



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 5 Shares held at an issue price of 45 cents per share by way of a Renounceable Rights Issue to raise approximately \$11.6 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

IMPORTANT NOTICE

This Prospectus is dated 2 May 2008. 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

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 and 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 WST, unless otherwise indicated.

Enquiries

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

Polaris Metals NL

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INVESTMENT HIGHLIGHTS

- ◆ Emerging iron ore producer - production planned for 2010;
- ◆ Two projects at a pre-feasibility stage;
- ◆ Carina – Initial Inferred Mineral Resource of 20.3Mt at 56.7% Fe;
- ◆ Potential access to infrastructure – road, rail and ports;
- ◆ Resource drilling in progress at Carina, and;
- ◆ Excellent ground position in a producing iron ore province.

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	Monday, 5 May 2008
Shares trade "ex-rights" and Rights trading commences on the Australian Securities Exchange	Tuesday, 13 May 2008
Record Date to determine Entitlements under the Rights Issue	Monday, 19 May 2008
Prospectus and Application Form despatched	Tuesday, 20 May 2008
Last day of Rights trading	Thursday, 29 May 2008
Closing Date for acceptances	Thursday 5, June 2008
Allotment and issue of New Shares	Thursday 12, June 2008
Despatch of shareholding statements for New Shares	Thursday 12, June 2008

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

CORPORATE DIRECTORY

DIRECTORS

Lewis Cross
Jonathan Lea
Alan Tough
Kevin Schultz
Ian Buchhorn
Vern Strange

SECRETARY

Trevor Verran

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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 \$11.6 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 Yilgarn Iron Ore and Poondano Projects and for ongoing exploration assessment of Polaris' extensive tenement holding. The potential for access to infrastructure (port and rail) and the recent positive drill results from the Carina prospect in the Yilgarn Project give Polaris encouragement that production can commence in 2010. A definitive feasibility study is anticipated to commence, focussed on Carina as a Stage 1 development, in the second half of 2008.

Ongoing evaluation drilling is continuing along with feasibility studies, including engineering, transport, mining and environmental compliance, which will be part funded by the proceeds of this Rights 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 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 26.8 million New Shares on the basis of 1 New Share for every 5 Shares held as at the Record Date at an issue price of 45 cents each to raise approximately \$11.6 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 Monday 19 May 2008 will receive Rights to acquire 1 New Share for every 5 Shares held, at an issue price of 45 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 regardless of the size of their present holding.

Entitlements not taken up may become available as Additional New Shares. It is possible, particularly if there is an active Rights trading market, that there will be few or no Additional New Shares available for issue. 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, Excess Application Money will be refunded without interest. The Company and the Underwriter reserve the right to scale back any applications for Additional New Shares in their absolute discretion.

1.5 Use of proceeds

Polaris expects to raise approximately \$11.6 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 12 June 2008 and trading of the New Shares on the Australian Securities Exchange is expected to commence on 12 June 2008.

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 5 June 2008. 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 13 May 2008 with the last day of trading being on 29 May 2008. 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 \$11.6 million in additional capital.

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

Exploration and pre-feasibility studies on Poondano Iron Ore Project	\$500,000
Exploration and pre-feasibility studies on Yilgarn Iron Ore Project	\$2,300,000
Feasibility studies on Yilgarn and Poondano Iron Ore Projects	\$6,300,000
Ongoing Regional Exploration	\$1,400,000
Costs of the issue	\$620,000
Working capital	\$480,000
Total	<u>\$11,600,000</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 \$11 million 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:

Ordinary Shares	Number	% Equity
Existing Shares	128,864,978	83.33%
Issue under Share Offer	25,772,996	16.67%
Total	<u>154,637,974</u>	<u>100%</u>

Other existing securities:	Number
Listed options with an exercise price of \$0.20 expiring 31/12/08	15,900,926
Unlisted options with an exercise price of \$0.25 expiring 31/12/08	2,500,000
Unlisted options with an exercise price of \$0.30 expiring 31/12/10	187,500
Unlisted options with an exercise price of \$0.30 expiring 14/7/11	14,900,000
Unlisted options with an exercise price of \$0.55 expiring 31/12/11	<u>5,850,000</u>

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Unlisted options with an exercise price of \$0.65 expiring 31/12/11	50,000
Unlisted options with an exercise price of \$0.64 expiring 4/1/10	5,047,062
Unlisted options with an exercise price of \$0.75 expiring 31/12/11	5,900,000
Total	50,335,488

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

Set out below is the unaudited consolidated balance sheet of the Company as at 31 March 2008 and a pro forma consolidated balance sheet of the Company after the Rights Issue. The pro forma balance sheet has been prepared based upon the unaudited management accounts at 31 March 2008 adjusted for funds raised pursuant to this Prospectus and the in-specie distribution of 22 million Southern Cross Goldfields Limited (SXG) shares approved at the general meeting of shareholders held on 25 February 2008. No account is taken of any other transactions between 31 March 2008 and the completion of the Rights Issue.

