



STONEHENGE METALS
LIMITED

Stonehenge Metals Limited

ABN 81 119 267 391

Annual Report
Stonehenge Creek
EL 17/2003

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1 Introduction

This report details all exploration activities by Stonehenge Metals Limited within EL 17/2003 during the period 1/1/2007 – 30/5/2007.

EL 17/2003 covers an area of seven square kilometres and is located approximately three kilometres southwest of Zeehan on the Tasmanian west coast. The lease was transferred to Stonehenge Metals Limited in 2006 subject to Stonehenge's subsequent listing on the Australian Stock Exchange on 20th December 2006.

Stonehenge Metals Limited ("SHE") began active exploration of the tenement in January 2007. Its principal targets of interest are Proterozoic shear hosted lead-zinc-silver deposits, carbonate-hosted lead, zinc, silver deposits and ultramafic hosted nickel sulphide deposits.

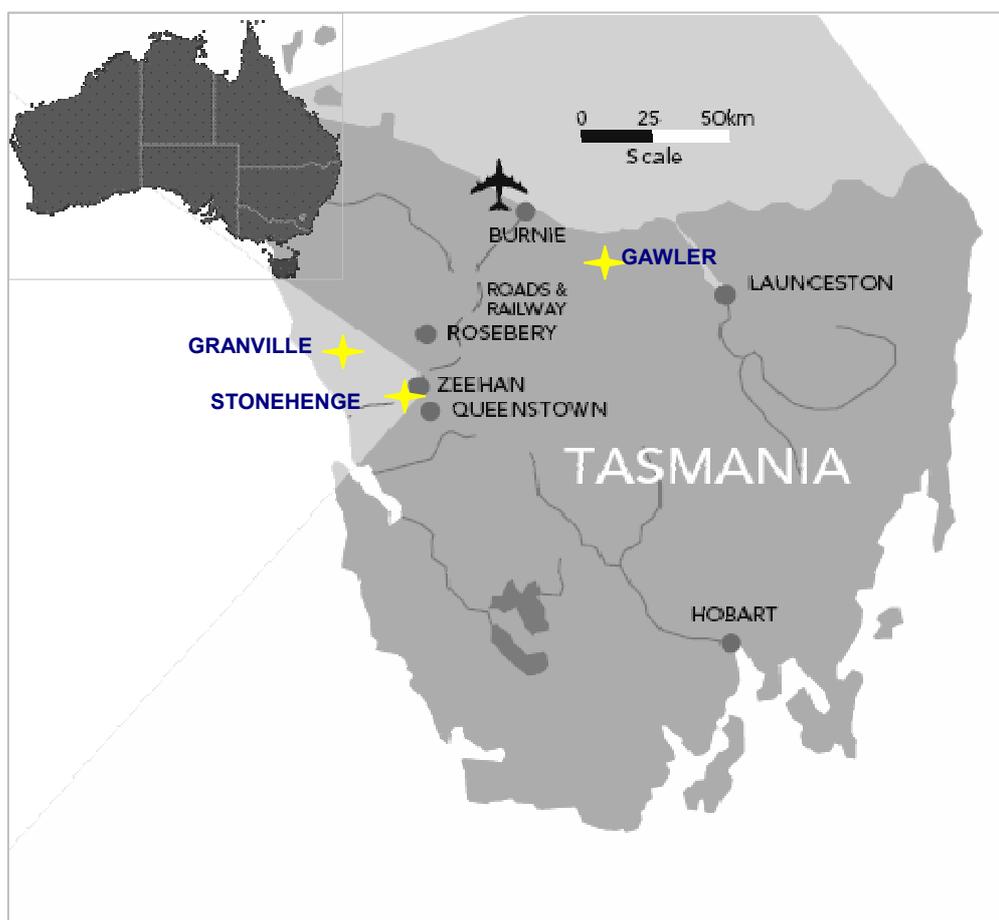


Figure 1. Location Map showing location of the Stonehenge Lease.

2 Location Access and Tenements

EL 17/2003 is located approximately three kilometres southwest of the west coast mining township of Zeehan. Access to the initial prospects of interest is from the northeast via the Spray Tunnel and tramway, or from the north, southwards from the Trail Harbour Road in and thence via the Britannia or Swansea Tramways. The tramways have a generally well-compacted surface suitable for 4WD during the wet, winter months, or two-wheel drive during drier periods.

The topography provides varied foot access, ranging from gently to moderately sloping, fairly open, button grass covered ground to, heavily forested gullies and incised steep hill slopes (inaccessible by foot) with relief of three to five hundred metres. The annual rainfall in the area is usually heavy – up to two and a half metres, with most falling in the winter months. Outcrop over both open ground and hill slopes is generally sparse; however tramway cuttings provide excellent rock exposures.

3 Regional Geology

The main features of the regional geology are a large granite dome which intruded a sequence of Proterozoic sedimentary rocks (older than 600 My) during Late Devonian times (c.390 My ago). The granite is known as the Mt Heemskirk granite with the mountain of that name being located in the north east of the granite outcrop and rising to 742m. Mt Agnew, another significant topographic feature, is located in the south eastern area of the granite outcrop, rises to 848m, and lies 9km due west of the township of Zeehan.

The broad regional geology is presented in Figure 2 and the tenements that Stonehenge is acquiring are also shown on this map. The tenements are close to the main roads providing good access to the tenements but due to topography and marshy areas access to some areas within the tenements is more difficult.

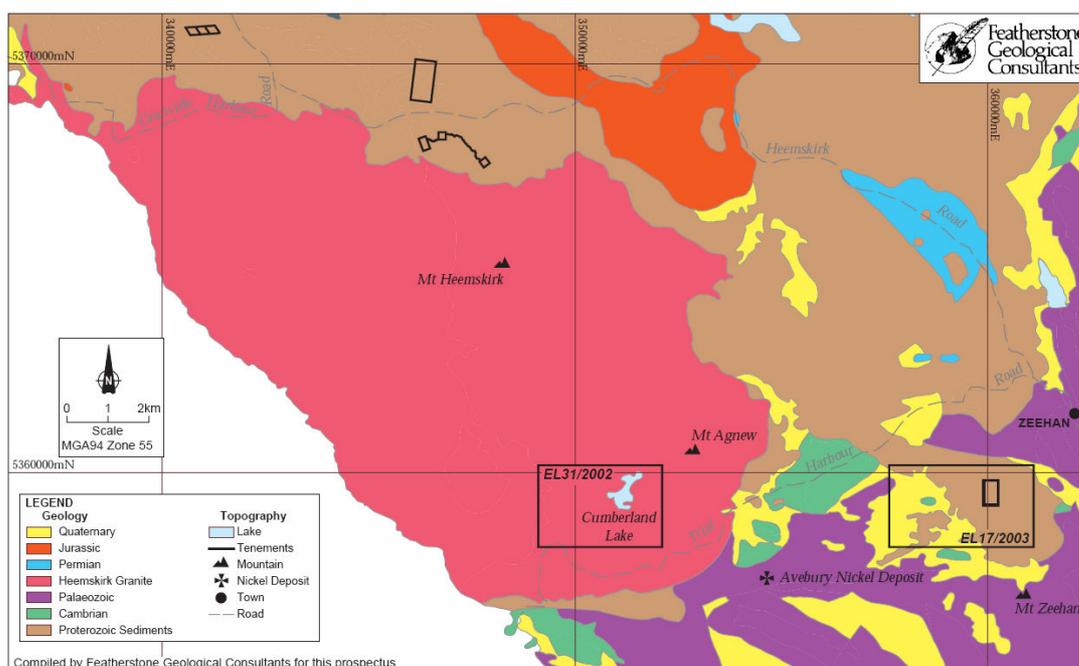


Figure 2. Regional Geology of the Zeehan Area.

The granite is a coarse grained tourmaline rich muscovite granite. Its outcrop is roughly oval in shape, elongated E-W, with the western portions extending to the west under the sea. The outcrop is 10km north to south and the granite is not homogeneous with several different variations able to be mapped. The intrusion shows chilled margins within 2m to 3m of the contact where it is a fine grained, white, aplitic granite. The main body of the intrusion is formed of a red granite but in some areas a white granite is present and tin mineralization may be associated with the white granite.

