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The Manager
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STONEHENGE TO ACQUIRE BREAKTHROUGH WAVE ENERGY TECHNOLOGY

The Protean™ Wave Energy Converter (WEC) is positioned to disrupt the global renewable energy market through its potential to produce scalable cost effective energy¹. The Protean WEC has been reviewed and reported on by two reputable independent bodies and Stonehenge believes it offers compelling advantages over other renewable energy systems.

Stonehenge intends to assess the potential of the Protean WEC to create a step change improvement in renewable energy production by:

- ✓ **Refining** the proven scale WEC device to rapidly deliver a pre-commercial pilot model;
- ✓ **Deploying** an array of Protean WEC devices to provide scalable power to a prospective customer;
- ✓ **Testing** the Protean array & transmission setup in preparation for commercial trials;
- ✓ **Verifying** and reporting the testing results through independent technical experts; and
- ✓ **Commercialising** the power generation array initially for small to medium customers.

Key Transaction Terms and Capital Raising

- 24 month option to acquire 100% of PEA with \$500k minimum spend over 18 months;
- Consideration of 120m SHE shares - 60m issued at settlement & 60m at Option exercise;
- 120m performance shares issued at Option exercise;
- Stonehenge to raise at least \$1.2m via a 7 for 10 rights issue (**Rights Issue**) at 0.5c; and
- Sean Moore, Protean WEC inventor, to join Stonehenge as Chief Technology Officer WEC.

¹ Protean WEC Technology projected energy cost assessments were derived from a commercially confidential report titled: *Protean Energy – Wave Energy Converter Independent Review Report* (2011) prepared on behalf of Protean Energy Ltd. As part of its assessment during the course of the Option period, Stonehenge intends to commission its own independent technical report to verify the Levelised Cost of Energy (LCOE) of the Protean device used in prototype trials.

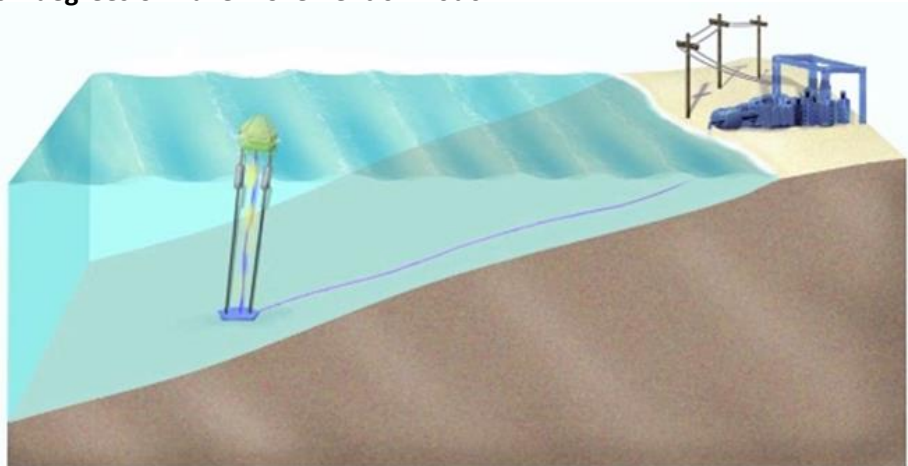
ABOUT THE PROTEAN TECHNOLOGY ACQUISITION

The Directors of Stonehenge Metals Limited (**Stonehenge, SHE** or the **Company**) are pleased to advise that the Company has entered into a binding option agreement (**Term Sheet** or **Transaction**) with Protean Energy Limited (**PEL**) to acquire 100% of PEL's wholly owned subsidiary, Protean Energy Australia Pty Ltd (**PEA**). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter Technology (together the **Protean WEC** or **Protean**).

Protean WEC Technology Summary

The Protean system is based upon a point-absorber wave energy converter buoy device which floats at the water surface and extracts energy from the waves by the extension and retraction of a tether to its anchoring weight on the sea bed. The device is unique in that it optimises the conversion of energy from waves through **all six degrees of wave movement** or motion.

