



Stonehenge

METALS LTD

Annual Report 2014

Corporate Directory

Directors

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

Company Secretary

Matthew Foy

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The home exchange is Perth.
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ASX Code - **SHE**

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Auditor

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Dear Shareholders

The past year has been challenging for Stonehenge as we have continued to battle an extended slump in uranium demand combined with attendant negative investor sentiment towards uranium stocks. As a consequence of these factors it has been difficult to attract new investment to fund the company's activities.

Despite these challenges I am encouraged by the outlook for the uranium market given a recent strengthening of the uranium spot price, the reported imminent recommissioning of Japan's nuclear power plants and China's aggressive expansion of its nuclear power generation capability. These changes are occurring against the solid backdrop of South Korea's continuing strong commitment to drive growth in its already significant nuclear power industry both at home and overseas. The 31 countries worldwide that are committed to the future of nuclear energy remain so, and South Korea fully expects its nuclear generated electricity to increase from 30% at present, to 50% over the next 15 years.

Whilst there are signs of a potential recovery in the uranium price, it is however too early to be confident that a full recovery is underway. The uranium market has further to go before prices return to levels which support new project development with many analysts asserting that uranium supply will continue to exceed demand in the short term.

For Stonehenge, it has necessarily been a quiet year in terms of primary exploration work in Korea following on from the positive operational progress achieved during the previous year. Our

U₃O₈ resource stands at 66.8mlbs (still targeting 100mlbs) combined with a V₂O₅ resource of 17mlbs (still targeting 395 – 695mlbs). We remain firmly committed to developing Korea's first uranium/vanadium mine. To that end the Company is continuing with its plan to negotiate a binding JV agreement with Korea Resources Investment & Development Inc. (KORID) and to direct efforts in Korea towards a collaboration agreement with the Korea Institute of Geoscience and Mineral Resources (KIGAM) to gain access to the 36,000 metres of historical drill core from the Daejon Project tenements. The objective being to significantly upgrade the size and confidence of the existing vanadium and uranium resources, through testing of the existing core, without the expense of further drilling. Testing of this drill core is the next major step towards completing a pre-feasibility study for the project.

I note that our project in Korea is not reliant on the uranium market alone and the influence of a potentially very significant vanadium resource contained within the uranium ore unit should not be underestimated. A significant vanadium resource would deliver low operating costs and exposure to a fast growing and exciting global technology sector which relies on high quality vanadium supplies. We have continued discussions with Korean companies committed to vanadium use for everything from hybrid steel to vanadium redox flow batteries.

In the meantime the Company has been proactively evaluating other opportunities in the energy sector. This process culminated in the planned acquisition, via an exclusive option and license agreement, to acquire the Protean wave energy conversion

technology (WEC). This opportunity to acquire the Protean WEC 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 developing our Korean projects. The Protean WEC 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.

In closing I would like to thank all shareholders, my fellow directors, suppliers and staff for their perseverance and ongoing support during an extended period of challenge. We look forward to the coming year with a sense of excitement and positive expectation as we work to realise value from both our Korean projects and the Protean WEC Technology. I am particularly pleased by the positive reaction to our pro-rata non-renounceable rights issue and we are optimistic that the offer will be fully subscribed when the shortfall of 170,843,368 shares is placed during the coming weeks.

The future remains exciting for Stonehenge and we look forward to increasing shareholder value over the next 12 months and beyond.

Richard H Henning
Chairman, Stonehenge Metals Limited

BREAKTHROUGH WAVE ENERGY TECHNOLOGY

Subsequent to the reporting period, the Company announced that it had entered into a binding option agreement (Term **Sheet** or **Transaction**) with Protean Energy Limited (PEL) to acquire 100% of PEL's wholly owned subsidiary, Protean Energy Australia Pty Ltd (**PEA**). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter Technology (together the Protean WEC or Protean).