	Notes	Unaudited 31 March 2008 \$	Pro forma Adjustments \$	Pro forma 31 March 2008 \$
ASSETS				
Current Assets				
Cash and cash equivalents	1	5,086,887	10,980,000	16,066,887
Other receivables		201,133		201,133
Total Current Assets		5,288,020	10,980,000	16,268,020
Non-current Assets				
Other receivables		18,156		18,156
Available for sale financial assets	2	5,530,000	(2,420,000)	3,110,000
Equity accounted investments		972,216		972,216
Other financial assets		70,000		70,000
Property, plant & equipment		369,403		369,403
Exploration and evaluation assets		14,484,188		14,484,188
Intangible assets		49,982		49,982
Total Non-current Assets		21,493,945	(2,420,000)	19,073,945
TOTAL ASSETS		26,781,965	8,560,000	35,341,965
LIABILITIES				
Current Liabilities				
Trade and other payables		1,362,529		1,362,529
Borrowings		29,899		29,899
Provisions		49,476		49,476
Total Current Liabilities		1,441,904	-	1,441,904
TOTAL LIABILITIES		1,441,904	-	1,441,904
NET ASSETS		25,340,061	8,560,000	33,900,061

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	Notes	Unaudited 31 March 2008 \$	Pro forma Adjustments \$	Pro forma 31 March 2008 \$
EQUITY				
Issued capital	3	27,109,167	8,560,000	35,669,167
Other reserves		3,086,036		3,086,036
Accumulated losses		(4,855,142)		(4,855,142)
TOTAL EQUITY		<u>25,340,061</u>	<u>8,560,000</u>	<u>33,900,061</u>

Note 1. Cash and cash equivalents

Balance at 31 March 2008	5,086,887
Funds raised pursuant to this Prospectus	11,600,000
Cost of funds raised pursuant to this Prospectus	<u>(620,000)</u>
	<u>16,066,887</u>

Note 2. Available for sale financial assets

Balance at 31 March 2008	5,530,000
In-specie distribution of 22 million SXG shares to shareholders	<u>(2,420,000)</u>
	<u>3,110,000</u>

Note 3. Issued capital

Balance at 31 March 2008	27,109,167
Issue from this Prospectus	11,600,000
Costs of issue from this Prospectus	(620,000)
Capital reduction as a result of the in-specie distribution of 22 million SXG shares to shareholders	<u>(2,420,000)</u>
	<u>35,669,167</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:	\$0.66	3 April 2008
Lowest:	\$0.45	28 April 2008

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 \$0.568.

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 \$0.465 on 28 April 2008.

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 4,700km² 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 its gold and nickel assets into Southern Cross Goldfields Limited in March 2008.

3.2 Recent Developments

The focus of the past year has been the prefeasibility studies on the two more advanced projects, the Yilgarn Iron Ore Project and Poondano, while exploration has continued elsewhere. The initial assessment of the Caliwinga and Weelumurra exploration prospects in particular has been particularly encouraging.

3.2.1 Yilgarn Iron Ore Project (Yilgarn Project)

3.2.1.1 Background

The Yilgarn Project encompasses approximately 1,000km² 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 tested through current exploration programmes. Most of the tenements are held 100% by Polaris.

Current feasibility studies are based on the known resource of 20.3Mt at Carina, and are evaluating a 2.5 million tonnes per annum (**Mtpa**) Direct Shipping Ore (**DSO**) operation.

Targeting a total resource base in excess of 100Mt in current exploration work, the Company believes the Yilgarn Project is capable of being expanded to export 5Mt of iron ore annually for up to 20 years, subject to securing environmental approvals.

