# Stonehenge Metals Limited

# ACN 119 267 391

# Prospectus

For a pro rata non-renounceable entitlement issue on the basis of seven (7) New Shares for every ten (10) existing Share held at an issue price of $0.005 per New Share. The Offer will raise up to $1,503,643 (before expenses).

**Lead Manager to the Offer is CPS Capital Group Pty Ltd**

The Offer closes at 5.00pm WST on Monday 22 September 2014

The Offer is not underwritten

**Important Notice**

This is an important document and should be read in its entirety.
This Prospectus is a transaction-specific prospectus issued in accordance with Section 713 of the Corporations Act 2001. If you have any queries about any part of the Prospectus, please contact your professional adviser without delay.

The Securities offered by this Prospectus should be considered speculative.

## TABLE OF CONTENTS


| | |
|---|---|
| IMPORTANT INFORMATION | 2 |
| CORPORATE DIRECTORY | 9 |
| TIMETABLE AND IMPORTANT DATES | 10 |
| SECTION 1 DETAILS OF THE OFFER | 13 |
| SECTION 2 RISK FACTORS | 19 |
| SECTION 3 PURPOSE AND EFFECT OF THE OFFER | 25 |
| SECTION 4 RIGHTS ATTACHING TO SECURITIES | 30 |
| SECTION 5 ADDITIONAL INFORMATION | 31 |
| SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS | 37 |
| SECTION 7 DIRECTORS' CONSENT | 38 |
| SECTION 8 DEFINITIONS | 39 |

# IMPORTANT INFORMATION

This Prospectus is dated 1 September 2014 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. An application will be made to ASX within 7 days after the date of this Prospectus for the quotation of the New Shares the subject of this Prospectus.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to Section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

This document is important and it should be read in its entirety. The New Shares to be issued pursuant to this Prospectus should be viewed as a speculative investment and Eligible Shareholders should refer to the Risk Factors affecting the Company set out in Section 2. Eligible Shareholders should consult their stockbroker, solicitor, accountant or other professional adviser if necessary.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus and any such information may not be relied upon as having been authorised by the Directors.

A copy of this Prospectus can be downloaded from the Company's website at www.stonehengemetals.com.au. The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. Any Shareholder or Shareholder may obtain a hard copy of this Prospectus by contacting the Company.

A number of terms and abbreviations used in this Prospectus have defined meanings set out in Section 8.

**OVERSEAS SHAREHOLDERS**

New Shares will not be issued pursuant to this Prospectus to Shareholders with a registered address which is outside Australia or New Zealand. This is because the Company has determined that it would be unreasonable to make the Offer under this Prospectus to such Shareholders having regard to the number of Shareholders in the places where the Offer would be made, the number and value of the New Shares that would be offered and the costs of complying with the legal requirements of those places. The distribution of this Prospectus in jurisdictions outside of Australia and New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the applicable securities law.

This Prospectus does not, and is not intended to, constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer or issue. This Prospectus has not been, nor will it be lodged, filed or registered with any regulatory authority under the securities laws of any other country.

**LEAD MANAGER ARRANGEMENTS (Refer to Section 5.5)**

The Company has engaged CPS Capital Pty Ltd (**CPS**) pursuant to the terms of a lead manager mandate and offer management agreement (**Lead Manager Arrangement**) as the Lead Manager for the Entitlement Issue and for the placement of any Shortfall that arises as a result of the Offer. CPS will receive the following fees for its Lead Manager and offer management services:

(a) 1.5% (ex GST) of the entire amount raised under the Offer;

(b) 4.5% of the value of any rights taken up by CPS clients; and

(c) 4.5% (ex GST) of any Shortfall amounts placed by CPS.

The material terms & conditions of the Lead Manager Arrangement are set out in Section 5.5 of this Prospectus.

**RISK FACTORS (Refer to sections 1.13 and 2)**

Refer to sections 1.12 and 2 for details of the risks associated with an investment in the Company. As with any securities investment, there are risks associated with investing in the Company. Investors should be aware that an investment in the Company involves risks that may be greater than risks associated with an investment in some other companies. The principal risks that could affect the financial and market performance of the Company are detailed in Section 2 of this Prospectus. The Securities on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, investors should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can be effectively managed is limited.

The following table sets out a summary of transaction specific risks that the Company is exposed to and other key risks associated with the acquisition of PEA. This list of risks is not exhaustive. Risks of investing in the Company's existing assets and general risks are set out in Sections 1.12 and 2 of this Prospectus.

| Risk area | Risks |
|---|---|
| Capital Raising and Transaction Settlement | If the Company does not raise at least $1,200,000 under the Offer then it will not be able to satisfy a condition of settlement under the Term Sheet. Whilst, in the event this occurs, the Company will make every effort to proceed with the Term Sheet, this may result in the failure of the transaction. Failure of the transaction may impact the success of the Company. If the transaction fails then the Company will use any proceeds from the Offer to continue to fund the development of its South Korean projects and it will continue to evaluate further new investment opportunities. |
| Re-compliance with Chapters 1 and 2 of the ASX Listing Rules | The ASX has informed the Company that the exercise of the option to acquire PEA under the Term Sheet will constitute a change to the nature of the Company's activities. Pursuant to ASX Listing Rule 11.1.3, the ASX would therefore require the Company to re-comply with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules, as if applying for admission to the Official List. Accordingly, if the Company does exercise the Option to acquire PEA then the Company expects that a Shareholder meeting will be convened to gain Shareholder approval to perform all of the necessary actions in order for a prospectus to be issued for the purpose of satisfying Chapters 1 and 2 of the ASX Listing Rules. In this event, there is no guarantee that Shareholders will approve the required actions or that the Company will successfully re-comply with Chapters 1 and 2 of the ASX Listing Rules. |
| Commercialisation, technology, third party service provider reliance, competition | During the Option Period the Company will rely on third parties including Moore Commerce Pty Ltd, to successfully deliver the Protean Pilot Project. Furthermore, if the Company exercises its option under the Term Sheet, the Company's success will depend, in part, on its ability to commercialise the Protean Technology. Failure to either deliver the Protean Pilot Project or commercialise the Protean WEC Technology may impact the success of the Company. |
| Protean (PEL) insolvency or administration | Protean has agreed to allow the Company to register a security interest over the Protean WEC Technology to protect the Company's interest under the Term Sheet. The Company intends to register this security interest in the coming weeks. However, in the event that Protean becomes insolvent or enters administration during the Option Period, the Company may not be able to enforce its rights to acquire PEA under the Term Sheet. |
| Limited Operating History | If the Company exercises its option under the Term Sheet, PEA has limited relevant operating history and the unproven potential of its technology and any proposed business model makes any evaluation of the business or its prospects difficult. |
| Reliance on Key Management | The Company will be heavily reliant upon the technical abilities of the inventor of the Protean Technology, Mr Sean Moore. Mr Moore will be (subject to completion under the Term Sheet) engaged by the Company as a consultant to develop the Protean |

| Risk area | Risks |
|---|---|
| | Technology and also as the Company's Chief Technology Officer (WEC). The departure of Mr Moore in the short term would be likely to have an adverse effect on the Company's performance and its ability to achieve its objectives. In order to mitigate this risk, the Company has agreed to provide Mr Moore with significant incentives (for example the issue of Performance Rights which will only convert into Shares once the Company achieves certain Milestones. For more information please refer to section 5.5.3 of this Prospectus) to remain with the Company and has also executed a Consultancy Agreement with Mr Moore's company Moore Commerce Pty Ltd. Please refer to section 5.5.2 for the material terms of the service agreement between the Company and Moore Commerce Pty Ltd.<br><br>Furthermore, there can be no assurance given that there will be no detrimental impact on the Company if one or more of its senior management and its key personnel cease their employment. |
| Market Risk | There is a risk that even after the Protean Technology has been successfully developed that it is not taken up by customers to the degree the Company anticipates. |
| Development and Commercialisation of Technologies | There are many risks inherent in the development of technology products like the Protean Technology, particularly as these products are in the early stages of development. The development of the Protean Technology can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.<br><br>The Company can make no representation that any of its research into or development of the full scale prototype will be successful, that the development milestones will be achieved, or that the Protean Technology will be developed into products that are commercially exploitable. A failure to successfully develop and commercialise its Protean Technology is likely to lead to a loss of opportunities and adversely impact on the Company's operating results and financial position. |
| Technology rights | During the Option Period and if the Company exercises its option under the Term Sheet; securing rights to technologies, and in particular patents, is an integral part of securing potential product value in the outcomes of technology research and development. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.<br><br>The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvents such patents. The Company's success depends, in part, on its and or PEA's ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of technology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in technology patents nor their enforceability can be predicted. There can be no assurance that any patents that PEA may own or control or licence now and in the future will afford the Company commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications.<br><br>Although the Company is not aware of any third party interests in relation to the rights to PEA's technologies, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.<br><br>Although the Company will implement all reasonable endeavours to protect PEA's technologies, there can be no assurance that these measures have been, or will be sufficient. |

