



P O L A R I S
M E T A L S N L

ABN 18 085 223 570

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2008

POLARIS METALS NL

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2008. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as follows.

Lewis George Cross - Non executive Chairman
Jonathan Robert Lea - Managing Director
Alan Ronald Tough - Executive Director
Kevin Schultz - Non executive Director (resigned 25 November 2008)
Vernon Wesley Strange - Non executive Director (resigned 3 July 2008)
Ian James Buchhorn - Non executive Director
Kenneth John Hellsten - Non executive Director (appointed 3 July 2008)

Directors were in office for this entire period unless otherwise stated.

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Half-year

The consolidated net loss for the half-year ended 31 December 2008 was \$7,022,143 compared to the previous half-year net loss of \$2,104,630. The major items comprising the net loss for the half-year were employee benefits expense of \$411,595 (2007: \$503,859), exploration expenditure written off of \$3,053,524 (2007: \$457,679), impairment of available-for-sale financial assets of \$2,181,380 (2007: nil) and share-based payments of \$1,195,070 (2007: \$245,940).

Financial Position

Net assets and total equity decreased by \$8,893,073 predominately due to the following movements in cash, fair value of investments and available-for-sale financial assets and exploration and evaluation assets:

- The net decrease in cash for the half-year was \$9,367,783 and cash in bank at the end of the half-year was \$3,794,159. The decrease in cash was largely due to exploration expenditure incurred on mining tenements.
- The fair value of investment in associate and available-for-sale financial assets decreased by \$5,247,380 due the reduction in market value of those investments.
- Exploration and evaluation assets increased by \$4,764,363 during the half-year due to exploration expenditure incurred on mining tenements and the balance of exploration and evaluation assets carried forward at the end of the half-year was \$21,839,993.

Cash and assets utilised by the Company for the half-year ended 31 December 2008 is consistent with the Company's business objectives and the Directors believe the Company is in a position to continue its exploration endeavours.

Exploration Activities

Overview

Polaris Metals NL (Polaris) has made significant progress towards its strategic objective of becoming an iron ore producer.

With the advanced stage Yilgarn Iron Ore Project (YIOP) and excellent exploration potential throughout Western Australia, Polaris remains confident of making the transition from explorer to miner in 2-3 years.

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Polaris has approximately 6000 km² of tenements in two of the three recognised iron ore provinces of Western Australia, offering potential for further significant iron ore discoveries.

Initial development programs are focused on the Carina deposit in the YIOP – a direct shipping ore goethite-haematite deposit close to established and accessible infrastructure.

Yilgarn Iron Ore Project

The Yilgarn Iron Ore Project (YIOP) encompasses approximately 1,000km² of mining tenements 50km north of Koolyanobbing in Western Australia, most of the tenements are held 100% by Polaris. It benefits significantly from proximity to existing rail leading to port infrastructure, which will permit a relatively rapid development for a moderate capital cost.

The project consists of five prospects spread over 50km, with significant direct shipping ore (DSO) grade iron mineralisation. Some 80-90Mt were established by previous explorers' drilling (e.g. Bungalbin East, J4 and J5), with new prospects (Carina, and Chamaeleon) found by Polaris.

Independent consultants have recently re-estimated the mineralisation in the YIOP. Quoted at a 55%Fe cut-off grade, the estimates resulted in Inferred Mineral Resources of:

Prospect	Cut-off Fe%	Tonnes (Million)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Carina	55	27.8	58.6	3.7	1.3	0.09	10.1
J4	55	4.8	57.4	3.9	1.8	0.14	10.9
J5	55	10	59.0	5.8	1.2	0.24	7.5
TOTAL	55	42.6	58.6	4.2	1.3	0.13	9.6

LOI – loss on ignition

With a target potential of 100-150Mt, the Company believes the Yilgarn Project is capable of sustaining exports of 5Mt of iron ore annually for up to 20 years, subject to securing environmental approvals.

Recent drilling has focussed on the Carina and Chamaeleon prospects as these prospects are more likely to be developed in the near future. The 12km long corridor including these two deposits is planned to form the basis for a Stage 1 development of the project with a target potential of 30-40Mt at 58-59% Fe.