The major established deposit of iron ore mineralisation in the Yilgarn Project is Bungalbin East which was discovered by BHP in the 1960s. The Independent Geologist's Report and Valuation prepared for Polaris in July 2006 states a target resource of 59Mt with 57.9% Fe, 0.15% P, 2.0% Al₂O₃, 4.6% SiO₂ and 9.8% LOI.

(Note the BHP Bungalbin East '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.)

An Economic Evaluation study was completed by independent consultants in mid 2007 indicating the viability of the potential project using reasonable estimates of resource potential and grades. Highlighted in the study was the real potential to get access to infrastructure such as rail and port to facilitate rapid project development.

Subsequently, the Polaris Board decided to commence a pre-feasibility study (*PFS*), appointing engineering consultants Prodemas International Limited (*Prodemas*) to be the study manager. The key issues being addressed by the PFS apart from definition of the resource base are the establishment of the key transport options (rail/port etc) and commencing the environmental approval process. Study completion is planned for June 2008.

Parts of the project area are considered by the State Government to have high conservation values. The more sensitive areas are located on the Helena-Aurora Range that is perceived to have scenic values and because rare plant types are recorded in areas of the range. Two prospects (Bungalbin East and J5) lie on this range landform. Another prospect Vela lies at the foot of the range, being 2km to the south. The Helena-Aurora Range merges westward into the Jackson Range on which the J4 and Musca prospects are located. This area is not perceived by the State Government as having the same high conservation values.

In respect of the Helena-Aurora Range the Department of Environment and Conservation (*DEC*) has recommended that the Mount Manning Class A Nature Reserve be extended southward to cover the bulk of the Range including the Bungalbin East, J5, Musca and Vela deposits. In the Recent WA State Government report on the Banded Iron Formation of the Yilgarn, the Helena-Aurora Range was identified as an area the Government was predisposed to preserve. However the Government specifically exempted any action on the Bungalbin East prospect for three years – obviously on account of its high potential economic benefits for both the State and local stakeholders. The boundaries of the Bungalbin East prospect have not yet been defined in any detail by regulatory authorities.

3.2.1.2 Current Status

The Yilgarn Iron Ore Project (*YIOP*) encompasses seven prospects spread over 50km, with significant DSO grade iron mineralisation (e.g. Bungalbin East, J4 and J5). Some 80-90Mt were established by previous explorers' drilling, and additional new prospects (Carina, Vela, Chamaeleon and Musca) have been found by Polaris. The target DSO resource potential for the project is considered to exceed 100Mt.

The new prospects were assessed by drilling for the first time between December 2007 and February 2008. The aim of the drilling was to characterise mineralisation, and assess potential to enable the prioritisation of the targets for further work. The excellent results for Carina and demonstrated continuity of mineralisation at 320m line spacing over a 1,600m strike length enabled an initial Inferred Mineral Resource estimate by independent consultants of 20.3Mt at 56.7% Fe at a 50% Fe cut-off grade.

The results for Chamaeleon indicated the potential for additional tonnages of economic mineralisation and further work is warranted. The recent results for Vela, Musca and an extension to the J4 orebody indicated the potential for economic mineralisation on these prospects is low.

A PFS for the YIOP is continuing and on track for completion in mid 2008. With the recent encouraging results from the Carina prospect, the focus of the study is now to initially exploit this resource as a Stage 1 development while the other key prospects are further tested. It is envisaged that Stage 1 will encompass Carina and possibly Chameleon at an initial rate of 2.5Mtpa. Stage 2, based on J4, J5 and Bungalbin East has the potential to be at 5-10Mtpa for 10-20 years.

3.2.1.3 Current Plans

The key areas of focus in coming months are:

- Establish an Indicated Mineral Resource for Carina through an infilling drilling programme on an 160x40m pattern – commenced in late April 2008 ;
- Complete other testing at Carina such as diamond drilling for grade validation, metallurgical sampling and geotechnical evaluation;
- Complete the PFS and subject to Board approval commence a definitive feasibility study on Stage 1, based mainly on the Carina and Chamaeleon prospects, aimed at commencing mining in 2010;
- Progressively test the other deposits including Bungalbin East, Chamaeleon, J4 and J5;
- Continue the regional flora and fauna studies, hydrological and other work necessary to establish the viability of extraction and to gain statutory approvals for the larger Stage 2 project as input to a later feasibility study; and
- Final settlement of the Polaris-Portman dispute*.