The Proterozoic rocks are mainly quartzite, micaceous quartzite, and black shale of the Oonah Formation. Carbonate rich beds are also present. These rocks have undergone medium grade regional metamorphism and may also have been subjected to contact metamorphic effects close to the granite where they were heated by the granite magma. In the south east and the south rocks of Cambrian age are present and these are also intruded by the granite. These are mostly sedimentary but also include some ultramafic bodies which are attracting attention as part of a new geological model for economic nickel deposits such as that being currently developed at Avebury.

The late stages in the crystallization of the granite resulted in the production of hot saline solutions containing various metallic elements. Stresses produced by the intrusion resulted in faults and fractures in the country rocks and also fractures in the granite itself in some places. The solutions carrying the metallic ions were able to enter some of the fissures and as the solutions travelled along them they began to cool and precipitate minerals which crystallised on the walls of the fissure and formed a vein. Such fissures are called lodes and such mineralization is referred to as hydrothermal mineralization. Since different metallic minerals crystallize at different temperatures those that crystallize at higher temperatures are deposited first and the others further along, or up, the lode. This results in a zonation of the mineralization with high temperature minerals near the granite and lower temperature minerals further away.

3.1 Local Geology

The geology of the region covering the tenement is complex and is comprised principally of the Oonah and the Crimson Creek Formations. The Oonah Formation is of Precambrian age (quartzites, micaceous quartzites, siltstones, shales, graphitic shales and dolomitic units) and has been thrust over the younger Cambrian sediments of the Crimson Creek Formation (interbedded volcanoclastics, basalts, mudstones and shales) by the low angle Tenth Legion Thrust. Five sets of folds have been identified in the area. (Upton 1996). The axes of the folds trend north-west with an inferred wavelength of approximately two kilometres. North trending and east trending faults transect the tenement, crenulation cleavage, with variable orientation, is visible in outcrops of phyllite and slate along several of the track cuttings. Fault trends (Devonian?) are generally west-northwest and north-northwest to north-northeast. The Devonian age Heemskirk Granite lies about three to four kilometres to the northwest of the EL and is gravity-inferred to underlie the project area at a depth of 1-2 kilometres.

4 Previous Exploration

EL 17/2003 is located within the historical South Heemskirk Mineral Field. The general area has been the subject of exploration activity since the 1870s. It contains numerous old Ag-Pb-Zn fissure-load prospects most of which were worked in the period 1882-1910. The field was left largely untouched from 1919 until 1946 except for occasional, sporadic, relatively low-intensity exploration activity. During the 1980's and 1990s the Stonehenge area was targeted for stanniferous sulphide-rich carbonate replacement (Renison-Bell style) mineralisation by RGC and for Proterozoic shale-hosted zinc deposits by CRAE. CRAE entered a joint venture arrangement with Allegiance Mining NL during the 1990s; this work resulted in the discovery

of the Avebury nickel deposit. When CRA withdrew from the JV (and the state) in 1996, Allegiance gained title to the entire EL. Allegiance relinquished the eastern half of EL 28/88 and seven square kilometres of it was taken up by the McDermott brothers, as EL 17/2003. This holding was subsequently sold to the current holders - Stonehenge Metals Limited – in December 2006.

This Exploration Licence contains the Mining Lease wholly within its boundaries so in describing the thirty three prospects in this area those within the Mining Lease will not be identified separately and all will be described as being located within the Exploration Licence. On the map of the prospects the boundaries of the mining lease will be shown enabling those prospects lying within the Mining Lease to be identified. The locations of the prospects are presented in Figure 7. The location information has been obtained from Mineral Resources Tasmania however the accuracy of the location information can be low and accurate positions for the prospects should be established by Stonehenge Metals during its initial field investigations.

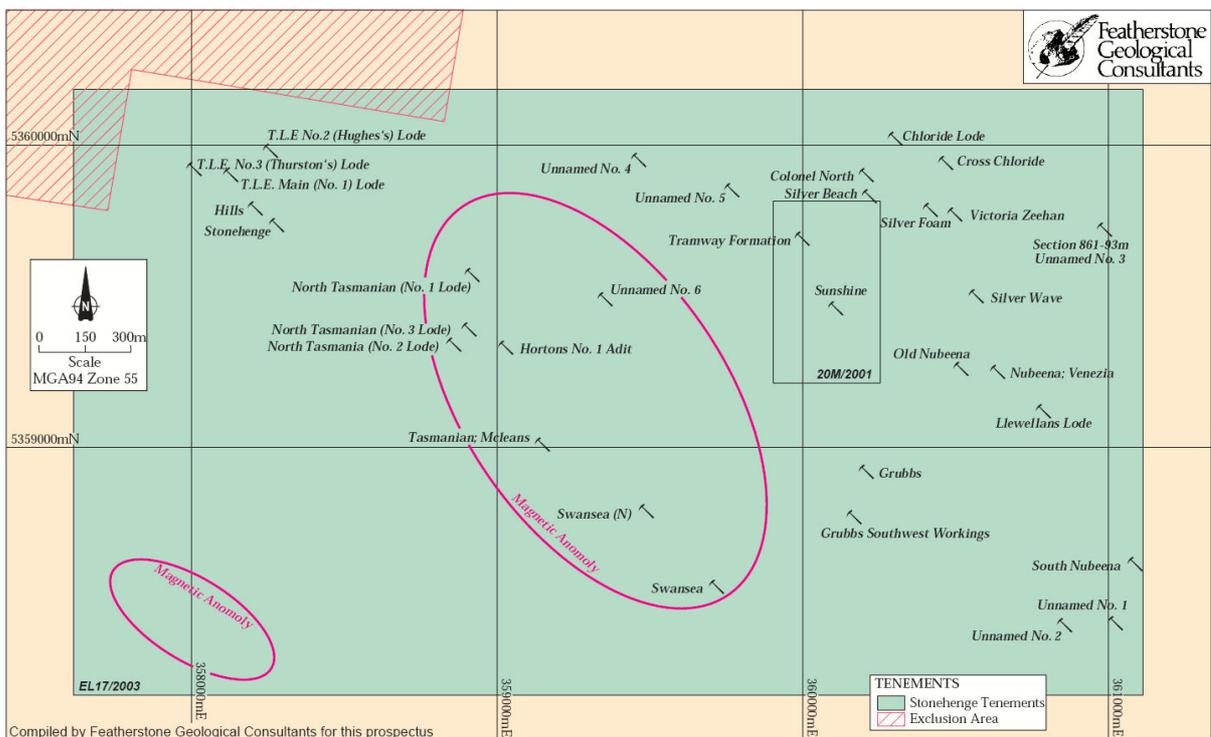


Figure 3. Lead-zinc-silver prospects on the Stonehenge Lease.

The prospects and old mines have been put into two groups based on their location within the Exploration Licence. Recent exploration activity took place on a large grid known as the Stonehenge Grid and this work will be described in a third section. The groups are :-

- The Tasmanian Mine and South Western Group.
- The Grubbs Mine and North Eastern Group.
- The Stonehenge Grid

These prospects were typically pegged and relinquished quite regularly possibly with limited periods of production which will not be described in detail. The basic geology and total recorded production together with any important features of the mineralization will be presented. In the early days it was the lead/silver ore that was sought after and the presence of the zinc mineral sphalerite incurred penalties. The ore had to be amenable to hand cobbing and hand sorting to produce a high grade product ready for smelting.

If the topography at a mine was suitable a drainage adit would be driven from the nearest low topographic point to remove water from the workings and enable extraction of ore above the adit. After this ore had been won it was necessary to sink a shaft below the water table and this was a problem during the 19th Century and the early days of the 20th Century. At a number of mines shafts were sunk to 50m or so but efficient pumping equipment and the means of powering it were lacking and expensive so it was impossible or uneconomical for many to go deeper.

