

**POLARIS METALS NL**

**ABN 18 085 223 570**

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2004**

*This Half Year Financial Report is provided to the Australian Stock Exchange under ASX Listing Rule 4.2A. The information set out in this Half Year Financial Report should be read in conjunction with the Annual Report for the year ended 30 June 2004.*

## **POLARIS METALS NL**

### **DIRECTORS' REPORT**

Your directors submit their report for the half-year ended 31 December 2004.

#### **DIRECTORS**

The names of the company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Lewis George Cross - Non executive Chairman  
Kevin Schultz - Managing Director  
Vernon Wesley Strange - Non executive Director  
Colin James McCavana - Non executive Director

#### **REVIEW AND RESULTS OF OPERATIONS**

The consolidated net loss for the half-year ended 31 December 2004 was \$341,645.

Exploration expenditure during the half-year was \$914,440.

Cash in bank at the end of the half-year was \$1,478,326.

The following is a summary of results from exploration and drilling programs during the half-year:

##### ***Bullfinch North Project***

The Bullfinch North Project comprises a 443km<sup>2</sup> contiguous block of tenements covering an extensive tract of the northernmost 60km of the Southern Cross greenstone belt. In the half-year, restructuring of the Bullfinch North Joint Venture (BNJV) involving Polaris, Western Areas NL and Oropa Limited resulted in Polaris acquiring Western's interest in a part of the area referred to as the Golden Valley Tenements (GVT) and the formation of the Golden Valley Joint Venture (GVJV) in which Polaris holds 80% and Oropa 5%. Under the terms of a strategic alliance subsequently agreed Geoinformatics Exploration Limited (GEX) holds 15% in the GVJV.

In respect of the remaining tenements of the former joint venture area, i.e. tenements other than the GVT, Polaris holds 75% with Western having 25% free carried until completion of a pre-feasibility study.

The strategic alliance with GEX was formed to apply GEX's science and technology platform to accelerate exploration and reduce the time to discovery of large scale mineral deposits. The Bullfinch North greenstone belt is considered to be highly prospective for gold and nickel, and work currently in progress is expected to generate a prioritised bank of targets by the end of February 2005.

The Mayfield iron deposit occurs within two tenements in the northern part of the Bullfinch North Project area. In 2002 under a farm-in and joint venture agreement with Polaris and Western Areas NL (Mayfield Agreement) Portman Iron Ore Limited drilled the Mayfield deposit and earned a 60% stake in the iron ore rights that were granted in respect these tenements. The 40% of Mayfield not held by Portman is currently held by Polaris.

Polaris has applied for the necessary authorisation to explore for iron ore in relevant BNJV tenements and expects to start field programs in late February.

## **Central Yilgarn Project**

The Central Yilgarn Project includes the Jackson, Yarbu and Clampton North prospects, in greenstones of the Marda-Diemals Belt north of Southern Cross. The area has been targeted by Polaris for its potential for major new gold deposits. Due to the relative remoteness and poor accessibility, exploration of the area has lagged behind other, similar, Western Australian greenstone belts which have yielded major discoveries in the last 25 years.

### Yarbu-Clampton North Exploration

During the half-year geochemical sampling of lateritic soils north of old gold workings at Yarbu located an area of anomalous gold 3km long by up to 1.5km wide, open to the north. Only part of the area has been tested so far, with 26 rotary air blast (RAB) holes drilled for a total of 2,010m. Vein quartz mineralisation was encountered in one of the holes, anomalous in gold from 42-60m and assaying up to 1.2g/t Au in the last 3 metres.

Recent results from geochemical sampling east of the Yarbu workings assay up to 430ppb Au and indicate that the mineralisation encountered so far by RAB drilling is not an isolated occurrence. Programs of additional RAB and RC percussion drilling will be planned to follow up the new unexplored gold mineralisation during the second half of the year.

### Jackson Exploration

Key tenements were granted and the process of Aboriginal Heritage clearance ahead of planned costeaning and drilling programs reached an advanced stage. Low impact activities such as geological mapping and rock chip sampling were commenced in the meantime. Rock chip samples from the Golden Lady Hay target zone returned encouraging results over a strike length of 660m with many samples assaying >1g/t Au, and the highest being 9.7g/t Au.

