



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

ABN 18 085 223 570

# PROSPECTUS

For an Offer of 1 New Share for every 10 Shares held at an issue price of 60 cents per share by way of a Renounceable Rights Issue to raise approximately \$6.7 million before costs.

## **UNDERWRITER AND LEAD MANAGER**

PATERSONS SECURITIES LIMITED ACN 008 896 311

### **Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

# Polaris Metals NL

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## **IMPORTANT NOTICE**

This Prospectus is dated 26 October 2007. A copy of this Prospectus has been lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No Shares will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Polaris has applied to ASX for quotation of the New Shares. ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of Polaris.

Before deciding to invest in Polaris, you should read and understand the entire Prospectus and, in particular, in considering Polaris' prospects, you should consider the risk factors that could affect Polaris' performance. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in Polaris involves risks. See 'Risk Factors' in Section 5 for a discussion of certain risk factors that you should consider before deciding to invest in Polaris.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus or has not been released to the ASX with the authorisation of Polaris.

The Application Form accompanying this Prospectus is important. Please refer to the instructions in Section 4 of this Prospectus regarding the acceptance of your Entitlement. Applications can only be submitted on a valid Application Form that is only available with this Prospectus.

## **Restrictions on distribution**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of Rights or New Shares in any jurisdiction outside Australia. This Prospectus is not to be distributed in, and no offer of Shares is to be made in, countries other than Australia and New Zealand.

Neither the Rights or New Shares have been or will be registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Application Form will be taken by Polaris as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in Australia or New Zealand.

Shareholders outside Australia and New Zealand should refer to Section 1.10 of this Prospectus for details of how your Entitlement will be dealt with.

## **Rights trading**

Your Rights may have value. If you decide not to exercise all or part of your Rights you should consider whether to sell your Rights. It is important that you either accept or sell your Entitlement in accordance with the instructions in Section 4 of this Prospectus and on the back of the Application Form.

# Polaris Metals NL

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Individual applicants are responsible for determining their allocations of Rights and New Shares before trading in them. Eligible Shareholders who trade in Rights or New Shares before receiving confirmation of their allocation do so at their own risk.

Shareholders who take no action in respect of their Rights will receive no benefits. An Application Form is enclosed with this Prospectus.

## **Prospectus availability**

This Prospectus is available in electronic form at [www.polarismetals.com.au](http://www.polarismetals.com.au) and [www.asx.com.au](http://www.asx.com.au) only for persons within Australia. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus.

A printed copy of this Prospectus is available free of charge by calling Polaris on (08) 9481 3030.

## **Definitions and glossary, financial amounts and time**

Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to WDST, unless otherwise indicated.

## **Enquiries**

For further information in relation to the Offer, please call Polaris's Company Secretary on (08) 9481 3030.

**TABLE OF CONTENTS**

<b>CORPORATE DIRECTORY</b>	<b>1</b>
<b>CHAIRMAN'S LETTER</b>	<b>2</b>
<b>Section 1      DETAILS OF RIGHTS ISSUE</b>	<b>3</b>
<b>Section 2      PURPOSE AND EFFECT OF THE RIGHTS ISSUE</b>	<b>6</b>
<b>Section 3      COMPANY INFORMATION</b>	<b>10</b>
<b>Section 4      ACTION REQUIRED BY SHAREHOLDERS</b>	<b>16</b>
<b>Section 5      RISK FACTORS</b>	<b>19</b>
<b>Section 6      ADDITIONAL INFORMATION</b>	<b>24</b>
<b>Section 7      KEY DEFINITIONS</b>	<b>32</b>
<b>TENEMENT SCHEDULE</b>	<b>24</b>

**INVESTMENT HIGHLIGHTS**

- ◆ Emerging iron ore producer
- ◆ Two advanced projects at a pre-feasibility stage
- ◆ Excellent exploration potential
- ◆ Full participation by major shareholders – Heron and LDHB

**MAJOR INVESTMENT RISKS**

- ◆ There is no certainty that exploration of any tenement in which the Company has an interest will result in the discovery or definition of an economic mineral deposit.
- ◆ Mine development may be hampered by mining, heritage and environmental legislation and regulation including the Government's recent response to a review on banded iron formation in the Goldfields.

**IMPORTANT DATES**

Notice of Issue sent to eligible shareholders	Friday, 26 October 2007
Shares trade "ex-rights" and Rights trading commences on the Australian Securities Exchange	Friday, 2 November 2007
Record Date to determine Entitlements under the Rights Issue	Friday, 9 November 2007
Prospectus and Application Form despatched	Monday, 12 November 2007
Last day of Rights trading	Wednesday, 21 November 2007
Closing Date for acceptances	Wednesday, 28 November 2007
Allotment and issue of New Shares	Wednesday, 5 December 2007
Despatch of shareholding statements for New Shares	Wednesday, 5 December 2007

This timetable is indicative only and subject to change. The Directors generally reserve the right to vary these dates, including the Closing Date without prior notice. The Directors also reserve the right not to proceed with the whole or part of the Offer any time prior to allotment. In that event, the relevant Application Money will be returned without interest.

# Polaris Metals NL

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## CORPORATE DIRECTORY

### DIRECTORS

Lewis Cross  
Kevin Schultz  
Ian Buchhorn  
Vern Strange  
Colin McCavana

### SECRETARY

Trevor Verran

### REGISTERED AND PRINCIPAL OFFICE

Level 2  
123A Colin Street  
WEST PERTH WA 6005

Telephone: (08) 9481 3030  
Facsimile: (08) 9481 3031  
[www.polarismetals.com.au](http://www.polarismetals.com.au)

### SOLICITORS

WRIGHT LEGAL  
1/103 Colin Street  
West Perth WA 6005

### AUDITORS

ORD PARTNERS  
Level 2  
47 Colin Street  
WEST PERTH WA 6005

### UNDERWRITER

PATERSONS SECURITIES LIMITED  
Level 23  
Exchange Plaza  
2 The Esplanade Street  
PERTH WA 6000

### SHARE REGISTRY

SECURITY TRANSFER REGISTRARS PTY LTD  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: (08) 9315 2333  
Facsimile: (08) 9315 2233

## LETTER FROM THE CHAIRMAN

Dear Shareholder

This Prospectus outlines the details of a fully underwritten renounceable rights issue by Polaris Metals NL ("Polaris") to raise approximately \$6.7 million (before costs of issue), for funding our on-going exploration and project development activities. I encourage you to carefully consider the contents of this Prospectus with a view to participating in the issue.

The company's current focus is on completing the pre-feasibility studies on the Poondano and Yilgarn Iron Ore Projects and for ongoing exploration assessment of Polaris' extensive tenement holding. Drilling at Poondano and the Yilgarn projects is planned to commence in the fourth quarter of 2007, with approvals having been obtained and drill rigs contracted. Ongoing feasibility work apart from drill testing, including engineering, transport, mining and environmental compliance will be part funded by the proceeds of this issue.

The proceeds of the Rights Issue will enable the company to continue its activities in advancing our goal of development of iron ore mines.

I will be subscribing to my full entitlement, as will our two major shareholders, confirming our support of the Company's development strategies. I commend this Rights Issue to you and look forward to your continued support as a Shareholder.



**Lew Cross**  
**Chairman**

## **Section 1 DETAILS OF RIGHTS ISSUE**

### **1.1 The Issue**

This Prospectus offers via a renounceable pro rata entitlements issue to Shareholders of approximately 11.2 million New Shares on the basis of 1 New Share for every 10 Shares held as at the Record Date at an issue price of 60 cents each to raise approximately \$6.7 million before issue costs.

### **1.2 Underwriting**

The Issue is fully underwritten by Patersons Securities Limited. A summary of the Underwriting Agreement is set out in Section 6 of the Prospectus.

### **1.3 Entitlement to Rights Issue**

Shareholders who are on Polaris's Share Register at the close of business on the Record Date, being 5.00 pm on Friday 9 November 2007 will receive Rights to acquire 1 New Share for every 10 Shares held, at an issue price of 60 cents per New Share.

Fractional entitlements will be rounded up to the nearest whole number of New Shares. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If Polaris considers that holdings have been split to take advantage of rounding, Polaris reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

An Application Form setting out your Entitlement to New Shares accompanies this Prospectus.

### **1.4 Applying for Additional New Shares**

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Shares.

