



STONEHENGE METALS
LIMITED

Stonehenge Metals Limited
ABN 81 119 267 391

Annual Report
Cumberland Lake
EL 31/2002

18 Dec 2006 to 18 Dec 2007 (due 18 Nov 2007)
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1 Introduction

This report details all exploration activities by Stonehenge Metals Limited within EL 31/2002 during the period 18/12/2006 – 18/12/2007.

EL 31/2002 covers an area of six square kilometres and is located approximately twenty kilometres west of Zeehan on the west coast of Tasmania. 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 greisen style tin-zinc-silver deposits, and shear hosted tin deposits.

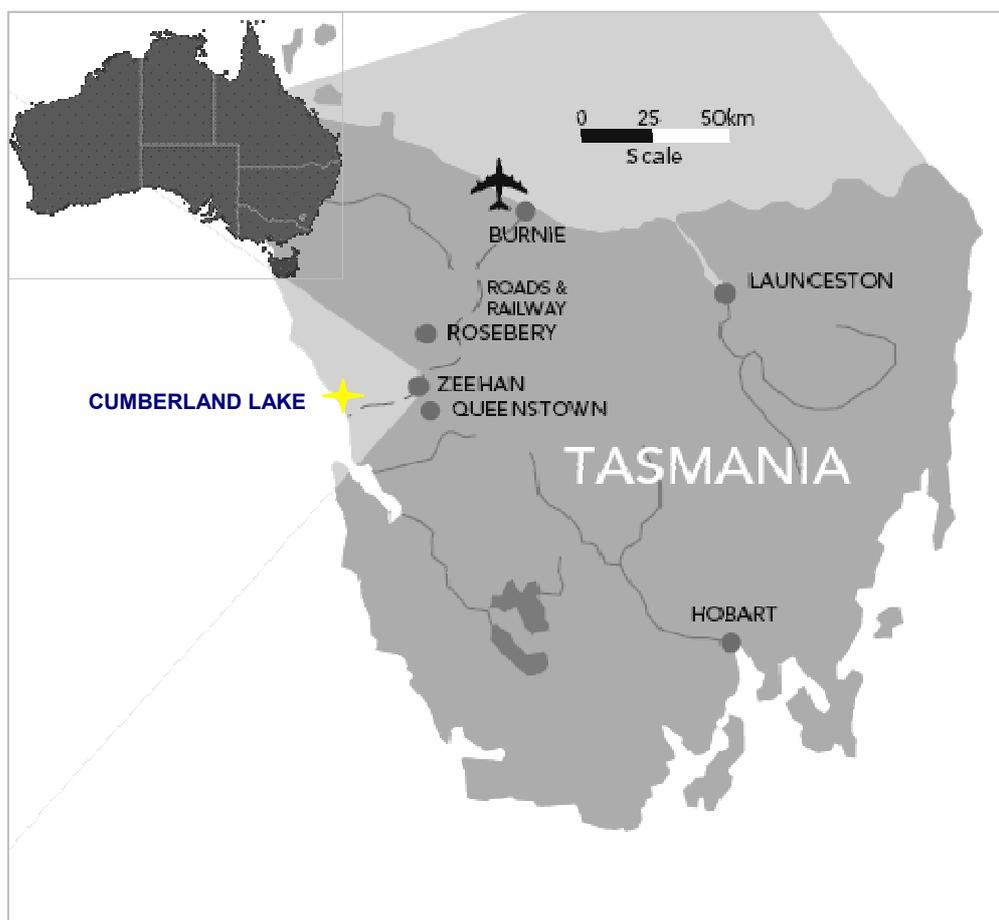


Figure 1. Map showing location of the Cumberland Lake lease.

2 Location Access and Tenements

The tenement lies about 12km west of Zeehan (Tasmania, Australia) and includes Lake Cumberland. All co-ordinates used are referenced to the GDA94 datum. The tenement is located in UTM Zone 55. The tenement is located approximately at Latitude: -41.907°, Longitude: 145.201°. Access to the prospects of interest is from the southeast via the Trail Harbour Road. The existing roads are cut into the granite and 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 granite 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 good; with road cuttings and existing workings providing excellent rock exposures.