## **Southern Cross-Parker Range Project**

The Southern Cross-Parker Range Project includes the Battler, Glendower, British Hill, Olga Rocks and Centipede prospects in a region favoured for its gold prospectivity, established infrastructure and mining culture. Prospectivity can be measured by the gold endowment of greenstone belts and the Southern Cross belt is amongst Western Australia's most productive.

### Battler Exploration

RC drilling at Battler to outline mineral resources associated with the old mine shaft and shallow open-pit gold workings was completed during the half-year to approximately 100 metres depth below the surface. The drilling was on lines 20m apart and the spacing of holes along the lines was generally 10m. A geological interpretation was compiled on plans and sections incorporating rock types, base of complete oxidation and base of transitional partly oxidised surfaces, mapped underground workings, underground mine features interpreted from the drilling, and gold assays. The interpretation was the basis of outlining grade-based polygons of three categories of mineralisation on cross sections – oxide, transitional and fresh (unoxidised). Mineral resources were then estimated from the cross sections.

Also during the half-year 2,233m of RAB drilling was completed to test gold targets parallel to the Battler structure.

### Battler Mine Scoping Study

Mining consultants Peter O'Bryan & Associates commissioned a Whittle 4D open cut pit optimisation run on the Battler mineral resources as a means of determining the potential for a cash-positive operation involving open pit mining and toll treating ore at Marvel Loch, 16km distant. The optimal pit shell based on the study produces a total of 13,911 recovered ounces of gold, operating revenue of \$7,720,000, operating cost of \$6,262,000 and an operating profit of \$1,458,000. Since the end of the half year a dialogue commenced with Sons of Gwalia Limited, the owner of the Marvel Loch treatment plant, as is required under a current agreement. The positive assessment also encourages the further exploration of targets similar to Battler in other tenements owned by Polaris between Southern Cross and Marvel Loch, including the Glendower tenements acquired from Sons of Gwalia.

### Glendower Exploration

In addition to gold the Glendower tenements also have potential for nickel deposits associated with ultramafic rocks, including possible komatiites. Previous exploration included extensive shallow auger geochemical surveys that generated gold-in-soil and nickel-copper-in-soil anomalies. With the main emphasis being on gold, some nickel-copper-anomalous areas were not drill tested. Following compilation of all available data for GIS-based spatial visualisation and interpretation, a number of targets were identified by Polaris and these were tested with 1,451m of RAB drilling. Anomalous nickel was encountered, ranging from 1,500-3,000ppm and peaking at 3,552ppm, with copper in the range 20-50ppm and peaking at 286ppm. Relict spinifex texture was visible in some holes and one intersected rock with equigranular textures typical of komatiitic ultramafics. Further exploration, including litho-geochemical studies and geophysics will be planned in the future.

### British Hill Exploration

Diamond drilling by Polaris earlier in 2004 met with success in the northern zone of the 3km-long British Hill mineralised structure, intersecting a high grade lode in BHD002 (3m at 9.1g/t Au from 145-148m). The lode comprises intensely altered and mineralised, banded metasediment with the mineralisation comprising veins and disseminations of pyrite, pyrrhotite, arsenopyrite and quartz accompanied by silicification. Free gold is visible in the core. Similar mineralisation was intersected in a deep hole drilled by CRAE in 1989 on a line 250m to the south. CRAE's hole (89PRDD35) intersected 6m at 5.1g/t Au from 189-195m including 1m at 13.8g/t Au. These holes and other shallower holes suggest a 300m-long zone remains open at depth and has potential for 600,000 tonnes at 7.5g/t Au down to 350m.

Critical factors influencing economic viability of underground mining are the structural continuity of the mineralisation and its average grade. A study is currently underway with the objective of confirming the structural relationship of holes BHD002 and PRDD35. A data bank from numerous RC holes and a few other diamond core holes drilled by previous explorers in the depth range surface to 150m is available for the study. The outcome will strongly influence the direction of future exploration plans for the project.