** Polaris and Portman have reached an agreement and legal document drafting is approaching completion.*

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 Bungalbin East 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 in 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 did not agree. A period of commercial discussions followed leading to a mutually beneficial settlement.

3.2.2 Poondano Iron Ore Project

The 100%-owned Poondano project, 30km south-east of Port Hedland, comprises a series of Channel Iron Deposits (**CID**) that extend discontinuously over a strike length of more than 20km. In the east and central sectors of the palaeochannel the CID remnants are elevated up to 30m above the plain as mesas ("Poondano East" - a single mesa 1.5km long and "Poondano Central" – a group of nine mesas covering a lateral extent of 3.1km). In the west the CID has expression as a low hill 10-15m above surrounding sand plain ("Poondano West"). This deposit crops out relatively poorly over a 2km strike length. Further to the west the palaeochannel is covered by sand and iron-rich gravels, but the presence of CID has been confirmed by Polaris scout drilling to extend over more than 7.5km.

Recent RC drilling at Poondano has totalled 7815m (7774m at Poondano West and 141m at Poondano East) better defining the mineralisation.

Results to date for Poondano West are in line with the previous drilling completed in April 2007. The average intercept width for results to date is 2.4m grading 52% Fe for mineralised intercepts (at a 50% Fe cut-off). Intercept widths vary up to 12m and individual grades up to 64% Fe. The assay highlights are appended below. Assay results for Poondano West are being formally assessed and reviewed to establish if initial resource estimation is possible.

The Poondano East samples averaged 51% Fe (at a 50 Fe% cut-off) for the 10 holes. Given the preliminary metallurgical indication (see below) that this material is not expected to be easily upgradeable to a saleable product grade it is unlikely an economic product can be produced. Polaris will review future options for work on the Poondano East mesa.

A Pre-feasibility Study continues at Poondano to assess the economics of mining and exporting up to 1.5Mt/pa of iron ore through Port Hedland (30-40Km away). Engineering and infrastructure consultants Engenium were contracted to manage aspects of the study. The conceptual plan involves contract mining, product crushing and screening, and trucking to the port.

Preliminary metallurgical test work was completed on four bulk samples from the three target areas. The results indicate that Poondano West ores have the potential for upgrade (via screening) while those from Poondano Central and East indicate that to be economic, the in-situ grades must be in the typical DSO range as upgrading by simple screening processes appears unlikely.

Results to date suggest a 1-2Mt potential of DSO from Poondano Central. With selective mining and screening at Poondano West it is also possible that an economic beneficiated product will be produced. The Poondano Central channel 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. Drilling is required in order to confirm the channel sample results.

Metallurgical diamond drilling is planned for mid 2008 and this will generate material for more definitive metallurgical test-work to facilitate informed decision making for the future direction of the project. At completion of the pre-feasibility study in mid 2008, the results will be assessed to determine whether the project should progress into a Bankable Feasibility Study.

3.2.3 Regional Exploration

Weelumurra and Caliwinga Prospects

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

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

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

Granting of the Caliwinga Creek and Weelumurra Creek tenements to Polaris is now being finalised. When granted, Polaris will commence active exploration leading to drill testing.

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% SiO₂, 1.24% Al₂O₃ and 0.065% P.

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

RC drilling of 36 holes for 2,160 metres was completed in November 2007. Results indicate limited widths of iron oxide mineralisation grading progressively into magnetite-bearing BIF. Future options are being reviewed.

Windarling East Project

The Windarling East Project is also situated in the Yilgarn Iron Province, east of the operating Windarling iron ore mine of Portman. Outcrop is poor; but a reconnaissance gravity survey found anomalies associated with discrete aeromagnetic highs which could be related to Windarling-type iron mineralisation. Windarling is a 60Mt 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% SiO₂, 0.60% Al₂O₃ and 0.035% P. Much of the Die Hardy 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.

Polaris is currently reviewing its options for Evanston – the area has exploration potential both for DSO and magnetite ores.

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% SiO₂, 1.89% Al₂O₃, 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 at Carina 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 120km² 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.

Reverse circulation drilling by Polaris in 2007 failed to intersect significant mineralisation of the Goldsworthy type. Subsequent geophysical interpretation of geological and geophysical data suggests the tenement has limited potential for economic iron mineralisation. Polaris is currently reviewing its options for Goldsworthy.

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 subject to rig availability these will be followed up with drilling in 2008.