2.1 Tenure

This report is on E31/2002, Cumberland Lake. The anniversary date is 18th of December 2007. The tenement is held 100% by Stonehenge Metals Limited. In January 2007 EL21/2002 was transferred from McDermott Mining. Prior to this EL 31/2002 was granted to Marshall Resources on December 18th, 2002. Marshall Resources was unable to raise capital for a comprehensive exploration program and invited McDermott Mining to joint venture the licence. A dealing was registered with MRT, giving McDermott Mining 66% of the joint venture, and a program consisting of the following was drawn up for submission to MRT. Marshall subsequently Resources withdrew from further active involvement in 31/2002.

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.

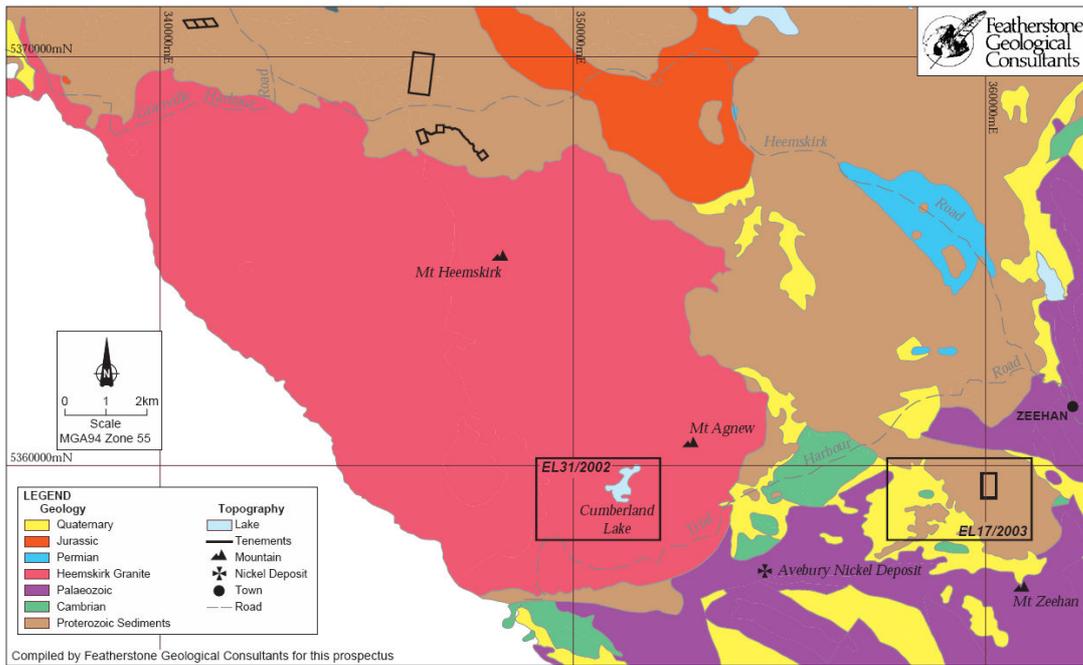


Figure 2. Regional Geology of the Zeehan Area.

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 tenement is entirely within a granite dome known as the Mt Heemskirk granite which has intruded a sequence of Proterozoic sedimentary rocks during the Late Devonian. The Heemskirk granite is a multiphase intrusion with tin mineralization being related to the latest phase. The licence covers a number tin bearing lodes in an area known as the South Heemskirk Tinfield.

A number of tin exploration targets occur within the granite near the southern contact. Historic mines here were mainly based on lode style mineralization, however at Sweeney's the mineralization is greisen tin-zinc style. A defined magnetic anomaly to the west of Sweeney's may be caused by another body of greisen mineralization and is being investigated.