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

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

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

Key Transaction Terms and Capital Raising

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

Protean WEC Technology Summary

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

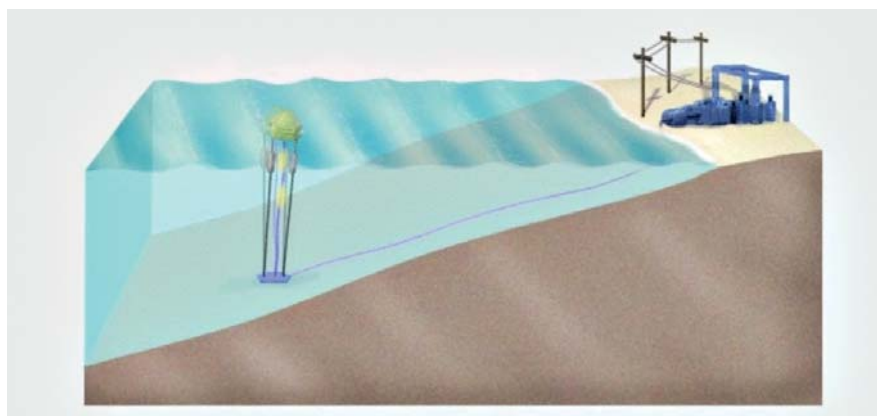


Figure 1: Protean WEC technology



Figure 2: Protean WEC ready for deployment

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

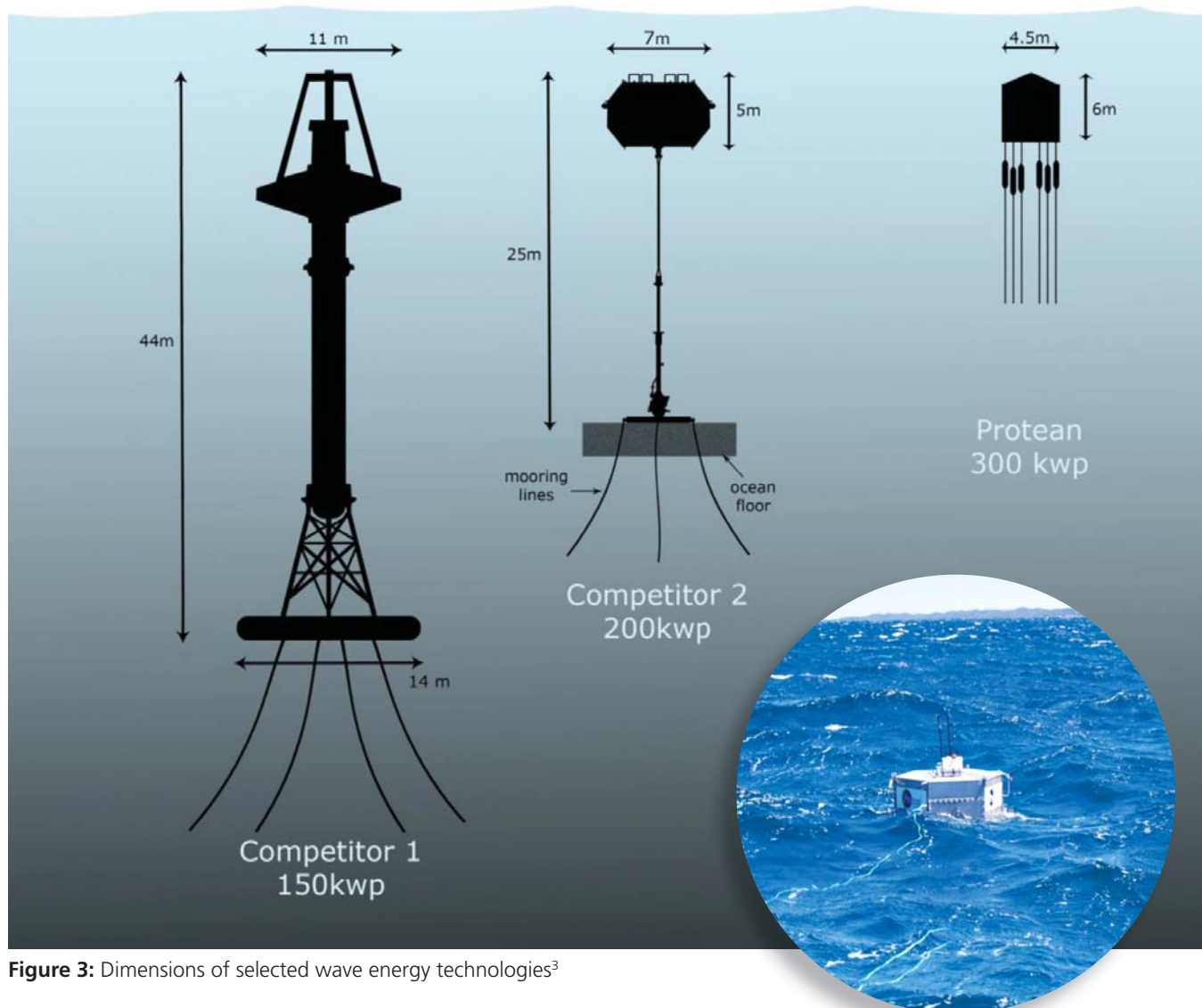


Figure 3: Dimensions of selected wave energy technologies³

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

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

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

During the Option period the Stonehenge assessment program aims to:

1. **Refine** the tried and proven scale device to produce a suitable pre-commercial model;

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

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

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

Protean's "New Wave" in Wave Energy Conversion

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

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

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

- ✓ **Scalability** – the Protean system is designed to provide low cost energy for a wide range of applications, from small to large scale production.
- ✓ **Versatility** – the Protean system has been designed for dedicated or simultaneous production of electricity or the desalination of seawater to drinking water quality.

Levelised Cost (\$/MWh) for Renewable Energy Sources

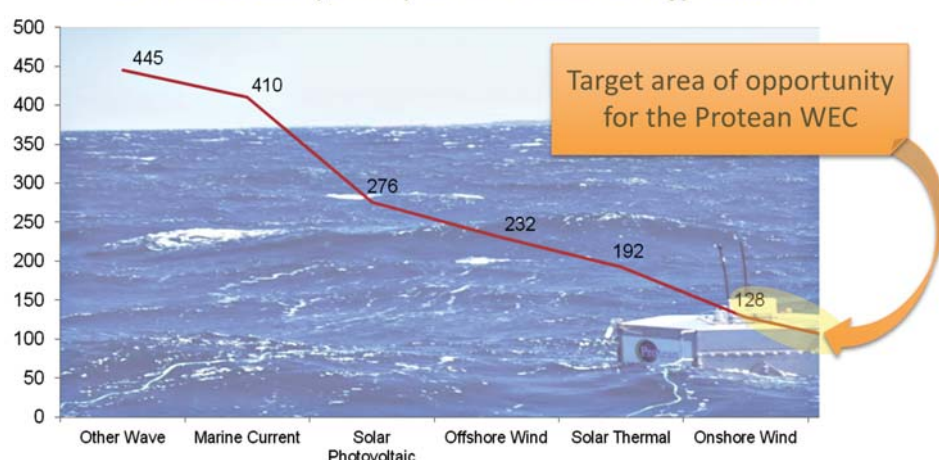


Figure 4: Comparison of levelised cost for common sources of renewable energy⁵

- ✓ **Affordability** – the Protean was designed from the ground up to provide cost effective, consistent and reliable renewable energy in lower & higher energy wave resource locations. The Protean WEC is designed for cost effective manufacture, deployment and maintenance.

Key terms of the transaction

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

- (a) **Stonehenge is required to raise at least \$1.2m** and so will conduct a non-renounceable rights issue to raise up to \$1,503,643 on the basis of 7 new Stonehenge shares for every 10 existing Stonehenge shares held, at an issue price of \$0.005 per share with the record date and prospectus to be announced in the next few weeks (Rights Issue);
- (b) **Sean Moore to join Stonehenge** in the executive role of Chief Technology Officer (CTO);
- (c) **Stonehenge will invest a minimum of A\$500,000 into the Protean WEC Technology**, under a fixed price turnkey contract, over an 18 month period post Completion;
- (d) **Stonehenge will engage Moore Commerce Pty Ltd**, a company controlled by Sean Moore, to deliver the pilot project as a turnkey project for a fixed price of A\$500,000⁶ within 18 months; and

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

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



- (e) **Stonehenge will issue the following securities**, subject to shareholder approval as required, to PEL and its advisors and nominees:

Consideration Shares: 120,000,000 ordinary shares to be issued to PEL in two tranches as follows:

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

Tranche 2: 60,000,000 ordinary shares at a deemed issue price of \$0.005, to be issued to PEL upon completion of exercise of the Option. These shares will be voluntarily escrowed for 12 months from their date of issue.