YIOP – Stage 1

The Carina deposit is extensively drilled and the current JORC resource stands at 28Mt at 58.6% Fe. The Chamaeleon deposit is less well defined and although no JORC compliant resource has been completed as yet for this deposit drilling to date indicates the potential for 2-5Mt of mineralisation.

Reconnaissance mapping between the two key prospects has revealed surface outcrop of goethite haematite ores and there is strong potential for an additional 5-10Mt of mineralisation. The mineralisation defined to date is goethite-hematite outcropping as a low ridge. The mineralisation forms a steeply west dipping isoclinally folded synform over 1.6 kilometres in strike length to a maximum depth of 220 metres below surface with widths averaging approximately 40-50 metres. Drilling to date has not yet fully defined the depth extent of the mineralisation.

A resource estimate was completed for the Carina deposit in December 2008 by resource estimation consultants Hellman and Schofield Pty Ltd:

Cut-off Fe%	Tonnes (Million)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
55	27.8	58.6	3.7	1.3	0.09	0.08	10.1

LOI – loss on ignition

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A total of 182 holes for 22,400m of drilling have been completed at Carina (140 RC drill holes for 17,048m and 11 diamond core drill holes for 1,235m during the half-year ended 31 December 2008) with analyses for only 72 holes returned at the time of resource estimation. Completion of analyses including the check sample data will enable a further resource estimate is to be completed. Polaris anticipates that this will result in an upgrade of substantial portions of the resource to an Indicated or Measured Resource classification.

An external Prefeasibility Study (PFS) completed in July 2008 indicated the viability of the project and projected strong cash flows. The study assumed as a base case mining the deposit at 2.5Mtpa, trucking to a rail heading 60km to the south and then railing to the Port of Fremantle's Kwinana Operations south of Perth.

No further formal feasibility studies have been completed to update the existing PFS but it is likely that the capital and operating costs to either port will be similar and that the recent world economic shocks have not significantly changed the project economics.

Further work suggests that the Port of Esperance is a better option for export given the existence of a suitable berth, a larger ship capacity and more rapid land side infrastructure development.

The environmental approval process has commenced and it is anticipated that approval to mine Carina will be given in the December quarter 2009.

Polaris intends to secure further funding with the aim of completing a Definitive Feasibility Study (DFS) in 2009 and finalising the port and infrastructure requirements and commitments so that mining can commence in 2011. Studies relating to environmental approvals, port optimisation, metallurgical properties along with collecting and assessing other data required for the DFS.

YIOP – Stage 2

The J4, J5 and Bungalbin East mineralisation lies on the Helena-Aurora Range which is the considered to have high conservation values. As a consequence the processes to gain approvals for drilling are thorough and time consuming. Flora and fauna surveys continue over these areas aimed at gaining ensure a comprehensive understanding of the environment, leading to the formulation of impact mitigation and management plans as a prerequisite for obtaining exploration and subsequently mining approvals.

A mythological site claim was recently lodged over the range. This has necessitated further investigation and the processes are in train to work through the issue and gain approval to drill at these deposits. Due to this mythological site claim it is possible that drill access to these three prospects will be delayed until late 2009.

Independent consultants have re-estimated the mineralisation in the YIOP – Stage 2. Quoted at a 55%Fe cut-off grade, the estimates resulted in Inferred Mineral Resources of:

Prospect	Cut-off Fe%	Tonnes (Million)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
J4	55	4.8	57.4	3.9	1.8	0.14	10.9
J5	55	10.0	59.0	5.8	1.2	0.24	7.5
TOTAL	55	14.8	58.5	5.2	1.4	0.20	8.6

LOI – loss on ignition

A previous resource estimate exists for Bungalbin East, which was discovered by BHP in the 1960s. The Independent Geologist's Report and Valuation prepared for Polaris in July 2006 states a target resource of 59Mt with 57.9% Fe, 0.15% P, 2.0% Al₂O₃, 4.6% SiO₂ and 9.8% LOI. This estimate was not reported in accordance with the 2004 JORC Code.