Exposure within the licence area is poor and selective. The limestones and shales, which drilling indicates are a major proportion of the stratigraphy, are rarely seen in outcrop. One of the features of the area is the presence of numerous outcrops of Precambrian Oonah Formation. Work during the 1990s has confirmed that these areas of Oonah rocks are bounded by sections of the 10th Legion Fault which is present as a low angle thrust. The older Precambrian rocks have been thrust over the younger rocks and subsequent weathering and erosion has removed much rock leaving isolated patches of Proterozoic rock resting on the Cambrian and Post-Cambrian succession in some places. These are known as klippe and these klippen rest on the fragmented thrust plane. Some of the larger klippe of Oonah Formation are reported to be up to 300m thick.

4.1 The Tasmanian and South Western Group

4.1.1 The T.L.E. Prospect

This prospect (Tasmanian Land Exploration) is located on the northwest end of the line of lode in the northwest corner of the licence. The first lease on the property was taken out in 1888. The Main Lode (No.1.) strikes at 36° and dips 75° W with a shaft to about 34m. The No.2. Lode (67m east of No.1.) strikes at 34° and was found soon after and subsequently the No.3. Lode was found to the west of No.1. Lode striking at 356°. In 1913 a government prospecting party cut 830m of trenches near the T.L.E. without success. Some ore was raised in 1925 and the ground held from 1951-1959. The Mines Dept. attempted to drill the lode in 1957 but the hole was abandoned at 7m.

The country rocks are Cambrian conglomerate, greywacke, and shale. The Tenth Legion Fault Zone lies a short distance to the north bringing Proterozoic quartzite and slate over the Cambrian rocks. The ore is described as massive pale yellow to mid brown sphalerite with minor galena and quartz gangue but galena rich patches and shoots occur with good silver grades.

Up until 1911 at least 300t of galena was produced containing 200t of lead and 30,000oz of silver. In 1954 5.52t of ore were raised containing 2.85t of lead, 0.76t zinc, and 31oz silver.

4.1.2 Mr Hill's Prospect

The location of the prospect is given on the MRT database. In fact Mr R.B. Hill was a very active prospector in this area in the 1950s and held the T.L.E., Stonehenge, and Tasmanian prospects. The prospect named after him is a small copper show located about 120m west of Stonehenge. The outcrop showed copper mineralization grading 15% copper. A shaft put down 6m failed to find any sign of a lode or vein.

4.1.3 The Stonehenge Prospect

Located 200m southeast of the T.L.E. Main Shaft this was first pegged in 1888. In 1893 the Stonehenge Silver Mining Co. NL was formed to work the property. The company ceased work in 1894. Approximately 45t of ore was raised containing some 30t of lead and 2,700oz silver.

Three lodes were present striking NNE but only one was exploited. This lode strikes at a bearing of 25° and had a very steep SE dip in the upper workings changing to NW in the lower. The mineralization was present in a vein of sulphides 150mm wide within quartz siderite gangue 0.5m wide. The sulphides consisted of pyrite and sphalerite with some chalcopyrite with galena as bands and blebs.

In the 1990s CRA mounted an exploration programme for skarn style mineralization in calc-silicate hosts and Irish style base metal model mineralization in limestones and shales. One of the areas identified as prospective was that secured by Stonehenge Metals current tenement. This area was covered by a large grid which had its origin just west of the Stonehenge Mine and also near Stonehenge Creek and was named the Stonehenge Grid. Work by CRA was followed by Renison/Goldfields and then by Allegiance Mining NL. This work will be detailed after the mines and prospects have been covered.

4.1.4 North Tasmanian (No.1) and Tasmanian No. 2 and No.3.

These mines are located about 700m southeast of Stonehenge and were part of a group of mines acquired by the Tasmanian Silver Mining Co. Ltd between the T.L.E. Mine in the northwest and McLeans Creek in the southeast.

At the North Tasmanian Mine there are two lodes. The No.1. Lode strikes at 20° and dips NE. There was a shallow adit drive for about 60m and stoping to surface. A shaft was sunk to 58m with a level at 30m and a good shoot of galena and sphalerite was taken out up to surface. About 65m to the west of the shaft the No.2. Lode was discovered striking at 10° and dipping 80° W. This was worked from adit stopes to surface for about 50m.

The Tasmanian No.3. Lode may be a faulted continuation of the No.2. Lode. It was discovered by a tributor named Riley and is also referred to as Riley's Workings. The lode strikes at 322° with a vertical dip. The ore was not of high grade at 20% lead and 40% zinc and a 16t parcel failed to cover cartage costs due to penalties for the zinc content so mining was halted.

These workings are in Proterozoic Oonah Formation and also Cambrian Dundas Group basalts, shales and greywackes. The host rock for the No.1. Lode is hydrothermally altered soft pale shale of the Oonah Formation. The vein consists of pyrite, siderite, and sphalerite, being replaced by galena and arsenopyrite with the galena containing minor copper mineralization.

Production figures for these mines are not quoted but the production is included in the figures for the Tasmanian Mine.

A government prospecting trench 350m long was put in about 70m north of Main Shaft in 1913 on a bearing of 70°. No mineralization was found. In 1957 three boreholes were drilled by the Mines Department under the No.3. Lode for 29.6m, 29.9m, and 31.4m depressed at 55°. A few veinlets of galena, sphalerite, and pyritized shale were cut and the results discouraged further exploration.

4.1.5 Tasmanian Mine

The Tasman Mine is also known as Tasmanian; McLeans. The Main Shaft is situated 640m SE of the North Tasmanian shaft. The mineralized zone was traced NNW from the Swansea Mine about 750m to the SSE in 1888 passing through Swansea North.

An adit was driven on the lode and its bearing for 64m but no mineralization was found after 36m. The ground was described as "broken and the lode was found not to rise into it." The northern part of the workings lie within sheared and shattered Proterozoic quartzite,

siltstone, and shale which are faulted to the south against Cambrian chert-conglomerate and siltstone. The lode strikes at 327° and generally varies from 0.5m to 1m but may be up to 1.5m. The ore is sphalerite – pyrite associated with quartz

The main shaft was sunk to 22m. Stoping was carried out up to the adit level. Sulphide mineralization ranged from 100mm up to 1.2m wide but was patchy and contained much sphalerite. Little production until 1933 when it was acquired by J.Hill. There was steady production to 1941. From 1942 until 1961 the lease was held by J. J. Hill and small quantities of ore were produced spasmodically.

Total production for the Tasmanian Mines was 1,200t for 730t of lead, 41,299oz silver, and 8t of zinc.

4.1.6 The Swansea North Shaft

This shaft is located about 300m NNE of the Swansea Mine and is on the extension of the lode from the Swansea Mine and is really part of that mine. The workings can be followed to within 30m of an E – W cross-cutting fault about 50m north of the shaft.

4.1.7 The Swansea Mine

The mine is located 200m north of McLeans Creek. The lode channel strikes at 335° and dips shallowly at about 45° and is 9.9m wide. The sulphides occur in shoots striking obliquely across the channel at 319°. These shoots tend to anastomose within the lode and extend along strike to the NNW for 320m just past the Swansea North Shaft. Host rocks are considered to be Cambrian (Dundas Group) sediments.

The lode was worked to the No.4. Level at 46m but the lowest level was only just being developed when the mine closed. There were three main ore shoots in the upper levels with two of them merging at the No.2. Level (24m) and it was thought that development on the No.4. Level (46m) would find that they had merged into one shoot at this depth.

In 1922 A. M. Reid reported the presence of a narrow pyroxenite dyke at Swansea striking NW and bearing small quantities of various nickel sulphides. This dyke therefore lies roughly along the axis of the large magnetic anomaly on this tenement. The occurrence of nickel sulphides within the magnetically anomalous area does not confirm the presence of prospective nickeliferous ultramafic rocks at depth but is certainly a very positive feature.

Production to 1929 was 2,260t of galena ore and 1,240t of sphalerite ore containing 1,340t of lead, 35,630oz silver, 579t zinc, and 41t cadmium.

4.1.8 The Silver Wave

This mine is located about 700m east of the North Tasmanian Mine. This mine worked two main lodes bearing at 30° and dipping NE at 80° and consisted of fracture zones containing veins of galena. It had a shaft to 12m and operated during the early years of the field. Production took place under the ownership of the Nubeena and also the Victoria Zeehan mining companies and was not reported separately.

