

POLARIS METALS NL

ABN 18 085 223 570

CONDENSED HALF YEAR FINANCIAL REPORT

31 DECEMBER 2006

This Condensed 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 2006.

POLARIS METALS NL

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2006.

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

Ian James Buchhorn - Non executive Director (appointed on 18 September 2006)

REVIEW AND RESULTS OF OPERATIONS

The consolidated net loss for the half-year ended 31 December 2006 was \$717,661 compared to the previous half-year net loss of \$409,634. The major items comprising the net loss for the half-year ended 31 December 2006 were administration and corporate expenses totaling \$498,045 and exploration expenditure written off totaling \$249,706.

During the half-year 30,279,730 shares were issued for the acquisition of mining tenements and 20,351,500 shares were issued under cash placements raising a total of \$3,212,725 before costs of issue.

The net increase in cash for the half-year was \$1,657,244 and cash in bank at the end of the half-year was \$2,392,172.

Exploration and evaluation assets increased by \$6,361,612 during the half-year due to acquisition of mining tenements and exploration expenditure incurred on mining tenements. The balance of exploration and evaluation assets carried forward at the end of the half-year was \$9,295,847.

Net assets and total equity at 31 December 2006 was \$13,468,643.

The following is a summary of exploration activities during the half-year:

Iron Ore Exploration

Poondano Project (Polaris 100%)

The Poondano project consists of an exploration licence 30km southeast of Port Hedland enclosing a series of channel iron deposits ("CID") that extend discontinuously over more than 20km. The exploration licence was one of the tenements acquired during the half-year.

Following the acquisition an Aboriginal heritage clearance survey was completed, enabling the commencement of a reverse circulation (RC) drilling program to sample the 2km-long westernmost deposit, Poondano West, and explore its projected westward continuation beneath the sand plain.

In total, 64 RC holes were drilled for 679m during the half-year with the results providing the following information:

- The thickness of CID below the outcrop in the western half of the Poondano West Deposit is in the order of 3m-5m.
- There is significant thicknesses of CID beneath the sand plain west of the Poondano West deposit, confirming a target potential of at least 10-15Mt of CID.
- Hole PDRC0031, situated about 4.4km west of the Poondano West outcrop area, intersected 16m at 51.19% Fe, 8.68% SiO₂ and 6.18% Al₂O₃ from 5m depth.

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DIRECTORS' REPORT

Other CID deposits in the area, including the Poondano Central and Poondano East deposits, have yet to be drilled.

Goldsworthy JV Project (Polaris earning 70% Leviathan Resources Limited 30%)

The Goldsworthy JV project area consists of a 124km² exploration licence located approximately 100km east of Port Hedland. Under the terms of a joint venture with tenement holder Leviathan Resources Limited, Polaris can earn a minimum 70% interest in the project by the expenditure of not less than \$2.5 million over a four year period.

An RC drilling program of approximately 3,000m is planned principally to test concealed iron ore targets identified through reconnaissance gravity surveys, geological mapping and regional structural interpretation. The objective is discovery of iron ore deposits similar to the 65Mt mined out Mt Goldsworthy deposit which is located within an adjacent BHP Billiton mining lease.

Other drilling targets associated with a regional scale shear zone are considered to have potential for nickel-copper deposits similar to the nearby Highway deposit (37Mt with 115,000t nickel, 44,000t copper). The targets are also considered to have potential for gold and/or platinum deposits.

Johnston Range (Polaris earning 70%, Golden State Resources 30%) and Evanston (Polaris earning 70%, Leviathan Resources Limited 30%)

The Johnston Range and Evanston projects are part of a large package of iron ore exploration tenements situated north of Southern Cross, which Polaris is exploring for a resource base sufficient for export of 2.5Mtpa of direct shipping iron ore.

At Johnston Range, a gravity survey seeking concealed iron ore mineralisation tested a regional scale fold closure of banded iron formation ("BIF") in the Diemals Anticline.

Seven bedrock iron targets were identified by the survey. The most extensive (JRT003) is a 2km-long, north trending gravity high in an area of poorly outcropping jaspilitic BIF. A target situated northwest of JRT003 (JRT001) covers a 900m long gravity high which is associated with sub-outcrop of hematite goethite iron mineralisation.

