

4 December 2009

ASX RELEASE

Project Divestment and Rationalisation

- **Two non-core WA Projects divested to Dragon Energy Ltd for cash and retained royalty**
- **A further project sold to Dragon with Polaris retaining a 25% interest**

Polaris Metals N.L is pleased to announce that as part of a divestment programme of non-core tenements, three projects have been sold to Dragon Energy Ltd (Dragon). The tenure has potential for economic deposits of hematite and magnetite iron ores.

Details of the agreement are:

- Projects are Milly Milly, Ashburton and Lee Steere Range.
- Dragon makes a single payment of \$450,000 for the three projects and gains outright ownership of the Milly Milly and Ashburton Projects.
- Dragon to own 75% of the iron rights for Lee Steere Range and 100% of other mineral rights and to sole fund the first \$1M of exploration expenditure.
- Polaris retains a royalty of \$1.00 per tonne of iron ore mined capped at \$10M total for all three projects.



The project details are:

Ashburton – Consisting of 4 tenements (E08/1511-13 and E47/1528) covering some 365km² approximately 20 to 40 kilometres south of Paraburdoo in the Pilbara. The area is considered prospective for transported iron-ore deposits and iron-rich gravels extending down from the range of iron-ore deposits at Paraburdoo.

Milly Milly – Consisting of 1 tenement (E09/1277) covering some 191km² located in the Mid West iron ore province of Western Australia. Magnetite iron ore is exposed on the tenement.

Lee Steere Range – Consisting of 2 tenements (E69/2126 and E69/2377) covering some 226km² located in central Western Australia. Previous work on the 47km strike length of a favourable iron rich lithology supports the potential for a significant discovery of both haematite/goethite and magnetite iron ores.

Polaris remains focused on evaluating and developing iron ore resources on its 5,000 km² of tenements held in the Yilgarn and Pilbara regions of WA with priority on the Yilgarn Iron Ore Project and Weelumurra project.

POLARIS METALS NL



Ken Hellsten
Managing Director

The information in this report accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Mineral Resources and Ore Reserves). It is compiled by Mr Jonathan Lea, an employee of the Company who is a Member of The Australasian Institute of Mining and Metallurgy with the requisite experience in the field of activity in which he is reporting. Mr Lea has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Lea consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.