Broker Shares: Stonehenge will issue 10,000,000 ordinary shares to CPS Capital Group for services relating to the Transaction and fund raising.

Performance Shares: 120,000,000 performance shares, as outlined below (**Performance Shares**) will be issued to PEL's nominees upon exercise of the Option and will each convert into 1 ordinary share in the capital of Stonehenge upon achievement of any one of the performance milestones within 3 years following the issue of the Performance Shares (**Performance Milestones**).



Performance Milestones (performance share vesting conditions)

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

- (f) **Mutual due diligence** by the parties (completed within 120 days of the Term Sheet); and

- (g) **The parties obtaining all necessary shareholder and regulatory approvals** and consents to implement the Transaction.

⁶ For delivery of a pre-agreed pilot configuration and includes a 10% contingency.

Pro-forma Capital Structure Post Transaction.

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

Planned Expenditure

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

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

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

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

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

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

Appointment of Managing Director

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

Key Condition Precedent Satisfied

Subsequent to the year end, the shareholders of Protean Energy Limited (PEL) voted to allow Stonehenge to acquire its 100% subsidiary, Protean Energy Australia Pty Ltd (PEA). PEA holds the intellectual property titles and rights to the Protean Wave Energy Converter Technology.

This satisfies a key precondition to the acquisition and allows the Company to confidently proceed with the transaction.

⁷ The Company currently has 5m Class F & 7.5m Class G performance shares on issue (a total of 12.5m).

⁸ Terms of Performance Shares are shown above.

⁹ \$120,000 loan converts at 80% of Rights Issue price subject to Completion & shareholder approval (excl. interest).

¹⁰ Excluding 12.5m existing Performance Shares detailed in footnote 8 above.



INTRODUCTION – SOUTH KOREA AND THE OCHEON BELT

The Daejon Project was discovered in the 1980's and is the largest known uranium resource in South Korea. There exists over 66 million lbs (mlbs) U_3O_8 inferred and indicated resource at an average grade of 320ppm and an indicated Vanadium resource of 17 mlbs at a grade of 3,200 ppm. The country offers 20-year mining rights and there exists the opportunity to provide Korea with 25% of uranium requirement annually.

Stonehenge Metals has the largest uranium and vanadium tenement holding within Korea.

Daejon Uranium-Vanadium Project

MOU with KORID

During the year, the Company advised that it signed a non-binding memorandum of understanding (**MOU**) with a KOSDAQ listed resource development company, Korea Resources Investment & Development Inc (**KORID**).

The MOU provides a framework to negotiate a binding term sheet agreement (**Term Sheet**) which would set out the key terms of a joint venture (**JV**) between KORID and Stonehenge.

The purpose of the JV would be to accelerate the development of the mineral exploration rights and properties held by the wholly owned Korean subsidiary of Stonehenge, Stonehenge Korea Ltd (SHEK), with a particular focus on the vanadium and uranium potential of the Daejon Project. The MOU, which has a 60 day term, confirms the intended JV development objectives for Stonehenge's Daejon project, including:



- Gaining access, through a collaboration agreement, to test 36,000 metres of mineralised historical core (from Stonehenge's Daejon Project area) stored at KIGAM¹¹;
- Significantly upgrading current vanadium & uranium resource estimates in size and or confidence;
- Preparing a pre-feasibility study;
- Preparing work programs and budgets to support completion of a definitive or bankable feasibility study; and
- Sharing costs on all activities, including the analysis of historical core held by KIGAM.

The binding Term Sheet is anticipated to require the exchange of equity between Stonehenge (via SHEK) and KORID, such that SHEK would be owned and controlled on an equal and equitable basis by Stonehenge and KORID.

Stonehenge continues to direct efforts in Korea towards a collaboration agreement, with the KIGAM, to gain access to test 36,000 metres of historical drill core from the Daejon Project resource area.

The objectives of the historical core testing are to significantly extend the vanadium resource from the recent maiden announcement and to upgrade the confidence of the uranium resource to the measured category. These objectives can be achieved through further testing of the existing core without the expense of further drilling.



Figure 5: Surface mapping traverses at Seongdang, Yokwang and Chubu Prospects.

The Company is continuing with its plan to negotiate a binding JV agreement with Korea Resources Investment & Development Inc. (KORID) and to direct efforts in Korea towards a collaboration agreement with KIGAM to gain access to 36,000 metres of historical drill core from the Daejon Project tenements. In addition the Company will continue its pursuit of strategic alliances with Korean companies in the energy, steel and minerals sectors.

MOU Extension of Term

Subsequent to the end of the reporting period the Company and KORID agreed to extend the term of the MOU until December 1st 2014.

Exploration

During the reporting period, the Company completed a fieldwork program aimed at delineating and extending the mineralised black shale contour at surface within the Seongdang, Yokwang and Chubu Prospects. During the traversing of the 200m spaced SE-NW lines the following information and samples were systematically collected:

- Total count readings using Radeye and scintillometer
- Detailed geological description and pickup using GPS
- Structural readings
- Handheld XRF measurements
- Limited rock chip samples
- Location and verification of nearby drillhole collars

¹¹ Korea Institute of Geoscience and Mineral Resources (KIGAM) is a research institute under the Korean Ministry of Trade, Industry and Energy.

