
STONEHENGE METALS LIMITED

ACN 119 267 391

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

TIME: 10:30am (WST)

DATE: 31 March 2011

PLACE: Heritage Boardroom
The Melbourne Hotel
942 Hay Street
PERTH WA 6000

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters contained in this Notice of Meeting and Explanatory Statement please do not hesitate to contact the Company Secretary on (08) 6468 0388.

CONTENTS PAGE

Notice of General Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	5
Glossary	9
Proxy Form	10

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Stonehenge Metals Limited to which this Notice of Meeting and Explanatory Statement relates will be held at 10:30am (WST) on 31 March 2011 at:

Heritage Boardroom
The Melbourne Hotel
942 Hay Street
PERTH WA 6000

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

- (a) by post to Stonehenge Metals Limited, Unit 6, 34 York Street, North Perth, Western Australia; or
- (b) by facsimile to the Company on facsimile number (08) 9228 0704,

so that it is received not later than 10:30am (WST) on 29 March 2011.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Stonehenge Metals Limited will be held at 10:30am (WST) on 31 March 2011 at the Heritage Boardroom, The Melbourne Hotel, 942 Hay Street, Perth WA 6000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at the close of business on 29 March 2011.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. **RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES TO DIRECTOR UNDER EMPLOYEE SHARE PLAN – MR ROBERT CLEARY**

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 10.14 and for all other purposes, approval is given for the Directors to issue up to 500,000 Shares to Mr Robert Cleary pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Directors of the Company and their associates and, if the ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in an employee incentive Plan by anyone else, by that person and their 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.

2. **RESOLUTION 2 – APPROVAL OF ISSUE OF SHARES TO DIRECTOR UNDER EMPLOYEE SHARE PLAN – MR 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 ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 1,000,000 Shares to Mr Bevan Tarratt pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Directors of the Company and their associates and, if the ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in an employee incentive Plan by anyone else, by that person and their 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.

3. **RESOLUTION 3 – APPROVAL OF ISSUE OF SHARES TO DIRECTOR UNDER EMPLOYEE SHARE PLAN – MR RICHARD HENNING**

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 10.14 and for all other purposes, approval is given for the Directors to issue up to 1,750,000 Shares to Mr Richard Henning pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Directors of the Company and their associates and, if the ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in an employee incentive Plan by anyone else, by that person and their 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.

4. **RESOLUTION 4 – APPROVAL OF ISSUE OF SHARES TO DIRECTOR UNDER EMPLOYEE SHARE PLAN – MR SIMON FLEMING**

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 10.14 and for all other purposes, approval is given for the Directors to issue up to 500,000 Shares to Mr Simon Fleming pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Directors of the Company and their associates and, if the ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in an employee incentive Plan by anyone else, by that person and their 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.

DATED: 21 February 2011

BY ORDER OF THE BOARD

**STONEHENGE METALS LIMITED
JAY STEPHENSON
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at the Heritage Boardroom, The Melbourne Hotel, 942 Hay Street, Perth WA 6000 at 10:30am (WST) on 31 March 2011.

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

1. RESOLUTIONS 1 TO 4 – APPROVAL OF ISSUE OF SHARES TO DIRECTORS UNDER EMPLOYEE SHARE PLAN

1.1 Background

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to the issue of equity securities representing more than 15% of the issued capital of that company in any rolling 12 month period.

An exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 9) which provides that issues under an employee incentive Plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the Plan as an exception to ASX Listing Rule 7.1.

At the Annual General Meeting of Shareholders (AGM) held on 30 November 2010 Shareholders approved the Company to issue Shares under the “Stonehenge Metals Limited Employee Share Plan” (**Employee Share Plan or ESP**) as an exception to ASX Listing Rule 7.1 in accordance with ASX Listing Rule 7.2 (Exception 9).

The Employee Share Plan is designed to motivate employees to meet agreed targets, provide continuity of service to the Company, and to increase profitability and returns to Shareholders.

As at the date of this Notice 5,500,000 shares have previously been approved for issue to Directors at the 30 November 2010 AGM, but no shares have been issued, under the Employee Share Plan.

