

Stonehenge Metals Limited

ACN 119 267 391

NOTICE OF GENERAL MEETING

AND

EXPLANATORY STATEMENT TO SHAREHOLDERS

FOR A GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON 12 OCTOBER 2009
AT QV1 CONFERENCE CENTRE, LEVEL 2 – QV1,
250 ST GEORGES TERRACE,
PERTH, WESTERN AUSTRALIA
AT 10:00AM.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed Proxy Form without delay (and no later than 48 hours before the meeting) to Stonehenge Metals Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235, or by facsimile on facsimile number +612 9287 0309.

NOTICE IS HEREBY GIVEN that a general meeting of the members of STONEHENGE METALS LTD (“**Stonehenge**” or “**the Company**”) will be held on the date and at the location and time specified below:

DATE: 12 OCTOBER 2009

LOCATION: QV1 Conference Centre
Level 2 – QV1
250 St Georges Terrace
PERTH WA 6000

TIME: 10:00 AM

BUSINESS: The business to be transacted at the General Meeting is the proposal of the Resolutions set out below:

STONEHENGE METALS LIMITED
ACN 119 267 391

NOTICE OF MEETING

RESOLUTION 1 – RATIFICATION OF SHARE ISSUE

That, to consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given for the Company to ratify the allotment and issue of 8,400,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 2 – APPROVAL FOR SHARE ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 50,000,000 Shares at an issue price of \$0.015 per Share and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 3 – FUTURE ISSUE OF SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and all other purposes, approval is given for the Company to allot and issue up to 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price which is at least 80% of the average market price for the Company’s shares on the ASX over the 5 trading days (on which sales were recorded) preceding the date on which the issue is made (or if issued pursuant to a disclosure document, over the last 5 trading days on which sales were recorded before the date of the disclosure document) and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any person associated with these persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 4 – ISSUE OF SHARES TO DIRECTOR – BRUCE LANE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporation Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to allot and issue 1,500,000 Shares to Bruce Lane (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Bruce Lane (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – ISSUE OF OPTIONS TO DIRECTOR – BRUCE LANE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporation Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to allot and issue 1,500,000 Options to Bruce Lane (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Bruce Lane (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – ISSUE OF OPTIONS TO DIRECTOR – BEVAN TARRATT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporation Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to allot and issue 1,500,000 Options to Bevan Tarratt (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Bevan Tarratt (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 7 – ISSUE OF OPTIONS TO DIRECTOR – WARREN STAUDE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporation Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to allot and issue 1,500,000 Options to Warren Staude (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Warren Staude (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 8 – APPROVAL OF NEW ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 12,014,324 options to acquire fully paid ordinary shares (exercisable at 10 cents each on or before 31 December 2012) at an issue price of \$0.0025 per option on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes on Resolution 9 cast by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their associates. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form and vote as the proxy decides.

RESOLUTION 9 – DIRECTOR PARTICIPATION IN PLACEMENT – MR BRUCE LANE

That, subject to Resolutions 2 and 3 (inclusive) being passed, to consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 2 and 3 (inclusive), and for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act, and for all other purposes, approval is given for Mr Bruce Lane (or his nominee), being a Director of the Company, to participate in the issue of Shares pursuant to Resolutions 2 and 3 (inclusive) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Bruce Lane (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 10 – DIRECTOR PARTICIPATION IN PLACEMENT – MR BEVAN TARRATT

That, subject to Resolutions 2 and 3 (inclusive) being passed, to consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 2 and 3 (inclusive), and for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act, and for all other purposes, approval is given for Mr Bevan Tarratt (or his nominee), being a Director of the Company, to participate in the issue of Shares pursuant to Resolutions 2 and 3 (inclusive) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Bevan Tarratt (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 11 – DIRECTOR PARTICIPATION IN PLACEMENT – MR WARREN STAUDE