Ashburton Project

The project consists of four granted exploration licences that cover 532km² 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 shed from the ranges hosting the Paraburdoo iron deposits.

Other Projects

The Company has several other projects throughout WA that will warrant exploration as and 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 and four license application surrounding 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 through their subsidiary Solaris was 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 earned a 10% stake in the salt project by completing a scoping study. Following further research Prodemas now has indicated that the project is unlikely to be viable under prevailing global solar salt market conditions.

Prodemas have indicated they do not intend to proceed with the project and hence will forfeit their 10% stake in the tenements. Polaris is reviewing options for the tenements. Several commodity targets, notably the iron-sands, have been previously identified.

3.3 Information on Directors

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

- > Vern Strange will stand down from the Board of Polaris owing to recently increased work commitments following the listing of Southern Cross Goldfields – spun out of Polaris in March 2008.

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 Golden State Resources Limited, White Canyon Uranium Ltd and Aspermont Limited.

Jonathan Lea – Managing Director

Mr Lea has extensive experience in mining and project development. A qualified geologist from the University of Tasmania and a Member of the AusIMM, Mr Lea also has post graduate qualifications in Mineral Economics and Applied Finance and Investment. Over the past 20 years, he has explored for and mined a number of commodities including iron ore, gold, tin, chromite and base metals throughout Australia and in Africa.

The majority of Mr Lea's experience has been in mine based production roles; mine geology, near mine exploration, and project development in a range of operational and management positions. He has also managed mine site environmental, geotechnical and mine engineering and planning functions.

Mr Lea is responsible for the day to day operation of the Company's business with particular focus on the transition of Polaris from exploration to production, and interface with regulatory authorities including government departments and local authorities.

Alan Ronald Tough - Executive Director Operations

Mr Tough is a graduate of the University of Western Australia in Mechanical Engineering with Honours and subsequently with a Masters Degree in Business Administration.

His background has included five years each in London and Melbourne in the design and construction business related to mining and industrial projects and eleven years as managing director of the world's largest heavy mineral operation at Eneabba. A further eleven years as managing director of a specialist insulation company servicing the alumina, and oil and gas industries specialising in the high tech insulation required for LNG production. Both these companies were publicly listed.

Prior to the heavy mineral involvement Mr Tough had a contract for two years with the WA State government in industrial development and a similar period as a Corporate Finance Director of a merchant bank. Mr Tough's extensive background in senior management, finance, off-take agreement negotiation and long standing links with government regulators will be extensively used as Polaris moves towards mine development.

Kevin Schultz – Non-executive Director

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 iron ore, gold and uranium.

Mr Schultz is also a director of Northern Uranium Limited.

Vernon Wesley Strange – Non-executive Director (see note above)

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 also a director of Southern Cross Goldfields 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 also a director of ASX-listed companies Southern Cross Goldfields Limited, Heron Resources Limited and 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 (refer Section 4.2);
- 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 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 5 June 2008.

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 13 May 2008 until 29 May 2008.

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 5 June 2008.

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 enables 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 45 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 (DEC) 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 the Department of Industry and Resources) indicated a pre-disposition to preserving the Helena-Aurora owing to high conservation values. A key exception was the Bungalbin East deposit area where a period of three years has been determined for economic assessment and evaluation. As a consequence the majority of Polaris' prospects are available for assessment and development, subject to the normal approval processes. Officers from the Office of 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 and the legal drafting of the document is being finalised.
- The currently identified resources all require additional work to firm up the confidence in estimates:
 - Bungalbin East was drilled out by another company in 1960 and 1971, and no Quality Assurance-Quality Control (QAQC) data is available. Intersection widths and grades reported by the other company can only be regarded as giving an indication of the size and grade of the deposit until such time as Polaris completes its own drilling assessment.
 - J4 and J5 were drilled out by another company from 2001 to 2006. Available QAQC data indicates re-interpretation of existing drilling, field replicate sampling where drill material is suitably preserved, and confirmation holes by Polaris are required.

