

The rest of the items were just little bits and pieces; conveyor drives that were really under-horse powered and when a conveyor trips out it shuts down the plant and often leaves you cleaning up and digging out to do. But they're only things you can work on when the plant is shut down and we have made a considerate judgment that we would have enough production to meet the shipping forecast for that quarter. So let's get all these points behind us, let's get the work done and be in a good position for 2008, and I think that is absolutely the right decision.

But when you look at the ratio of our numbers, we said we produce 750,000 tons in this quarter, we're actually much closer to 800,000 compared to 350,000 in Q4; that means our fixed cost per ton has just dropped by 55% and fixed costs are a very significant element of our production costs, so long answer, but it's an accumulation of many bits and pieces, but the water supply was the biggest of all.

JASON GRANGER: Okay, that's a good color. Thanks for that. Just one more questioning here on your gross revenue per ton, though for Q4, I have calculated here 14.25 versus about 11.20 for Q3 and about 16.30 for Q1 and it sounds like in both Q2 and Q3, there was some moving parts in terms of shipments to Hawaii and whether you or the customer there were arranging for shipments. As two things down in Q3, I am just trying to get a sense of how much relevance those sort of factors would have had to your gross revenue per ton for Q4?

MARCO ROMERO: Jason, let me answer that one. As you know, we have been very reluctant to publish our prices and factors such as whether a customer picks up the product and provides their own shipping or whether we deliver always affect the prices. You can expect to see some fluctuations as those numbers vary as we ramp up sales with one or whatever. The numbers you will see from quarter-to-quarter reflect just that ratio whether it's delivered material or whether it's FOB. And, you know, our policy remains again as to not publishing the breakdown, and at least for some time while we continue to ramp up and continue to talk to new customers, etcetera.

JASON GRANGER: Sure, okay. You know, fair enough. Maybe looking at it another way and I appreciate if you can't comment on this

either, but for pricing looking the full year 2008, can you give us a sense of what you are seeing there? Vulcan Materials, I believe, recently they were talking about 8% to 10% price increases for the year, where do you guys see things playing out for 2008?

DAVID SINGLETON: Well, perhaps I can pick that up; it's David here. There's no question that this is a competitive market and when you have volume declines of this nature, the best will in the world to pass on prices is going to be much more difficult. Vulcan have taken the lead publicly and I applaud them for that and when you consider the cost of replacing aggregates in the ground, the cost – the increased cost of hauling these aggregates to the customer, you've got to have big increases to stand still. As I said a few minutes ago, my view is that in 2008 if we can hold on to the – to recovery of costs, then I believe that's going to be quite an achievement.

And again I talked yesterday with Shamrock, our big customer and they confirmed, as indeed do CEMEX that there is pressure on prices, no question at all, some companies think that they should try and hold on to volume and the prices come under pressure. It's a slippery slope strategy that and hopefully one that will be avoided, but a standstill in real terms is my best bet to 2008 and gradually coming back to getting some real price

increases, which I believe will be out there without any question, when we start the upturn cycle, may be we will see that blossoming in 2009 coming up the real side of the next cycle in 2010 hopefully when the terminals are all ready; that's how I see it.

MARCO ROMERO: Okay. And for further clarification...

JASON GRANGER: That's very helpful. Thanks very much, guys.

MARCO ROMERO: Okay. This is for clarification; we are talking about standstill in terms of real price.

DAVID SINGLETON: Yes.

JASON GRANGER: Thank you.

DAVID SINGLETON: Thanks.

OPERATOR: Your next question comes from Nicholas Van Dyk of TD Securities. Please proceed.

NICHOLAS VAN DYK: Hi Marco, good quarter. Most of my questions have been asked already. Just one, can you give any guidance where your current cash levels are?

MARCO ROMERO: Our current cash levels. We have not put out any financials obviously for Q1, we will shortly; can I leave it at that? And I

don't mean to sound uncooperative, obviously we will just get to publish some numbers (phon).

NICHOLAS VAN DYK: On the -- yeah. My only concern I guess is the, with the payment, potentially coming up for the Port of Long Beach, obviously you're going to need some cash in the near term.

MARCO ROMERO: I hear you. Let me put it this way. Arrangements are being made for us to be there; that is one of the top projects we have on our books right now.