Figure 1:
Protean WEC
technology



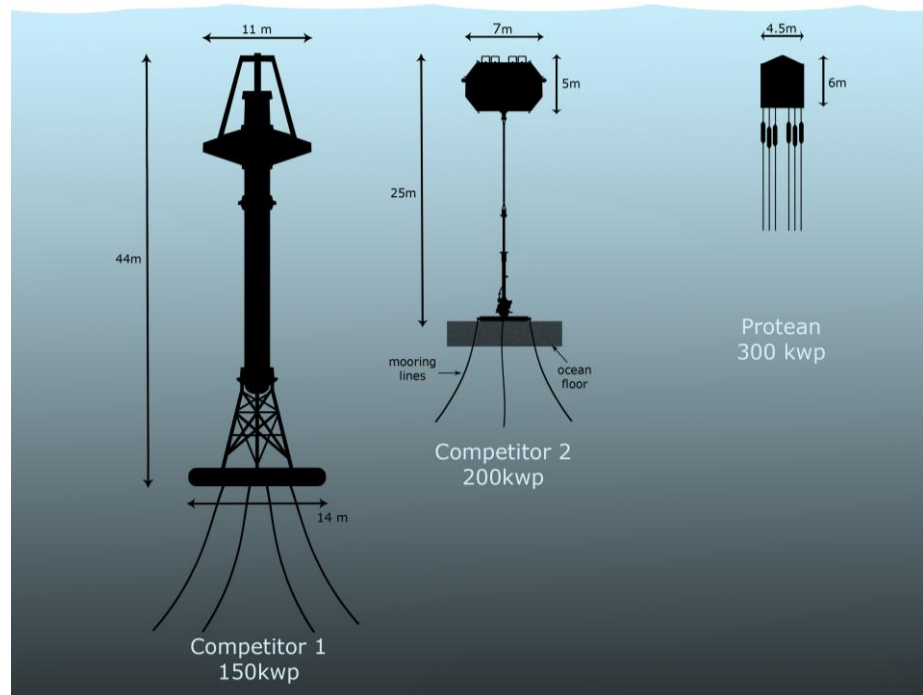
The Protean WEC has been trialled at a 1.5 metre wide scale in the sea off Perth, proving the system can successfully convert the power from waves into usable energy.

Figure 2:
Protean WEC
ready for
deployment



The Protean WEC uses compact architecture to produce power very efficiently from a small, low cost design targeted at keeping the projected levelised cost of energy (LCOE)² down.

Figure 3:
Dimensions
of selected
wave energy
technologies³



The future plans for the Protean WEC include the modularisation of the proven size for the purpose of creating a dynamic, configurable and scalable power array prior to moving the technology into early commercialisation.

During the Option period the Stonehenge assessment program aims to:

1. **Refine** the tried and proven scale device to produce a suitable pre-commercial model;
2. **Create** a scalable power array from the pre-commercial model so as to provide the power requirements of a prospective customer;
3. **Test** the scalable power array for its potential to delivery cost effective power,
4. **Verify** the results, including commissioning an independent expert to qualify the testing results; and
5. **Commence** commercialisation of the scalable array of the trials for small to medium customers.

² Levelised cost of energy is one of the industry's main metrics for the cost of electricity produced. It accounts for all of a system's expected lifetime costs (incl. construction, finance, fuel, maintenance, tax, insurance & incentives), which are then divided by the system's lifetime expected power output (kWh) & discounted for inflation & time cost of money.

³ The image in Figure 3 above is a representation based on publicly available information for competitors 1 & 2 compared with as yet untested projections for a larger scale Protean device used in an offshore environment. The competitor 1 & 2 devices depicted are for illustration purposes only & may not be the only or most recent devices offered by any competitor.