A reconnaissance gravity survey within the Evanston project tested parts of the Die Hardy Range for concealed and outcropping iron mineralisation.

Nine iron targets have been identified, including a 2.8km-long gravity high coinciding with an area of diminished BIF outcrop. Recent geological reconnaissance identified a 400m x 15m area of goethite iron mineralisation, and maps of previous exploration in the 1960s record discoveries of +60% Fe in this area.

Results of rock chip sampling in the course of geological mapping of the targets gave encouraging indications of the potential for direct shipping iron ore deposits.

Bungalbin Iron Ore Project (Portman operator, Polaris 2% royalty)

The Bungalbin Iron Ore Project, acquired during the half-year, is situated near the Mt Jackson iron ore mining operations of Portman Limited, about 50km north of Koolyanobbing. The project is currently being explored by Portman in accordance with an agreement wherein Portman has the right to explore for, and if and when mining leases are granted, mine iron ore within three of Polaris' exploration licences.

If Portman delineates iron ore deposits and commences mining on tenements the subject of the agreement, it is required to pay a royalty to Polaris at the rate of 2% of the FOB value it receives for all iron ore transported from the tenements and sold.

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DIRECTORS' REPORT

Other Yilgarn Projects

Other iron ore projects acquired and being explored by Polaris in the Yilgarn region are Bungalbin-Aurora and Perrinvale (Polaris 100%), respectively 30km and 70km northeast of Koolyanobbing.

The Bungalbin-Aurora project, which is near the Bungalbin Iron Ore Project, offers 16 direct shipping iron ore targets, including an area of folded and sheared iron formation with samples returning up to 61% Fe.

Rock chip samples from iron formations at Perrinvale have also returned grades above 60% Fe according to documented past exploration.

The extensive package of tenements Polaris is now exploring north of Southern Cross considerably increases the Company's exposure to large scale magnetite target opportunities to complement high grade Mayfield magnetite deposit. Mayfield was the subject of a scoping study in 2005.

Other Projects Acquired During the Half-year (Polaris 100%)

The Ashburton Project comprises four granted exploration licences situated 20-40km south of Paraburdoo in the Hamersley Iron Province. The project covers 532km² directly south of the Paraburdoo iron ore deposits, and is considered prospective for transported iron ore deposits such as the Robe pisolitic CID deposits or iron-rich gravels. Principal targets are palaeochannels draining from the range of iron-ore deposits at Paraburdoo.

Consulting engineers Project Development and Management Services Pty Ltd ("Prodemas") have been engaged by Polaris to conduct a preliminary desk top scoping study of the project and recommend work programs, which are likely to include more extensive sampling and drilling followed by bulk sampling.

The Onslow Project comprises three granted exploration licences south-west and north of Onslow on the north-west coast of Western Australia. This area is known to contain a number of deposits of iron-sands that have been formed by coastal processes on iron-rich sediments transported from the Pilbara region by the Ashburton River. Concentrations of heavy minerals occur in sand dunes parallel to the shore on both sides of the mouth of the Ashburton River.

Previous exploration traced mineralised sand in the dune systems over about 24km by up to 3km, suggesting a target potential of 50-100Mt. Average grades in the dunes ranged between eight and 11 percent heavy minerals of which 60 to 70 percent is potentially iron ore. The main iron minerals are hematite, martite and goethite, with varying amounts of ilmenite, magnetite and zircon.

Consulting engineers Prodemas have been engaged to scope the commercial potential of this project and recommend work programs. After a preliminary review, the consultants highlighted the potential of the area for a solar salt operation similar to the current operations of Onslow Salt.

Gold and Nickel Exploration

Bullfinch North JV Project (Polaris 75%, Western Areas NL 25%) and Golden Valley JV Project (Polaris 80%, Geoinformatics 15%, Oropa 5%)

Aboriginal heritage and DoIR clearances were obtained and drilling programs have been planned for the testing of a number of gold and nickel targets within the Golden Valley and Bullfinch North project areas north of Southern Cross.

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DIRECTORS' REPORT

Kawana Nickel Prospect (Polaris earning 80%)

Under an agreement negotiated with the holders of an exploration licence 70km north of Bullfinch, Polaris can earn an 80% interest by the expenditure of \$500,000 within three years.