Entitlements not taken up may become available as Additional New Shares. The Company and the Underwriter reserve the right to scale back any applications for Additional New Shares in their absolute discretion. There is no assurance that any Applicant will be allocated any Additional New Shares or all of the Additional New Shares they have applied for. The allocation of Additional New Shares will likely be limited to 50,000 New Shares per Applicant. Excess Application Moneys will be refunded without interest.

It is an express term of the Offer that Applicants for Additional New Shares will be bound to accept a lesser number of Additional New Shares allocated to them than applied for, if a lesser number is allocated to them

### **1.5 Use of proceeds**

Polaris expects to raise approximately \$6.7 million under the Rights Issue before Offer costs and will use the proceeds as set out in Section 2.

### **1.6 Actions Required by Shareholders**

An explanation of the actions required by Shareholders is set out in Section 4.

## **1.7 Allotment and Application Money**

All Eligible Shareholders who accept the Offer will receive their Entitlement in full.

New Shares will be issued only after all Application Money has been received and ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued on 5 December 2007 and trading of the New Shares on the Australian Securities Exchange is expected to commence on 5 December 2007.

All Application Money received before New Shares are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares are issued to Applicants, the balance of funds in the account plus accrued interest will be received by the Company. If the New Shares are not quoted by ASX within three months after the date of this Prospectus, Polaris will refund all Application Money in full.

## **1.8 Closing Date**

The Closing Date for acceptance of your Entitlement is 5.00 pm on 28 November 2007. The Company reserves the right to cancel the Rights Issue at any time prior to allotment.

## **1.9 Rights trading**

Trading of Rights commences on the Australian Securities Exchange on 2 November 2007 with the last day of trading being on 21 November 2007. All or part of an Eligible Shareholder's Rights may be traded on the Australian Securities Exchange or otherwise sold between these dates should you choose not to accept all or part of your Entitlement.

## **1.10 Treatment of Overseas Shareholders**

The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).

The Company has appointed the Underwriter (or associates of the Underwriter) as nominee to sell the Non-qualifying Foreign Shareholders' Rights. The Underwriter (or associates of them) will only sell the rights if there is a viable market in the rights and a premium over the expenses of sale can be obtained.

Any such sale will be at a price and be conducted in a manner that the nominee will determine in its absolute discretion.

The proceeds of sale (in Australian dollars) will be distributed to the Non-qualifying Foreign Shareholders for whose benefits the Rights have been sold in proportion to their shareholdings as at the Record Date (after deducting the costs of the sale and the distribution of the proceeds), save that individual amounts of less than \$10 will be

retained by Polaris. Neither the Company nor the nominee will be liable for any failure to sell the Rights or to sell the Rights at any particular price. If there is no viable market for the Rights of the Non-qualifying Foreign Shareholders, their Entitlement will be allowed to lapse and the relevant New Shares will revert to the Underwriter.

### **1.11 Rights attaching to New Shares**

From Issue, the New Shares issued under this Prospectus will rank equally in all respects with existing Shares. Summaries of the important rights attaching to Shares as set out in the Company's Constitution are contained in Section 6 of this Prospectus.

### **1.12 No prospective financial forecasts**

The Company is an exploration company. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

### **1.13 Summary only**

The information set out in this Section provides a summary of the information contained in this Prospectus. Applicants should read this Prospectus in its entirety prior to making a decision to accept the Offer. If you have any questions about investing in the Company, please contact your stockbroker, accountant or independent financial adviser.

**Section 2 PURPOSE AND EFFECT OF THE RIGHTS ISSUE**

**2.1 Purpose of the Rights Issue**

The funds raised from the issue of New Shares through the Offer before payment of all associated costs, are expected to provide the Company with approximately \$6.7 million in additional capital.

The funds raised will enable Polaris to continue resource definition work, grassroots exploration and the pre-feasibility studies on Poondano and the Yilgarn Iron Ore Project as follows:

Exploration and pre-feasibility studies on Poondano Iron Ore Project	\$2,000,000
Exploration and pre-feasibility studies on Yilgarn Iron Ore Project	\$3,500,000
Costs of the issue	\$425,000
Working capital	<u>\$775,000</u>
 Total	 <u><u>\$6,700,000</u></u>

The actual allocation of funds raised may vary as priorities develop with regard to drill rig availability, exploration results and other opportunities.

**2.2 Effect of the Rights Issue**

The principal effects of the Rights Issue will be to:

- increase the Company's cash reserves by approximately \$6,275,000 after taking into account the costs of the Rights Issue;
- provide the Company with additional capital for the purposes referred to in section 2.1; and
- increase the total number of issued Shares (refer section 2.3).

Pro-forma consolidated historical financial information is provided in the following paragraphs summarising the effect of the Rights Issue.

**2.3 Effect of the Rights Issue on capital structure**

The effect of the Rights Issue on the Company's issued share capital will be as follows:

<b>Ordinary Shares</b>	<b>Number</b>	<b>% Equity</b>
<b>Existing Shares</b>	111,927,723	90.91%
<b>Issue under Share Offer</b>	11,192,772	9.09%
<b>Total</b>	<u>123,120,495</u>	<u>100%</u>

<b>Other existing securities:</b>	<b>Number</b>
Listed options with an exercise price of \$0.20 expiring 31/12/08	20,645,109
Unlisted options with an exercise price of \$0.25 expiring 31/12/08	3,000,000
Unlisted options with an exercise price of \$0.30 expiring 31/12/10	487,500
Unlisted options with an exercise price of \$0.30 expiring 14/7/11	15,000,000
Unlisted options with an exercise price of \$0.64 expiring 4/1/10	<u>5,047,062</u>
<b>Total</b>	<u><u>44,179,671</u></u>

## Polaris Metals NL

### 2.4 Effect of the Rights Issue on Polaris's financial position

Set out below is the audited Consolidated Balance Sheet of the Company as at 30 June 2007 and a pro forma Consolidated Balance Sheet of the Company after the Rights Issue.

	Notes	Audited 30 June 2007 \$	Proforma Adjustments \$	Proforma 30 June 2007 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	2	4,619,043	3,754,470	8,373,513
Other receivables	3	34,485	(34,485)	-
Non-current assets classified as held for sale		4,100,707	-	4,100,707
<b>Total Current Assets</b>		<u>8,754,235</u>	<u>3,719,985</u>	<u>12,474,220</u>
<b>Non-current Assets</b>				
Other receivables		18,156	-	18,156
Equity accounted investments	4	1,560,009	(230,000)	1,330,009
Property, plant & equipment		349,774	-	349,774
Exploration and evaluation assets	5	7,800,970	1,950,000	9,750,970
<b>Total Non-current Assets</b>		<u>9,728,909</u>	<u>1,720,000</u>	<u>11,448,909</u>
<b>TOTAL ASSETS</b>		<u>18,483,144</u>	<u>5,439,985</u>	<u>23,923,129</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	6	244,462	(244,462)	-
Interest-bearing loans and borrowings	7	57,636	(10,553)	47,083
Provisions		50,199	-	50,199
<b>Total Current Liabilities</b>		<u>352,297</u>	<u>(255,015)</u>	<u>97,282</u>
<b>Non-current Liabilities</b>				
Interest-bearing loans and borrowings		30,906	-	30,906
<b>Total Non-current Liabilities</b>		<u>30,906</u>	<u>-</u>	<u>30,906</u>
<b>TOTAL LIABILITIES</b>		<u>383,203</u>	<u>(255,015)</u>	<u>128,188</u>
<b>NET ASSETS</b>		<u>18,099,941</u>	<u>5,695,000</u>	<u>23,794,941</u>
<b>EQUITY</b>				
Issued capital	8	19,358,192	6,505,000	25,863,192
Other reserves		1,865,751		1,865,751
Accumulated losses	9	<u>(3,124,002)</u>	<u>(810,000)</u>	<u>(3,934,002)</u>
<b>TOTAL EQUITY</b>		<u>18,099,941</u>	<u>5,695,000</u>	<u>23,794,941</u>

# Polaris Metals NL

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## 1. Pro-forma adjustments

a) The receipt of funds from the exercise of options raising \$230,000		230,000
b) The receipt of funds from the issue of shares to raise \$6,700,000		6,700,000
c) The costs associated with this Prospectus of approximately \$425,000		(425,000)
d) The collection of receivables at 30 June 2007 of \$34,485		34,485
e) Repayment of trade and other payables at 30 June 2007 of \$244,462		(244,462)
f) Repayment of interest-bearing loans and borrowings of \$10,553		(10,553)
g) Interest received since 30 June 2007 estimated at \$70,000		70,000
h) Administration and corporate expenses since 30 June 2007 estimated at \$650,000		(650,000)
i) Purchase of exploration assets since 30 June 2007 estimated at \$800,000		(800,000)
j) Exploration expenditure since 30 June 2007 estimated at \$1,150,000		(1,150,000)
k) Share of loss of equity accounted investees since 30 June 2007 estimated at \$230,000		(230,000)

