Polaris Minerals Corporation (TSX:PLS)

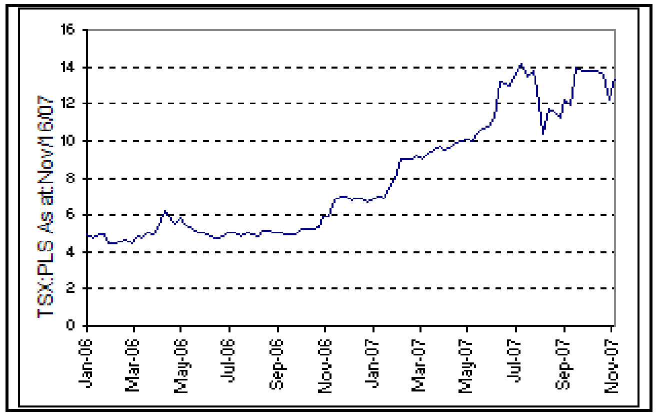
THE COMPANY

Polaris Minerals Corporation, based in British Columbia, is a construction aggregates producer. The Company has just begun shipping material from its 88% owned Orca Sand and Gravel Quarry on Vancouver Island to a 70% owned storage and distribution terminal in the Port of Richmond, San Francisco. Polaris has a 70% stake in a second quarry, called Eagle Rock, and has just announced a license of occupation for a third deposit, known as Cougar. Production is targeted for the California market, a region facing a large aggregates deficit due to steady housing and infrastructure growth and a lack of close, inexpensive supply.

FINANCIAL DATA

	2005	2006
Earnings per Share ($)	(0.27)	(0.13)
Price to Earnings (times)	n/m	n/m
Dividend ($)	0.00	0.00
Dividend Yield (%)	0.00	0.00
Net Asset Value ($)	10.00	10.00
Price to Net Asset Value (times)	0.94	0.94

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT POLARIS

As value investors, we are drawn to the extraordinary qualities of the aggregates business. The term “aggregates” generally applies to the crushed stone, sand and gravel found in naturally occurring deposits and used in construction. Once a quarry has completed the environmental assessment process and has received an operating permit, the economics are amazingly attractive. Despite the tremendous and relatively steady forecasted free cash flow, you barely need a night watchman to guard the millions of tonnes of reserves and resources.

Polaris Minerals Corporation (TSX: PLS) came to our attention late in the 2005 calendar year. Management, led by Marco Romero and backed by the founders of Global Stone Corporation, was trying to raise the equity needed to complete construction of their first quarry. Unfortunately, the brokers were having a tough time selling the deal when most of Bay Street was preoccupied with the coming holiday season. Although initial pricing indications were $7.50, the financing was done at $4.80 per share. We purchased just slightly less than 10% of the IPO, making us one of the largest institutional shareholders.

Polaris owns 88% of the Orca Sand and Gravel Quarry, located near Port McNeill on Vancouver Island. Currently, Orca has reserves of 121 million tonnes and sufficient resources to support production for 25 years. The quarry includes a ship loading facility capable of handling 70,000 tonne vessels and is permitted to produce 6 million tonnes per year. Polaris also owns 70% of the fully-permitted Eagle Rock Quarry, located near Port Alberni. The Company recently announced that it has applied for a license of occupation for a third sand and gravel deposit, named Cougar, approximately 19 kilometres west of Orca.

Production from the quarries will be shipped to urban markets on the west coast, particularly northern California. To ensure access to this key market, Polaris owns a 70% stake in an aggregates storage and distribution terminal in the Port of Richmond, San Francisco. Construction is expected to be completed this summer, with covered storage capacity of 72,000 tons. Polaris has also submitted an application to construct a second terminal facility in Redwood City, California.

The huge California market is currently facing a supply deficit, caused by steady growth of housing and infrastructure, distant and expensive alternatives and environmental opposition to new quarries. Californian voters recently approved a $40 billion bond package for the first phase of a large infrastructure spending initiative. According to the California Department of Conservation, it is estimated that approximately 13.5 billion tons of aggregates will be needed over the next 50 years but just 4.3 billion tons of supply have been approved or permitted.

The economics of shipping aggregates from Vancouver Island to terminal facilities in California are incredible. Amazingly, the cost to ship from the Orca Quarry to San Francisco Bay, a distance of about 1,200 miles, is the same as trucking the material 25 miles, approximately $5 per ton. According to the Company’s prospectus under the “beneficial case” scenario, operating cash flow is expected to stabilize at $46.6 million by 2013, based on flat pricing for the balance of the 25 year mine life. However, sand and gravel prices have increased steadily over the past 15 years. In consequence, we believe that cash flow

WHY ABC FUNDS BOUGHT POLARIS (CONT'D)

growth should actually outpace inflation over the life of the quarry.