Gossanous siliceous ironstone with up to 8,435ppm nickel and 535ppm copper is to be drilled to determine the potential for nickel sulphides at depth. The gossanous ironstone, which crops out poorly up to an estimated five metres maximum thickness, is associated with ultramafic rocks on a low hill over a strike length of about 300m.

Geochemical auger soil sampling defined a 1,500m long linear nickel anomaly coincident in part with the gossanous ironstone outcrops, and smaller discrete nickel anomalies both to the north and south of the main target area.

Investment in Uranium Exploration

During the half-year the IPO of Northern Uranium Limited closed oversubscribed and the company was listed on the ASX on 15 November 2006. The IPO raised \$4,000,000 via the issue of 20,000,000 shares at 20¢/share with Polaris retaining 25% (10,000,000 shares). These shares are escrowed for two years from the listing date.

Two significant uranium groups – Cogema Australia, a subsidiary of French nuclear group Areva NC, and Canadian uranium explorer Mega Uranium Ltd, each with 6.25% - are among the company's largest shareholders. The interest of such groups is an endorsement of Northern's projects, which include the flagship 9,950km² Gardiner-Tanami Super Project with potential believed to be similar to Australia's Alligator Rivers Province and Canada's Athabasca Basin.

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 2006.

Signed in accordance with a resolution of the directors.



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Kevin Schultz
Managing Director

Perth, Western Australia 15 March, 2007

POLARIS METALS NL
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Half-year ended 31 December 2006 \$	Consolidated Half-year ended 31 December 2005 \$
REVENUE FROM CONTINUING OPERATIONS		
Interest received	64,566	36,636
Net gain on disposal of exploration assets	30,044	-
Rendering of services	34,031	-
TOTAL REVENUE	128,641	36,636
EXPENSES		
Compliance and regulatory expenses	44,979	37,041
Consulting expenses	47,836	46,493
Depreciation and amortisation expense	15,953	15,079
Employee benefits expense	257,777	224,682
Exploration expenditure written off	249,706	27,190
Finance costs	4,358	5,451
Insurance expense	29,611	30,444
Legal expenses	26,553	10,684
Rent expense	31,516	14,810
Other expenses	39,462	34,396
Share of loss of associate	98,551	-
TOTAL EXPENSES	846,302	446,270
LOSS BEFORE INCOME TAX	(717,661)	(409,634)
Income tax	-	-
LOSS FOR HALF-YEAR	(717,661)	(409,634)
Basic loss per share - cents per share	(0.97)	(0.98)
Diluted loss per share - cents per share	(0.73)	(0.98)

POLARIS METALS NL
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Consolidated 31 December 2006 \$	30 June 2006 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,392,172	734,928
Other receivables		22,395	56,661
Non-current assets classified as held for sale		1,035,809	1,069,077
Total Current Assets		3,450,376	1,860,666
Non-current Assets			
Other receivables		18,156	11,541
Investments accounted for using the equity method		737,496	16,788
Property, plant & equipment		279,077	189,352
Exploration and evaluation assets	3	9,295,847	2,934,235
Intangible assets		32	2,727
Total Non-current Assets		10,330,608	3,154,643
TOTAL ASSETS		13,780,984	5,015,309
LIABILITIES			
Current Liabilities			
Trade and other payables		163,688	145,898
Interest-bearing loans and borrowings		31,260	30,076
Provisions		44,783	28,576
Total Current Liabilities		239,731	204,550
Non-current Liabilities			
Interest-bearing loans and borrowings		72,610	88,542
Total Non-current Liabilities		72,610	88,542
TOTAL LIABILITIES		312,341	293,092
NET ASSETS		13,468,643	4,722,217
EQUITY			
Issued capital	4	15,412,943	6,790,142
Other reserves		855,586	14,300
Accumulated losses		(2,799,886)	(2,082,225)
TOTAL EQUITY		13,468,643	4,722,217

