



STONEHENGE METALS
LIMITED

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2008

CONTENTS

	Page
▪ Corporate directory	2
▪ Directors' Report	3
▪ Auditor's Independence Declaration	5
▪ Income Statement	6
▪ Balance Sheet	7
▪ Statement of Changes in Equity	8
▪ Statement of Cash Flows	9
▪ Notes to the Financial Statements	10
▪ Directors' Declaration	12
▪ Independent Auditors review report to the members	13

Stonehenge Metals Limited

CORPORATE DIRECTORY

ABN	81 119 267 391
Directors	Warren Staude Bevan Tarratt Bruce Lane
Company Secretary	Jay Stephenson Rosemary Wilson
Registered office	6/34 York Street NORTH PERTH WA 6006
Principal place of business	Suite 3, Level 3 1292 Hay Street WEST PERTH WA 6005
Share register	Link Market Services Limited
Solicitors	Price Sierakowski Lawyers
Bankers	National Australia Bank
Auditors	BDO Kendalls Audit & Assurance (WA) Pty Ltd

Stonehenge Metals Limited

DIRECTORS' REPORT

Your directors submit the financial report on Stonehenge Metals Ltd ('the company') for the half-year ended 31 December 2008.

Directors

The names of directors who held office during or since the end of the half-year:

Warren Staude	Non Executive Chairman
Bruce Lane	Executive Director
Bevan Tarratt	Non Executive Director
Paul Rengel	<i>(Resigned 22 January 2009)</i>
Todd Hibberd	<i>(Resigned 1 July 2008)</i>
Andrew Parker	<i>(Resigned 2 September 2008)</i>

Overview

In light of deteriorating commodity prices and economic conditions, Stonehenge Metals Limited (ASX: SHE) has instigated measures to protect its current cash reserves by minimising expenditure on its Tasmanian exploration and mining properties, re-structured its administration functions and reviewed carrying valuations on all exploration and operational projects.

Commissioning and treatment of existing stockpiles at the Heemskirk tin plant near Zeehan were suspended and the facility placed on care and maintenance pending a review of metal price forecasts and exploration potential in the region.

Field based exploration activities were curtailed on other Tasmanian projects.

The Company currently has reasonable cash reserves and has conducted staff and administration rationalisation measures to ensure it maintains manageable project and administrative overheads. A review of all current operations is ongoing and the Company will also seek new project opportunities at this time when quality projects are becoming more readily available.

Mandiodo Nickel Project

Stonehenge Metals Limited reached agreement with PT Global Titik Persada (PT Global), the vendor of the Mandiodo Nickel project to terminate the Heads of Agreement. Formal documentation has now been completed to confirm that Stonehenge Metals will pay no further costs associated with the agreement and will convert it's investment to date into a 5% shareholding in the entity that seeks to control the Mandiodo project and a 5% shareholding in the entities that seek to control eight other highly prospective nickel leases (KPs) proximate to the Mandiodo Nickel project.

Stonehenge Metals Limited

Operations

Refurbishment of the Heemskirk gravity separation mill was completed in July and wet commissioning of the plant was initiated immediately. Early tin production from existing stockpiles was frustrated by ore handling problems which necessitated the design and construction of additional plant to improve throughput rates. Installation of a new feed bin in November 2008 improved plant throughput but lower than expected tin recoveries signalled that further significant plant modifications would be required to improve tin production. In response to falling tin prices and the prospect of further capital expenditure on the plant to improve production, the Company elected to suspend processing operations and the plant was placed on care and maintenance.

De-watering and evaluation of the Granville East pit has been placed on hold pending a decision on the future operations at the Heemskirk plant and an improvement in commodity and capital market conditions.

Asset Value Impairment

The Company has, in light of the drop in metals prices and difficult fund raising conditions, actively reviewed the carrying values of its assets and as a consequence the Directors have resolved to significantly impair the carrying value of all operating assets. Substantive expenditure on further exploration for and evaluation of mineral resources in the tenement areas is currently neither budgeted nor planned. In particular the Directors have resolved to write the carrying value of the East Granville Tin Project, encompassing the Heemskirk tin treatment plant and mining leases 21M/2003 and 9M/2006, down to zero.