The focus of exploration is the Sweeney's tin-zinc prospect. During the late nineteen seventies a total of eighteen diamond drill holes were drilled into the Sweeney's mine. Although eight of these missed the target mineralisation, information from the remaining ten holes was used to assign a tonnage and grade estimate to the mineralisation of 500,000 tonnes at 0.6% tin. The tin mineralisation was open at depth and along (an interpreted SSE) strike. The most northerly adit contained 47 metres at 0.6% tin, 0.96% zinc and 7 g/t silver.

4 Previous Exploration

Historic compilation by Featherstone Geological Consultants for the Stonehenge prospectus, principal consultant -- Dr A C Gifford.

4.1 South Heemskirk Tinfield

Alluvial tin was discovered here by a surveyor in 1876 followed by primary mineralization in lodes. By 1881 nine treatment plants had been erected comprising 80 heads of stamps with another four shortly afterwards. Unfortunately many of the prospects had not been developed to any extent and were unable to feed a regular supply of ore to a plant so production did not commence until 1884. In a number of cases the rich veins did not extend far along strike or down dip and in some others it was suspected that the presence of black tourmaline had led to an over estimation of grade.

In a few instances the ore contained a substantial amount of pyrite and the plants had not been designed to cope with pyrite. This resulted in many of the plants being unable to operate or only at reduced capacity. Since most of the money raised had been spent on plant and transporting it to the site there was little left to finance development of the mines. The Cumberland Mines were reputed to have produced a good amount of ore but no records of production are extant. The boom then turned to bust and no one would invest in South Heemskirk. The field was described as practically deserted in 1890.

4.2 The Federation Mine

In 1900 the Federation Tin Mining Co. NL was formed with a lease over the West Cumberland, Cumberland, and East Cumberland Mines. The West Cumberland lodes became the Western Workings with the Whip Shaft. About 600m NE the Cumberland lodes became the Central Workings with the Munro Shaft that was sunk from the top of a hill which was the highest point on the property. A single lode and minor workings 500m ENE of Munro Shaft formed the Eastern Workings. A sketch plan of the mines is shown in Figure 4. Levels at all workings at the mine were based on the depth below the collar of the Munro Shaft. Due to the topography of the area the lodes were often able to be accessed by means of adits driven from the sides of the hills which was a big advantage rather than having to sink shafts. Little work was then done except on the Tributors Workings.

Between 1920 and 1923 the Company explored and sampled the ore bodies despite limited capital then in 1926 Federation Tin Mines Ltd was floated in England. Work started the following year and about £80,000 was spent on plant, a hydro electric scheme, and the construction of a self acting tramway from the Western Workings to a treatment plant 45m down the hill. A horse tramway was constructed from the Central workings to the Western Workings to connect up to the self acting tramway. Production commenced in 1928 but was suspended from 1929-1934 due to the low price of tin and lack of capital! Two boreholes drilled by the Government in 1938 proved disappointing and the Company went into liquidation shortly after.

From 1939-1942 a private operator extracted about 7.5t of concentrate, mainly from the Western Workings and from 1942-1953 about 7t of concentrate was produced from an area about 600m south of Munro Shaft. Total Production from the Federation Mine area is estimated at 327t of concentrate containing 197t of tin metal. Analysing some of the production records the estimated average grade of the ore was 1.34% Sn.

4.3 The Wakefield Mine

This is located about 1.7km just west of south of the Munro's Shaft at the Federation Mine. This was another of the mines which spent all their money on plant before developing the mine. Only one lode has been reported here striking N-S. An adit has been driven about 15m along the lode but is not accessible. No reported production.

4.4 The Montagu Mine

The old workings lie 1.6km SSW of the Munro's Shaft on the Federation Mine. It was the original Montagu Company which, in conjunction with the Cumberland Company constructed the Cumberland Dam with the object of supplying their mines with power and water. It is not stated when mining and treatment was started but in 1882 the mine flooded because the whim dewatering system could not cope with the inflow. At this stage the main shaft had been sunk to 36m with a crosscut at 30.5m and crossing lodes had been driven on; however the mine did not reopen. The Main Lode was up to 3.6m wide and contained rich shoots of cassiterite veining. It is reputed that 6t of cassiterite were produced from the Montagu lodes and 5t of alluvial cassiterite from alluvium in the Montagu Creek.