| Risk area | Risks |
|---|---|
| | Furthermore, PEA has numerous patents pending (i.e. an application for a patent has been made but the patent has not yet been granted). There is no guarantee that all applications for patents will be successful. |
| Research and development | The Company can make no representation that any of its research into or development of the Protean Technology will be successful or that the Protean Technology will be developed into products that are commercially exploitable.<br><br>There are many risks inherent in the development of renewable energy technologies, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons. |
| Technology risks | There is a risk of technology failure in the technologies used in a wave power project. If this occurs, it could have a material adverse effect on that project and in turn on the Company. There is also a risk of technology redundancy due to the long-term nature of the Company's projects. This risk is mitigated by the use of technology and materials from leading international suppliers and manufacturers; this ensures that regular maintenance is undertaken and contracting operations and maintenance is undertaken by experienced industry practitioners. |
| Other renewable energy technologies | Other renewable energy technologies may be developed or emerge which supersede the Protean Technology or make it obsolete, which may cause loss to the Company. |
| Wave Variability | Although wave energy projects may be more predictable than other renewable energy projects like wind or solar energy projects, fluctuations in the level of waves occur on a short term basis (examples include daily, monthly and seasonal variations). These fluctuations will affect the amount of energy produced by the Protean Technology and the revenue generated by it, and if the amount of energy produced is reduced, this is likely to be to the detriment of the Company. |
| Public attitude | Public attitude towards the visual and environmental impact of renewable energy projects, including wave technology, affects the renewable energy targets set by governments and other interested parties which may in turn affect the location and number of WEC units in any given area. The attitude of communities to these and other aspects of renewable energy projects, including wave technology, may change over time. These changes, and any consequential changes to government policy and the regulatory environment, may be positive or negative for the Company. |
| Product Liability and Uninsured Risks | Through its intended business, the Company may be exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.<br><br>Although the Company will work to rigorous standards, there is still the potential for the Protean Technology to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.<br><br>If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.<br><br>Further, the Company is exposed to the risk of catastrophic loss to necessary equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks |

| Risk area | Risks |
|---|---|
| | will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance. |
| Renewable Energy Regulatory Risks | Wave energy projects may be dependent on mandatory or voluntary renewable energy or emissions trading schemes and other government initiatives for economic viability. Typically these government initiatives or programmes are available for a specified period of time, at the end of which there is no guarantee that the relevant initiative or programme will be extended. Equally, during the term of the initiative or programme, changes in political or other activities may result in changes to, suspension or abolition of those initiatives or programmes, which could have a positive or negative effect on the Company. |
| General Working capital | The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its immediate objectives as stated in this Investment Overview section. However, funds raised under this Prospectus are unlikely to be sufficient to enable the Company to satisfy its longer term objective to fully commercialise its projects and technologies. |
| Funding Risk | There is the risk that if or when the Company requires additional funding that it may not be able to raise these funds. This would likely have a detrimental effect on the Company. |
| General Operation Risk | Renewable energy projects are exposed to numerous operational risks including the impact of force majeure events, plant breakdowns, electricity network and other utility service failures, and other unanticipated events. The cost of repairing or replacing damaged assets may be considerable, while repeated or prolonged interruption may result in termination of contracts, substantial litigation and damages or penalties for regulatory or contractual non-compliance, reduced cash flows and increased funding costs. Moreover, such amounts may not be recoverable under insurances and, in relation to network failures, network service providers and market operators may also benefit from limitations of liability reducing the quantum of any recovery of damages from them. If the operation expenditure is different from that projected for the wave power project, it will affect the cash flow available from the project which may have a detrimental impact on the Company. |
| Market Price of Electricity and Renewable Energy Rights is Volatile | Demand for electricity is dependent on numerous factors including economic conditions, population growth, government policy, weather, availability and price of alternative fuels or energy sources. Demand for products such as the Protean WEC may be dependent on mandatory requirements for electricity to come from renewable energy sources, market demand for electricity and renewable energy, and their availability. Given the kinds of factors which affect demand, demand has inherent volatility. This may impact on the price of electricity and renewable energy positively or negatively. |
| Management of Growth | There is a risk that management of the Company will not be able to implement the Company's strategy. The capacity of management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance. |

Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors prior to applying for Securities offered for subscription under this Prospectus. Investors should consider the risk factors described above and outlined in more detail in Section 2, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Securities.

**DIRECTORS' INTERESTS (Refer to Section 5.7)**

The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlements under the Offer are set out below.

| Director | Shares (Direct & Indirect) | Options (Direct & Indirect) | Voting Power (%) | Entitlement | Value of Entitlement ($) |
|---|---|---|---|---|---|
| Richard Henning* | 12,788,889 | Nil | 2.98% | 8,952,222 | 44,761 |
| Young Yu** | 28,101,389 | Nil | 6.55% | 19,670,972 | 98,355 |
| Bevan Tarratt*** | 19,467,606 | Nil | 4.74% | 13,627,324 | 68,137 |
| Bruce Lane**** | 2,172,630 | Nil | 0.51% | 1,520,841 | 7,604 |

**Notes:**

* Richard Henning will subscribe for 5,000,000 of his Entitlement under this Prospectus.

** Young Yu will subscribe for 10,000,000 of his Entitlement under this Prospectus.

*** Bevan Tarratt will subscribe for 10,000,000 of his Entitlement under this Prospectus.

**** Bruce Lane will not subscribe for his Entitlement under this Prospectus of 1,520,841 New Shares

**1. Conversion of Employee Entitlements**

Subject to any necessary Shareholder approval and the Company raising $1.2m under the Offer, Richard Henning's and Young Yu's direct and indirect shareholding will increase as a result of the conversion of previously deferred employee entitlements into Shares. These Shares will be issued at a price which is based on the Company's VWAP during the 20 Business Days prior to their date of issue. Shareholder approval will be sought at a shareholder meeting to be convened following completion of the Offer. These Shares will be issued following completion of the Offer and accordingly, will not affect Richard Henning's or Young Yu's Entitlement under the Offer. The Shares will be issued as follows:

(a) Richard Henning - deferred employee entitlements to the value of $58,451.92. For example based on a 20-day VWAP of $0.008 Mr Henning would be issued 7,306,490 ordinary shares. It is noted Mr Henning's executive services agreement expired in April 2014 and Mr Henning continues as Non-Executive Chairman of the Company.

(b) Young Yu - deferred employee entitlements to the value of $24,990.38. For example based on a 20-day VWAP of $0.008 Mr Yu would be issued 3,123,797 ordinary shares

**2. Conversion of Loan Agreements**

Subject to any necessary Shareholder approval and the Company raising $1.2m under the Offer, the direct and indirect shareholding of Richard Henning, Young Yu and Bevan Tarratt will increase as a result of the conversion of outstanding loan monies into Shares pursuant to the terms of loan agreements between the Company and its Directors. These Shares will be issued at $0.004 per Share. Any necessary Shareholder approval will be sought at a shareholder meeting to be convened following completion of the Offer. These Shares will be issued following completion of the Offer and accordingly, will not affect Richard Henning's, Young Yu's or Bevan Tarratt's Entitlement under the Offer. The Shares will be issued as follows:

(a) Richard Henning - $10,000 loaned to the Company by parties related to or entities controlled by Mr Henning will be converted into 2,500,000 shares.

(b) Young Yu - $20,000 loaned to the Company by parties related to or entities controlled by Mr Yu will be converted into 5,000,000 Shares.

(c) Bevan Tarratt - $11,000 loaned to the Company by parties related to or entities controlled by Mr Tarratt will be converted into 2,750,000.