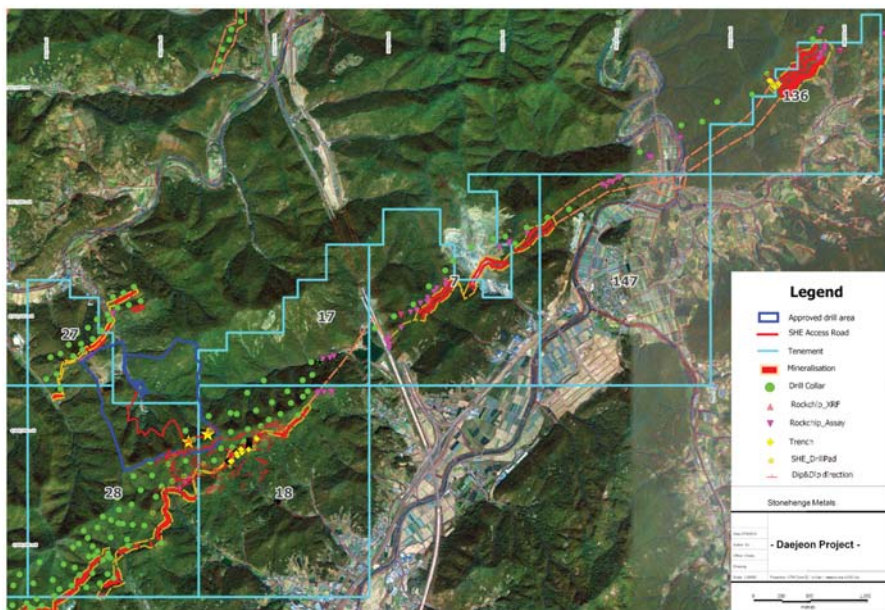


Figure 6: Historical drill collar locations.

The interpretation of the surface extent of the mineralised shale is compiled in Figure 5. The mineralisation at Chubu now extends up to 3km in strike and has a surface thickness between 15m and 150m. Faulting was identified that has split the Seongdang mineralisation into three zones with a surface thickness between 35m to 250m. At Yokwang the surface mineralisation has been mapped at between 15m to 60m thick. The sedimentary host sequence is similar in the three prospects; phyllite, black shale, then sandstone/phyllite.

This mapping will now guide the up-dip extension of the mineralisation intersected in historical drilling in future resource updates at the three prospects.

Further geological fieldwork established existing drill collar locations using DGPS and this information has been verified and collated into the geological database (See **Figure 6** above).

In July 2013, Stonehenge received chemical assay results on diamond core from the second, third, fourth and fifth drill holes from the Daejeon exploration programme. Hole CHUDD0002 was completed at a total length of 407m (approximately 100m vertical depth) and a mineralised zone extending from 306m to 396m for a total width of 90m. Assay results from CHUDD0002 included:

Hole ID	From (m)	To (m)	Mineralised Zones Average ppm U_3O_8
CHUDD0002	314	320	6m @ 212
	358	367	9m @ 336
including			2m @ 483

and

Hole ID	From (m)	To (m)	Mineralised Zones Average ppm V_2O_5
CHUDD0002	306	343	37m @ 5,047
including			6m @ 13,407
	362	370	8m @ 2,051
	389	392	3m @ 2,142



Hole CHUDD0003 was completed at a total length of 337m (approximately 100m vertical depth) and a mineralised zone extending from 268m to 320m for a total mineralised width of 52m.

Drill hole CHUDD0004 was completed at a total length of 366m (approximately 100m vertical depth) and a mineralised zone extending from 274m to 349m for a total mineralised width of 75m using 200ppm U_3O_8 and 2,000ppm V_2O_5 as cut-off grades.

Drill hole CHUDD0005 was completed at a total length of 297m (approximately 100m vertical depth) and a mineralised zone extending from 238m to 290m for a total mineralised width of 52m.

Mineralisation remains open down dip and along strike with additional drilling expected to increase the known dimensions of this zone. When the grades for CHUDD0005 are averaged over the entire mineralised zone, it showed 47m @ 274ppm; this is remarkably close to the historic Korean estimate of 55m @ 270ppm eU_3O_8 at nearby Hole DH74-1. This confirms the tenor of the historical mineralisation as recorded previously by KORES, and the data on which the resource was initially inferred.

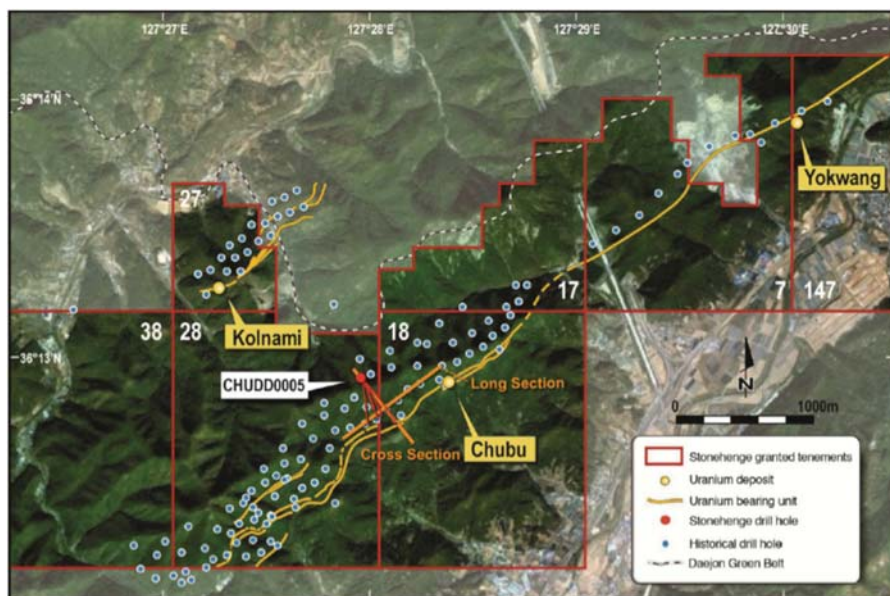


Figure 7: Stonehenge Metals Daejon Project Area, showing location of drill holes CHUDD0003, CHUDD0004 and CHUDD0005.