Subsequently a private miner worked the lodes at surface by underhand stoping to produce a small amount of concentrate. In 1943 another miner drove adits east and west from Montagu Creek and exposed several tin bearing lodes.

4.5 Colemans

This prospect lies about 1.4km south-west of the Munro's Shaft on the Federation Mine. The workings consist of two adits and several trenches. No recorded production. Renison held an option to purchase this prospect and drilled three holes on it, Fed-6, Fed-11, & Fed-13. Fed-6 had a best intersection of 4m at 0.43% Sn but the other two holes did not intersect mineralization. The option was allowed to lapse.

4.6 Sweeney's

This mine lies 1.5km south south-east of Munro's Shaft on the Federation Mine and is also known as Birthday or Cornish Lease. The mineralization was unusual for the area in containing abundant black sphalerite with pyrite and small amounts of stibnite and chalcopyrite in a gangue of quartz, siderite, fluorite, and tourmaline. A 75m adit was driven into the hill and a crosscut at 30m intersected a thin vein of cassiterite with pyrite in sericitic kaolinised granite containing some mineralization that is referred to as "greisen". In 1903-1904 about 13t of cassiterite was produced but it is believed that this was alluvial from Pykes

Creek. The greisen mineralization was later appraised by Renison Ltd as described below. A number of outcrops of these bodies of greisen were located by soil sampling and geophysics.

4.7 Anomaly 1

This prospect is one of Renison Ltd's zones of greisen mineralization and is described below.

4.8 Wolfram Trench

This prospect is on one of the few tungsten bearing lodes and was described by Waterhouse 1915. It is located about 750m due south of Munro's shaft and consists of trench up to 3m deep on a bearing of 328°. The trench exposes white quartz with a little green tourmaline and wolframite with minor cassiterite which appeared to be about 18m wide although the full width of the reef was not covered by the trench. The reef was judged to strike at 280° and dip south at 28° but the dip was uncertain.

