

18 September 2009

ASX RELEASE

Target's Statement Lodgement

- **Polaris lodges its Target's Statement in response to the recommended takeover bid by Mineral Resources.**
- **Independent Expert's opinion is that the offers for shares and options are "fair and reasonable"**
- **Polaris directors unanimously recommend that shareholders and optionholders accept the Mineral Resources offers, in the absence of a superior proposal**

Polaris Metals NL ("**Polaris**") (ASX: POL) is pleased to announce that it has today lodged its Target's Statement in response to the recommended takeover offer by Mineral Resources Limited ("**Mineral Resources**") (ASX: MIN) for all the shares and options in Polaris. A copy of the Target's Statement is attached.

Polaris commissioned Stantons International Securities to provide an independent expert's report for inclusion in the Target's Statement. The Independent Expert has concluded that the Mineral Resources offers for the Polaris shares and options are "fair and reasonable".

The directors of Polaris have affirmed their unanimous recommendation that Polaris shareholders and optionholders **accept** the Mineral Resources offer for their securities, in the absence of a superior proposal.

Shareholders and optionholders should refer to the Target's Statement for full details of the independent expert's opinion and the basis for the directors' recommendation.

The Mineral Resources offer is expected to be open for acceptance on 23 September 2009.

POLARIS METALS NL



Ken Hellsten
Managing Director

Further Information:

Polaris Metals NL Ken Hellsten, Managing Director + 618 9215 1222



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

ABN 18 085 223 570

Target's Statement

of Polaris Metals NL in response to the offers by Mineral Resources Limited to acquire all of your Polaris Shares and Polaris Options

The Directors of Polaris unanimously recommend that, in the absence of a superior proposal, you accept the MRL Offers to purchase all of your Polaris Shares and Polaris Options.

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with this document, you should consult your financial or other professional adviser immediately.

Financial Adviser



Legal Adviser

CLAYTON UTZ

Important notices

Nature of this document

This document is a Target's Statement issued by Polaris Metals NL (ACN 085 223 570) (**Polaris**) in accordance with the Corporations Act in response to the Bidder's Statement dated 17 September 2009 issued by Mineral Resources Limited (ACN 118 549 910) (**MRL**) in respect of the MRL Offers.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are defined in Section 10 (Definitions and interpretation). That Section also sets out some rules of interpretation which apply to this Target's Statement.

Investment decision

The Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the MRL Offers. This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of any Polaris Securityholder. You may wish to seek independent financial, taxation and legal advice before making a decision as to whether or not to accept the MRL Offers.

Forward-looking statements

This Target's Statement may contain forward-looking statements, which include statements other than statements of historical fact. Polaris Securityholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Polaris. Actual results, values, performance or achievement may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement.

None of Polaris, its Directors, officers nor advisers, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Target's Statement will actually occur. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement.

Responsibility

The Independent Expert's Report set out in Appendix A of this Target's Statement has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Polaris does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report, other than the factual information provided by Polaris to the Independent Expert for the purposes of the Independent Expert's Report.

Australian Securities and Investments Commission and ASX

A copy of this Target's Statement was lodged with ASIC and provided to the ASX on 18 September 2009. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the content of this Target's Statement.

Information on MRL

The information on MRL and MRL's securities contained in this Target's Statement has been prepared by Polaris from publicly available information, and has not been independently verified by Polaris. Accordingly, Polaris does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Table of Contents

Important notices	2
Letter from the Chairman	4
1. Reasons why you should accept the MRL Offers	6
2. How to accept the MRL Offers	12
3. Important matters for Polaris Securityholders to consider	13
4. Frequently asked questions	20
5. Directors' recommendations and Directors' interests	26
6. Your choices as a Polaris Shareholder	29
7. Your choices as a Polaris Optionholder	31
8. Important information about the MRL Offers	33
9. Additional information	38
10. Definitions and interpretation	44
11. Approval of Target's Statement	47
Appendix A: Independent Expert's Report	
Corporate Directory	

Key Dates

Announcement Date	20 August 2009
Date of the Bidder's Statement	17 September 2009
Date of this Target's Statement	18 September 2009
Date MRL Offers made (beginning of Offer Period)	23 September 2009
Close of MRL Offers (unless extended or withdrawn)	26 October 2009

Further information

Any questions regarding this Target's Statement should be directed to Polaris on +61 (0)8 9215 1222 Monday to Friday between 8.30 am and 5.30 pm (WST).

Letter from the Chairman

18 September 2009

Dear Polaris Securityholder

On 20 August 2009, Mineral Resources Limited (**MRL**) announced its intention to make a takeover offer for all of the shares and options in Polaris (**MRL Offers**).

Under the MRL Offers, Polaris Shareholders are being offered 1 MRL Share for every 12.5 Polaris Shares held. Equivalent offers are being made for Polaris Options.

The Directors of Polaris unanimously recommend that you accept the MRL Offers, in the absence of a superior proposal.

By now you should have received the Bidder's Statement from MRL, which sets out the detailed terms of the MRL Offers. A copy of the Bidder's Statement is also available from the website of the Australian Securities Exchange at www.asx.com.au.

This Target's Statement sets out your Directors' formal response to the MRL Offers, including the reasons why we unanimously recommend that you accept the MRL Offers, in the absence of a superior proposal.

In summary, the Directors recommend you accept the MRL Offers, in the absence of a superior proposal, because:

1. The Share Offer is priced at a significant premium to recent market prices for Polaris Shares.
2. Polaris Securityholders have the opportunity to participate in a larger, more diversified and better funded mining services and mineral processing company with greater financial capacity to fund future growth.
3. Polaris Shareholders who accept the Share Offer will enjoy the future benefits associated with MRL's shareholder dividend policy.
4. The merged entity should have greater share market relevance with increased liquidity.
5. The Independent Expert has concluded that the MRL Offers are fair and reasonable to Polaris Securityholders.

Each of these reasons is explained in greater detail in the following pages.

You should note that each of the Directors intends to accept the MRL Offers in respect of all of the Polaris Securities they own or control, in the absence of a superior proposal. In addition, major shareholder Heron Resources has entered into a Pre-Bid Acceptance Agreement with MRL in respect of 19.9% of Polaris Shares.

If MRL varies the MRL Offers to improve the consideration it is offering for your Polaris Securities, you will be entitled to receive the improved consideration even if you have already accepted the MRL Offers (but subject always to the defeating conditions attached to the MRL Offers not being triggered).

If you do not accept an MRL Offer, and MRL gains control of Polaris but is not entitled to proceed to compulsory acquisition of the outstanding Polaris Securities, you will be a minority securityholder in Polaris. Issues associated with being a minority securityholder include those discussed in

Sections 3.3, 3.4 and 3.6.

The MRL Offers are scheduled to close at 5.00 pm (WST) on 26 October 2009. To accept an MRL Offer, simply follow the instructions outlined in the Bidder's Statement, the relevant Acceptance Form and Section 2 of this Target's Statement. No action is required if you decide not to accept the MRL Offers.

Your Directors are very pleased to be able to present you with the opportunity provided by the MRL Offers, which is the culmination of several years of hard work by our management and employees to develop Polaris' suite of iron ore assets. We are especially pleased that Polaris Securityholders will continue to have exposure to the successful development of those assets, while enjoying the benefits of being part of a larger, profitable company with sound prospects for continued growth.

I encourage you to read this document carefully and if you need any more information I recommend that you seek professional advice or call Polaris +61 (0)8 9215 1222 between 8.30 am and 5.30 pm Monday to Friday (WST).

Yours sincerely

A handwritten signature in black ink, appearing to read 'L Cross', written in a cursive style.

Lewis Cross
Chairman

1. Reasons why you should accept the MRL Offers

This Section 1 summarises the key reasons why the Polaris Directors have recommended Polaris Securityholders accept the MRL Offers, in the absence of a superior proposal. The MRL Offers comprise 1 MRL Share for every 12.5 Polaris Shares and 1 MRL Option for every 12.5 Polaris Options.

- 1 The MRL Offers have the unanimous recommendation of your Board of Directors
- 2 The Share Offer is priced at a significant premium to recent market prices for Polaris Shares
- 3 Polaris Securityholders have the opportunity to participate in a larger, more diversified and better funded mining services and mineral processing company with greater financial capacity to fund future growth and accelerate development of Polaris' projects
- 4 As a shareholder in the combined group you will participate in any future Mineral Resources dividend stream
- 5 The Merged Group should have greater share market relevance with increased liquidity and would retain the beneficial optionality associated with the product off-take for its projects
- 6 The Independent Expert has concluded that the MRL Offers are fair and reasonable to Polaris Securityholders

1. Unanimous recommendation of the Polaris Directors

After consideration of the full range of options available, the Directors of Polaris have considered the advantages and disadvantages of the MRL Offers and unanimously recommend that, in the absence of a superior proposal, Polaris Securityholders accept the MRL Offers. Each of the Directors intends to accept the MRL Offers, in the absence of a superior proposal, in relation to the Polaris Shares and Polaris Options held or controlled by them.

The Board also notes that major Polaris shareholder Heron Resources Limited (**Heron**) has entered into a pre-bid acceptance agreement with Mineral Resources in respect of 19.9% of Polaris' shares.

The MRL Offers have been widely publicised since its announcement on 20 August 2009. However, no superior proposal to the MRL Offers has emerged.

2. A substantial premium to pre-announcement prices

Based on the closing prices of Polaris Shares and MRL Shares on ASX on Friday 14 August 2009, being the last trading day before Polaris entered a trading halt (**Last Trading Date**), the Share Offer is valued at \$0.38 per Polaris Share, representing:

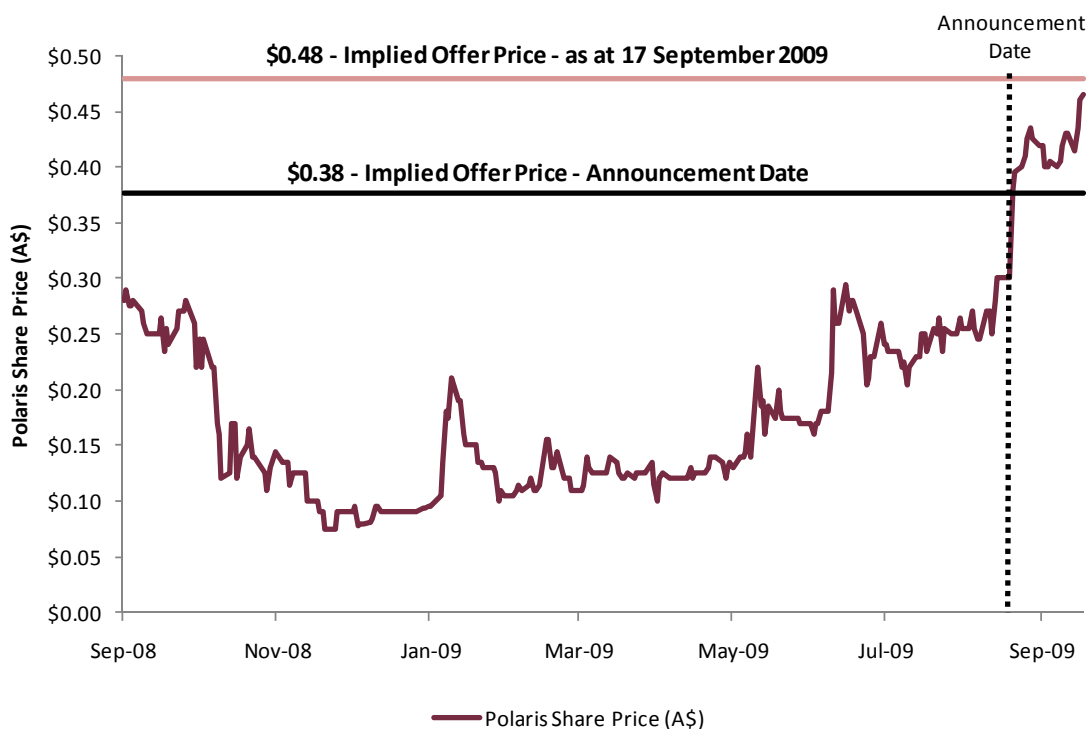
- (a) a 26% premium to \$0.30, the closing price of Polaris Shares on ASX on the Last Trading Date;

- (b) a 42% premium to \$0.27, the volume weighted average price (VWAP) of Polaris Shares on ASX for one month up to and including the Last Trading Date; and
- (c) a 53% premium to \$0.25, the VWAP of Polaris Shares on ASX for three months up to and including the Last Trading Date.

Since the Last Trading Date the price per MRL Share on ASX has increased from \$4.71 to \$6.00 as at 17 September 2009 (being the day before the date of this Target's Statement). In the same period, the price per Polaris Share has increased from \$0.30 to \$0.465 as at 17 September 2009. This price increase for Polaris Shares largely reflects that Polaris Shares are now trading in a price range consistent with the exchange ratio under the Share Offer of 1 MRL Share for every 12.5 Polaris Shares.

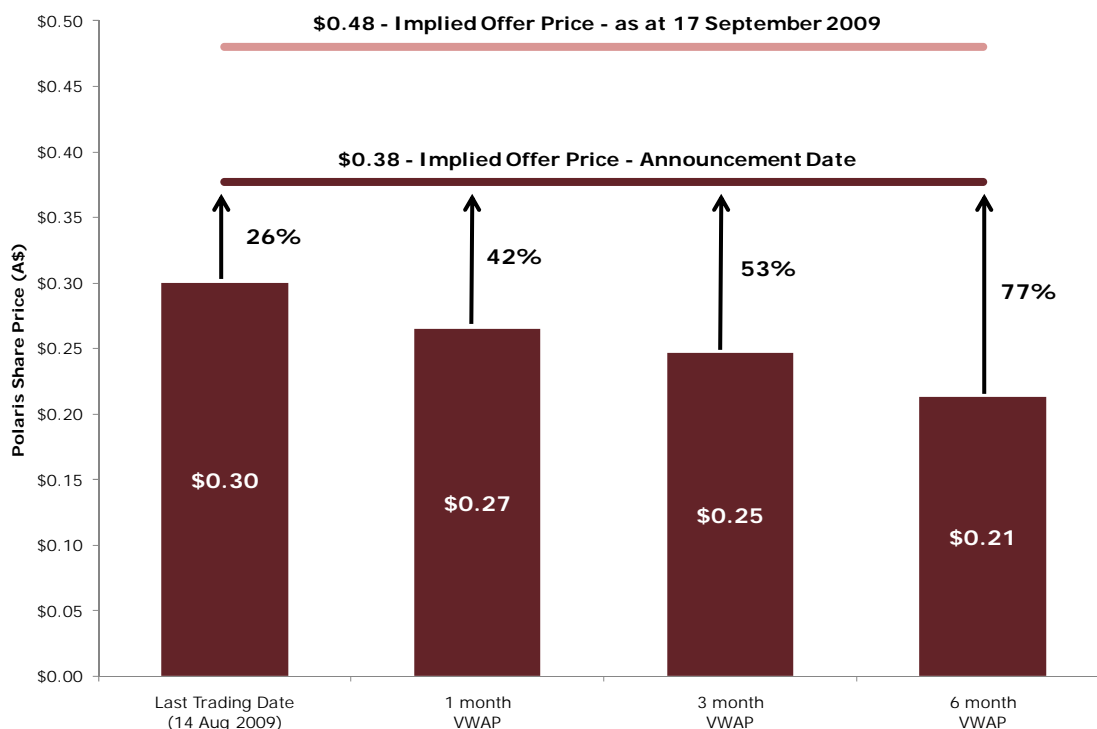
Polaris Shareholders should be aware that the prices of Polaris and MRL Shares (and the implied value of the Share Offer) may fluctuate upwards or downwards prior to the close of the Share Offer.

Polaris Share price – since 1 September 2008



Please refer to section 4.7 of the Bidder's Statement for the recent price history of MRL Shares.

Implied Share Offer premium to the recent trading price of Polaris Shares



3. Financial strength of the Merged Group

Mineral Resources is a diversified Australian mining services and mineral processing company, with a market capitalisation of approximately \$756 million¹ placing it within the top 300 ASX listed companies, with minimal net debt and strong cashflows.

The combined Mineral Resources/Polaris group of companies (**Merged Group**) will provide Polaris Securityholders with a number of important benefits in addition to the headline premium noted above, including:

Financial, developmental and operational strength

The Merged Group will have a pro forma market capitalisation in excess of \$835 million,² minimal net debt and strong cashflows from a substantial and profitable portfolio of diverse mining services, iron ore and manganese operations.

The Merged Group's enlarged size and stronger balance sheet should improve access to ongoing debt and equity funding at a lower cost than what Polaris could achieve on a stand-alone basis and provide the Merged Group with the flexibility to allocate more funds and resources to advance Polaris' projects and pursue other growth opportunities. MRL has indicated that it intends, if commercially feasible, to bring forward production at the Yilgarn Iron Ore Project (YIOP) by approximately 12 months using its financial resources, equipment availability and project development capability.

¹ Based on the closing price of MRL Shares on ASX as at 17 September 2009 (the day before the date of this Target's Statement), and the number of MRL Shares on issue at that date.

² Based on the number of Polaris Shares and MRL Shares on issue as at 17 September 2009 (the day before the date of this Target's Statement), and the closing price of Polaris Shares and MRL Shares on ASX on that date, and assuming 100% acceptance of the Share Offer.

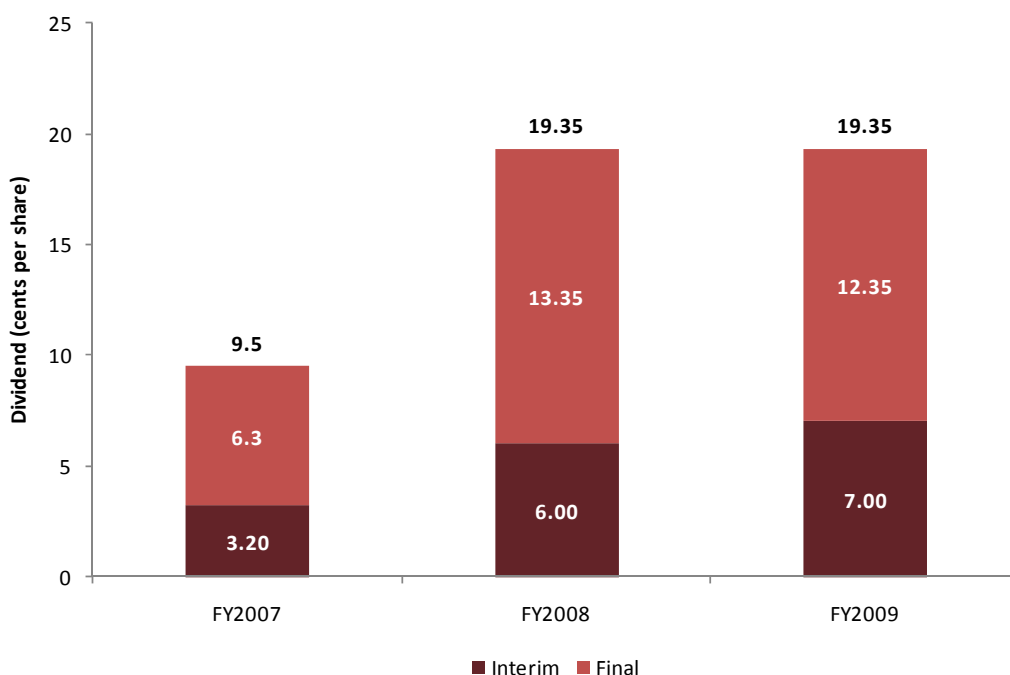
Diversified exposure Polaris Securityholders will gain exposure to MRL's substantial and profitable portfolio of diverse mining services, iron ore and manganese operations and the growth prospects of the Merged Group. The Merged Group will have a more diverse and complementary mix of businesses and have greater ability to pursue new growth opportunities.

Continuing participation Polaris Securityholders will not only retain exposure to the assets, operations and growth prospects of Polaris, but will also be able to participate in the synergies between MRL and Polaris which are expected to be realised as a result of the MRL Offers and the creation of the Merged Group.

4. Participation in MRL's dividend stream

If the Share Offer is successful, Polaris Shareholders will become shareholders in MRL, which, since its listing on ASX in 2006, has a history of paying fully franked dividends. The dividend yield, based on total dividends and the average closing price of MRL Shares for the financial year ending 30 June 2009, was 5.2%. Polaris has never paid a dividend and is not expected, as a stand-alone company, to pay a dividend for the foreseeable future.

Mineral Resources Limited dividends per share – history since listing



Although historical performance is not a guarantee of future performance, MRL has stated that Polaris Shareholders who accept the Share Offer will enjoy the future benefits associated with MRL's shareholder dividend policy, which currently provides that 50% of the profits will be distributed to MRL's shareholders by way of dividends.

Due to the timing of the Share Offer, Polaris Shareholders will not be entitled to MRL's final fully franked dividend for financial year 2009 of 12.35 cents, the record date for which is 15 September 2009 and which is expected to be paid on 19 November 2009.

5. Market appeal

The post-Share Offer pro forma Merged Group's market capitalisation will be approximately \$835 million³ compared to Polaris' market capitalisation of \$52.7 million on the Last Trading Date.

This larger market size, together with the improved business profile, growth opportunities and potential dividend stream described above, should further increase the Merged Group's market relevance amongst both investors and the analyst community, and be well in excess of that which Polaris has achieved to date on a stand-alone basis.

Further, the Merged Group retains the strategic flexibility associated with product off-take from the Polaris projects not yet being committed.

6. Independent Expert's recommendation

The Directors engaged Stantons International Pty Ltd (trading as Stantons International Securities) as an independent expert to provide a report as to whether the MRL Offers are fair and reasonable to Polaris Securityholders. The Independent Expert has concluded that the MRL Offers are fair and reasonable to Polaris Securityholders.

The summary of the Independent Expert's conclusion in respect of the Share Offer is as follows:

"After taking into account all of the factors noted in this report and in the absence of more superior offers, we are of the opinion that on an adjusted net asset value and quoted share market basis in valuing the Polaris shares and the Mineral Resources shares respectively, the proposed Takeover Offer by Mineral Resources to the Polaris shareholders is fair and reasonable to the shareholders of Polaris."

The Independent Expert reaches a similar conclusion in relation to the Option Offer.

The Independent Expert's Report dated 18 September 2009 is set out in Annexure A to this Target Statement.

Other matters

In considering whether to accept the MRL Offers, the Directors encourage you to:

- (a) read both this Target's Statement and the Bidder's Statement in their entirety;
- (b) consider the future prospects of Polaris, MRL and the Merged Group compared to the future prospects of Polaris as a stand-alone entity;
- (c) have regard to your individual risk profile, portfolio strategy, tax considerations and financial circumstances; and
- (d) obtain financial advice from your own broker or financial advisor regarding the MRL Offers and obtain taxation advice on the effect of accepting the MRL Offers.

³ Based on the number of Polaris Shares and MRL Shares on issue on 17 September 2009 (being the day before the date of this Target's Statement), and the closing price of Polaris Shares and MRL Shares on ASX on 17 September 2009 (being the day before the date of this Target's Statement), assuming 100% acceptance of the Share Offer.

If you choose not to accept the Share Offer, there are certain potential consequences of which you should be aware:

- (a) if the Share Offer ends, Polaris Shares may revert towards pre-bid price levels in the absence of another bidder making an offer. The emergence of another bidder may be unlikely, particularly if MRL acquires sufficient Polaris Shares to prevent another bidder from proceeding to compulsory acquisition or achieving effective control (refer to Section 3.3);
- (b) depending on the level of acceptances under the Share Offer, the liquidity of Polaris Shares may be substantially reduced, making it harder for you to dispose of your Polaris Shares in the future (refer to Section 3.4); and
- (c) as discussed in Section 3.6, Polaris will need to seek debt or equity funding for the development of its projects and for on-going corporate, operational and working capital purposes, potentially before the end of 2009. If such funding is sourced from equity capital markets there may be dilutive effects for existing Polaris Shareholders.

2. How to accept the MRL Offers

You should read this Target's Statement and the Bidder's Statement before making a decision on whether to accept the MRL Offers. Depending on the nature of your holding, you may accept the MRL Offers in the following ways:

<p>For CHESSE Holdings of Polaris Shares</p> <p><i>(i.e. your Holder Identification Number commences with an "X" – please refer to the Acceptance Form which accompanies the Bidder's Statement)</i></p>	<p>If your Polaris Shares are in a CHESSE Holding, to accept the Share Offer do one of the following:</p> <ul style="list-style-type: none">• call your broker and instruct your broker to initiate acceptance of the Share Offer in accordance with Rule 14.14 of the ASTC Settlement Rules; or• complete, sign and send the Acceptance Form (which accompanies the Bidder's Statement) directly to your broker; or• complete and sign the Acceptance Form and lodge it by returning it to the address set out on the Acceptance Form. This will authorise MRL to instruct your broker to initiate acceptance of the Share Offer on your behalf.
<p>For issuer sponsored holdings of Polaris Shares</p> <p><i>(i.e. your Securityholder Reference Number commences with an "I" – please refer to the Acceptance Form which accompanies the Bidder's Statement)</i></p>	<p>If your Polaris Shares are held on Polaris' issuer sponsored subregister, complete and sign the Acceptance Form in accordance with the instructions on the form. Once completed and signed, lodge it by returning it to the address set out in the Acceptance Form.</p>
<p>For holdings of Polaris Options</p>	<p>Complete and sign the Acceptance Form in accordance with the instructions on the form. Once completed and signed, lodge it by returning it to the address set out in the Acceptance Form.</p>

To validly accept the MRL Offers for your Polaris Securities, your acceptance must be received before 5.00 pm (WST) on 26 October 2009, unless the Offer Period is extended.

3. Important matters for Polaris Securityholders to consider

In making a decision whether to accept an MRL Offer you should carefully consider your personal circumstances and have regard to the following matters.

3.1 Overview of Polaris

Polaris is a Western Australian based company which listed on ASX in 2004. Polaris initially focused on gold and nickel exploration in the Southern Cross region of the Eastern Goldfields area of Western Australia. Since listing, the Company has expanded its portfolio to include several new iron ore, uranium, and gold projects.

The Company is now focused on exploration and development of its iron ore projects following the acquisition of the iron ore assets of Heron Resources Limited in 2006. The Company divested its uranium tenements to Northern Uranium Limited in 2006 and divested its gold and base metal assets to Southern Cross Goldfields Limited in 2008.

Following the discovery of the high quality Carina deposit in 2007, Polaris has made significant progress towards its strategic objective of becoming an iron ore producer having completed a pre-feasibility study and focusing on the development of Stage 1 of the Yilgarn Iron Ore Project (YIOP).

With the Yilgarn Iron Ore Project now at an advanced stage and a development agreement in place with MRL for the Poondano project near Port Hedland, the Company is well positioned to generate significant income within three years and make the transition from explorer to miner by late 2011. In addition, the excellent exploration potential within its 5,000km² of tenements in two of the three recognised iron ore provinces of Western Australia provides Polaris with several potential growth options in the future.

Yilgarn Iron Ore Project

The YIOP is the Company's key project located approximately 100km northeast of the town of Southern Cross and 60 km northeast of Koolyanobbing in the central Yilgarn Province. The project area is adjacent to the iron ore operations of Cliffs Natural Resources which produces and exports approximately 8 million tonnes per year of direct shipping ore (DSO). A Stage 1 development of the Carina and associated deposits (Chamaeleon, Carina Extended and others) is planned to commence in 2011 with a potential DSO resource inventory of more than 40 million tonnes.