## 2. Cash and cash equivalents

Balance at 30 June 2007		4,619,043
Funds raised from the exercise of options	1(a)	230,000
Funds raised pursuant to this Prospectus	1(b)	6,700,000
Cost of funds raised pursuant to this Prospectus	1(c)	(425,000)
Collection of receivables	1(d)	34,485
Payment of trade and other payables	1(e)	(244,462)
Payment of interest-bearing loans and borrowings	1(f)	(10,553)
Interest received	1(g)	70,000
Payments for administration & corporate expenses	1(h)	(650,000)
Payments for purchase of exploration assets	1(i)	(800,000)
Payments for exploration expenditure	1(j)	<u>(1,150,000)</u>
		<u>8,373,513</u>

## 3. Other receivables

Balance at 30 June 2007		34,485
Collection of receivables	1(d)	<u>(34,485)</u>
		<u>-</u>

## 4. Equity accounted investments

Balance at 30 June 2007		1,560,009
Share of loss of equity accounted investees	1(k)	<u>(230,000)</u>
		<u>1,330,009</u>

## 5. Exploration and evaluation assets

Balance at 30 June 2007		7,800,970
Payments for purchase of exploration assets	1(i)	800,000
Payments for exploration expenditure	1(j)	<u>1,150,000</u>
		<u>9,750,970</u>

## Polaris Metals NL

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### 6. Trade and other payables

Balance at 30 June 2007		244,462
Payment of trade and other payables	1(e)	<u>(244,462)</u>
		<u><u>-</u></u>

### 7. Interest-bearing loans and borrowings

Balance at 30 June 2007		57,636
Repayment of interest-bearing loans and borrowings	1(f)	<u>(10,553)</u>
		<u><u>47,083</u></u>

### 8. Issued capital

Balance at 30 June 2007		19,358,192
Issue from the exercise of options	1(a)	230,000
Issue from this Prospectus	1(b)	6,700,000
Costs of issue from this Prospectus	1(c)	<u>(425,000)</u>
		<u><u>25,863,192</u></u>

### 9. Accumulated losses

Balance at 30 June 2007		(3,124,002)
Interest received	1(g)	70,000
Payments for administration & corporate expenses	1(h)	(650,000)
Share of loss of equity accounted investees	1(k)	<u>(230,000)</u>
		<u><u>(3,934,002)</u></u>

## 2.5 Market price of Shares

The highest and lowest market prices of the Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	\$0.85	19 October, 2007
Lowest:	\$0.41	16 August, 2007

The volume weighted average sale price on the Australian Securities Exchange of the Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC was \$0.604.

The latest available market sale price of the Company's Shares on the Australian Securities Exchange prior to the date of lodgement of this Prospectus with ASIC was \$0.83 on 23 October 2007.

## Section 3 COMPANY INFORMATION

### 3.1 Background

Polaris is a Western Australian based company and was admitted to the Official List in April 2004. The Company initially focussed on gold and nickel exploration in the Southern Cross region of the Eastern Goldfields, WA. However, the identification of potential for iron ore on its tenements and the acquisition in 2006 of a large portfolio of tenements with iron ore potential from Heron Resources Limited (*Heron*) led to a change in direction. Polaris now has tenements spanning over 4,700km<sup>2</sup> across Western Australia's premier iron regions particularly in the Yilgarn. To consolidate the focus on iron ore Polaris spun out its uranium assets into Northern Uranium Limited in 2006 and is in the process of floating off the gold and nickel rights assets through subsidiary company, Southern Cross Goldfields Limited

### 3.2 Recent Developments

Exploration success in the past year has led to the prioritisation of two projects, Poondano and the Yilgarn Iron Ore Project while providing additional encouragement in a number of other prospects:

#### 3.2.1 Poondano Iron Ore Project

The 100% owned Poondano project, 30km southeast of Port Hedland, comprises a series of channel iron deposits (*CID*) that extend discontinuously over more than 20km.

A prefeasibility study (*PFS*) has commenced to assess the economics of mining and exporting 1.25-2.50 million tonnes per annum (*Mtpa*) of iron ore through the proposed Port Hedland Port Authority public access port facilities when available.

The presently assessed target potential at Poondano is 10-15Mt, based on Polaris' sampling of Poondano Central mesas, and drilling by Polaris earlier this year on Poondano West and its extension under the sand plain. The Poondano Central sampling results are comparable with the grades of Robe River Iron Ore fines and lump products, which have a high level of commercial acceptance in iron ore markets. The project is expected to produce a mixture of direct shipping ore (*DSO*) and ore requiring screen beneficiation.

Results from Polaris rock chip face sampling of mesas comprising the Poondano Central deposit in 2007 validate the expectations of commercial iron ore grades and thicknesses. The results indicate that the pisolitic CID in the mesas is up to 9m thick with average surface grades ranging from 55.8% - 58.0% Fe and individual one metre samples up to 60.9% Fe. Silica ranges between 4.49% and 7.41% SiO<sub>2</sub>, alumina between 1.26% and 2.54% Al<sub>2</sub>O<sub>3</sub>, phosphorus between 0.035% and 0.087% P and loss on ignition (*LOI*) between 9.7% and 11.2%.

The processes of obtaining statutory approvals for ground disturbance and drilling have now advanced across a sufficient number of targets for the Company to sign up a contractor for 8,000m of RC drilling. The drilling is expected to commence in November 2007.

Dependent on drilling success in 2007 and completion of a pre-feasibility study in mid 2008, is expected to commence a Bankable Feasibility Study (**BFS**) for the Poondano project. It is anticipated that the BFS should be completed by mid 2009.

The public access port at Port Headland is scheduled to be commissioned at a similar time and subject to securing a loading allocation, it is possible that iron ore product sales could commence in the second half of 2009.

### 3.2.2 Yilgarn Iron Ore Project (Yilgarn Project)

The Yilgarn Project encompasses approximately 1,000km<sup>2</sup> of mining tenements north of Koolyanobbing in Western Australia, with significant shipping grade mineralisation (60-70Mt target size) established in the 1970s, and additional exploration target potential being established by Polaris' current exploration. Most of the tenements are held 100% by Polaris.

Targeting a total resource base of as much as 200Mt in current exploration work, the Company believes the Yilgarn Project is capable of being developed to export 5-10Mt of iron ore annually for up to 20 years, based on the results of a recently completed economic evaluation study (**EES**).

The processes of obtaining Department of Industry and Resources and Department of Environment and Conservation (**DEC**) approvals for ground disturbance and drilling have now advanced across a sufficient number of targets for the Company to sign up a contractor for a 5,000m RC drilling program. The drilling is expected to commence in November 2007.

Following the recent completion of a positive EES the Polaris Board has decided to commence a pre-feasibility study (**PFS**), appointing engineering consultants Prodemas International Limited (**Prodemas**) to be the study manager. The key issues to be addressed by the PFS apart from resource reserve definition are the establishment of the key transport options (rail/port etc) and commencing the environmental approval process.

The major established deposit of iron ore mineralisation in the Yilgarn Project is the Canopus Deposit (formerly referred to as Bungalbin Eastern) which was discovered by BHP in the 1960s. Subsequently, various 'target size estimates' have been calculated for this deposit, which is reported in an Independent Geologist's Report and Valuation prepared for Polaris in July 2006 to contain 59Mt with 57.9% Fe, 0.15% P, 2.0% Al<sub>2</sub>O<sub>3</sub>, 4.6% SiO<sub>2</sub> and 9.8% LOI. In addition, Yilgarn Project tenements cover the new Carina, Chamaeleon and Vela prospects, which were recently discovered by Polaris and announced in the June Quarter 2007 Activities Report as having target potential of 40-60Mt.

(Note the BHP Canopus 'estimates' were prepared before the implementation of the current JORC Code and do not meet JORC compliance and therefore should only be regarded as estimates of size and grade of mineralisation.)

From 4 July 2000 until 3 July 2007 Portman Limited (**Portman**) had rights to explore for and mine iron ore on the tenement containing the Canopus Deposit and other tenements in the general vicinity (collectively **BIOP Tenements** under an agreement titled "Heads of Agreement Bungalbin Iron Ore Project" (**HOA**) originally made between Portman and Heron in 1999 and assigned to Polaris on 29 September 2006.