### Centipede and Olga Rocks Exploration

306m of RC drilling was completed during the half-year to follow up previous drilling intersections of 10m at 4.2g/t Au at Centipede Prospect and 3m at 10.6g/t Au at Olga Rocks Prospect. In addition 312m of RAB drilling was conducted at Olga Rocks following up geochemical anomalies in previous explorers' air core holes. Results are currently being assessed but are not considered at this stage to be significant.

### ***Lake Jeffries Project***

Polaris' Lake Jeffries tenements were applied for in 2002 to cover an area in which GSWA regolith geochemical sampling had found anomalous concentrations of chalcophile elements that are indicative of sub-surface sulphide mineralisation. The tenements lie within the Proterozoic Earraheedy Basin near its southern margin and are situated only 25km NNW of the WMC Resources/Falcon Minerals Ltd nickel-copper-PGM Olympia Prospect at Collurabbie Hills.

Regional aeromagnetics and gravity clearly show that the Archaean greenstone belt hosting the WMC/Falcon mineralisation extends beneath the Earraheedy Basin sediments. A strongly magnetic body (possible ultramafic) on the projected NNW trend of the mineralisation crosses the eastern boundary of Polaris' Lake Jeffries tenements and represents a 10km-long exploration target for nickel.

### Lake Jeffries PGM Potential

Some GSWA regolith geochemical samples in the region are anomalous in platinum group metals platinum and palladium. Peaks in palladium are notable at Collurabbie Hills and also within Polaris' Lake Jeffries tenements.

Naudy (Intrepid) auto-modelling geophysical processing and interpretation software used to calculate depth to magnetic bodies in the Archaean basement below the cover of Proterozoic sediments within the Lake Jeffries tenements gave results ranging from 60m to 400m. This means

that the area can be explored with conventional methods such as geophysical surveying and drilling.

### ***Denison Range Project***

Exploration of the Denison Range Project in the first half directed attention towards a prominent 1.5km diameter dome-shaped magnetic anomaly which is similar to the geophysical signature of some iron-oxide copper-gold-uranium deposits. The anomaly and surrounding area is now held on behalf of the Denison Range Joint Venture (Polaris 75%, Independence Group NL 25%) under two exploration licences.

### ***Gardiner Range Project***

On its own behalf Polaris has applied for three new exploration licences covering 660km<sup>2</sup> in the Gardiner Range, situated 130km southeast of Halls Creek and east of the current Denison Range Joint Venture area. The licences cover an extensive area of the unconformity between the basal mid-Proterozoic Gardiner Sandstone and the underlying Killi Killi Beds of the Tanami Complex. The ground was applied for to position Polaris for possible exploration for uranium as well as copper and gold deposits in the future. Gardiner Range has been a focus of exploration for uranium in the past, mainly in the 1980s. However, the exploration lacked persistence, despite encouraging signs of mineralisation, due to the then prevailing low demand and negative political sentiment in Australia concerning uranium and nuclear power generation.

In recent times concerns over the greenhouse gas effects of coal-based electricity generation and global warming have shifted sentiment more favourably towards the nuclear energy option.

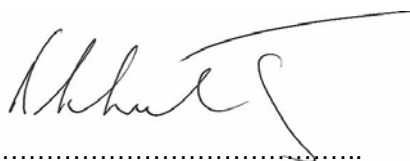
Exploration models that are likely to be appropriate for the Gardiner Range project include sub-surface iron oxide copper-gold-uranium deposits (Olympic Dam-style) and high grade unconformity-related uranium and uranium-gold (Athabasca Basin and Alligator Rivers-style). Previous exploration emphasised the latter as the Gardiner Sandstone unconformity has been compared with the Athabasca Basin unconformity in Saskatchewan, Canada and the Kombolgie Sandstone unconformity of the East Alligator River area, Northern Territory, Australia. The Athabasca Basin contains the most significant high grade, low cost uranium deposits in the world.