Initial development programs are focused on the Carina deposit, a DSO goethite-haematite deposit close to established and accessible infrastructure. Polaris has completed substantial drilling programs at Carina resulting in Indicated and Inferred Mineral Resources totalling 26.7 million tonnes at an average grade of 58.9% Fe with very low alumina and silica levels. The initial development target is complemented by other nearby deposits, such as Bungalbin East, J4, J5, which are part of the YIOP Stage 2 with potential for over 100 million tonnes of mineralisation. These Stage 2 deposits require more rigorous environmental clearances related to the possible expansion of the Mount Manning Nature Reserve.

The YIOP is in close proximity to existing multi-user rail infrastructure and has access to existing port facilities and hence does not suffer the potentially high capital cost and access issues affecting many other WA iron ore development projects. The DSO from the YIOP has low impurities and benchmarks favourably against other iron ore sources, making it attractive to overseas customers.



Other key projects

- The Weelumurra Project in the central Pilbara, which has an exploration potential to host 250 to 300 million tonnes of Channel Iron Deposits (CID), detrital iron deposits and canga eluvial mineralization. The Polaris exploration team has commenced field evaluation of this project which has confirmed the potential of the area with surface sampling results averaging 57.4% Fe and a best result of 64.7% Fe.
- The Bullfinch North Project, including Mayfield with an exploration potential of 100 million tonnes including several million tonnes of hematite DSO (+55% Fe) and large tonnages of high grade magnetite-bearing mineralisation (~50% Fe) which recent testwork suggests is capable of being up-graded to ~60% Fe through simple crushing and dry magnetic separation processes. This material could utilise much of the proposed YIOP Stage 1 infrastructure and hence represents one of the options for the Stage 2 development.
- The Poondano iron ore project is 30 km south east of Port Hedland in the Pilbara Province. An agreement with a wholly-owned subsidiary of MRL to fund a \$400,000 feasibility study and the subsequent development and operation of the Poondano iron ore project is expected to result in the first shipment exported from Port Hedland in the first half of 2010. The port access, process expertise and logistics capability of MRL enabled the early development of this project which could provide potential cash flows to the Company of several million dollars per year once it achieves the target production rate of 500,000 tonnes per year.

In total, the estimated resource potential of Polaris exceeds 400 million tonnes in the four key projects discussed above and with approximately 5,000 km² of tenements in Western Australia, there remains significant potential for further discoveries. Polaris continues to consider and explore opportunities in relation to these projects and other tenement packages with a view to creating value for Polaris Shareholders.

It should be noted that the potential quantities and grade of iron deposits reported as exploration potential in this Section 3.1 are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

For further information regarding Polaris, please refer to the Annual Report, the Half-Year Report, Polaris' latest quarterly activities report for the period ended 28 July 2009, and Polaris' other announcements to the ASX. These documents can be located on Polaris' website at www.polarismetals.com.au, the ASX website at www.asx.com.au or by contacting Polaris on +61 (0)8 9215 1222 between 8.30 am and 5.30 pm Monday to Friday (WST).

3.2 Information in relation to MRL

MRL is an integrated supplier of services and goods to the resources sector. Products include "build, own and operate" crushing and screening contract services, polyethylene pipeline services (including pipeline installation, lining and fitting), manufacture and mineral processing, logistics and export of bulk commodities (specifically manganese and iron ore).

MRL's origins lie in the Northwest Shelf oil and gas industry, initially establishing itself as a specialist manufacturer and installer of polyethylene pipe fittings. Over an operating period in excess of 15 years, MRL has, through its PIHA and CSI brands, successfully delivered major projects across Australia, West Africa, South East Asia and the Pacific region.

MRL's crushing and processing activities are supported by a 3,000 m² workshop facility that is utilised to provide repair and refurbishment services to the operating sites as well as to provide labour and plant to the sites for planned and programmed maintenance and construction works.

MRL also specialises in the delivery of mineral processing and base metal recovery systems to the international mining industry through its Process Minerals brand that processes bulk commodities for MRL and a range of clients.

MRL is now a fully integrated ASX listed business that utilises the combined skills, strengths, design capabilities and plant and equipment to achieve results in the contracting and processing sectors for major mining, resource and infrastructure clients.

Section 4 of the Bidder's Statement provides background and financial information regarding MRL.

For further information regarding MRL, please visit its website at www.mineralresources.com.au.

3.3 Possible decrease in Polaris Share price

The Directors consider that the Polaris Share price might fall in the absence of the Share Offer or in the absence of another equivalent or superior proposal. This is because:

- in the one month up to and including the Last Trading Date, Polaris Shares traded on ASX at a VWAP of \$0.27; and
- in the twelve months up to and including the Last Trading Date, Polaris Shares traded on ASX at a VWAP of \$0.20.

However, the Directors cannot predict whether the Polaris Share price would in fact decrease or increase in the absence of the Share Offer, as there may be other reasons for share price movements. Polaris Shareholders should note that the announcement of the MRL Offers resulted in a material increase in the Polaris Share price.

The latest price for Polaris Shares may be obtained from the ASX website at www.asx.com.au using the code 'POL'.

3.4 Liquidity of Polaris Shares

As at 17 September 2009 (the day before the date of this Target's Statement), MRL held a 19.9% relevant interest in Polaris Shares as a result of a Pre-Bid Acceptance Agreement between MRL and Heron. Under the Pre-Bid Acceptance Agreement, the Share Offer must be accepted by Heron no later than 5 business days after the commencement of the Offer Period. The Directors intend to accept the Share Offer (in the absence of a superior proposal) by 5 October 2009.

If the Directors and Heron, in respect of the Polaris Shares subject to the Pre-Bid Acceptance Agreement, accept the Share Offer, MRL will hold an approximate 22% interest in Polaris Shares and, as a result, the Directors believe it is less likely that a superior proposal will emerge.

If MRL acquires more than 50.1% but less than 90% of Polaris Shares, MRL intends to retain the listing of Polaris Shares on ASX, subject to the continued satisfaction of ASX's listing requirements (see section 6.3 in the Bidder's Statement). Under these circumstances, the liquidity of Polaris Shares may be reduced, thereby impacting on Polaris Shareholders' ability to sell their Polaris Shares at price levels that reflect their value.

3.5 Superior proposal

If you accept an MRL Offer, then unless you are able to withdraw your acceptance in the circumstances described in Section 8.7 of this Target's Statement, you will forgo the opportunity to benefit from any superior proposal by another party for your Polaris Securities should such a proposal eventuate. At the date of this Target's Statement, the Polaris Directors are not aware of a proposal by anyone to make a superior proposal.

It is expected that, in the absence of a superior proposal, the Directors will accept the MRL Offers by 5 October 2009. Heron is required to accept the Share Offer by 30 September 2009. Polaris will make an announcement to the market when the Directors accept the MRL Offers. Polaris Securityholders who intend to accept an MRL Offer may consider submitting their acceptance after that announcement is made.

If MRL varies the MRL Offer to increase the consideration it is offering for your Polaris Securities you will be entitled to receive the increased consideration, even if you have already accepted an MRL Offer, unless one of the defeating conditions attached to the revised offer is triggered and MRL does not waive that condition, in which case the revised offer will lapse and you will retain your Polaris Securities.

3.6 Polaris funding requirements

As at 30 June 2009, Polaris had cash reserves of approximately \$4.2 million. In order to pursue its project development and exploration objectives, and to fund general corporate, operational and working capital requirements (including transaction expenses discussed in Section 3.10), it is likely that Polaris will require additional funding before the end of 2009.

Polaris intends to explore all funding opportunities that may be or become available to it, potentially including debt facilities, convertible or hybrid debt and the raising of equity capital. If the Directors decide to pursue an equity capital raising or convertible or hybrid debt raising, the existing shareholding interests of Polaris Shareholders may be diluted.

MRL's intentions in relation to Polaris' funding requirements are set out in section 6.3(c) of the Bidder's Statement.

3.7 Likelihood of the conditions being satisfied

The Share Offer is subject to a number of conditions, which are outlined in section 1.10 of annexure A to the Bidder's Statement (under the heading "Defeating Conditions of this Share Offer") and summarised briefly in Section 8.2 of this Target's Statement. The Option Offer is subject to a number of conditions, which are outlined in section 1.7 of annexure B of the Bidder's Statement and summarised briefly in Section 8.3 of this Target's Statement.

Whilst the Directors believe that the conditions are likely to be satisfied (and in the case of the Option Offer condition in Section 8.3(c), has been satisfied), you should be aware that there is a risk that some of the conditions may not be satisfied. If this occurs, and MRL does not waive the conditions, the MRL Offers will lapse and you will retain your Polaris Securities.

3.8 MRL's intentions with respect to the MRL Offers and Polaris

You should read section 6 of the Bidder's Statement which details MRL's intentions in respect of the businesses, assets and employees of Polaris.

3.9 Risk factors

Section 9 of the Bidder's Statement outlines the risks that Polaris Securityholders may face when investing in MRL Shares and / or MRL Options, as the case may be. Please read this information carefully. If you require further information regarding such risks in order to make a decision as to whether or not to accept an MRL Offer, please contact your professional adviser.

Neither Polaris nor any of its officers or advisers accepts any liability or responsibility in respect of movement in MRL Share prices before, during or following the close of the MRL Offers.

3.10 Transaction expenses

The MRL Offers have resulted in Polaris incurring expenses that would not otherwise arise from trading in the current financial year. Expenses include fees and costs payable to legal and financial advisers engaged to assist with responding to the MRL Offers and with the strategic partner process conducted by Polaris, and other transaction-related expenses which will have a negative impact on Polaris' cash position of between \$1.5 million and \$2 million.

3.11 Taxation

The taxation consequences of accepting the MRL Offers depend on a number of factors and will vary depending on your particular circumstances.

Section 8 of the Bidder's Statement contains a discussion of certain possible tax implications for Polaris Securityholders. It is not intended to be an authoritative or complete statement of the tax position applicable to any given Polaris Securityholder.

If you accept an MRL Offer, you may trigger a Capital Gains Tax (CGT) event.

In the event that MRL acquires at least 80% of Polaris Shares, then Polaris Shareholders may be eligible to obtain CGT roll-over relief under CGT scrip-for-scrip rules. In the event that MRL does not acquire in excess of 80% of Polaris Shares, then CGT scrip-for-scrip roll-over relief will not be available to Polaris Shareholders.

In the event that MRL acquires at least 80% of Polaris Options, then Polaris Optionholders may be eligible to obtain CGT roll-over relief under CGT scrip-for-scrip rules. In the event that MRL does not acquire in excess of 80% of Polaris Options, then CGT scrip-for-scrip roll-over relief will not be available to Polaris Optionholders.

Your income tax and CGT liabilities will depend on your personal circumstances and the decisions you make. It is strongly recommended that you seek independent advice in regard to your personal situation.

Neither Polaris nor any of its officers or advisers accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

3.12 Ineligible Overseas Shareholders

If you are an Ineligible Overseas Shareholder (that is, any Polaris Shareholder whose address is in a place outside Australia and its external territories, New Zealand, Singapore or Hong Kong), unless MRL otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Share Offer to you and to issue you with MRL Shares on acceptance of the Share Offer; and
- (b) it is not unlawful for you to accept the Share Offer by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore or Hong Kong,

then you will not be entitled to receive MRL Shares as consideration for your Polaris Shares under the Share Offer.

Instead, MRL will:

- (a) arrange for the issue to a Sale Nominee of the number of MRL Shares to which you and all other Ineligible Overseas Shareholders would have been entitled but for section 1.8 of annexure A to the Bidder's Statement;
- (b) cause the Sale Nominee to offer for sale those MRL Shares within 15 Business Days after the end of the Offer Period in such a manner, at such price and on such other terms and conditions as are determined by the Sale Nominee; and
- (c) pay to you the amount ascertained in accordance with the description in section 1.8 of annexure A to the Bidder's Statement.

Refer to section 1.8 of annexure A to the Bidder's Statement for further details.

3.13 Sale Facility

If you are a Polaris Shareholder and, as at the Record Date, you are registered as the holder of 100,000 or less Polaris Shares, you may elect to have the MRL Shares comprising the Share Consideration sold on your behalf by a Sale Nominee under the Sale Facility and in accordance with the process described in Section 3.12 (with all such changes as may be necessary in the circumstances) and otherwise in accordance with the arrangement agreed with the Sale Nominee.

Refer to section 1.9 of annexure A to the Bidder's Statement for further details.

4. Frequently asked questions

You may have questions regarding the MRL Offers. The following set of questions and answers is intended to assist in your understanding of the MRL Offers. If you have other questions, please contact Polaris on +61 (0)8 9215 1222 between 8.30 am and 5.30 pm Monday to Friday (WST).

4.1 Frequently asked questions - general

Question	Answer
1. Who is MRL?	MRL is an ASX-listed, mining services and mineral processing company. Information in relation to MRL can be obtained from the Bidder's Statement or MRL's website at www.mineralresources.com.au .
2. What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the MRL Offers. MRL lodged its Bidder's Statement with ASIC on 17 September 2009.
3. What is this Target's Statement?	This Target's Statement has been prepared by Polaris and provides Polaris' response to the MRL Offers, including the recommendations of the Directors.
4. What is the recommendation of the Directors?	The Directors of Polaris unanimously recommend that you accept the MRL Offers, in the absence of a superior proposal. The reasons for the Directors' recommendation are set out in Section 1 of this Target's Statement. If there is a change in the Directors' recommendation or any material developments in relation to the MRL Offers, the Directors will make appropriate supplementary disclosure.
5. What happens if I accept the MRL Offers now?	If you accept the MRL Offers you will be unable to sell or transfer your Polaris Shares (on ASX or otherwise) or exercise your Polaris Options or accept any other bid for your Polaris Securities unless either the MRL Offers are unsuccessful or the MRL Offers are extended by a period of more than one month while they remain conditional. If such an extension occurs in respect of the relevant MRL Offer you will have an opportunity to withdraw your acceptance. If you accept an MRL Offer and it becomes unconditional, you will be obliged to sell your Polaris Securities to MRL and you will receive the Share Consideration or Option Consideration, as the case may be.
6. Can I withdraw my acceptance?	Generally, no. You will be allowed to withdraw your acceptance only if, after you have accepted an MRL Offer and while that MRL Offer is still subject to conditions, MRL varies that MRL Offer in a way that postpones for more than one month the time MRL has to meet its obligations under that MRL Offer, for example if MRL extends that MRL Offer and the time for payment of the Share Consideration or the Option Consideration (as applicable) for more than one month while that MRL Offer remains conditional.

7. Can I accept an MRL Offer for only some of my Polaris Securities?	No. You may only accept an MRL Offer in respect of all the Polaris Shares and / or all of the Polaris Options you hold.
8. If I choose not to accept an MRL Offer now, but I change my mind later, can I still accept that MRL Offer?	You can accept the MRL Offers up until the end of the Offer Period, which is currently scheduled to end at 5.00 pm (WST) on 26 October 2009. If the relevant MRL Offer is declared free of its conditions, the Offer Period may be extended at any time.
9. If I do not accept, can I be forced to sell my Polaris Securities?	<p>You cannot be forced to sell your Polaris Shares (or Polaris Options, as the case may be) unless MRL acquires a relevant interest in at least 90% of all Polaris Shares (or 90% of all Polaris Options, as the case may be), by the end of the Offer Period, and MRL proceeds to the compulsory acquisition of your Polaris Shares (or Polaris Options, as the case may be), pursuant to the Corporations Act.</p> <p>If MRL does not become entitled to compulsorily acquire all outstanding Polaris Shares and / or all outstanding Polaris Options in accordance with Part 6A Division 1 of the Corporations Act, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 Division 1 of the Corporations Act.</p>
10. What if there is a competing transaction?	<p>The Directors will carefully consider the merits of any competing transaction and send you supplementary information advising whether the competing transaction affects their recommendation.</p> <p>If you have already accepted an MRL Offer then you may not be able to participate in any other bid for your Polaris Securities.</p>
11. What will happen if MRL increases its offer?	If you accept an MRL Offer and MRL subsequently increases the Share Consideration or the Option Consideration (as applicable) and that MRL Offer becomes unconditional, you will receive the increased share consideration or option consideration for your Polaris Shares or Polaris Options (as the case may be).
12. When do the MRL Offers close?	The closing date for the MRL Offers is currently 5.00 pm (WST) on 26 October 2009, but the MRL Offers can be extended or withdrawn by MRL before that date (subject to the Corporations Act).
13. The MRL Offers are conditional. What does that mean?	Various conditions are attached to the MRL Offers, which are detailed in sections 1.10 of annexure A and 1.7 of annexure B to the Bidder's Statement and summarised in Sections 8.2 and 8.3 of this Target's Statement. If the conditions of the MRL Offers are not satisfied before the end of the MRL Offer period or waived by MRL, the relevant MRL Offer will lapse and all contracts resulting from the acceptance of that MRL Offer will be void. You will then be free to deal with your Polaris Shares or Polaris Options (as the case may be) as you see fit.

14. Should I wait until the MRL Offers are unconditional before considering acceptance?	<p>The Directors do not recommend that you wait until the MRL Offers are unconditional before accepting, as your acceptance may be needed to enable MRL to meet or waive the minimum acceptance condition. You will not receive the consideration for your Polaris Shares or Polaris Options unless and until the Share Offer or Option Offer (as the case may be) becomes unconditional.</p> <p>The Directors have indicated that, in the absence of a superior proposal, they will accept the MRL Offer by 5 October 2009, regardless of whether the MRL Offers are conditional or not. Under the Pre-Bid Acceptance Agreement Heron has undertaken to accept the Share Offer by 30 September 2009, being 5 business days after the commencement of the Offer Period.</p>
15. What happens if the conditions to the MRL Offers are not satisfied or waived?	<p>If the conditions to an MRL Offer are not satisfied or waived before the end of the Offer Period, then the relevant MRL Offer will not proceed and you will not receive the Share Consideration or Option Consideration (as the case may be) even if you had accepted the MRL Offer.</p> <p>You will continue to hold your Polaris Securities and be free to deal with them as if the MRL Offers had not been made, unless you have already sold them to someone else.</p>
16. What happens to Polaris if the MRL Offers are not successful?	<p>If the MRL Offers do not proceed (because the conditions to the MRL Offers are not satisfied or waived before the end of the Offer Period, or for any other reason), Polaris will continue in its current form, and:</p> <ul style="list-style-type: none"> • Polaris Shares may revert towards pre-bid price levels in the absence of another bidder making an offer (refer further to Section 3.3); and • the raising of equity funding by Polaris for the development of its projects and for on-going corporate, operational and working capital purposes (potentially before the end of 2009) may result in the dilution of the interests of existing Polaris Shareholders (refer further to Section 3.6).
17. If I accept, when do I receive the Share Consideration and / or Option Consideration?	<p>If you accept an MRL Offer, the Share Consideration or Option Consideration (as the case may be) will be paid to you by the earlier of:</p> <ul style="list-style-type: none"> • one month after the date of your acceptance or, if the relevant MRL Offer is subject to a defeating condition when you accept the that offer, within one month after that relevant MRL Offer becomes unconditional; and • 21 days after the end of the relevant Offer Period.
18. Will I need to pay brokerage or stamp duty if I accept an MRL Offer?	<p>The Bidder's Statement states that you will not pay brokerage or stamp duty if you accept the MRL Offer (except if you are an Ineligible Overseas Shareholder - refer to section 1.8 of annexure A to the Bidder's Statement).</p>
19. What if I have other questions?	<p>If you have any further questions which are not addressed in this Target's Statement, please call Polaris on +61 (0)8 9215 1222 Monday to Friday between 8.30 am and 5.30 pm (WST).</p>

4.2 Frequently asked questions - concerning the Share Offer

This part considers some key questions that you may have about the Share Offer in respect of your Polaris Shares and should be read in conjunction with the entire Target's Statement.

Question	Answer
1. What is the Share Offer?	The Share Offer is to acquire all of your Polaris Shares. The Share Offer contemplates Polaris Shareholders receiving 1 MRL Share for every 12.5 Polaris Shares.
2. What does the Independent Expert say about the Share Offer?	<p>The Independent Expert has concluded that the Share Offer is fair and reasonable.</p> <p>The Independent Expert's Report accompanies this Target's Statement in Appendix A. The Directors recommend that you read the Independent Expert's Report in full as part of your consideration of the Share Offer.</p>
3. What choices do I have as a Polaris Shareholder in relation to the Share Offer?	<p>As a Polaris Shareholder you have the following choices:</p> <ol style="list-style-type: none">1. <u>Accept the Share Offer</u>, in which case you should follow the instructions in the Bidder's Statement or in Section 2 of this Target's Statement. Any fractional entitlement will be rounded up to the next whole number of MRL Shares if it is 0.5 or more, and rounded down to the nearest whole number if it is less than 0.5.2. <u>Accept the Share Offer and participate in the Sale Facility</u>. If you are the registered holder of 100,000 or less Polaris Shares on the Record Date and decide to accept the Share Offer but do not wish to retain the MRL Shares you will receive as consideration, you may elect to participate in the Sale Facility. Further details about the Sale Facility can be found in section 1.9 of annexure A to the Bidder's Statement.3. <u>Sell your Polaris Shares on ASX</u>. You will receive a cash amount according to the prevailing market value of your Polaris Shares, less any brokerage payable. You will lose the right to participate in the Share Offer.4. <u>Reject the Share Offer</u> by doing nothing. Simply ignore all documents sent to you by MRL. Note that your Polaris Shares may be compulsorily acquired by MRL in the event that the level of acceptances reaches 90% of all Polaris Shares. <p>For further information refer to Section 6 of this Target's Statement.</p> <p>You may wish to seek legal, financial, or taxation advice from your professional adviser regarding the action that you should take in relation to the Share Offer.</p>
4. What will the Directors be doing in relation to their Polaris Shares?	The Directors intend to accept the Share Offer in relation to the Polaris Shares held by them or the entities controlled by them, in the absence of a superior proposal, not later than 5 October 2009.
5. Can I sell my Polaris Shares on the stock exchange?	Yes, unless you have accepted the Share Offer. If you accept the Share Offer you cannot sell your Polaris Shares on the ASX, unless you become entitled to withdraw your acceptance – refer to questions 5 and 6 in Section 4.1 of this Target's Statement. You may incur brokerage if you sell your Polaris Shares on the ASX.

6. What if I don't want MRL Shares?	<p>If you do not want MRL Shares you have the following options:</p> <ul style="list-style-type: none"> • sell your Polaris Shares on the ASX (unless you have previously accepted the Share Offer and have not validly withdrawn your acceptance); • if you are the registered holder of 100,000 or less Polaris Shares at the Record Date, accept the Share Offer and elect to participate in the Sale Facility, as discussed in Section 3.13 of this Target's Statement and section 1.9 of annexure A to the Bidder's Statement; or • do nothing and remain a minority shareholder in Polaris (unless MRL is entitled to and elects to compulsorily acquire all your Polaris Shares).
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7. What are the tax implications of accepting the Share Offer?	<p>This depends on your personal tax position and the price at which you originally acquired your Polaris Shares. Refer to section 8.1 of the Bidder's Statement.</p> <p>Polaris Shareholders should be aware that if MRL acquires ownership of 80% of Polaris Shares, rollover relief may be available to Polaris Shareholders for the portion of the capital gain that is made from the receipt of MRL Shares as consideration. If MRL does not acquire ownership of 80% of Polaris Shares, rollover relief will not be available.</p> <p>You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Share Offer.</p>
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4.3 Frequently asked questions - concerning the Option Offer

This part answers some key questions that may have about the Option Offer in respect of your Polaris Options and should be read in conjunction with the entire Target's Statement.

Question	Answer
1. What is the MRL Offer for my Polaris Options?	The Option Offer is to acquire all of your Polaris Options. The Option Offer contemplates Polaris Optionholders receiving 1 MRL Option (having the relevant terms outlined in annexures E and F of the Bidder's Statement) for every 12.5 Polaris Options.
2. What does the Independent Expert say with respect of the Option Offer?	<p>The Independent Expert has concluded that the Option Offer is fair and reasonable.</p> <p>The Independent Expert's Report accompanies this Target's Statement in Appendix A. The Directors recommend that you read the Independent Expert's Report in full as part of your consideration of the Option Offer.</p>

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3. What choices do I have as a Polaris Optionholder in relation to the Option Offer?
- As a Polaris Optionholder you have the following choices:
1. Accept the Option Offer, in which case you should follow the instructions in the Bidder's Statement or in Section 2 of this Target's Statement.
 2. Exercise your Polaris Options. You will receive Polaris Shares in accordance with the terms of your Polaris Options. You will then be eligible to participate in the Share Offer or alternatively, you may sell your Polaris Shares on market and receive a cash amount according to the prevailing market value of your Polaris Shares, less any brokerage payable. In this circumstance, you will lose the right to participate in the Share Offer.
 3. Reject the Option Offer by doing nothing. Simply ignore all documents sent to you by MRL. Note that your Polaris Options may be compulsorily acquired by MRL in the event that the level of acceptances reaches 90% of all Polaris Options.

For further information refer to Section 7 of this Target's Statement.

You may wish to seek legal, financial, or taxation advice from your professional adviser regarding the action that you should take in relation to the Option Offer.

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4. What will the Directors be doing in relation to their Polaris Options?
- The Directors intend to accept the Option Offer in relation to the Polaris Options held by them or the entities controlled by them, in the absence of a superior proposal, not later than 5 October 2009.

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5. Will my MRL Options be listed?
- No.

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6. How do I exercise my Polaris Options?
- Refer to Section 7.2 of this Target's Statement on how to exercise your Polaris Options.

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7. What are the tax implications of accepting the Option Offer?
- This depends on your personal tax position and the price at which you originally acquired your Polaris Options. Refer to section 8.2 of the Bidder's Statement.
- Polaris Optionholders should be aware that if MRL acquires ownership of 80% of Polaris Options then, if applicable, rollover relief may be available to Polaris Optionholders for the portion of the capital gain that is made from the receipt of MRL Options as consideration. If MRL does not acquire ownership of 80% of Polaris Options, rollover relief will not be available.
- You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Option Offer.
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5. Directors' recommendations and Directors' interests

5.1 Details of Directors

The Directors of Polaris as at the date of this Target's Statement are:

- (a) Mr Lewis Cross (Non-executive Chairman);
- (b) Mr Kenneth Hellsten (Managing Director);
- (c) Mr Jonathan Lea (Executive Director);
- (d) Mr Alan Tough (Executive Director); and
- (e) Mr Ian Buchhorn (Non-executive Director).

5.2 Directors' interests in Polaris Securities

At the day before the date of this Target's Statement, the Directors have the following direct and indirect interests in Polaris Shares:

Director	Direct interest in Polaris Shares	Indirect interest in Polaris Shares	Total Polaris Shares in which the Director has an interest
Lewis Cross	-	2,190,002 ¹	2,190,002
Ken Hellsten	60,000	-	60,000
Jonathan Lea	15,240	123,559 ²	138,799
Alan Tough	-	184,375 ³	184,375
Ian Buchhorn	-	1,485,252 ⁴	1,485,252

1. Indirect interest held by Peterborough Nominees Pty Ltd of which Mr Cross is a director and shareholder.
2. Indirect interest held by Lifetime Superannuation Fund of which Mr Lea is a member.
3. Indirect interest held by Gamma Corporation Pty Ltd of which Mr Tough is a shareholder.
4. Indirect interest held by Hazurn Pty Ltd as trustee for Buchhorn Super Fund A/C of which Mr Buchhorn is a beneficiary.