Under the HOA, if Portman had delineated iron ore deposits and commenced mining on BIOP Tenements, it would have been required to pay a royalty to Polaris at the rate of 2% of the FOB value it received for all iron ore transported from the tenements and sold. Portman failed to meet the requirement of the HOA to commence mining operations, having been allowed five years from 4 July 2000, and subsequently an extension for an additional two years to 3 July 2007 to do so.

As announced by Polaris on 10 July 2007, Polaris Directors resolved that based on detailed legal opinions the rights of Portman to explore for and mine iron ore on BIOP mining tenements ceased on 3 July 2007. Portman subsequently announced that it does not agree that its rights have ceased and the matter is currently unresolved pending commercial discussions and possible legal action.

### 3.2.3 Regional Exploration

#### **Johnston Range JV Project (Polaris earning 70%, Golden State Resources Ltd reducing to 30%)**

The Johnston Range Project is situated in the Yilgarn Iron Province, 160km north of Southern Cross.

Mapping and surface geochemical sampling in 2006 identified poorly outcropping hematite-goethite iron mineralisation with high grade iron assay results. The highest rock chip result was 65.2% Fe, 2.87% SiO<sub>2</sub>, 1.24% Al<sub>2</sub>O<sub>3</sub> and 0.065% P.

Follow up reconnaissance gravity results combined with the mapping and sampling information identified seven iron ore targets for drill testing.

Reconnaissance drilling is planned for late 2007.

#### **Windarling East Project**

The Windarling East Project is also situated in the Yilgarn Iron Province, east of the Windarling iron ore mine of Portman. Outcrop is poor; but a reconnaissance gravity survey found anomalies associated with discrete aeromagnetic highs which could be Windarling-type iron mineralisation. Windarling is a 60 Mt deposit grading 63.6% Fe.

Drilling is anticipated in 2008.

#### **Evanston JV Project (Polaris earning 70%, Perseverance Corporation Limited 30%)**

The Evanston JV Project is situated near the Johnston Range Project, 160km north of Southern Cross.

Gravity surveying and reconnaissance geological mapping over the Die Hardy Ranges identified nine iron ore targets. Mapping found a number of goethite and detrital iron outcrops, with the most extensive being a 300-400 metre long outcrop of vitreous goethite which is up to 15m wide. Rock chip sampling of the iron ore targets yielded up to 64.6% Fe, 2.01% SiO<sub>2</sub>, 0.60% Al<sub>2</sub>O<sub>3</sub> and 0.035% P. Much of the Diehardy Ranges BIF is unusually enriched in iron, with rock chip assays consistently in the range 40-45% Fe. The area has potential for large scale magnetite deposits.

Drilling of the targets in the Evanston project is likely to be delayed until 2008 due to DEC concerns about the possibility of rare flora being present.

### **Perrinvale Project**

The Perrinvale Project is situated 100km west-northwest of Menzies in the Eastern Goldfields. Initial geological reconnaissance for iron ore identified an 800m by 100m area of outcropping hematite/goethite mineralisation from which samples averaged 60.36% Fe, 3.48% SiO<sub>2</sub>, 1.89% Al<sub>2</sub>O<sub>3</sub>, 0.085% P and 7.32% LOI. The trend of the mineralisation has been traced in a northerly direction for approximately 7km, and numerous rock chip samples produced ore grade assays.

Aboriginal Heritage surveys have been completed in three survey areas. Although a number of rock holes and artifice sites were identified, these should not restrict the future exploration proposed by Polaris.

In view of the project being some 100km northeast of the Company's main area of interest north of Koolyanobbing, and accordingly having less favourable infrastructure, Polaris is currently reviewing its options for Perrinvale.

### **Goldsworthy JV Project**

The Goldsworthy JV (Polaris earning 70% Perseverance Corporation Limited 30%) project area consists of a 120km<sup>2</sup> exploration licence located approximately 100km east of Port Hedland. Polaris' exploration objective has been discovery of iron ore deposits similar to the 65Mt mined out Mt Goldsworthy deposit which is located within an adjacent BHP Billiton mining lease.

A total of 2,168m of reverse circulation drilling was completed by Polaris in 2007, with 43 holes drilled to depths ranging from 6m to 114m.

The drilling tested concealed gravity anomalies and potential subcrop CID. None of these holes encountered hematitic iron ore of the Mt Goldsworthy type. However, one of the holes established the presence of CID, making an intersection of 3m at 47% Fe. Previous exploration data and Polaris gravity results suggest the CID extends over several kilometres and warrants further investigation.

### **De Grey Project**

The De Grey project consists of an exploration licence contiguous with, and extending northeast of the Poondano exploration licence. The area is extensively soil covered and has potential for buried CID palaeochannels. The Company completed a gravity survey over a part of the area where airborne magnetics indicate concealed iron formations of the type being explored by Atlas Iron with some success in adjacent tenements. Gravity anomalies were detected and these will be followed up with drilling in 2008.

### **Ashburton Project**

The project consists of four granted exploration licences that cover 532km<sup>2</sup> located 10-40km south of Rio Tinto's Paraburdoo iron ore mine in the southern Pilbara region. The area is considered prospective for transported iron ore deposits such as buried Robe pisolitic CID or surficial iron-rich gravels in palaeo-drainages from the ranges hosting the Paraburdoo iron deposits.

### **Other Pilbara Projects**

The Company acquired several other projects from Heron that will warrant exploration when the tenements are granted.

## 3.2.4 Onslow salt Project

### **Onslow Project (Polaris 100% reducing to 50%, Solaris earning 50%)**

The Onslow Project comprises three granted exploration licences south-west and north of Onslow on the north-west coast of Western Australia. The original intent of the licences was to cover 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.

An agreement with consulting engineers Prodemas as earn-in partner is aimed at the development of a new solar salt project in the Onslow tenements, which are contiguous with and/or in close proximity to the existing solar salt operations of Onslow Salt.

Under the terms of the agreement, Prodemas has earned a 10% stake in the salt project by completing a scoping study. Prodemas now has the right to introduce an equity partner to meet the first \$10 million of the project's development costs, taking Prodemas and its partner's interest in the project up to 50%. Polaris will hold 50% interest free carried for the first \$10 million of expenditure.

## 3.3 Information on Directors

The current Board of Directors are identified below. Changes to the Board are anticipated as follows:

- > Colin McCavana will not seek re-election at the Annual General Meeting on November 14, 2007 and will stand down owing to recently increased work commitments as managing director of another listed company.
- > Kevin Schultz has indicated that he will retire from his position as Managing Director of Polaris once a suitable successor has been identified and hand-over completed. Kevin will stay on the Board as a non-Executive director. The task of identifying a replacement is in train.

### **Lewis George Cross** - Non executive Chairman

Mr Cross is a Certified Practising Accountant and principal of the firm CrossCorp Accounting, which has been established for over 28 years. He has a Bachelor of Business majoring in Accounting from Curtin University and is a Fellow of the Institute of Company Directors. Mr Cross has been involved in the mining industry for many decades both in Australia and overseas. Mr Cross is also a member of the audit and remuneration committees of the Company. Mr Cross is also a director of the following listed companies:

- > Golden State Resources Limited
- > Aspermont Limited

### **Kevin Schultz** - Managing Director (see note under 3.3 above)

Mr Schultz, a geologist and mining engineer from the Western Australia School of Mines, is a Fellow of the Australasian Institute of Mining and Metallurgy (Chartered Professional). He has extensive experience in mining and mineral exploration management which commenced in the 1968-1970 nickel boom when he was responsible for the discovery of the Carr Boyd Rocks nickel-copper deposit. Over the ensuing 37 years his management of exploration programs and feasibility studies has ranged across a variety of mineral commodities including gold, iron ore and uranium.

Mr Schultz is responsible for the day to day operation of the Company's business and interface with government departments and local authorities, ensuring compliance with licence agreements and regulations. Mr Schultz is also a director of the following listed company:

- > Northern Uranium Limited

**Vernon Wesley Strange** - Non executive Director

Mr Strange is a businessman and the owner of drilling contracting company Southern Cross Drilling Services. He has been actively involved in the mineral business, including mining, exploration and prospecting, for over 20 years. Based in Southern Cross he has extensive experience and knowledge of the Yilgarn Goldfields and this experience, and his many local contacts among Southern Cross miners, prospectors and farmers, provides the Company with extensive contacts in the area. He was a former President of the Yilgarn Prospectors' Association and Delegate for the Australian Prospectors' and Leaseholders' Association. Mr Strange is a director of Southern Cross Goldfields Limited, a proposed ASX listing for late 2007.