That, subject to Resolutions 2 and 3 (inclusive), being passed to consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 2 and 3 (inclusive), and for the purpose of ASX Listing Rule 10.11 and Section 208 of the Corporations Act, and for all other purposes, approval is given for Mr Warren Staude (or his nominee), being a Director of the Company, to participate in the issue of Shares pursuant to Resolutions 2 and 3 (inclusive) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Warren Staude (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD

Bruce Lane

Executive Director

DATED 2 September 2009

NOTES

A member entitled to vote at this General Meeting is entitled to appoint a proxy to attend and vote for the member at the General Meeting. A proxy need not be a member. If the member is entitled to cast 2 or more votes at the General Meeting the member may appoint 2 proxies. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the members votes each proxy may exercise, each proxy may exercise half of the votes. A proxy form is attached to the back of this booklet.

For the purposes of determining voting entitlements at this General Meeting, Shares will be taken to be held by persons who are registered as holding Shares at 5.00pm (Perth time) on the day which is 2 days before the date of the General Meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of General Meeting.

EXPLANATORY STATEMENT TO SHAREHOLDERS

This Explanatory Statement has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at 10.00 am (WST) on 12 October 2009 at , QV1 Conference Centre, Level 2 – QV1, 250 St Georges Terrace, Perth, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

RESOLUTION 1 - RATIFICATION OF SHARE ISSUE

1.1 General

On 10 June 2009, the Company announced that it had agreed to issue a total of up to 8,400,000 Shares at 2 cents per share. The Shares were to be issued in a single tranche by way of a placement of 8,400,000 Shares at \$0.02 each to raise \$168,000 before costs, within the Company's 15% share issue capacity.

The Shares were issued and allotted on 11 June 2009 to a sophisticated investor. The allottee was not a related party of the Company. Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies a previous issue of securities made without approval under ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue further equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Technical Information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- a) 8,400,000 Shares were allotted;
- b) the issue price was \$0.02 per Share;
- c) the Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- d) the Shares were allotted to a sophisticated investor, which is not a party related to the Company, being:
 - a. Lagral SCP
- e) the funds raised from the issue will be applied to working capital purposes.

1.3 Other

The Directors recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – APPROVAL FOR SHARE ISSUE

2.1 General

Resolution 2 seeks Shareholder approval for the allotment and issue of up to 50,000,000 Shares at an issue price of 1.5 cents per Share (**Share Placement**).

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

The effect of Resolution 2 will be to allow the Directors to issue up to 50,000,000 Shares pursuant to the Share Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by the ASX), without using up the Company's 15% annual placement capacity.

2.2 Technical Information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- a) the maximum number of Shares to be issued is 50,000,000;
- b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- c) the issue price will be \$0.015 per Share;
- d) the Shares will be allotted and issued to sophisticated and/or professional investors, who have not yet been identified by the Company. Other than the Directors (**Related Parties**) who may participate in the Share Placement pursuant to Resolution 9 through 11 (inclusive), none of the other parties that subscribe for shares under the Share Placement will be related parties of the Company. These parties will be identified by the Company as being parties with whom the Company seeks to develop a strategic relationship;
- e) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- f) the Company intends to use the funds raised from the Share Placement towards working capital purposes and to pursue further development and exploration of the Company's exploration projects in Tasmania.

2.3 Other

The Directors recommend that shareholders vote in favour of Resolution 2.

RESOLUTION 3 – FUTURE ISSUE OF SECURITIES

3.1 General

Resolution 3 seeks Shareholder approval for the allotment and issue of up to a further 50,000,000 Shares at an issue price which is at least 80% of the average market price for the Company's shares on the ASX over the 5 trading days (on which sales of Shares were recorded) preceding the date on which the issue is made (or where issued pursuant to a disclosure document, over the last 5 trading days on which sales of Shares are recorded before the date of the disclosure document) (**Future Share Issue**).