The full terms and conditions of the Employee Share Plan may be obtained free of charge by contacting the Company. A summary of the terms and conditions of the Employee Share Plan is set out below.

1.2 Terms of Employee Share Plan

(a) Grant of Shares

The Directors, at their discretion, may issue Shares (**Plan Shares**) to Participants (or to a nominee as the Participant directs) at any time, having regard to relevant considerations such as the Participant’s past and potential contribution to the Company, and their period of employment with the Company.

(b) Participants

Full-time employees, part-time employees and Directors of the Company, or of a related body corporate, who hold a salaried employment or office in the company or in a related body corporate, are eligible to participate in the Employee Share Plan (**Participants**). However, in the event that

Directors of the Company are invited to participate in the Plan, the Company will seek Shareholder approval for that participation in accordance with Listing Rule 10.14.

(c) **Issue Price of Plan Shares**

Plan Shares may be issued at an Issue Price to be determined by the Board, which may be a nominal or nil Issue Price if so determined by the Board.

(d) **Maximum Number of Plan Shares**

The Company must take reasonable steps to ensure that the number of Plan Shares offered by the Company under the Employee Share Plan when aggregated with:

- (i) the number of Plan Shares issued during the previous 5 years under the employee Share Plan (or any other employee share plan extended only to Eligible Employees); and
- (ii) the number of Shares that would be issued if each outstanding offer for Shares (including options to acquire unissued Shares) under any employee incentive Plan of the Company were to be exercised or accepted,

does not exceed 5% of the total number of issued Shares at the time of an offer of Plan Shares (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with the ASIC Class Order 03/184.

(e) **Term of Plan Shares**

The Plan Shares will be issued on the same terms as the fully paid, ordinary shares of the Company and will rank equally with all of the Company's then existing Shares.

(f) **Restrictions on transfer of Plan Shares**

The Board may impose conditions in an offer of Plan Shares that must be satisfied (unless waived by the Board in its absolute discretion) before the Plan Shares to which the condition applies can be sold, transferred, assigned, charged or otherwise encumbered (**Restriction Conditions**).

Subject to the exceptions identified below, a Participant may not sell, transfer, assign, mortgage, charge or otherwise encumber a Plan Share until any applicable Restriction Conditions are satisfied or waived by the Board in its absolute discretion.

Where any applicable Restriction Conditions in relation to Plan Shares have not been satisfied and:

- (i) the Participant dies;
- (ii) the Eligible Employee to whom the offer was originally made ceases to be employed as a result of:
 - (A) bona fide retirement from the workforce (unless the retirement happens within six (6) months of the date of the issue of the Plan Shares);

- (B) bona fide redundancy; or
- (C) total and permanent disability,

the Board may elect to:

- (iii) allow the Participant to retain the Plan Shares;
- (iv) waive any of the Restriction Conditions; and/or
- (v) permit the Participant (or their personal legal representative) to sell, transfer, assign, mortgage, charge or otherwise encumber the Participant's Plan Shares.

(g) Buy back of Plan Shares

Subject to the exemptions identified in subclause (f) above, where a Restriction Condition in relation to Plan Shares is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, the Company must, unless the Restriction Condition is waived by the Board:

- (i) where the Plan Shares were issued for no cash consideration, subject to the Corporations Act and the ASX Listing Rules, buy back the relevant Plan Shares within 12 months of the date the Restriction Condition was not satisfied (or became incapable of satisfaction) under Part 2J.1 of the Corporations Act at a price equal to \$0.0001 per Share; or
- (ii) where the Shares were issued for cash consideration, subject to the Corporations Act and the ASX Listing Rules, use its best endeavours to buy back the relevant Plan Shares within 12 months of the date the Restriction Condition was not satisfied (or became incapable of satisfaction) under Part 2J.1 of the Corporations Act at a price equal to the cash consideration paid by the Participant for the Plan Shares.

(h) Quotation of Plan Shares

The Company will make application for official quotation of all Plan Shares as soon as practicable after their Issue Date.