**Colin James McCavana** - Non executive Director (see note under 3.3 above)

Mr McCavana is also the Managing Director of ASX listed Haddington Resources Limited, a tantalite miner which has recently completed the transition to mining services including drilling, geophysical and project development services. Mr McCavana has over 27 years world wide management experience in the mining industry, many of which have been related to acquisition, development and operation of mineral recovery projects. Mr McCavana is a Fellow of the Australian Institute of Company Directors and a member of the Australasian Institute of Mining and Metallurgy. Mr McCavana is also a member of the audit and remuneration committees of the Company. Mr McCavana is also a director of the following listed companies:

- > Haddington Resources Limited
- > Northern Uranium Limited

**Ian James Buchhorn** - Non executive Director

Mr Buchhorn is a mineral economist and geologist with over 30 years of experience. Prior to listing Heron in 1996 as founding managing director, he worked with Anglo American Corporation in Southern Africa; and Comalco, Shell/Billiton and Elders Resources in Australia, as well as setting up and managing Australia's first specialist mining grade control consultancy. In addition to his strong record in base metals exploration, his mining experience includes bauxite and industrial minerals, and he has commissioned several open cut gold mines. Mr Buchhorn is a director of Southern Cross Goldfields Limited, a proposed ASX listing for late 2007. Mr Buchhorn is also a director of the following listed companies:

- > Heron Resources Limited
- > Rubicon Resources Limited

## **Section 4 ACTION REQUIRED BY SHAREHOLDERS**

### **4.1 What Eligible Shareholders may do**

The number of New Shares to which Eligible Shareholders are entitled (your Entitlement) is shown on the accompanying Application Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

As an Eligible Shareholder, you may:

- take up all of your Entitlement;
- apply for Additional New Shares (refer Sections 4.3 and 1.4);
- sell all of your Entitlement on the Australian Securities Exchange (refer Section 4.4);
- take up part of your Entitlement and sell the balance on the Australian Securities Exchange (refer Section 4.5);
- take up part of your Entitlement and allow the balance to lapse (refer Section 4.6);
- deal with part or all of your Entitlement other than on the Australian Securities Exchange (refer Section 4.7); or
- allow all or part of your Entitlement to lapse (refer section 4.8).

Non-qualifying Foreign Shareholders may not take any of the steps set out in Sections 4.2 to 4.7.

### **4.2 Taking up all of your Entitlement**

If you wish to take up all of your Entitlement, complete the accompanying Application Form for New Shares and in accordance with the instructions set out in that form.

You should then forward your completed Application Form together with your Application Money in accordance with Section 4.9 to reach the Company's Share Registry no later than 5.00 pm on 28 November 2007.

### **4.3 Applications for Additional New Shares**

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Shares as described in section 1.4.

A single cheque should be used for the Application Money for your Entitlement and the number of Additional New Shares you wish to apply for as stated on the Application Form.

### **4.4 Selling all your Entitlement on the Australian Securities Exchange**

If you wish to sell all of your Entitlement on the Australian Securities Exchange, complete the appropriate section on the back of the accompanying Application Form marked "Instructions to Your Stockbroker" and lodge the Application Form with your stockbroker as soon as possible, or otherwise provide instructions to your stockbroker regarding the

number of Rights you wish to sell on the Australian Securities Exchange. You can sell your Rights on the Australian Securities Exchange from 2 November 2007 until 21 November 2007.

The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

#### **4.5 Taking up part of your Entitlement and selling the balance on the Australian Securities Exchange**

If you wish to take up only part of your Entitlement, complete the accompanying Application Form for the number of New Shares you wish to take up and follow the steps required in accordance with Section 4.2. You may then provide instructions to your stockbroker regarding the number of Rights you wish to sell on the Australian Securities Exchange.

#### **4.6 Taking up part of your Entitlement and allowing the balance to lapse**

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the accompanying Application Form for the number of New Shares you wish to take up and follow the steps required in accordance with Section 4.2. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from selling/trading your Rights.

#### **4.7 Dealing with part or all of your Entitlement other than on the Australian Securities Exchange**

You may transfer all or part of your Rights to another person other than on the Australian Securities Exchange provided that the purchaser is not a Non-qualifying Foreign Shareholder or would not be a Non-qualifying Foreign Shareholder if the purchaser was the registered holder of Shares.

If you wish to transfer all of your Entitlement to another person other than on the Australian Securities Exchange, forward a completed standard renunciation form (obtainable from the Company's Share Registry) and the applicable transferee's cheque or bank draft for any Application Money for the New Shares they wish to subscribe for to the Company's Share Registry by 5:00pm on 28 November 2007.

If you wish to transfer part of your Entitlement to another person other than on the Australian Securities Exchange only, but also want to take up some or all of the balance of your Entitlement, you will need to take the steps described above in relation to the Rights you wish to transfer and complete the accompanying Application Form in respect of the Rights you wish to take up. You will need to lodge the form in accordance with the procedure in Section 4.2.

If the Share Registry receives both a completed renunciation form and a completed Application Form in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

#### **4.8 Allow all or part of your Entitlement to lapse**

Your Rights may have value. Rights are renounceable, which enable Eligible Shareholders who do not wish to accept some or all of their Entitlement to sell or trade all or part of their Rights on the Australian Securities Exchange.

### 4.9 Payment

The Application Price for New Shares is payable in full on application by a payment of 60 cents per New Share. The Application Form must be accompanied by a cheque or bank draft for the Application Monies.

Cheques or bank drafts must be drawn in Australian currency on an Australian bank and made payable to "***Polaris Metals NL - Subscription Account***" and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account to cover the cheque. If the amount of your cheque for Application Money is not sufficient to pay for the number of New Shares you have applied for, you may be taken to have applied for such lower number of New Shares as your cleared Application Money will pay for or your Application may be rejected.

**CHEQUES SHOULD BE MADE PAYABLE TO  
"POLARIS METALS NL - SUBSCRIPTION ACCOUNT"  
AND CROSSED NOT NEGOTIABLE.**

### 4.10 Enquiries

If you have any questions about your Entitlement please contact the Company's Share Registry on (08) 9315 2333.

Alternatively, contact your stockbroker or other professional adviser.

### 4.11 Brokerage

No brokerage or stamp duty is payable by Shareholders who accept their Entitlement to New Shares.

## Section 5 RISK FACTORS

The New Shares offered under this Prospectus are considered speculative because of the inherent risks associated with minerals exploration, appraisal, development, production, transport and marketing. In addition, there are risks inherent in investing in the share market in general.

The Directors have considered and identified in this section of the Prospectus the critical areas of risk associated with investing in the New Shares. The risks identified by the Directors are not exhaustive and potential investors should read this Prospectus in full and seek professional advice if they require further information on material risks in deciding whether to subscribe for New Shares.

Specific risks associated with the Yilgarn Project include:

- > Proposal by the Department of Environment and Conservation to extend the Mount Manning A-class Nature Reserve to cover Banded Ironstone ranges which contain some of the Polaris iron ore targets. The zoning of the key Polaris targets was ratified in September 2007 as a Conservation Park, a land use which includes both mining and conservation.
- > A WA Government response to a strategic review of Banded Iron Formation (BIF) Ranges of the Midwest and Goldfields (prepared by the DEC and DoIR) recommended that the Helena-Aurora Ranges be preserved owing to high conservation values. A key exception was the Bungalbin Eastern (Canopus) deposit area. As a consequence the majority of Polaris' prospects are available for assessment and development, subject to the normal approval processes. Officers from the Minister for Energy, Resources, Industry and Enterprise advise the BIF Report will be considered as a non-binding indication of areas with a "predisposition" to conservation and, as such, mining applications would proceed as usual and be determined by the EPA as usual.
- > A dispute with Portman Limited as to whether a previous agreement covering the Bungalbin Eastern Deposit and other prospects has terminated. The parties have reached an agreement in principal for a commercial resolution and are currently under-taking due diligence studies.

### 5.1 Specific Risks

#### 5.1.1 Exploration Risks

All of the Company's projects are at the exploration stage. The business of minerals exploration, project development and production involves risks by its very nature. There can be no assurance that exploration of the tenements, or any other tenement in which the Company may acquire an interest in the future, will result in the discovery of an economic mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it will be able to be profitably exploited.

Exploration and development may be hampered by mining, heritage and environmental legislation, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies. Any exploitation of a deposit will involve the need to obtain licences or clearances from relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied.