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

The effect of Resolution 3 will be to allow the Directors to issue the Shares pursuant to the Future Share Issue during the period of 3 months after the General Meeting (or a longer period, if allowed by the ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Future Share Issue:

- a) the maximum number of Shares to be allotted and issued is 50,000,000;
- b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment of all Shares will occur on the same date;

- c) the issue price of the Shares proposed to be allotted and issued will be a price which is at least 80% of the weighted average market price of the Company's Shares on ASX over the last 5 trading days (in which sales of Shares are recorded) preceding the day on which the issue is made (or where issued pursuant to a disclosure document, over the last 5 trading days on which sales of Shares are recorded before the date of the disclosure document);
- d) the allottees will be subscribers to either a disclosure document to be issued by the Company or pursuant to an excluded offer under Section 708 of the Corporations Act. The offer will be made to parties not yet known to the Company, being sophisticated / professional investors. Other than the Directors (**Related Parties**) who may participate in the Future Share Issue pursuant to Resolution 9 through 11 (inclusive), none of the other parties that subscribe for shares under the Future Share Issue will be related parties of the Company. These parties will be identified by the Company as being parties with whom the Company seeks to develop a strategic relationship;
- e) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- f) the Company intends to use the funds raised by the issue of the Shares for the purpose of providing capital for the continued development and ongoing exploration of the Company's Tasmanian projects, to fund the evaluation of further exploration projects and other working capital purposes.

3.3 Other

The Directors recommend that shareholders vote in favour of Resolution 3.

RESOLUTION 4 – ISSUE OF SHARES TO DIRECTOR – BRUCE LANE

4.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue 1,500,000 Shares (**Director Shares**) to Mr Bruce Lane (**Related Party**) on the terms and conditions set out below.

Mr Lane was appointed as an Executive Director of the Company on 23 January 2009.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained) unless an exception in ASX Listing Rule 10.12 applies.

The issue of the Director Shares to the Related Party requires the Company to obtain Shareholder approval because the issue of Shares constitutes giving a financial benefit and as a Director, Mr Bruce Lane is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the 1,500,000 Director Shares to the Related Party.

4.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares:

- a) the related party is Mr Bruce Lane and he is a related party by virtue of being a Director;
- b) the maximum number of Shares (being the nature of the financial benefit being provided) to be granted to the Related Party is:
 - i. 1,500,000 Shares to Mr Bruce Lane (or his nominee) for no consideration;
- c) the Shares will be issued to the Related Party no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date. The Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with all other Shares on issue;
- d) no funds will be raised from the issue of these Shares as the Shares will be issued in consideration for the Related Party providing ongoing support to the Company in his capacity as an Executive Director;
- e) It is proposed that the Related Party be issued 1,500,000 Shares (for no consideration) pursuant to this Resolution 4. On the basis of the most recent trading price of \$0.025 on ASX on 27 August 2009 (being the last practicable date prior to finalisation of this notice of meeting prior to its lodgement with ASIC), Mr Lane will receive a notional benefit of \$37,500. However, it should be noted that the Company's share price may fluctuate over time, and may fall below the most recently stated trading price (affecting the value of the benefit received);
- f) the highest and lowest prices of the Company's Shares on ASX over the last 12 months prior to the date of finalisation of this notice are \$0.12 on 15 August 2008 and \$0.013 on 2 December 2008 respectively. The most recent trading price of the Company's Shares on ASX prior to the finalisation of this notice is \$0.025 on 27 August 2009;
- g) as an Executive Director of the Company, Mr Lane's remuneration is \$4,400 per month (inclusive of GST). Mr Lane (and his associates') current holding of Shares and Options in the Company is 600,000 Shares and 155,445 Options (though Shareholders should note that this interest may increase as a result of Resolutions 4, 5, 8 and 9);
- h) at present there are 129,495,234 Shares and 24,028,648 Options on issue in the Company. If this resolution 4 is approved, a further 1,500,000 Shares will be issued. This would result in a dilution to existing shareholders of approximately 1.16% (or 0.97% on a fully diluted basis, assuming that all existing Options in the Company are exercised). Shareholders should note that further dilution will, or may, result if resolutions 2, 3, 5, 6, 7 and 8 are approved;
- i) the primary purpose of the issue of these Director Shares to the Related Party is to provide a market linked incentive package in the capacity as an Executive Director and for future performance in his role. The Board (other than Mr Lane) considered the extensive experience and reputation of the Related Party within the industry when considering the grant of the Director Shares to Mr Lane. The Board considers the issue of the Director Shares to the Related Party to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Shares upon the terms proposed; and
- j) Mr Bruce Lane declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material interest in the outcome of Resolution 4. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4 on the basis that the proposed issue of the Director Shares to the Related Party provides him with an effective market-based remuneration, and an incentive for future performance, while maintaining the Company's cash reserves. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Shares to the Related Party as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Director Shares to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