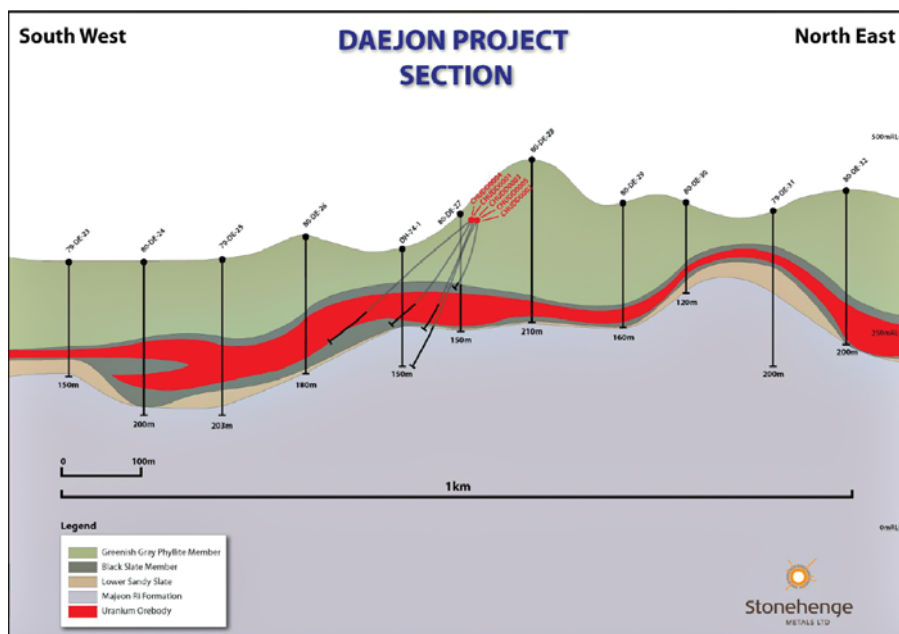


Figure 8: Long section of Chubu deposit.

Figure 7 shows location of the drill holes and Figure 8 a long section incorporating the new drill holes.

Maiden Vanadium Indicated Resource and Uranium Upgrade

On 29 August 2013 the Company advised of a maiden vanadium resource and an upgrade to the existing uranium resource at the Daejon Project. The Chubu deposit resource was prepared by independent mining consultants, Optiro, by incorporating the five holes drilled in 2013 and adjusting the geological interpretation accordingly. Statistical analysis of the data was undertaken and a top-cut of 9,000 ppm was applied to the V_2O_5 data. Previously a 700ppm top-cut was applied to U_3O_8 for the 2011 resource estimate. There were no data values above this so no top-cut was applied to the 2013 or historic data within the area that has been updated as part of the 2013 resource estimate. All the 2013 data is based on chemical assay for both U_3O_8 and V_2O_5 , while the historic data is based on gamma-ray probe data. The results confirmed the existence of a high grade multi-metallic mineralised orebody.

The overall uranium resource was increased from 65.0 to 66.8Mlbs U_3O_8 :



Daejon U₃O₈ Resource (2004) Estimate at a 200ppm cut-off

Prospect	Classification	Tonnes Mt	Grade U ₃ O ₈ ppm	Metal Mlbs
Chubu	Inferred	46	330	34
	Indicated	3.3	247	1.8
Yokwang	Inferred	39	310	26
Kolnami	Inferred	7	340	5
Total		95.3	320	66.8

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

A maiden vanadium resource was announced for the Daejon Project containing 17.3Mlbs V₂O₅:

V₂O₅ Resource Estimate at a 2,000 ppm cut-off

Year	Category	Tonnage Mt	Grade ppm	Metal Mlbs
2013*	Indicated	2.3	3,208	16.5
2013*	Inferred	0.1	2,788	0.8
Total		2.5	3,186	17.3

The current Daejon Project exploration target for uranium is:

Tonnes (Mt)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (Mlbs)
15 – 59	300 – 500	17- 39

Based on the results of the 2013 drilling at Chubu, the Exploration Target for vanadium mineralisation at the Daejon Project remains unchanged (ASX announcement 23 January 2013) at:

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

The potential quantity and grade of the exploration targets are conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The vanadium and uranium exploration targets are based on exploration results from the 2013 drilling at Chubu & Gwesan (refer announcements 15 July and 13 November 2013) that demonstrated vanadium and uranium mineralisation through the black shales.

The geology in the Okcheon belt consists of a meta-sedimentary sequence that comprises three formations, Wunkyori, Hwajeonri and Guryongsan. The stratigraphic sequence within the belt at the Gwesan project comprises dark grey phyllite, overlain by the black shale (ore zone) & a fine grained sandstone.

The historical drilling at the Gwesan project has demonstrated black shale deposits along 10km of strike. KORES completed three drill holes targeting the mineralised black shale at Gwesan in order to verify the mineralisation zone throughout the area. All three holes

were drilled to a total depth of 100m and several ore zones between 3m and 11m have been intercepted in each drill hole.

The best intercept of 3500 ppm V₂O₅ & <10 ppm U₃O₈ in the first hole provides encouraging results (refer ASX announcement 13 Nov 2013). More drilling will be required to define the high grade mineralisation zone in the area. The mineralisation remains open at depth and along the 10km strike. The project is in its exploration stage and the additional drilling is expected to increase the potential to discover high class uranium and vanadium Mineral Resources at Gwesan. Stonehenge expects to test the validity of the exploration target once access to historical drill core is obtained and the Company is able to assay the core for vanadium mineralisation.

The Company is continuing its efforts to access the core and further updates on this progress will be advised as soon as it becomes available. This information was prepared and first disclosed under the JORC Code 2004 (refer ASX announcement 29 Aug 2013). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Figure 9 overleaf shows the Chubu resource in plan view and oblique view. The green area represents the area of the Chubu resource that has been updated by the inclusion of the drill data from the recent 2013 drilling. For the Indicated U₃O₈ resource and the new vanadium resource only, the 2013 data was used in the resource estimate. The 2013 Inferred resource included 2013 drilling and historic data, while the 2011 Inferred resource is the previously reported resource outside of the green boundary. The area influenced by the 2013 drill holes represents approximately 5% of the Chubu resource.