**3. Cessation of Young Yu's Employment Agreement**

Subject to any necessary Shareholder approval, Young Yu's direct and indirect shareholding will further increase as a result of the conversion of the payment of 1 month's salary (being $12,500) into Shares. These Shares will be issued at a price which is based on the Company's VWAP during the 20 Business Days prior to their date of issue. This payment is provided to Mr Yu in lieu of the notice required for the cessation of Mr Yu' s Employment Agreement dated 9 March 2012. Shareholder approval will be sought at a shareholder meeting to be convened following completion of the Offer. These Shares will be issued following completion of the Offer and accordingly, will not affect Young Yu's Entitlement under the Offer.

4. The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting to be divided between the Directors as agreed.

5. The Company incurred remuneration costs relating to its current and previous Directors of $520,861 for the year ended 30 June 2012, $594,564 for the year ended 30 June 2013, $461,766 for the year ended 30 June 2014. In addition to the above, the Directors' remuneration costs from 1 July 2014 to the date of this Prospectus total approximately $26,000.

6. If a Director, at the request of the Board of Directors, performs extra services, the Company may pay that Director a fixed sum set by the Board of Directors for doing so. Directors are also reimbursed for out of pocket expenses incurred as a result of the directorship or any special duties.

7. As at the date of this Prospectus the Company has an outstanding obligation to pay approximately $35,000 plus GST to Tapanui Capital Pty Ltd for the services of Mr Bruce Lane as deferred payment of services during the period from 1 May 2014 until the date of this Prospectus. Mr Bruce Lane is a Director of the Company.

8. For the purpose of calculating Entitlement, it is assumed that no Options have been exercised.

**SUBSTANTIAL HOLDERS**

Based on public information as at the date of this Prospectus, the persons who (together with their associates) have a relevant interest in 5% or more of the Company's securities are set out below:

| Shareholder | No. of Shares | % |
|---|---|---|
| JLC Corporation Pty Ltd | 28,101,389 | 6.55% |

In the event all Entitlements are accepted (or all Shortfall is placed) there will be no change to the substantial holders on completion of the Offer.

# CORPORATE DIRECTORY

## Directors

Richard Henning - Chairman
Bruce Lane - Executive Director
Bevan Tarratt - Non-Executive Director
Young Yu - Non-Executive Director

## Company Secretary

Matthew Foy

## Registered Office

Office J, Level 2, 1139 Hay Street,
West Perth. WA 6005

## Principal Place of Business

Office J, Level 2, 1139 Hay Street,
West Perth. WA 6005

Telephone: +61 (8) 9481 2277
Facsimile: +61 (8) 9481 2355
Website: www.stonehengemetals.com.au

## Securities Exchange Listing

ASX Limited
ASX Code: SHE

## Prospectus Manager

Minerva Corporate Pty Ltd
Office J, Level 2, 1139 Hay Street,
West Perth WA 6005

## Share Registry*

Link Market Services Limited
Central Park, Level 4
152 St Georges Terrace,
Perth, WA, Australia, 6000

Investor enquiries:
Telephone: +61 1300 554 474
(toll free within Australia)
Facsimile: +61 2 9287 0303

## Solicitors

Nova Legal
Ground Floor, 10 Ord Street
West Perth WA 6005

## Lead Manager

CPS Capital Pty Ltd
Level 45, 108 St Georges Tce
Perth WA 6000

## Auditors*

BDO Audit (WA) Pty Ltd
38 Station St
Subiaco WA 6008

* These parties are included for information purposes only. They have not been involved in the preparation of this Prospectus.

## TIMETABLE AND IMPORTANT DATES

| EVENT | DATE |
|---|---|
| Prospectus lodged with ASIC and ASX | 1 September 2014 |
| Announcement of Entitlement Issue | 2 September 2014 |
| Notice of Entitlement Issue sent to Shareholders | 3 September 2014 |
| "Ex" Date (date from which Shares commence trading without the entitlement to participate in the Entitlement Issue) | 4 September 2014 |
| Record Date (date for determining Shareholder entitlements to participate in the Rights Issue) | 8 September 2014 |
| Prospectus sent to Shareholders and Opening Date of Offer | 11 September 2014 |
| Closing Date of Offer | 22 September 2014 |
| Notification of under-subscriptions to ASX | 25 September 2014 |
| Despatch date/New Shares entered into Shareholders' security holdings | 29 September 2014 |

Dates are indicative only. Subject to the ASX Listing Rules, the Directors may vary the dates without prior notice.

# BRIEF INSTRUCTIONS

## THE ENTITLEMENT ISSUE

## For Eligible Shareholders

***What You May Do***

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may:

- Accept your Entitlement in full or part; or
- accept your Entitlement in full and apply for additional shares pursuant to the Shortfall Offer; or
- Allow the whole of the Entitlement to lapse.

***If You Wish To Take Up All or Part Of Your Entitlement***

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form, together with your cheque for the amount shown on the form or for such lesser amount as you wish to apply for, so as to reach the Company's Share Registry no later than 5:00pm WST on 22 September 2014. Shareholders should be made aware that their own financial institution may have an earlier cut off time for BPAY payments. By paying by BPAY you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

***Applying for Shortfall Shares***

Subject to any restrictions imposed by law, Eligible Shareholders who have subscribed for their entitlements in full may apply for additional New Shares under the Shortfall Offer by completing the section of the Entitlement and Acceptance Form entitled "Shortfall Shares" in accordance with its instructions.

***Entitlements Not Taken Up***

If you decide not to accept all or part of your Entitlement pursuant to the Entitlement Issue, you are not required to take any action. The New Shares not accepted will form part of the Shortfall.

## CHAIRMAN'S LETTER

On behalf of the directors of Stonehenge Metals Limited I am pleased to offer you the opportunity to participate in this 7 for 10 non-renounceable pro-rata rights issue to raise approximately $1,503,643 before costs.

This capital raising will enable the Company to continue exploration and development of its Korean uranium & vanadium projects whilst supporting an assessment of the commercialisation potential of Protean's innovative wave energy conversion technology. The new funds will also allow the Company to continue evaluating new acquisitions and opportunities in the resources sector.

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 broader based energy company.

We believe that 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.

Eligible Shareholders will have the opportunity under the Offer to subscribe for 7 New Shares for every 10 Shares held on the Record Date, at the issue price of $0.005 per New Share.

Shareholders wishing to subscribe for Shares in excess of their Entitlement are invited to subscribe for any Shortfall.

The details of the Offer are set out in this Prospectus together with your personalised Entitlement and Acceptance Form.

The Board of Stonehenge recommends this rights issue to you and we thank shareholders for their ongoing support.

Yours faithfully,



Richard Henning
**Chairman**

# SECTION 1 DETAILS OF THE OFFER

## 1.1 Details of the Entitlement Issue Offer

The Company is making a pro rata non-renounceable entitlement issue on the basis of seven (7) New Shares at an issue price of $0.005 per New Share for every ten (10) existing Share held. The Offer will raise $1,503,643 (before expenses) such that a maximum of 300,728,672 New Shares will be issued.

The New Shares are being offered to Eligible Shareholders on the basis of seven (7) New Shares for every ten (10) Shares held on the Record Date of 8 September 2014. In the calculation of any entitlement, fractions will be rounded down to the nearest whole number.

The New Shares offered pursuant to this Prospectus will rank equally with existing Shares on issue. The full terms and conditions of the New Shares are set out in Sections 4.1 and 4.2 respectively.

The Company has on issue 429,612,389 Shares and 1,235,883 Unlisted Options. Optionholders who exercise their Unlisted Options after the date of this Prospectus but prior to the Record Date will be entitled to participate in the Entitlement Issue Offer.

The number of New Shares to which you are entitled as an Eligible Shareholder is shown on the accompanying personalised Entitlement and Acceptance Form.

## 1.2 Underwriting

The Offer is not underwritten.

## 1.3 No Rights Trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your right to subscribe for New Shares to another party. If you do not take up your Entitlement under the Offer by the Closing Date, the Offer to you will lapse.

## 1.4 Minimum Subscription

There is no minimum subscription under the Entitlement Issue.

## 1.5 Opening and Closing Dates

The Entitlement Issue will open for receipt of acceptances on 10 September 2014.

The Entitlement Issue will close at 19 September 2014, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 3 Business Days prior to the Closing Date.