At the day before the date of this Target's Statement, the Directors have the following direct and indirect interests in Polaris Options:

Director	Direct interest in Polaris Options	Indirect interest in Polaris Options	Exercise price	Expiry date
Lewis Cross	-	1,000,000 ¹	\$0.531	31 December 2011
	-	1,000,000 ¹	\$0.731	31 December 2011
Ken Hellsten	1,000,000	-	\$0.55	31 December 2011
	1,000,000	-	\$0.75	31 December 2011
Jonathan Lea	-	1,000,000 ²	\$0.531	31 December 2011
	-	1,000,000 ²	\$0.731	31 December 2011
	-	250,000 ²	\$0.55	31 December 2011
Alan Tough	-	2,000,000 ³	\$0.75	31 December 2011
Ian Buchhorn	-	1,000,000 ⁴	\$0.531	31 December 2011
	-	1,000,000 ⁴	\$0.731	31 December 2011

1. Indirect interest held by Peterborough Nominees Pty Ltd of which Mr Cross is a director and shareholder.
2. Indirect interest held by Gleason Trust of which Mr Lea is trustee.
3. Indirect interest held by Gamma Corporation Pty Ltd of which Mr Tough is a shareholder.
4. Indirect interest held by Hazurn Pty Ltd as trustee for Buchhorn Super Fund A/C of which Mr Buchhorn is a beneficiary.

In addition, in accordance with the terms of the service agreement between Mr Ken Hellsten and Polaris, the Polaris Directors have resolved, subject to obtaining shareholder approval, to grant to Mr Hellsten 4,000,000 Options (**MD Options**). Polaris may seek shareholder approval of the MD Options in due course but, in any event, the MD Options are subject to the agreement between Mr Hellsten and MRL described in Section 5.7.

5.3 Recommendation of Directors

Each Director recommends that Polaris Securityholders accept the MRL Offers in respect of their Polaris Securities, in the absence of a superior proposal, for the reasons set out in this Target's Statement (particularly the matters discussed in Section 1).

5.4 Directors' intentions in relation to personal holdings

Each Director who holds or controls Polaris Securities states that he intends, in the absence of a superior proposal, to accept the MRL Offers by 5 October 2009 in respect of all of those Polaris Securities.

5.5 Recent dealings in Polaris Securities by Directors

There have been no acquisitions or disposals of Polaris Securities by Directors or any of their respective associates in the four months preceding the date of this Target's Statement.

5.6 Interests or dealings in MRL securities

Other than a holding of 8,992 MRL Shares acquired by the Hellsten Superannuation Fund, of which Mr Ken Hellsten is a beneficiary, on 9 September 2009, none of the Directors nor any of their respective associates have a relevant interest in any of the securities of MRL or any related body corporate of MRL, or have acquired or disposed of any securities of MRL or any related body corporate of MRL in the four months preceding the date of this Target's Statement.

5.7 No agreement with any Director in connection with the MRL Offer

Except as described below, there is no agreement or arrangement made between any Director and any other person in connection with or conditional on the outcome of the MRL Offer.

On 20 August 2009, Ken Hellsten entered into an agreement with MRL (**Hellsten Agreement**) in relation to the treatment of the MD Options. The grant of the MD Options requires Polaris Shareholder approval which has not been sought or obtained at the date of this Target's Statement. Under the Hellsten Agreement, MRL has agreed (subject to MRL having acquired more than 50.1% of Polaris Shares at the relevant time) to issue to Mr Hellsten 320,000 options over unissued MRL Shares on terms and conditions consistent with the MD Options.

5.8 No interest in contracts

No Director has any interest in any contract entered into by MRL.

5.9 Benefits

MRL has indicated that, subject to the MRL Offers being successful and it acquiring 100% of all Polaris Shares, Polaris' management team will be integrated into MRL as a Specialist Iron Ore Resources business unit. Polaris' Managing Director, Mr Ken Hellsten, will join MRL's executive team as General Manager of the new business unit.

It is Polaris' current corporate policy that, if a person (such as MRL) acquires more than 50% of all Polaris Shares and, within 12 months of that event, the service contract of any executive Director or senior manager is terminated, then the relevant executive Director or senior manager will be entitled to a minimum of 6 months' salary in addition to any other accrued benefits such as leave that are otherwise owing.

Other than the Hellsten Agreement described in Section 5.7, Polaris does not propose and, except as otherwise disclosed in this Target's Statement, is not aware of any proposal in connection with the MRL Offers that will confer a benefit:

- (a) on any person in connection with the retirement of that person from a board or managerial office of Polaris or related body corporate of Polaris; or
- (b) that will or may be given to any person in connection with the transfer of the whole or any part of Polaris' undertaking or property.

6. Your choices as a Polaris Shareholder

If you are a Polaris Shareholder, you have four choices available to you.

The Directors encourage you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Polaris Shares.

6.1 Accept the Share Offer

Each of the Directors recommends that you accept the Share Offer in the absence of a superior proposal.

Each of the Directors intends to accept the Share Offer in respect of all of the Polaris Shares they own or control, in the absence of a superior proposal, by 5 October 2009.

Details of how to accept the Share Offer are set out in Section 2 of this Target's Statement and in section 1.5 of annexure A to the Bidder's Statement.

The Independent Expert has concluded that the Share Offer is fair and reasonable. The Directors recommend that you read the Independent Expert's Report which is attached as Appendix A.

If you accept the Share Offer you will not be able to sell your Polaris Shares to anyone else, either on the ASX or by accepting any superior proposal that might emerge, unless either the Share Offer is unsuccessful or the Share Offer is extended by a period of more than one month while it is still conditional (refer to Section 8.7 of this Target's Statement).

The taxation implications of accepting the Share Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian tax consequences of accepting the Share Offer is set out in section 8.1 of the Bidder's Statement. You should seek your own specific professional advice regarding the taxation consequences for you of accepting the Share Offer.

The Bidder's Statement states that if you accept the Share Offer you will not incur any brokerage charges (except if you are a Ineligible Overseas Shareholder - refer to section 1.8 of annexure A to the Bidder's Statement).

6.2 Accept the Share Offer and elect to participate in the Sale Facility

If, as at the Record Date, you are the registered holder of 100,000 or less Polaris Shares and decide to accept the Share Offer but do not wish to receive or hold MRL Shares, you can elect to participate in the Sale Facility and receive cash instead of MRL Shares. Further information about the Sale Facility can be found in section 1.9 of annexure A to the Bidder's Statement. Before you make a decision as to whether to participate in the Sale Facility, you should contact your tax adviser to determine the taxation implications associated with your participation.

6.3 Sell your Polaris Shares on the ASX

Provided you have not accepted the Share Offer you can sell your Polaris Shares on the ASX.

If you sell your Polaris Shares on ASX:

- you will lose the ability to accept the Share Offer or any other proposal that may emerge;

- you may receive more or less for your Polaris Shares than the value of the Share Consideration; and
- you may incur a brokerage charge.

If you wish to sell your Polaris Shares on ASX you should contact your broker.

The taxation implications of selling your Polaris Shares on the ASX depend on a number of factors and will vary according to your particular circumstances, in the same way as if you accept the Share Offer. You should seek your own specific professional advice regarding the taxation consequences for you of selling your Polaris Shares on the ASX.

6.4 Do nothing

If you do not wish to accept the Share Offer and wish to retain your Polaris Shares, you do not need to take any action.

If you do not accept the Share Offer and MRL becomes entitled to compulsorily acquire your Polaris Shares under the Corporations Act (as it intends to do, as discussed in section 6.4 of the Bidder's Statement), you may be paid later than Polaris Shareholders who chose to accept the Share Offer. Refer to Section 8.10 for details on compulsory acquisition.

Further, if the Share Offer is successful (i.e. if the defeating conditions attached to the Share Offer are satisfied or not triggered as appropriate, or are waived) but MRL does not become entitled to compulsorily acquire your Polaris Shares, you will become a minority shareholder in Polaris, with potential adverse implications, including those described in Sections 3.3, 3.4 and 3.6.

7. Your choices as a Polaris Optionholder

If you are a Polaris Optionholder, you have three choices available to you.

The Directors encourage you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Polaris Options.

7.1 Accept the Option Offer

Each of the Directors recommends that you accept the Option Offer in the absence of a superior proposal.

Each of the Directors who hold Polaris Options intends to accept the Option Offer in respect of all of the Polaris Options they own or control, in the absence of a superior proposal, by 5 October 2009.

Details of how to accept the Option Offer are set out in Section 2 of this Target's Statement and in section 1.4 of annexure B to the Bidder's Statement.

The Independent Expert has concluded that the Option Offer is fair and reasonable. The Directors recommend that you read the Independent Expert's Report which is attached as Appendix A.

If you accept the Option Offer you will not be able to exercise your Polaris Option, unless either the Option Offer is unsuccessful or the Option Offer is extended by a period of more than one month while it is still conditional (refer to Section 8.7 of this Target's Statement).

The taxation implications of accepting the Option Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian tax consequences of accepting the Option Offer is set out in section 8.2 of the Bidder's Statement. You should seek your own specific professional advice regarding the taxation consequences for you of accepting the Option Offer.

The Bidder's Statement states that if you accept the Option Offer you will not incur any brokerage charges.

7.2 Exercise your Polaris Options

Provided you have not accepted the Option Offer, you can exercise your Polaris Options.

If you exercise your Polaris Options:

- you will be eligible to participate in the Share Offer in respect of the resulting Polaris Shares; or
- you will be able to sell the resulting Polaris Shares on ASX (in which case you should note the consequences discussed in Section 6.3 of this Target's Statement).

Any number of your Polaris Options may be exercised. You can exercise your Polaris Options by giving written notice to Polaris, together with a cheque, money order or bank draft in Australian currency drawn on an Australian branch of a financial institution for an amount equal to the exercise price of the relevant Polaris Options multiplied by the number of options to be exercised.

If you wish to exercise your Polaris Options with a view to accepting the Share Offer you must allow sufficient time for Polaris to allot and issue the resulting Polaris Shares before the expiry of the Offer Period for the Share Offer.

7.3 Do nothing

If you do not wish to accept the Option Offer and wish to retain your Polaris Options, you do not need to take any action.

If you do not accept the Option Offer and MRL becomes entitled to compulsorily acquire your Polaris Options under the Corporations Act (as it intends to do in certain circumstances, as discussed in sections 6.4 and 6.6 of the Bidder's Statement), you may receive the Option Consideration later than Polaris Optionholders who chose to accept the Option Offer. Refer also to Section 8.10 of this Target's Statement for details on compulsory acquisition.

8. Important information about the MRL Offers

8.1 MRL Offer consideration

MRL announced a takeover offer on 20 August 2009 for all of the Polaris Shares and Polaris Options. The consideration under the MRL Offers is:

- (a) **Share Consideration:** 1 MRL Share for every 12.5 Polaris Shares held; and
- (b) **Option Consideration:** 1 MRL Option for every 12.5 Polaris Options held.

In addition, Polaris Shareholders who, as at the Record Date, are registered as the holder of 100,000 or less Polaris Shares may elect to have the MRL Shares that they would otherwise have been entitled to under the Share Offer sold on-market through the Sale Facility and instead receive the net cash proceeds from the sale in lieu of MRL shares, as detailed in section 1.9 of annexure A to the Bidder's Statement.

If you elect to participate in the Sale Facility, you will be deemed to apply in respect of all of your Polaris Shares, unless you hold one or more parcels of Polaris Shares as trustee or nominee for, or otherwise on account of, another person. In these circumstances, you may make separate and distinct elections in relation to each of those parcels of Polaris Shares provided you comply with the notice obligations set out in section 1.4(d) of annexure A to the Bidder's Statement.

8.2 Conditions of the Share Offer

The conditions of the Share Offer are set out in section 1.10 of annexure A of the Bidder's Statement.

A summary of the conditions are:

- (a) **Minimum acceptance:** By the end of the Offer Period for the Share Offer, the MRL Group has a relevant interest in more than 50.1 percent of all Polaris Shares.
- (b) **No Material Adverse Change:** Before the end of the Offer Period for the Share Offer, no Material Adverse Change occurs, is discovered, announced, disclosed or otherwise becomes known to MRL (whether or not becoming public).
- (c) **No Prescribed Occurrences:** Before the end of the Offer Period for the Share Offer, no Prescribed Occurrence occurs.
- (d) **Regulatory approvals:** Before the end of the Offer Period for the Share Offer, MRL obtains any regulatory approval required for the Share Offer.
- (e) **Conduct of business by Polaris:** Before the end of the Offer Period, none of Polaris, or any subsidiary of Polaris, enters or varies any contracts of service with any Director, manager or employee, or has any threatened or commenced material claim or proceeding against Polaris or any subsidiary of Polaris.

8.3 Conditions of the Option Offer

The conditions of the Option Offer are set out in section 1.7 of annexure B of the Bidder's Statement.

A summary of the key conditions are:

- (a) **Minimum acceptance:** By the end of the Offer Period for the Share Offer, MRL or each of its subsidiaries, collectively have a relevant interest in more than 50.1 percent of all Polaris Shares.
- (b) **Share Offer unconditional:** Before the end of the Offer Period for the Share Offer, the Share Offer is, or has been declared, unconditional in all respects.
- (c) **ASX approval of amendment of option terms:** Before the end of the Offer Period for the Option Offer, ASX has provided all such waivers as are required to permit the amendment of the terms of the Polaris Options to allow transfer to MRL without the approval of Polaris Shareholders pursuant to Listing Rule 6.23.4.
- (d) **Regulatory approvals:** Before the end of the Offer Period for the Option Offer, MRL obtains any regulatory approval required for the Option Offer.

8.4 Likelihood of satisfaction of the conditions

As discussed in Section 9.8 of this Target's Statement, the condition outlined in Section 8.3(c) above has been satisfied.

As at the date of this Target's Statement, Polaris is not aware of any act, omission, event or fact that would result in the breach or non-satisfaction of a condition to the MRL Offers.

While the Directors have no reason to believe that the conditions to the MRL Offers will not be satisfied, Polaris is not in a position to state whether the conditions to the MRL Offers will be satisfied.

8.5 Implications of conditions not being satisfied

Except for the minimum acceptance conditions described in Sections 8.2(a) and 8.3(a) above for which MRL must obtain the prior written consent of Polaris, any conditions of an MRL Offer which are not satisfied (or triggered, as appropriate) may be waived by MRL at any time.

If any condition is unsatisfied (or has been triggered) and has not been waived, MRL will have a choice either to proceed with the acquisition of Polaris Shares under the MRL Offer or to allow the MRL Offer to lapse with unsatisfied conditions.

8.6 Offer Period

The Offers will be open for acceptance from 23 September 2009 until 5.00 pm (WST) on 26 October 2009, unless extended or withdrawn.

The circumstances in which MRL may extend or withdraw the MRL Offers are set out in section 1.11 (entitled "Withdrawal of Share Offer") of annexure A and section 1.8 of annexure B to the Bidder's Statement.

8.7 Withdrawal of your acceptance

Once you accept an MRL Offer (even while it remains subject to defeating conditions) you will not be able to sell your Polaris Shares on market or exercise your Polaris Options or otherwise deal with your Polaris Securities, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.

Polaris Securityholders may only withdraw their acceptance of an MRL Offer if:

- (a) the relevant MRL Offer conditions are not satisfied or waived by the end of the relevant Offer Period. In that situation, you will be free to deal with your Polaris Securities; or
- (b) MRL varies the relevant MRL Offer in a way that postpones the time when MRL is required to satisfy its obligations by more than one month, for example if MRL extends the relevant Offer Period by more than one month, while the relevant MRL Offer is still conditional.

Polaris Securityholders who accept an MRL Offer (even while it is still subject to conditions) will give up their rights to sell or otherwise deal with their Polaris Securities, until withdrawal rights are exercised.

8.8 When you will receive payment

If you accept an MRL Offer, MRL will issue you the Share Consideration and / or the Option Consideration, as the case may be, to which you are entitled on or before the earlier of:

- (a) one month after the later of the MRL Offer being validly accepted by you and the MRL Offer (or the contract resulting from acceptance of the MRL Offer) becoming unconditional; and
- (b) 21 days after the end of the Offer Period for the relevant MRL Offer.

8.9 Notice of status of conditions

The Bidder's Statement indicates that MRL will give a notice of status of conditions for both the Share Offer and the Option Offer (the **Conditions Notice**) to the ASX and Polaris not later than seven days before the end of the Offer Period for each MRL Offer.

MRL is required to set out in its Conditions Notice:

- (a) whether the relevant MRL Offer is free of any or all of the conditions;
- (b) whether, so far as MRL knows, the conditions have been fulfilled on the date the Conditions Notice is given; and
- (c) MRL's voting power in Polaris (including voting power acquired as a result of acceptances received under the MRL Offers).

If the Offer Period is extended by a period before the time by which the Conditions Notice is to be given, the date for giving the Conditions Notice will be taken to be postponed for the same period. In the event of such an extension, MRL is required, as soon as practicable after the extension, to give a notice to the ASX and Polaris that states the new date for the giving of the Conditions Notice. If a condition is fulfilled (so that an MRL Offer become free of that condition) during the bid period but before the date on which the Conditions Notice is required to be given, MRL must, as soon as practicable, give the ASX and Polaris a notice that states that the particular condition has been fulfilled.

8.10 Compulsory acquisition

MRL has stated in section 6.4 of the Bidder's Statement that it intends to compulsorily acquire all outstanding Polaris Shares if it is entitled to do so.

MRL has also stated in sections 6.4 and 6.6 of the Bidder's Statement that it intends to compulsorily acquire all outstanding Polaris Options if it is entitled to do so, but only where it is also entitled to compulsorily acquire all outstanding Polaris Shares.

The two types of compulsory acquisition under Chapter 6A of the Corporations Act are discussed below:

Follow on compulsory acquisition

Share Offer

Under Part 6A.1 of the Corporations Act, if, at the end of the Offer Period, MRL has (together with its associates):

- (a) a relevant interest in at least 90% (by number) of Polaris Shares; and
- (b) acquired at least 75% (by number) of Polaris Shares for which it has made an offer,

then MRL will be entitled to compulsorily acquire *any* outstanding Polaris Shares for which it did not receive acceptances, on the same terms as the Share Offer.

If these thresholds are met, MRL will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Polaris Shareholders and who have not accepted the MRL Offer. Polaris Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Polaris Shareholders to establish to the satisfaction of a court that the terms of the Share Offer do not represent "fair value".

Polaris Shareholders should be aware that if they do not accept the Share Offer and their Polaris Shares are compulsorily acquired, those Polaris Shareholders will face a delay in receiving the Share Consideration compared with Polaris Shareholders who have accepted the Share Offer, however they will be paid the last price offered by MRL for Polaris Shares before compulsory acquisition began.

MRL must offer to buy out remaining Polaris Shares held by Polaris Shareholders if MRL (and its associates) have a relevant interest in at least 90% of the Polaris Shares (by number) at the end of the Offer Period.

Option Offer

MRL will be also be entitled to acquire outstanding Polaris Options under Part 6A.1 of the Corporations Act if, at the end of the Offer Period, MRL has (together with its associates):

- (a) a relevant interest in at least 90% (by number) of Polaris Options; and
- (b) acquired at least 75% (by number) of Polaris Options for which it has made an offer.

The discussion regarding the compulsory acquisition process set out above applies, with the necessary changes, to Polaris Optionholders and the Option Offer.

MRL must offer to buy out remaining Polaris Options held by Polaris Optionholders if MRL (and its associates) have a relevant interest in at least 90% of the Polaris Options (by number) at the end of the Offer Period. In addition, if MRL is required to offer to buy out remaining Polaris Shares held by Polaris Shareholders, MRL must also offer to buy out all remaining Polaris Options held by Polaris Optionholders.

General compulsory acquisition

Polaris Shareholder and Polaris Optionholders should also be aware that if MRL does not become entitled to compulsorily acquire Polaris Shares and / or Polaris Options, as the case may be, in accordance with Part 6A.1 of the Corporations Act, MRL may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act.

9. Additional information

9.1 Issued capital

As at the date of this Target's Statement, Polaris' issued capital comprises:

- (a) 175,792,216 fully paid ordinary shares; and
- (b) 37,472,062 unlisted options, as set out in the table below:

Number of Polaris Options	Exercise price (\$)	Expiry date
150,000	\$0.281	31 December 2010
14,800,000	\$0.281	14 July 2011
750,000	\$0.40	31 December 2011
6,325,000	\$0.531	31 December 2011
1,525,000	\$0.55	31 December 2011
5,047,062	\$0.621	1 January 2010
50,000	\$0.631	31 December 2011
5,825,000	\$0.731	31 December 2011
3,000,000	\$0.75	31 December 2011

9.2 Notice of MRL's voting power

As at 17 September 2009 (being the day before the date of this Target's Statement), MRL held a relevant interest of 19.9% in Polaris' issued capital by virtue of the Pre-Acceptance Agreement entered into with Heron. MRL is required to notify the ASX and Polaris before 9.30 am on each trading day during the Offer Period where there is a movement of at least 1% in its holding of Polaris Shares.

9.3 Consents

Independent Expert

The Independent Expert has consented to the:

- (a) inclusion of the Independent Expert's Report as Appendix A to this Target's Statement; and
- (b) inclusion in this Target's Statement of statements made by the Independent Expert, or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included,

and has not withdrawn that consent before this Target's Statement was lodged with ASIC.

The Independent Expert has not caused or authorised the issue of this Target's Statement and takes no responsibility for any part of it other than the Independent Expert's Report and the references to its name.

Other persons

Each of the other persons to whom a statement is attributed in this Target's Statement, or whose statement is included in this Target's Statement, or on which a statement in this Target's Statement is said to be based, has:

- (a) consented to the relevant statement being included in this Target's Statement in the form and context in which it is included; and
- (b) has not withdrawn that consent before this Target's Statement was lodged with ASIC.

Each such having given its consent to the inclusion of a statement or being named in this Target's Statement:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than those statements which have been included in this Target's Statement with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and any statements or report which have been included in this Target's Statement with the consent of that person.

Directors

The Directors have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to be named in this Target's Statement in the form and context in which they are named.

Competent persons statements

Polaris' technical exploration and mining information contained in this Target's Statement was compiled by Mr Jonathan Lea, executive Director of Polaris. Jonathan Lea is a member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Lea consents to the inclusion in this Target's Statement of the matters based on his information in the form and context in which it appears.

Public information

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by MRL with ASIC or given to the ASX or announced on the Company Announcements Platform of the ASX by MRL. Pursuant to the Class Order the consent of MRL is not required for the inclusion of such statements in this Target's Statement.

You may obtain a copy of the announcements on MRL's website at www.mineralresources.com.au, the ASX website at www.asx.com.au or by contacting Polaris on +61 (0)8 9215 1222 Monday to Friday between 8.30 am and 5.30 pm (WST).

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or

- (b) form a public official document or a published book, journal or comparable publication.

This Target's Statement includes references to the Bidder's Statement. MRL has not consented to these references being included in, or referred to, in the form and context in which they are included.

9.4 Disclosing entity

Polaris is a disclosing entity and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au and Polaris' website at www.polarismetals.com.au.

Copies of documents lodged with ASIC in relation to Polaris may be obtained from, or inspected at, an ASIC office. Polaris Shareholders may obtain a copy of:

- (a) the 2008 Annual Report of Polaris;
- (b) the half-yearly financial report of Polaris for the period ended 31 December 2008 (**Half-Yearly Report**);
- (c) Polaris' constitution; and
- (d) any document lodged by Polaris with the ASX between the release of the Half-Yearly Report to the ASX and the date of this Target's Statement,

free of charge upon request by contacting Polaris or from the ASX website at www.asx.com.au. Polaris' 2008 Annual Report, the Half-Yearly Report and this Target's Statement are also available on Polaris' website at www.polarismetals.com.au.

9.5 Officers' indemnities

Clause 26 of Polaris' constitution provides that the Company will indemnify every person who is or has been an officer of the Company or related body corporation of Polaris against any liabilities incurred by that person in his capacity as an officer of Polaris or related body corporate of Polaris to the extent permitted by law.

9.6 Litigation

There is no current litigation of a material nature against Polaris or any controlled entity of Polaris. The Directors have no knowledge of any potential material litigation.

9.7 Bid Implementation Deed

Polaris and MRL have entered into the Bid Implementation Deed which governs their relationship in relation to the MRL Offers. A summary of the Bid Implementation Deed is set out in 10.18 of the Bidder's Statement. Set out below are some of the more material terms of the Bid Implementation Deed.

Termination rights

Polaris may terminate the Bid Implementation Deed where, amongst other events, the following occurs:

- (a) MRL commits a material breach of the Bid Implementation Deed which is not cured within a specified time or capable of being cured; or

- (b) MRL withdraws the Offers for any reason; or
- (c) a superior proposal (as defined in the Bid Implementation Deed) is made which is supported by the Directors.

The termination provisions also confer a right on MRL to terminate the Bid Implementation Deed where, amongst other events, the following occurs:

- (a) any Director changes or withdraws his recommendation to Polaris Securityholders to accept the MRL Offers; or
- (b) Polaris commits a material breach of the Bid Implementation Deed which is not cured within a specified time or capable of being cured; or
- (c) MRL withdraws the MRL Offers for any reason; or
- (d) a superior proposal is made which is supported by the Directors.

Exclusivity provisions

Polaris has agreed not to:

- (a) solicit or invite any competing proposal, or expression of interest or offer which may lead to a competing proposal, or initiate discussions with any third party which may reasonably be expected to lead to a competing proposal; or
- (b) enter into discussion or provide any information to third parties or take any other action to facilitate a proposal referred to above.

except with the prior written consent of MRL

Polaris has also agreed to notify MRL of any approaches from third parties.

The exclusivity provisions do not apply to restrict Polaris from taking or refusing to take action with respect to a bona fide competing proposal that was not encouraged, solicited, invited, facilitated or initiated by Polaris, provided that the Polaris board has determined in good faith and acting reasonably that:

- (a) such a competing proposal could reasonably be considered to be or become a superior proposal; and
- (b) failing to respond to such a bona fide competing proposal would be reasonably likely to constitute a breach of the fiduciary or statutory obligations of the Directors, or would expose the Company or the board to a real risk of liability.

Break fees

A mutual break fee of \$600,000 has also been agreed between Polaris and MRL.

Polaris will be required to pay to break fee to MRL in the event that:

- (a) the Polaris board of Directors withdraws, changes or qualifies its unanimous support for the MRL Offers or enters into an agreement in respect of a superior proposal; or
- (b) a competing proposal, as defined by the Bid Implementation Deed, is announced and results in a third party acquiring more than 50.1% of Polaris Shares.

MRL will be required to pay the break fee to Polaris in the event that:

- (a) Polaris terminates the Bid Implementation Deed as a result of a material breach by MRL of its warranties or obligations; or
- (b) if MRL withdraws the MRL Offers for any reason.