RESOLUTIONS 5 TO 7 – ISSUE OF OPTIONS TO DIRECTORS – MR BRUCE LANE, MR BEVAN TARRATT AND MR WARREN STAUDE

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue 1,500,000 Options (**Director Options**) to each of Mr Bruce Lane, Mr Bevan Tarratt and Mr Warren Staude (each of them a **Related Party** or together **Related Parties**) on the terms and conditions set out below.

Mr Lane was appointed as an Executive Director of the Company on 23 January 2009. Mr Tarratt was appointed as a Non-executive Director on 12 June 2007. Mr Staude was appointed as a Non-executive Director on 7 September 2006 (and is the Chairman of the Company).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained) unless an exception in ASX Listing Rule 10.12 applies.

The issue of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, each of Mr Lane, Mr Tarratt and Mr Staude are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Director Options to each Related Party.

5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares:

- a) the related parties are Mr Bruce Lane, Mr Bevan Tarratt and Mr Warren Staude and they are related parties by virtue of being Directors;
- b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - i. 1,500,000 Director Options to Mr Bruce Lane;
 - ii. 1,500,000 Director Options to Mr Bevan Tarratt; and
 - iii. 1,500,000 Director Options to Warren Staude.

- c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised. Any funds raised on the exercise of the Director Options will be used for working capital purposes;
- e) the terms and conditions of the Director Options are set out in Schedule 1;
- f) a valuation of the Director Options, and the pricing methodology used for that valuation, is set out in Schedule 2. This Black & Scholes valuation was undertaken by an independent consultant to the Company who was considered to have an appropriate level of skill and experience to perform such a valuation;
- g) the existing relevant interests of each of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mr Bruce Lane	600,000	155,445
Mr Bevan Tarratt	8,210,000	-
Mr Warren Staude	150,000	37,500
Total	8,960,000	192,945

Shareholders should note that these interests may increase as a result of Resolutions 2, 3, 4, 8, 9, 10 and 11.

- h) the remuneration and emoluments from the Company to the Related Parties are set out below:

Related Party	Total Monthly Remuneration
Mr Bruce Lane	\$4,400 per month (including GST)
Mr Bevan Tarratt	\$3,300 per month (including GST)
Mr Warren Staude	\$3,300 per month (including GST)
Total	\$11,000 per month (including GST)

- i) At present there are 129,495,234 Shares and 24,028,648 options on issue. If all of the Director Options granted to the Related Parties are exercised, a total of 4,500,000 additional Shares would be allotted and issued.