Protean's "New Wave" in Wave Energy Conversion

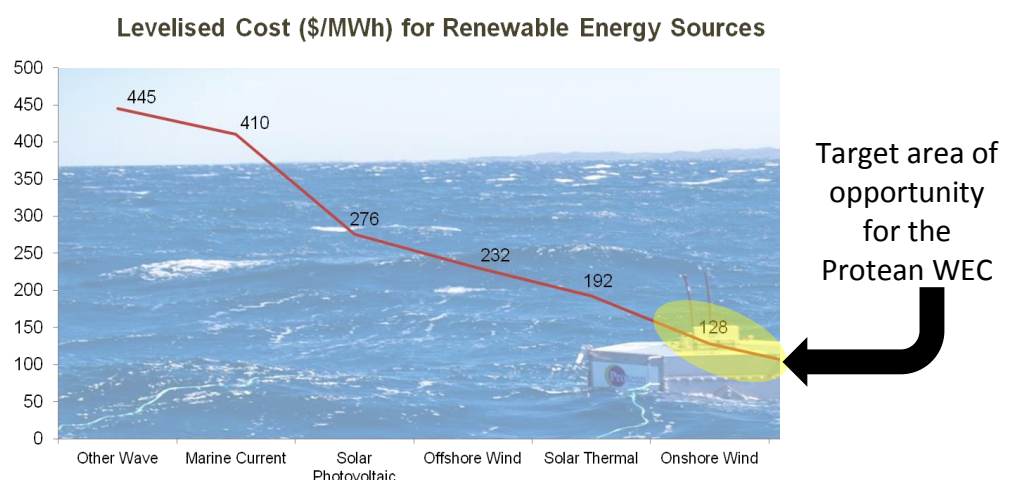
The Protean system is based upon an internationally patented and patent pending intellectual property invented by Sean Moore⁴ that has attracted interest from around the globe. The Protean WEC Technology has been identified as having a number of significant advantages over other wave energy technologies currently being investigated internationally.

The most significant of these advantages is its capacity to harness energy from all 6 of the available directional wave forces. This capability has been successfully trialled, with results reviewed independently by a reputable university in Western Australia.

Furthermore it is believed that the Protean WEC Technology is the only known wave energy system that uses **all 6 degrees of wave movement** (being: up-down, side-to-side, forward-backward, and rotation about each of these axes). Other wave energy systems typically use one or two degrees of movement, which can significantly reduce their productivity. Protean is based on globally accepted and proven ocean buoy technology and is designed to withstand the harsh ocean environment; a critical issue for wave energy conversion systems. Major benefits designed into the system include:

- ✓ **Scalability** – the Protean system is designed to provide low cost energy for a wide range of applications, from small to large scale production.
- ✓ **Versatility** – the Protean system has been designed for dedicated or simultaneous production of electricity or the desalination of seawater to drinking water quality.
- ✓ **Affordability** – the Protean was designed from the ground up to provide cost effect, consistent and reliable renewable energy in lower & higher energy wave resource locations. The Protean WEC is designed for cost effective manufacture, deployment and maintenance.

Figure 4:
Comparison
of indicative
levelised cost
for common
sources of
renewable
energy⁵



⁴ Sean Moore holds degrees in science & engineering and has been researching and developing ocean energy technologies since 2004. Mr Moore has been the recipient of numerous awards and scholarships as well as being an international speaker on wave energy. During late 2009 Mr Moore was recognised for his expertise in ocean energy and was invited to be a panellist on the highly popular Ocean Energy Panel at the inaugural 2009 Asia Pacific Clean Energy Summit in Hawaii.

⁵ The Company believes that these figures are indicative industry recognised values for cost per MWh for each respective renewable energy and this chart is derived from Bloomberg New Energy Finance as published by the International Energy Agency at the following web address; <https://www.iea.org/media/workshops/2014/solarelectricity/BNEF2LCOEofPV.pdf>

KEY TERMS OF THE TRANSACTION

Stonehenge has entered into a binding Term Sheet with PEL. Pursuant to the Term Sheet, Stonehenge will acquire an exclusive 24 month unrestricted licence with an option to acquire 100% of the equity of Protean Energy Australia Pty Ltd (**PEA**) from PEL (**Option**). If the Option is exercised, Stonehenge would hold, through the PEA acquisition, all rights, title and interests including all licenses relating to the **Protean WEC Technology**. The key terms and conditions precedent to completing the Transaction (**Completion**) are as follows:

- (a) **Stonehenge is required to raise at least \$1.2m** and so will conduct a non-renounceable rights issue to raise up to \$1,503,643 on the basis of 7 new Stonehenge shares for every 10 existing Stonehenge shares held, at an issue price of \$0.005 per share with the record date and prospectus to be announced in the next few weeks (**Rights Issue**);
- (b) **Sean Moore to join Stonehenge** as Chief Technology Officer; Wave Energy Conversion (CTO);
- (c) **Stonehenge will invest a minimum of A\$500,000 into the Protean WEC Technology**, under a fixed price turnkey contract, over an 18 month period post Completion.
- (d) **Stonehenge will engage Moore Commerce Pty Ltd**, a company controlled by Sean Moore, to deliver the pilot project as a turnkey project for a fixed price of A\$500,000⁶ within 18 months;
- (e) **Stonehenge will issue the following securities**, subject to shareholder approval as required, to PEL and its advisors and nominees:
 - (i) **Consideration Shares:** 120,000,000 ordinary shares to be issued to PEL in two tranches as follows:

Tranche 1: 60,000,000 ordinary shares at a deemed issue price of \$0.005, to be issued to PEL upon grant of the Option (settlement of the Transaction) and voluntarily escrowed for 12 months from their date of issue;

Tranche 2: 60,000,000 ordinary shares at a deemed issue price of \$0.005, to be issued to PEL upon completion of exercise of the Option. These shares will be voluntarily escrowed for 12 months from their date of issue;
 - (ii) **Broker Shares:** Stonehenge will issue 10,000,000 ordinary shares to CPS Capital Group for services relating to the Transaction and fund raising.
 - (iii) **Performance Shares:** 120,000,000 performance shares, as outlined overleaf (**Performance Shares**) will be issued to PEL's nominees⁷ upon exercise of the Option and will each convert into 1 ordinary share in the capital of Stonehenge upon achievement of any one of the performance milestones within 3 years following the issue of the Performance Shares (**Performance Milestones**).

⁶ For delivery of a pre-agreed pilot configuration plus 10% contingency & including salary paid by SHE to Sean Moore.

⁷ The nominees will include, amongst others, CPS Capital Group and Sean Moore.



Performance Milestones (performance share vesting conditions)

- 1) Other than through an ASX re-compliance prospectus raising: Completion of financing of not less than \$5,000,000 to fund further development of the WEC Technology, in aggregate, via equity, debt, government grant, joint venture or partnership (or any combination thereof); or
- 2) Commissioning of a WEC Technology facility of 45 Kilowatts or greater in a jurisdiction outside Australia; or
- 3) Commissioning of a WEC Technology facility or facilities of cumulative 500 Kilowatts or greater; or
- 4) Execution of a fully funded agreement to install a WEC Technology facility or facilities of cumulative 1 Megawatt or greater on commercial terms; or
- 5) Execution of a bona fide arm's length third party licensing, co-operation or collaboration agreement or agreements valued cumulatively at not less than A\$5,000,000, at the time of signing, for the whole or part of the Protean WEC Technology for assessment, development or commercialisation. Value to be determined by an independent valuer using generally accepted valuation methodologies.

- (f) **Mutual due diligence** by the parties (completed within 120 days of the Term Sheet); and
- (g) **The parties obtaining all necessary shareholder and regulatory approvals** and consents to implement the Transaction.

Pro-forma Capital Structure Post Transaction.

	Shares	Options
Current shares in issue	429,612,389 ⁸	1,235,883
Rights Issue (pro rata 7 for 10 at 0.5c per share)	300,728,672	
Balance prior to completion of the Transaction	730,341,061	
Proposed to be issued at completion of the Transaction:		
(a) Ordinary Shares (to be issued in two tranches)	120,000,000	
(b) Performance Shares ⁹	120,000,000	
(c) Broker Shares	10,000,000	
Loan conversion (subject to shareholder approval) ¹⁰	30,000,000	
Balance after Rights Issue & Transaction	1,010,341,061 ¹¹	1,235,883

⁸ The Company currently has 5m Class F & 7.5m Class G performance shares on issue (a total of 12.5m).

⁹ Terms of Performance Shares are shown above.