The potential size and grade of Bungalbin East make development a key objective for Polaris and efforts are ongoing on a number of fronts to secure access.

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In December 2007, the WA State Government report on the Banded Iron Formation of the Yilgarn, the Helena-Aurora Range was identified as an area the Government was predisposed to preserve. However the Government specifically exempted any action on the Bungalbin East prospect for three years – on account of its high potential economic benefits for both the State and local stakeholders. The boundaries of the Bungalbin East prospect have not yet been defined in any detail by regulatory authorities.

Polaris is undertaking active consultation with the regulators to mitigate the potential effects of these proposals and is meeting with government to ensure that the Company's interests are properly presented and that government fully understands the exceptional economic potential of the region.

In common with its peers in the mining industry, Polaris recognises the importance of biodiversity conservation and adheres strictly to environmental regulations as well as Aboriginal heritage protection regulations. The Company is well aware of environmental management guidelines of the Department of Minerals and Petroleum ("DMP") and Department of the Environment and Conservation ("DEC") as regards operating in environmentally sensitive areas.

The potential mineralisation for the Stage 2 development exceeds 80Mt and Polaris continues to work towards gaining access for exploration and subsequently extraction. Once approval is obtained the region could potentially support production of 5-10Mtpa total for Polaris. Given the environmental and regulatory issues this process will take several years and mining is not anticipated before 2012.

Weelumurra Iron Ore Project

The Weelumurra Project is comprised of the Weelumurra and Caliwinga Prospects, and is 170-185km south-east of Dampier and in proximity to Fortescue Metals Group's Solomon East prospect (stated to have an inferred resource of 0.7 billion tonnes of iron ore at 56% Fe) and the Serenity Prospect (stated to be a 1.0 billion tonne deposit at 56% Fe).

A helicopter-supported geological reconnaissance of the two Polaris tenement applications in 2007 located channel iron (CID), detrital iron and canga deposits up to 25m thick. CID at Caliwinga was visually estimated to be up to 25m thick, with grab sample assays up to 58.8% Fe, low in silica, alumina and phosphorus, and the identification of canga and detrital iron deposits at Weelumurra with grab sample assays up to 64% Fe.

An independent Landsat imagery interpretation study was commissioned and reported a CID target potential of 200–250Mt with additional Canga iron target potential of 50–60Mt on both prospects. These are based on interpreted volume estimates, and no reliable grade estimates are as yet available.

Granting of the Caliwinga Creek and Weelumurra Creek tenements to Polaris is now in progress with heritage access agreements being negotiated. When granted, Polaris will commence active exploration leading to drill testing.

Bullfinch North Project (Mayfield)

The Bullfinch North Project contains a number of DSO and magnetite iron prospects, with the most significant being Mayfield and Fish Hook, and lies 80km north-west of Southern Cross.

The Mayfield deposit has been drilled by previous explorers and was the subject of a scoping study completed in 2005. The mineralisation consists of high grade magnetite ore (45-50% Fe) covered by relatively shallow horizon of potentially direct shipping hematite-goethite iron ore.

A target resource potential of 70-90Mt has been estimated and metallurgical test work suggests the potential for high grade concentrates in excess of 69% Fe with low silica, alumina and phosphorous.

A recent rationalisation of the prospect ownership and the significant increases in iron ore prices since the scoping study was completed provide encouragement that the project is now viable – particularly given that infrastructure can be shared with the YIOP nearby to the east.

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Active exploration has commenced with mapping and sampling with drilling scheduled for later in the year. Metallurgical testwork is planned to better characterise the deposit to assist in marketing studies for both the untreated and upgraded ores.

It is planned to assess the deposit for both direct shipment of the high grade magnetite and DSO ores and to evaluate the potential for simple coarse crushing and beneficiation of the magnetite ores.

Other potential resources in the area such as Fish Hook will also be evaluated.

