Stonehenge
METALS LTD

2 September 2014

Dear Optionholder,

Stonehenge Metals Limited - pro-rata non-renounceable rights issue

As announced on 2 September 2014 Stonehenge Metals Limited (ACN119 267 391) (**Company**) is undertaking a seven (7) for ten (10) pro rata non-renounceable rights issue (**Rights Issue** or **Offer**) of approximately 300,728,672 fully paid ordinary shares (**New Share**) to raise approximately $1,503,643 (before expenses). The price of New Shares under the Offer is $0.005 each (**Issue Price**). The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 1 September 2014.

For the purposes of detailing the use of funds raised under the Prospectus, it is assumed no Options are exercised between the date of the Prospectus and the Record Date.

Proceeds of Offer	**25% Subscription ($)**	**50% Subscription ($)**	**80% Subscription ($)**	**Full Subscription ($)**
Exploration expenditure on existing South Korean projects	$250,000	$400,000	$500,000	$550,000
Expenditure on the development & pilot of the Protean WEC Technology[1]	0	0	$500,000	$550,000
Expenses of the Offer	$52,721	$76,521	$104,800	$123,653
Working Capital and Administration	$73,190	$275,300	$98,115	$279,991
Total	$375,911	$751,821	$1,202,915	$1,503,644

Notes: The above table is a statement of current intentions as at the date of the Prospectus.
As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Directors reserve the right to alter the way funds are applied on this basis.

[1] This expenditure is expected to take place over a period of up to 18 months

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 5.00pm WST on 8 September 2014 whose registered address is in Australia or New Zealand.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

Following completion of the Offer, the Company will have issued approximately 300,728,672 New Shares resulting in total Shares on issue of approximately 730,341,061.

Optionholders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for new shares to be allotted and to be entered on the Company's register of members on or before 5.00pm WST on 8 September 2014 (**Record Date**).

To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Company's share registry at Link Market Services, Central Park Level 4, 152 St Georges Terrace, Perth WA 6000:

- A notice of exercise of options (accompanying this letter);
- An option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- Payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Stonehenge Metals Limited Offer A/C".

To ensure that your new shares are allotted prior to the Record Date, the above must be received by the Share Registry ***no later than 5.00pm WST on 3 September 2014 .*** *If received after this date, allotment of new shares prior to the Record Date cannot be assured.*

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety.

This notice is important and requires immediate attention. If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for New Shares, please contact your financial adviser or the Company, on +61 9481 2355.

Yours sincerely,

Matthew Foy
Company Secretary