¹⁰ \$120,000 loan converts at 80% of Rights Issue price subject to Completion & shareholder approval (excl. interest).

¹¹ Excluding 12.5m existing Performance Shares detailed in footnote 9 above.



Planned Expenditure

Stonehenge proposes to raise up to \$1,503,643 through the Rights Issue. The proposed use of the funds raised under the Rights Issue (subject to change depending on exploration results and/or new acquisitions) is outlined below:

Item	Amount (\$)⁽¹⁾	Amount (\$)⁽²⁾
Existing Project Expenditure & Overheads	\$550,000	\$500,000
Expenditure on the development & pilot of the Protean WEC ⁽³⁾	\$550,000	\$500,000
Administration Costs ⁽⁴⁾	\$110,000	\$90,000
New Project Review & Working Capital	\$293,643	\$110,000
Total	\$1,503,643	\$1,200,000

⁽¹⁾ Based on raising the maximum under the Rights Issue of \$1,503,643 before costs

⁽²⁾ Based on raising the minimum amount under the Rights Issue of \$1,200,000 before costs

⁽³⁾ This expenditure is expected to take place over a period of up to 18 months

⁽⁴⁾ Approximate amount to conduct Rights Issue and Due Diligence related to the PEA Transaction

Appointment of Managing Director

The Company is also pleased to advise that, subject to settlement of the Transaction, Bruce Lane will be appointed as Managing Director of Stonehenge. Mr Lane offers the Company a significant depth of expertise in the listed company arena and has worked with several early stage minerals exploration and technology companies as an advisor, investor, director and or manager.

Existing Projects in South Korea

The Company is continuing with its plan to negotiate a binding JV agreement with Korea Resources Investment & Development Inc. (KORID) and to direct efforts in Korea towards a collaboration agreement with Korea Institute of Geoscience and Mineral Resources (KIGAM) to gain access to 36,000 metres of historical drill core from the Daejeon Project tenements. The objective being to significantly upgrade the size and confidence of the existing vanadium and uranium resources, through non-destructive testing of the existing core, without the expense of further drilling. In addition the Company will continue its pursuit of strategic alliances with Korean companies in the energy, steel and minerals sectors.

Stonehenge Chairman Richard Henning said *“the opportunity to acquire Protean is an exciting step forward for Stonehenge and diversifies the Company within the energy sector. It is a pre-commercialisation opportunity that we can pursue whilst we continue with efforts to develop our Korean energy projects in partnership with KORID and others that will offer synergies as we build a vertically integrated energy company. The Protean wave energy conversion system is a unique and practical renewable energy technology with significant global potential. We are excited by the prospect of rapidly commercialising the Protean technology at a time when the world is seeking a viable renewable energy source to rival solar and wind”*

For further information visit www.stonehengemetals.com.au or contact:

Bruce Lane – Executive Director
T: + 61 8 9481 2276
E: blane@stonehengemetals.com.au

ABOUT KOREA RESOURCES INVESTMENT & DEVELOPMENT INC (KORID)

KORID is a Korean public company listed on KOSDAQ¹² with a market capitalisation of approximately A\$54m. KORID is focused on developing mineral and energy resources and has entered into partnership agreements with a number of third parties, including KIGAM and KORES¹³, for exploration and development of mineral resources. More information about KORID can be found at their website <http://www.korid.co.kr/english/company/history>.

¹² Korean Securities Dealers Automated Quotations or KOSDAQ is the SME trading board of the main South Korean Exchange (KRX) with approximately 1,000 companies listed.

¹³ Korea Resources Corporation (KORES) specialises in mineral resources information, research and development in Korea. KORES is based in Seoul and focuses on supplying energy and industrial mineral resources including coal, uranium, iron, copper, zinc, and nickel with branch offices in Toronto, Lima, Sydney, Beijing, Pretoria, Almaty, Jakarta & Kinshasa.