Poondano

The Poondano project, 30km southeast of Port Hedland, comprises a series of channel iron deposits ("CID") that extend discontinuously over more than 20km. In the east and central sectors of the palaeochannel, the CID remnants are mesas elevated up to 30m above the plain level ("Poondano East" and "Poondano Central"). In the west the CID has expression as a low hill 10-15m above surrounding sand plain ("Poondano West"). This deposit crops out relatively poorly over a 2km strike length. Further to the west the projection of the palaeochannel is covered by sand and iron-rich gravels, but the presence of CID has been confirmed by Polaris RC drilling to extend over more than 7.5km to the west.

RC drill testing at the Poondano West buried CID channel revealed a channel with widths of 50-80m with down-hole intercepts up to 18m in thickness, averaging around 6m in thickness. Depth to the top of channel ranged from 1 to 34m with depths typically increasing to the west. Assay results averaged 50-52% Fe.

The metallurgical test work to date suggests this material cannot be upgraded by dry screening and that other processes are required to produce an economic product. Further test work is required to establish the economic viability of this mineralisation.

The Central Poondano Mesas are still considered to have potential to host 1-2 Mt of direct shipping CID ores. Potential remains elsewhere in the project area for both CID and magnetite mineralisation.

Windarling East

Magnetite and DSO target, 50 km north of the YIOP. A flora survey has been completed in anticipation of possible drill testing of previously identified geophysical anomalies later in the year.

Mt Elvire

DSO and magnetite target located 100km north of the YIOP. Mapping and geochemical sampling planned in 2009.

Ashburton

A channel iron and detrital iron target over 532km² of tenements located 10-40km south of Rio Tinto's Paraburdoo iron ore mine in the southern Pilbara region. Targeting studies completed. Drilling and possible geophysical surveys to be completed when resources and permissions permit.

Northam

A magnetite target 100km east of Perth. Mapping and geochemical sampling planned.

Milly Milly

A magnetite target, 350km north-east Geraldton. Mapping and geochemical sampling completed. A number of plunging fold closures in banded iron formation identified through field reconnaissance. Rock chip samples returned a maximum assay of 43.7% Fe. Further targeting studies ongoing.

POLARIS METALS NL

DIRECTORS' REPORT

The information in this report accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Mineral Resources and Ore Reserves). It is compiled by Mr Jonathan Lea, an employee of the Company who is a Member of The Australasian Institute of Mining and Metallurgy with the requisite experience in the field of activity in which he is reporting. Mr Lea has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Lea consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The potential quantity and grade of iron deposits reported as exploration potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 19 and forms part of the Director's Report for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001.



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Jonathan Lea
Managing Director

Perth, Western Australia 13 March, 2009

POLARIS METALS NL
CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
REVENUE FROM CONTINUING OPERATIONS		
Interest received	324,187	132,300
TOTAL REVENUE	324,187	132,300
EXPENSES		
Compliance and regulatory expenses	70,180	64,364
Consulting expenses	71,531	34,760
Depreciation and amortisation expense	45,590	31,626
Employee benefits expense	411,595	503,859
Exploration expenditure impairment	3,053,524	457,679
Finance costs	-	3,172
Impairment of available-for-sale financial assets	4 2,181,380	-
Insurance expense	15,565	45,060
Legal expenses	42,515	206,475
Rent expense	138,959	95,056
Other expenses	120,421	89,414
Share-based payments - employee benefits	1,195,070	245,940
Share of loss of equity accounted investees	-	459,525
TOTAL EXPENSES	7,346,330	2,236,930
LOSS BEFORE INCOME TAX	(7,022,143)	(2,104,630)
Income tax	-	-
LOSS FOR HALF-YEAR	(7,022,143)	(2,104,630)
Basic and diluted loss per share - cents per share	(4.50)	(1.80)

The accompanying notes form part of these financial statements.