NICHOLAS VAN DYK: Okay. Thanks, Marco.

MARCO ROMERO: One way or another we will do that. Thank you.

NICHOLAS VAN DYK: Thanks.

OPERATOR: Your next question comes from Gary Lampard of Canaccord Adams. Please proceed.

GARY LAMPARD: Yeah, thank you. Three questions. The first one, the unrecovered bunker fuel cost of 702,000 for the year and the quarry, the berthing cost of 522,000; can you tell us how much of that was in Q4?

HERBERT WILSON: It's Herb Wilson here, Gary.

GARY LAMPARD: Oh, hi Herb.

HERBERT WILSON: Good morning. The -- I don't think we have that numbers split down by quarter. They -- the bunker fuel costs would certainly have been heavily weighted towards the first quarter; that was very little in Quarter 2, it increased a little in Quarter 3 and I would guess and I am guessing probably 60% of it occurred in Quarter 4.

GARY LAMPARD: Okay.

HERBERT WILSON: We have one shipment where the additional price in Quarter 4 was \$1.20 for a ton and we were typically at \$0.50 a ton in Quarter 2. It's purely a timing issue. We do recover it all and that will be a positive benefit to our gross margin in 2008. I am sorry, what was the second part of the question?

GARY LAMPARD: Same question on the 522,000 berthing cost?

HERBERT WILSON: Yes. The 522,000 are almost evenly split over each shipment. Each time we handle one of these large Panamaxes, we incurred a pilotage and tug cost, and this has been fairly consistent and fairly consistent at this unacceptably high rate. Unfortunately, when they hold assessment of that site of it before our shipping contract was done, the shipping industry on the West Coast was in a different position, it's now extremely busy, and, you know, we're seeing this impact accordingly, but

that's evenly spread out over the number of shipments. So you could consider the per ton cost.

GARY LAMPARD: Okay. Thanks. Would it be too optimistic to hope that that particular cost will be back by Q3 or Q4 this year to contracted levels?

HERBERT WILSON: That's a very good point. It will certainly be very close at contracted levels...

GARY LAMPARD: Yeah.

HERBERT WILSON: Then there would be a zero penalty, you know, the arrangement is that we have a number included in our CSL contract and we pay the excess if it goes over that number and show the gain if it is under that number, but we will be certainly very close by Q4, but it will come down a little each quarter from now on.

GARY LAMPARD: Okay, great. And the second question, one for Lisa, can you give us guidance for 2008 depreciation either lump sum or per ton of aggregate?

LISA DEA: We haven't decided to put out guidance on that at this point, so no. And just to give you in some ways to address Catherine's question earlier, I think probably the best thing to do when you're looking at cost is that, again look at -- I will lead you to the perspective as Herb

mentioned in his speech are production costs, we are in line with what we had in the prospectus if you adjust it for the current foreign exchange rates. So that's probably the best thing to look out for that breakdown.

HERBERT WILSON: It was gratifying because I have to say and when my time in this sort of project to be so close to a projection made, two years before you started production is wonderful.

GARY LAMPARD: I am going to take away from that that we should not assume that the high levels of Q3 and Q4 will be maintained through the year. It's safe to send (phon) that. Okay, great. Thanks.

OPERATOR: Again, ladies and gentlemen, if there are any additional questions at this time, please press the star key followed by the one. As a reminder, if you are using a speakerphone, please lift the handset before pressing any keys. Your next question comes from Pierre Vaillancourt of Macquarie Capital Markets. Please proceed.

PIERRE VAILLANCOURT: Hi, you know, most of my questions have been asked. I guess though just, you know, I was going to focus on prices, but just to get back to what, David, you were mentioning, I guess it's safe to assume that, you know, margins will be coming under some

pressure, I mean, they will probably decrease somewhat in the year and then you're looking -- you said you're looking for some kind of a rebound by 2010?

DAVID SINGLETON: Yeah. I think if we can maintain margins that would be coming under pressure if you have previously assumed that we would this in 2008 have real pricing increases, which I think had the market remained where it was in demand that would have most certainly have happened. It's just the inability to pass on those sorts of price increases at the moment. So I'm not really anticipating margins to decline; what I am anticipating is that they're not going to increase just for a little while until this bottoms out when and we start out the next cycle. I mean, it is one thing about a cycle by definition, you know, it goes down, it goes up. When it's down everybody fears it's never going to go up. When it goes up everybody goes ballistic again and as night follows day.