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Issued Capital \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
HALF-YEAR ENDED 31 DECEMBER 2005:				
Balance at 1 July 2005	5,047,971	7,150	(1,059,315)	3,995,806
Loss for the period	-	-	(409,634)	(409,634)
Total recognised income and expense for the period	-	-	(409,634)	(409,634)
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the period	1,845,000	-	-	1,845,000
Share issue costs	(99,232)	-	-	(99,232)
Share-based payment	-	7,150	-	7,150
Balance at 31 December 2005	6,793,739	14,300	(1,468,949)	5,339,090
HALF-YEAR ENDED 30 JUNE 2006:				
Loss for the period	-	-	(613,276)	(613,276)
Total recognised income and expense for the period	-	-	(613,276)	(613,276)
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the period	-	-	-	-
Share issue costs	(3,597)	-	-	(3,597)
Balance at 30 June 2006	6,790,142	14,300	(2,082,225)	4,722,217
HALF-YEAR ENDED 31 DECEMBER 2006:				
Gain on dilution of interest in associate	-	835,861	-	835,861
Loss for the period	-	-	(717,661)	(717,661)
Total recognised income and expense for the period	-	835,861	(717,661)	118,200
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the period	8,812,725	-	-	8,812,725
Share issue costs	(189,924)	-	-	(189,924)
Share-based payment	-	5,425	-	5,425
Balance at 31 December 2006	15,412,943	855,586	(2,799,886)	13,468,643

POLARIS METALS NL
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	Half-year ended 31 December 2006	Half-year ended 31 December 2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	34,031	-
Payments to suppliers and employees	(481,720)	(409,010)
Interest received	65,850	40,070
Interest paid	(4,358)	(5,451)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(386,197)	(374,391)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(111,824)	(12,712)
Payments for exploration	(998,449)	(827,378)
Loan to jointly controlled entity	(236,890)	-
Proceeds from repayment of loan to jointly controlled entity	340,319	-
Proceeds from repayment of loan to other entity	41,728	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(965,116)	(840,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,212,725	1,845,000
Payment of share issue costs	(189,924)	(95,833)
Repayment of borrowings	(14,244)	(13,653)
NET CASH FLOWS FROM FINANCING ACTIVITIES	3,008,557	1,735,514
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,657,244	521,033
Cash and cash equivalents at beginning of period	734,928	1,340,538
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,392,172	1,861,571

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2006.

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 2006 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, Accounting Standard AASB 134 Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report has been prepared on a historical cost basis.

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

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

2. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	31 December 2006	30 June 2006
	\$	\$
Investment in Northern Uranium Limited	737,496	16,788

The Company's interest in Northern Uranium Limited at 30 June 2006 was 50%. During the half-year the Company's interest diluted to 25% following the completion of an initial public offering by Northern Uranium Limited raising \$4 million through the issue of 20 million shares. An increase of \$835,861 in the Company's share of net assets of Northern Uranium Limited arising from the initial public offering has been recognised directly in equity.

3. EXPLORATION AND EVALUATION ASSETS

During the half-year the Company acquired the iron ore assets of Heron Resources Limited for a consideration of 29,729,730 ordinary fully paid shares in the Company at a deemed value of 18.5 cents per share and 15,000,000 five year performance options exercisable at 30 cents each. The deemed consideration for the ordinary fully paid shares of \$5.5 million plus acquisition costs has been capitalised to exploration and evaluation assets during the half-year. At the date of this report, the current stage of development of these projects do not allow a reasonable assessment to be performed of the probability of the performance criteria being met and as such the fair value of the options of \$663,000 will not be recognised as an exploration asset until such point as this assessment can be performed and the vesting of the options is deemed probable.

POLARIS METALS NL

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Half-year ended 31 December 2006 \$	Consolidated Half-year ended 31 December 2005 \$
4. ISSUED CAPITAL		
(a) Fully paid ordinary shares		
<i>Balance at beginning of period:</i> 50,310,002 (2005: 38,010,002) shares	6,790,142	5,047,971
(2005: 8,972,698) shares issued for cash under a shareholder share purchase plan	-	1,345,905
20,351,500 (2005: 3,327,302) shares issued for cash under cash placements	3,212,725	499,095
30,279,730 (2005: nil) shares issued for acquisition of mining tenements	5,600,000	-
Share issue costs	(189,924)	(99,232)
	<hr/>	<hr/>
<i>Balance at end of period:</i> 100,941,232 (2005: 50,310,002) shares	15,412,943	6,793,739
	<hr/> <hr/>	<hr/> <hr/>
(b) Options over ordinary shares		
	Number	Number
<i>Exercise price of \$0.20 expiring 31/12/2008:</i>		
Balance at beginning of period	20,749,977	20,749,977
Issued during the period	-	-
	<hr/>	<hr/>
Balance at end of period	20,749,977	20,749,977
	<hr/> <hr/>	<hr/> <hr/>
<i>Exercise price of \$0.25 expiring 31/12/2008:</i>		
Balance at beginning of period	3,650,000	3,650,000
Issued during the period	-	-
	<hr/>	<hr/>
Balance at end of period	3,650,000	3,650,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Exercise price of \$0.30 expiring 31/12/2010:</i>		
Balance at beginning of period	-	-
Issued during the period	775,000	-
	<hr/>	<hr/>
Balance at end of period	775,000	-
	<hr/> <hr/>	<hr/> <hr/>
<i>Exercise price of \$0.30 expiring 14/07/2011:</i>		
Balance at beginning of period	-	-
Issued during the period	15,000,000	-
	<hr/>	<hr/>
Balance at end of period	15,000,000	-
	<hr/> <hr/>	<hr/> <hr/>