POLARIS METALS NL
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	Consolidated	
		31 December 2008 \$	30 June 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,794,159	13,161,942
Other receivables		52,967	303,602
Total Current Assets		3,847,126	13,465,544
Non-current Assets			
Investments accounted for using the equity method	3	-	2,236,276
Available-for-sale financial assets	4	2,534,896	5,546,000
Other financial assets		241,624	131,906
Property, plant & equipment		478,772	405,129
Exploration and evaluation assets	5	21,839,993	17,075,630
Intangible assets		36,347	37,598
Total Non-current Assets		25,131,632	25,432,539
TOTAL ASSETS		28,978,758	38,898,083
LIABILITIES			
Current Liabilities			
Trade and other payables		640,472	1,675,819
Provisions		94,838	85,743
Total Current Liabilities		735,310	1,761,562
TOTAL LIABILITIES		735,310	1,761,562
NET ASSETS		28,243,448	37,136,521
EQUITY			
Issued capital	6	35,876,373	35,876,373
Other reserves	7	6,262,008	8,132,938
Accumulated losses		(13,894,933)	(6,872,790)
TOTAL EQUITY		28,243,448	37,136,521

The accompanying notes form part of these financial statements.

POLARIS METALS NL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Issued Capital \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
HALF-YEAR ENDED 31 DECEMBER 2007:				
Balance at 1 July 2007	19,358,192	1,865,751	(3,124,002)	18,099,941
Income and expense for the period recognised directly in equity:				
Share of changes recognised directly in associate's equity	-	(45,655)	-	(45,655)
Total income and expense for the period recognised directly in equity	-	(45,655)	-	(45,655)
Loss for the period	-	-	(2,104,630)	(2,104,630)
Total recognised income and expense for the period	-	(45,655)	(2,104,630)	(2,150,285)
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the period	7,811,698	-	-	7,811,698
Share issue costs	(617,957)	-	-	(617,957)
Options issued for acquisition of mining tenements	-	1,020,000	-	1,020,000
Share-based payments	-	245,940	-	245,940
	7,193,741	1,265,940	-	8,459,681
Balance at 31 December 2007	26,551,933	3,086,036	(5,228,632)	24,409,337
HALF-YEAR ENDED 31 DECEMBER 2008:				
Balance at 1 July 2008	35,876,373	8,132,938	(6,872,790)	37,136,521
Income and expense for the period recognised directly in equity:				
Decrease in fair value of available-for-sale financial assets	-	(3,066,000)	-	(3,066,000)
Total income and expense for the period recognised directly in equity	-	(3,066,000)	-	(3,066,000)
Loss for the period	-	-	(7,022,143)	(7,022,143)
Total recognised income and expense for the period	-	(3,066,000)	(7,022,143)	(10,088,143)
Transactions with equity holders in their capacity as equity holders:				
Share-based payments	-	1,195,070	-	1,195,070
	-	1,195,070	-	1,195,070
Balance at 31 December 2008	35,876,373	6,262,008	(13,894,933)	28,243,448

The accompanying notes form part of these financial statements.

POLARIS METALS NL
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(923,411)	(1,017,654)
Interest received	326,169	132,300
Interest paid	-	(3,172)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(597,242)	(888,526)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	12,118	-
Purchase of property, plant and equipment	(176,784)	(134,312)
Payments for exploration	(8,496,156)	(3,092,850)
Payments for other financial assets	(109,719)	(70,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(8,770,541)	(3,297,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	7,740,698
Proceeds from exercise of options pending issue of shares	-	63,110
Payment of share issue costs	-	(557,546)
Repayment of borrowings	-	(16,559)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	-	7,229,703
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,367,783)	3,044,015
Cash and cash equivalents at beginning of period	13,161,942	4,619,043
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,794,159	7,663,058

The accompanying notes form part of these financial statements.

POLARIS METALS NL

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Basis of Preparation

The condensed consolidated half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the Annual Financial Report of Polaris Metals NL for the year ended 30 June 2008 and considered together with any public announcements made by Polaris Metals NL during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the *ASX Listing rules*.

The half-year financial report has been prepared on the basis of historical cost, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report for the year ended 30 June 2008.