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 the 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 issued under section 713 of the Corporations Act which allows the issue of a 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

Tenement	Status	Interest	Tenement	Status	Interest
Ashburton			Bungalbin		
E08/1511 to E08/1513	Granted	100%	E77/1071	Granted	100%
E47/1528	Granted	100%	E77/1076 to 1077	Granted	100%
Bandicoot Range			E77/1097	Granted	100%
E80/3367	Granted	100%	E77/1099	Granted	100%
British Hill North			E77/1115	Granted	100%
E77/1171	Granted	100%	E77/1129	Granted	100%
P77/3429 to 3430	Granted	100%	E77/1130	Granted	100%
Bullfinch North			E77/1382 to 1383	Pending	100%
E77/1010	Granted	100%	E77/1418 to 1420	Pending	100%
E77/1012	Granted	100%	E77/1542 to 1543	Pending	100%
E77/1048	Granted	75%	E77/1557 to 1559	Pending	100%
E77/1058	Granted	75%	E77/842	Granted	100%
E77/1283	Granted	100%	E77/896	Granted	100%
E77/1368	Pending	100%	E77/919	Granted	100%
E77/1371 to E77/1372	Granted	75%	E77/946	Granted	100%
E77/1373	Pending	100%	E77/947	Pending	100%
E77/1374	Granted	75%	M77/1095 to 1097	Pending	100%
E77/1390 to 1391	Pending	75%	M77/1109	Granted	100%
E77/920	Granted	75%	M77/1110	Pending	100%
M77/1058	Pending	75%	M77/1112 to 1119	Pending	100%
M77/1064	Pending	100%	M77/1165	Pending	100%
M77/1089 to 1090	Pending	100%	M77/1242	Granted	100%
M77/1094	Pending	100%	M77/1243	Pending	100%
M77/1101	Pending	100%	P77/3803 to 3806	Pending	100%
M77/1103	Pending	100%	P77/3371 to 3372	Granted	100%
M77/1121 to 1123	Pending	100%	P77/3882 to 3887	Pending	100%
M77/1204 to M77/12106	Pending	75%			
M77/1213 to M77/1215	Pending	100%			
M77/1216	Pending	56%			
M77/123	Granted	100%			
M77/228	Granted	100%			
P77/3295	Granted	100%			

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Tenement	Status	Interest	Tenement	Status	Interest
Bullfinch North			Milly Milly		
P77/3301 to P77/3303	Granted	100%	E09/1277	Granted	100%
P77/3304	Pending	100%	Mount Manning		
P77/3307	Granted	100%	E77/1315	Pending	100%
P77/3313	Granted	100%	Mt Elvire		
P77/3335	Granted	75%	E77/1342	Granted	100%
P77/3336	Granted	49%	Northam		
P77/3624 to P77/3627	Granted	75%	E70/2782 to 2783	Pending	100%
P77/3628 to P77/3629	Granted	100%	E70/2784	Granted	100%
P77/3630 to P77/3636	Granted	75%	Onslow		
Caliwanga Creek			E08/1458	Granted	100%
E47/1558	Pending	100%	E08/1465	Granted	100%
Copper Bore			E08/1524	Granted	100%
E77/1375	Granted	95%	E08/1791	Pending	100%
M77/973	Granted	95%	E08/1818 to 1821	Pending	100%
Die-Hardy Range			Pannawonica		
E77/1293	Granted	option	E47/1525	Pending	100%
P77/3564 to 3565	Pending	option	E47/1526 to 1527	Granted	100%
Evanston			Perrinvale		
E77/1107	Granted	option	E29/564	Granted	100%
E77/1122	Granted	option	E29/593	Granted	100%
E77/1376	Granted	option	E29/653 to 655	Pending	100%
M77/1231 to 1240	Pending	option	E30/203	Granted	100%
Gibbings Island			E30/254	Granted	100%
E04/1553	Granted	100%	E30/331	Pending	100%
Goldsworthy			P29/1922 to 1927	Granted	100%
E45/2358	Granted	option	P30/1011	Granted	100%
Jackson			Poondano De Gray		
E77/1125	Granted	100%	E45/2723	Granted	100%
E77/1145	Granted	100%	E45/2736	Granted	100%
E77/1202	Granted	100%	E45/3114 to 3115	Pending	100%
Jackson North			Rainy Rocks		
E77/1384	Pending	100%	E77/1268	Pending	100%
Jamieson Range			P77/3470	Pending	100%
E69/2032	Granted	100%	P77/3553 to 3555	Pending	100%
Johnston Range			Tommey Hill		
E77/1038	Granted	option	E77/1314	Pending	100%
E77/1155	Granted	option	Weelumurra Creek		
E77/1387 to 1389	Granted	option	E47/1557	Pending	100%
M77/1166 to 1168	Pending	option	Windarling East		
M77/1171	Pending	option	E77/1294	Granted	100%
M77/1173	Pending	option	E77/1459	Pending	100%
M77/1175	Pending	option	Windarling Peak		
M77/1180	Pending	option	E77/1353	Pending	100%
M77/1182 to 1185	Pending	option			
P77/3670 to 3677	Pending	option			
Koolyanobbing					
E77/1272	Granted	100%			
Le Steere					
E69/2126	Pending	100%			
E69/2377	Pending	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 of 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 2 May 2008 (*Underwriting Agreement*), Patersons Securities Limited (*Underwriter*) has agreed to underwrite the Offer.