POLARIS METALS NL

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

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

6. CONTINGENT LIABILITIES

The consolidated entity is not aware of any contingent liabilities which existed at the end of the half-year or have arisen as at the date of this report.

7. 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	30 June
	2006	2006
	\$	\$
Not later than one year	2,073,020	876,670

8. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For these details, please refer to the 30 June 2006 annual financial report. Key management personnel continue to receive compensation in the form of short term employee benefits and post employment benefits.

9. SUBSEQUENT EVENTS

Share Placement

On 8 January 2007, the Company entered into a strategic alliance with The Lion Group, a diversified Malaysian group of companies with iron and steel making as one of its main businesses.

As part of this strategic alliance, a company within The Lion Group, Lion Diversified Holdings Berhad will subscribe for up to 10,094,123 shares in the Company at a subscription price of \$0.40 per share to raise up to \$4,037,649. One free unlisted option will be issued for every two shares subscribed for, exercisable at A\$0.64 on or before 4 January 2010.

The placement of 10,094,123 shares will be made in two tranches. Tranche 1 of 9,672,456 shares and 4,836,228 attaching options was made on 8 January 2007 within the Company's 15% capacity pursuant to ASX Listing Rule 7.1, and tranche 2 of 421,667 shares and 210,834 attaching options will be made subject to shareholder approval at a meeting to be held on 28 February 2007.

Acquisition of Gold Projects

On 28 February 2007, the Company entered into a conditional agreement with International Goldfields Ltd for the acquisition of its Evanston gold project and its interest in the British Hill, Jackson and Clampton North projects for \$1 million cash and \$1 million scrip in a new company proposed to be established for the purpose of acquiring these projects.

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 2006 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply 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.

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 above the letters.

Kevin Schultz
Managing Director

Dated at Perth this 15th day of March 2007

15 March 2007

To the Board of Directors of Polaris Metals NL

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

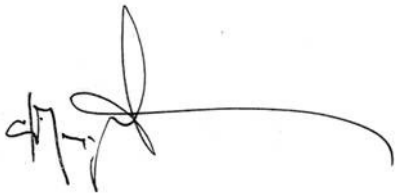
Dear Sirs

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 for the half year ended 31st December 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely
ORD PARTNERS



Ian Keith Macpherson
Partner

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

Scope

The financial report and directors' responsibility

We have reviewed the interim financial report of Polaris Metals NL ('the Company') for the half year ended 31 December 2006, consisting of the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, accompanying notes, and the directors' declaration. The consolidated entity comprises the Company and the entities it controlled at the half year's end or from time to time during the half year.

The Company's directors are responsible for the preparation and fair presentation of the interim financial report in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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 an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard ASRE 2410 Review of an 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 interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31st December 2006 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical or 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 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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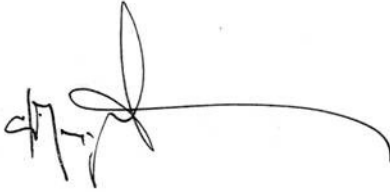
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Company is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31st December 2006 and of its performance for the half year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

ORD PARTNERS

Chartered Accountants

A handwritten signature in black ink, appearing to read 'I Macpherson', with a long horizontal flourish extending to the right.

Ian Macpherson
Partner

Dated this 15 day of March 2007
Perth, WA