The carrying values of the balance of the company's assets have been significantly impaired in these audited half year accounts and asset write downs totalling \$3,669,501 are a major contributor to the Company's net loss after tax of \$4,504,763.

Board Changes

Mr Paul Rengel resigned from his position of chairman and non-executive director on January 22nd. Mr Warren Staude was subsequently appointed to the position of chairman and Mr Bruce Lane was appointed to the board as executive director. The board wishes to thank Mr Rengel for his efforts during his tenure with the company.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.



Warren Staude
DIRECTOR

Dated this 12 Day of March, 2009



BDO Kendalls

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ABN 79 112 284 787

12 March 2009

The Directors
Stonehenge Metals Limited
Unit 6, 34 York Street
North Perth WA 6006

Dear Sirs

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF
STONEHENGE METALS LIMITED**

As lead auditor of Stonehenge Metals Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stonehenge Metals Limited.

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

Stonehenge Metals Limited

INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	December 2008 \$	December 2007 \$
Revenue from continued operations	53,282	95,502
Employee benefits expense	(60,754)	(192,856)
Exploration expenditure impairment	(3,669,501)	(106,826)
Plant & equipment impairment	(463,299)	-
Directors fees	(64,000)	(71,000)
Corporate	(23,640)	(62,797)
Travelling expenses	(32,075)	(61,047)
Administration	(46,501)	(44,539)
Advertising	(15,346)	(44,396)
Share based payments	-	(12,100)
Interest expense	(240)	(406)
Rent	(39,353)	(36,000)
Depreciation	(12,766)	(6,582)
Other expenses	(130,570)	(85,817)
Loss before income tax expense	(4,504,763)	(628,864)
Income tax	-	-
Loss attributable to members of Stonehenge Metals Limited	(4,504,763)	(628,864)
	cents	cents
Basic and diluted loss per share	(7.26)	(1.25)

The above income statement should be read in conjunction with the accompanying notes.

Stonehenge Metals Limited

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents		1,362,091	2,075,444
Trade and other receivables		83,497	112,825
Total current assets		1,445,588	2,188,269
NON-CURRENT ASSETS			
Mineral exploration and evaluation expenditure	4	26,102	3,523,364
Property, plant and equipment	8	141,471	516,353
Total non current assets		167,573	4,039,717
TOTAL ASSETS		1,613,161	6,227,986
CURRENT LIABILITIES			
Trade and other payables		74,840	184,902
Total current liabilities		74,840	184,902
TOTAL LIABILITIES		74,840	184,902
NET ASSETS		1,538,321	6,043,084
EQUITY			
Contributed equity		8,922,582	8,922,582
Reserves		381,113	381,113
Accumulated losses		(7,765,374)	(3,260,611)
TOTAL EQUITY		1,538,321	6,043,084

The above balance sheet should be read in conjunction with the accompanying notes.

Stonehenge Metals Limited

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Issued Capital	Accumulated Losses	Option Premium Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2007	6,346,796	(589,846)	240,588	128,625	6,126,163
Net income/(expense) recognised directly in equity	-	-	-	-	-
Loss attributable to members of Stonehenge Metals Ltd	-	(628,864)	-	-	(628,864)
Total recognised income and expense for the half-year	-	(628,864)	-	-	(628,864)
Share Based Payments	-	-	-	12,100	12,100
Shares/options issued during the half-year	2,738,670	-	(200)	-	2,738,470
Share issue expenses	(165,292)	-	-	-	(165,292)
Balance 31 December 2007	8,920,174	(1,218,710)	240,388	140,725	8,082,577
Balance at 1 July 2008	8,922,582	(3,260,611)	240,388	140,725	6,043,084
Net income/(expense) recognised directly in equity	-	-	-	-	-
Loss attributable to members of Stonehenge Metals Ltd	-	(4,504,763)	-	-	(4,504,763)
Total recognised income and expense for the half-year	-	(4,504,763)	-	-	(4,504,763)
Balance 31 December 2008	8,922,582	(7,765,374)	240,388	140,725	1,538,321

This above statement of changes in equity should be read in conjunction with the accompanying notes.