Exploration may ultimately be unsuccessful, resulting in a reduction of the value of the Company's projects, diminution in the cash reserves of the Company and

possible relinquishment of the exploration tenements. Outcomes of the exploration program outlined in this Prospectus will affect the future performance of the Company and its Shares.

### **5.1.2 Production Risks**

Operations such as design and construction of efficient mining and processing facilities, competent operation and managerial performance, and efficient transport and marketing services, are required to be successful. In particular production operations can be hampered by force majeure circumstances, engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events. In the event the Company proceeds to development of economic deposits production may be affected by these matters.

### **5.1.3 Access to Land**

Significant delays may be experienced in gaining access to privately owned freehold or leasehold land. Delays may be caused by weather, deference to landholders' activities such as cropping, harvesting, calving and mustering, and other factors.

### **5.1.4 Cultural Heritage**

Delays may be experienced if evidence of Aboriginal cultural heritage exists on any land to which the Company requires access.

When exercising a right or permission for access to any land, it is an offence, to disturb physical evidence of human occupation of prehistoric or historic significance without statutory permission. This restriction applies to any activity including minerals exploration and production.

The Company has not undertaken the comprehensive research, investigations or enquiries which would be necessary to enable it to form an opinion with certainty as to whether any such evidence exists on any land covered by Polaris's wholly-owned or optioned tenements.

### **5.1.5 Environmental Impact Constraints**

The Company's exploration and appraisal programs will, in general, be subject to approval by government authorities. Development of any mineral resources will be dependent on the Company being able to obtain environmental approvals to carry out its planned activities, and then being able to meet all environmental conditions placed on such activities.

### **5.1.6 Exploration and Appraisal Expenditure**

Exploration and appraisal is a process subject to unforeseen contingencies. Exploration programs must be flexible enough to respond to the results obtained.

The actual scope, costs and timetables of exploration programs may differ substantially from the proposals set out in this Prospectus. Financial failure, or default by any future alliance or joint venture partner of the Company, may require the Company to face unplanned expenditure or risk forfeiting relevant tenements.

## **5.1.7 Funding**

Unless and until the Company develops or acquires income producing assets, it will be dependent upon the funds raised by this Offer, and its ability to obtain future equity or debt funding to support exploration evaluation and development of the properties in which it has an interest. The Company's ability to raise further equity or debt or to divest part of its interest in a project, and the terms of such transactions, will vary according to a number of factors, including the success of exploration results and the future development of the Company's projects, stock market conditions and prices for metals in world markets.

## **5.1.8 Key Personnel**

The ability of the Company to achieve its objectives depends on the retention of key external contractors who constitute its technical panel and provide technical expertise. If the Company cannot secure external technical expertise (for example to carry out drilling) or if the services of the present technical panel cease to become available to the Company, this may affect the Company's ability to achieve its objectives either fully or within the timeframes and the budget the Company has decided upon.

## **5.1.9 Volatility in the price of minerals**

Commodity prices are influenced by the physical and investment demand for those commodities. Fluctuations in commodity prices may influence timing, viability and management of projects in which the Company has an interest.

## **5.1.10 Iron Ore price volatility**

Iron Ore prices are influenced by a number of international factors including supply and demand factors, geo-political events, and exchange rates. The price of iron ore in Australian dollars will influence the returns on the Polaris mining projects.

## **5.1.11 Volatility in the market price of Shares**

Although the Company is listed on the Official List, there is no assurance that an active trading market for its Shares will be sustained. There is also no assurance that the market price for the Shares will not decline below the issue price. The market price of the Shares could be subject to significant fluctuations due to various external factors and events, including the liquidity of the Shares in the market, any difference between the Company's actual financial or operating results and broader market-wide fluctuations. Furthermore, any stock market volatility and weakness could result in the market price of the Shares decreasing so that they trade at prices significantly below the issue price, without regard to the Company's operating performance.

## **5.1.12 Negative publicity may adversely affect the Share Price**

Any negative publicity or announcement relating to any of our substantial shareholders or key personnel may adversely affect the stock performance of the Company, whether or not this is justifiable. Examples of this negative publicity or announcement may include involvement in legal or insolvency proceedings, failed attempts in takeovers, joint ventures or other business transactions.

## **5.1.13 Insurance Risks**

The Company maintains insurance coverage that is substantially consistent with exploration industry practice. However, there is no guarantee that such insurance or any future necessary coverage will be available to the Company at economically viable premiums (if at all) or that, in the event of a claim, the level of insurance carried by the Company now or in the future will be adequate, or that a liability or other claim would not materially and adversely affect the Company's business.

## **5.1.14 Construction Capital Costs**

The Company is conscious that at present, there is competition for skilled labour and that material costs have increased. The impact of these factors is that there are upward costs pressures in the market.

## **5.2 General Risks**

### **5.2.1 General Economic Climate**

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on operating costs and on metals prices.

The Company's future income, asset values and share price can be affected by these factors and, in particular, by the market price for any metals that the Company may produce and sell.

### **5.2.2 Stock Market Conditions**

The market price of the New Shares when quoted on the Australian Securities Exchange will be influenced by international domestic factors affecting conditions in equity and financial markets. These factors may affect the prices for the securities of minerals exploration companies quoted on the Australian Securities Exchange, including Polaris.

The stock market has in the past and may in the future be affected by a number of matters including:

- > commodity prices;
- > market confidence;
- > supply and demand for money; and
- > currency exchange rates.

### **5.2.3 Commodity Prices May Go Down**

The demand for, and price of, commodities is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative commodities, actions taken by governments and international cartels, and global economic and political developments. Commodity prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in commodity prices and, in particular, a material decline in the price of commodities may have a materially adverse effect on the Company's business, financial condition and results of operations.

### **5.2.4 Governments May Stop Exploration and Production Activities**

Any material adverse changes in government policies or legislation of any countries in which it may operate may affect the viability and profitability of the Company.

### **5.2.5 Foreign Currency And Exchange Rate Fluctuations**

Revenue and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure.

The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to assist manage these risks. However, the implementation of such measures may not eliminate all such risks and the measures themselves may expose the Company to related risks.

### **5.2.6 Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares in the Company.

**Section 6 ADDITIONAL INFORMATION**

**6.1 Nature of the Prospectus**

This Prospectus is a short form prospectus issued under section 713 of the Corporations Act which allows the issue of a short form prospectus in relation to offers of securities where those securities are of a class which have been quoted for twelve months before the date of that prospectus.

**6.2 Further documents**

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. In addition, any person considering this offer is entitled to receive a copy of the most recently lodged annual financial report and any continuous disclosure notices given by the Company after the lodgement of that financial report. The Company will give copies of those documents to any person who requests them free of charge.

**6.3 Tenement Schedule**

<b>Tenement</b>	<b>Status</b>	<b>Interest</b>	<b>Tenement</b>	<b>Status</b>	<b>Interest</b>
<b>Ashburton</b>			<b>Bullfinch North</b>		
E08/1511 to E08/1513	Granted	100%	P77/3301 to 3303	Granted	80%
E47/1528	Granted	100%	P77/3304	Pending	80%
<b>Bandicoot Range</b>			P77/3307	Granted	80%
E80/3367	Pending	100%	P77/3313	Granted	80%
<b>Battler</b>			P77/3335 to 3336	Granted	75%
M77/1025	Granted	100%	P77/3556 to 3557	Pending	75%
M77/1044	Granted	100%	P77/3624 to 3636	Pending	75%
M77/166	Granted	100%	<b>Bungalbin</b>		
<b>British Hill</b>			E77/1071	Granted	100%
M77/1098	Pending	75%	E77/1076 to 1077	Granted	100%
P77/3308 to 3312	Granted	75%	E77/1097	Granted	100%
P77/3649 to 3653	Pending	75%	E77/1099	Granted	100%
<b>British Hill North</b>			E77/1115	Granted	100%
E77/1063	Granted	100%	E77/1129	Pending	100%
E77/1171	Granted	100%	E77/1130	Granted	100%
P77/3429 to 3430	Granted	100%	E77/1382 to 1383	Pending	100%
<b>Bullfinch North</b>			E77/1418	Pending	100%
E77/1010	Granted	80%	E77/1419	Pending	100%
E77/1012	Granted	80%	E77/842	Granted	100%
E77/1022	Granted	75%	E77/896	Granted	100%
E77/1048	Granted	75%	E77/919	Granted	100%
E77/1058	Granted	75%	E77/946	Granted	100%
E77/1283	Granted	75%	E77/947	Pending	100%
E77/1368 to E77/1374	Pending	75%	M77/1095 to 1097	Pending	100%
E77/1390 to 1391	Pending	75%	M77/1109	Granted	100%
E77/474	Granted	75%	M77/1110	Pending	100%
E77/485	Granted	75%	M77/1112 to 1119	Pending	100%
E77/733	Granted	75%	M77/1165	Pending	100%
E77/879	Granted	75%	M77/1242	Granted	100%
E77/907	Granted	75%	M77/1243	Pending	100%
E77/920	Granted	75%	P77/3371 to 3372	Granted	100%