4.2 The Grubbs Mine and North Eastern Group.

4.2.1 The Grubbs Mine

This mine is located just south of the centre of the eastern half of EL17/2003 on the eastern side of McLeans Creek. From 1888 to 1903 the mine was worked by W.C.Grubbs when it was taken over by Colonel North Mines and Railway Co. NL. The author inspected the exposures at the mouth of the adit and the lode material on the stockpiles.

This was one of the more substantial mines with the main shaft finally sunk to 98m with five levels developed. The mine closed due to lack of ore but the reason is not clearly explained. The lode may have been faulted out between the No.4. and No.5.Levels, where a fault is shown on a section of the mine. While this might be the case the mineralization was reported to be weakening with depth and below the three level there was sphalerite veining reported but little galena. The proportion of recovered silver to lead at close down had fallen to half that at the start of mining and together with the galena ore becoming less abundant with depth mining may have become uneconomic.

The Beauments Prospect is located just east of Grubbs Mine but data on what was found has not been sighted.

4.2.2 Colonel North

The shaft here was sunk by Grubbs Silver Mining Co. NL in 1890. The operation was suspended in 1896 due to financial difficulties and was sold to Colonel North Mines and Railway Co. NL in 1903. This company bought up a number of properties in this area and had mining operations on several of them at different times. The shaft was sunk to a final depth of 61m. A crosscut was then driven northeast from the bottom level but not completed. Further work on this crosscut was carried out by Silver Beach tributors and then the Victoria Zeehan Co. with it being driven a total length of 137m. The end of the crosscut intersected two barren quartz siderite lodes. No Further work was reported.

The mineralization was in two lodes dipping to the east. The sulphides were in siderite quartz gangue.

4.2.3 The Sunshine Prospect

This prospect is located south of the Colonel North mine.

The strike here is NE and roughly parallel to the strike of the Grubbs lode but is off line to the east. Mineralization and gangue material along the lode may be present in the wall of the current shallow pit but is difficult to interpret. A 22m long adit was driven by the old miners along the structure.

There is no lode structure visible in the main area of the shallow pit that has been excavated by McDermott Mining P/L (MDM). Prior to mining by MDM there was a small hill about 30m high on this site. The pit is in a broad zone of pyritic material which looks like a loose fine black sand containing rock fragments that are hard to see or pick out until the material is washed when the fragments can be separated. These appear to be fragments of slate that are bleached and contain mostly sphalerite with some galena. This material is believed to be an eluvial deposit formed by the near surface enrichment of sulphides by the solution of the carbonates forming a calc-silicate. This process has left a layer of black sulphidic sand sitting on what is surmised to be limestone underneath. The chemistry of this process has not been established but it is possible that a low pH in the swampy peaty conditions combined with the acidic products of the weathering of pyrite has led to solution of the calc-silicate leaving the minerals that were dispersed within it to accumulate. The black sand is reported to be commonly found on calc-silicate units. The zinc grade of these deposits is considered to be related to the presence of stratiform mineralisation in the limestone and is very likely to form ore bodies.

No production reported to MRT.

4.2.4 The Tramway Formation

This located on McLeans Creek just east of Grubbs Tramway about 300m SW of the Colonel North Shaft.

The lode is 1.2m wide containing a sulphide vein 450mm wide. The gangue is porous quartz and pyrite with galena and sphalerite veining. The lode is exposed in two holes but trenching north and south has failed to pick it up.

To the NW of this prospect are two unnamed sites where minor prospecting has been carried out.

4.2.5 Silver Foam Adit and Shaft

In 1901 the Silver Foam Tributing Co. drove an adit 183m NE from a point near the tramway 60m west of the later Victoria-Zeehan Shaft. The target was the southern extension of the Spray No.1. Lode from the Spray Mine to the north. Records are not consistent but it seems probable that the intersection with the lode was made at 127m. It was then driven for 25m to the north but only a little pyrite was found. Some patches of galena were found in a winze sunk 18m. Only traces of galena occurred on the hanging wall in a shaft sunk 30m from the adit. At the 15m level in the shaft the Victoria-Zeehan Co. later found a small vein of jamesonite and galena which was followed for 8m.

4.2.6 The Victoria-Zeehan Mine

This is located ESE of the Colonel North Shaft. In 1907 a shaft was sunk by the Colonel North Mines and Railway Co. NL to a depth of 95m. A crosscut was driven east for 66m with the Spray No.1 lode being intersected at 56m. The lode was 1.8m wide and was driven on for 47m where a thin vein of galena was found. Further driving was prevented by an inrush of water which flooded the lower part of the mine. More powerful pumping equipment was installed in 1909 but failed to drain the shaft.

In 1908 recorded production of 28.5t of ore (including ore from the Foam Adit)

Approximately 100m east of the Victoria-Zeehan Mine some un-named prospecting has taken place.

4.2.7 Office Adit

From about 60m due south of the Colonel North Shaft the Silver Beach Tribute Party drove an adit 183m to the NE. Three siliceous gossans were intersected within the decomposed slate but no mineralization of significance was found.

4.2.8 Chloride and Cross Chloride Lodes

The Chloride Lode lies 150m N of the Silver Beach Adit and the Cross Chloride 200m ENE. The lode contains bands and nodules of hematite and limonite bearing silver chloride and native silver which were worked by tributors around 1900. Small patches of ore are reputed to have graded 1,000 oz/t but average stoped ore graded 40 oz/t.

4.2.9 Silver Wave Workings

These consist of a shaft and several adits and are found about 400m due east of the Sunshine Mine. The Silver Wave Tributing Party explored at least one ore body striking NNW and dipping east prior to 1900. Further investigation by later parties also found small sphalerite veins with galena that were rapidly worked out.

4.2.10 The Nubeena Workings

These workings extend SSE in a line from the Silver Wave Workings. The Old Nubeena workings are located about 100m to the W of Nubeena; Venezia and were on a galena-pyrite lode striking at 17° and dipping east. The mineralization was first discovered in 1889. The vein was reported to be up to 120mm wide. The vein was subsequently driven on for 40m and the lode drive was accessed from a crosscut adit. Production was small and intermittent and the property changed hands frequently over the following years with another lode drive being driven above the original one.

In 1904 at the Nubeena Venezia an E-W adit was driven and intersected three lodes – Jaeger's, No.1., and Barnett's. Jaeger's Lode was up to 1.5m wide with 150mm vein of galena but limited stoping revealed the mineralization was irregular. The No.1. Lode contained only minor veining and was not exploited. Barnett's Lode was intersected 60m east of Jaeger's and was a quartz lode in slate with patches of ore and a 150mm vein near the footwall. It was driven on for over 50m and stoped to a height of 30m over a strike of 45m.

About 100m ESE of Venezia adits were driven in 1904 that found Llewelin's lode. Two lode drives were driven one 12m above the other. The mineralization was patchy but a shoot about 12m long and up to 0.5m thick was found in the upper lode drive.

The country rock in the Nubeena locality appears to have suffered greater stress than the surrounding areas and the rocks are highly fissured and faulted. The mineralization that is present is more variable than that typically found in the Zeehan field which makes it difficult to assess and mine.

It has been estimated that about 500t of concentrates were produced from the Nubeena Mine containing around 325t of lead and 42,000oz of silver.

4.2.11 South Nubeena

This lode was considered to be like Llewelin's Lode. The galena veins were only up to 50mm wide but assayed at 70% lead and 100 oz/t silver. About 78t of ore were produced containing 50t of lead and 7,000oz silver.

About 220m and 530m south of South Nubeena prospecting has been conducted but these areas are not named and there is no information on them.

4.2.12 Summary

This completes the descriptions of the old workings on EL17/2003. In most of these mines the narrow veins present are not economic to mine today. The zinc ore, sphalerite, that is present in most of them was not of interest when these mines operated but is a saleable item today. It is possible that a modest profit could be made by recovering a sphalerite concentrate from those lodes containing a wide vein of sphalerite that has been left. This possibility is worth a brief investigation to establish minimum economic parameters and determine if a suitable lode exists. Mines such as Grubbs should be reviewed in the light of current market conditions

4.2.13 Regional Exploration Programmes.

Between 1946 and 1960 Zeehan Explorations Pty Ltd (a joint venture between North Broken Hill and Broken Hill South) carried out ground surveys to determine the continuity of the Spray – Nubeena lode zone and initiated the BMR managed magnetic, gravity, and electrical, surveys. The work obtained some encouraging responses around the Oceana Mine which was then re-opened and subsequently produced 131,000t of ore grading 11.6% Pb, and 4.87 oz/t silver between 1954 and 1960. The Mineralization here was recognised by

Amoco (Cyprus Mines) as both stratiform and epigenetic stratabound within the Gordon Limestone and of the sediment hosted exhalative (Irish) type.