Funding support

MRL has agreed:

- if reasonably requested by Polaris before the expiry of the Offer Period, to use its reasonable endeavours to procure the provision by third parties of arm's length debt funding support for general corporate, operational and working capital purposes; and
- if reasonably requested by Polaris after the expiry of the Offer Period, and provided that MRL has more than 50.1% of all Polaris Shares, MRL will use its reasonable endeavours to assist Polaris to procure from third parties funding support in respect of project development, exploration activities and general corporate, operational and working capital purposes, whether such support is by way of equity contribution, debt provision or facilitation or otherwise.

9.8 ASX waiver

On 14 September 2009, Polaris obtained a waiver from ASX with respect to Listing Rule 6.23.4 to permit Polaris to amend the terms and conditions of all Polaris Options which are on their terms incapable of transfer, to permit their transfer to MRL on the following conditions:

- (a) the Share Offer has been declared unconditional; and
- (b) MRL has acquired voting power in Polaris of more than 50%.

In addition, the Directors have resolved to amend the terms of the Polaris Options to permit the transfer to MRL, subject to:

- the satisfaction of the conditions attached to the waiver from ASX mentioned above; and
- the satisfaction or waiver of the other conditions of the Option Offer as detailed in Section 8.3 of this Target's Statement.

9.9 No material change to the financial position of Polaris

The financial position of Polaris has not, so far as is known by the Directors, materially changed since 31 December 2008, being the date to which the Half-Yearly Report relates, other than:

- as a result of a fully underwritten pro rata rights issue which was completed in May 2009, raising approximately \$2.4 million in cash (before costs associated with the issue);
- in respect of the incurring of actual and contingent transaction costs (including legal and financial advisory fees) associated with the MRL Offers and Polaris' strategic partner process, as described in Section 3.10; and
- as described elsewhere in this Target's Statement.

9.10 Effect of the MRL Offers on Polaris' material contracts

Polaris is not a party to any material contracts which contain a change of control provision that may be triggered in connection with the MRL Offers.

9.11 No other material information

This Target's Statement is required to include all the information that Polaris Securityholders and their respective professional advisers would reasonably require to make an informed assessment whether to accept the MRL Offers, but only to the extent to which it is reasonable for Polaris Securityholders and their respective professional advisers to expect to find this information in this Target's Statement, and only if the information is known to any Director.

The Directors are of the opinion that the information that Polaris Securityholders and their respective professional advisers would reasonably require to make an informed assessment whether to accept the MRL Offers is in:

- (a) the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) Polaris' annual reports and releases to ASX before the date of this Target's Statement;
- (c) documents lodged by Polaris with ASIC before the date of this Target's Statement; and
- (d) the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Directors and their advisers do not take any responsibility for the contents of the Bidder's Statement, and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of the Polaris Securities;
- (b) the matters that Polaris Securityholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to the professional advisers of Polaris Securityholders; and
- (d) the time available to Polaris to prepare this Target's Statement.

10. Definitions and interpretation

10.1 Definitions

\$	Australian dollars unless otherwise stated
Acceptance Form	an acceptance form enclosed within the Bidder's Statement
Announcement Date	20 August 2009, being the date of announcement of the MRL Offer
ASIC	the Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532, the body which administers the CHESS system in Australia
ASTC Settlement Rules	the settlement rules of the ASTC, a copy of which is available at www.asx.com.au
ASX	ASX Limited (ACN 008 624 691)
Bid Implementation Deed	the implementation deed between MRL and Polaris dated 20 August 2009, the material terms of which are set out in section 10.18 of the Bidder's Statement
Bidder's Statement	MRL's bidder's statement dated 17 September 2009, also available from ASX's website at www.asx.com.au
CGT	Capital Gains Tax
Corporations Act	Corporations Act 2001 (Cth)
Director	a director of Polaris
Heron	Heron Resources Limited (ACN 068 263 098)
Independent Expert	Stantons International Pty Ltd (trading as Stantons International Securities)
Independent Expert's Report	the report by the Independent Expert as set out in Appendix A
Ineligible Overseas Shareholder	a Polaris Shareholder whose address, as shown on the Polaris share register, is in a jurisdiction other than Australia or its external territories, New Zealand, Singapore or Hong Kong
JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (4th Edition)
Last Trading Date	14 August 2009, being the last day on which Polaris Shares traded on ASX prior to the announcement of the MRL Offers
Listing Rules	the official listing rules of ASX
Material Adverse Change	has the meaning given in the Bidder's Statement
MD Options	has the meaning given in Section 5.2
Merged Group	the combined MRL / Polaris group of companies upon completion of the MRL Offers

MRL or Mineral Resources Limited	Mineral Resources Limited (ACN 118 549 910)
MRL Option	an option to subscribe for one MRL Share, to be issued to Polaris Optionholders on the various terms and conditions described in annexures E and F to the Bidder's Statement
MRL Offers	means the Share Offer and the Option Offer
MRL Share	an ordinary share in the capital of MRL
Option Offer	the offer by MRL to acquire Polaris Options on the terms and conditions of the Bidder's Statement
Offer Period	the period from 23 September 2009 until 5.00 pm (WST) on 26 October 2009, unless one or both of the Share Offer and the Option Offer the MRL Offer is extended
Option Consideration	the consideration to be provided to Polaris Optionholders, being MRL Options for all outstanding Polaris Options on comparable terms and in accordance with the Bidder's Statement
Polaris or Company	Polaris Metals NL (ACN 085 223 570)
Polaris Option	an option to subscribe for Polaris Shares
Polaris Optionholder	each holder of a Polaris Option
Polaris Securities	Polaris Shares and Polaris Options
Polaris Securityholder	each holder of Polaris Shares or Polaris Options
Polaris Share	a full paid share in the capital of Polaris
Polaris Shareholder	each holder of a Polaris Share
Pre-Bid Acceptance Agreement	the pre-bid acceptance agreement between MRL and Heron dated 20 August 2009 and announced on ASX on 21 August 2009
Prescribed Occurrence	has the meaning given in the Bidder's Statement
Record Date	has the meaning given in the Bidder's Statement
Relevant Interest	has the meaning given in section 9 of the Corporations Act
Sale Facility	a sale facility established by MRL on the terms and conditions of the Bidder's Statement
Sale Nominee	a nominee appointed by MRL to receive MRL Shares on behalf of Ineligible Overseas Shareholders and under the Sale Facility
Section	a section of this Target's Statement
Share Consideration	the consideration to be provided to Polaris Shareholders under the terms and conditions of the Bidder's Statement, being one fully paid MRL Share for every 12.5 Polaris Shares

Share Offer	the offer by MRL to acquire Polaris Shares on the terms and conditions of the Bidder's Statement
Target's Statement	this document, being Polaris' target's statement
VWAP	volume weighted average price calculated as the total dollar value of Polaris Shares traded divided by the total number of Polaris Shares traded during the relevant period
WST	Australian Western Standard Time
YIOP	Yilgarn Iron Ore Project, described in Section 3.1

10.2 Interpretation

In this Target's Statement, unless the context requires otherwise:

- (a) all words and phrases in this Target's Statement have the meaning given to them, if any, in the Corporations Act;
- (b) the singular includes the plural and vice versa;
- (c) a gender includes all genders;
- (d) a reference to a person includes a corporation, other body corporate, unincorporated body, partnership, joint venture or association and vice versa;
- (e) headings are for ease of interpretation and do not affect meaning or interpretation;
- (f) where a term is defined, its other grammatical forms have a corresponding meaning; and
- (g) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

11. Approval of Target's Statement

This Target's Statement is dated 18 September 2009 (being the date on which this Target's Statement was lodged with ASIC) and has been approved by a unanimous resolution of the Directors of Polaris.

Signed for and on behalf of Polaris Metals NL:

A handwritten signature in black ink, appearing to read 'L Cross', written in a cursive style.

Mr Lewis Cross
Chairman

**Appendix A:
Independent Expert's Report**

18 September 2009

The Directors
Polaris Metals NL
Level 2, 1109 Hay Street
WEST PERTH WA 6005

Dear Sirs

RE: POLARIS METALS NL ABN 18 085 223 570 (“POLARIS” OR “THE COMPANY”) - INDEPENDENT EXPERT’S REPORT RELATING TO THE TAKEOVER OFFER TO THE SHAREHOLDERS AND OPTIONHOLDERS OF THE COMPANY BY MINERAL RESOURCES LIMITED (“MINERAL RESOURCES”)

1. Introduction

- 1.1 We have been requested by the Independent Directors of Polaris to prepare an Independent Expert’s Report in accordance with Section 640 of the Corporations Act 2001 to determine whether the proposed Takeover Offer by Mineral Resources is fair and reasonable to the ordinary shareholders and share optionholders of Polaris. The full details of the Takeover Offer are included in the Mineral Resources Bidders Statement dated 17 September 2009. All shareholders and optionholders of Polaris should read the Bidders Statement of Mineral Resources and the Target Statement prepared by Polaris to fully understand the implications of the Takeover Offer.
- 1.2 Under the Takeover Offer Polaris ordinary shareholders will be entitled to receive 1 Mineral Resources Share for every 12.5 Polaris ordinary shares held. The Polaris optionholders are to receive share options in Mineral Resources on similar terms to the existing Polaris share option terms however the exercise prices will increase by 12.5 and the number of share options reduce by 12.5 (for every one share option outstanding). A Bid Implementation Agreement was entered into between Polaris and Mineral Resources dated 20 August 2009.
- 1.3 The Directors of Polaris are required to issue a Target Statement in response to the Bidders Statement, which will include their recommendation as to whether all Polaris shareholders and optionholders should accept the Takeover Offer.
- 1.4 Under a pre-bid acceptance agreement dated 20 August 2009 with Heron Resources Limited (“Heron”) and Mineral Resources, Heron has agreed subject to certain conditions to accept the Takeover Offer in relation to 34,962,751 shares held by Heron in Polaris. Heron at that date was registered as owning 39,243,244 shares in Polaris being approximately 22.32% of the ordinary issued share capital and as at 17

September 2009 34,962,751 shares in Polaris representing approximately 19.9% of the issued capital of the Company are under option to Mineral Resources.

- 1.5 Mineral Resources is a public company listed on the Official List of ASX. Mineral Resources based on information noted in lodgements with ASX “is a leading, integrated, Australian based mining services and processing company with operations in a contract crushing, general mining services, infrastructure provision and recovery of base metal concentrate for export. Operations are supplemented by rehabilitation and sale of heavy duty crushing and processing equipment, hire of engineering and crushing fleet plant and workshop manufacture of polyethylene pipe fittings and components. Comprising three long standing core businesses, PIHA Pty Ltd, Crushing Services International Pty Ltd and Process Minerals International Pty Ltd, Mineral Resources Limited has developed a strong reputation for the cost effective delivery of its services and products to the resources and infrastructure sectors”

Further information regarding Mineral Resources can be found in the Bidders Statement at “Section 4 –“Profile of MRL.”, section 5.1 of this report and their website at www.mineralresources.com.au.

- 1.6 Polaris is a public listed company listed on the Official List of ASX. Polaris has established a portfolio of exploration licences and applications and/or iron ore exploration and development rights within Western Australia. The Company’s main areas of interest are as follows:

- Yilgarn Iron Ore Project (“YIOP”) – The YIOP encompasses approximately 1,000 square kilometres of mining tenements centred approximately 60km north-east of Koolyanobbing in Western Australia with the main 5 prospects with potential direct shipping ore (“DSO”) grade iron (Fe) mineralisation. These are Carina with a total indicated and inferred category Fe resource (at 55% Fe cut off) of 26.7 million tonnes, Bungalbin East, J4 (4.8 million tonnes), J5 (10 million tonnes) and Chamaeleon;
- Mayfield, Fish Hook and Yilgarn Regional Magnetite Projects near Bullfinch in Western Australia;
- Weelumurra Project (Caliwinga and Weelumura)- channel iron prospects in the Pilbara region of Western Australia;
- Poondano Project- channel iron deposit prospect. Polaris has a royalty right on this project that may be developed in 2010 by Process Minerals International Pty Ltd a wholly owned subsidiary of Mineral Resources;
- Iron ore rights over 40 tenements in the Central Region of the Yilgarn acquired from Southern Cross Goldfields Limited in 2009 and other iron ore rights at Bullfinch North, Golden Valley and Marda.

Further information regarding Polaris can be found in the Target Statement at “Section 3.1 - “Overview of Polaris” and the Company’s website at www.polarismetals.com.au.

- 1.7 In assessing the Takeover Offer for Polaris, we have had regard to relevant Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111: Content of Expert Reports (“RG 111”). RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and

outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect the Takeover Offer.

1.8 An offer (in this case the Takeover Offer made by Mineral Resources through the Takeover Bid for Polaris) is fair if the value of the offer price or consideration (shares in Mineral Resources for the Polaris shareholders and share options in Mineral Resources for the Polaris optionholders and cash equivalent for foreign shareholders) is equal to or more than the value of the securities the subject of the Takeover Offer (for the ordinary shares in Polaris and for the various classes of share options in Polaris). An offer is reasonable if it is fair. In this situation, we are reporting on the proposals to the ordinary shareholders (and optionholders) of Polaris as to whether the proposed Takeover Offers are fair and reasonable to the ordinary shareholders (and optionholders) not associated with Mineral Resources.

1.9 The Independent Directors of Polaris have requested Stantons International Pty Ltd trading as Stantons International Securities (“SIS”) to prepare an Independent Expert’s Report providing an opinion on whether the Takeover Offers to the Polaris shareholders and optionholders by Mineral Resources are fair and reasonable to Polaris shareholders and optionholders. There is no legal requirement for an Independent Expert’s Report (“IER”) in relation to the Takeover Offer, however the Directors of Polaris have requested that we prepare such a report to consider whether the Takeover Offers of all of the ordinary shares and share options in Polaris by Mineral Resources is fair and reasonable to the shareholders and option holders of Polaris not associated with Mineral Resources. The report should not be used for any other purpose. Our IER will be included in the Target Statement to be issued to the shareholders and optionholders of Polaris on or about 18 September 2009.

1.10 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposed Takeover by Mineral Resources
- Profile of Polaris
- Profile of Mineral Resources
- Methodology
- Valuation of Polaris shares
- Valuation of Mineral Resources shares
- Value and Fairness of Consideration Compared to Value of Assets Acquired
- Reasonableness of the Takeover Offer to Polaris shareholders and optionholders
- Conclusion as to Fairness and Reasonableness of the Takeover Offers
- Sources of information
- Appendices A and B (the Malcolm Castle Valuation Report) and our Financial Services Guide.

2. Summary Opinion

2.1 In determining the fairness and reasonableness of the Takeover Offers relating to the Polaris shareholders (and optionholders) we have had regard to the guidelines set out by ASIC in its Regulatory Guide 111.

RG 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). An offer is “fair” if the value of the consideration offered is equal to or greater than the value of the securities that are subject to the offer and an offer is “reasonable” if it is “fair”, or where it is not fair, it may still be “reasonable” after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

Our report relating to the Takeover Offers by Mineral Resources regarding Polaris shareholders and optionholders is concerned with the fairness and reasonableness of the Takeover Offers. The advantages, disadvantages and other factors determined to arrive at our opinions are outlined in detail under Section 10 of this report.

- 2.2 **After taking into account all of the factors noted in this report and in the absence of more superior offers, we are of the opinion that on an adjusted net asset value and quoted share market basis in valuing the Polaris shares and the Mineral Resources shares respectively, the proposed Takeover Offer by Mineral Resources to the Polaris shareholders is fair and reasonable to the shareholders of Polaris.**

After taking into account all of the factors noted in this report and in the absence of more superior offers, we are of the opinion that the proposed Takeover Offers by Mineral Resources to the Polaris optionholders is fair and reasonable to the various optionholders of Polaris.

SIS’s opinion should not be construed to represent a recommendation as to whether or not Polaris shareholders and optionholders should accept the Takeover Offer by Mineral Resources. Shareholders and optionholders uncertain as to the impact of accepting the Takeover Offers should seek separate advice from their financial and/or taxation adviser.

- 2.3 The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the Independent Valuation Report of Malcolm Castle, Consulting Geologist dated 17 September 2009 (Appendix B to this report).

3. **Implications of the proposed Takeover Offers by Mineral Resources**

- 3.1 As at 17 September 2009, there are 175,792,216 ordinary shares on issue in Polaris with approximately 1,680 shareholders.
- 3.2 As at 10 September 2009, the top 5 fully paid shareholders of Polaris are believed to be:

Shareholder	No. of Fully Paid Shares held	%
Lion Diversified Holdings Group (some in name of ANZ Nominees)	44,737,912	25.45
Heron Resources Limited	39,243,244	22.32
ANZ Nominees Ltd (excluding Lion Diversified)	4,591,750	2.61
HSBC Custody Nominees Australia Limited	3,762,981	2.14
Massen Properties Pty Ltd	2,730,388	1.55
Colin J & DD McCavana	1,780,000	1.01
Total top 5 shareholders	96,846,275	55.08

The top 20 shareholders as at 10 September 2009 owned 63.16% of the quoted ordinary shares on issue. Details on the Directors' interests in Polaris are outlined in the Target Statement under the heading of Section 5.2- "Directors' interests in Polaris Securities"

3.3 The total number of ordinary shares in Mineral Resources as at 17 September 2009 is 126,002,776. The total number of ordinary voting shares on issue in Mineral Resources (after incorporating the acquisition of Polaris) would be approximately 140,066,153 before the issue of any other shares of any shares and assuming that the Takeover Offer is accepted by Polaris by 100% of the shareholders as at 10 September 2009. Mineral Resources via the pre-bid acceptance agreement with Heron will automatically obtain acceptance of 19.9% of Polaris, subject to a minimum acceptance of 50.1% from all shareholders of Polaris. The effect of the Takeover Offer by Mineral Resources for Polaris is that Polaris becomes a wholly owned subsidiary of the Mineral Resources Group. The ordinary shareholders of Polaris would own approximately 10.041% of the expanded ordinary voting issued capital of Mineral Resources.

3.4 In addition Mineral Resources prior to the acquisition of Polaris has on issue the following share options ("Mineral Resources Options") as at 17 September 2009:

- 250,000 exercise price of 90 cents, expiring 28 July 2011;
- 250,000 exercise price of 90 cents, expiring 28 July 2012;
- 676,890 exercise price of \$1.80, expiring 15 January 2011;
- 5,000,000 exercise price of \$6.05, expiring 7 August 2010;
- 10,000,000 exercise price of \$6.05, expiring 7 August 2011;
- 1,240,000 exercise price of \$1.90, expiring 15 January 2012;
- 30,000 exercise price of \$3.83, expiring 15 January 2012.

Each of the Mineral Resources Options may convert into one Mineral Resources ordinary share provided that the Optionholder exercises their right on or by the expiry date.

3.5 Polaris has on issue the following share options ("Polaris Options") as at 17 September 2009:

- 150,000, exercise price of 28.1 cents each, expiring date of 31 December 2010;
- 14,800,000, exercise price of 28.1 cents each, expiring date of 14 July 2011 (14,000,000 owned by Heron and 800,000 by a Heron employee);
- 750,000, exercise price of 40 cents each, expiring date of 31 December 2011;
- 6,325,000, exercise price of 53.1 cents each, expiring date of 31 December 2011;
- 1,525,000, exercise price of 55 cents each, expiring date of 31 December 2011;
- 5,047,062, exercise price of 62.1 cents each, expiring date of 4 January 2010 (held by Lion Diversified Holdings);
- 50,000, exercise price of 63.1 cents each, expiring date of 31 December 2011;
- 5,825,000, exercise price of 73.1 cents each, expiring date of 31 December 2011;
- 3,000,000, exercise price of 75 cents each, expiring date of 31 December 2011.

In addition under an employment contract with Ken Hellsten, Polaris was to be issued a total of 4,000,000 share options to Ken Hellsten, subject to shareholder approval. The share options to be issued are 1,000,000 exercisable at 30 cents, 1,000,000 exercisable at 40 cents and 2,000,000 exercisable at 50 cents or before 31 December 2013. Mineral Resources has agreed that so long as there are acceptances for at least 50.1% from the Polaris shareholders, it will treat the options in a consistent manner to existing Polaris options and issue 320,000 share options to Ken Hellsten, exercisable as to 80,000 at \$3.75, 80,000 at \$5.00 and 160,000 at \$6.25. In the event that Polaris shareholders approve the issue of the 4,000,000 share options before the close of the Offer, Ken Hellsten can then decide as to whether to accept the Offer for such share options. Additionally, Ken Hellsten has the right to decline the offer of share options.

- 3.6 The Bidder's Statement also includes an offer to acquire all of the existing and proposed Polaris Options. For every 12.5 Polaris Options, Mineral Resources will offer 1 new Mineral Resources share option exercisable at 12.5 times the existing Polaris Option exercise prices noted above. Approximately 3,317,765 new Mineral Resources Options will be issued if all existing and proposed Polaris Optionholders accept the Takeover Offer. Polaris optionholders may exercise their Polaris Options between the record date and up to the end of the Offer Period, and thus convert their Polaris Options into ordinary Polaris shares, and subsequently into Mineral Resources shares should the Takeover Offer be successful. For the purposes of this report it is assumed that the existing and proposed Polaris Options will not be converted into ordinary Polaris shares. Should the Takeover Offer be successful and Mineral Resources is deemed to have acquired 90% of the ordinary voting capital of Polaris, Section 663A of the Corporations Act will be triggered and Polaris will be required to compulsorily acquire the Polaris Options. Therefore, for the purposes of this report we are ignoring the effects of the Polaris Options.
- 3.7 The total number of ordinary voting shares in Mineral Resources post acquisition (takeover of Polaris) will be approximately 140,066,153 before the exercise of the Mineral Resources Options and the Polaris Options noted in 3.4 and 3.5 respectively and before any capital raisings by Mineral Resources that may be undertaken in the

future. Assuming that all the Mineral Resources Options now outstanding are exercised and converted to Mineral Resources ordinary shares, and ignoring the effect of Polaris Options, the number of Mineral Resources ordinary voting shares on issue would increase by 17,446,890 shares to 157,513,043 shares (after receipt of a total of \$94.4 million from all of the existing Mineral Resources Optionholders). The existing Polaris ordinary shareholders would end up controlling approximately 14,063,377 fully paid ordinary voting shares in Mineral Resources representing approximately 8.928% of the fully paid ordinary shares in Mineral Resources. As at 17 September 2009, 2,446,890 Mineral Resources Options are "in the money" (the exercise prices of the options are less than the 17 September 2009 share price per ordinary share of Mineral Resources trading on ASX which amounts to around \$6 per share). Assuming that only the 2,446,890 Mineral Resources Options are converted to Mineral Resources ordinary shares, and ignoring the effect of Polaris Options, the number of Mineral Resources ordinary voting shares on issue would increase by 2,446,890 shares to 142,513,043 shares (after receipt of a total of \$4,139,302 from all of the Mineral Resources Optionholders that exercised the 2,446,890 Mineral Resources Options). The existing Polaris ordinary shareholders would end up controlling approximately 14,063,377 fully paid ordinary voting shares in Mineral Resources representing approximately 9.868% of the fully paid ordinary shares in Mineral Resources.

- 3.8 In the event that only 50.1% of the Polaris shareholders accepted the Takeover Offer, Mineral Resources would issue approximately 7,045,752 shares (including approximately 3,139,459 shares to Heron under a pre-bid acceptance agreement plus accepting all other Polaris shares held by them) and the ex Polaris shareholders would own approximately 5.295% (Heron approximately 2.359%) of the expanded issued share capital of Mineral Resources (approximately 133,048,528 shares would be on issue) prior to the issue of any other shares.

4. **Profile of Polaris - Background**

4.1 Principal Activities

The principal activity of the Polaris during the course of the financial year ended 30 June 2009 was the exploration for and development of iron ore projects in Australia.

4.2 State of Affairs

Significant changes in the state of affairs of the entity during the financial year ended 30 June 2009 were as follows:

4.3 Change in Consolidated Net Worth

During the year, the Shareholders Equity decreased by \$6.437 million to a balance totalling \$30.699 million, primarily due to the loss incurred in 2008/09 of \$7.669 million. Polaris during the 2008/09 year capitalised approximately \$9.641 million of exploration expenditure, wrote-off approximately \$3.219 million of previously capitalised exploration expenditure as well as incurring \$2.362 million in salaries, wages and share based benefits for employees and impaired available for sale assets of approximately \$2.181 million.

4.4 Mineral Assets

Polaris's mineral and investment assets and opportunities at 30 June 2009 are summarised below. The details in this section were extracted partly from the Target Statement and other sources supplied by Polaris. We have not independently verified the assertions made.

"Polaris is a Western Australian based company which floated on ASX in 2004. The Company initially focused on gold and nickel exploration in the Southern Cross region of the Eastern Goldfields area of Western Australia. Since listing, the Company expanded its portfolio to include several new iron ore, uranium, and gold projects. The Company is now focused on exploration and development of its iron ore projects following the acquisition of the iron ore assets of Heron Resources Limited in 2006. The Company divested its uranium tenements to Northern Uranium Limited in 2006 and divested its gold and base metal assets to Southern Cross Goldfields Limited in 2008. Following the discovery of the high quality Carina deposit in 2008 Polaris has made significant progress towards its strategic objective of becoming an iron ore producer having completed a pre-feasibility study and focusing on the development of the Yilgarn Iron Ore Project.

With the Yilgarn Iron Ore Project now at an advanced stage and a development agreement in place with Mineral Resources Limited (ASX: MIN) for the Poondano project near Port Hedland, the company is well positioned to generate significant income within 2 years and make the transition from explorer to miner by late 2011. In addition, the excellent exploration potential within its 5000km² of tenements in two of the three recognised iron ore provinces of Western Australia provides Polaris with several potential growth options into the future.

Yilgarn Iron Ore Project (YIOP)

YIOP is the Company's key project located approximately 100km northeast of the town of Southern Cross and 60km northeast of Koolyanobbing in the central Yilgarn Province. A stage 1 development of the key Carina and associated deposits (Chamaeleon, Carina Extended and others) is planned to commence in 2011 with DSA potential and a resource inventory estimated at greater than 40 million tonnes.

Initial development programs are focused on the Carina deposit – a DSO goethite-haematite deposit close to established and accessible infrastructure. Polaris has completed substantial drilling programs at Carina resulting in Indicated and Inferred mineral resources totalling 26.7 million tonnes at an average grade of 58.9%Fe with very low alumina and silica levels. The initial development target is complemented by other nearby deposits, such as Bungalbin East, J4, J5, which are part of the YIOP Stage 2 with potential for over 100 million tonnes of mineralisation. These Stage 2 deposits require more rigorous environmental clearances related to the possible expansion of the Mount Manning Nature Reserve.

The YIOP project is in close proximity to existing rail infrastructure and has access to existing port facilities and hence does not suffer the potentially high capital cost and access issues affecting many other iron ore development projects. The YIOP DSO low impurities and benchmark favourably against other iron ore sources, making them attractive to overseas customers.

Ongoing financial analysis of Carina indicates robust cash flows and profitability for the first stage of the YIOP despite recent adverse economic conditions. It is believed that the Stage 1 YIOP can form the basis of a medium to long life project from which Polaris can develop into a significant Western Australia iron ore producer.