Upon completion, the Underwriter will receive a Lead Manager fee of \$60,000 and an underwriting fee of 5% 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.

Lion Diversified Holdings Berhad (*LDHB*) has agreed to sub-underwrite \$11,597,760.

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The potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Shareholders take up all of their Entitlement under the Offer, the percentage interest in the Shares of the Company held by LDHB (and any other major Shareholders) would not change and there would not be any effect on the control of the Company; or
- (b) if some or all Shareholders do not take up their Entitlement under the Offer, and there is therefore a Shortfall, then the Issue may have an effect on the control of the Company as detailed below.

As set out above, the Offer is fully underwritten by the Underwriter and sub-underwritten by LDHB.

To comply with the requirement to fully disclose LDHB's potential voting power in the Company and the effect of the sub-underwriting by LDHB, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the Shortfall (if any). The potential maximum increase in the voting power of LDHB is set out below (100% Shortfall) and will only occur if no Shareholders take up their Entitlement under the Offer. In the table below it is assumed that LDHB will take up its full Entitlement as a Shareholder under the Offer.

Event	Number of Shares of the Company held by LDHB	Voting power of LDHB in the Company
LDHB holding as at the date of the Prospectus	24,346,543	18.89%
After issue of Shares to LDHB assuming 100% Shortfall	50,119,343	32.41%
After issue of Shares to LDHB assuming 75% Shortfall	44,893,470	29.03%
After issue of Shares to LDHB assuming 50% Shortfall	39,667,597	25.65%
After issue of Shares to LDHB assuming 25% Shortfall	34,441,724	22.27%

The calculations above assume that LDHB will not increase its holding of Shares prior to the Record Date and/or the close of the Offer. If LDHB acquires additional Shares prior to either of these dates, the numbers set out above will vary accordingly. It should be noted that LDHB may only acquire additional Shares prior to the Record Date and/or the close of the Offer to increase its voting power to 20% (and not more). If LDHB increases its voting power to 20% prior to the Record Date, its maximum potential voting power on completion of the Offer will be 33.33% (or 51,545,796 Shares).

LDHB has informed the Company that its current intention (based on information presently available to it), if it were to gain effective control of the Company by

virtue of its shareholding, including Shares acquired under the Issue and its sub-underwriting of the Issue, are to procure that the Company will:

- (a) continue to hold its key assets and maintain the business of the Company;
- (b) not make any major changes to the business of the Company nor redeploy any of the fixed assets of the Company; and
- (c) continue the employment of the Company's present employees; and
- (d) not vary the existing board of directors of the Company.

The intentions and statements of future conduct set out above must also be read as being subject to the legal obligation of the Directors of the Company at the time to act in good faith in the best interests of the Company and for the proper purposes and to have regard to the interests of the Shareholders including, without limitation, those of LDHB.

The statements above are of current intention only which may change as new information becomes available or circumstances change (including those of LDHB). The statements should be read in this context.

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.

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.

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 half year financial report lodged with ASIC for the period ending 31 December 2007
- (c) the third quarter activity report lodged with ASX for the period ending 31 March 2008, and;
- (d) 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
26/10/07	Prospectus - Rights Issue
26/10/07	Appendix 3B - Rights Issue
26/10/07	Letter to Shareholders - Rights Issue
26/10/07	Letter to Option Holders - Rights Issue
31/10/07	First Quarter Activities Report
31/10/07	First Quarter Cashflow Report
01/11/07	Appendix 3B - Exercise of Options
02/11/07	Appendix 3B
12/11/07	Appendix 3B - Exercise of Options
12/11/07	Despatch of Prospectus
13/11/07	Iron Ore Drilling Resumes at Poondano
13/11/07	Change of Director's Interest Notice
14/11/07	Chairman's address to the 2007 AGM
14/11/07	Managing Director's address to the 2007 AGM
14/11/07	Results of Annual General Meeting
14/11/07	Final Director's Interest Notice
22/11/07	Appendix 3B
26/11/07	Exploration Success in Pilbara
27/11/07	Southern Cross Goldfields Limited Spin-off