## 1.6 How to Accept the Entitlement Issue Offer

The number of New Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form.

In determining Entitlements, any fractional Entitlement will be rounded down to the nearest whole number.

***Acceptance of Entitlement in Full***

If you are an Eligible Shareholder and wish to take up **all** of your Entitlement under the Entitlement Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form.

***Application for Shortfall Shares***

Eligible Shareholders who take up their Entitlement in full may, in addition to their Entitlement, apply for Shortfall Shares regardless of the size of their present holding, by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form.

***Partial Acceptance of Entitlement***

If you are an Eligible Shareholder and wish to take up **part** of your Entitlement pursuant to the Entitlement Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form and insert the number of New Shares for which you wish to accept (being less than your Entitlement as specified on the Entitlement and Acceptance Form).

***Acceptance of Terms***

All applications for New Shares must be made on the Entitlement and Acceptance Form. Any application will be treated as an offer from the applicant to acquire New Shares on the terms and conditions set out in the Prospectus. The Directors reserve the right to reject any applications for New Shares. Please ensure the completed Entitlement and Acceptance Form and your cheque is received by the Company's Share Registry at:

By Post:
Stonehenge Metals Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney, NSW 2001

By Delivery:
Stonehenge Metals Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 (*Please do not use this address for mailing purposes*)

Those who elect to pay via cheque, please make the cheque payable to **Stonehenge Metals Limited Offer A/C**' and cross it 'Not Negotiable'.

Those who elect to pay via BPAY must follow the instructions for BPAY set out in the Entitlement and Acceptance Form. Investors who elect to pay via BPAY will not need to return their completed Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be received not later than 5.00pm WST on the Closing Date. Please note that payment via BPAY must be made by no later than 3.00pm

WST on 22 September 2014. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form. If you have multiple holdings you will have multiple BPAY customer reference numbers. To ensure you receive your Entitlement in respect of that holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

***Non-Acceptance of Entitlement***

If you do not wish to take up any part of your Entitlement under the Entitlement Issue, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the New Shares not accepted will be dealt with in accordance with Section 1.7.

***Enquiries***

If you have any queries regarding your Entitlement or the Offer, please contact the Company on +61 8 9481 2277 from 8.30am to 5.00pm WST, Monday to Friday.

## 1.7 Shortfall Offer

If you do not wish to take up any part of your Entitlement under the Entitlement Issue Offer, you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall Offer.

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer. Eligible Shareholders who take up their Entitlement in full may, in addition to their Entitlement, apply for Shortfall Shares regardless of the size of their present holding by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. It is possible that there may be few or no Shortfall Shares available for issue, depending on the level of take up of Entitlements by Shareholders. There is also no guarantee that in the event Shortfall Shares are available for issue, they will be allocated to all or any of the Eligible Shareholders who have applied for them.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be $0.005 being the price at which Shares have been offered under the Offer.

A cheque, bank draft or money order made payable to “Stonehenge Metals Limited Offer A/C” and crossed Not Negotiable should be used for the application money for your Entitlement and the number of Shortfall Shares you wish to apply for as stated on the Entitlement and Acceptance Form.

Alternatively, if you are paying by BPAY®, refer to your personalised instructions on your Entitlement and Acceptance Form. Shareholders who wish to pay by BPAY® must ensure that payment is received by no later than 5.00pm Eastern Standard Time (3.00pm (WST) on the Closing Date.

Surplus application moneys will be returned to Applicants as soon as practicable following the issue of all Shortfall Shares. The Company reserves the right to close the Shortfall Offer early.

In respect of the Shortfall Offer, it is the responsibility of any applicant outside Australia to ensure compliance with all laws of any country relevant to their applications, and any such applicant should consult their professional advisers as to whether any government or other consents are required,

or whether any formalities need to be observed to enable them to apply for and be issued any securities.

No action has been taken to register or qualify the Shortfall Shares or the Shortfall Offer or otherwise to permit a public offering of the Shortfall Shares in any jurisdiction outside Australia. Priority to any allocation of Shortfall Shares will be given to existing Shareholders, following which any remaining Shortfall Shares will be allocated at the Directors' absolute discretion.

The Directors (in consultation with CPS) reserve the right to issue Shortfall Shares at their absolute discretion including issuing to an Applicant a lesser number of Shortfall Shares than the number for which the Applicant applies for on their Entitlement and Acceptance Form, or to reject an application, or to not proceed with placing the Shortfall.

An Applicant will not be allocated any Shortfall Shares if the issue of those Shortfall Shares will result in their voting power in the Company exceeding 20%.

The Company has retained CPS Securities Ltd (CPS) to act as Lead Manager for the placement of any Shortfall that arises as a result of the Offer and as such will pay CPS a management fee of 1.5% (ex GST) on the total value of all Shortfall Shares placed by the Company and 4.5% (ex GST) of the value of each allocation to any participant broker, including CPS, identified by the Participant Identification (PID) associated with each successful allocation of Shortfall Shares.

## 1.8 Lead Manager

A summary of Lead Manager Arrangement is provided in the Important Information section above. Further, the material terms & conditions of the Lead Manager Arrangement are set out in Section 5.5 of this Prospectus

## 1.9 Australian Securities Exchange Listing

The Company will apply to ASX for quotation of the Securities offered pursuant to this Prospectus within seven days after the date of this Prospectus. If an application for quotation of the Securities is not made within seven days after the date of this Prospectus, or ASX does not grant permission for official quotation of the Securities within three months after the date of this Prospectus, the Company will not issue any Securities and will repay all Application Monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered under this Prospectus.

## 1.10 Issue of Securities

The Securities to be issued pursuant to the Offer will be issued in accordance with the Timetable and Important Dates and otherwise in accordance with the Listing Rules.

Where the number of Securities issued is less than the number applied for, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank

account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the Timetable and Important Dates and otherwise in accordance with the Listing Rules and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

## 1.11 CHESS and Issuer Sponsorship

The Company operates an electronic CHESS sub-register and an electronic issuer sponsored sub-register. These two sub-registers make up the Company's register of securities. The Company will not issue certificates to investors. Rather, holding statements (similar to bank statements) will be dispatched to investors as soon as practicable after issue.

Holding statements will be sent either by CHESS (for new investors who elect to hold their securities on the CHESS sub-register) or by the Company's Share Registry (for new investors who elect to hold their securities on the Issuer sponsored sub-register). The statements will set out the number of Securities issued under the Prospectus and provide details of a Holder Identification Number (for new investors who elect to hold their securities on the Chess sub-register) or Security holder Reference Number (for new investors who elect to hold their securities on the issuer sponsored sub-register). Updated holding statements will also be sent to each new investor following the month in which the balance of their holding of Securities changes, and also as required by the Listing Rules or the Corporations Act.

## 1.12 Risks

As with any securities investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 2 of this Prospectus. The Securities on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, investors should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

## 1.13 Overseas Shareholders

The Company is of the view that it is unreasonable to make an offer under the Entitlement Issue under this Prospectus to Shareholders outside of Australia and New Zealand having regard to:

- the number of Shareholders registered outside of Australia and New Zealand;
- the number and value of the New Shares that would be offered to Shareholders registered outside of Australia and New Zealand; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to offer the New Shares under the Prospectus to Shareholders registered outside of Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities the subject of this Prospectus or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

## 1.14 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Securities of the Company.

## 1.15 Privacy Disclosure

Persons who apply for Securities pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for securities to provide facilities and services to Shareholders and Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Securities will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders and Shareholders can be obtained by that Shareholder or Shareholder through contacting the Company or the Share Registry.

## 1.16 Enquiries

This document is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

If you have any questions regarding your Entitlement or the Offer, please contact the Company on +61 (8) 9481 2277, from 8.30am to 5.00pm WST, Monday to Friday.

# SECTION 2 RISK FACTORS

## 2.1 Introduction

The Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business.

Whilst the Directors recommend that Shareholders take up their Entitlement, there are however numerous risk factors involved. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which the New Shares will trade.

The following is a summary of the more material matters to be considered and should be read in conjunction with specific matters referred to in the Company's announcements and reports. However, the summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for the Securities.

## 2.2 Specific Risks – Acquisition of PEA

A number of specific risk factors that may impact the future performance of the Company in relation to its proposed acquisition of PEA pursuant to the Term Sheet. During the option period of the Term Sheet and in the event that the Company exercises its option under the Term Sheet to acquire PEA, the specific risks in relation to PEA and its technology are described in the Important Information section at the front of this Prospectus. Shareholders should note that this list is not exhaustive and some additional risks are outlined below.