Because of the Company's current focus on gold, nickel and iron ore, Polaris' approach to exploring the Gardiner Range area will be measured, requiring in the first instance the satisfactory negotiation of an Aboriginal Heritage Protection Agreement before the new tenements can be granted. At an appropriate time thereafter, if consumer and investor interest in uranium is robust, Polaris can step up its activities in the area or alternatively attract a major joint venture partner to farm in and manage the project.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 13 and forms part of the Director's Report for the half-year ended 31 December 2004.

Signed in accordance with a resolution of the directors.



.....  
Kevin Schultz  
Managing Director

Perth, Western Australia 21 February, 2005

**POLARIS METALS NL**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>Consolidated 2004 \$</b>
<b>REVENUES FROM ORDINARY ACTIVITIES</b>	
Revenues from non-operating activities:	
Interest received	54,803
<b>TOTAL REVENUES FROM ORDINARY ACTIVITIES</b>	54,803
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>	
Administration and corporate expenses	364,142
Borrowing costs expense	4,679
Exploration expenditure written off	27,627
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>	396,448
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>	(341,645)
Income tax expense relating to ordinary activities	-
<b>NET LOSS</b>	(341,645)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>	(341,645)
Basic earnings per share (cents per share)	(0.01)

**POLARIS METALS NL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2004**

	Notes	Consolidated	
		31 December 2004 \$	30 June 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets		1,478,326	2,680,239
Receivables		19,902	129,946
<b>TOTAL CURRENT ASSETS</b>		<b>1,498,228</b>	<b>2,810,185</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment		182,564	117,059
Deferred exploration costs		2,680,495	1,793,553
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,863,059</b>	<b>1,910,612</b>
<b>TOTAL ASSETS</b>		<b>4,361,287</b>	<b>4,720,797</b>
<b>CURRENT LIABILITIES</b>			
Payables		143,298	224,872
Interest-bearing liabilities		28,881	15,975
Provisions		18,952	4,643
<b>TOTAL CURRENT LIABILITIES</b>		<b>191,131</b>	<b>245,490</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities		97,077	57,255
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>97,077</b>	<b>57,255</b>
<b>TOTAL LIABILITIES</b>		<b>288,208</b>	<b>302,745</b>
<b>NET ASSETS</b>		<b>4,073,079</b>	<b>4,418,052</b>
<b>EQUITY</b>			
Contributed equity	3	4,285,615	4,288,943
Retained profits (Accumulated losses)	4	(212,536)	129,109
<b>TOTAL EQUITY</b>		<b>4,073,079</b>	<b>4,418,052</b>

**POLARIS METALS NL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>Consolidated 2004 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to suppliers and employees	(360,043)
Interest received	52,813
Interest paid	(4,679)
Income tax refund	3,450
GST received	101,089
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(207,370)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments for property, plant and equipment	(81,703)
Payments for exploration	(962,043)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(1,043,746)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Equity raising costs	(3,525)
Proceeds from borrowings	68,307
Repayment of borrowings	(15,579)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>49,203</b>
<b>NET DECREASE IN CASH HELD</b>	<b>(1,201,913)</b>
Add opening cash brought forward	2,680,239
<b>CLOSING CASH CARRIED FORWARD</b>	<b>1,478,326</b>

## **POLARIS METALS NL**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

The 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 consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Polaris Metals NL as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Polaris Metals NL and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention and except where stated, does not take into account changing money values or current valuations of non-current 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 applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

AASB 1029 "Interim Financial Reporting" is being applied for the first time. The Company did not prepare a half-year financial report for the period ended 31 December 2003 and accordingly a comparative statement of financial performance and statement of cash flows has not been disclosed.

#### **2. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS**

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effect of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

The company has commenced reviewing the transition from its current policies to the AASB equivalents to IFRS to achieve transition to IFRS reporting beginning with the half year ended 31 December 2005.

## POLARIS METALS NL

### NOTES TO THE FINANCIAL STATEMENTS

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

#### ***Income Tax:***

Under the Australian equivalent to AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's asset and liabilities in the statement of financial position and a tax based balance sheet. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method. It is not expected that there will be any material impact as a result of adoption of this standard.