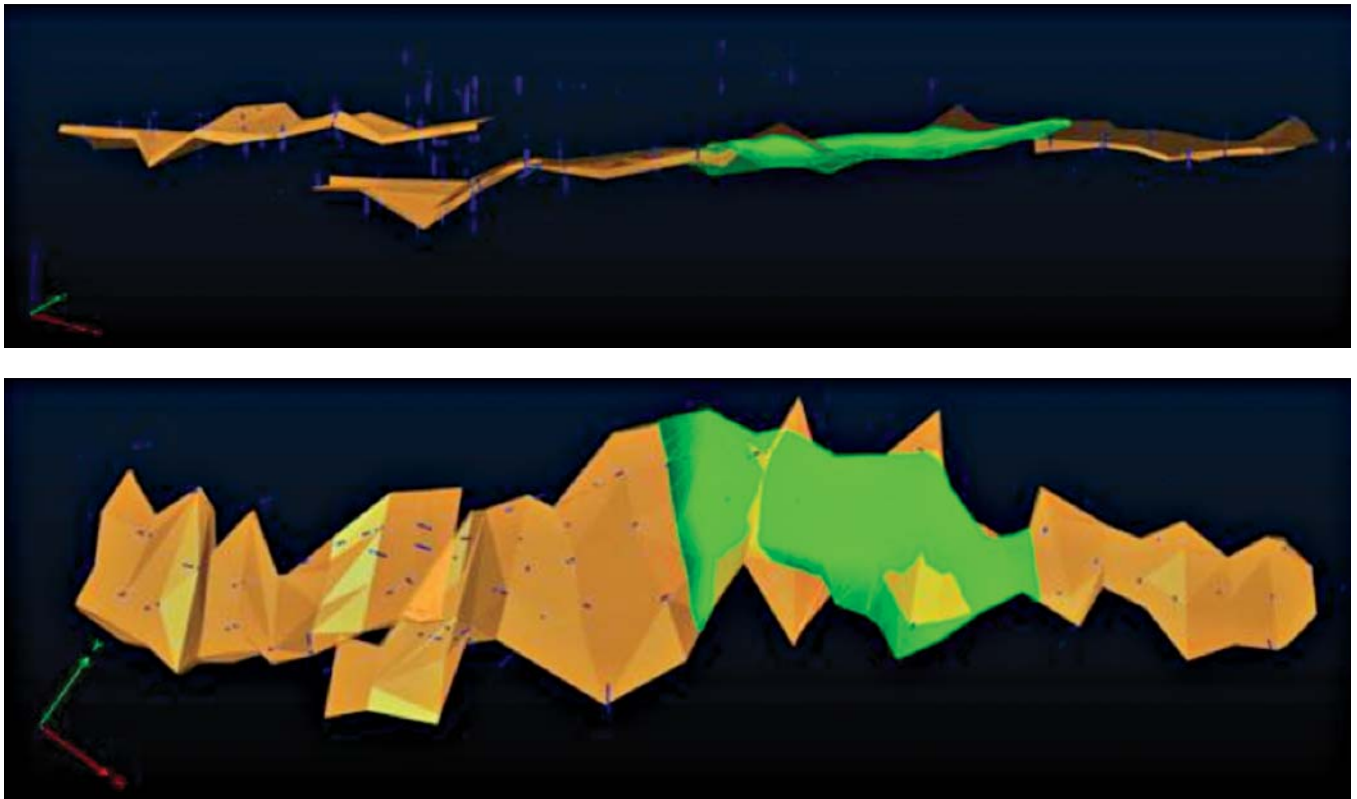


Figure 9: Chubu Project Resource in plan and oblique view - the green shading represents the 2013 upgraded resource.

Governance Arrangements and Internal Controls

The Company has ensured that the mineral resource estimates quoted above are subject to governance arrangements and internal controls. A summary of these are outlined below.

The report of mineral resources is grouped by development properties and includes both uranium and vanadium deposits. The uranium mineral resources at the Chubu, Kolnami and Yokwang prospects are reported in accordance with JORC 2004 and these will be progressively updated to the JORC 2012 standard as development priorities dictate.

The maiden vanadium resource reported at the Chubu Prospect has been reported in accordance with JORC 2004 and this will be progressively updated to the JORC 2012 standard as development priorities dictate.

Audit of the estimation of mineral resources is addressed as part of the annual internal audit plan approved by the Board in its capacity as the audit and risk management committee. Specific audit of the mineral resources was performed in 2013 and this audit was managed by Stonehenge and its external technical experts.

In addition to routine internal audit, the Board monitors the mineral resource status and approves the final outcome.

The annual mineral resource update is a prescribed activity within the annual corporate planning calendar that includes a schedule of regular executive engagement meetings to approve assumptions and guide the overall process.

The mineral resource estimation processes followed internally are well established and are subject to systematic internal and external peer review. Independent technical reviews and audits are undertaken on an as-needs basis as a product of risk assessment.



Gwesan Uranium Project

Drilling at Gwesan

During the reporting period, the Company announced chemical assay results from 3 recent diamond drill holes conducted by KORES at the Gwesan Project (Figure 10). A total of 300m of drill core was recovered to test the black shale mineralisation at Gwesan. The results confirmed good and continued mineralisation of vanadium.

The outstanding intercept was 8m of mineralised zone averaging 3,500 ppm V_2O_5 including 1m at 6,000 ppm V_2O_5 . Several ore zones were intercepted in each drill hole, showing high vanadium mineralisation in the area. Gwesan geology and previously encountered mineralised system were confirmed with vanadium mineralisation throughout the black shales.

Assay results included:

Hole ID	From (m)	To (m)	Mineralised Zones Average ppm V_2O_5	
13-01	30	38	8m @	3,550
	including		1m @	6,000
13-02	30	36	6m @	3,550
	including		1m @	2,550
13-03	18	25	7m @	1,557
	including		1m @	2,300

Exploration Overview

The Geology in the Okcheon belt consists of a meta-sedimentary sequence that is composed of three formations including the Wunkyori, Hwajeonri and Guryongsan. The stratigraphical sequence within the belt at the Gwesan project comprises a dark grey Phyllite, followed by the black shale (ore zone) and a fine grained sandstone. The historical drilling at the Gwesan project has intercepted black shale along a 10km strike.

The mineralised black shale has been under-targeted in the past and recent drilling (June 2013) had shown and confirmed the potential for Vanadium mineralisation hosted by the black shale.

KORES completed three drill holes targeting the mineralised black shale at Gwesan in order to verify the mineralisation zone in the area (Figure 10). The three drill holes were completed to a down hole depth of 100m each and several ore zones were intercepted from 3m to up to 11m wide in each drill hole. The best intercept of 0.35% V_2O_5 in the first hole provides encouraging results. The drill holes were drilled near normal to the mineralisation, so that the intercepts are close to true thickness.

The project is in its exploration stage and more drilling will be required to define the mineralisation zones in the area. The mineralisation remains open at depth and along the 10km strike.