### 2.2.1 Brand Establishment and Maintenance

The Company believes that establishing and maintaining Protean's brand in the nascent wave energy market is critical to attracting and growing a user base and creating technology acceptance. This will depend largely on the Company's ability to provide useful and innovative technology. The actions of external industry participants may affect the brand if users do not have a positive experience using Protean's technology. If the Company fails to successfully establish and maintain its brand its business and operating results could be adversely affected.

### 2.2.2 A number of the Company's technology and possible future technologies may contain or rely on open source software, which may pose particular risks to its proprietary software and technology in a manner that could have a negative effect on its business

The Company may utilise open source software in its technology. The terms of many open source licenses to which the Company will be subject have not been interpreted by Australian or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on the Company's ability to provide or distribute its technology.

### 2.2.3 The Company's technology may contain programming errors, which could harm its brand and operating results

The Company's technology will contain complicated programming and its objectives are to quickly develop and launch new and innovative technology and features. The Company's technology may therefore contain now or in the future, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered could result in (among other consequences) damage to Protean's brand, loss of users, loss of platform partners, fall in revenues or liability for damages, any of which could adversely affect the Company's business and operating results.

### 2.2.4 Competition

The Company will compete with other businesses and companies. Some of these companies are at different stages of development, have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

### 2.2.5 Insurance

The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company incurs uninsured losses or liabilities, the value of the Company's assets may be at risk.

### 2.2.6 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Additionally, the Company has committed to various capital requirements as a result of the Term Sheet. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its technology development as the case may be.

### 2.2.7 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

### 2.2.8 If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business or its market, or if they change their recommendations regarding the Company's Securities adversely, the price of its Securities and trading volumes could be adversely affected

The market for the Company's Securities trading on ASX may be influenced by any research or reports compiled by securities or industry analysts. If any of the analysts who may cover the Company and its technology change previously disclosed recommendations on the Company or for that matter its competitors, the price of its Securities may be adversely affected.

### 2.2.9 The Company does not expect to declare any dividends in the foreseeable future

The Company does not anticipate declaring or paying any dividends to Shareholders in the foreseeable future. Consequently, investors may need to rely on sales of their Securities to realise any future gains on their investment.

### 2.2.10 If the Company's goodwill or intangible assets become impaired, it may be required to record a significant charge to earnings

Under generally accepted accounting principles, the Company reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. The Company has on record a total of $7,836,035 of intangible assets. Any change to the estimation of fair value could result in an impairment charge to the Company's intangible assets. Any such material charges may have a material negative impact on the Company's operating results.

## 2.3 Specific Risks – Current Assets

A number of specific risk factors that may impact the future performance of the Company are described below. Shareholders should note that this list is not exhaustive.

### 2.3.1 Operational Risks

The business of mineral exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on, amongst other things:

(a) the discovery and-or acquisition of economically recoverable reserves;

(b) access to adequate capital for project development;

(c) design and construction of efficient development and production infrastructure within capital expenditure budgets;

(d) securing and maintaining title to interests;

(e) obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and

(f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic mineral deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

### 2.3.2 Exploration and Mining Risk

The business of mineral exploration and mining involves risks and hazards. For example, in an exploration context no assurance can be given that ore bodies will be detected with preferred or desirable tonnages or grades. High risk and substantial expense can be incurred without the requisite or expected degree of reward. Even if commercial quantities of ore are discovered unforeseen risks can arise in the development and production phase including mining or processing issues, environmental hazards, industrial accidents, labour forced disruption, the unavailability of materials and equipment, unusual or unexpected geological formation, pit failures, changes in the regulatory environment and weather conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

### 2.3.3 Uncertainty of Exploration and Development Programs

Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any exploration and development program are the location of ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, access to permits and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may lapse from the initial phases of drilling until commercial operations commence and, during such time, the economic feasibility of production may change. Accordingly, the Company's exploration and development program may not result in any new economically viable mining operations.

### 2.3.4 Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information or techniques becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Even if the Company identifies a resource or reserve, actual ore reserves and resources (including grade and quantity)

may differ from those estimated at an earlier time which may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

### 2.3.5 Ability to Exploit Successful Discoveries

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. The infrastructure requirements around a successful discovery may also impact on the exploitation of a discovery. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such work may require the Company to meet or commit to financing obligations for which it may have not planned.

### 2.3.6 Compliance Risk

The Company holds an interest in various mining tenements. Title to these tenements is subject to the Company, as tenement holder, complying with the terms and conditions of each tenement, including the minimum annual expenditure commitments. There is a risk that if the Company does not comply with the terms and conditions of each tenement, it may lose its interest in the relevant tenement.

The Company has implemented appropriate policies and practices to mitigate the risk that the terms and conditions attaching to each of the tenements it has an interest in are not complied with.

### 2.3.7 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

### 2.3.8 Country Risk

The Company holds interest in assets located in South Korea but may acquire assets in foreign countries in the future. Operations by the Company may require approvals from regulatory authorities which include renewals of existing South Korean, service contacts, licences or permits, which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company.

While the Company has no reason to believe that all requisite approvals will not be forthcoming and while the Company's obligations for expenditure will be predicated on any requisite approvals being obtained it should be understood that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

Additionally, there are risks associated with exploration and mining activities and investments generally in foreign countries that may adversely affect the business, costs, expenditure and profitability of the Company. These risks include:

(a) changes in foreign country government, government policies, regulatory regime, economic change, civil instability, attitudes towards foreigners or their businesses in their country;

(b) land access and environmental regulation may be adverse or beneficial; and

(c) the applicable legal regime including investment into and repatriation of revenue out of the foreign country.

### 2.3.9 Environmental

The Company's activities are subject to the environmental risks inherent in the mining industry. The Company is subject to environmental laws and regulations in connection with operations it may pursue in the mining industry. The Company intends to conduct its activities in an

environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations on any area.

### 2.3.10 Future capital needs and additional funding

The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the company cannot forecast with any certainty.

Any additional equity financing will be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional funding as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

### 2.3.11 Insurance

Insurance against all risks associated with mineral exploration is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the operations of the Company. There is no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers is reasonable.

## 2.4 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

### 2.4.1 General Economic Climate

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and securities price may be affected by these factors, as well as by fluctuations in the price of commodities, which are beyond the Company's control.

### 2.4.2 Changes in Legislation and Government Regulation

Government legislation in Australia or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

### 2.4.3 Competition for Projects

The Company competes with other companies, including mineral exploration and production companies. Some of these companies have greater financial and other resources than the Company. As a result, such companies may be in a better position to compete for future business opportunities and there can be no assurance that the Company can effectively compete with these companies. In the event that the Company is not able to secure a new project or business opportunity this may have an adverse effect on the operations of the Company, its possible future profitability and the trading price of its securities, including the Securities offered under this Prospectus.

### 2.4.4 Commodity Price Volatility and Exchange Rate Risk

If the Company achieves success leading to mineral production, the revenue it will derive through the sale exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and South Korean currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and Korean Won as determined in international markets.

### 2.4.5 Reliance on Key Personnel

The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the mining industry and the Company's ability to find and retain key executives.

### 2.4.6 Sharemarket Conditions

The market price of the Company’s securities may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

## 2.5 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

# SECTION 3 PURPOSE AND EFFECT OF THE OFFER

## 3.1 Purpose of the Offer

The purpose of the Offer is to raise approximately $1,503,643 (before expenses). The application of funds raised from this Offer is summarised below, depending on various levels of subscription.

For the purposes of detailing the use of funds raised under this Prospectus, it is assumed no Options are exercised between the date of this 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[2] | $52,721 | $76,521 | $104,800 | $123,653 |
| Working Capital and Administration[3] | $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 this 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.

[2] Please refer to Section 5.10 of this Prospectus for further details of the expenses of the Offer. The table above includes fees payable to CPS pursuant to the Lead Manager Arrangement as set out in Section 5.5 which include:

(a) 1.5% (ex GST) of the entire amount raised under the Offer;
(b) 4.5% of the value of any rights taken up by CPS clients; and
(c) 4.5% (ex GST) of any Shortfall amounts placed by CPS.