ABOUT STONEHENGE METALS

Stonehenge Metals Limited (ASX Code: SHE) is developing a multi-mineral project in South Korea. Stonehenge owns 100% of the rights to three projects in South Korea, including the Company's flagship Daejeon Project, which contains the largest uranium resource within South Korea at **66.7Mlbs** grading **329ppm U_3O_8** at a cut-off of **200ppm U_3O_8** (JORC 2004 compliant). Recently, the Company established a maiden vanadium resource of **17.3Mlbs** (largely indicated) grading **3,186ppm V_2O_5** at a cut-off of **2,000ppm V_2O_5** .

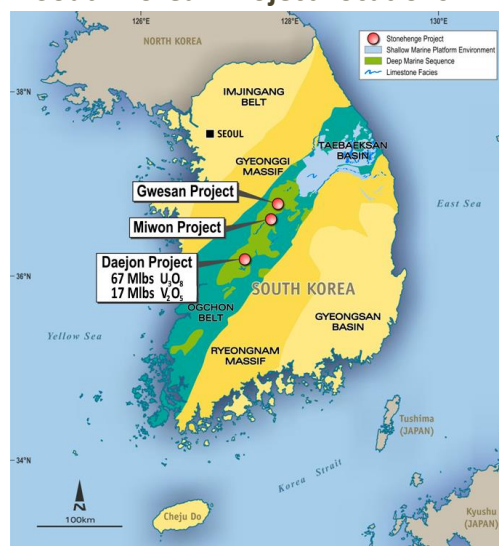
U ₃ O ₈ Mineral Resource Estimate at a 200 ppm U ₃ O ₈ cut-off			
Classification	Tonnes	Grade	Metal
	Mt	ppm	Mlbs
Indicated - Chubu	3.3	247	1.8
Inferred - Chubu	45.9	335	33.9
Sub-Total Chubu	49.2	329	35.7
Inferred - Yokwang	39	310	26
Inferred - Kolnami	7	340	5
Total	95.2	329	66.7

V ₂ O ₅ Mineral Resource Estimate at a 2,000 ppm V ₂ O ₅ cut-off			
Classification	Tonnage	Grade	Metal
	Mt	ppm	Mlbs
Indicated	2.3	3,208	16.5
Inferred	0.1	2,788	0.8
Total	2.5	3,186	17.3

Vanadium Exploration Target ¹		
Tonnes (Mt)	Grade V ₂ O ₅ (ppm)	Contained V ₂ O ₅ (Mlbs)
70 - 90	2,500 - 3,500	385 - 695

(refer announcements 15 July and 13 November 2013) that demonstrated vanadium mineralisation through the black shales. The geology in the Okcheon belt consists of a meta-sedimentary sequence that is composed of three formations including Wunkyori, Hwajeonri and Guryongsan. The stratigraphic sequence within the belt at the Gwesang project comprises dark grey Phyllite, overlain by the black shale (ore zone) and a fine grained sandstone.

South Korean Project Locations



¹The potential quantity and grade of the exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The vanadium exploration target is based on exploration results from the 2013 drilling at Chubu and Gwesang



The historical drilling at the Gwesan project has demonstrated black shale deposits along 10km of strike. KORES completed three drill holes targeting the mineralised black shale at Gwesan in order to verify the mineralisation zone throughout the area. All three drill holes were completed at a total depth of 100m respectively, and several ore zones have been intercepted from 3m to up to 11m in each drill hole.

The best intercept of 0.35% V₂O₅ in the first hole provides encouraging results (refer ASX announcement 13 November 2013).

More drilling will be required to define the high grade mineralisation zone in the area. The mineralisation remains open at depth and along the 10km strike. The project is in its exploration stage and the additional drilling is expected to increase the potential to discover high class uranium and vanadium Mineral Resources at Gwesan.

Stonehenge expects to test the validity of the exploration target once access to historical drill core is obtained and the Company is able to assay the core for vanadium mineralisation. The Company is continuing its efforts to access the core and further updates on this progress will be advised as soon as it becomes available.

This information was prepared and first disclosed under the JORC Code 2004 (refer ASX announcement 29 August 2013). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Competent Person's statement

The information contained in this ASX release relating to exploration results and Mineral Resources has been compiled by Mr. Ian Glacken of Optiro Ltd. Mr. Glacken is a Fellow of The Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Glacken consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.