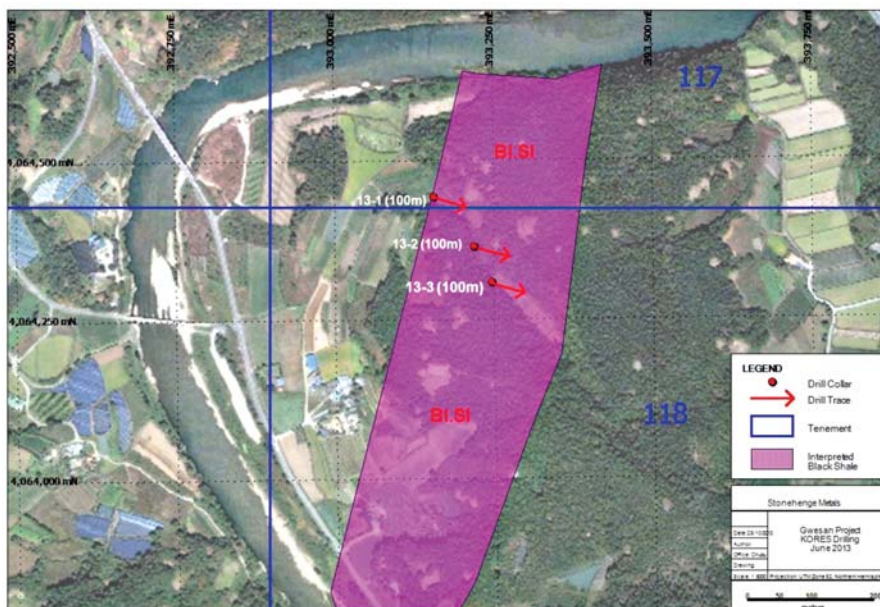


Figure 10: Location of drill holes undertaken by KORES



Other

Nuclear power will account for 29 percent of South Korea's power generation capacity in 2035, lower than a 41 percent goal introduced in 2008, according to a draft proposal of the country's next long-term energy plan.

The plan, submitted by the energy ministry to parliament and subject to a public hearing, would raise nuclear reliance from 26.4 percent as of the end of 2012. The government is also planning to reduce power demand by 15 percent from a projected 70.2 million tonnes of oil equivalent by 2035, according to the draft. That compares with 39.1 million tonnes in 2011.

The government's 29 percent target for nuclear reliance represents the upper-end of a 22 percent to 29 percent range recommended by an energy ministry working group in October.

South Korea currently has 23 reactors with plans to build another 11. The 29 percent goal would require a total of 45 reactors by 2035.

Discussions with a KOSDAQ listed Korean Energy Storage System Development Company

During the year, the Company announced the signing of a termsheet for an equity subscription into an Energy Storage System (ESS) business with Vanadium Redox Flow Battery (VRB) technology.

Energy Storage Systems are regarded as a key component in regenerative or renewable energy management. Whether in combination with solar and wind power operations, or in parallel with grid operation, the ability to store large amounts of energy with little leakage can smooth out peaks and troughs in energy management. This is evident in terms of uninterrupted supply of power from solar and wind during periods of darkness or no wind, and

controlling demand peaks from the grid during times of extreme temperatures. VRB allows a clean, emission free and quick provision of power to sophisticated and remote communities and is easily scalable from the kilowatt range to megawatts.

Stonehenge began discussions with a KOSDAQ listed Korean company, which is a market leader in VRB Research and Development in Korea. The company was awarded a Korean Government ESS VRB three year research grant in 2013.

Stonehenge commenced due diligence to better understand the technology status and market potential for VRB in Korea and globally. In Korea particularly, it is anticipated that ESS VRB will complement and play a significant role in the area of New & Renewable Energy and Smart Grid for Korean electricity requirements.

The Company's intention, upon satisfactory review of the company's technology, marketing, financial and intellectual property, was to investigate the vertical integration of the vanadium mining project in Korea with the ESS VRB business. Both parties agreed to use their best endeavours to finalise the transaction by the target date. It was subsequently agreed that Stonehenge would not proceed with investment at this time however discussions are continuing in the hope that a mutually beneficial working relationship can be achieved in the future.

Corporate

Pro-rata Non-renounceable Rights Issue

Subsequent to the year end, and in conjunction with the Protean Acquisition, the Company announced an equity raising of up to \$1,503,643 before costs, via a pro-rata non-renounceable rights issue (Rights Issue). Eligible shareholders were provided the opportunity to subscribe for seven (7) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm WST on 8 September 2014 (Record Date).

The Company appointed CPS Capital Group Pty Ltd (**CPS Capital**) as Lead Manager to the Rights Issue. New Shares under the Rights Issue were offered at \$0.005 per share. Based on the current capital structure (and assuming no options to acquire shares are exercised prior to the Record Date), if the Rights Issue is fully subscribed, an additional 300,728,672 New Shares will be issued and approximately \$1,503,643 will be raised.

The Directors reserve the right, in consultation with CPS Capital as Lead Manager to the Offer, to allocate any New Shares that may comprise the Shortfall, at their absolute discretion.

The Rights Issue enabled Shareholders to increase their holding of Shares and presented a good opportunity for Shareholders to participate in the future development of the Company. On 25 September 2014 the Company advised the results of the Rights Issue. Shareholders subscribed for 96,986,780 ordinary shares of entitlements in addition to 32,898,524 shortfall shares to raise a total of \$649,426. The Company has until 22 December 2014 to place the shortfall of 170,843,368 ordinary shares.



The funds raised from Rights Issue will be used to continue exploration and development of the Company's Korean uranium and vanadium projects whilst supporting an assessment of the commercialisation potential of Protean's innovative wave energy conversion technology.

Director Appointment

During the year, the Company advised of the appointment of Mr Bruce Lane as Executive Director.

Mr Lane, (BCom, MSc, GAICD) is a former Executive Director of Stonehenge Metals and brings to the Board a broad range of operational management and corporate experience including past roles as Non-Executive Director of ASX listed Kunene Resources Ltd and Executive Director of ASX listed Atom Energy Limited (now Excelsior Gold Ltd).

Mr Lane's recent engagements have involved the execution of a number of successful corporate & operational events including capital raisings, acquisitions (both in Australia and offshore), joint ventures and minerals exploration campaigns. Mr Lane has worked with numerous early stage technology companies as an advisor, investor and manager and also managed a number of successful ASX IPOs and secondary raisings for ASX companies.