Since 1 July 2008, the Company has not adopted any new Standards and Interpretations as there are no changes to Standards and Interpretations that affect the financial performance or position of the Company.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The loss of the consolidated entity for the period amounted to \$7,022,143 (2007: \$ 2,104,630). Net cash outflow was \$9,367,783 (2007: \$3,044,015 and net assets as at 31 December 2008 were \$28,243,448 (30 June 2008: \$37,136,521).

The entity also has future commitments over the next year comprising of \$1,389,240 for the Department of Mines and Petroleum minimum expenditure commitments on granted Australian based tenements.

In considering whether the going concern basis is appropriate for preparing this financial report, the directors recognise that current levels of working capital may be insufficient to meet the required level of funding in relation to the potential expenditure commitments required to maintain title to the exploration tenements. However, in the informed opinion of the directors, it has been concluded that the going concern basis is the appropriate basis for preparing the financial statements based on the following key considerations:

- The Company has begun a program to raise further capital and is seeking further project and development capital.
- The Company will pursue, where appropriate, potential farm out activities on the Company's exploration assets;
- The company will seek, where appropriate, to obtain exemptions on exploration and mining tenements where minimum expenditure commitments have previously been met or where resources have been defined and are awaiting mining leases approval;
- The directors expect that major shareholders of the Company will support fund raising as has been demonstrated in past share issues to the existing shareholder base.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are confident that the necessary funds will be raised as required. Should the funding not be obtained then the Company may not be able to meet its planned and proposed levels of expenditure for the forthcoming year.

Should the Company be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classifications of liabilities that may be necessary should the Company be unable to continue as a going concern.

2. SEGMENT INFORMATION

The Company operates in only one business and geographical segment, being the mineral exploration industry in Australia.

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	Half-year ended 31 December 2008 \$	Half-year ended 30 June 2008 \$
Investment in associates:		
Northern Uranium Limited	-	-
Southern Cross Goldfields Limited	-	2,236,276
	-	2,236,276
Northern Uranium Limited		
Carrying amount at beginning of period	-	1,054,829
Share of loss	-	(82,613)
	-	972,216
Transfer to available-for-sale for financial assets	-	(972,216)
	-	-
Carrying amount at end of period	-	-

The Company ceased to have significant influence over Northern Uranium Limited on 31 March 2008 and was reclassified from an investment in associate to an available-for-sale financial asset.

Southern Cross Goldfields Limited

Carrying amount at beginning of period	2,236,276	-
Investments at cost	-	4,750,000
In-specie distribution to shareholders	-	(2,419,805)
Share of loss	-	(93,919)
	2,236,276	2,236,276
Transfer to available-for-sale for financial assets	(2,236,276)	-
	-	-
Carrying amount at end of period	-	2,236,276

The Company ceased to have significant influence over Southern Cross Goldfields Limited on 3 July 2008 and was reclassified from investment in an associate to an available-for-sale financial asset.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	Half-year ended 31 December 2008 \$	Half-year ended 30 June 2008 \$
At fair value:		
Australian listed equity securities	2,445,714	4,310,000
Australian unlisted equity securities	89,182	1,236,000
	<u>2,534,896</u>	<u>5,546,000</u>
Fair value at beginning of period	5,546,000	-
Additions	-	780,000
Transfer from Investments accounted for using the equity method	2,236,276	972,216
Fair value impairment	(2,181,380)	-
Increase/(Decrease) in fair value recognised in equity	<u>(3,066,000)</u>	<u>3,793,784</u>
Fair value at end of period	<u>2,534,896</u>	<u>5,546,000</u>

5. EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in pre-production exploration and evaluation phases

Carrying amount at beginning of period	17,075,630	16,275,554
Additions	7,817,887	5,457,570
Written off	(3,053,524)	(632,711)
Disposals	-	(4,024,783)
Carrying amount at end of period	<u>21,839,993</u>	<u>17,075,630</u>

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuance of the Group's rights to tenure of the interest, the results of future exploration, and the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

