

19 October 2009

ASX RELEASE

POLARIS RECEIVES SUPERIOR OFFER FROM LION-ASIA RESOURCES

The Board of Polaris Metals NL (“Polaris”) (ASX : POL) notes the announcement on 16 October 2009 by Lion-Asia Resources Pte. Ltd. (“Lion-Asia”) of its intention to increase the consideration under the proposed all-cash takeover offer by Lion-Asia for all the shares and options in Polaris (“Improved Lion-Asia Offer”).

Under the Improved Lion-Asia Offer, Polaris shareholders will receive **\$0.70 cash** for every Polaris share.

Lion-Asia has also informed Polaris that it now proposes to make a separate offer for all the Polaris options on issue with an exercise price of less than \$0.70. The consideration under the option offers will be equal to the difference between the exercise price of the option and \$0.70.

The Polaris board considers the value provided under the Improved Lion-Asia Offer to be **superior** to the most recently announced, improved offer by Mineral Resources Limited (“Mineral Resources”).

The Board recommends that Polaris shareholders and optionholders **do nothing at this time**. **Shareholders and optionholders should NOT at this time accept the Mineral Resources offer** and should ignore all documents and communication from Mineral Resources.

Relevant considerations

The Board has carefully considered the merits of each offer and while it remains of the view that the combination of Polaris and Mineral Resources would deliver significant synergies, the Lion-Asia offer provides the certainty of cash for shareholders and option-holders at a price that compensates them appropriately for the change in control.

Based on the closing price of Mineral Resources shares on ASX on 16 October 2009, the implied value of the Mineral Resources offer is \$0.66 per Polaris share. The Improved Lion-Asia Offer of \$0.70 cash per share represents a premium of 6.0% to the Mineral Resources offer.

The Board has also taken into account currently favourable equity market conditions, the strong performance of Mineral Resources shares since the announcement of its offer for Polaris, and positive growth outlook for Mineral Resources, when evaluating the two offers.

The Improved Lion-Asia Offer remains subject to a number of conditions that are not within the control of either Lion-Asia or Polaris. Included among these is a condition (imposed by ASIC) that requires the Lion-Asia Offer to receive acceptances for not less than 50.1% of the Polaris Shares that Lion-Asia offers to acquire, excluding shares currently held by Lion Diversified Holdings Berhad

(25.4%) and shares subject to the Pre-Acceptance Agreement between Heron Resources Limited and Mineral Resources dated 20 August 2009 (19.9%). This condition cannot be waived.

The Board notes that the effect of this condition is that, in order for the Improved Lion-Asia Offer to become unconditional (and for Polaris shareholders to receive the consideration due to them under it), shareholders holding a majority of the remaining 54.7% of Polaris shares must accept that offer. As at the close of business on 16 October 2009, Mineral Resources reported a relevant interest in approximately 31.5% of Polaris shares. Accordingly, if acceptances of the Mineral Resources offer increase by a further 15.8% (i.e Mineral Resources acquires a relevant interest in 47.3% of Polaris under its offer), and if Mineral Resources does not accept the Improved Lion-Asia Offer, the Improved Lion-Asia Offer cannot (unless ASIC consents to the waiver of the relevant condition) become unconditional¹. At this point, Polaris is not aware of Mineral Resources' intentions in relation to the Improved Lion-Asia Offer.

The Board also notes that shareholders who may be inclined to accept the Improved Lion-Asia Offer, may have the ability to realise some or all of their shares on the market at prices at or around the \$0.70 per share offered by Lion-Asia.

Shareholders and optionholders who have accepted the Mineral Resources offer

Shareholders and optionholders who have already accepted a Mineral Resources offer are **not** entitled to withdraw their acceptances and accept the Improved Lion-Asia Offer.

Next steps

Polaris understands that Lion-Asia is seeking to lodge the Bidder's Statement in the week beginning 19 October 2009.

Polaris will prepare and dispatch a separate Target's Statement in relation to the Improved Lion-Asia Offer following receipt of the Lion-Asia Bidder's Statement.

The Board will keep shareholders informed of developments as they occur. In the meantime shareholders should monitor activity in Polaris shares on the ASX and consider seeking professional advice concerning their personal circumstances.

POLARIS METALS NL



Ken Hellsten
Managing Director

¹ Based on the number of Polaris shares on issue at the close of business on 16 October 2009 and ignoring the effect of any exercise of Polaris options.