## Polaris Metals NL

Tenement	Status	Interest	Tenement	Status	Interest
E77/922	Granted	75%	P77/3871 to 3872	Pending	100%
E77/924	Granted	75%	P77/3882 to 3887	Pending	100%
E77/933	Granted	75%	<b>Caliwinga Creek</b>		
E77/944	Granted	75%	E47/1558	Pending	100%
M77/1050	Pending	75%	<b>Centipede</b>		
M77/1058 to 1060	Pending	75%	M77/1102	Granted	75%
M77/1062	Pending	75%	P77/3340	Granted	75%
M77/1064	Pending	75%	P77/3353	Granted	75%
M77/1081 to 1082	Pending	75%	<b>Clampton North</b>		
M77/1089 to 1090	Pending	80%	E77/1423 to 1424	Pending	80%
M77/1094	Pending	80%	E77/862	Granted	80%
M77/1099	Pending	75%	E77/864	Granted	80%
M77/1101	Pending	80%	M77/1186 to M77/1202	Pending	80%
M77/1103	Pending	80%	P77/3468 to 3469	Granted	80%
M77/1121 to 1123	Pending	80%	P77/3814 to 3817	Pending	80%
M77/1203 to M77/1212	Pending	75%	<b>Copper Bore</b>		
M77/1213 to M77/1215	Pending	80%	E77/1375	Pending	38%
M77/1216 to M77/1230	Pending	75%	M77/1176 to M77/1179	Pending	38%
M77/123	Granted	80%	M77/973	Pending	38%
M77/228	Granted	80%	P77/3134	Granted	38%
P77/3292	Granted	75%	<b>Denison Range</b>		
P77/3295	Granted	80%	E80/2907	Granted	20%
			E80/3274	Granted	20%

Tenement	Status	Interest	Tenement	Status	Interest
<b>Die-Hardy Range</b>			<b>Mt Elvire</b>		
E77/1293	Granted	option	E77/1342	Granted	100%
P77/3564 to 3565	Pending	option	<b>Newfield</b>		
<b>Ennuin</b>			P77/3328 to 3330	Pending	option
P77/3324 to 3327	Granted	option	<b>Northam</b>		
<b>Evanston</b>			E70/2782 to 2784	Pending	100%
E77/1107	Granted	70%	E70/2784	Granted	100%
E77/1122	Granted	70%	<b>Onslow</b>		
E77/1376	Pending	70%	E08/1458	Granted	100%
M77/1231 to 1241	Pending	70%	E08/1465	Granted	100%
<b>Gibbings Island</b>			E08/1524	Granted	100%
E04/1553	Granted	100%	E08/1791	Pending	100%
<b>Glendower</b>			E08/1818 to 1821	Pending	100%
M77/797	Pending	100%	<b>Pannawonica</b>		
M77/868	Pending	100%	E47/1525	Pending	100%
P77/2917 to 2919	Granted	100%	E47/1526 to 1527	Granted	100%
P77/3048	Granted	100%	<b>Perrinvale</b>		
P77/3523 to 3526	Pending	100%	E29/435	Granted	100%
P77/3645 to 3648	Pending	100%	E29/593	Pending	100%
<b>Goldsworthy</b>			E29/564	Granted	100%
E45/2358	Granted	70%	E29/653 to 655	Pending	100%
<b>Jackson</b>			E30/203	Granted	100%
E77/1125	Granted	75%	E30/226	Granted	100%
E77/1145	Granted	75%	E30/254	Granted	100%
E77/1202	Granted	100%	E30/331	Pending	100%
P77/3337	Granted	100%	M29/402 to 407	Pending	100%
P77/3338	Granted	100%	M30/242	Pending	100%

## Polaris Metals NL

Tenement	Status	Interest	Tenement	Status	Interest
P77/3401 to 3403	Granted	75%	P29/1922 to 1927	Pending	100%
P77/3424	Granted	75%	P30/1011	Pending	100%
P77/3426	Granted	75%	<b>Poondano De Gray</b>		
<b>Jackson North</b>			E45/2723	Granted	100%
E77/1384	Pending	100%	E45/2736	Granted	100%
<b>Jamieson Range</b>			E45/3113 to 3115	Pending	100%
E69/2032	Granted	100%	<b>Rainy Rocks</b>		
<b>Johnston Range</b>			E77/1268	Pending	100%
E77/1038	Granted	70%	P77/3317 to 3322	Granted	100%
E77/1155	Granted	70%	P77/3470	Pending	100%
E77/1387 to 1389	Pending	70%	P77/3553 to 3555	Pending	100%
E77/961	Granted	70%	<b>Spring Hill West</b>		
M77/1166 to 1168	Pending	70%	M77/918	Pending	option
M77/1170 to 1175	Pending	70%	P77/3427 to 3428	Pending	100%
M77/1180 to 1185	Pending	70%	P77/3818	Granted	100%
P77/3670 to 3677	Pending	70%	<b>Toomey Hills</b>		
<b>Kawana</b>			E77/1314	Pending	100%
E77/1093	Granted	80%	<b>Weelumurra Creek</b>		
<b>Koolyanobbing</b>			E47/1557	Pending	100%
E77/1272	Pending	100%	<b>Windarling East</b>		
<b>Le Steere</b>			E77/1294	Granted	100%
E69/2126	Pending	100%	E77/1459	Pending	100%
E69/2377	Pending	100%	<b>Windarling Peak</b>		
<b>Milly Milly</b>			E77/1353	Pending	100%
E09/1277	Granted	100%	<b>Yarbu</b>		
<b>Mount Manning</b>			E77/1102	Granted	100%
E77/1315	Pending	100%	P77/3272 to 3273	Granted	option
			P77/3373 to 3375	Granted	100%

### 6.4 ASX listing

The Company participates in CHESS and will despatch holding statements in lieu of share certificates that set out the number of New Shares issued to each successful Applicant under this Prospectus.

It is the responsibility of Applicants to determine their allocation before trading in the New Shares. Applicants who sell New Shares before they receive their statement do so at their own risk.

### 6.5 Rights attaching to New Shares

The rights attaching to ownership of Shares (including New Shares) are:

- > described in the Constitution; and
- > regulated by the *Corporations Act*, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of Shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

## **6.6 Meetings and notices**

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, financial reports and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

## **6.7 Voting**

At meetings of Shareholders, every Shareholder present in person or by proxy, attorney or representative has one vote on a vote taken by a show of hands, and, on a poll has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid share. A poll may be demanded by the chairperson of the meeting, by any five Shareholders present in person or by proxy, attorney or representative or by any one or more Shareholders who are together entitled to not less than 5% of the votes that may be cast on the resolution on a poll.

## **6.8 Dividends**

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors.

## **6.9 Transfer**

A Shareholder may transfer all or any of its Shares by:

- in the case of an ASTC-regulated transfer, in any manner required or permitted by the Listing Rules or the ASTC Settlement Rules;
- in other cases, using any written transfer instrument in any common form or form approved or adopted by ASX or the Directors.

The Directors may decline to register any transfer where permitted to do so by the Listing Rules and must decline to register a transfer of Shares where required by the Listing Rules.

## **6.10 Liquidation Rights**

The Company has one class of shares on issue, ordinary shares. Each ordinary Share ranks equally in the event of liquidation.

## **6.11 Variation of Rights**

Subject to the Listing Rules, the rights attached to the Shares may be varied with the consent in writing of shareholders holding three-quarters of the Shares or by a special resolution passed at a separate meeting of the holders of the Shares in accordance with the Corporations Act.

The Directors may, subject to the restrictions on allotment of shares imposed by the Constitution, the Corporations Act and the Listing Rules, from time to time issue and allot further shares on such terms and conditions as they see fit.

## **6.12 Alteration of constitution**

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

## 6.13 Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company and indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company.