If the Company raises less than $1,200,000 under the Offer (being the minimum required under the Term Sheet for grant of the Option and Exclusive License), the funds will be apportioned in priority to the following: expenses of the Offer, expenditure on the Company's existing South Korean Projects, administration costs and working capital.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

## 3.2 Effect of the Offer and Pro Forma Consolidated Statement of Financial Position

The principal effect of the Offer (assuming full subscription) will be that:

(a) cash reserves will increase by approximately $1,503,643 (before expenses) immediately after completion of the Offer; and

(b) 300,728,672 New Shares will be issued. A summary of all the Shares and Options the Company will have on issue after the Offer is outlined in section 3.4.

## 3.3 Pro Forma Consolidated Statement of Financial Position

The unaudited management based Consolidated Statement of Financial Position as at 31 December 2013, the unaudited Pro Forma Statement of Financial Position as at 31 December 2013, and the Audited Consolidated Statement of Financial Position as at 30 June 2013 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Securities pursuant to the Offer in this Prospectus are issued.

The Statements of Financial Position have been prepared to provide information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

**Unaudited Management Based Consolidated Statement of Financial Position and Pro-Forma**

**Statement of Financial Position as at 31 December 2013**

| | Audited Consolidated 30 June 2013 $'000 | Reviewed Consolidated 31 December 2013 $'000 | Notes | Pro-Forma Unaudited Consolidated 31 December 2013 $'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 1,266,504 | 533,672 | 1,2 | 2,033,728 |
| Other receivables | 455,550 | 256,760 | | 256,760 |
| **Total Current Assets** | 1,722,054 | 790,432 | | 2,290,488 |
| **Non-Current Assets** | | | | |
| Deferred exploration expenditure | 7,636,456 | 7,836,035 | | 7,836,035 |
| Trade and other receivables | - | 143,490 | | 143,490 |
| Property, plant and equipment | 71,234 | 61,371 | | 61,371 |
| Investments | - | - | | - |
| Other financial assets | 20,000 | 20,621 | | 20,621 |
| **Total Non-Current Assets** | 7,727,690 | 8,061,517 | | 8,061,517 |
| Total Assets | 9,449,744 | 8,851,949 | | 10,352,005 |
| **LIABILITIES** | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | 229,930 | 194,492 | | 194,492 |
| Borrowings | - | - | 3 | 120,000 |
| Provisions | 30,617 | 37,828 | | 37,828 |
| **Total Current Liabilities** | 260,547 | 232,320 | | 352,320 |
| **Non-Current Liabilities** | | | | |
| Deferred tax liabilities | 471,237 | 471,237 | | 471,237 |
| **Total Non-Current Liabilities** | 471,237 | 471,237 | | 471,237 |
| **Net Assets** | 8,717,960 | 8,148,392 | | 9,528,448 |
| **EQUITY** | | | | |
| Issued capital | 22,577,276 | 22,622,692 | 1,4,5 | 24,058,748 |
| Reserves | 1,916,585 | 2,057,096 | | 2,057,096 |
| Accumulated losses | (15,775,901) | (16,531,396) | | (16,587,396) |
| **Total Equity** | 8,717,960 | 8,148,392 | | 9,528,448 |

The above pro forma unaudited Consolidated Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2013 and the completion of the Offer, except:

1. completion of the Entitlement Issue, by way of full subscription for the Offer, to raise $1,503,643 (before expenses of the Offer) and 300,728,672 New Shares being issued as a result of the Offer;

2. expenses of the Offer (assuming full subscription) are estimated at $123,653 and have been offset against proceeds of the Offer;

3. $120,000 of working capital funding via loan (as announced by the Company on 28 July 2014);

and

4. issue of 10,000,000 ordinary shares to CPS as lead manager to the Entitlement Issue; and

5. issue of 1,200,000 ordinary shares to Minerva under the Prospectus Management Mandate.

## 3.4 Effect on Capital Structure After Completion of Offer

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed and no Options are exercised prior to the Record Date.

| **Shares** | **Number of Shares** |
|---|---|
| Shares on issue at date of Prospectus | 429,612,389 |
| Total New Shares issued pursuant to the Offer | 300,728,672 |
| **Total Shares on issue after completion of the Offer** | **730,341,061** |

| **Options** | **Number of Options** |
|---|---|
| Unlisted Options exercisable at $0.075 on or before 12 December 2014 | 1,235,883 |
| **Total Options on issue after completion of the Offer** | **1,235,883** |

| **Performance Shares** | **Number of Performance Shares** |
|---|---|
| Class F Performance Shares | 5,000,000 |
| Class G Performance Shares | 7,500,000 |
| **Total Performance Shares on issue after completion of the Offer** | **12,500,000** |

**Notes:**

1. The number of Shares on issue assumes that no Options currently on issue are exercised prior to the Record Date.

2. The number of New Shares issued assumes that the Entitlement Issue Offer is fully subscribed and no Options currently on issue are exercised prior to the Record Date.

3. The Company currently has on issue 5,000,000 Class F and 7,500,000 Class G performance shares that are subject to performance hurdles in relation to the Tenements.

4. In accordance with the Term Sheet and subject to Shareholder approval, if the Company raises the minimum of $1,200,000 under the Offer and is granted an Option and Exclusive License; then it is anticipated that an additional 60,000,000 Shares will be issued to PEL or its nominees, and another 10,000,000 Shares will be issued to CPS. Additionally, 1,200,000 Shares will be issued to Minerva under the Prospectus Management Mandate.

# SECTION 4 RIGHTS ATTACHING TO SECURITIES

## 4.1 Terms and Conditions of New Shares

All New Shares issued will rank pari passu in all respects with the Company's existing ordinary fully paid shares. The Company will apply for Official ASX Quotation of all New Shares issued under The Offer.

## 4.2 Rights and Liabilities Attaching to Shares

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, the Listing Rules and the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) At the date of this Prospectus all Shares are of the same class and rank equally in all respects. Specifically, the Shares that may be issued pursuant to the exercise of the New Shares offered under this Prospectus will rank equally with existing Shares on issue.

(b) Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.

(c) Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

(d) The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares of the affected class, or with the sanction of a special resolution passed at a meeting of the holders of the Shares of the affected class.

(e) Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.

(f) Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(g) If the Company is wound up, the liquidator may, with the sanction of a special resolution:

(i) divide among the Shareholders the whole or any part of the Company's property; and
(ii) decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them and in proportion to the amounts paid or credited as paid.

# SECTION 5 ADDITIONAL INFORMATION

## 5.1 Company Update

The Company has entered into the Term Sheet to acquire 100% of the issued capital of PEA as announced on 14 August 2014. PEA has developed the Protean Wave Energy Converter Technology. The Protean Technology is based upon a point-absorber wave energy converter buoy device which floats on the ocean 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 Company believes that this device is unique in that it optimises the conversion of energy from waves through all six degrees of wave movement or motion. The Protean Technology is designed for:

**Scalability;** the Protean system is designed to provide low cost energy for a wide range of applications, from small to large scale production; and

**Versatility;** the Protean system has been designed for dedicated or simultaneous production of electricity and or the desalination of seawater to drinking water quality; and

**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.

The future plans for the Protean WEC include the modularisation of the proven prototype 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 prototype 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 of an independent expert to qualify the testing results; and
5. **Commence** commercialisation of the scalable array of the trials for small to medium customers.

Pursuant to the terms of the Option and Exclusive Licence to be granted under the Term Sheet, the Company has an initial period 24 months (which can be extended by a further 24 months) to conduct an assessment of the technology by spending at least $500,000 over 18 months to deploy and test a pilot Protean WEC system. During that time the Company must make reasonable endeavours to maintain PEA's intellectual property and register any new IP created. The Company is progressing with preparation of Formal Documentation as contemplated by the Term Sheet and expects to settle these documents, on terms not materially different to the Term Sheet, during the coming weeks. PEL has also agreed to allow the Company to register a security interest over the Protean WEC Technology to protect the Company's interest in the Term Sheet for the period of the Term Sheet and the Option Period.

A summary of the key terms and conditions of the Term Sheet are set out in the Company's ASX announcement of 14 August 2014.

The Company intends to convene a general meeting of Shareholders to obtain the necessary Shareholder approvals for the purpose of issuing securities as a result of entering into the Term Sheet, the conversion of employee entitlements to Shares, the conversion of the outstanding loan monies (pursuant to the Loan Agreements) to Shares and any other matters the Board determines is necessary.