From 1966-1970 Placer Prospecting Pty Ltd focussed their attention on the Spray Mine conducting a TURAM EM survey over the main lode. Minops Pty Ltd farmed into the project and drilled several holes. This work was largely to the north of Stonehenge Metals tenement.

From 1970-1972 Tenneco Pty Ltd dewatered, sampled, and drilled the Spray Lodes. They cut a jamesonite lode (0.2m at 16.8% Pb, 0.08% Zn, 8.8% Sb, 1.4% Cu, and 271 oz/t Ag.) but it was of very limited extent. A TURAIR airborne EM survey covered much of the Gordon Limestone outcrop. Follow up gravity, Turam ground EM, and SP surveys, produced mixed results. Again this work concentrated mainly to the north of Stonehenge Metals tenement.

From 1974 Mt Lyell Mining and Railway Co. Ltd (SPL129 granted 1973) and Renison Ltd (EL11/1976 granted 1976) commenced an extensive programme of exploration on the area between the coast and Zeehan. Prior to this most exploration had consisted of further investigation of known deposits. In 1976 EL11/1976 covered the area from the coast to the east covering most of the Hemskirk Granite and SPL129 covered the Proterozoic and Early Palaeozoic rocks around the granite margin to the south and south east and across to south of Zeehan. The easterly area of the SPL included the ground currently held by Stonehenge Metals with EL17/2003. Gold Fields Exploration Pty Ltd (backed by RGC Ltd) joined Mt Lyell and Renison and became operator of the JV which continued until 1986.

In 1974-75 the Barringer Input Airborne EM System was trialed and obtained a number of conductive anomalies with associated magnetic anomalies. In 1981-82 the Turair and Dighem airborne EM systems were compared. The Dighem was considered to be more sensitive and gave similar responses to the Input system. In 1982-83 the ground based VLF EM was used as follow up and identified weaker anomalies than Dighem.

In 1980 more detailed ground work commenced and major grids were established over the Federation and Mt Agnew areas and in 1982 the Stonehenge Grid was put in over the north eastern area of the SPL. It seems it was named Stonehenge because the origin of the grid lies to the NW of the prospect of that name and also the creek of that name. This grid covered most of the area now held by Stonehenge Metals. In 1983 a DIGHEM survey was carried out over the grid and a report on the results of geophysical surveys was made. SPL129 was amalgamated into EL11/1976 in 1984. The Gold Fields group drilled six DC holes (TH12-17) completing the programme in 1985-86. With no further work recommended the licence was surrendered in 1987.

The Exploration Licence EL28/1988 was granted to the Duke of Avram in 1988. In May 1989 it was acquired by Major Mining Ltd. This was a large licence with the main body of the tenement extending 17km from the coast in the west, to east of Zeehan in the east, and 9km north to south. The licence also had a narrow arm extending north from its eastern margin to north of Zeehan. EL17/2003 of Stonehenge Metals was located within this licence on its north eastern boundary.

This company initially focussed its interest on an area to the south east of the Comstock Mine looking for extensions to this mineralization. This work just extended into the north western corner of Stonehenge Metals' tenement.

4.2.14 The Stonehenge Grid (renamed Tramway)

The airborne EM anomalies were followed up with bedrock geochemistry, ground magnetic, VLF EM, and gradient array IP surveys. R.Poltock, for Renison Ltd, mapped the eastern end

of SPL129 in detail during May-June 1981 however exposure is generally poor in the area. Part of the area mapped is shown on Figure 8 which also shows the location of the drilling carried out at various times.

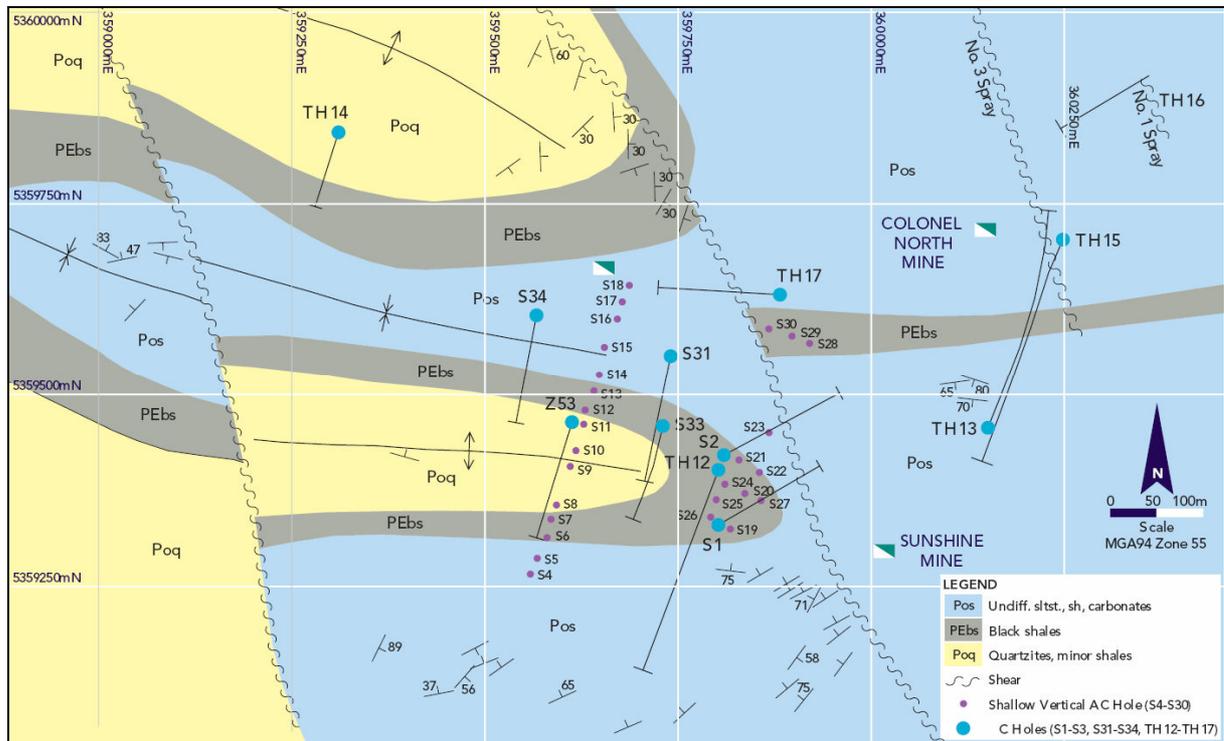


Figure 4. The Stonehenge (Tramway) and Sunshine area.

In May 1983 a DC hole TH12 was drilled in an attempt to test the broad VLF EM anomaly at depth. The hole was collared at 359911.3 mE and 5359567.5 mN MGA on a bearing of 199° and depressed at 55°. The summary log is :-

Depth m	TH12
0 - 10.5	Pseudo-gossan and clay
32.0	Black Shale
41.0	Mineralized fault breccia
59.0	Dolomite
79.3	Poor recovery zone
82.0	Mineralized fault breccia
128.5	Dolomite
129.8	Fault breccia
280.7	Interbedded black shale and sandstone
398.7	Spilite
400.0	Fault breccia
401.5	Spilite

The intersected dolomitic sedimentary horizon, although unmineralized in this hole, is a suitable host rock for skarn type replacement mineralization.

Two significant base metal rich fault zones were intersected which also contained high values of arsenic and antimony but below 0.01% Sn.

32.0–42.0m : 0.06% As, 0.02% WO₃, 0.02% Cu, 1.0% Pb, 2.49% Zn, 32 g/t Ag, 0.04% Sb.

79.0-82.0m : 0.25% As, 0.07% WO₃, 0.85% Cu, 1.0% Pb, 10.3% Zn, 261 g/t Ag, 0.73% Sb.