This will increase the number of Shares on issue from 129,595,234 to 134,095,234 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Total Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr Bruce Lane	129,495,234	1,500,000	134,095,234	1.12%
Mr Bevan Tarratt	129,495,234	1,500,000	134,095,234	1.12%
Mr Warren Staude	129,495,234	1,500,000	134,095,234	1.12%
Total	129,495,234	4,500,000		3.36%

Shareholders should also note that further dilution will, or may, occur if Resolutions 2, 3, 4 and 8 are approved.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

The Board resolved to issue the Director Options to Mr Lane, Mr Tarratt and Mr Staude, subject to Shareholder approval, on the terms and conditions set out in Schedule 1. As at the date of this Notice of Meeting, the share price is trading on ASX below the exercise price of the Director Options. The grant of the Director Options to Mr Lane, Mr Tarratt and Mr Staude is intended to align their interests with the Company and its Shareholders;

- j) the trading history of the Shares on the ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Lowest	1.3 cents	2 December 2008
Highest	12 cents	15 August 2008
Last	2.5 cents	27 August 2009

- k) the primary purpose of the grant of Director Options to Mr Lane is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Lane) considered the extensive experience and reputation of Mr Lane within the industry when considering the grant of the Director Options to Mr Lane. The Board considers the issue of the Director Options to Mr Lane to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- l) the primary purpose of the grant of Director Options to Mr Tarratt is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Tarratt) considered the extensive experience and reputation of Mr Tarratt within the industry when considering the grant of the Director Options to Mr Tarratt. The Board considers the issue of the Director Options to Mr Tarratt to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- m) the primary purpose of the grant of Director Options to Mr Staude is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Staude) considered the extensive experience and reputation of Mr Staude within the industry when considering the grant of the Director Options to Mr Staude. The Board considers the issue of the Director Options to Mr Staude to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- n) Mr Bruce Lane declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material interest in the outcome of Resolution 5. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5;

- o) Mr Bevan Tarratt declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material interest in the outcome of Resolution 6. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6;
- p) Mr Warren Staude declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material interest in the outcome of Resolution 7. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties (and any issue of Shares on exercise of those Director Options) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

RESOLUTION 8 – APPROVAL OF NEW ISSUE OF OPTIONS

8.1 General

The Company proposes to make an offer to the holders of existing listed options (ASX: SHEO) to subscribe for new options (**New Options**) on a one for two basis pursuant to a pro-rata entitlement offer. Subject to shareholder approval, the entitlement offer will be made by issue of a prospectus (or other disclosure document) under the terms of which the Directors will have the sole right to place any shortfall at their discretion. The existing listed options expire at 5 pm, Western Australian Standard Time on Thursday 31 December 2009.

The Record Date to determine entitlements to participate in the issue of New Options will be set out in the prospectus (or other disclosure document) to be issued by the Company within 1 month from the date of approval of Shareholders of this Resolution 8.

ASX Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of shares, or securities convertible into shares (such as options), representing more than 15% of its issued capital in any 12 month period.

In compliance with the information requirements of ASX Listing Rule 7.3 shareholders are advised of the following particulars in relation to the proposed issue of New Options:

a) Maximum number of securities proposed for issue

The maximum number of New Options proposed for issue is 12,014,324. At the date of this Notice, there are 24,028,648 existing listed SHEO class options on issue. On a 1 for 2 basis, this will result in the issue of 12,014,324 New Options. The Directors will round up, or down, fractional entitlements to the nearest whole number.

b) Price at which the securities are proposed for issue

The New Options are proposed for issue at an application price of \$0.0025 each.

c) Terms of the securities

The New Options will be exercisable at an exercise price of ten cents each on or before 31 December 2012 and will otherwise be issued on the terms and conditions as set out in Schedule 3.

d) Names of the allottees and proportions of issue

The proposed allottees of the New Options are the option holders of the Company as at the Record Date for the offer, including Directors and their associated entities. The Company intends to offer any shortfall to investors at the sole discretion of the Directors - though related parties of the Company will not be permitted to participate in the shortfall.