In the event the Company elects to exercise the Option pursuant to the Terms Sheet within the 24 month option period described above, the Company expects to convene a further general meeting to obtain all necessary Shareholder approvals required under the Corporations Act and ASX Listing Rules for the purpose of acquiring all the issued capital of PEA.

Additionally, as announced on 14 August 2014, subject to completion of the Term Sheet, Mr Sean Moore has been appointed as the Company's Chief Technology Officer for Wave Energy Conversion. The terms of Mr Sean Moore's engagement are provided in Section 5.5.3.

The Company continues to undertake exploration activities on its existing South Korean Projects whilst identifying and reviewing other commercial opportunities for the Company which complement the Company's existing projects and activities.

## 5.2 Nature of this Prospectus

The New Shares to be issued pursuant to this Prospectus are continuously quoted securities. This Prospectus is issued under the special prospectus content rules for continuously quoted securities in Section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

(a) the effect of the Offer on the Company; and

(b) the rights and liabilities attaching to the New Shares offered pursuant to this Prospectus and the underlying securities.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company.

## 5.3 Continuous Reporting and Disclosure Obligations

The Company is listed on ASX and its Shares are quoted on ASX under the code "SHE".

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the Company lodged its most recent Annual Financial Report on 27 September 2013 free of charge to any investor who so requests prior to the Closing Date. A list of those documents for the period from 30 June 2013 to the time of lodging this Prospectus is set out in Section 6. The Company will also provide a copy of the Annual Financial Report for the period ended 30 June 2013 free of charge upon request.

## 5.4 Market Price of Shares

The highest and lowest recorded closing market sale prices of the Shares quoted on ASX during the three (3) month period immediately prior the date of this Prospectus were $0.009 and $0.005 on 11 August 2014 and 9 July 2014 respectively. The last closing market sale price of the Shares quoted on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was $0.006.

## 5.5 Material Contracts and Agreements

### 5.5.1 Lead Manager Arrangement

The Company has entered into a lead manager mandate and offer management agreement (**Lead Manager Arrangement**) whereby it has engaged CPS Capital Pty Ltd (**CPS**) as the Lead Manager for the Entitlement Issue and for the placement of any Shortfall that arises as a result of the Offer.

CPS will receive the following fees for its Lead Manager and offer management services:

(a) 1.5% (ex GST) of the entire amount raised under the Offer;

(b) 4.5% of the value of any rights taken up by CPS clients; and

(c) 4.5% (ex GST) of any Shortfall amounts placed by CPS.

The Lead Manager Arrangement otherwise contains terms and conditions considered standard for an agreement of its type.

### 5.5.2 Service Agreement – Moore Commerce Pty Ltd

The Company has entered into an agreement with Moore Commerce Pty Ltd for the delivery of the Protean WEC Pilot Project (**Project: SHE1**) (**Service Agreement**). This is a fixed price Turnkey contract which includes fees of $500,000 (excluding GST) to deliver the Protean WEC Pilot Project within 18 months from the grant of the Option and Exclusive Licence under the Term Sheet. Moore Commerce will deliver services including; project management, design, fabrication, deployment, site operational approvals, power integration and site monitoring and management. Mr Sean Moore is contracted to Moore Commerce Pty Ltd to deliver the project.

The Service Agreement otherwise contains terms and conditions considered standard for an agreement of its type.

### 5.5.3 Executive Services Agreement – Sean Moore

The Company has entered into an executive services agreement with Sean Moore (**Executive Services Agreement**). Subject to the grant of the Option and Exclusive Licence under the Term Sheet, Mr Moore will be employed as the Chief Technology Officer of the Company for Wave Energy Conversion and will be paid $4,000 per month plus superannuation (subject to annual review) and this payment will be counted towards satisfaction of the total fees payable under Project: SHE1 described above. In addition the Company may at any time pay Mr Moore a performance-based bonus over and above his salary. The Company has also agreed to issue 15,000,000 performance rights to Mr Moore, subject to Shareholder approval of an Employee Performance Rights Plan and as soon as practicable after the grant of the Option under the Term Sheet, which shall vest and be convertible into ordinary Shares in the Company as follows:

(a) 5,000,000 performance rights upon successfully securing a wave resource site & customer connection agreement such that a pilot array of the Protean WEC Technology can be deployed as contemplated by Project: SHE1

(b) 5,000,000 performance rights upon the successful completion of a pilot plant for the Protean WEC Technology with a peak output capacity of at least 45kW and otherwise as contemplated by the Project: SHE1; and

(c) 5,000,000 performance rights upon the Company's market capitalisation (fully diluted) exceeding $20,000,000 for a period of 5 consecutive trading days based on the closing price of the shares on ASX,

provided that the performance rights shall lapse on that date which is 5 years after the Commencement Date if the vesting conditions have not been satisfied by that date.

The terms and conditions attaching to the performance rights shall be set out in a performance rights plan to be approved at a general meeting of the Company's shareholders.

The Executive Services Agreement otherwise contains terms and conditions considered standard for an agreement of its type.

### 5.5.4 Tapanui Capital Services Agreement and Executive Services Agreement – Bruce Lane

In respect of the acquisition of PEA, the Company has engaged Tapanui Capital Pty Ltd (**Tapanui Capital**) to provide short term support to manage the project evaluation and acquisition process (**Service Agreement**). Pursuant to the terms of the Service Agreement, Tapanui Capital will provide general support to the Board and its advisors and service providers in respect of the Company's corporate activity, financial management, strategy development and execution. Fees of $10,000 per month will be paid to Tapanui Capital in respect of these services.

Tapanui Capital will provide the above services under the Service Agreement until the Company completes a $1.2m capital raising. Following completion of the capital raising, the Service Agreement will be replaced by a formal executive services agreement in respect of Bruce Lane's services as executive director of the Company (**Executive Services Agreement**). Mr Lane will be paid $12,500 per month plus superannuation (subject to annual review) and will be issued, subject to shareholder approval which will be sought under a notice of meeting, up to 30,000,000 performance rights under an Employee Performance Rights Plan.

The specific terms of the performance rights will be detailed in the aforementioned notice of meeting. In addition the Company may at any time pay Mr Lane a performance-based bonus over and above his salary.

The Executive Services Agreement otherwise contains terms and conditions considered standard for an agreement of its type.

### 5.5.5 Minerva Corporate Pty Ltd – Company Administration and Secretary Mandate

The Company has entered into an ongoing accounting, company secretarial and administration support services agreement with Minerva Corporate Pty Ltd (**Minerva**) (**Company Administration and Secretary Mandate**). The Company has agreed to pay $5,000 per month and will provide Minerva with 2 months' notice of termination under this agreement.

The Company Administration and Secretary Mandate otherwise contains terms and conditions considered standard for an agreement of its type.

### 5.5.6 Minerva Corporate Pty Ltd – Prospectus Management Mandate

The Company has engaged Minerva to provide short term support for the acquisition of PEA and the preparation of this Prospectus (**Prospectus Management Mandate**). Pursuant to the terms of the Prospectus Management Mandate, a fee of $6,000 will be paid to Minerva in the form of shares to be issued at the Offer price of $0.005 per Share.

The Prospectus Management Mandate otherwise contains terms and conditions considered standard for an agreement of its type.

## 5.6 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

## 5.7 Directors' Interests

Other than as set out elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid (in cash or securities or otherwise) and no benefits have been given or agreed to be given to any Director:

- to induce him to become, or to qualify him as, a Director; or
- for services rendered by him in connection with the formation or promotion of the Company or the Offer.

## 5.8 Related Party Transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

## 5.9 Interests and Consents of Advisers

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

1. the formation or promotion of the Company; or
2. property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
3. the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Pursuant to Section 716 of the Corporations Act, Nova Legal has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Nova Legal has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name. Nova Legal has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Nova Legal $10,000 (excluding GST and disbursements) for these services. Nova Legal has not provided any services

or received any fees from the Company during the 24 months preceding lodgement of this Prospectus with the ASIC.