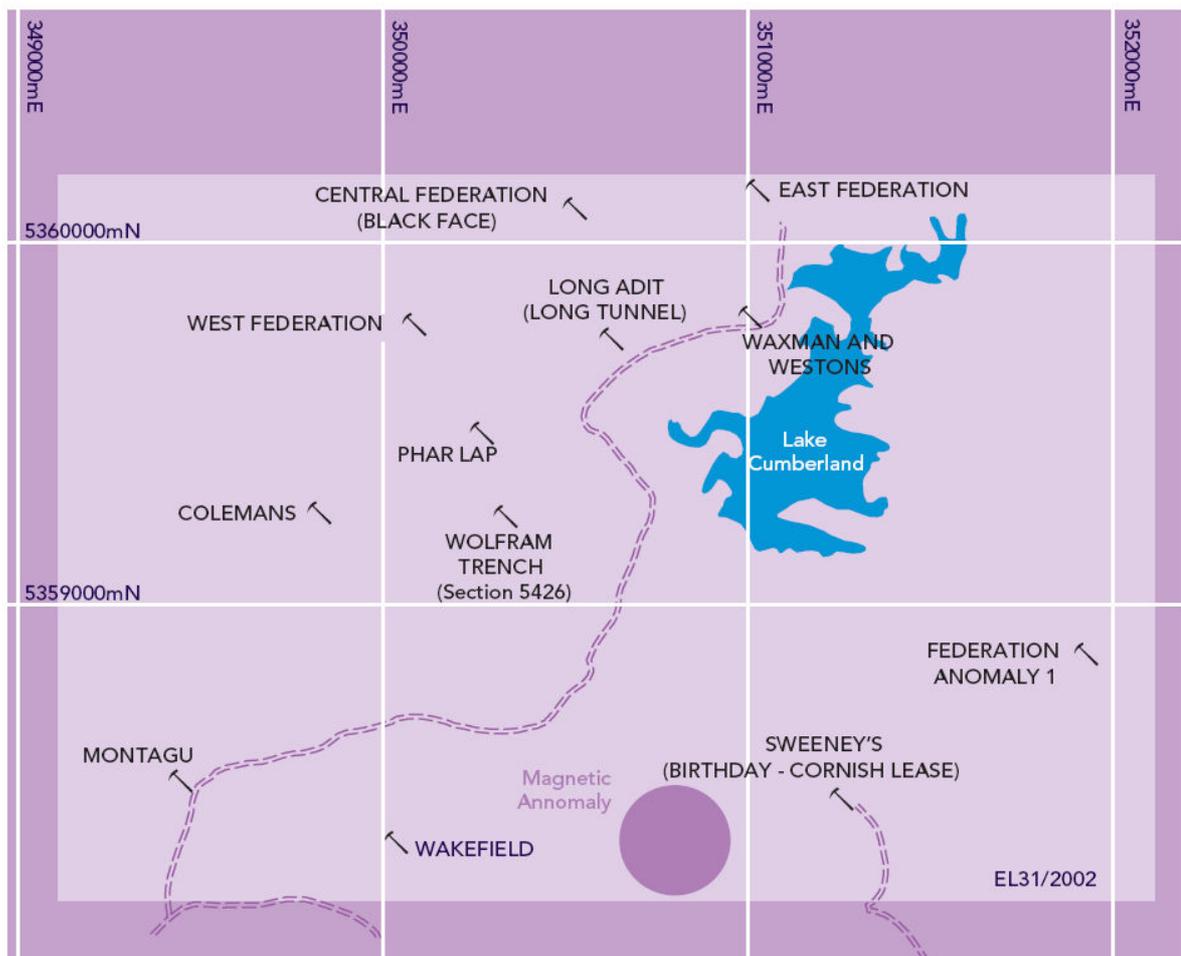


Figure 3. Location of historic workings and magnetic anomaly.

4.9 Modern Exploration

Renison Ltd (Renison) were granted EL11/1976 (26 km²) to look for large low grade tin deposits in the South Heemskirk Tin Field. In the first year of exploration interest was focussed on the Sweeny's Mine (0.7km SE Lake Cumberland) and sampling of the old adit (which terminated in mineralization) gave 47m at 0.6% Sn, 0.96% Zn, & 7 g/t Ag. Seventeen DC holes were drilled during 1976 but the mine is located on a steep hillside and it was difficult to get the drill rig into position to drill optimally oriented holes. Results of the drilling are summarised below.

Hole No.	Intercept (m)	Tin Grade %	Zinc Grade %	Silver g/t	Comment
Swy 1-3	Failed to intersect main greisen zone				
Swy 4	51	0.50	2.7	14	
Swy 5	Drilled in margin of greisen				
Swy 6	Drilled below the greisen				
Swy 7	38	0.75	2.84	31	
Swy 8	32	0.41	1.03	23	
Swy 9	Drilled to the south of the greisen				
Swy 10	Drilled to the south of the greisen (intersected altered granite)				
Swy 11	23	1.17	1.7	121	Stannite & Topaz
Swy 12	In margin of greisen				
Swy 13	In margin of greisen				
Swy 14	23.6	0.27	0.52	42	In top of greisen
Swy 15	31.4	0.62	1.92	31	
Swy 16-17	Failed to intersect main greisen zone				

Table 1. Sweeney's Drilling

This drilling attempted to elucidate the shape of the mineralized zone however the topography in the area makes establishing suitable drill sites very difficult. This resulted in the holes being drilled in various directions, being collared at different heights, and is totally irregular so no survey data are presented in this report. The shape of this body of mineralization is also irregular which resulted in a significant number of the holes (11 out of 17) failing to make satisfactory intersections. The results obtained do not define the shape of this zone of mineralization. Various geophysical surveys were conducted to see if they could aid in defining the limits of the mineralization but were of only limited value.

The assay results that have been obtained from the successful intersections were considered very encouraging. Since it was not known what the distribution of greisen zones was in the Heemskirk granite as a whole the EL was enlarged to 88km² in July 1977 to cover the entire outcrop of the granite. Colour air photography and photo-geological interpretation were commenced over the whole tenement area. An access road to the Federation area was put in and gridding, mapping, and geochemical sampling of this area commenced.