This hole reached a depth of 329m below surface but has not revealed the source of the VLF EM anomaly. The location of the prospects can be inaccurate but Mineral Resources Tasmania recently undertook checking of reports and issued revised location data which was used in compiling Figure 7.

In 1983-84 a further three holes were completed. DC hole TH13 was drilled to test the southern extension of the Spray No.3. Lode. It was collared 200m NNE of Sunshine at 360261.0 mE and 5359613.3 mN MGA on a bearing of 21° and depressed at 46°. The summary log is :-

Depth m	TH13
0 - 10.0	Surface debris
- 64.0	Poor recovery – weathered dolomite or fault zone
- 75.3	Mineralized breccia
- 165.5	Altered dolomite
- 220.2	Dolomitic siltstone
- 272.8	Shale
- 389.7	Dolomite
- 397.7	Black shale
- 418.2	Dolomite
- 421.0	Quartz dolomite vein
- 431.2	Dolomite

Assay Summary

64.0-75.3 : <0.01% Sn, <0.01% WO₃, 0.13% Pb, 0.43% Zn, 6 g/t Ag.

87.0-148.0 : <0.01% Sn, 0.01% WO₃, 0.90% Pb, 0.59% Zn, 29 g/t Ag.

418.2-422.0 : <0.01% Sn, <0.01% WO₃, 0.01% Pb, <0.01% Zn, 1 g/t Ag.

The last intersection above is interpreted to be the extension of the Spray No.3. Lode.

DC hole TH14 was designed to test a brecciated sandstone with a combined geochemical and VLF EM anomaly and was collared 1km NNE of the Tasmanian at 359429.4 mE and 5360023.6 mN MGA on a bearing of 202° and depressed at 55°. The summary log is :-

Depth m	TH14
0 - 37.8	Weathered siltstone and shale
- 48.6	Weathered fault zone
- 55.1	Black shale
- 58.7	Fault zone
- 67.4	Dolomitic siltstone and shale
- 68.5	Breccia
- 125.7	Silty sandstone
- 170.0	Sandstone

Assay Summary

37.8-48.5 : <0.01% Sn, <0.01% WO₃, 0.12% Pb, 0.04% Zn, 2 g/t Ag

55.1-58.7 : <0.01% Sn, <0.01% WO₃, 0.12% Pb, 0.04% Zn, 1 g/t Ag.

143.1-147.0 : <0.01% Sn, <0.01% WO₃, 0.02% Pb, 0.01% Zn, 7 g/t Ag.

The target returned 10.7m at 0.12% Pb, 0.04% Zn, and 2 g/t Ag.

DC hole TH15 was designed to test the southern extension of the Spray Lodes. It was collared 500m NNE of Sunshine and drilled at the opposite azimuth to TH13. Collar at

360360.6 mE and 5359877.8 mN MGA on a bearing of 201° and depressed at 60°. The summary log is :-

Depth m	TH15
0 - 61.4	Quartzite
- 206.0	Fault zone (breccia and clay)
- 240.8	Interbedded black shale and dolomite
- 305.7	Black shale and siltstone
- 369.2	Interbedded black shale and dolomite
- 464.1	Black shale
- 487.3	Interbedded black shale and dolomite
- 508.85	Dolomite
- 518.6	Black shale
- 521.6	Pyritic mineralized zone
- 557.8	Dolomite
- 563.75	Pyritic mineralized fault zone
- 599.0	Dolomite and minor black shale

Assay Summary

61.4-100.5 (39.1m) : >0.01% Sn, <0.01% WO₃, 0.30% Pb, 0.21% Zn, 7 g/t Ag.

167.0-191.0 (24m) : <0.01% Sn, <0.01% WO₃, 0.27% Pb, 0.54% Zn, 1 g/t Ag.

557.8-563.75 (5.95m) : <0.01% Sn, 0.43% As, 0.01% WO₃, 0.08% Cu, 0.22% Pb, 0.12% Zn, 35 g/t Ag, 0.05% Sb.

This hole intersected a different sequence from that in hole TH13 which could result from several different possibilities but the geology is not well known enough to confidently state what is the correct interpretation. This hole again intersected zones of low grade mineralization.

In 1985 additional ground EM surveys and ground magnetic surveys were performed and two more DC holes were completed on the Stonehenge Grid.

Hole TH16 was drilled in a further attempt to locate extensions of the Spray mineralization to the south. This hole was just outside the northern boundary of Stonehenge Metals licence and intersected the Spray No.1.Lode in shale and sandstone instead of in dolomite as planned. The intersection at 333m (200m vertical) was interesting in being devoid of lead, zinc, and silver, but anomalous in tin, arsenic, and copper, which is interpreted to confirm the expected mineral zoning with tin increasing with depth. The planned down hole geophysics had to be abandoned when the hole blocked after the steel casing was removed and before plastic casing could be inserted.

Hole TH 17 was designed to investigate a subtle combined magnetic and EM anomaly located in what is now the north east corner of Stonehenge Metals current tenement. The anomaly was considered to be due to graphitic black shales and limited assaying was carried out.

None of the above drilling targeted the strong magnetic anomaly which modelling estimates should lie at a depth of 400m.

In March 1986 the poor tin prices were stated to warrant a review of the project and it was proposed that the exploration licence be reduced to roughly the ground now covered by EL17/2003. It is not known if this recommendation was followed but all the ground had been relinquished by 1988 when it was acquired by the Duke of Avram and Cavenridge Pty Ltd as EL28/1988 granted on 09/11/88. This and several other licences were acquired by Major

Mining Ltd in May 1989 (name change to Allegiance Mining NL in 1993) and consolidated into one as EL28/1988 of 129 km². Major Mining mounted some geophysical exploration programmes then on 23rd April 1991 formed a joint venture partnership with CRA (Rio Tinto Exploration Pty Ltd). CRA considered the Zeehan area showed fundamental similarities with Lawn Hill in NW Queensland and was prospective for shale hosted stratabound Zn-Pb deposits.

In 1992 CRA conducted geochemical testing of IP targets near the Sunshine workings which were encouraging with IP suggesting a possible strike of 1,000m. The valley running west of Sunshine and the swamp near the workings were anomalous. The Stonehenge Mine was also identified as a target area within the TLE to Swansea trend. Three DC holes were drilled near Sunshine with S1 and S2, 100m apart, investigating mineralization in the Grubbs Shear NW of Sunshine. S3 was collared about 200m west of S1 to test the potential for stratiform mineralization in the black shale, refer to Figure 8.

DD92ZS1 Collared at 359912 mE 5359483 mN MGA on a bearing of 61° depressed at 50°.
DD92ZS2 Collared at 359912 mE 5359568 mN MGA on a bearing of 61° depressed at 45°.
DD92ZS3 Collared at 359737 mE 5359633 mN MGA on a bearing of 201° depressed at 45°.

Intersections better than 1% Zn were :-

DD92ZS1 - 119.2-121.35m - 2.15m at 7.8% Zn, 10.1% Pb, 191 g/t Ag.
- 150.5-162.35m - 12.35m at 2.1% Zn, 0.4% pb.
- 223.8-232.65m - 8.85m at 1.5% Zn, 0.4% Pb.

DD92ZS2 - 100.5-112.0m - 11.5m 4.1% Zn, 1.1% Pb, 10 g/t Ag.
- 124.0-136.0m - 12.0m at 1.8% Zn, 0.4% Pb, 19.5 g/t Ag.
- 190.25-190.5m - 0.25m at 20.0% Zn, 12.3% Pb, 415 g/t Ag, 2.9% Cu, 2.2% Sb.

DD92ZS3 – 159.5-160.6m – 1.1m at 3.5% Zn, 0.1% Pb, 19 g/t Ag
This mineralization was present as a 5mm wide sphalerite-dolomite vein along the core.

This drilling of the Sunshine black shale in 1992 showed the mineralization is dominated by shear controlled ankerite-sulphide veins of limited tonnage potential. No stratiform base metal sulphides were intersected. AC drilling of the Sunshine mineralization was recommended even though it was probably too small for CRA.