Minerva Corporate Pty Ltd has given, and has not withdrawn, its written consent to be named as the Prospectus Manager in this Prospectus, in the form & context in which it is named. Minerva Corporate Pty Ltd has acted as Prospectus Manager to the Company in relation to the Offer. The Company estimates it will pay Minerva Corporate Pty Ltd Shares to the value of $6,000 for these services in accordance with the Prospectus Management Mandate detailed in Section 5.5.6 of the Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Minerva Corporate Pty Ltd has been paid approximately $105,194 (excluding GST) for services provided to the Company.

CPS has given, and has not withdrawn, its written consent to be named as the Lead Manager to the Offer in this Prospectus, in the form & context in which it is named. CPS has acted as Lead Manager to the Company in relation to the Offer and provided offer management services. The Company estimates it will pay CPS fees for these services in accordance with the Lead Manager Arrangement set out in Section 5.5.1 of the Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, CPS has not been paid for any services provided to the Company.

## 5.10 Estimated Expenses of the Offer

In the event the Offer is fully subscribed, the estimated expenses of the Offer (excluding GST and offer management and broker fees) are as follows:

| **Fees/Expenses** | **25% Subscription ($)** | **50% Subscription ($)** | **80% Subscription ($)** | **Full Subscription ($)** |
|---|---|---|---|---|
| ASIC fees | $2,290 | $2,290 | $2,290 | $2,290 |
| ASX fees | $2,876 | $4,122 | $5,335 | $6,144 |
| Legal and other professional fees | $10,000 | $10,000 | $10,000 | $$10,000 |
| Printing, registry and other expenses | $15,000 | $15,000 | $15,000 | $15,000 |
| **Total** | **$30,231** | **$31,477** | **$32,690** | **$33,499** |

## 5.11 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or Prospectus or any of those documents were incomplete or altered.

## SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS

The Company will provide a copy of each of the following documents, free of charge, to any Shareholder who so requests:

(a) the Annual Financial Report for the Company for the period ended 30 June 2013; and

(b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the period ended 30 June 2013 and prior to the date of this Prospectus.

| Date | ASX Announcement |
|---|---|
| 01/09/2014 | Protean Acquisition - Key Condition Precedent Satisfied |
| 14/08/2014 | Stonehenge To Acquire Breakthrough Wave Energy Technology |
| 12/08/2014 | Trading Halt Request |
| 12/08/2014 | Trading Halt |
| 30/07/2014 | Quarterly Activities Report |
| 30/07/2014 | Quarterly Cashflow Report |
| 28/07/2014 | Stonehenge Signs MOU with Listed Korean Resources Company |
| 27/06/2014 | Details of Share Registry |
| 08/05/2014 | Initial Director's Interest Notice |
| 06/05/2014 | Appointment of Director |
| 30/04/2014 | Quarterly Activities Report |
| 30/04/2014 | Quarterly Cashflow Report |
| 12/03/2014 | Half Yearly Report and Accounts |
| 31/01/2014 | Quarterly Activities Report |
| 31/01/2014 | Quarterly Cashflow Report |
| 14/01/2014 | Discussions with a KOSDAQ Storage System Development Company |
| 17/12/2013 | Market Update |
| 28/11/2013 | Results of Meeting |
| 25/11/2013 | Options Lapse Notice |
| 13/11/2013 | Gwesan Drill Results Show Continued Vanadium Mineralisation |
| 31/10/2013 | Quarterly Activities Report |
| 31/10/2013 | Quarterly Cashflow Report |
| 23/10/2013 | Notice of Annual General Meeting/Proxy Form |

## SECTION 7 DIRECTORS' CONSENT

This Prospectus is dated 1 September 2014 and is issued by Stonehenge Metals Limited.

The Directors have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of Stonehenge Metals Limited has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of Stonehenge Metals Limited.



**Bruce Lane**
**Executive Director**
**1 September 2014**

# SECTION 8 DEFINITIONS

**Applicant** means a person who applies for Securities pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

**Application Form** means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

**Application Money** means the aggregate amount of money payable for Securities applied for in the Entitlement and Acceptance Forms.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) operating as the Australian Securities Exchange.

**Business Day** means any day which is defined to be a Business Day pursuant to Listing Rule 19.12 of the Listing Rules.

**CHESS** means Clearing House Electronic Sub-register System of ASX Settlement Pty Ltd (ACN 008 504 532).

**Closing Date** means the closing date of the Offer being 5.00pm (WST) on 22 September 2014 (unless extended).

**Company** means Stonehenge Metals Limited (ACN 119 267 391).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act* 2001 (Cth).

**CPS** means CPS Capital Group Pty Ltd, AFSL 294848 (ABN 73 088 055 636)

**Cth** means the Commonwealth of Australia.

**Directors** means directors of the Company.

**Dollars** or **$** means dollars in Australian currency.

**Eligible Shareholder** means a Shareholder who has a registered address in Australia or New Zealand and who held Shares as at the Record Date.

**Employee Performance Rights Plan** means the scheme to be approved by shareholders and which is designed to incentivise eligible employees of the Company.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Entitlement Issue Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form accompanying this Prospectus.

**Entitlement Issue** means the pro rata non-renounceable entitlement issue on the basis of seven (7) New Shares at an issue price of $0.005 per New Share for every ten (10) existing Shares held to raise $1,503,643 (before expenses) further details of which are included in the "Details of the Offer" Section of this Prospectus.

**GST** means goods and service tax levied in Australia pursuant to *A New Tax System (Goods and Services Tax)* Act 1999 (Cth).

**Lead Manager** means CPS in accordance with the Lead Manager Arrangement.

**Lead Manager Arrangement** means the engagement of CPS by the Company under the lead manager mandate and offer management agreement as described in section 5.5.1.

**Listing Rules** means the Listing Rules of the ASX.

**Lodgement Date** means 1 September 2014.

**Minerva** means Minerva Corporate Pty Ltd (ACN 162 518 372).

**Moore Commerce** means Moore Commerce Pty Ltd (ACN 139 913 545) and trading as Provelopment.com, being a company that controlled by Mr Sean Moore.

**Moore Commerce Agreement** or **Project: SHE1** means the fixed price Turnkey agreement between Moore Commerce and the Company for delivery of the Protean WEC Pilot Project.

**New Share** means a Share issued pursuant to the Offer under this Prospectus.

**Offer** means the offer of New Shares pursuant to this Prospectus.

**Offer Period** means the period commencing on the Opening Date and ending on the Closing Date.

**Official List** means the official list of ASX.

**Opening Date** means 11 September 2014.

**Option** means an option to acquire a Share in the capital of the Company.

**Option and Exclusive Licence** means the 24 month option and exclusive licence to acquire 100% of the issued capital of PEA in accordance with the Term Sheet.

**Option Period** means 24 months, as extended pursuant to clause 8 of the Term Sheet.

**PEA** means Protean Energy Australia Ltd (ACN 143 809 803) being the 100% owned subsidiary of PEL.

**Prospectus** means this prospectus dated 1 September 2014.

**Protean** or **PEL** means Protean Energy Ltd (ACN 142 254 466).

**Protean WEC Pilot Project** means the fixed price Turnkey project to deploy an array of Protean wave energy converter units to generate electricity within 18 months of settlement of the Term Sheet.

**Protean WEC Technology** or **Protean Technology** means all intellectual property rights of any nature whatsoever held by PEA with respect to its WEC technology.

**Quotation** and **Official Quotation** means official quotation on ASX.

**Record Date** means 8 September 2014.

**Right** means a right to subscribe for an Entitlement pursuant to this Prospectus.

**Securities** means Shares and/or Options.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means the holder of a Share as recorded in the register of the Company.

**Share Registry** means Link Market Services Limited.

**Shortfall** means those New Shares under the Offer not applied for by Shareholders under their Entitlement.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in Section 1.7 of this Prospectus.

**Shortfall Shares** means those Securities issued pursuant to the Shortfall.

**South Korean Projects** means the Tenements.

**Tenements** means the mineral exploration tenements and exploration rights held by the Company in South Korea.

**Term Sheet** means the binding terms sheet between the Company and PEL in respect of the Option and Exclusive Licence as announced by the Company on 14 August 2014.

**Turnkey** means inclusion of all materials, labour, and equipment for the execution of the Protean WEC Pilot Project as defined in the Moore Commerce Agreement.

**Unlisted Options** means an unlisted Option to acquire a Share in the Company.

**VWAP** means Volume Weighted Average Price.

**WEC** means wave energy converter.

**WST** means Western Standard Time, Perth, Western Australia.