## 6.14 Taxation

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with the acquisition, sale or exercising of Rights, or the subsequent disposal of any Shares subscribed for under this Prospectus. The Directors recommend that all Eligible Shareholders consult their own professional tax advisors.

## 6.15 Material Contracts

### Underwriting Agreement

Under an underwriting agreement dated 25 October 2007 (***Underwriting Agreement***), Patersons Securities Limited (***Underwriter***) has agreed to underwrite the Offer.

Upon completion, the Underwriter will receive an underwriting fee of 4% and a management fee of 1% of the amount underwritten. The Underwriter will also receive payment of reasonable costs and expenses incurred by the Underwriter in connection with the Offer. The Company will also pay any GST applicable to any fee payable to the Underwriter under the Underwriting Agreement.

The Underwriter has discretion to terminate the Underwriting Agreement for reasons that are standard in agreements of this nature.

Heron Resources Ltd (***Heron***) has agreed to sub-underwrite \$1,783,783 and Lion Diversified Holdings Berhad (***LDHB***) has agreed to sub-underwrite \$2,220,000, both on the same terms as other sub-underwriters. Both Heron and LDHB have indicated their intention to fully take up their entitlements which together currently accounts for approximately 45.8% of the Rights.

If no other shareholder takes up its entitlement, based on their respective sub-underwriting positions, Heron will be entitled to subscribe for approximately 1.6 million additional New Shares which would result in its interest in the Company increasing from the current level of approximately 26.6% to approximately 27.9% (an increase of approximately 1.3%) and LDHB will be entitled to subscribe for up to approximately 2 million additional New Shares which would result in LDHB's interest (and its associates) in the Company increasing from the current level of approximately 19.3% to up to approximately 20.9% (an increase of approximately 1.6%).

## 6.16 Privacy

If you apply for New Shares, you will provide personal information to the Company. Company laws and tax laws require some of the information to be collected and kept. The Company will collect, hold and use the information provided by you to process your application and to administer your investment in the Company.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process your application.

## Polaris Metals NL

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The Company may disclose your personal information for purposes related to your investment to the Company's agents and service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- the Underwriter to confirm applications; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising, on the Shares and for associated actions.

The Company complies with its legal obligations under the Privacy Act 1988 (Cth).

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

### 6.17 Information Available to Shareholders

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. In addition, the Company will provide, upon request and free of charge, any or all of the following documents to any person considering this offer:

- (a) the 2007 Annual Report of Polaris which contains the financial statements and consolidated financial statements for the year ended 30 June 2007;
- (b) the following documents notifying ASX of information relating to Polaris during the period after lodgement of the financial statements contained in the 2007 Annual Report and before the issue of this Prospectus;

Date	Announcement
02/10/07	Drilling and Pre-feasibility Studies
10/10/07	Release of Shares from Escrow
10/10/07	Notice of Annual General Meeting/Proxy Form
11/10/07	Appendix 3B and Section 708A Notice
17/10/07	Response to ASX Query
18/10/07	Memorandum of Understanding with Toll Holdings
22/10/07	Response to ASX Query re: Share Price
23/10/07	Appendix 3B - Release from Escrow
24/10/07	Change of Director`s Interest Notice
24/10/07	Appendix 3B - Exercise of Options
24/10/07	Trading Halt
25/10/07	Government Review Confirms Access to Bungalbin East Deposit
25/10/07	Fully Underwritten Renounceable Rights Issue

### 6.18 Interests of Directors

Interests in the shares and options of the company and related bodies corporate:

	<b>Ordinary Shares</b>	<b>Listed 31/12/08 \$0.20 Options</b>	<b>Unlisted 31/12/08 \$0.25 Options</b>
Lewis George Cross	1,040,001	1,020,001	500,000
Kevin Schultz	961,207	951,207	1,000,000
Vernon Wesley Strange	518,873	1,075,405	500,000
Colin James McCavana	2,680,533	2,480,533	500,000
Ian James Buchhorn	375,000	-	-

Ian Buchhorn has agreed to sub-underwrite \$200,000 Shares on the same terms and conditions as other sub-underwriters.

### 6.19 Interests and Consents of Experts and Advisers

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named:

- Patersons Securities Limited, in the capacity of Underwriter and Lead Manager;
- Wright Legal, in the capacity of solicitor to the Company;

Each of Patersons Securities Limited and Wright Legal:

- has not authorised or caused the issue of this Prospectus;
- has not made any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, except where expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and except where expressly stated above; and
- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

Patersons Securities Limited is acting as Underwriter and Lead Manager and for this is being paid an underwriting fee of 4% and a management fee of 1% of the funds underwritten under the Offer. Patersons Securities Limited is also entitled to reimbursement of out of pocket expenses.

Wright Legal is acting as Solicitor to the Company and for this is being paid a fee of approximately \$12,000 (plus GST).

### 6.20 Electronic prospectus

Pursuant to class order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus in the basis of a paper Prospectus lodged with ASIC and the issue of shares in response to an electronic application, subject to compliance with certain provisions.

If you have received this Prospectus as and Electronic Prospectus please ensure that you have the entire Prospectus accompanied by the Application Form. If you have not, please e-mail the Company at [info@polarismetals.com.au](mailto:info@polarismetals.com.au) and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided with an entire copy of the Prospectus and any relevant supplementary or replacement material or any of those documents were incomplete or altered. In such case, the Application monies received will be dealt with in accordance with section 722 of the Corporations Act.

### 6.21 Directors authorisation

Each Director of Polaris Metals NL has given, and has not withdrawn, his consent to the lodgement of this Prospectus with ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.



Lew Cross

Chairman  
26 October 2007

## Section 7 KEY DEFINITIONS

**"Additional New Shares"** means New Shares in addition to an Eligible Shareholder's Entitlement for which an Applicant makes an Application, as described in section 1.4.

**"Applicant"** means a person who submits an Application.

**"Application"** means a valid application made to subscribe for Shares in accordance with the Offer.

**"Application Form"** means the Application Form attached to or accompanying this Prospectus that sets out the Entitlement of Shareholders to subscribe for Shares pursuant to the Rights Issue.

**"Application Money"** means monies received from persons applying for Shares pursuant to the terms of the Rights Offer.

**"Application Price"** means 60 cents per Share.

**"ASIC"** means Australian Securities & Investments Commission.

**"ASTC"** means ASX Settlement and Transfer Corporation Pty Ltd.

**"ASX"** means ASX Limited ACN 008 624 691.

**"Business Day"** means a day on which trading takes place on the stock market of ASX.

**"CHES"** means ASX Clearing House Electronic Sub-registry System.

**"Closing Date"** means [ ] 2007 or such other date as may be determined by the Directors and the Underwriters under this Prospectus.

**"Company"** means Polaris Metals NL ACN 085 223 570 and where relevant, its subsidiary companies.

**"Constitution"** means the Company's Constitution as at the date of this Prospectus.

**"Corporations Act"** means the Corporations Act 2001 (Commonwealth).

**"Directors"** means the directors of the Company.

**"Dollar"** or **\$** means Australian dollars.

**"Eligible Shareholder"** means a Shareholder other than a Non-Qualifying Foreign Shareholder.

**"Entitlement"** means a Shareholder's entitlement to subscribe for Shares offered by this Prospectus.

**"Issue"** means the issue of Shares under this Prospectus.

**"Listing Rules"** means the Listing Rules of the ASX.

**"New Share"** means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

**"Non-qualifying Foreign Shareholder"** means a Shareholder, whose registered address is not in Australia or New Zealand.

**"Offer"** means the offer of 1 New Share for every 10 existing Shares held at the Record Date at an issue price of 60 cents per New Share.

**"Official List"** means the official list of the ASX.

**"Polaris"** means Polaris Metals NL ACN 085 223 570.

**"Prospectus"** means the prospectus constituted by this document.

**"Record Date"** means 9 November 2007.

**"Rights"** means the right to subscribe for New Shares under this Prospectus.

**"Rights Issue"** has the same meaning as the Offer.

**"SCH Business Rules"** means the business rules of the securities clearing house which operates CHESS.

**"Share"** means a fully paid ordinary share in the capital of the Company.

**"Shareholder"** means the holder of a Share registered on the Record Date.

**"Shortfall Shares"** means New Shares for which successful valid applications have not been received by the Closing Date.

**"Underwriter"** means Patersons Securities Limited (ACN 008 896 311).

**"Underwriting Agreement"** means the underwriting agreement dated on or about the same date as this Prospectus, between the Underwriter and the Company.

**"WDST"** means Western Daylight Savings Time.