#### ***Deferred exploration and evaluation expenditure:***

AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to their exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if the facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level providing this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The future financial effects of this change in accounting policy are not yet known.

#### ***Financial instruments:***

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. It is not expected that there will be any material impact as a result of adoption of this standard.

#### ***Impairment of assets:***

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of any write-downs may be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

The financial effect of the above matter has not been recognised in these financial statements.

#### ***Share Based Payments:***

Under Australian Standard AASB 2 Share based Payments, the consolidated entity will be required to determine the fair value of options issued to employees and recognise as an expense in the Statement of Financial Performance. For options on issue on the application of AASB2, an adjustment for their recognition will be made against opening retained earnings. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown. However, where share based payments are made, net profit is expected to decrease by the fair value of such payments.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS. As noted above, these are expected to be the material areas of impact for the Consolidated Entity that has been identified.

POLARIS METALS NL

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31 December 2004	30 June 2004
	\$	\$
<b>3. CONTRIBUTED EQUITY</b>		
<b>(a) Share capital:</b>		
33,600,002 ordinary shares fully paid	4,737,250	4,737,250
Capital raising costs	(451,635)	(448,307)
	4,285,615	4,288,943
	4,285,615	4,288,943

	Consolidated	
	31 December 2004	30 June 2004
	Number	Number
<b>(b) Options over ordinary shares</b>		
Exercise price of \$0.20 expiring on 31 December 2008	20,749,977	20,749,977
Exercise price of \$0.25 expiring on 31 December 2008	3,650,000	3,000,000
	24,399,977	23,749,977
	24,399,977	23,749,977

During the half-year 650,000 options were issued to employees under an Employee Option Plan at an exercise price of \$0.25 expiring on 31 December 2008.

	Consolidated 2004 \$
<b>4. RETAINED PROFITS (ACCUMULATED LOSSES)</b>	
Balance at beginning of the half-year	129,109
Net loss for the half-year	(341,645)
	(212,536)
	(212,536)

**5. CONTINGENT LIABILITIES**

Since the last annual reporting date, the company entered into an agreement with Western Areas NL and settled this disputed liability of \$65,674.

**6. SEGMENT INFORMATION**

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

**7. SUBSEQUENT EVENT**

On 18 February 2005, the Company reached an in principle agreement with Hartleys Limited to place 4,400,000 shares to sophisticated investor clients of Hartleys at an issue price of \$0.19 per share to raise \$836,000, before costs of the issue.

**POLARIS METALS NL**  
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Polaris Metals NL, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 1029 "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.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'K. Schultz', with a long horizontal stroke extending to the right.

Kevin Schultz  
Managing Director

Dated at Perth this 21st day of February 2005

21 February 2005

The Board of Directors  
Polaris Metals NL  
Ground Floor  
7 Havelock Street  
WEST PERTH WA 6005

*Ian K Macpherson CA*

*Robert W Parker CA*

*Craig A Vivian CA*

Dear Sirs

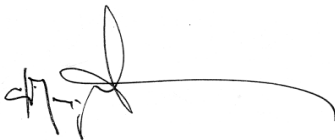
**POLARIS METALS NL**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Polaris Metals NL

As lead partner for the review of the financial statements of Polaris Metals NL for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, 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 sincerely  
**ORD PARTNERS**



Ian Keith Macpherson  
Partner

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## INDEPENDENT REVIEW REPORT

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### To the members of Polaris Metals NL

#### *Scope*

##### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Polaris Metals NL for the half-year ended 31 December 2004 and are set out on pages 6 to 12. The Consolidated Entity comprises Polaris Metals NL ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Review Approach*

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and its cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

A review cannot guarantee that all misstatements have been detected.

#### *Independence*

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

*Ian K Macpherson CA*

*Robert W Parker CA*

*Craig A Vivian CA*

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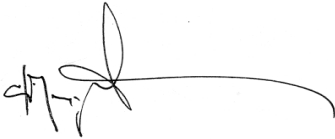
**Statement**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**ORD PARTNERS**

Chartered Accountants

**IAN K MACPHERSON**

Partner

Dated this 21st day of February, 2005.  
Perth, Western Australia