(i) Powers of the Board of Directors

The Employee Share Plan is administered by the Directors of the Company, who have the power to:

- (i) determine appropriate procedures for administration of the Employee Share Plan consistent with its terms;
- (ii) resolve conclusively all questions of fact or interpretation in connection with the Employee Share Plan;
- (iii) delegate the exercise of any of its powers or discretions arising under the Employee Share Plan to any one or more persons for such period and on such conditions as the Board may determine; and
- (iv) suspend or terminate the Employee Share Plan by giving written advice to Eligible Employees.

1.3 Listing Rule 10.15

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Shares to the Related Parties under the Employee Share Plan:

- (a) the Related Parties are Messrs Robert Cleary, Bevan Tarratt, Richard Henning and Simon Fleming and they are related parties by virtue of being a Director;
- (b) the maximum number of Shares (being the nature of the financial benefit being provided) to be issued to Messrs Robert Cleary, Bevan Tarratt, Richard Henning and Simon Fleming (or their respective nominees) is 3,750,000 Shares as follows;

Related Party	Maximum ESP Shares Available
Mr Robert Cleary	500,000
Mr Bevan Tarratt	1,000,000
Mr Richard Henning	1,750,000
Mr Simon Fleming	500,000
	<u>3,750,000</u>

- (c) the Shares will be issued to Messrs Robert Cleary, Bevan Tarratt, Richard Henning and Simon Fleming (or their respective nominees) no later than 12 months after the date of the General Meeting;
- (d) the Shares will be issued as part remuneration for Messrs Robert Cleary, Bevan Tarratt, Richard Henning and Simon Fleming and so will be issued for a nil subscription price and, accordingly, no funds will be raised;
- (e) to date, 5,500,000 Shares have been approved for issue, but no shares have been issued, under the Employee Share Plan;
- (f) the Directors of the Company who are entitled to participate in the Employee Share Plan are Messrs Warren Staude, Simon Fleming, Robert Cleary, Richard Henning and Bevan Tarratt;
- (g) the Shares will be issued on the same terms as the fully paid, ordinary shares of the Company and will rank equally with all of the Company's then existing Shares; and
- (h) there are no loans available to any of the Directors.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning ascribed to it in Part 1.2 Division 2 of the Corporations Act.
ASX	ASX Limited (ACN 008 624 691).
ASX Listing Rules	the listing rules of the ASX as amended from time to time.
Board	board of Directors.
Chairman	Mr Warren Staude.
Constitution	constitution of the Company.
Company	Stonehenge Metals Limited (ACN 119 267 391).
Corporations Act	Corporations Act 2001 (Cth).
Director	director of the Company.
ESP	Employee Share Plan
Explanatory Statement	the explanatory statement accompanying the Notice of Meeting.
Listing Rules	the Listing Rules of the ASX.
Meeting	the General Meeting of the Company's Shareholders to be held on 31 March 2011.
Member	a member of the Company.
Notice of Meeting	the notice of General Meeting accompanying the Explanatory Statement.
Remuneration Report	the section of the Director's report entitled "remuneration report".
Shares	fully paid ordinary shares in the capital of the Company.
Shareholder	shareholder of the Company.
WST	Western Standard Time in Australia.

PROXY FORM

**APPOINTMENT OF PROXY
STONEHENGE METALS LIMITED
ACN 119 267 391**

GENERAL MEETING

I/We

being a Member of Stonehenge Metals Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Meeting to be held at 10:30am (WST), on 31 March 2011 at the Heritage Boardroom, The Melbourne Hotel, 942 Hay Street, Perth WA 6000 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all the resolutions.

Voting on Business of the General Meeting

FOR AGAINST ABSTAIN

Resolution 1 – Approval of Issue of Shares to Director under ESP – Robert Cleary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Approval of Issue of Shares to Director under ESP – Bevan Tarratt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Approval of Issue of Shares to Director under ESP – Richard Henning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of Issue of Shares to Director under ESP – Simon Fleming	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

In relation to these Resolutions, if the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will 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 these Resolutions and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman intends to vote in favour of these Resolutions.

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO RESOLUTIONS 1 TO 4 YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO RESOLUTIONS 1 TO 4 WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signed this _____ day of _____ 2011 _____ %

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

STONEHENGE METALS LIMITED
ACN 119 267 391

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.