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30/11/07 Renounceable Rights Issue Closed
06/12/07 Rights Issue Allotment
06/12/07 Change of Director`s Interest Notice x 4
07/12/07 Iron Ore Drilling Commences at YIOP
18/12/07 Letter to Optionholders
21/12/07 Southern Cross Goldfields Prospectus Lodged
21/12/07 Notice of General Meeting
27/12/07 Appendix 3B - Exercise of Options
03/01/08 Appointment of New Management Team
07/01/08 Appendix 3B - Exercise of Options
07/01/08 Initial Director`s Interest Notice x 2
09/01/08 Letter to Shareholders
10/01/08 In Specie Distribution Timetable Clarification
16/01/08 Southern Cross Goldfields - Supplementary Prospectus
23/01/08 Pilbara Projects Update
25/01/08 Yilgarn Iron Ore Project Update
29/01/08 Change of Director`s Interest Notice
31/01/08 Second Quarter Activities Report
31/01/08 Second Quarter Cashflow Report
04/02/08 Letter to Optionholders
06/02/08 Significant Assay Results From Carina Drilling
06/02/08 Appendix 3B - Exercise of Options
06/02/08 Appendix 3B - Employee Option Plan
08/02/08 Adjournment of General Meeting
11/02/08 Adjournment of General Meeting and Revised Timetable
14/02/08 Change of Director`s Interest Notice
15/02/08 Change of Director`s Interest Notice
22/02/08 Southern Cross Goldfields Limited
25/02/08 Results of General Meeting
25/02/08 ASX Circular: Reorganisation of Capital
27/02/08 Change of Director`s Interest Notice
03/03/08 Appendix 3B - Exercise of Options
05/03/08 Successfully Spins out Southern Cross Goldfields Limited
05/03/08 Share Option Incentive Plan
11/03/08 WSA: High Grade Nickel Discovery at Mt Alexander JV
14/03/08 Half Year Accounts
14/03/08 SGX: Statement disclosing the details of in-specie distrib`n
18/03/08 Appendix 3B - Exercise of Options
19/03/08 Change of Director`s Interest Notice x 3
19/03/08 Becoming a substantial holder for SXG
20/03/08 Appendix 3B - Employee Option Plan
03/04/08 Outstanding Results Confirm Carina DSO Potential
04/04/08 Change of Director`s Interest Notice
10/04/08 Initial Resource Estimate for Carina
23/04/08 Polaris Appoints Operations Manager
23/04/08 Appendix 3B - Exercise of Options
28/04/08 Trading Halt
29/04/08 Presentation to Brokers
01/05/08 Third Quarter Cashflow Report
01/05/08 Third Quarter Activities Report
01/05/08 Suspension from Official Quotation

6.18 Interests of Directors

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

	Ordinary Shares	Listed 31/12/08 \$0.20 Options	Unlisted 31/12/08 \$0.25 Options	Unlisted 31/12/11 \$0.55 Options	Unlisted 31/12/11 \$0.75 Options
Lewis George Cross	2,140,002	20,000	500,000	1,000,000	1,000,000
Jonathan Robert Lea	42,990			1,000,000	1,000,000
Alan Ronald Tough	20,000	15,000			
Kevin Schultz	961,207	301,207	1,000,000	1,000,000	1,000,000
Ian James Buchhorn	850,186			1,000,000	1,000,000
Vernon Wesley Strange	518,873	1,075,405	500,000	1,000,000	1,000,000

6.19 Interests and Consents of Experts and Advisers

The following parties have given (and not withdrawn before the date of this document) 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;
- Security Transfer Registrars, in the capacity as the Company's share registry;

Each of Patersons Securities Limited, Wright Legal and Security Transfer Registrars:

- 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 a management fee of \$60,000 and an underwriting fee of 5% 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 an 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 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
2 May 2008

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 45 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 5 June 2008 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.

"LDHB" means Lion Diversified Holdings Berhad

"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 5 existing Shares held at the Record Date at an issue price of 45 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 19 May 2008.

"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.

"WST" means Western Standard Time, Perth, Western Australia.