Shareholder approval is not required to permit the Directors to participate in the proposed pro-rata offer of New Options. Listing Rule 10.12, exception, 1 provides an exception to the requirement for shareholder approval under Listing Rule 10.11 where the Directors will receive securities under a pro-rata offer. Further, the directors do not consider approval is required under Chapter 2E of the Corporations Act (which relates to related party benefits), as the Directors would take New Options on the same terms as any other existing optionholder, and therefore consider that the New Options are being offered on arms' length terms. As indicated above, neither the Directors, nor any other related party of the Company, will participate in any acquisition of any shortfall New Options.

e) Intended use of funds raised

Net of expenses the funds raised from the grant of the New Options is expected to raise approximately \$30,036 which will be used for working capital purposes. The offer of the New Options is essentially in recognition of support from and the loyalty of the holders of the existing listed December 2009 options (SHEO class). The SHEO class of options forms part of the original securities offered to investors under the Company's initial public offer in 2006 and most of the SHEO holders have not only held these options since that time but are also continuing to hold ordinary shares from that time.

Funds will be raised by any exercise of New Options. Any funds so raised will be used for working capital purposes and for exploration and development of the Company's projects.

f) Dates of allotment

The New Options will be issued and allotted to subscribers under the Prospectus (or other disclosure document) after the closing date of the offer and in any event no later than 3 months after shareholder approval or such later date as approved by waiver granted by ASX.

RESOLUTIONS 9 TO 11 – DIRECTORS PARTICIPATION IN PLACEMENT

9.1 General

Resolutions 9 to 11 seeks Shareholder approval for the participation of Mr Bruce Lane, Mr Bevan Tarratt and Mr Warren Staude (or their nominees) (**Related Parties**) in the issue of Shares to be conducted pursuant to Resolutions 2 and 3 (of this notice of meeting) on the terms set out below.

As discussed above, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The participation of the Related Parties in the proposed placement, and resultant issue of these Shares to the Related Parties requires the Company to obtain Shareholder approval because the issue of Shares constitutes giving a financial benefit and as Directors, Mr Bruce Lane, Mr Bevan Tarratt and Mr Warren Staude are related parties of the Company.

It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply, so Shareholder approval is necessary under the Listing Rules. While any Shares issued to the Related Parties (pursuant to Resolutions 2 and 3) will be on the same terms as any Shares issued to third parties (so are arguably on arms' length terms, which is one of the exceptions to the Corporations Act requirements), out of prudence, Shareholder approval is also being sought for the purposes of the Chapter 2E of the Corporations Act.

9.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Shares:

- a) the related parties are Mr Bruce Lane, Mr Bevan Tarratt and Mr Warren Staude and they are related parties by virtue of being Directors;
- b) the maximum number of Shares (being the nature of the financial benefit provided) to be issued to the Related Parties is:
 - i. Mr Bruce Lane (or his nominee) may subscribe for up to a maximum of 5,000,000 Shares (of the total number of Shares to be issued pursuant to Resolutions 2 and 3);
 - ii. Mr Bevan Tarratt (or his nominee) may subscribe for up to a maximum of 5,000,000 Shares (of the total number of Shares to be issued pursuant to Resolution 2 and 3); and
 - iii. Mr Warren Staude (or his nominee) may subscribe for up to a maximum of 5,000,000 Shares (of the total number of Shares to be issued pursuant to Resolution 2 and 3).
- c) the Shares will be issued to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;
- d) the issue price of the Shares will be \$0.015 per Share (where issued as part of the transaction contemplated by Resolution 2), or an issue price which is at least 80% of the average market price for the Company's shares on the ASX over the 5 trading days preceding the date on which the issue is made (where issued as part of the transaction contemplated by Resolution 3);
- e) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. Any funds raised by the issue of these Shares will be used for the purposes outlined above in respect of Resolutions 2 and 3;
- f) The proposed issue price of these is below the recent trading price of the Company's Share on ASX. Assuming (for the purposes of illustration only) that each of the Related Parties received the maximum number of Shares referred to above and that all of the Shares were acquired by the Related Parties at \$0.015 per Share (pursuant to the Share issue contemplated by Resolution 2) and on the basis of the most recent trading price of the Company's Shares on ASX of \$0.025 on 27 August 2009 (being the last practicable date prior to the finalisation of this notice prior to it being lodged with ASIC), each of the Related Parties would receive a notional benefit of \$50,000. However, it should be noted that the Company's Share price may fluctuate over time, and may fall below the most recently stated trading price;
- g) the existing relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Mr Bruce Lane	600,000	155,445
Mr Bevan Tarratt	8,210,000	-
Mr Warren Staude	150,000	37,500
Total	8,960,000	192,945