Other key projects

- The Weelumurra Project in the central Pilbara – highly prospective project which has potential to host 250 to 300 million tonnes of Channel Iron Deposit, detrital iron deposits and canga eluvial mineralization. The Polaris exploration team have commenced field evaluation of this project which has confirmed the potential of the area with surface sampling results averaging 57.4% Fe and a best result of 64.7% Fe;
- The Bullfinch North Project – featuring Mayfield with a resource potential of 100 million tonnes including several million tones of hematite DSO (+60% Fe) and large tonnages of high grade magnetite-bearing mineralisation (~50% Fe) which recent testwork indicates can be upgraded to approximately 60% Fe through simple crushing and dry magnetic separation process. This material could utilise much of the YIOP Stage 1 infrastructure and hence represents one of the options for the Stage 2 development; and
- The Poondano Iron Ore Project – 30km south east of Port Hedland in the Pilbara Province. An agreement with Mineral Resources to fund a \$400,000 feasibility study and the subsequent development and operation of the Poondano iron ore project is expected to see the first shipment exported from Port Hedland in the first quarter of 2010. The port access, process expertise and logistics capability of Mineral Resources enabled the early development of this project which could

provide potential cash flows to the Company of several million dollars per year if it achieves the target production rate of 500,000 tonnes per year.

In total, the estimated resource potential of Polaris exceeds 400 million tonnes in the four identified key projects and with approximately 5000 km² of tenements in Western Australia, there remains significant potential for further discoveries. The potential quantity and grade of iron deposits reported as exploration potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource”.

End of extract from Target’s Statement and information from Polaris

It should be noted that the potential quantities and grade of iron deposits reported as exploration potential in this section 4.4 are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Further information regarding the Polaris iron ore projects, can be sourced from the Malcolm Castle Independent Technical Valuation Report dated 17 September 2009, which is appended to this report as Appendix B.

4.5 Corporate Structure

As at 30 June 2009, Polaris had one subsidiary and has lent the subsidiary \$150,762 as at 30 June 2009 (fully provided) and no investments in associates. In the year ended 30 June 2008, Polaris classified its 11,651,774 shares in Southern Cross Goldfields Limited (“SXG”) as an investment (17.97%) in an associated company. On 2 July 2008, the investment in SXG was reclassified as an available for sale asset. The number of shares it owns in SGX as at 30 June 2009 (and 10 September 2009) was 11,651,774 and the percentage of the SXG shares on issue in SXG represents approximately 13.16% as at 30 June 2009 and 10 September 2009. In addition, Polaris owned 10,000,001 shares in Northern Uranium Limited (“NTU”), representing approximately 19.72% of NTU’s fully paid ordinary issued capital as at 30 June 2009 and as at 10 September 2009 owns 9,600,001 fully paid shares that represents approximately 16.49% of the fully paid ordinary share capital of NTU.

4.6 Financial Position

	Unaudited 30 June 2009 \$000	Audited 30 June 2008 \$000	Audited 30 June 2007 \$000
Current Assets			
Cash Assets	4,209	13,162	4,619
Other Financial Assets	-	-	4,100
Receivables & prepayments	411	304	35
Total Current Assets	4,620	13,466	8,754
Non – Current Assets			
Other receivables	-	23	18
Available for sale assets	2,762	5,546	-
Investments accounted for using the equity method	-	2,236	1,560

	Unaudited 30 June 2009 \$000	Audited 30 June 2008 \$000	Audited 30 June 2007 \$000
Deferred Exploration Expenditure	23,498	17,075	7,801
Other Financial Assets	241	109	-
Plant and Equipment	425	405	350
Intangible Assets	26	38	-
Total non current assets	26,952	25,432	9,729
Total assets	31,572	38,898	18,483
Current Liabilities			
Trade and Other Payables	754	1,676	245
Interest bearing loans	-	-	57
Provisions	120	86	50
Total current liabilities	874	1,762	352
Non Current Liabilities			
Interest bearing loans	-	-	31
Total Non Current liabilities	-	-	31
Total Liabilities	874	1,762	383
Net Assets	30,698	37,136	18,100
Equity			
Issued Capital	38,298	35,876	19,358
Reserves	6,943	8,133	1,866
Accumulated Losses	(14,543)	(6,873)	(3,124)
Total Equity	30,698	37,136	18,100

The Balance sheets above indicate that some exploration expenditure is capitalised. Also indicated is a decline in cash and cash equivalent balances. There is a steady increase in Deferred Exploration Expenditure and Accumulated Losses over the years ended 30 June 2009, 30 June 2008 and 30 June 2007.

4.7 Financial Performance

Losses incurred over the last year to 30 June 2009 (unaudited) by Polaris totalled \$7.669 million and relates in the main to exploration expenditure written off (approximately \$3.219 million) and employee benefits expense including (salaries and wages, share based payments and superannuation) (totalling approximately \$2.362 million) and impairment of available for financial assets of \$2.181 million. These costs were partly offset by revenues of approximately \$701,000 which encompassed interest income of \$391,000 and gain on disposal of tenements of \$0.310 million. Losses incurred in the years ended 30 June 2008 and 2007 totalled \$3.748 million and \$1.042 million respectively. In assessing Polaris's projects and the various stages of investigation and development they are unlikely to be in a position to pay dividends on the ordinary shares in the foreseeable future.

5. Profile of Mineral Resources - Background

5.1 Profile, Principal Activities and Corporate Structure

The following information was provided to us on Mineral Resources. We have not independently verified the assertions made.

“Mineral Resources is an integrated supplier of services and goods to the resources sector. Products include BOO crushing and screening contract services, polyethylene pipeline services including pipeline installation, lining and fitting manufacture and mineral processing, logistics and export of bulk commodities specifically manganese and iron ore.

Mineral Resources’ origins lie in the Northwest Shelf oil and gas industry, initially establishing itself as a specialist manufacturer and installer of polyethylene pipe fittings. Over an operating period in excess of 15 years, the company through its PIHA and CSI brands has carved out a reputation as an industry leader and innovator in some of the most technically challenging and advanced areas in the highly specialised field of pipeline construction and engineering, and in BOO contract crushing, processing and materials handling.

The Group has successfully delivered major projects across Australia, West Africa, South East Asia and the Pacific region and is extremely well versed in providing project management, construction and operational services of world class standard to a range of blue chip resource, mining and infrastructure organisations.

The PIHA brand is highly recognised for its technology and contracting capability in pipeline and cable installations, pipelining systems for carbon steel pipelines, development and maintenance of borefield and tailings operations, the manufacture, installation and commissioning of custom designed pipelines and the fabrication of HDPE pipe fittings to satisfy specific project requirements for remote and specialist engineering solutions. Major clients for pipeline services and products include some of the world’s largest mining houses, engineering and infrastructure companies.

The Group has also gained an enviable reputation for its commitment to research and development and its consequent ability to provide unique, quality products and industry leading contracting services tailored specifically to satisfy the requirements of each individual client. The CSI brand is the pre-eminent specialist provider of crushing and screening services in which the company liaises closely with its client to determine the crushing requirements and thereafter designs and constructs a job-specific plant, traditionally on a build, own, operate basis, to meet and exceed the clients operating requirements. The overriding focus of the Group is to establish and add value in a partnering relationship with its clients in order to enhance operational and commercial outcomes for the operation and become the contractor of choice for the client’s outsourced activities.

The Group’s crushing and processing activities are supported by a 3000m² workshop facility that is utilised to provide repair and refurbishment services to the operating sites as well as to provide labour and plant to the sites for planned and programmed maintenance and construction works. At the workshop and adjacent storage sites, the Group also maintains an extensive plant and equipment inventory of complete crushing, screening and material handling components that are also available to support the contracting operations. These strategic spares and workshop capacity provide a vital role in differentiating the Group from competitors which do not have available such critical support tools that are essential to achieve world class production and availability of service.

As a service provider that is 100% committed to ensuring that its clients' operations exceed the production requirements for tonnage and sizing of mineral ores produced, MRL employs and maintains equipment, personnel and management of the highest quality. The result of this commitment is an impressive track record that is reflected in the quantum of repeat business and the securing of contract extensions to its major operating sites for major crushing and screening clients which include the world's largest mining houses and resource companies.

The Group also specialises in the delivery of mineral processing and base metal recovery systems to the international mining industry through its Process Minerals brand that processes bulk commodities for MRL and a range of clients.

The technical expertise and innovative design of the MRL team enables the company to consistently produce reliable and quality assured products from world standard, state of the art process plants which are specifically designed and built to accommodate the site and mineral to be processed. Also on offer is high quality, reliable and cost effective haulage solutions to optimise the costs of delivery to the export terminals for subsequent sale into overseas markets.

The MRL team continues to develop its own manganese and iron ore production and processing business while being committed to developing the value adding services that it is able to provide to its clients' operations. As an established producer, the company possesses the necessary expertise and infrastructure to successfully exploit minerals on its own and clients' tenements, including the following:

- Holding the necessary environmental licenses for the storage and export of manganese and iron ore through Port Hedland.
- Holding an existing tonnage allocation through Port Hedland Port Authority
- Operating a fully licensed large storage yard on the outskirts of Port Hedland.
- Having access to a group of dedicated road train subcontractors for haulage from sites around Australia.
- Operating an in-house analytical laboratory for testing of ore samples.
- Employing an experienced team of geologists, metallurgists and operators to perform extraction operations.
- Owning the necessary mining equipment and processing plants to process various types of ore.
- Enjoying a strong relationship with the regulatory authorities, and expertise in developing and submitting mining proposals for statutory approval.
- Being a foundation member of the Utah Point Port Facility.

The Group, although originally comprising discrete functioning subsidiary companies, is now a fully integrated ASX listed business that utilises the combined skills, strengths, design capabilities and plant and equipment to achieve outstanding results in the contracting and processing arenas for major mining, resource and infrastructure clients. It is recognised as a ‘can do’ operator which is able bring new crushing and process operations into production in an expedient and cost effective manner for the benefit of the Group, its clients and partners”.

End of quote provided by Mineral Resources

5.2 Shareholding

According to the Bidder’s Statement, as at 17 September 2009, Mineral Resources had 126,002,776 fully paid ordinary shares on issue at that date. As at 10 September 2009, the top 5 shareholders owned 67.68% of Mineral Resources issued capital, whilst the top 20 shareholders owned 86.67% of the ordinary shares of Mineral Resources and there were approximately 2,233 shareholders. The Bidders Statement has provided an update to 14 September 2009.

As at 17 September 2009, Mineral Resources had a total of 17,446,890 Mineral Resources Options on issue (as noted in section 3.4 of this report). 2,446,890 Mineral Resources Options are presently “in the money” as the current (17 September 2009) share price is in excess of the exercise price at date of this report whilst the remaining 15,000,000 Mineral Resources Options are exercisable at \$6.05.

5.3 Financial Position

Mineral Resources consolidated audited net assets as at 30 June 2009 are summarised below in the audited balance sheet.

	Audited 30 June 2009 \$000	Audited 30 June 2008 \$000	Audited 30 June 2007 \$000
Current Assets			
Cash and cash equivalents	54,880	49,577	19,461
Trade and Other Receivables	36,777	19,378	24,090
Inventories	16,320	14,252	4,843
Non-Current Assets Held for Sale	188	605	-
Other assets	659	516	346
Total Current Assets	108,824	84,328	48,740
Non Current Assets			
Trade and Other Receivables	7	1,539	5,777
Investments accounted for using the equity method	189	189	121
Financial assets	2,405	2,555	78
Property, Plant and Equipment	157,033	120,353	89,318
Intangible Assets (Goodwill)	10,235	10,235	10,235
Deferred Tax Asset	10,127	4,442	3,660
Total Non Current Assets	179,996	139,313	108,989
Total Assets	288,820	223,641	157,729

	Audited 30 June 2009 \$000	Audited 30 June 2008 \$000	Audited 30 June 2007 \$000
Current Liabilities			
Trade and other Payables	40,494	39,007	21,529
Lease Liabilities	9,829	11,355	10,325
Secured loan	-	-	1,650
Income Tax	5,000	16,068	2,991
Provisions	4,439	7,719	6,553
Total Current Liabilities	59,762	74,179	43,048
Non Current Liabilities			
Trade and other payables	13	15	8,428
Lease liabilities	11,692	16,766	16,341
Deferred Tax Liability	14,980	13,385	14,252
Secured loan (interest bearing)	45,000	-	-
Provisions	12,698	3,304	-
Total Non Current Liabilities	84,293	33,470	39,021
Total Liabilities	144,055	107,619	82,069
Net Assets	144,765	116,022	75,660
Equity			
Issued Capital	72,782	64,161	57,278
Reserves	4,456	3,448	2,066
Retained profits	67,527	48,413	16,316
Total Equity	144,765	116,022	75,660

The net asset (book value) backing per fully paid (pre acquisition of Polaris) ordinary Mineral resources share as at 30 June 2009 based on 124,182,776 ordinary shares on issue at that time (subsequently increased to 126,002,776 shares as at 17 September 2009) is approximately \$1.165 per ordinary share (\$1.08 using net tangible assets). Mineral Resources has paid a 7 cents per share interim dividend and has declared a final dividend of 12.35 cents per share for the year ended 30 June 2009. The final dividend has not been provided in the accounts to 30 June 2009. During the year ended 30 June 2009 Mineral Resources paid a 6 cents interim dividend and declared a 13.35 cents final dividend (that was paid in cash in the year ended 30 June 2009).

5.4 Financial Performance

Mineral Resources audited consolidated financial result for the year ended 30 June 2009 amounts to a profit of approximately \$44.308 million. In comparison, the result for the year ended 30 June 2008 (audited) amounted to a profit of approximately \$47.095 million. Mineral Resources posted a profit of approximately of \$20.167 million for the year ended 30 June 2007.

6. Methodology

6.1 Criteria for assessment of fairness and reasonableness

In forming our opinion as to whether the Polaris Takeover Offer by Mineral Resources is in the best interest of the Shareholders of Polaris, we have considered the following definitions of “fair” and “reasonable” outlined in RG 111 issued by the Australian Securities and Investments Commission.

- an offer is “fair” if the value of the offer price or consideration being offered is equal to or greater than the value of the securities that are the subject of the offer; and
- an offer is “reasonable” if it is fair, or where it is “not fair”, it may still be “reasonable” after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

6.2 Under these definitions, the Takeover Offer for all of the Ordinary Shares in Polaris would be considered fair and reasonable to the Shareholders of Polaris and in the best interests of all such Shareholders if the terms of the Takeover values the Mineral Resources shares (and cash equivalent being offered to overseas shareholders of Polaris) at an amount that is equal to, or greater than, the assessed value of the Ordinary Shares in Polaris being acquired via the Takeover Offer.

6.3 Valuation Methodology – Polaris and Mineral Resources

In assessing the value of Polaris and Mineral Resources we have considered a range of valuation methods. RG 111 states that it is appropriate for an independent expert to consider various methods of valuation. The valuation methodologies we have considered in determining a theoretical value of a Polaris and Mineral Resources share are noted below.

6.3.1 Capitalisation of Future Maintainable Earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives. The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or “earnings multiple” is adjusted to reflect which base is being used for FME.

6.3.2 Discounted Future Cash flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

6.3.3 Net Tangible Asset Value on a Going Concern Basis

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimate the market values of the net assets of an entity, but do not take into account any realisation costs. Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

6.3.4 Quoted Market Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

6.3.5 Alternative Takeover offer

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In

considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable and to make adjustments accordingly.

7. Valuation of Polaris Shares

7.1 Valuation method Adopted for Polaris

The preferred valuation method used to value the shares of Polaris is the net asset value method although consideration has also been given to the share price of Polaris as a comparison with the share price of Mineral Resources. In order to determine the net asset value of Polaris, we have instructed an independent technical expert, Malcolm Castle, Consulting Geologist (“Malcolm Castle”) specialising in the valuation of mineral assets to provide a value for Polaris’s mineral assets. The Malcolm Castle Valuation Report dated 17 September 2009 is appended to this report as Appendix B.

The valuation of a target should be based upon a 100% interest in that target which should include a premium for control. This premium of control will be incorporated into the valuation of Polaris (the Polaris shares).

We have not considered the FME and DCF methods as appropriate to value the share of Polaris due to the lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity.

It is possible that a potential bidder for Polaris could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no other current bids in the market place (other than the bid by Mineral Resources), thus the use of this valuation method is not relevant for the purposes of this report. There is always the possibility of another bid emerging however to 17 September 2009 no other Takeover Offer has been made.

The quoted market price method has been evaluated for the purposes of this report. In order for a quoted market price to be a reliable indicator of the of a company’s value, that company must trade in a fully informed and appropriately informed market. However, this method does not include a market premium for control and as such we have added a premium for control to our quoted market price valuation.

7.2 Adjusted Net Asset Value of Polaris Shares

We set out below Polaris’s unaudited net assets as at 30 June 2009 based on Polaris being a going concern. As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We have been advised that Polaris has not been involved in any significant (material) transactions subsequent to 30 June 2009 not already referred to in this report or the Target Statement. In addition, incorporated are the estimated valuations of the mineral assets of Polaris as determined by Malcolm Castle in his Valuation Report dated 17 September 2009.

	Ref	Unaudited 30 June 2009 \$000	Low Valuation \$000	Preferred Valuation \$000	High Valuation \$000
Current Assets					
Cash assets	7.2.1	4,209	1,300	1,300	1,300
Receivables & prepayments		411	411	411	411
Total Current Assets		4,620	1,711	1,711	1,711
Non -Current Assets					
Deferred Exploration Expenditure	7.2.2	23,498	42,200	50,700	59,500
Other Financial Assets		241	241	241	241
Plant and Equipment	7.2.3	425	403	403	403
Intangible assets	7.2.3	26	24	24	24
Available for sale assets	7.2.3	2,762	2,842	3,108	4,082
Total non current assets		26,952	45,710	54,476	64,250
Total assets		31,572	47,421	56,187	65,961
Current Liabilities					
Trade and other payables		754	754	754	754
Provisions		120	120	120	120
Total current liabilities		874	874	874	874
Net Assets		30,698	46,547	55,313	65,087
Shares on Issue:		175,692,216	175,792,216	175,792,216	175,792,216
Value of a Polaris Share (in cents)		17.47	26.5	31.4	37.0

The unaudited 30 June 2009 contributed equity is disclosed at approximately \$38.298 million and accumulated losses are approximately at \$14.543 million and reserves approximate \$6,943,000 to total net assets of approximately \$30.698 million. Thus the net asset (book value) backing per fully paid share as at 30 June 2009 was approximately 17.47 cents per share.

The following adjustments were made to the 30 June 2009 unaudited consolidated balance sheet of Polaris to arrive at the range of valuations.

- 7.2.1 The Cash balance was reduced to reflect the forecasted administration, corporate and exploration expenses of approximately \$3 million for the period 1 July 2009 to 30 September 2009 and have taken into account the net proceeds from the sale of 400,000 Northern Uranium shares of \$0.91 million as noted below.
- 7.2.2 Deferred exploration expenditure is adjusted to reflect the values indicated by the Malcolm Castle report. Malcolm Castle was commissioned by us on 21 August 2009 to provide a market valuation of Polaris's mineral assets in order to assist us in assessing the market value of Polaris when considering the Takeover Offer by Mineral Resources. Malcolm Castle has provided three market indications as to the potential value of the mineral projects, which have been disclosed in the table above.

Accordingly, the consolidated balance sheet has been adjusted to reflect the valuation ranges.

- 7.2.3 There have not been any other material changes in the values of other assets, other than for the investments of Polaris in SXG and NTU. In the period 1 July 2009 to 21 August 2009, the shares in SXG traded between 6.2 cents and 9.0 cents with a mid point of 7.6 cents and a weighted average price of 7.61 cents. The last sale price on 31 August 2009 was 8.0 cents and on 11 September 2009, 10.5 cents. In the period 1 July 2009 to 21 August 2009, the shares in NTU traded between 17.0 cents and 24 cents with a midpoint of 20.5 cents and a weighted average price of 21.26 cents. The last sale on 11 September 2009 was 20.5 cents. In addition, Polaris owns 15,000,000 unlisted share options in SXG and 4,000,000 listed share options in NTU. As at 30 June 2009, these were valued at \$296,345. In the period 1 July 2009 to 21 August 2009, the share options in NTU traded between 5.5 cents and 7.5 cents with a midpoint of 6.5 cents. We have ascribed a value of 6.0 cents to the SXG share options.

In addition, subsequent to 30 June 2009, the Company has sold 400,000 NTU shares for gross proceeds of \$91,889 so that as at 10 September 2009 it holds 9,600,001 shares in NTU. We have disclosed a low, high and mid point range for the shares and options in ASX listed companies of between \$2,842,000 and \$4,082,000 with a mid range based on 11 September 2009 share and share option prices (adjusted for selling costs) of approximately \$3,108,000.

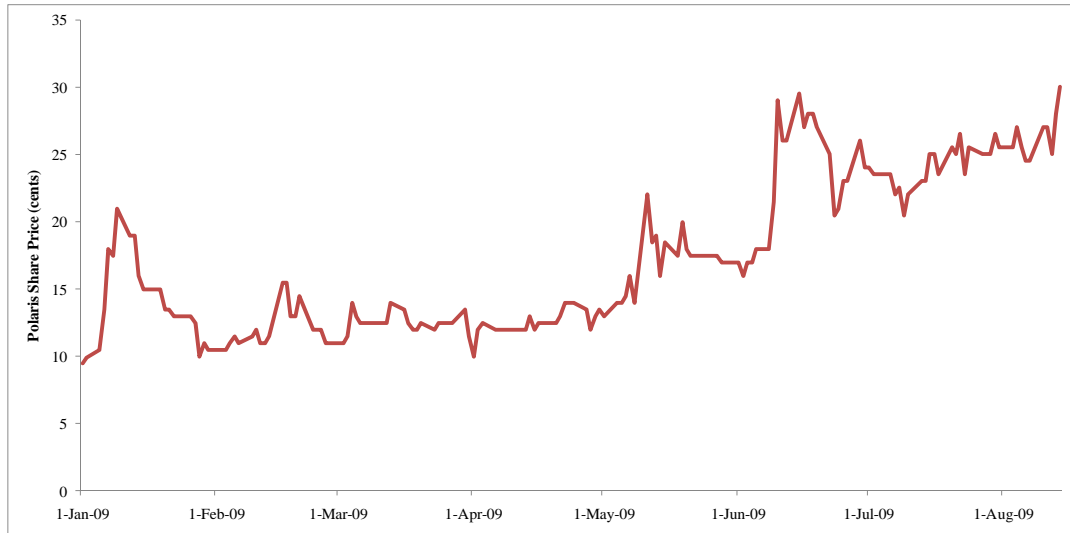
A small adjustment to reflect depreciation on fixed assets and intangibles has been made of \$30,000 to reflect depreciation to 30 September 2009.

- 7.2.4 The above table indicates the net asset value of a Polaris share between 26.5 cents and 37.0 cents, with a preferred value of 31.4 cents per Polaris share.

7.3 Quoted Market Basis – Polaris Share Price

- 7.3.1 In addition to the adjusted net asset valuation of Polaris shares in Section 7.2, we have also assessed the quoted market price for a Polaris share.

- 7.3.2 Initially we have examined the price prior to the Takeover Offers announcement disclosed to the market on 20 August 2009 in order to exclude any premium that may be included in the share price that could relate to the effects of a takeover and speculation of a premium offer.



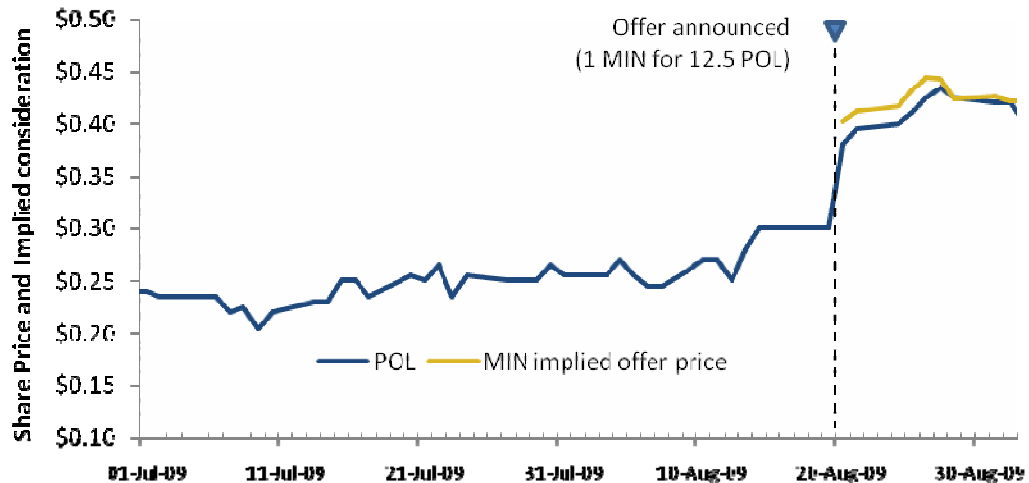
Between 1 January 2009 and 14 August 2009 (the last day of share trading before Polaris called a trading halt on 17 August 2009 pending the announcement of the Takeover Offers by Mineral Resources), the Polaris shares traded in the 9.9 cents to 33.5 cents (one trade only) range on moderate but reasonable volumes (particularly taking into account that the top 2 shareholders own approximately 47.8% of the issued capital of Polaris and were not regular traders in Polaris shares) with the last sale price on 14 August 2009 being 30.0 cents per share.

Since 1 January 2009 and up to and including 14 August 2009, the fully paid share prices (on-market sales) have been as follows:

	High Cents	Low Cents	Last Sale Cents	Volume 000's
January 2009	21.0	9.9	10.5	673
February 2009	15.5	10.5	11.0	742
March 2009	14.0	11.5	11.5	868
April 2009	15.0	12.0	13.5	2,685
May 2009	22.0	12.5	17.0	3,054
June 2009	33.5	16.0	24.0	6,102
July 2009	27.0	20.5	25.5	1,938
August 2009 (to 14 th)	32.0	24.0	30.0	2,434

The Polaris share price has drifted upwards since April 2009 reflecting the success in exploration results pertaining to its iron ore projects, a general improved sentiment towards iron ore projects and possibly expectations for positive outcomes from the strategic partner search process which was scheduled for completion during the September quarter. The quarterly reports for the periods to 31 March 2009 and 30 June 2009 reflect on this matter. In April 2009, the Company announced further assay results on its Carina iron ore project and an agreement with Mineral Resources on the Poondano iron ore project. In May 2009, the Company announced the closure of its rights issue at 12.5 cents each and on 8 May 2009 made a presentation to investors. On 10 July 2009 the Company announced that it was in discussions with various parties to partner the iron ore projects of the Company. On 28 July 2009, the Company made a further presentation at an iron ore conference.

As outlined in RG 111, the post announcement share price after the announcement of a bid may reflect some of the benefits of the combined entity, depending on whether the market has confidence that the transaction will proceed. After the announcement of the Takeover Bid for Polaris on 20 August 2009 and up to and including 1 September 2009, the Polaris share price ranged from a low of 35.0 cents to a high of 46.5 cents. The last sale on 17 September 2009 was at 46.5 cents.



In light of the above, our assessment of ASX market value of a Polaris share prior to the Takeover Offers announcement is between 20.5 and 32.0 cents per share. This quoted price range excludes a premium for control. Therefore, we have estimated a premium for control that Polaris shareholders could expect to receive pending a successful takeover, and thus control, of Polaris by Mineral Resources. In view of a successful takeover by Mineral Resources, a premium to the quoted market share price of Polaris may be expected due to the following advantages that Mineral Resources may receive:

- control over decision making and strategic direction;
- access to underlying iron ore projects;
- control over dividend policies; and
- access to potential tax losses.