6. ISSUED CAPITAL

	Consolidated			
	Half-year ended 31 Dec 2008 Number	Half-year ended 31 Dec 2008 \$	Half-year ended 30 June 2008 Number	Half-year ended 30 June 2008 \$
(a) Fully paid ordinary shares				
Balance at beginning of period	155,970,859	35,876,373	126,993,020	26,551,933
Issued for cash under a rights issue	-	-	25,772,996	11,597,848
Issued for cash on exercise of options	-	-	3,204,843	669,463
In-specie distribution	-	-	-	(2,419,805)
Share issue costs	-	-	-	(523,066)
Balance at end of period	<u>155,970,859</u>	<u>35,876,373</u>	<u>155,970,859</u>	<u>35,876,373</u>

POLARIS METALS NL

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Options over ordinary shares

	Consolidated	
	Half-year ended 31 December 2008 Number	Half-year ended 30 June 2008 Number
<i>Exercise price of \$0.181 expiring 31/12/2008:</i>		
Balance at beginning of period	14,605,241	17,397,584
Exercised and lapsed during the period	(14,605,241)	(2,792,343)
Balance at end of period	-	14,605,241
<i>Exercise price of \$0.231 expiring 31/12/2008:</i>		
Balance at beginning of period	2,500,000	2,750,000
Exercised and lapsed during the period	(2,500,000)	(250,000)
Balance at end of period	-	2,500,000
<i>Exercise price of \$0.281 expiring 31/12/2010:</i>		
Balance at beginning of period	150,000	212,500
Exercised during the period	-	(62,500)
Balance at end of period	150,000	150,000
<i>Exercise price of \$0.281 expiring 14/07/2011:</i>		
Balance at beginning of period	14,900,000	15,000,000
Exercised during the period	-	(100,000)
Balance at end of period	14,900,000	14,900,000
<i>Exercise price of \$0.40 expiring 31/12/2011:</i>		
Balance at beginning of period	-	-
Issued during the period	750,000	-
Balance at end of period	750,000	-
<i>Exercise price of \$0.50 expiring 31/12/2011:</i>		
Balance at beginning of period	-	-
Issued during the period	100,000	-
Balance at end of period	100,000	-
<i>Exercise price of \$0.531 expiring 31/12/2011:</i>		
Balance at beginning of period	6,325,000	5,850,000
Issued during the period	-	500,000
Lapsed during the period	-	(25,000)
Balance at end of period	6,325,000	6,325,000

POLARIS METALS NL

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	Half-year ended 31 December 2008 Number	Half-year ended 30 June 2008 Number
<i>Exercise price of \$0.55 expiring 31/12/2011:</i>		
Balance at beginning of period	50,000	-
Issued during the period	1,500,000	50,000
Balance at end of period	<u>1,550,000</u>	<u>50,000</u>
<i>Exercise price of \$0.64 expiring 04/01/2010:</i>		
Balance at beginning of period	5,047,062	5,047,062
Balance at end of period	<u>5,047,062</u>	<u>5,047,062</u>
<i>Exercise price of \$0.631 expiring 31/12/2011:</i>		
Balance at beginning of period	50,000	-
Issued during the period	-	50,000
Balance at end of period	<u>50,000</u>	<u>50,000</u>
<i>Exercise price of \$0.731 expiring 31/12/2011:</i>		
Balance at beginning of period	5,875,000	5,850,000
Issued during the period	-	50,000
Lapsed during the period	-	(25,000)
Balance at end of period	<u>5,875,000</u>	<u>5,875,000</u>
<i>Exercise price of \$0.75 expiring 31/12/2011:</i>		
Balance at beginning of period	-	-
Issued during the period	3,000,000	-
Balance at end of period	<u>3,000,000</u>	<u>-</u>

7. OTHER RESERVES

Share based payments reserve	(a)	2,724,631	1,529,561
Associate investment reserve	(b)	-	-
Share option reserve	(c)	1,020,000	1,020,000
Equity revaluation reserve	(d)	2,517,377	5,583,377
		<u>6,262,008</u>	<u>8,132,938</u>

(a) Share based payments reserve

Balance at beginning of period	1,529,561	276,443
Recognition of share-based payment expense	1,195,070	1,253,118
Balance at end of period	<u>2,724,631</u>	<u>1,529,561</u>

The share based payments reserve is used to recognise the fair value of options provided to employees as part of their remuneration.