Although the initial public offering wasn't a “hot issue”, shares of Polaris have almost doubled since October of last year. The Orca Quarry was completed on time and under budget and the first shipment was loaded onto a Panamax-class bulk freighter on March 31, 2007. Several recent mergers/acquisitions in the sector, with Cemex offering to buy Rinker Group and Vulcan Materials buying Florida Rock, demonstrate the heightened demand for long-life aggregates reserves. Upside to the Polaris story comes from sand and gravel price increases, production from the Eagle Rock Quarry, delineation of the Cougar deposit, further quarry acquisitions and the potential for a takeout due to the strategic importance of the Company's assets.

ABC Funds
April 13, 2007

UPDATES

Shares of Polaris Minerals have been inordinately strong of late, rising approximately 91% since the beginning of the year and almost 23% in the past month alone. We believe that several factors have been driving the stock. From a macro-level, we have seen a resurgence in infrastructure plays, non-residential construction companies, steel fabricators and other related businesses. This theme was highlighted on May 2, when Brookfield Asset Management proposed the distribution of its infrastructure assets into a publicly-traded limited partnership. The spin-off “surfaces” the value of currently-owned infrastructure assets and ensures access to capital to fund future growth and acquisitions. We found it interesting that more than a month later Brookfield was mentioned by a US-based television personality, which further heightened investor interest.

At ABC Funds, we are focused on bottom-up or company-specific research and analysis.
Subsequent to Polaris' first shipment of aggregates from its Orca Quarry, the Company released its first quarter operating and financial results. Although only one barge shipment occurred in the quarter, the press release and conference call provided a forum for management to discuss solid progress on the construction of the Richmond and Redwood City terminals in California. More importantly, the Company announced the repayment of US$31 million of long-term debt without penalty and is now virtually debt free. Photos were also made available on the Company's website to demonstrate progress at the quarry and the port terminals that would be required to ramp up shipments into the California market.

Shortly after these developments, a brokerage firm initiated coverage with a target price of $22.20, almost $10 per share higher than Polaris' previous closing price. Investors began aggressively bidding up the stock, scrambling to buy into the story. Our own valuation work is not dissimilar from this research report, whereby we calculate a net asset value based on volume, price and cost assumptions. Admittedly our model is more conservative, however we have considered several scenarios which would provide greater upside such as additional receiving terminals, an expansion at Orca and eventually production from Eagle Rock. True, the brokerage analyst did give the Company credit for all of these developments, although to be fair, he did provide a wide range of potential valuation levels under various assumptions.

Even after the dramatic share price appreciation, we continue to be excited about our investment in Polaris. We believe in management's ability to secure access to the receiving facilities needed to grow production volumes aggressively. We also believe that the relatively stable nature of the cash flow stream would be attractive to various acquisitors, whether they be private equity, an integrated construction company or perhaps even an infrastructure investment fund. In our opinion Polaris owns irreplaceable assets of significant long-term value; it is just a question of unlocking the full potential for investors.

ABC Funds
July 6, 2007

Polaris Minerals has just released its third quarter results, which comprise the second full quarter of production from the Orca Quarry. Production volumes are steadily increasing and amounted to 488,414 tons over the three months ended September 30, 2007. There is still plenty upside before the quarry reaches permitted capacity of 6.6 million tons per year. The financial results reflect the ramp period, with revenue of only $5.5 million and a loss of $0.05 per share. These results will show a dramatic improvement as sand and gravel sales volumes move closer to targeted levels and costs decline on a per ton basis.

The real news in the quarter was the announcement of a long-term strategic alliance with CEMEX Incorporated, a global building materials company and the largest cement and ready-mix concrete supplier in the United States. Essentially, Polaris will exclusively supply CEMEX in the states of California, Oregon and Washington. Currently, sand and gravel from Polaris' Orca Quarry is being shipped through two existing CEMEX terminals in San Francisco Bay in addition to Polaris' recently completed Richmond terminal. Once the Port of Redwood City is operational, the Company will have access to a total of four

UPDATES (cont'd)

receiving facilities.

The complex details of the transaction were discussed on a conference call subsequent to the press release. However, the benefits to each party can be summed up as follows. Polaris gains access to receiving facilities in regions where construction demand is expected to remain buoyant. In turn, CEMEX gains access to a secure supply of sand and gravel in regions where shortages exist. The arrangement includes the shared development of future construction aggregates quarries and import terminals. Polaris and CEMEX also agreed to develop the Eagle Rock Quarry and cooperate in the pursuit of markets and terminal capacity for the crushed granite product. It is important to note that Polaris retains the profits from the aggregate sales, which will be transacted at market prices.

The quality and the tonnage of Polaris' Orca Quarry have never been in question; the business model simply depends on securing access to "gateways" into target markets. We believe that Polaris has made great progress in resolving this limiting factor and is on track to successfully reach and exceed its productions targets. For example, simply adding a second shift at the Orca Quarry could double production without any additional capital. Earnings and cash flow will show substantial improvement as the production and sales volumes continue to increase.

ABC Funds
November 16, 2007