We have examined anecdotal evidence of premiums for control paid in Australia and globally for junior and mid cap exploration companies. The range paid for control oscillates between 19% and 43% with control premiums for exploration companies generally lower than for development or production companies. A 20% premium is often considered a “normal expected” premium in relation to takeovers. As such we have selected a 20% control premium payable to Polaris shareholders as being reasonable. Applying this premium to Polaris’s quoted market share price immediately prior to the Takeover Offers announcement of between 20.5 cents and 32.0 cents, the quoted market price payable to Polaris’s shareholders (inclusive of a premium for control) ranges between 24.6 and 38.4 cents per share.

Based on the announcement made by Polaris on 20 August 2009 that assumed a closing share price of a Mineral Resources share on 14 August 2009 of \$4.71, the Takeover Offer values a share in Polaris at 38 cents (rounded from 37.68 cents) (on the basis of 1 Mineral Resources share for every 12.5 Polaris shares) and was at the following premiums:

- A 25.5% premium to 30 cents, being the closing price of a Polaris share on the last day of trading;
- A 42.13% premium to 27 cents, being the volume weighted average price (“VWAP”) of Polaris shares for one month up to and including the last trading day; and
- A 52.63% premium to 25 cents, being the volume weighted average price (“VWAP”) of Polaris shares for three months up to and including the last trading day.

7.4 Conclusion on the Value of Polaris Shares

7.4.1 In Sections 7.2 and 7.3 we have discussed the adjusted net asset value and quoted market price offer values of a Polaris share. These values are summarised below:

	Low value per share Cents	Preferred value per share Cents	High value per share Cents
Adjusted Net Asset Value basis (preferred basis)	26.5	31.4	37.0
Quoted Market Price basis (pre Takeover Offer announcement) (cents)	20.5	30.0	32.0
Quoted Market Price basis with a control premium attached of say 20% (cents)	24.6	36.0	38.4

The valuations above indicate that the adjusted net asset value per share is greater than the quoted market price of a Polaris share. As at 14 August 2009, the last 7.5 months of trading have seen approximately 18.496 million Polaris shares trade on the ASX, which represents approximately 10.5% of the total issued capital of Polaris. However it is noted that approximately 47.77% of the Company’s issued capital is in the hands of two shareholders (Lion Diversified, 25.45% and Heron, 22.32% as at 17 August 2009). Based on the volumes of Polaris shares traded on ASX, we consider that the shares demonstrate sufficient liquidity to reflect a reliable valuation. However it is considered more suitable to assess a targets underlying technical value in assessing whether a takeover offer is fair and reasonable. Therefore, it is considered appropriate to use the adjusted net asset value for Polaris, ranging from 26.5 to 37.0 cents per share, with a preferred value of 31.4 cents per share. In assessing the reasonableness of the Takeover Offer by Mineral Resources, we have considered the share price of a Polaris share as a guide as to reasonableness or otherwise. Some shareholders may consider that technical values are just that and that a market based approach is more suitable. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out

arrangements entered into between Polaris and other parties, including dealings with the Mineral Resources Group. We also note it is not the present intention of the Directors of Polaris to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical.

- 7.4.2 The shareholders', existing and future, must acquire or sell shares in Polaris based on the market perceptions of what the market considers a Polaris share to be worth. The market has either generally valued the vast majority of junior mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Polaris shares (albeit on moderate volumes).

8. Valuation of Mineral Resources Shares

8.1 Valuation method adopted for Mineral Resources

We have identified that the quoted market price valuation method for a share in Mineral Resources is the most appropriate for the purposes of this report. RG 111 stipulates that where the value of securities (in this case scrip) is offered as consideration in the takeover bid, that scrip should be based on a value which constitutes a minority interest in the Bidder's entity.

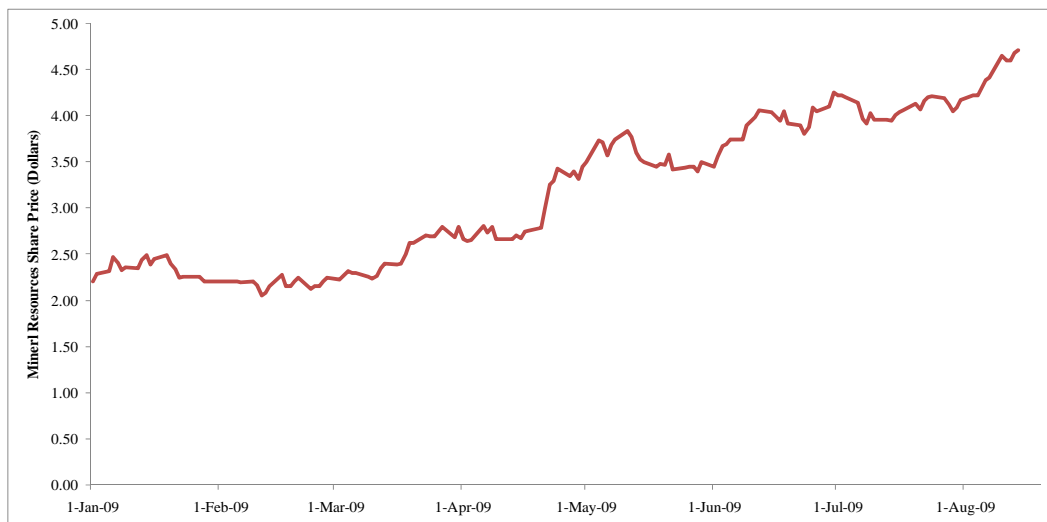
Market value is the price per share as quoted on ASX. The share market price would, prima facie constitute the market value of the shares of a publicly traded company. The share price quoted on ASX reflects the markets' assessment of all of the information available on the relevant company, the industry and the general economic environment in which the companies trade. The share price is, in most circumstances, a reliable indicator of the realisable value of a minority holding or a relatively small parcel of shares and does not always reflect the market value offering control of the acquirer. In the circumstances where interests in mineral assets are under question, we believe that share prices as quoted on ASX is acceptable in determining the value of a Mineral Resources share. Accordingly, as the quoted market price method does not include a premium for control, and because this method reflects the value of shares that will be provided to Polaris's shareholders should they accept the offer, we have decided that this valuation represents the most appropriate valuation method.

We have not considered the FME and DCF methods as we do not have access to Mineral Resources cash flow and profit forecasts. In any event Polaris shareholders would be receiving quoted Mineral Resources shares if they accepted the Takeover Offer and any technical value of a Mineral Resources share is not relevant.

8.2 Quoted Market Basis – Mineral Resources Share Price

Share prices in Mineral Resources as recorded on the ASX between 1 January 2009 and 19 August 2009 (the day before the announcement of the Takeover Offer) were as follows:

	High Cents	Low Cents	Last Sale Cents	Volume 000's
January 2009	2.50	2.10	2.20	1,527
February 2009	2.28	2.04	2.24	1,819
March 2009	2.79	2.10	2.79	2,110
April 2009	3.99	2.53	3.45	2,090
May 2009	3.94	3.31	3.50	1,692
June 2009	4.50	3.40	4.25	1,907
July 2009	4.33	3.83	4.17	1,404
August 2009 (to 19 th)	4.80	4.19	4.77	2,467



ASX trading value of a Mineral Resources share since 1 January 2009 and up to and including 19 August 2009 has ranged from a low of \$2.01 per share to a high of \$4.80 per share. This represents volatility from the low of approximately 138% over the approximate 7.5 month period. The share price has rapidly increased over the two months to 19 August 2009 and the volume weighted average last sale price from 1 August 2009 to 19 August 2009 was \$4.45 per Mineral Resources share. The total number of shares traded over the January to 19 August 2009 period totalled approximately 15,017,130 and this represented roughly 12.08% of the issued capital of Mineral Resources as at 19 August 2009. Taking into account that the directors and other key management personal own approximately 77,142,326 shares and none of the shares were traded by such persons for the whole of the year ended 30 June 2009. This indicates a reasonable level of trading liquidity in the shares of Mineral Resources not owned by the directors and key management personal.

There were no material announcements made by Mineral Resources to the market since late April 2009 but the shares rose as presumably the “market” reassessed the potential and value of Mineral Resources.

The price per Mineral Resources share post announcement of the Takeover Offer for Polaris on 20 August 2009 and up to and including 17 September 2009 was between \$4.78 and \$6.00. The closing price on 17 September 2009 was \$6.00.

8.3 Conclusion on the Value of Mineral Resources Shares

Having considered the pre takeover announcement pricing of the Mineral Resources shares in Section 8.2, it is our view that a fair indicative range for a Mineral Resources share is between \$4.19 and \$4.77 per share based upon trading activity from 1 August 2009 to 19 August 2009. Given that this period experienced the largest volume of Mineral Resources share transactions, it is likely to be highly indicative of the true value of a Mineral Resources share on an open market (ASX). The volume weighted average last sale price for the period from 1 August 2009 and up to 19 August 2009 approximates \$4.45 per share. Thus it is considered appropriate to use a range of \$4.19 to \$4.77 per Mineral Resources share, with a preferred value of \$4.45 per share. It is noted that the closing share price on 19 August 2009 was \$4.77. The shares post 19 August 2009 have not traded below \$4.77 and as at 17 September 2010, the closing share price was \$6.00.

9. Value and Fairness of Consideration Compared To Value of Assets Acquired

9.1 Value of Consideration Compared to Value of Assets Acquired

Mineral Resources is offering 1 Mineral Resources share for every 12.5 Polaris ordinary shares held on the Record Date. The value of a share offered by Mineral Resources for a fully paid ordinary share in Polaris is as follows:

	Para Ref	Low \$	Preferred \$	High \$
Value of a Mineral Resources share (based on Quoted Market Price pre announcement of the Takeover Offer)	8.3	4.19	4.45	4.77
Shares to be exchanged (in terms of a Polaris share)		1 for 12.5	1 for 12.5	1 for 12.5
Value of a Mineral Resources Share to be exchanged (cents)		33.5	35.6	38.1

The value of a Mineral Resources share to be exchanged for 12.5 Polaris shares is compared below:

	Para Ref	Low Cents	Preferred Cents	High Cents
<u>Technical Valuation Method</u>				
Value of a 1 Mineral Resources share	9.1	33.5	35.6	38.1
Value of a Polaris share on a technical net asset value	7.4	26.5	31.4	37.0
Premium payable by Mineral Resources (cents)		7.0	4.2	1.1
Premium payable by Mineral Resources (percentage)		26.4%	13.37%	2.97%

	Para Ref	Low Cents	Preferred Cents	High Cents
Quoted Market Price Method				
Value of a Polaris share as listed on ASX (cents)		20.5	30.0	32.0
Value of a Polaris share as listed on ASX after applying a control premium of 20% (cents)		24.6	36.0	38.4
Premium payable by Mineral Resources on a share price basis (percentage)		63.4%	18.6%	19.0%
(Discount)/Premium payable by Mineral Resources (percentage) on a share price basis incorporating a 20% premium for control (percentage)		36.1%	(1.1%)	(0.8%)

Based on the Polaris share price as at 14 August 2009 of 30 cents and the closing share price of a Mineral Resources share as at 19 August 2009 of \$4.77, the premium for control approximates 27%.

We have examined anecdotal evidence of premiums for control paid in Australia and globally for junior and mid cap exploration companies. The range paid for control oscillates between 19% and 43%, although on occasions the premium may be lower or higher. As such we have selected a 20% control premium payable to Polaris shareholders. A 20% premium is often considered a “normal expected” premium in relation to takeovers. Applying this premium to Polaris’s quoted market share price, the quoted market price payable to Polaris’s shareholders (inclusive of a premium for control) ranges between 24.6 cents and 38.4 cents per share. Arguably, the premium for control could be higher than 20% as the interest in potential iron ore producers is quite high at the moment.

Mineral Resources is paying a premium for control based on the low, preferred and high technical values for a Polaris share and based on share prices, Mineral Resources is paying a premium for control of around 18.6% based on the Polaris share price as at 14 August 2009 and 27% using the closing share price (\$4.77) of a Mineral Resources share as at 19 August 2009 and 30 cents for a Polaris share as at 14 August 2009. It is noted that based on 17 September 2009 share prices for both Mineral Resources (\$6.00) and Polaris (46.5 cents), the market has virtually aligned the share price of Polaris to be in line with the 1 for 12.5 ratio offered by Mineral Resources.

9.2 Fairness of Consideration Compared to Value of Assets Acquired

The above table indicates that the value on a cents per share basis of the Takeover Offer for all of the shares in Polaris is greater than the assessed preferred technical fair value of a Polaris share. Therefore the Takeover Offer for all of the shares in Polaris may be considered to be fair.

10. Reasonableness of the Takeover Offers to Polaris Shareholders and Polaris Optionholders

10.1 Under RG 111, an offer may be considered 'reasonable' if despite being 'not fair', should sufficient reasons exist for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In considering the reasonableness of the Takeover Offer, inter alia, we have considered the following factors:

- Mineral Resources pre-bid agreement with Heron;
- Other significant security holding blocks in Polaris;
- Liquidity of the market in Polaris's securities;
- Taxation losses, cash flow or other benefits through achieving 100% ownership of Polaris;
- Any special value of Polaris to Mineral Resources;
- The likely market price of Polaris shares should the Takeover Offer be unsuccessful; and
- The value to an alternative bidder and likelihood of an alternative offer being made for the shares in Polaris.

We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Takeover of Polaris as they apply to the shareholders of Polaris.

Advantages

10.2 The amalgamated entity (Mineral Resources incorporating Polaris) would create a larger company with a larger asset base, although Polaris is significantly smaller than the existing Mineral Resources Group. The merged group would have assets and opportunities in the following:

- Access to significant cash resources as noted in the pro-forma unaudited balance sheet in Section 5.5 of this report.
- Investments in other ASX listed companies
- Investments in mineral projects
- A company that is cash flow positive (Mineral Resources)
- A company that to date is paying dividends

Polaris is currently relying on the success or otherwise of its flagship Yilgarn Iron Ore Project and it hopes to commercialise in the future. The risk to the shareholders of Polaris is reduced by diversifying and having an interest in a basket of assets, although the percentage interest in the underlying Polaris assets is substantially reduced. The reduction from an existing Polaris shareholders point of view is from a 100% interest in Polaris that has the various projects outlined in Section 4.4 of this report to a small minority 10.041% voting interest in Mineral Resources.

- 10.3 Mineral Resources has demonstrated its ability in the past two years to raise significant funds either by way of capital or debt (equipment debt raised in the year ended 30 June 2009 to acquire fixed assets), and as such Polaris may benefit from Mineral Resources ability to raise significant amounts of capital required to evaluate and fund projects. Polaris does have an interesting iron ore project that looks promising and with a renewed interest in iron ore exploration companies, Polaris should not find it too challenging to raising further working capital in the near future, albeit this is likely to result in dilution to existing shareholders. More importantly, Polaris would need to raise very substantial amounts of equity to meet capital requirements for the development of its projects, and this may, depending on market conditions be far more challenging.
- 10.4 The amalgamated Mineral Resources (post Takeover of Polaris) entity may be in a better financial position to make further strategic acquisitions in the mining industry that if carefully managed may add value to Mineral Resources.
- 10.5 The amalgamated Mineral Resources (post Takeover of Polaris) entity will have highly prospective assets. The proposed amalgamated entity's larger and more diversified range of mineral assets and opportunities may attract a greater number of potential investors than currently invest in Polaris individually. Combined with a larger and diversified shareholder base, an increase may result in the liquidity in the trading of the proposed merged entity's securities on ASX. Mineral Resources is planning to develop the Poondano Iron Ore Project that is acquired from Polaris and if it is commercially successful, the Polaris shareholders would have a direct (approximately 10.041%) interest in the project instead of receiving a royalty stream by being a shareholder in Polaris.
- 10.6 The amalgamated Mineral Resources (post Takeover of Polaris) entity will in the event of a 90% or more acquisition of Polaris contain the Board of directors of Mineral Resources or their nominees. The Board of Mineral Resources together with its expert technical team may enhance the chance of successfully commercialising Polaris's projects (although this cannot be assured or guaranteed).
- 10.7 In the event of the failure to commercialise the Yilgarn Iron Ore Project, there is an increased chance that the share price would be dramatically reduced in the short/medium term. By amalgamating Polaris into Mineral Resources, notwithstanding a reduced direct interest in Polaris's current mineral interests and opportunities, the shareholders risk is reduced.
- 10.8 Mineral Resources currently is a dividend payer and if this continues, the ex Polaris shareholders would receive a dividend. Currently, Polaris is not a dividend payer and given the state of its development no dividends are likely for some time. There of course can be no guarantee that Mineral Resources will pay dividends in the future and if they do continue to pay dividend, the level of the dividends.
- 10.9 On a market based premise, Mineral Resources is paying a reasonable premium for control based on the closing price of a Mineral Resources share as at 19 August 2009. As stated above, a premium for control is normally 20% or more. Further details are outlined in sections 7.3.2 and 9.1. On a technical basis of a Polaris share, the Offer by Mineral Resources is considered fair.

Disadvantages

- 10.10 Polaris shareholders will be effectively diluting their interest in a company that has the potential to develop a potential iron ore asset (the Yilgarn Iron Ore Project) should it become commercially viable. The potential value may be far in excess of the current market capitalisation of Polaris, albeit the Company would need to raise significant equity to develop the project. Thus by accepting the Takeover Offer, the Polaris shareholders will be materially reducing their collective interests in the Yilgarn Iron Ore Project opportunity.
- 10.11 Should the Takeover Offer be accepted, Polaris shareholders will be exposed to the risks associated with investments in Mineral Resources. Mineral Resources investment portfolio is different to that of Polaris, and as such carries different risks to shareholders of Polaris. However, arguably there is more risk in Polaris as a stand alone company.

Other Factors

- 10.12 The Australian tax consequences for Polaris shareholders who accept the Takeover Offer for all of their shares in Polaris will depend on a number of factors, including:
- whether the Polaris shareholder holds their Polaris shares on capital account, revenue account or as trading stock;
 - the nature of the Polaris shareholder (i.e. individual, company, trust, complying superannuation fund); and
 - the tax residency status of the Polaris shareholder (i.e. Australian resident or not).

Each Polaris shareholder and Polaris Optionholder should seek their own independent tax advice on the consequences of accepting the Takeover Offers and receiving Mineral Resources shares or options in exchange for Polaris shares or options.

If Mineral Resources acquires less than 80% of the shares in Polaris, then it is possible that the exchange of Polaris shares for Mineral Resources shares will be considered as a taxable event by the Australian Tax Office. This means that, depending upon the circumstances of the individual shareholder, a capital gain and or assessable income may be realised during that financial year. As stated above, Polaris shareholders and optionholders should seek their own independent taxation advice if they intend to accept the Cape Lambert Takeover Offers.

For further information please refer to “Section 8 – Australian Tax Considerations” in the Bidder’s Statement.

- 10.13 There are other risks associated with the Takeover Offer and these are outlined in “Section 9- Risk Factors” of the Mineral Resources Bidder’s Statement and the Polaris Target Statement (Section 3.8) also refers to risks. These include the possible downgrading of the exploration assets and opportunities of the two companies and dependence on key personnel.

10.14 The offers to the Polaris Optionholders are on an equivalent basis to the shareholders that is for every 12.5 Polaris Options held, a Polaris Optionholder will receive 1 new Mineral Resources Option and the exercise prices have been adjusted to be 12.5 times the existing Polaris Option exercise prices noted in section 3.5 of this report.

10.15 A Break Fee of \$600,000 is payable by Polaris in the event where a competing proposal results in a third party acquiring more than 50.1% of the issued shares in Polaris or where the Polaris directors withdraw, change or qualify any of their recommendations in respect of the Takeover Offer by Mineral Resources in a manner adverse to Mineral Resources or causes Polaris to execute any agreement in relation to a superior proposal or resolves to do either of the foregoing prior to the expiry of the Offer Period.

10.16 Conclusion as to the Reasonableness of the Takeover Offer

It is noted that ultimately the advantages of accepting the Takeover Offers noted in Section 10 of this report, coupled with the fact that the price is considered to be fair arguably exceed the disadvantages, although the financial effects cannot be determined with any degree of certainty. In our view the Takeover Offers are reasonable.

11. Conclusion as to Fairness and Reasonableness of the Takeover Offers

11.1 We have considered the Terms of the Takeover Offer as outlined in the body of this report and have concluded that the Takeover Offers by Mineral Resources to offer 1 Mineral Resources share for every 12.5 Polaris Shares held on the Record Date is, on balance, **fair and reasonable** to the non associated **shareholders** of Polaris.

We have considered the Terms of the Takeover Offer as outlined in the body of this report and have concluded that the Takeover Offers by Mineral Resources to offer 1 Mineral Resources Option for every 12.5 Polaris Options held on the Record Date and adjust the exercise price on the same ratio (refer 10.14 above) is, on balance, **fair and reasonable** to the non associated **optionholders** of Polaris.

SIS's opinion should not be construed to represent a recommendation as to whether or not Polaris shareholders and optionholders should accept the Takeover Offer by Mineral Resources. Shareholders and optionholders uncertain as to the impact of accepting the Takeover Offers should seek separate advice from their financial and/or taxation adviser.

Shareholders should be aware that other Offers may be made by other parties after the preparation of this report. The shareholders and optionholders of Polaris will need to compare Offers and consider whether any other Offer(s) are more superior.

12. Sources of Information

12.1 In making our assessment as to whether the Takeover Offer to Polaris shareholders and optionholders by Mineral Resources is fair and reasonable to the non associated shareholders and optionholders we have reviewed relevant published available information and other unpublished information of the Company and Mineral Resources which is relevant to the current circumstances. In addition, we have held

discussions with the management of Polaris about the present and future operations of Polaris. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Polaris and Mineral Resources.

12.2 Information we have received includes, but is not limited to:

- Discussions with management and directors of Polaris;
- Details of historical market trading of Polaris and Mineral Resources ordinary shares as recorded by ASX to 17 September 2009;
- Shareholding details of Polaris and Mineral Resources as supplied by the companies share registrars and the directors;
- Audited annual reports of Mineral Resources for the years ended 30 June 2009, 2008 and 30 June 2007;
- Audited annual reports of Polaris for the years ended 30 June 2008 and 30 June 2007;
- Reviewed half year reports of Polaris and Mineral Resources for the half year ended 31 December 2008;
- ASX Announcements of Polaris and Mineral Resources for the period from 1 January 2009 to 17 September 2009;
- Share prices of SXG and NTU for the period 1 January 2009 to 11 September 2009;
- Bidders Statement dated 17 September 2009 produced by Mineral Resources relating to the Takeover Offer for Polaris;
- Bid Implementation Agreement dated 20 August 2009;
- The Pre- Bid Acceptance Agreement between Mineral Resources and Heron dated 20 August 2009;
- Draft unaudited financial statements of Polaris prepared by Polaris management as at 30 June 2009 and 31 July 2009;
- Schedule of share and share option investments in SXG and NTU as at 30 June 2009 and 31 August 2009;
- The 17 September 2009 Valuation Report on the mineral assets of Polaris prepared by Malcolm Castle, Consulting Geologist and discussions with Malcolm Castle the author of the Malcolm Castle Valuation Report; and
- Drafts of the Target Statement prepared by Polaris and its legal advisers in August and to 17 September 2009.

12.3 Our report includes Appendices A and B (the Malcolm Castle Valuation Report) attached to this report as well as our Financial Services Guide.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



John P Van Dieren- FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 18 September 2009, relating to the proposed Takeover Offers by Mineral Resources to receive 1 Mineral Resources share for every 12.5 Polaris ordinary shares held on the Record Date and the Takeover Offers for all of the Polaris Options as stated in the Bidder's Statement dated 17 September 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with Polaris other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$30,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. We note that Stantons International is the auditors of SXG and NTU.

Stantons International Securities (a trading division of Stantons International Pty Ltd) or Stantons International Services Pty Ltd an associated entity or any directors of Stantons International Pty Ltd and Stantons International Services Pty Ltd do not hold any securities in Polaris. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Pty Ltd is the holder of an Investment Advisers Licence (No 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Pty Ltd are the Directors of Stantons International Services Pty Ltd a related entity. Stantons International Pty Ltd and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the independent Directors of Polaris in order to assist the shareholders and optionholders of Polaris to assess the merits of the Takeover Offers to which this report relates. This report has been prepared for the benefit of Polaris and those persons only who are entitled to receive a copy for the purposes of Section 640 of the Corporations Act and does not provide a general expression of Stantons International Securities opinion as to the longer term values of Polaris and Mineral Resources and their subsidiaries and assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Polaris, Mineral Resources or its subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities and Stantons International Services Pty Ltd, its directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Polaris and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Polaris has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities to recover any loss or damage which Polaris may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Polaris; and
- (b) to indemnify Stantons International against any claim arising (wholly or in part) from Polaris or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Polaris or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Polaris Directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE FOR STANTONS INTERNATIONAL SECURITIES DATED 18 SEPTEMBER 2009

1. Stantons International Pty Ltd (Trading as Stantons International Securities) ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report you should seek advice from a registered financial adviser.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is a division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and/or Stantons International Services Pty Ltd.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning 08 9481 3188 or faxing 08 9321 1204.

APPENDIX B

**MALCOLM CASTLE CONSULTING GEOLOGIST TECHNICAL VALUATION
REPORT ON THE POLARIS MINERAL ASSETS**



Malcolm Castle

Consulting Geologist
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Phone: 08 9474 9351
Mobile: 04 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

17 September 2009

The Directors
Stantons International Securities
Level 1, 1 Havelock Street,
West Perth WA 6005

Dear Sirs,

Re:

**INDEPENDENT VALUATION REPORT ON THE
EXPLORATION ASSETS held by POLARIS METALS NL**

I have been commissioned by Stantons International Securities (Stantons) to provide a Mineral Asset Valuation ("Report") on the company's projects in Western Australia and to assist Stantons in arriving at Stantons' opinion on the fairness and reasonableness of the takeover proposal by Mineral Resources Limited of Polaris Metals.

This report serves to comment on the geological setting and exploration results on the properties and presents a conceptual valuation for the exploration assets based on the information in this Report.

Polaris holds an extensive portfolio of mineral exploration tenements in Western Australia located in the Yilgarn and Pilbara areas. The most advanced project is the Yilgarn Iron Ore Project (YIOP) in the Bungalbin area.

Details in respect to the legal status and tenure of the tenements comprising the Project have not been considered in this report.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code")*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112).

Where mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2004.

Under the definition provided by the VALMIN Code, the properties are classified as 'exploration areas', which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to Polaris, along with a written request to identify any material errors or omissions prior to lodgement.

The independent technical report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 40 years experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He

established a consulting company 20 years ago and specialises in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

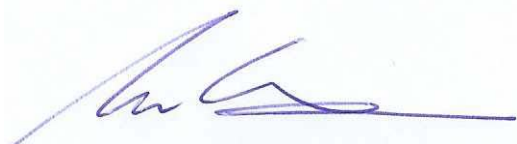
Mr. Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr. Castle is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has the appropriate relevant qualifications, experience, competence and independence to be considered as an "Expert" and "Competent Person" under the Australian Valmin and JORC Codes, respectively.