POLARIS METALS NL

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	Half-year ended 31 December 2008 Number	Half-year ended 30 June 2008 Number
(b) Associate investment reserve		
Balance at beginning of period	-	1,789,593
Transfer to equity revaluation reserve	-	(1,789,593)
Balance at end of period	-	-

The associate investment reserve is used for recognising changes in interests in associates arising from changes recognised directly in associates equity.

(c) Share option reserve

Balance at beginning of period	1,020,000	1,020,000
Balance at end of period	1,020,000	1,020,000

The share option reserve is used to recognise the fair value of options issued as consideration for the acquisition of mining tenements.

(d) Equity revaluation reserve

Balance at beginning of period	5,583,377	-
Change in fair value of available-for-sale financial assets	(3,066,000)	3,793,784
Transfer from associate investment reserve	-	1,789,593
Balance at end of period	2,517,377	5,583,377

The equity revaluation reserve records movements in the fair value of available-for-sale financial assets.

8. EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations can be reduced by selective relinquishment of exploration tenure or renegotiation. Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is very difficult to forecast the nature and amount of future expenditure. It is anticipated that expenditure commitments in subsequent years will be similar to that for the forthcoming twelve months. These obligations are not provided for in the financial report and are payable:

	Consolidated	
	31 December 2008 \$	30 June 2008 \$
Not later than one year	1,389,240	1,691,240

POLARIS METALS NL

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. OPERATING LEASES

The Company entered into an agreement to lease office premises at Level 2, 1109 Hay Street, West Perth under an operating lease for a term of 3 years commencing 1 October 2008 and expiring 30 September 2011 with an option to renew for a further 3 years. The annual rent payable is \$211,280 and will be reviewed for CPI increases one year from commencement and reviewed to reflect market rentals two years from commencement.

The operating leases of office premises at unit 20 and 23, 123A Colin Street, West Perth expired on 15 November 2008 and were not renewed.

During the half-year ended 31 December 2008, \$138,959 was recognised as an expense in the income statement in respect of operating leases (2007: \$95,056).

Non-cancellable operating lease rentals not provided for in the financial report are payable as follows:

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
Not later than one year	307,573	62,548
Later than one year and not later than five years	515,574	-
	<u>823,147</u>	<u>62,548</u>

10. RELATED PARTY TRANSACTIONS

Key management personnel continue to receive compensation in the form of short term employee benefits, post employment benefits, share-based payments and other transactions as detailed in the 30 June 2008 annual financial report.

Other related party arrangements continue to be in place as detailed in the 30 June 2008 annual financial report.

11. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There are no events subsequent to the end of the half-year that would have a material effect on the financial report.

POLARIS METALS NL
DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and *Corporations Regulations 2001*; and

- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors of Polaris Metals NL made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Board



Jonathan Lea
Managing Director

Dated at Perth this 13th day of March 2009

13 March 2009

To the Board of Directors of Polaris Metals NL

Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the review of the financial report for the half-year ended 31 December 2008, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

ORD PARTNERS



Robert Parker
Partner

O | R | D

PARTNERS

CHARTERED ACCOUNTANTS

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Chartered Accountants

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF POLARIS METALS NL**

O | R | D

PARTNERS

CHARTERED ACCOUNTANTS

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Polaris Metals NL, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a summary of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement; whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Polaris Metals NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Polaris Metals NL on 13 March 2009.

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

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Chartered Accountants

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Polaris Metals NL is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter regarding going concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of matters referred to in Note 1 "Going Concern" to the financial statements, the ability of the consolidated entity to continue as a going concern and meet its planned and committed expenditure including exploration expenditure is dependent upon the consolidated entity raising further capital. In our opinion, there is uncertainty as to when or whether this objective will be met. In the event that the consolidated entity cannot raise further working capital, the consolidated entity may not be able to continue as a going concern and may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

ORD PARTNERS

Chartered Accountants



Robert Parker

13 March 2009