In 1995 geochemical sampling by two 300m traverses of AC holes (27 labelled S4 to S30) spaced at 25m was undertaken, see Figure 8. Holes were shallow and drilled to sample fresh bedrock. Sampling was over 3m intervals and analysed for Ag, Fe, Mn, Cu, Pb, and Zn. A follow up DC hole DD95ZS31 (S31) was drilled on the geochemical anomaly revealed by the AC programme. S31 yielded an intersection of 6.5m at 6.3% Zn, 2.9% Pb, 41 g/t Ag, from 34m with several lower grade intervals deeper down. Recoveries in the shale were poor reducing confidence in the grade estimates. The sphalerite/galena mineralization is hosted in black shales at the contact with an underlying mixed siltstone-dolomitic limestone-sandstone sequence. The bedrock sampling indicated a 400m strike length for this mineralization. Diamond drilling of this target to establish a resource was recommended. Structural mapping of the target area was undertaken during 1996 showing that the area is structurally complex. Two phases of sulphide mineralization were recognised. The first pre-cambrian stratiform pyrite in black shale and the second Heemskirk granite related veins (and one skarn) of Devonian age.

In 1997 relinquishment of 55% of EL28/1988 to 28.7 km² was followed by a farm out agreement with Allegiance Mining NL.

In 2000 Allegiance Mining drilled two DC holes S33 and S34.

S33 Collared at 359847 mE and 5359728 mN MGA on a bearing of 192° and depressed at 50°, EOH 150.5m.

S34 Collared at 359679 mE and 5359796 mN MGA on a bearing of 191° and depressed at 50°, EOH 245m.

S33 was designed cover the same geology as S31 at a deeper level and S34 to test the mineralization 200m to the west, refer to Figure 8. Core recoveries in the black shale were extremely poor with no core from 87.0 to 102.0 in S33 which interval appears to correlate with the high grade interval in S31. Poor recoveries were experienced in the black shale and particularly where it was mineralized.

Allegiance then decided to concentrate all their attention on the Avebury nickel sulphide deposit about 10km WSW of Sunshine and therefore in October 2002 they relinquished the eastern portion of EL28/1988 containing the Stonehenge grid. The area was then granted to McDermott Mining Pty Ltd (MDM) in 2003.

MDM have since carried out limited prospecting activities on some of the mines within EL17/2003. The Sunshine Mine was given more attention than most with mining and minor treatment of the shear hosted sphalerite.

5 Current Exploration

5.1 Introduction

During the last year the following exploration activity has been carried out on the Stonehenge Creek lease.

1. Compilation of historical, geological, geochemical, geophysical and topographic data into a GIS (MapInfo) database.
2. Preliminary mapping of the Sunshine and Swansea prospects
3. Geochemical sampling of the Sunshine and Swansea prospects
4. Track rehabilitation and repair to allow drilling access
5. Diamond drilling of the Sunshine Prospect
6. Geophysical survey

5.2 Data compilation, Mapping and Geology

The geology of the EL was mapped at 1:5000 scale by Upton (1997) as part of an Honours Thesis. Stonehenge Metals (SHE) is using a digitized version of this work as a base-line mapping tool. Initial reconnaissance work on the tenement has shown it to be characterized by generally good outcrop and subcrop with best exposures to be found in tramway cuttings and along creek water courses. The geology of the tenement is comprised of various units of the Precambrian Oonah Formation overlying at a low angle (thrust) the Cambrian sediments and volcanic rocks. The Sunshine prospect was investigated in more detail.

The Sunshine deposit strikes north-east and is open to the north-east and at depth. The lode is contained within a wider shear system and the deposit may extend to the Colonel North Mine 400m to the north-east (Figure 5). The area contains several other historical lead-zinc-silver underground mines that have the potential to host economic open pit mineralisation. Historical mining focussed on lead and silver extraction. Zinc was considered a gangue mineral and was not mined.

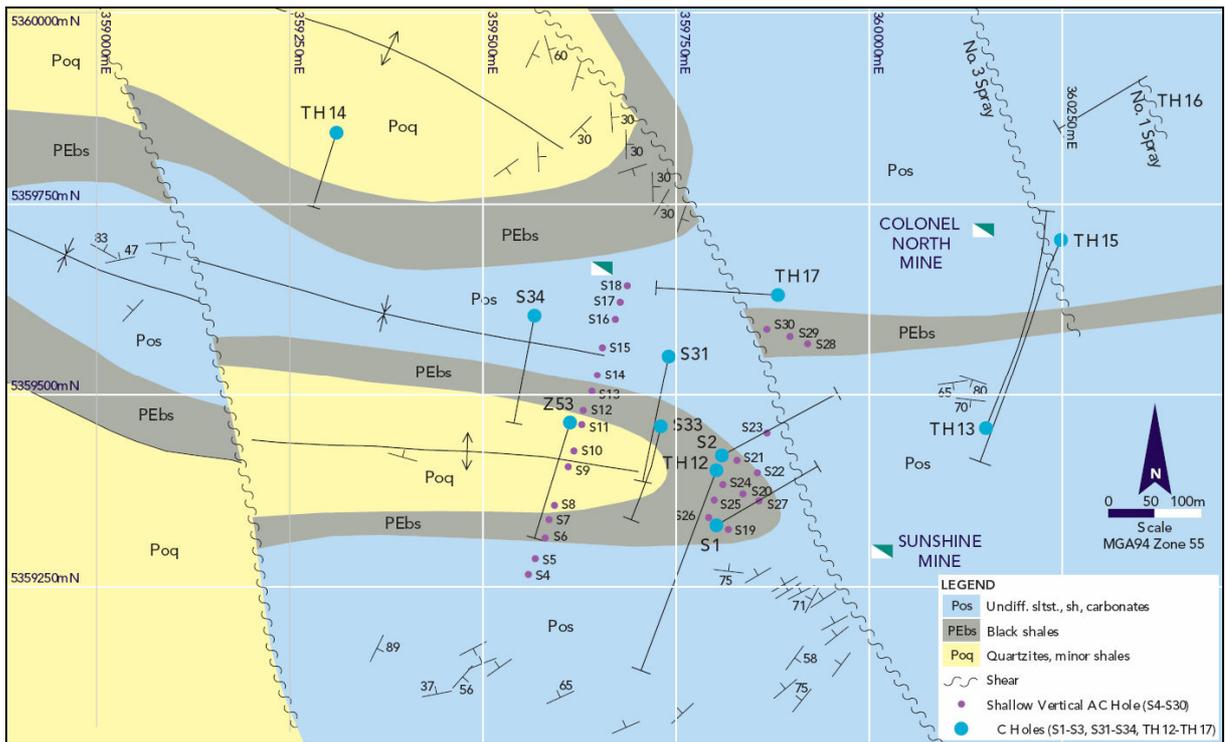


Figure 5. Sunshine prospect and surrounding drilling

On the Stonehenge lease there are approximately 7km of strike length to explore on three trends each of which contain several historical mines (Figure 6). The drilling of the Sunshine and Swansea deposits is a priority and the historical data covering this tenement will be reviewed to identify all base metal targets.