Independence

I am not, nor intend to be a director, officer or other direct employee of Polaris and have no material interest in the Projects or Polaris. The relationship with Polaris is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

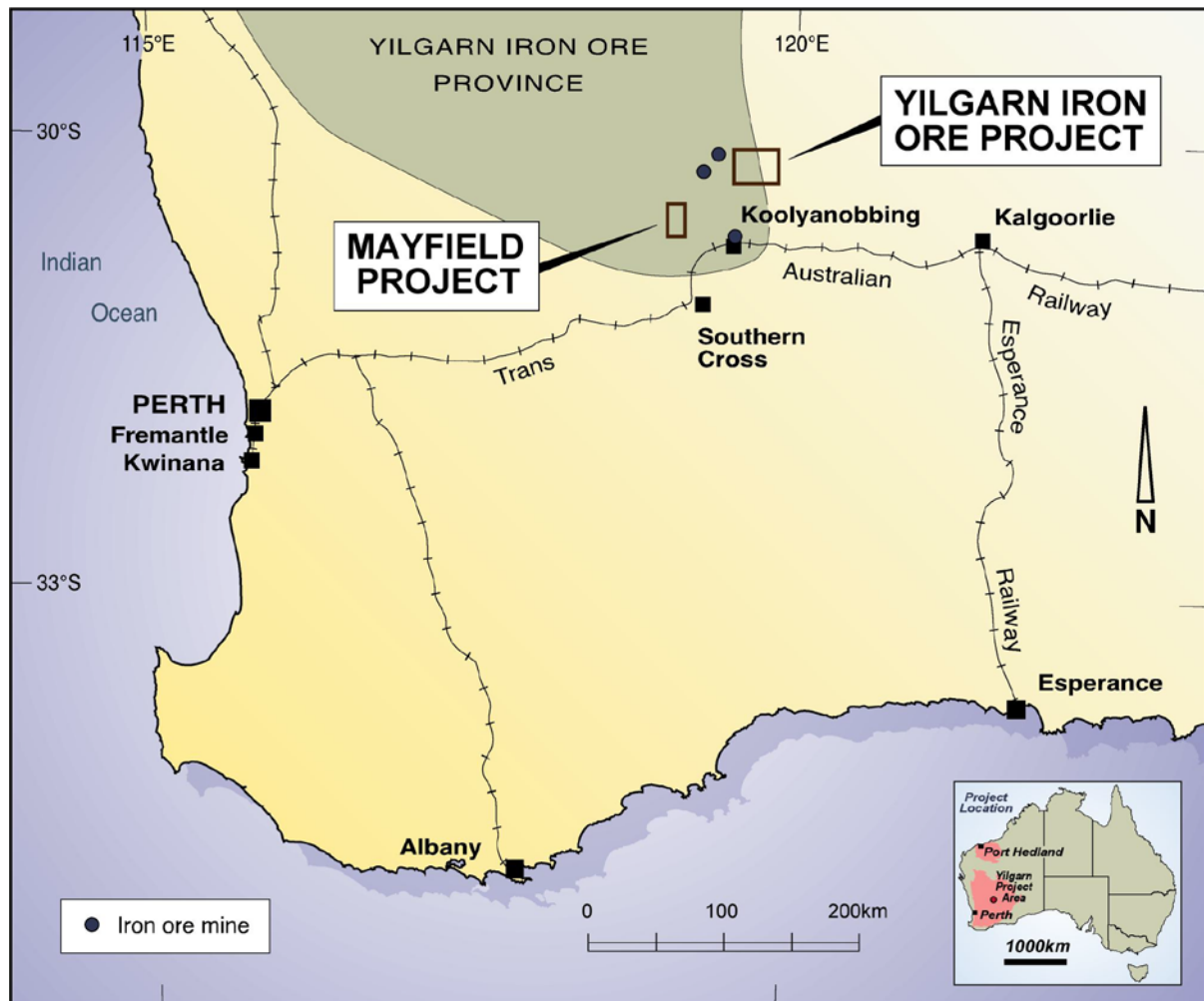


Malcolm Castle

B.Sc.(Hons) MAusIMM, MSME, GCertAppFin (Sec Inst)

CENTRAL YILGARN PROJECTS – POLARIS 100%

Polaris owns approximately 3,000km² of mining tenements in the central Yilgarn district of Western Australia. A number of project areas have been denoted in the district - the two main ones being the Yilgarn Iron Ore Project (YIOP) and the Bullfinch North Project.



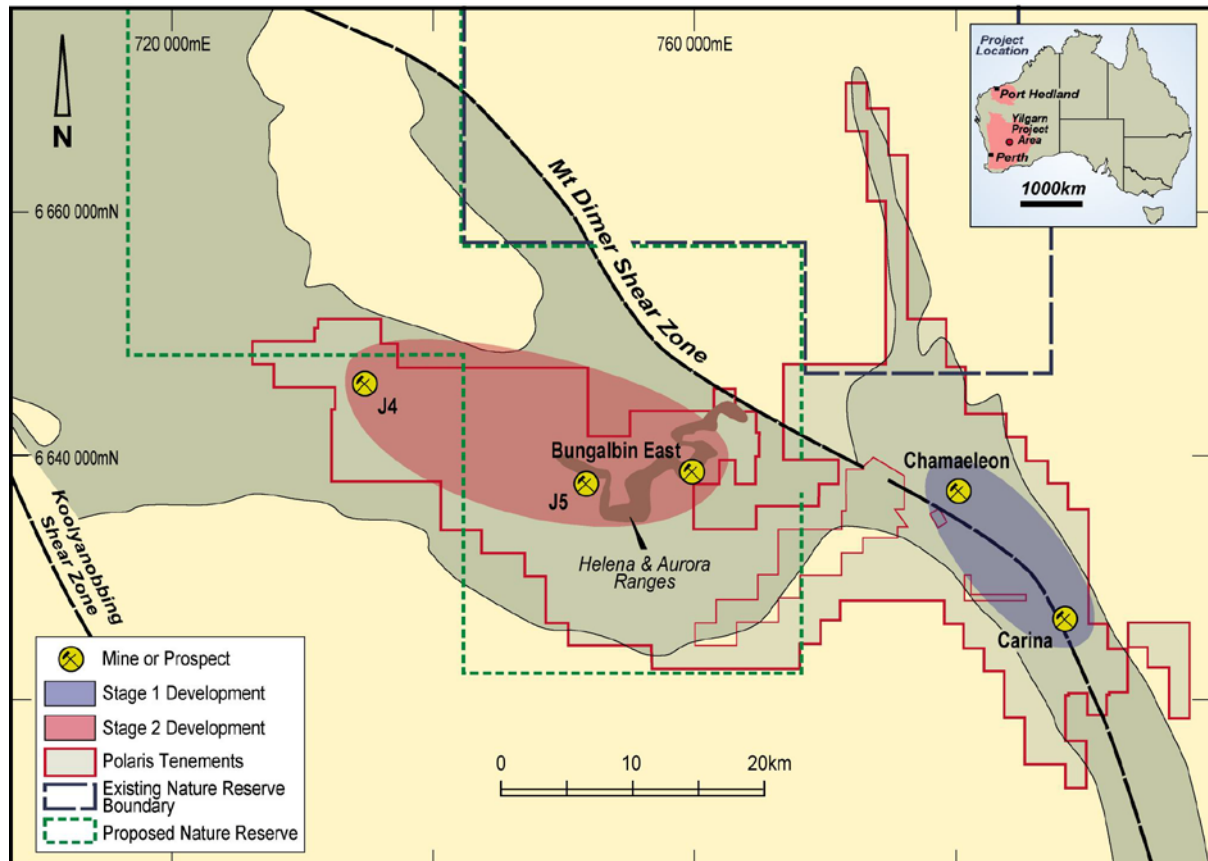
THE YILGARN IRON ORE PROJECT – POLARIS 100%

The Yilgarn Iron Ore Project (YIOP) encompasses approximately 1,000km² of mining tenements 50 kilometres north of Koolyanobbing. Iron ore rights for the tenements are held 100% by Polaris.

The YIOP project currently contains five prospects (Carina, Chamaeleon Bungalbin East, J4 and J5), with an Indicated Resource of 17.7 million tonnes at 59.9% Fe and inferred Resource of 23.8 million tonnes at 58.8% Fe. Mayfield has a further 9.3 million tonnes at

lower grades for a total resource base of 50.8 million tonnes at 58.0% Fe, 5.30% SiO₂, 1.25% Al₂O₃, 0.16% P and 8.6% LOI. Recent exploration and development has focused on defining the Carina Resource and defining the infrastructure requirements and possibilities to permit export and in obtaining the information required for regulatory approvals.

Polaris completed a substantial drilling programme at the Carina deposit and further drill evaluation at Chamaeleon. The drill programmes at Carina enabled several phases of resource estimation and the latest result is tabulated below.



The current resource estimate for Carina is based on a mineralised domain interpreted by Polaris on the basis of geological logging, assay results and geological mapping. Grade estimation was undertaken by resource estimation consultants Hellman and Schofield Pty Ltd. Ordinary Kriging was used for the majority of the grade interpolation. Multiple Indicator Kriging was used for the grade interpolation of sulphur and manganese oxide. Tonnage estimates assume an average density of 3.15 tonnes per cubic metre for the mineralisation. Estimates for the more closely drilled portions of the resource above 350m RL (approximately 130 m below surface) are classified as 'Indicated Resource' while all other portions were classified as 'Inferred Resource'. The Mineral Resource estimate is reported in accordance with the 2004 JORC Code.

The Carina deposit outcrops as a low ridge of hematite/goethite. The mineralisation forms a steeply west dipping isoclinally folded syncline 1.7 kilometres in strike length to a maximum depth of 240 metres below surface with widths averaging approximately 40-50 metres.

The Inferred Resources for J4 and J5 are based on drilling completed by previous explorers. Resource estimation was completed by Hellman and Schofield using ordinary kriging. The Mineral Resource estimates are reported in accordance with the 2004 JORC Code.

YIOP Mineral Resource at 55% Fe cut off and 50% for Mayfield

Prospect	Resource Category	Tonnes (Million)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
Carina	Indicated	17.7	59.00	3.16	1.24	0.100	9.23
	Inferred	9.0	58.70	3.30	1.10	0.120	9.90
	Total	26.7	58.90	3.20	1.20	0.110	9.50
J4	Inferred	4.8	57.40	3.90	1.80	0.140	10.90
J5	Inferred	10.0	59.00	5.80	1.20	0.240	7.50
Mayfield	Inferred	9.3	54.50	11.50	1.20	0.210	6.00
TOTAL		50.8	57.97	5.30	1.25	0.16	8.57

LOI – loss on ignition

Carina, J4 and J5 have been estimated at a lower cut off grade of 55% Fe. Mayfield has been estimated at a cut off grade of 50% Fe. The penalty components of SiO2 and P are higher for J5 and Mayfield than current market expectations and would require upgrading by blending or beneficiation.

Resource Expansion Studies – The Carina Chamaeleon corridor contains approximately 12km of the prospective rock sequence and has potential to host a number of iron ore resources. Several target areas have been identified through surface geological mapping and sampling of outcropping iron rich units. This initial work is being supplemented by multi-disciplined studies to enable the identification and prioritisation of new, buried targets.

Analysis of magnetic, gravity and electro-magnetic data by independent consultants has identified 21 anomalies requiring follow-up. Follow-up field mapping coupled with the geophysical interpretation and surface sampling data is being used to prioritise target areas for drill testing scheduled to commence during the September quarter.

A review of all the existing data has identified that the Corridor area has potential to host 40-58 Mt of DSO iron ore which is sufficient to support the proposed iron ore mining development being planned.

Metallurgical and Marketing – The results from a preliminary marketing analysis of the Carina products by Ferrum Consulting are considered encouraging. Key findings were;

- The fines product benchmarks favourably compared with the Yandi fines products of BHPBilliton and Rio Tinto and should attract similar pricing in the market
- The lump product will require targeted marketing and consideration should be given to increasing the proportion of fines product from the project.

The project development plan is to mine iron ore from a number of open cut pits, crush and screen as required to meet product specifications and then truck and rail to the Port of Esperance for export. A Stage 1 development of the first production targets, Carina and Chamaeleon, is planned with initial iron ore production of 3.5 – 4.5Mtpa with potential for future expansion. Subject to satisfactory completion of feasibility work production is being targeted for late 2011. A successful takeover by Mineral Resources would see this target date brought forward to 2010.

MAYFIELD AND YILGARN REGIONAL MAGNETITE DEPOSITS (POLARIS 100%)

Bullfinch North - Mayfield

The Bullfinch North Project is located 80km north-west of Southern Cross and contains a number of DSO and magnetite iron prospects, including Mayfield and Fish Hook.

The Mayfield deposit has been drilled by previous explorers and was the subject of a scoping study completed by Polaris in 2005. The mineralisation consists of 70-90Mt high grade magnetite ore (45-50% Fe) covered by a relatively shallow horizon of potentially direct shipping hematite-goethite iron ore.

Metallurgical test work in 2005 suggested the potential for high grade concentrates in excess of 69% Fe with low silica, alumina and phosphorous though the standard fine grinding processing route.

Work at Mayfield was reinvigorated during the year with detailed mapping of the Mayfield prospect being completed. A re-evaluation of the structural setting suggested there was enhanced potential for increasing the current resource inventory.

A flora survey was completed to provide the data necessary to obtain drilling approvals and an Aboriginal Heritage survey undertaken. No significant issues were identified.

A recent review completed by ProMet Engineers Pty. Ltd. of previous metallurgical test work has confirmed that the magnetite at Mayfield can be potentially treated at relatively low

cost to produce a saleable dry magnetite concentrate containing ~50-60%Fe through simple crushing and dry magnetic separation processes.

The key benefits of this processing route are significantly lower energy costs (no grinding required), lower capital costs and the ability to use existing DSO materials handling equipment and infrastructure. Metallurgical core holes will be used to obtain high quality samples and enable the completion of dry magnetic test work across a range of crush sizes. If positive, this could provide an additional opportunity for the Stage 2 DSO development plans.

Royalty and minority iron ore interest encumbrances were purchased outright during the Year. This will enable development and extraction without complicating considerations and potential blending of various YIOP DSOs ores to supply higher quality products.

YIOP Regional

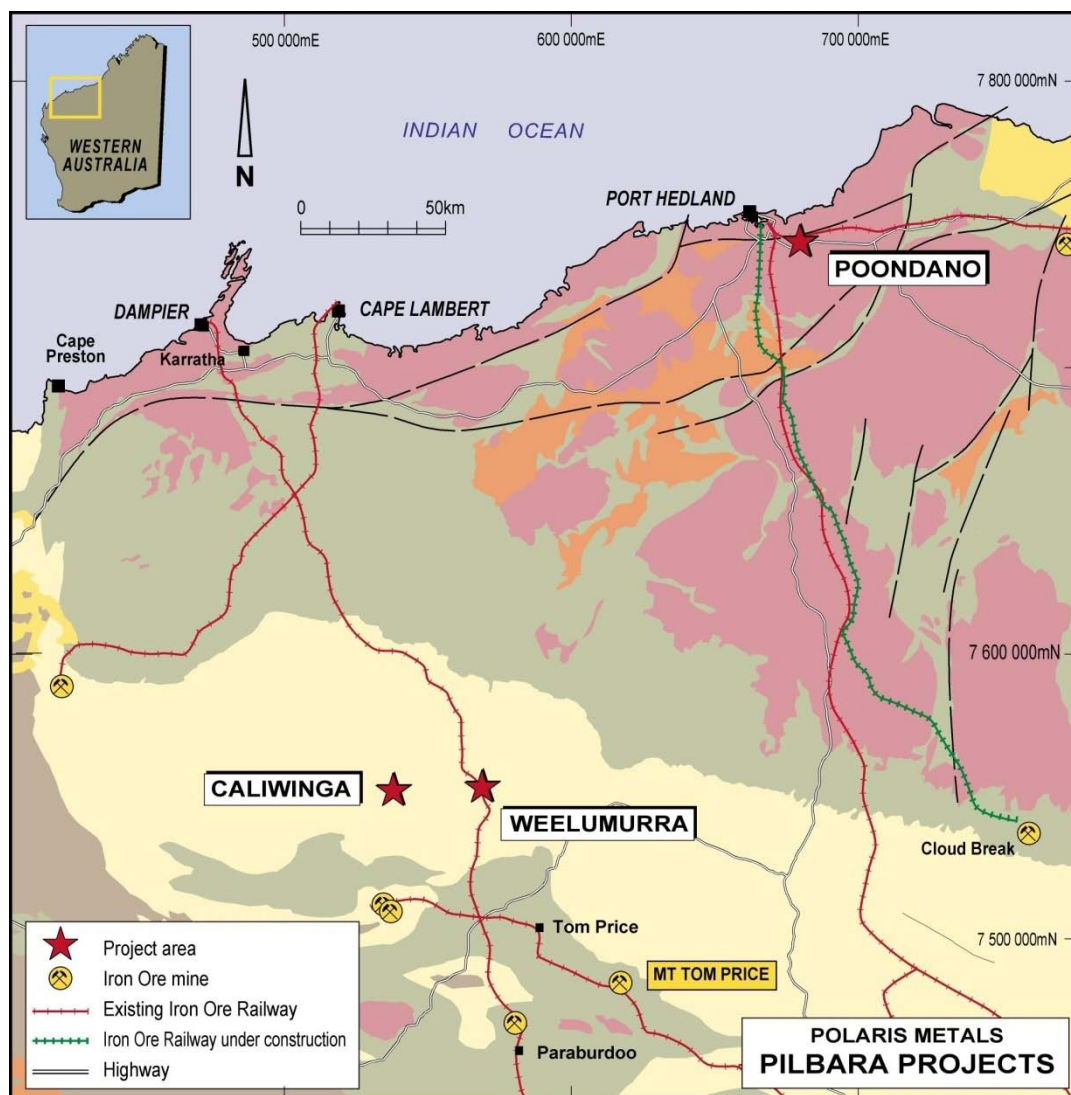
The company has commenced systematic assessment of its considerable tenement package in the Central Yilgarn Region. The area has potential for both DSO and magnetite ores based on analysis of regional aeromagnetic data sets and field reconnaissance.

A number of hematite/goethite occurrences have been identified in the tenement area and in the coming year the process of regional reconnaissance will continue with the aim of identifying targets. Drill testing is planned to follow. It is anticipated that any resources delineated could be trucked to rail loading sidings to the south and railed using the infrastructure being developed for the YIOP Stage 1.

An exploration target of magnetite mineralisation has also been identified and field while the most advanced magnetite prospect is the Bullfinch North Project as discussed above a number of other areas have the potential to host significantly large resources. Magnetite exploration and development is not expected to form a major focus of the company's exploration effort nevertheless although any synergies available through the current development plans for the YIOP Stages 1 and 2 will be exploited.

MAJOR EXPLORATION PROJECTS

Weelumurra Project, Channel Iron Deposit (Polaris 100%)



The Weelumurra Project in the Pilbara region is comprised of two tenements covering 170 square kilometres – Caliwinga and Weelumurra, respectively 170km and 185km south-southeast of the iron ore port of Dampier. The Weelumurra tenement lies immediately along strike of FMG's Solomon resource.

The project is located adjacent to several billion tonnes of iron ore deposits owned by other companies such as Fortescue Metals Group's Solomon Project (with a stated Inferred Resource of 2.2Bt of iron ore), Flinders Mines' Hamersley Project (with a stated Inferred

Resource of 511Mt of iron ore) and Rio Tinto's Calliwingina Prospect (with a stated Inferred Resource of 875Mt of iron ore).

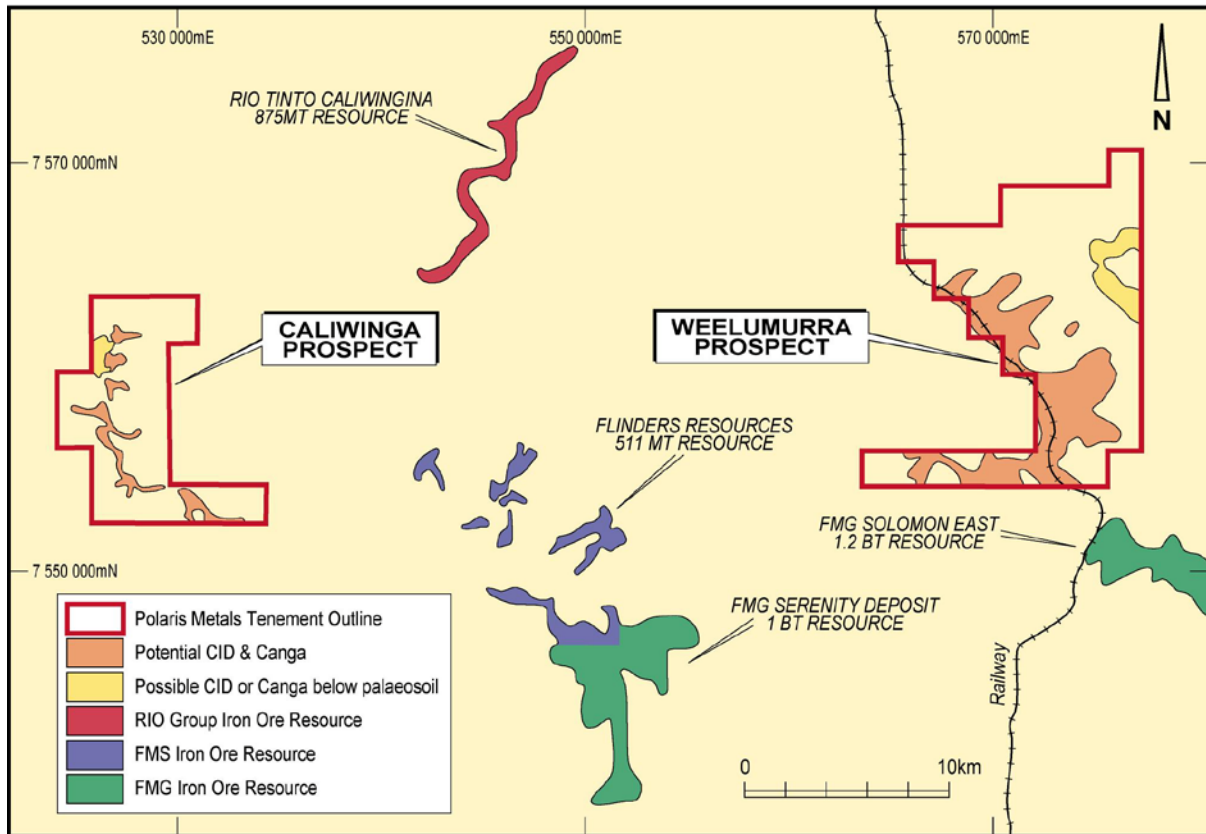
An independent specialist interpretation of Landsat imagery in 2008 suggested significant channel iron deposit target potential (of 200–250Mt) and additional canga iron target potential (50–60Mt) for the Weelumurra Project.

The Caliwinga tenement, E77/1558, covering 50 square kilometres was granted in June 2008. The second tenement (Weelumurra) is expected to be granted in the second half of 2009.

Earlier helicopter reconnaissance confirmed the presence of CID at Caliwinga visually estimated to be up to 25m thick, with assays up to 58.8%Fe, and low in silica, alumina and phosphorus. At Weelumurra, sampling of canga and detrital iron deposits returned assays up to 64%Fe.

Following grant of the Caliwinga tenement, ground and further helicopter reconnaissance was completed in late June and early July. The work to date has confirmed the resource potential overall and identified the priority areas for further work. Thirty rock chip samples were taken from a number of locations. 18 samples returned grades of greater than 50% Fe (with a maximum of 64.7% Fe) and for these samples the average assays grades were 57.4% Fe, 9.14% SiO₂, 1.94% Al₂O₃, 0.08% P and 5.9% LOI.

Rock types sampled included channel iron, detritals, canga and mineralised banded iron formation.



Poondano Project, Channel Iron Deposit (PMI 100% with Polaris royalty)

An agreement was signed in April 2009 for PMI to fund a \$400,000 feasibility study. Subject to a successful outcome the development and operation of the Poondano iron ore project is expected to see the first shipment exported from Port Hedland in the first quarter of 2010. Total royalties from this development accruing to Polaris could exceed several millions of dollars.

CONCEPTUAL VALUATION OF THE POLARIS PROJECTS

In arriving at a technical value for a particular exploration tenement, I have taken into consideration the company’s equity in the tenement and have only considered the net area of a tenement where it does not overlap with any pre-existing titles.

VALUATION OF DEPOSITS BY COMPARABLE TRANSACTIONS

The YIOP area contains an Indicated and Inferred resource estimated in accordance with the JORC code and reported in the June 30, 2009 quarterly report to the ASX.

YIOP Mineral Resource

Prospect	Resource	Tonnes	Fe	SiO2	Al2O3	P	LOI
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	Category	(Million)	(%)	(%)	(%)	(%)	(%)
Carina	Indicated	17.7	59.00	3.16	1.24	0.100	9.23
	Inferred	9.0	58.70	3.30	1.10	0.120	9.90
	Total	26.7	58.90	3.20	1.20	0.110	9.50
J4	Inferred	4.8	57.40	3.90	1.80	0.140	10.90
J5	Inferred	10.0	59.00	5.80	1.20	0.240	7.50
Mayfield	Inferred	9.3	54.50	11.50	1.20	0.210	6.00
TOTAL		50.8	57.97	5.30	1.25	0.160	8.57

LOI – loss on ignition

Carina, J4 and J5 have been estimated at a lower cut off grade of 55% Fe. Mayfield has been estimated at a cut off grade of 50% Fe. The penalty components of SiO₂ and P are higher for J5 and Mayfield than current market expectations and would require upgrading by blending or beneficiation.

VALUATION METHODOLOGY

Contained value for the deposit is estimated from the deposit tonnes and Fe units (Fe Grade). Conversion to Reserve and process recovery issues are included as a discount described below.

The average projected metal price over the next 10 years was estimated from industry sources based on Brockman Fines at US 99 cents per dry metric tonne unit. Royalties are estimated at 5.63% and the USD:AUD exchange rate used is 0.8. Average price is A\$64 to A\$69 per tonne.

On this basis the contained value for the total resource is \$3,500 million.

Resource	Carina	Carina	J4	J5	Mayfield	Total
Measured Resource						
Indicated Resource	17.70					17.70
Inferred Resource		9.00	4.80	10.00	9.30	33.10
Total	17.70	9.00	4.80	10.00	9.30	50.80
Iron Ore Price						
Benchmark Fines USc/dmtu	\$0.99	\$0.99	\$0.99	\$0.99	\$0.99	
Exchange Rate	0.80	0.80	0.80	0.80	0.80	
Grade	59.00	58.70	57.40	59.00	54.50	
A\$/t	\$73.31	\$72.94	\$71.32	\$73.31	\$67.72	
Royalty	5.63%	5.63%	5.63%	5.63%	5.63%	
Current Iron Ore Value FOB	\$69.18	\$68.83	\$67.31	\$69.18	\$63.91	
Contained Value						
Measured Resource	-	-	-	-	-	
Indicated Resource	1,225	-	-	-	-	
Inferred Resource	-	619	323	692	594	
Total	1,225	619	323	692	594	3,453

Discount factors are applied to the contained value to recognise the JORC category and allow for resource risk. This is estimated at 85% for Indicated Resources and 75% for Inferred Resources. This discount is considered reasonable for Iron Ore deposits based on industry experience and the nature of the deposits.