Shareholders should note that these interests may increase as a result of Resolutions 4, 5, 6 and 7.

- h) the remuneration and emoluments from the Company to the Related Parties are set out below:

Related Party	Total Monthly Remuneration
Mr Bruce Lane	\$4,400 per month (including GST)
Mr Bevan Tarratt	\$3,300 per month (including GST)
Mr Warren Staude	\$3,300 per month (including GST)
Total	\$11,000 per month (including GST)

- i) If the Shares granted to the Related Parties are issued, a total of up to 15,000,000 Shares would be allotted and issued. Assuming that no Options are exercised and no other Shares issued, the number of Shares on issue will increase from 129,595,234 to 144,595,234 with the effect that the shareholding of existing Shareholders would be diluted (by virtue of those of the Shares to be issued to the Related Parties) as follows:

Related Party	Issued Shares at date of this Notice of Meeting	Shares issued to Related Parties	Dilutionary effect upon issue of Shares to Related Parties
Mr Bruce Lane	129,595,234	Up to 5,000,000	Up to 2.49%
Mr Bevan Tarratt	129,595,234	Up to 5,000,000	Up to 2.49%
Mr Warren Staude	129,595,234	Up to 5,000,000	Up to 2.49%
Total		Up to 15,000,000	Up to 7.47%

However, shareholders should note that further dilution may occur as a result of Resolutions 2, 3, 4, 5, 6 and 7.

- j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting (including highest, lowest and most recent prices) is set out in Section 5.2 above;
- k) the Company intends to use funds raised from the issue of Shares to related Parties for the reasons set out in respect of Resolutions 2 and 3 above (Sections 2.2 and 3.2 above);
- l) Mr Bruce Lane declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material interest in the outcome of Resolution 9. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9 on the basis that issue price for any Shares received by Mr Lane will be the same as for all other Shares issued under resolutions 2 and 3 respectively. The Board (other than Mr Bruce Lane) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 9;
- m) Mr Bevan Tarratt declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material interest in the outcome of Resolution 10. The other Directors, who do not have a material interest in the outcome of Resolution 10, recommend that Shareholders vote in favour of Resolution 10 on the basis that issue price for any Shares received by Mr Tarratt will be the same as for all other Shares issued under resolution 2 and 3 respectively. The Board (other than Mr Bevan Tarratt) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 10; and

- n) Mr Warren Staude declines to make a recommendation to Shareholders in relation to Resolution 11 due to his material interest in the outcome of Resolution 11. The other Directors, who do not have a material interest in the outcome of Resolution 11, recommend that Shareholders vote in favour of Resolution 11 on the basis that issue price for any Shares received by Mr Staude will be the same as for all other Shares issued under resolution 2 and 3 respectively. The Board (other than Mr Warren Staude) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited.
ASX Listing Rules	means the official listing rules of ASX.
Board	means the current board of directors of the Company.
Business Day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
Company	means Stonehenge Metals Limited (ACN 119 267 391)
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Director Options	means an option to acquire a Share in the Company on the terms as set out in Schedule 1;
Explanatory Statement	means the explanatory statement accompanying the Notice of Meeting.
General Meeting	means the meeting convened by the Notice of Meeting.
New Options	means an option to acquire a Share in the Company on the terms as set out in Schedule 3;
Notice of Meeting	means this notice of general meeting including the Explanatory Statement.
Resolutions	means the resolutions set out in the Notice of Meeting, or any of them, as the context requires.
Stonehenge	means Stonehenge Metals Limited (ACN 119 267 391)
Share	means a fully paid ordinary share in the capital of the Company and Shares has a corresponding meaning.
Shareholder	means a holder of Shares in the Company.
WST	means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1