During 1978-79 a further DC hole was drilled at Sweeney's, (Swy 18. 249m), which failed to locate any mineralization. Six DC holes for 986m (Fed.1-6) were drilled on the Federation Plateau area mainly to follow up on the geophysical anomalies. Zones of alteration were intersected but only intercepts of low grade tin mineralization of limited extent were found. The location of these drill holes is presented on Figure 4.

Hole Fed.1 was drilled into the Black Face Lode on the Federation Mine in a zone of intense alteration including complete tourmalinization. Tin values were extremely low. Enquiries regarding the lack of tin mineralization found that the lode is reputed to only carry tin in one section.

In 1979-80 six more DC holes (Fed.7-12) for 978m were drilled in the Federation area. More zones of greisen were identified but tin grades were low and inconsistent. In July Fed.13 for 70m was drilled near Coleman's workings in order to make a decision on an option over this ground. Only red granite was encountered and it was recommended that the option not be

exercised. Additional geophysical surveys were also being conducted to locate greisen zones and guide drilling.

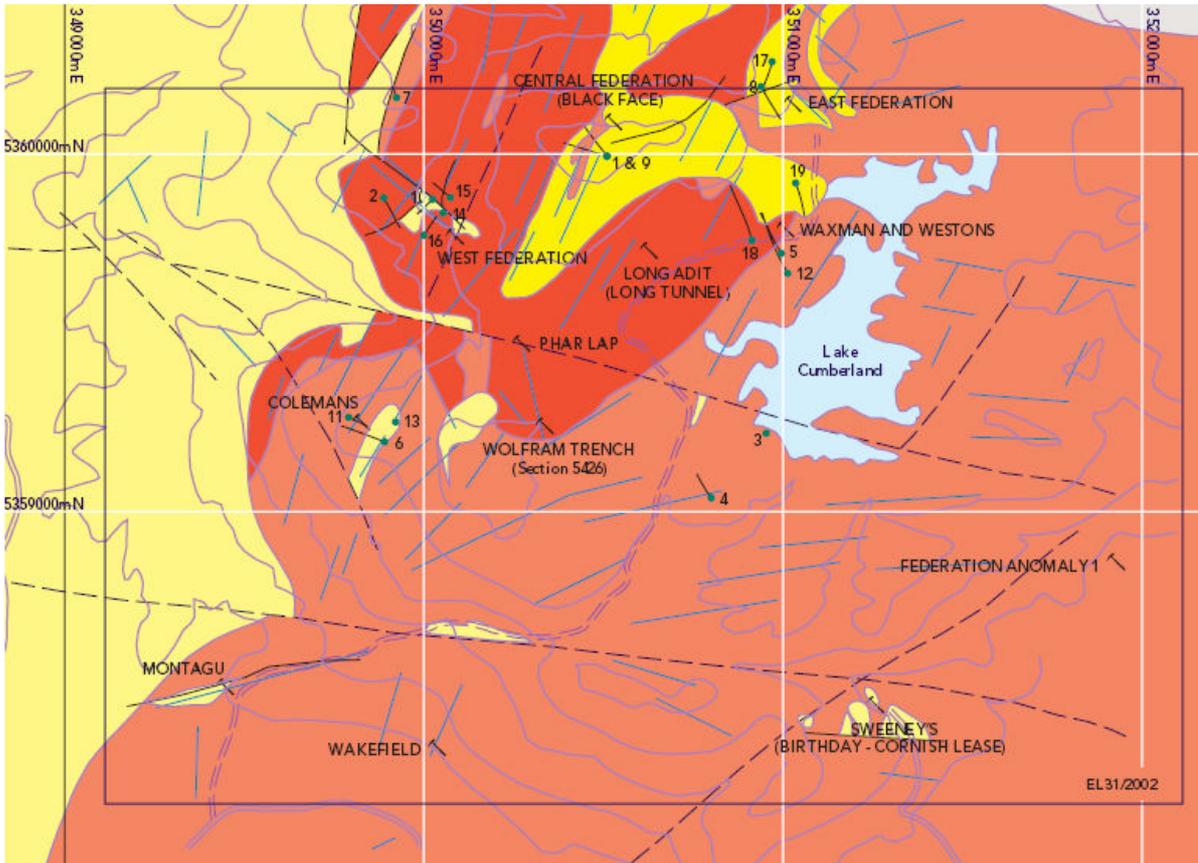


Figure 4. Prospect geology and historic working and drill-holes.