Herb and I have been through so many cycles in the aggregate industry, I care not remember about them. But prices do come under pressure. We will hold margins, we are in this somewhat insulated position fortunately and our contracts are long term, they are very specific, and I'm not really wanting to suggest margins are going to decrease, but rather not

in real terms increase as we might have otherwise expected in this next 12 months.

PIERRE VAILLANCOURT: Now, I guess that's what I was getting at because, I mean, you know, I did here that you said, you are really replacing material out of quarries and -- but to what extent do your customers have the ability to have an impact on pricing on these contracts?

DAVID SINGLETON: Well, dealing with the other quarries. The issue is that once a ready-mix concrete company changes its basic aggregate supply, it does so by changing all its specifications by gaining acceptance by various authorities, various customers to those changed specifications, and it isn't a situation where you want to be chopping and changing either once or suddenly going away from an Orca aggregate, which is just beyond any question, the best material available in the market, to change the specifications willy-nilly because one of the local quarries maybe on a short term offering you a cost-priced or a cost-reduced product, so. There was when we signed these agreements with Shamrock and CEMEX, basically a commitment to the long-term future.

There is a responsibility on us that is to maintain the quality and to maintain the availability, and that's the logistical issue. And as Herb I think

said, you know, the bigger we get, the easier that logistical problem becomes, but as I said, I think we are all insulated and the acceptance of our material, huge acceptance with all sorts of benefits, production benefits, pumping benefits, cement-saving benefits, these customers like what they're getting and they're not going to change, and so we are taking market share.

PIERRE VAILLANCOURT: Okay. So I guess the challenge is more just to try to contain costs...

DAVID SINGLETON: Yes.

PIERRE VAILLANCOURT: You know, in light of some of these real costs.

MARCO ROMERO: That's certainly a high priority in short term for us and might not it's always a priority, but it's going to be important in 2008.

PIERRE VAILLANCOURT: Yeah. Now, I also wanted to talk about Long Beach, is it -- should we assume that you need CEMEX as a partner to go forward with that?

MARCO ROMERO: That's incorrect.

PIERRE VAILLANCOURT: And the biggest issue there is it environmental?

DAVID SINGLETON: Yeah.

PIERRE VAILLANCOURT: Just what kind of a liability you might take on, is that...

MARCO ROMERO: Yeah, what kind of cost? There is a plan for remediating this site and, you know, we are trying to quantify the cost of that and just make sure that there's nothing else there for us.

DAVID SINGLETON: It has to be said that no matter where you would go in the ports of Long Beach or Los Angeles and look at land, it's going to be contaminated in one form or another, and that's recognized and legislation is being put in place in California to try and help the change from brown land and that's environmentally-affected land to industrial land again, and we are studying all these situations and we'll make a decision to arrive at purchase or not this Pier B land when we fully satisfy that the solution to the environmental issues that that site contains are manageable, and we're making good progress on that, but before we complete the exercise I can't tell you exactly what's going to happen, but we have worked hand-in-hand with CEMEX on this.

We've been pulling on strands from both sides, it's a great example of how the strategic alliance works, and I'm really, really impressed by our CEMEX colleagues and I hope they too see in us the driving force to get

these things done. So we we'll let you know what happens in the course of, well, another month or month-and-a-half, perhaps.

PIERRE VAILLANCOURT: Okay. Thanks.

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

MARCO ROMERO (President and Chief Executive Officer): Well, thank you very much for attending the call; it's been a long one today, but I appreciate this. We're all going to go back to work. We've got a busy second quarter coming ahead and look forward to reporting to you on our continuing progress. Thank you very much.

HERBERT WILSON (Senior Vice President and Chief Operating Officer): Thank you.

LISA DEA (Vice-President, Finance and Chief Financial Officer): Thanks.

DAVID SINGLETON (Director and President of Eagle Rock Aggregates, Inc.): Thanks.

OPERATOR: Ladies and gentlemen, this concludes our conference call for today. Thank you for participating, you may now disconnect your lines.