Terms and Conditions of Director Options

The terms and conditions of the Director Options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (b) The options are exercisable at a price equal to 7.5 cents per Share.
- (c) The options will expire 3 years from the date of issue (the "**Expiry Date**").
- (d) The options are exercisable at any time on or prior to the Expiry Date by notice in writing to the secretary of the company accompanied by payment of the exercise price.
- (e) An option that has not lapsed may be exercised at any time.
- (f) All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (g) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (h) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (i) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (j) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.
- (k) Director Options will not be quoted on ASX. However, application will be made to ASX for official quotation of Shares allotted pursuant to the exercise of Director Options if the Company's Shares are listed on ASX at that time.
- (l) A Director Option may not be transferred or assigned except that a legal personal representative of a holder of a Director Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Director Option after the production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.

SCHEDULE 2

Valuation of Director Options

The Director Options to be issued to the Related Parties pursuant to Resolution 5 to 7 (inclusive) have been valued using the Black and Scholes method of option valuation.

Based on the assumptions set out below, the Director Options were ascribed a value as follows:

Assumptions:	
Valuation Date	27 August 2009
Market Price of Shares	2.5 cents per Share
Exercise Price	7.5 cents per Share
Expiry Date	30 September 2012
Risk Free Interest Rate	3.0%
Volatility	70%
Indicative Value per Director Option	\$0.005 per Director Option
Total Value of Director Options	\$22,500
- Mr Bruce Lane	\$7,500
- Mr Bevan Tarratt	\$7,500
- Mr Warren Staude	\$7,500

SCHEDULE 3

Terms and Conditions of New Options

The terms and conditions of the New Options are as follows:

- (j) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (k) The options are exercisable at a price equal to 10 cents per Share.
- (l) The options will expire 3 years from the date of issue (the “**Expiry Date**”).
- (m) The options are exercisable at any time on or prior to the Expiry Date by notice in writing to the secretary of the company accompanied by payment of the exercise price.
- (n) An option that has not lapsed may be exercised at any time.
- (o) All shares issued upon exercise of the options will rank pari passu in all respects with the company’s then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (p) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (q) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (r) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (j) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.
- (k) Application will be made to ASX for quotation of New Options.



STONEHENGE METALS
LIMITED
ACN 119 267 391

LODGE YOUR VOTE

By mail:
Stonehenge Metals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

All enquiries to:
 Telephone: 1300 554 474
Overseas: +61 2 8280 7111



X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Stonehenge Metals Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman
of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at 10:00am on Monday, 12 October 2009, at QV1 Conference Centre, Level 2, QV1, 250 St Georges Terrace, Perth WA 6000 and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING DIRECTIONS

Resolutions	For	Against	Abstain*		For	Against	Abstain*
1 Ratification of share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of options to Director - Mr Warren Staude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of new issue of options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Future issue of securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Director participation in placement - Mr Bruce Lane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of shares to Director - Mr Bruce Lane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Director participation in placement - Mr Bevan Tarratt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of options to Director - Mr Bruce Lane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Director participation in placement - Mr Warren Staude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of options to Director - Mr Bevan Tarratt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Items 7 and 11 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those items and that votes cast by him/her for those items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 7 and 11 and your votes will not be counted in calculating the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 7 and 11.

STEP 4

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

SHE PRX902



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:00am on Saturday, 10 October 2009, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



by mail:

Stonehenge Metals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.
This will assist in registering your attendance.