4.10 Work during current tenement.

Prior to Stonehenge Metals involvement, McDermott Mining restarted an exploration program consisting of the following:

Repeat literature review of Report 18-1466 Federation Area E.L.11/76, Renison Exploration.

Following visits to the area by mines inspector and forestry inspectors, a potential roadway deviating from the steep access road to Sweeney's was surveyed and flagged for future reference. Preliminary study of open cut areas above main adit at Sweeney's was conducted to determine the feasibility of open cut with a view to separating the high grade sphalerite from the high grade cassiterite and producing two concentrates or two high grade wet ores for sale to existing local companies.

Sampling and assaying of the entire wall area of the number five open cut returned an average grade of 1.5% tin over thirty metres with the face averaging 3% tin across ten metres width. As well, the face gave assays of up to 23% zinc in sphalerite form. Test work performed at Amdel Laboratories, South Australia, indicated the zinc could easily be removed from the gangue and concentrated using standard flotation treatment such as is used at Zinifex' Rosebery plant. The tin recovery presented a more difficult scenario as the majority of the cassiterite tended report to the sphalerite con. and with the research laboratory being the subject of a takeover, the final test results were lost. However, enough encouragement was given to pursue this avenue and further test work is expected will be conducted in the future. Discussions with Burnie Research Laboratories bide well for a comprehensive study of the Sweeney's ore being conducted in the near future.

Further bulk sampling of the main adit at Sweeney's was carried out to determine the outline of the sphalerite zone. It appears the sphalerite is disseminated throughout the areas of cassiterite dissemination with the more enriched areas of mineralisation outlined in previous sampling hosting higher grades of both minerals although this may only be typical of the areas sampled. It was determined that there was not enough ore zone exposed either by excavation or drilling to determine whether this was typical of the total ore zone or simply an isolated occurrence.

In June 2006, the tenement, together with others operated by McDermott Mining, became the subject of an IPO and consulting geologist, Mr. Greg Lear was engaged to carry out field reconnaissance and submit his findings to the proposed IPO company, Stonehenge Metals. Featherstone Geological Consultants, headed by Dr. A.C.Gifford was engaged to report on the prospect for possible inclusion in the proposed IPO. A section of this report pertaining to this particular tenement is attached.

5 Exploration completed during the report period

5.1 Regional exploration activities

A literature review and compilation of historic data by Featherstone Geological Consultants as background for an independent geological report for Stonehenge Metals prospectus to float on the Australian Stock exchange. A field visit was completed after the acquisition of the tenement from McDermott Mining in January 2007. Compilation of a regional data set and geological model has been started.

5.2 Prospect-based exploration activities.

Two days of collating and converting historic drill-hole coordinates into digital format. One week of modelling and evaluation of the sweenies tin-zinc deposit and surrounds to allow for planning of drilling. An aeromagnetic and radiometric survey was completed over the tenement, this data has yet to be interpreted.