Stonehenge Metals Limited

CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	December 2008 \$	December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments for administration	(437,692)	(644,483)
Other payments – GST	(70,017)	(47,290)
Payments for exploration, evaluation expenditure	(260,866)	(720,721)
Other Receipts	1,940	-
Interest expense	-	(406)
Interest received	53,282	94,587
Net cash outflow from operating activities	<u>(713,353)</u>	<u>(597,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	-	(70,690)
Payments for investments	-	(600,000)
Payments for option acquisitions	-	(408,952)
Net cash outflow from investing activities	<u>-</u>	<u>(1,800,363)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,732,993
Costs associated with share issue	-	(165,292)
Net cash inflow from financing activities	<u>-</u>	<u>2,567,701</u>
Net increase/(decrease) in cash and cash equivalents	(713,353)	169,746
Cash and cash equivalents at the beginning of the period	2,075,444	3,384,162
NET CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	<u>1,362,091</u>	<u>3,553,908</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1: BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period 31 December 2008 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with any public announcements made by Stonehenge Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

NOTE 2: LOSS FOR THE PERIOD

Loss before income tax includes the following expenses whose disclosure is relevant in explaining the financial performance for the interim period:

	December 2008 \$	December 2007 \$
Loss for the period	(4,504,763)	(628,864)
Expenses		
Travelling expenses	32,075	60,006
Accounting Fees	25,281	32,042
Consultancy fees	5,500	10,000
Rent	39,353	36,000

NOTE 3: SEGMENT INFORMATION

Business Segment

During the financial year the Company operated in one segment, the mining exploration and prospecting industry.

Geographical Segments

During the financial year the Company operated within Australia only, specifically in Tasmania.

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 4: MINERAL EXPLORATION AND EVALUATION EXPENDITURE

	December 2008 \$	December 2007 \$
Opening Balance	3,523,264	2,704,038
Exploration expenditure incurred	172,339	757,453
Less: Impairment charge	(3,669,501)	(106,826)
Closing Balance	<u>26,102</u>	<u>3,354,665</u>

The balance carried forward represents projects in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

NOTE 5: EVENTS SUBSEQUENT TO BALANCE DATE

There are no subsequent events of a material nature that require disclosure in this report.

NOTE 6: CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 December 2008.

NOTE 7: DIVIDENDS

No dividends have been declared or paid for the half-year ended 31 December 2008.

NOTE 8: FIXED ASSET IMPAIRMENT

Opening Balance	516,353	69,754
Additions of plant and equipment	101,183	189,260
Less: Depreciation	(12,766)	(6,582)
Less: Impairment charge	(463,299)	-
Closing Balance	<u>141,471</u>	<u>252,432</u>

During the period the Company completed the refurbishment of the Heemskirk gravity separation mill and wet commissioning of the plant commenced immediately. After commissioning the plant it was evident that further significant plant modifications would be required to improve tin recovery to an economic quantity. Therefore the Company elected to suspend all processing operations and write off all expenditure in relation to the acquisition and refurbishment of the plant.

NOTE 9: RELATED PARTY TRANSACTIONS

During the period the Company entered into a service agreement with Atom Energy Ltd to provide administration support at \$2,271 per month and rental of office space at \$2,339 per month. Atom Energy Ltd has common directorships with the Company.

Stonehenge Metals Limited

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the entity's financial position as at 31 December 2008 and of its performance as represented by the results of its operations, changes in equity and its cashflows, for the half year ended on that date.

2. In the directors' opinion, on the basis of the matter disclosed in note 6, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Dated this 12 March 2009



Warren Staude
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

ABN 79 112 284 787

To the members of Stonehenge Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stonehenge Metals Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stonehenge Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stonehenge Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls Audit & Assurance (WA) Pty LtdThe image shows a handwritten signature in black ink. Above the signature, the words 'BDO Kendalls' are written in a cursive, handwritten style. The signature itself appears to be 'Peter Toll'.

Peter Toll
Director

Perth, Western Australia
Dated this 12th day of March 2009