A range of average acquisition cost (AAC) percentages is estimated based on comparative transactions in the gold industry. There is a substantial database of sales data for gold which can be translated to the iron ore industry with further discounts to recognize recovery factors, higher transport costs and higher infrastructure costs.

The AAC range is estimated at 2.5% to 3.5% with a preferred value of 3.0%.

Discount factors are applied to each resource and multiplied together to give an operations discount factor to bring the valuation into line with the AAC values established for the gold industry.

Resource	Carina Indicated	Carina Inferred	J4 Inferred	J5 Inferred	Mayfield Inferred
Recovery	85.0%	85.0%	85.0%	85.0%	85.0%
Mining	90.0%	90.0%	90.0%	90.0%	90.0%
Processing	95.0%	95.0%	95.0%	85.0%	70.0%
Rail	80.0%	80.0%	80.0%	80.0%	80.0%
Port	90.0%	90.0%	90.0%	90.0%	90.0%
Capex	70.0%	70.0%	70.0%	70.0%	70.0%
Marketing	75.0%	75.0%	75.0%	50.0%	50.0%
Total Operatins Discount	27.5%	27.5%	27.5%	15.4%	12.7%

The contained value is multiplied by the various discount factors to arrive at the value range and the preferred value for the Resource.

Resource	Carina Indicated	Carina Inferred	J4 Inferred	J5 Inferred	Mayfield Inferred	Total
Low	7.15	3.19	1.66	2.00	1.42	15.42
High	10.01	4.47	2.33	2.80	1.98	21.59
Preferred	8.58	3.83	2.00	2.40	1.70	18.50
% of contained value	0.7%	0.6%	0.6%	0.3%	0.3%	0.5%
\$/t Iron Ore	0.48	0.43	0.42	0.24	0.18	0.36

The current market value is reflected in the estimate of iron ore price and no further multipliers are required.

VALUATION			
Project	Market Value		
	Low	High	Preferred
YIOP	A\$m	A\$m	A\$m
Total Assessed Value	15.4	21.6	18.5
\$/t of Iron Ore	0.30	0.42	0.36

RECENT SALES OF SIMILAR PROJECTS

Several similar projects have recently been sold in the north west Pilbara region. These projects have established resources and early stage feasibility studies which adds certainty to the project value.

Further sales data for iron ore projects are included in the appendix.

PILBARA MAGNETITE DEVELOPMENT SALES			
Project	Balmoral Central	Balmoral Central Future Expansion	Cape Lambert Iron Ore
Resource , Bt	1.00	5.00	1.60
Status	Ind./Inf.	unknown	Indicated
Seller	Mineralogy	Mineralogy	Cape Lambert Iron
Buyer	CITIC	CITIC	MCC
Right to Mine	\$215	\$200/Bt	\$400
Interest Earned	100%	100%	100%
Royalty			
Reserve	\$0.3/tonne	\$0.3/tonne	
Product	6-10% value of production	6-10% value of production	
Valuation	1180		400
\$/t	\$1.18		0.25

VALUATION OF THE EXPLORATION POTENTIAL – GEOSCIENTIFIC RATING METHOD

This valuation is based on an assessment of the exploration potential of the projects. No resources have been delineated in these areas at this stage and no financial studies are possible to assess the impact of the net profits interest and royalty at this stage.

Kilburn Geoscience Rating Method of valuation is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics detailed below;

- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued;
- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Kilburn Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. The BAC is adjusted for various aspects of the project area such as equity, status of granting and whether the tenement is granted or in application stage.

Each factor then multiplied serially to the BAC to establish the overall technical value of each mineral property.

As there are many of the tenements under application and a discount of 60% has been applied to the technical value to reflect the uncertainty in the timing and likely granting of these tenements.

Elements of the valuation are as follows.

TENURE

The projects under consideration include Exploration licences, Prospecting licences and Mining leases some of which are granted and some in the application stage. In addition to the main Yilgarn Iron Ore Project (YIOP), 25 separate tenement groups have been identified as a basis for the valuation. The YIOP resources and exploration potential have been considered separately. Total area for the YIOP Project is 1,338.1 square kilometres including an area of 48 square kilometres held as Mining Leases and Mining Lease applications which contain the resource. The remaining 1,290.1 square kilometres were valued by the Geoscientific Rating method.

BAC – BASE ACQUISITION COST

This represents the exploration cost for the current period of the tenements in Western Australia aimed at exploration activities leading to the estimation of a mineral resource. The base acquisition cost for Exploration Permits is made up of rents and rates plus the current work commitment and is estimated to be \$525 to \$575 per square kilometre.

Base acquisition costs for Prospecting Licences are estimated to be \$4,500 to \$4,700 per square kilometre and \$14,250 to \$14,750 per square kilometre for Mining Leases.

GRANT FACTOR

The tenements are in the granted and application categories. A factor of 1.00 has been applied to granted tenements. Applications for attract a factor of 60%.

TENEMENT AND BASE COST FACTORS

Note: Polaris owns some tenements outright and other cases shares the mineral rights as indicated below.

TENURE						
Project	Tenement No.	Equity	Size (km ²)	Base Acquisition Cost		Grant Factor
YIOP	EL	100%+	750.40	525	575	100%
	PL	100%All	4.35	4500	4700	100%
	ELA	100%+	529.20	525	575	60%
	PLA	100%All	6.17	4500	4700	60%

ALL – all mineral rights

+ - all Fe rights

* - all magnetite rights only

TENURE						
Project	Tenement No.	Equity	Size (km ²)	Base Acquisition Cost		Grant Factor
Western Australia				Low	High	
Ashburton	EL	100%All	322.00	525	575	1.00
Bandicoot Range	EL	100%All	151.20	525	575	1.00
British Hill North	EL	100%+	11.20	525	575	1.00
	PL	100%+	1.98	4500	4700	1.00

Bullfinch North	ML	100%+	3.94	14250	14750	1.00
	PL	100%+	13.06	4500	4700	1.00
	EL	100%+	333.20	525	575	1.00
Applications	MLA	100%+	2.81	14250	14750	0.60
	PLA	100%+	0.11	4500	4700	0.60
Copper Bore	EL	38%All	36.40	525	575	1.00
Denison Range	EL	20%All	72.80	525	575	1.00
Die Hardy Range	EL	option+	11.20	525	575	1.00
	PL	option+	3.50	4500	4700	1.00
Evanston	EL	70%All	86.80	525	575	1.00
Applications	ELA	100%+	86.80	525	575	0.60
Jackson	EL	100%*	25.20	525	575	1.00
Jackson North	EL	100%All	14.00	525	575	1.00
Jamieson Range	EL	100%All	196.00	525	575	1.00
Johnston Range	ELearning	70%+	240.80	525	575	1.00
	PLearning	70%+	5.15	4500	4700	1.00
Koolyanobbing	EL	100%All	61.60	525	575	1.00
	PL	100%All	2.80	4500	4700	1.00
Lee Steere Range	EL	100%All	204.40	525	575	1.00
Milly Milly	EL	100%All	173.60	525	575	1.00
Mount Manning	ELA	100%All	42.00	525	575	0.60
Mt Elvire	EL	100%All	47.60	525	575	1.00
Perrinvale	EL	100%*	350.00	525	575	1.00
	PL	100%*	5.84	4500	4700	1.00
Poondano -						
DeGrey	EL	100%All	196.00	525	575	1.00
Applications	ELA	100%All	383.60	525	575	0.60
	MLA	100%All	10.28	14250	14750	0.60
Rainy Rocks	EL	100%+	84.00	525	575	1.00
	PL	option+	5.96	4500	4700	1.00
Toomey Hill	EL	100%+	42.00	525	575	1.00
Weelumurra Creek	EL	100%All	50.40	525	575	1.00
Applications	ELA	100%All	112.00	525	575	0.60
Windarling East	EL	100%All	81.20	525	575	1.00
Applications	ELA	100%All	131.60	525	575	0.60
Windarling Peak	EL	100%All	25.20	525	575	1.00

ALL – all mineral rights

+ - all Fe rights

* - all magnetite rights only

PROSPECTIVITY ASSESSMENT FACTORS

This includes a consideration of

- Regional mineralisation, old and current workings and the validity of conceptual models.

- Local mineralisation within the tenements and the application of conceptual models within the tenement group.
- The identified anomalies warranting follow up within the tenements. Several strong target areas have been identified in the tenement group that warrant follow-up drilling and testing.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

Assessments in each category are based on a set scale (see appendix) and are multiplied together to arrive at a “prospectivity index”.

PROSPECTIVITY								
Project	Off Site		On Site		Anomaly		Geology	
	Low	High	Low	High	Low	High	Low	High
Western Australia								
YIOP Exploration	1.75	1.85	1.75	1.85	2.00	2.10	1.50	1.60
Ashburton	1.25	1.35	1.10	1.20	1.50	1.60	1.50	1.60
Bandicoot Range	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
British Hill North	1.00	1.10	1.00	1.10	1.50	1.60	1.50	1.60
Bullfinch North	1.00	1.10	1.00	1.10	1.50	1.60	1.50	1.60
Copper Bore	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Denison Range	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Die Hardy Range	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Evanston	1.10	1.20	1.05	1.15	1.50	1.60	1.50	1.60
Jackson	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Jackson North	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Jamieson Range	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Johnston Range	1.10	1.20	1.05	1.15	1.50	1.60	1.50	1.60
Koolyanobbing	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Lee Steere Range	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Milly Milly	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Mount Manning	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Mt Elvire	1.10	1.20	1.05	1.15	1.50	1.60	1.50	1.60
Perrinvale	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Poondano - DeGrey	2.00	2.10	1.50	1.60	1.50	1.60	1.50	1.60
Rainy Rocks	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Toomey Hill	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
Weelumurra Creek	2.00	2.10	1.50	1.60	1.50	1.60	1.75	1.85
Windarling East	1.50	1.60	1.25	1.35	1.50	1.60	1.50	1.60

Windarling Peak	1.00	1.10	1.00	1.10	1.00	1.10	1.50	1.60
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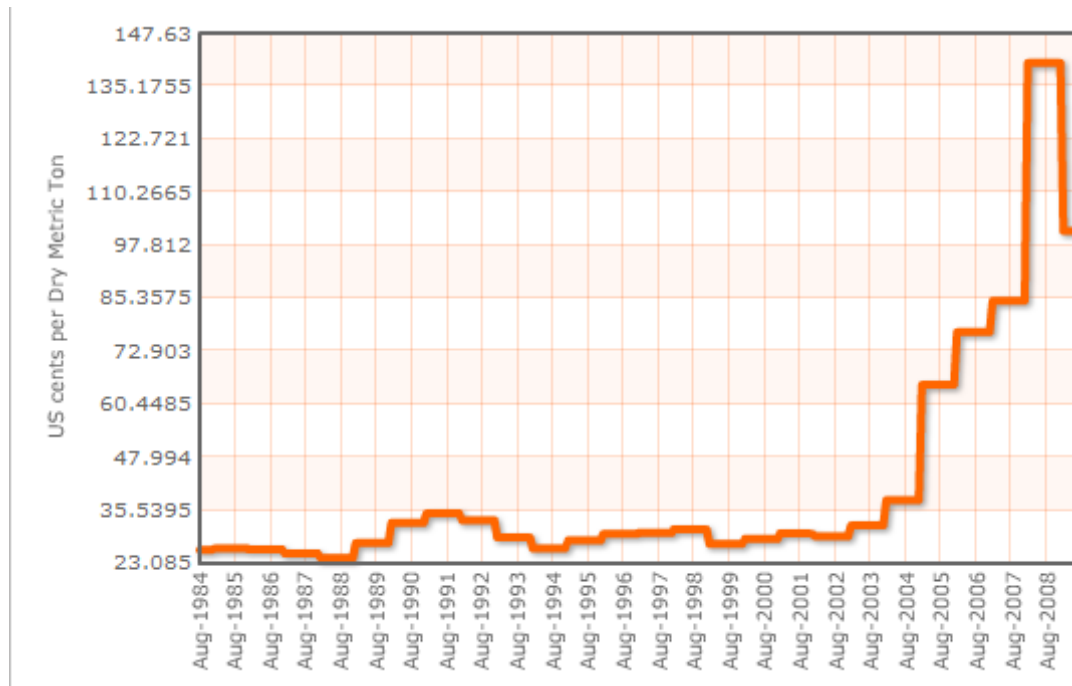
TECHNICAL VALUE

Technical Value is estimated by multiplying the Basic Project Value (calculated from the area, BAC, inflation, equity, prospective area and grant factor) by the Prospectivity Index (calculated from the geoscientific ratings). Values are expressed in million Australian dollars. A 25% discount has been applied to projects where only the fe or magnetite rights are held. These projects are YIOP exploration, British Hills North, Bullfinch North, Die Hardy Range, Jackson, Johnson Range, Perrinvale, Rainy Rocks and Toomey Hills

TECHNICAL VALUATION			
Project	Technical Value, A\$m		
	Low	High	Preferred
YIOP Exploration	4.11	5.63	4.85
Ashburton	0.52	0.77	0.64
Bandicoot Range	0.12	0.19	0.15
British Hill North	0.02	0.04	0.03
Bullfinch North	0.53	0.78	0.65
Copper Bore	0.01	0.02	0.01
Denison Range	0.01	0.02	0.01
Die Hardy Range	0.02	0.02	0.02
Evanston	0.13	0.20	0.16
Jackson	0.02	0.02	0.02
Jackson North	0.01	0.02	0.01
Jamieson Range	0.15	0.24	0.20
Johnston Range	0.20	0.30	0.26
Koolyanobbing	0.07	0.10	0.08
Lee Steere Range	0.16	0.25	0.20
Milly Milly	0.14	0.21	0.17
Mount Manning	0.02	0.03	0.03
Mt Elvire	0.06	0.10	0.08
Perrinvale	0.24	0.37	0.30
Poondano - DeGrey	1.44	1.97	1.70
Rainy Rocks	0.08	0.12	0.10
Toomey Hill	0.02	0.04	0.03
Weelumurra Creek	0.49	0.67	0.58
Windarling East	0.35	0.51	0.43
Windarling Peak	0.02	0.03	0.03
Total Technical Value	4.83	7.01	5.88

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement group, I have considered the current market for exploration properties in Australia and overseas. Country risk is considered to be neutral for projects in Australia. It is considered appropriate to apply a market premium based on movements in the Commodity Fuel (energy) Index (CFI) over the last 18 years. This is shown in the following graph.



Commodity Iron Ore monthly Index – August 1984 to July 2009

Historical indices from 1984 to 2003 are compared to the current prices in 2009. This effect removes the influence of the last boom in commodities to arrive at a current market price factor.

Average Iron Ore Index, 1984 to 2003	29
Average Iron Ore Index, 2009	101
Market factor ratio	3.5

This market factor has dropped from 112.7 for 2007-08 at the height of the boom to 101.1 for 2009 reflecting the waning of the energy and commodities boom. World markets are

under pressure as can be seen in the graph. This situation has led to a possible decline in market predictions for Iron Ore prices with continuing uncertainty over price negotiations in the last year from the high values of the 2003 to 2008 period and this suggests a preferred Market Factor of **3.00**

The valuation of the exploration potential has been arrived at from a consideration of the existence of surrounding energy opportunities defined within the project area. In this report, I have systematically established the value of the exploration assets. The final valuation is arrived at by multiplying the Basic Project Value by the Prospectivity Index to give the Technical value. This is then multiplied by the Market Factor the give the estimated value.

When the market factors are taken into account the following final valuation is considered appropriate. Values are expressed in million Australian dollars.

MARKET VALUATION, A\$m			
Project	Market Factor		3.00
	Low	High	Preferred
YIOP Exploration	12.3	16.9	14.5
Ashburton	1.6	2.3	1.9
Bandicoot Range	0.4	0.6	0.5
British Hill North	0.1	0.1	0.1
Bullfinch North	1.6	2.3	2.0
Copper Bore	0.0	0.1	0.0
Denison Range	0.0	0.1	0.0
Die Hardy Range	0.0	0.0	0.0
Evanston	0.4	0.6	0.5
Jackson	0.0	0.1	0.1
Jackson North	0.0	0.1	0.0
Jamieson Range	0.5	0.7	0.6
Johnston Range	0.6	0.9	0.8
Koolyanobbing	0.2	0.3	0.2
Lee Steere Range	0.5	0.8	0.6
Milly Milly	0.4	0.6	0.5
Mount Manning	0.1	0.1	0.1
Mt Elvire	0.2	0.3	0.2
Perrinvale	0.7	1.1	0.9
Poondano - DeGrey	4.3	5.9	5.1
Rainy Rocks	0.2	0.4	0.3
Toomey Hill	0.1	0.1	0.1
Weelumurra Creek	1.5	2.0	1.7
Windarling East	1.1	1.5	1.3
Windarling Peak	0.1	0.1	0.1

Total Market Valuation	14.5	21.0	17.6
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VALUATION OPINION

The valuation of the project by a comparative transaction method has been arrived at from a consideration of the available resources and similar buyout rates. In this report, I have systematically established the value of the mineral assets as at 12 September 2009.

VALUATION			
Project	Market Value		
	Low A\$m	High	Preferred
	A\$m	A\$m	A\$m
YIOP Resources	15.4	21.6	18.5
YIOP Exploration	12.3	16.9	14.5
Exploration Tenements	14.5	21.0	17.6
Total Assessed Value	42.2	59.5	50.7

*Based on an assessment of the factors involved I estimate the value of the various components of the project area to be in the range AU\$42 million and AU\$60 million with a preferred value of **AU\$51 million**.*

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APPENDIX

MINERAL ASSETS VALUATION METHODOLOGY

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification

Exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment.
Pre-development projects	A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles.
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels.
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.

The fair market value, of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

REGULATORY AUTHORITIES

Mineral asset valuations are governed by the VALMIN code and ASIC Practice Note 43 in Australia and by the CIMVAL code, NI43-101 and TSXV Appendix 3G in Canada

THE VALMIN CODE

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a “fair market value”. To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;

(d) the risks involved in the venture; and

(e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market

factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (NPV) of the properties. This technique has deficiencies which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (PEM) is heavily based on the expenditure, while the Kilburn Geoscience Rating (Kilburn) is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods e.g. E47/1397 or E47/1334. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

YARDSTICK

The range of values which can be estimated for the exploration interests on iron properties based on \$/km² varies considerably. A value is assigned based on dollar per unit area according to the prospectivity of the property. In a recent valuation study for Territory Resources Ltd, Snowden have reported a range of \$400/km² to \$6,800/km² with an average of \$2590/km². An extract from the Snowden report is included below.

Contained metal valuations on resources and reserves can be made using various discount factors. The contained metal value is inappropriate in valuing iron ore properties and has not been used in this valuation.

Table 1.2 Recent market transactions involving haematite exploration projects					
Project	Transaction Details	Asset Details	Area (km ²)	Purchase price 100% basis (A\$)	Implied value /km ² (A\$)
Early stage exploration project transactions					
Buckland Hills, Koodairderi, Maitland River	In March 2007, Iron Ore Holdings Ltd acquired a 100% interest in the Buckland Hills, Koodairderi South and Maitland River projects from Echelon Resources Ltd for 3.5 M A\$0.75 Iron Ore Holding shares.	All projects are located in the Pilbara region, Western Australia. The Buckland Hills project is located 7 km south of Rio Tinto Ltd's Mesa J mining operation. The Koodairderi project is located approximately 230 km south of Port Hedland. The Maitland River project is located near the coast west of Karratha.	637	\$2.62 M	\$4,100
Wallareenya	In February 2007, Atlas Iron Ltd acquired from De Grey Mining Ltd a 100% interest in the Wallareenya prospect for 1 M shares at a deemed price of A\$0.23/share.	The Wallareenya iron project is located 50 km south of Port Hedland, Western Australia.	413	\$0.23 M	\$600
Abydos - extension	In November 2006, Atlas Iron Ltd ("Atlas Iron") acquired from Berkeley Resources Ltd a 100% interest in six tenements for A\$0.35 M cash and 1.3 M shares (deemed price of A\$0.49/share).	The tenements are located approximately 75 km east of Port Hedland in Western Australia. These tenements are adjacent to Atlas Iron's Abydos iron project.	723	\$0.99 M	\$1,400
unnamed	In October 2006, United Kimberley Diamonds NL acquired from DFD Rhodes Pt Ltd a 100% interest in three tenements for A\$0.2 M cash and 5 M shares (stated price of A\$0.16/share).	The three tenements are located in the Pilbara region of Western Australia and are adjacent to BHP Billiton Ltd's ("BHP Billiton") "Mining Area C".	264	\$1.0 M	\$3,800
unnamed	In July 2006, Fortescue Metals Group Ltd acquired four tenements from Cullen Resources Ltd for A\$2 M in exploration expenditure and a minimum cash payment of A\$0.5 M. However, the cash payment may inflate to A\$1.05 M if predefined resource targets are met. For the purposes of this valuation it is assumed no resource targets are met.	The tenements acquired are located in the Pilbara region of Western Australia and cover portions of the iron prospective Marra Mamba and Brockman Formations.	460	\$3.12 M	\$6,800
Mt Ida, Mt Hope	In May 2006, Jupiter Mines Ltd ("Jupiter") acquired from Red Rock Resources Plc the Mt Ida and Mt Hope projects for A\$1.54 M in cash, shares and exploration expenditure.	The Mt Ida and Mt Hope projects are located in the eastern Goldfields region, Western Australia. The Mt Ida project is contiguous with Jupiter's Mt Mason Iron project and covers known BIF units.	342.2	\$1.54 M	\$4,500
Abydos - extension	In April 2006, Atlas Iron acquired from Dynasty Metals Australia Ltd a 100% interest in a tenement for 0.5 M shares (deemed price of A\$0.55/share).	The tenement is located adjacent to its existing Abydos project area.	190	\$0.27 M	\$1,400

Project Name	Transaction Details	Location	Area (ha)	Value (\$M)	Value (\$K)
unnamed	In February 2006, Aquila Resources Ltd acquired from De Beers Australia Exploration Ltd ("De Beers") a 100% interest in the iron rights to De Beers Pilbara tenement holding for A\$5 M in exploration commitment and undisclosed net smelter return ("NSR").	The tenements cover portions of the Hamersley Basin and are considered prospective for CIDs.	4,500	\$5.0 M	\$1,100
Johnston Range	In February 2006, Polaris Metals NL ("Polaris") acquired from Golden State Resources Ltd a 70% interest in the Johnston Range project for A\$1.075 M in cash and exploration expenditure.	The Johnston Range project is located 160 km north of the township of Southern Cross, Western Australia. The project is reported to be prospective for BIF and CID mineralisation.	335	\$1.54 M	\$4,600
West Hamersley	In November 2005, Red Hill Iron Ltd acquired from Aquila an 80% interest in the West Hamersley project for A\$0.6 M in exploration expenditure.	The West Hamersley project is located in the Pilbara region of Western Australia and is reported to be prospective for CIDs.	2,000	\$0.75	\$400
Buckland Hills, Koodairderi, Maitland River	In June 2005, Echelon Resources Ltd entered an agreement with Pacific Energy Group to acquire a 100% interest in three iron projects for A\$5,000 cash, 1.75 M shares at (deemed price of A\$0.27/share) and 3,250 A\$1.00 preference shares.	All projects are located in the Pilbara region, Western Australia. The Buckland Hills project is located 7 km south of Robe River's Mesa J mining operation. The Koodairderi project is located approximately 230 km south of Port Hedland. The Maitland River project is located near the coast west of Karratha.	637	\$0.41 M	\$600
Poondano	In May 2005, Mount Gibson Iron Ltd ("Mount Gibson Iron") acquired from Poondano Exploration Ltd's a 60% interest in its tenements by committing A\$1.4M on exploration over 18 months.	The tenements are located in the Pilbara region of Western Australia and are reportedly prospective for buried pisolite iron deposits.	2,730	\$2.34 M	\$900
Bandicoot	In April 2005, Fox Resources Ltd acquired from Mt Arketell Pty Ltd a 60% interest in the Bandicoot project for A\$0.24 M in exploration commitments over 3 years.	The Bandicoot project is located 50 km southeast of Wyndham in the Kimberley region of Western Australia.	150	\$0.4 M	\$2,700
Yalleen	In April 2005, Aquila Resources Ltd ("Aquila") entered an agreement to acquire a 70% interest in the Yalleen project from Helix Resources Ltd for A\$1.5 M in exploration expenditure.	The Yalleen project is located in the Pilbara region of Western Australia and is reported to be prospective for CIDs.	633	\$2.14 M	\$3,400

PROSPECTIVITY ENHANCEMENT MULTIPLIER (PEM) OR MULTIPLE OF EXPLORATION EXPENDITURE (MEE)

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. Future committed exploration expenditure is discounted to 60% by some valuers

to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM technique has been employed on the exploration properties in this portfolio. The assigning of PEM factors has to a large extent followed that described by Lawrence (2007) and is defined in the following table. The PEM method has been used as an audit check in this work.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

KILBURN GEOSCIENCE RATING METHOD

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off - property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;

- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Kilburn Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This has been established at \$400 to \$450 per square kilometre for Exploration Licences in Western Australia. Each factor then multiplied serially to the BAC to establish the overall technical value of each mineral property.

Tenement Type	Expenditure per square kilometre (BAC)
Exploration License and equivalents	\$400to \$550
Prospecting License and equivalents	\$4,000 to \$4,500
Mining Lease and equivalents	\$10,000 to \$12,500

The multipliers or ratings and the criteria for rating selection across these 6 factors are summarised in the following table.

KILBURN RATING CRITERIA - SIMPLIFIED				
Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1				Unfavourable geological environment
0.5			Extensive previous exploration with poor results - no encouragement	Minor favourable geological environment
0.9			Extensive previous exploration with encouraging results - regional targets	Generally favourable geological environment under cover
1	Indications of Prospectivity	Indications of Prospectivity	No targets outlined	Generally favourable geological environment

			Exposure of mineralised zones or surface drilling (RAB)	Generally favourable lithology with structures or exposures of mineralised zones
2	Resource targets Identified	Targets identified with successful early drilling		
	Along Strike or adjacent to known mineralisation	Grade intercepts on adjacent sections - Exploration Targets	Significant grade intercepts not yet linked on cross and long sections	Significant mineralised zones exposed in prospective host rocks
3		Estimated from sound evidence		
		Inferred Resource identified not yet estimated	Grade intercepts on adjacent sections	
4				

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Corporate Directory

Directors

Mr Lew Cross
Mr Ken J. Hellsten
Mr Jonathan R. Lea
Mr Alan R. Tough
Mr Ian Buchhorn

Company Secretary

Mr Trevor Verran

Financial Adviser

Gresham Advisory Partners Limited
Level 3, BGC Centre
28 The Esplanade
Perth WA 6000

Legal Adviser

Clayton Utz
Level 27, QVI Building
250 St Georges Terrace
Perth WA 6000

Registered Office

Level 2
1109 Hay Street
West Perth WA 6005
Telephone: +61 (0)8 9215 1222
Facsimile: +61 (0)8 9215 1299
Website: www.polarismetals.com.au

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: +61 (0)8 9315 2333
Facsimile: +61 (0)8 9315 2233
Website: www.securitytransfer.com.au

Postal Address

PO Box 670
West Perth WA 6872