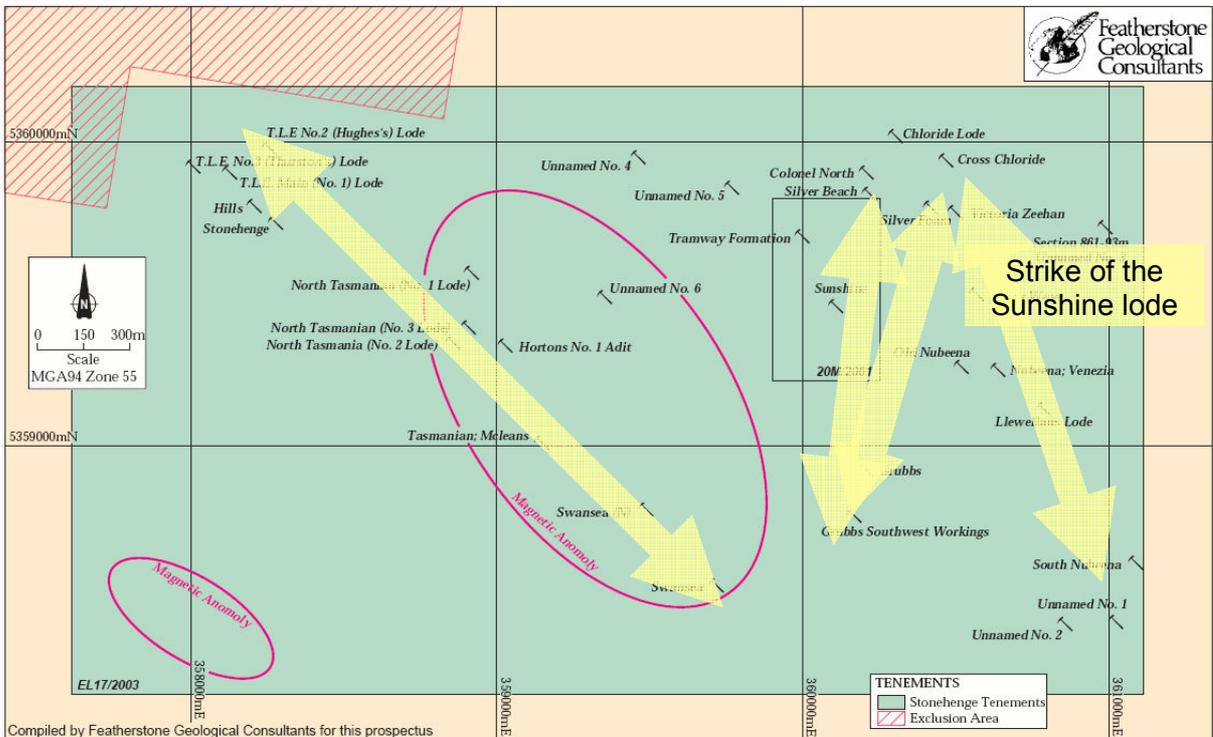


Figure 6. Stonehenge zinc prospects and strike lengths

Preliminary field preparations were carried out to allow access for geochemical sampling and drilling. At the Sunshine prospect the road was repaired, drill pads and sump bunds were

prepared at seven sites. At the Swansea prospect, overhanging bushy overgrowth alongside approximately two kilometres of the Swansea tramway was cleared using an excavator. The surface of the tramway itself was left undisturbed due to its historic significance. Culverts were repaired or emplaced in four sites where the tramway had been washed out. Use of the tramway will enable SHE to access the Swansea Prospect's planned drill sites that are located adjacent to the abandoned Swansea lead-silver mine. A short side track, approximately one hundred metres long, has also been prepared approximately 300 metres north of the Swansea prospect, adjacent at the old Swansea North lead-silver mine.

5.3 Geochemical Sampling

During February and March previous geochemical sampling was compiled for the Sunshine prospects. Sample locations were confirmed and assays tabulated.

Sample	Type	Width	Zinc %	Composite
SCH1	Channel	2	40.3	10m @ 22% Zinc
SCH2		2	15.9	
SCH3		2	6.98	
SCH4		2	35.9	
SCH5		2	11	
S20	Selected rock chip samples	-	33.1	Average grade of all 26 rock chip samples 9.4% Zinc
S3		-	32.20	
S23		-	20.20	
S6		-	18.7	
S22		-	17.10	
S2		-	16.40	
S19		-	15.9	
S14		-	13.4	
S26		-	11.60	
S25		-	9.58	

To verify the historical sampling follow up sampling was carried out at Sunshine and Swansea. Samples were taken from Mullock dumps and stockpiles and outcrops. The results confirmed to historical data and follow up drilling was planned.

Sample	Cu	Pb	Zn	Ag	Ni
	ppm	%	%	ppm	ppm
SS0001	16800	7.29	1.52	159	140
SS0002	1770	6.51	7.36	54	160
SS0003	4570	13.9	10.4	138	120
SS0004	2830	5.70	5.73	52	85
SUN0001	490	3.18	37.1	174	30
SUN0002	180	1.00	2.26	21	60
SUN0003	400	16.1	38.2	296	20
GB001	1020	2.90	40.8	142	30
GB002	400	0.18	0.23	25	180
GB003	250	0.25	8.15	33	40

5.4 Drilling and Sampling

SHE completed its initial diamond drilling program at the Sunshine Mine Prospect in late April, 2007. The company's aim at Sunshine is to prove up an open-cut zinc+/-lead+/-silver resource. A total of seven diamond drill holes have been drilled at Sunshine for a total of 348.45 metres. The hole depths varied from 20 metres to 104 metres.

Hole	Type	East GDA94 z55	North GDA94 z55	mRL	Azi (mag)	Azi GDA 94 Z55	Dip	Depth
SUN001	HQ	360095	5359445	250	130	121	45	60
SUN002	PQ	360091	5359448	250	130	121	70	20
SUN003	PQ	360122	5359471	252	180	192	45	50
SUN004	HQ	360124	5359515	252	130	301	45	104
SUN005	HQ	360131	5359482	252	130	121	45	50
SUN006	HQ	360174	5359521	253	130	121	45	28
SUN007	HQ	360120	5359440	250	130	121	45	84

Diamond drilling summary for Sunshine program.

5.5 Drilling Assay Results

Pending Assay results

5.6 Ground Conditions

Difficulties were experienced in recovering core from the very soft clay/pug target zone. An attempt was made to overcome this by slowing the drilling penetration rate and increasing the core diameter to P3, however core recoveries remained problematic. The drilling size was then switched to HQ with chrome sleeve. This marginally increased recovery levels.

5.7 Surveying

Drill collar locations were based on GPS coordinates using GDA94 zone 55 datum. Down hole camera shots were taken every thirty metres using a Kodak Eastman camera.

5.8 Sampling and Logging Procedures

Geology was logged every metre down hole and summarised by lithology. Recovery was measured and samples taken using geological boundaries taking recovery issues into account.

The drill core from the zone of interest was split and half metre and one metre samples (depending on section recoveries) and sent to the Burnie laboratory for analysis of lead, zinc, silver, copper and gold.

5.8.1 Assay quality control checks

Stonehenge Metals (SHE) assay quality control checks consist of blank and standard samples being submitted to the Burnie Research laboratory (BRL) on a regular basis and the returned results monitored. SHE monitor standards daily prior to downloading results and graph data monthly to analyse trends.

5.9 Magnetic Survey

GPX Airborne of Perth W.A. has completed a helicopter magnetic and radiometric survey over EL 17/2003. The specifications were for a line spacing of fifty metres at a nominal flight altitude of thirty metres. The aim of the survey is twofold;

1. To help provide a better understanding of the geology of the those areas of the EL that are under cover and;
2. To better define a number of magnetic anomalies that occur on the EL., including the three magnetic targets defined by earlier magnetic surveys.

GPX is currently processing the aeromagnetic data which will be available to SHE in Late June. Modelling for this work is to be undertaken by Southern Geoscience in Perth.

6 Expenditure

The total expenditure on the EL 17/2003 including 21M/2003 for the period from 10 July 2006 to 9 July 2007 was:

Expenditure Category	Amount \$AUD
Salaries and Wages	\$37,500
Consultants	
Contractors	
Earthmoving (excavator hire)	
Motor Vehicles	\$438.44
Travel and Accommodation	\$2,259.73
Assaying	
Camp Food	\$61.82
Report Preparation & Drafting	
Tenement Costs	
Field and Technical Supplies	\$364.80
Maps & Technical Literature	
Geophysics	\$21,502.80
Drilling	\$83,749.83
Environment	
Freight	
Telephone	
Administrative Overhead (10%)	
TOTAL	\$145,877.42

7 Further Work

During the next year Stonehenge Metals will undertake an extensive drilling and sampling program to thoroughly test the Stonehenge creek lease for lead-zinc-silver and nickel.

The following work is currently planned:

- Identify nickel mineralisation by drilling 1800m of diamond core over three targets
- Identify a measured resource at the Sunshine lead-zinc-silver deposit
- Identify an inferred resource at the Swansea lead-zinc-silver deposit
- Drill test an additional 5 lead-zinc-silver targets.

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9 Appendices

9.1 Appendix 1 – Drill hole Logs, Recovery Logs, Sampling sheets, Assays

9.2 Appendix 2 – Sampling Plan, Drilling Plan