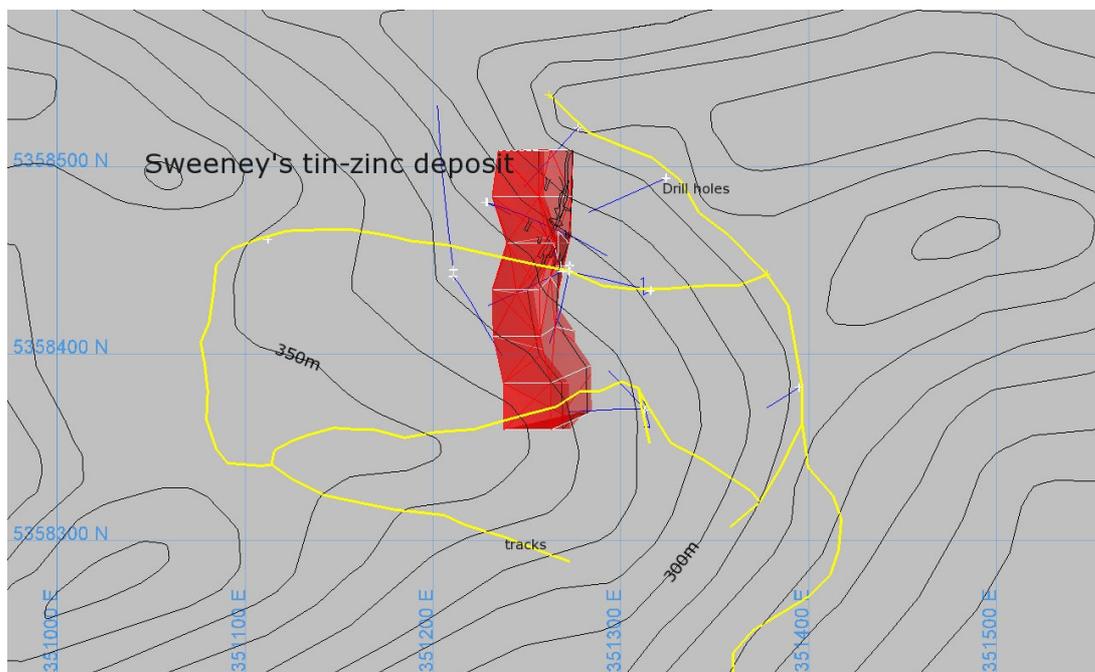


Figure 5. Plan of modelled Sweeney's tin-zinc deposit

6 Conclusions/ Further Work

Exploration planed during 2008:

1. Completing metallurgical sampling of the Sweeney's adit followed by drilling to further expand the deposit (in conjunction with below).
2. Geophysical interpretation to define targets/further work.
3. Further refinement of geological model.
4. Drilling of the Sweenies tin-zinc deposit.

7 Environment

No surface disturbance, all work low impact to date.

No rehabilitation or other non-exploration surveys carried out.

8 Expenditure

December quarter 2006	\$0
March quarter 2007	\$1799.50
June quarter 2007	\$0
September quarter 2007	\$3773.10
December Qtr 2007	\$39,615.80
Total for year at time of report	\$45,188.40

8.1 Expenditure Breakdown

Expenditure Category	Amount \$AUD
Salaries and Wages	\$1,799.50
Consultants	
Contractors	
Earthmoving (excavator hire)	
Motor Vehicles	
Travel and Accommodation	
Assaying	
Camp Food	
Report Preparation & Drafting	
Tenement Costs	
Field and Technical Supplies	
Maps & Technical Literature	
Geophysics	\$43,388.90
Drilling	
Environment	
Freight	
Telephone	
Administrative Overhead (10%)	
TOTAL	\$45,188.40

9 Appendices

9.1 Appendix 1 – Drill hole collars

HoleID	Easting	Northing	Elevation
swy01	351277.1	5358521	280
swy02	351112.2	5358461	348.945
swy03	351210.9	5358445	327.7
swy04	351229.2	5358481	316.432
swy05	351228.4	5358481	316.723
swy06	351324.3	5358494	285.48
swy07	351268.3	5358447	315.875
swy08	351268.8	5358444	316.057
swy09	351272.4	5358444	315.011
swy10	351210.8	5358441	328.218
swy11	351272.8	5358447	314.507
swy12	351312.8	5358370	318.692
swy13	351312.8	5358370	318.692
swy14	351312.8	5358370	318.692
swy15	351312.8	5358370	318.692
swy16	351315.7	5358434	307.738
swy17	351394.9	5358382	288.123