Prior to completing a Sloan Fellowship Master's degree at London Business School (LBS) Mr Lane gained 13 years' of international management experience with global 'blue chip' companies.

Subject to settlement of the Protean Transaction, Bruce Lane will be appointed as Managing Director of Stonehenge.



Cost Saving Measures

During the year, the remuneration committee recommended further reductions in costs. As a result, effective 1 December 2013, all Directors fees were paid as ordinary shares in the Company, calculated on a 30-day VWAP and issued when requested by the Director (subject to shareholder approval if applicable). Further, all Executive Service Agreements have been reviewed and amended substantially. A corporate administration office has been established in Seoul together with a storage facility located in Chubu.

While maintaining and continuing progress in Korea, discussions continue with a number of companies in Korea and elsewhere with regard to increasing the Vanadium resource, presently 17 Mlbs indicated (JORC (2004) compliant), and indeed to potential off-take agreements. The Company remains committed to assessing joint opportunities with other parties with regard to joint venture and possible acquisition.

Competent Person Statement

The information contained in this report that relates to Mineral Resources, exploration targets and exploration results is based on information compiled by Mr. Ian Glacken of Optiro Pty Ltd (ABN 63 131 922 739), which provides geological consulting services to Stonehenge Metals Limited.

Mr. Glacken is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Glacken consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 1: Korean Tenement Schedule (held directly by Stonehenge Metals Korea)

Tenement Name	ID	Registration No.	Registration Date	Area (ha)	Mineral
Gwesan	115	76942	15/05/2008	275	Uranium
	125	76941	15/05/2008	275	Uranium
	114	76967	29/05/2008	275	Uranium
	117	76965	29/05/2008	275	Uranium
	118	76966	29/05/2008	275	Uranium
	124	76964	29/05/2008	275	Uranium
	126	76968	29/05/2008	275	Uranium
	128	76969	29/05/2008	275	Uranium
	137	79161	12/01/2011	275	Uranium, Vanadium
Miwon	36	77018	12/06/2008	276	Uranium
	46	77019	12/06/2008	276	Uranium
	58	77020	12/06/2008	276	Uranium
	37	77225	22/08/2008	276	Uranium
	47	77291	24/09/2008	276	Uranium
	57	77292	24/09/2008	276	Uranium
Daejon	18	77011	11/06/2008	277	Uranium
	28	77012	11/06/2008	259	Uranium
	38	77013	11/06/2008	277	Uranium
	48	77014	11/06/2008	277	Uranium
Okcheon	136	77010	11/06/2008	138	Uranium
	147	77038	20/06/2008	277	Uranium
Daejon	17	77039	20/06/2008	103	Uranium
	7	77114	04/07/2008	190	Uranium
	27	77115	04/07/2008	56	Uranium
	47	77363	17/10/2008	242	Uranium
	57	77364	17/10/2008	186	Uranium
Daejon	59	200204	18-12-2012	228	Uranium, Vanadium, Molybdenum



Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Stonehenge Metals Limited and the entities it controlled at the end of, or during the financial year ended 30 June 2014.

Directors

The names of Directors in office at any time during or since the end of the year are:

Mr Richard Henning

Mr Young Yu

Mr Bevan Tarratt

Mr Bruce Lane (appointed 6 May 2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Matthew Foy – Chartered Secretary (AGIA), Diploma of Applied Finance and Investment (SA FIN), Bachelor of Commerce (BCom) was appointed as Company Secretary for Stonehenge Metals Limited on 24 June 2011.

Principal Activities

Stonehenge Metals Limited ("Stonehenge" or the "Group") was incorporated on 13 April 2006 and listed on the Australian Securities Exchange on 21 December 2006.

The principal activities of the Group during the financial year were:

Exploration of its uranium projects in South Korea detailed in the "Review of Operations" section of this annual report.

Operating Results

The loss of the Group after providing for income tax amounted to \$1,161,183 (2013 loss of \$1,486,383).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2014.

Review of Operations

A detailed review of the Group's exploration activities is set out in the section titled "Review of Operations" in this annual report.

Financial Position

At 30 June 2014 the Group had net assets of \$7,438,530 (2013: \$8,717,960), cash assets of \$89,760 (2013: \$1,266,504).

The Group had no borrowings at 30 June 2014 (2013: Nil).

Significant Changes in State of Affairs

There have been no other significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

On 28 July 2014 the Company advised that it had signed a non-binding memorandum of understanding with a KOSDAQ listed resource development company, Korea Resources Investment & Development Inc.

On 14 August 2014 the Company advised that it had entered into a binding option agreement with Protean Energy Limited (PEL) to acquire 100% of PEL's wholly owned subsidiary, Protean Energy Australia Pty Ltd (**PEA**). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter Technology.

On 1 September 2014 the company advised that the shareholders of PEL had voted to allow Stonehenge to acquire its 100% subsidiary, PEA, which holds the intellectual property titles and rights to the Protean Wave Energy Converter Technology.

On 2 September 2014 the Company announced an equity raising of up to \$1,503,643 before costs, via a pro-rata non-renounceable rights issue. Eligible shareholders will be provided the opportunity to subscribe for seven (7) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm WST on 8 September 2014.

On 23 September 2014 the Company advised that it had extend the term of its Memorandum of Understanding with KORID to 1 December 2014.

On 25 September 2014 the Company advised the results of the Rights Issue. Shareholders subscribed for 96,986,780 ordinary shares of entitlements in addition to 32,898,524 shortfall shares to raise a total of \$649,426. The Company has until 22 December 2014 to place the shortfall of 170,843,368 ordinary shares.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Information on Directors

Mr Richard Henning

Qualifications

Experience

Interest in Shares and Options

Directorships held in other listed entities

Chairman

- B.Sc with Honors from Queens University, Belfast.
- Mr Henning was responsible for business and corporate relations of ASX and TSX listed Extract Resources Limited. He previously worked as a geologist in oil and gas exploration in Australia, the UK North Sea and Canada and has worked extensively in the Australian venture capital industry. He is a member of the Australian Institute of Company Directors.
- 12,788,889 ordinary shares in Stonehenge Metals Limited.
- Mr Henning has held no other directorships of ASX listed companies in the last 3 years.

Mr Bevan Tarratt

Qualifications

Experience

Interest in Shares and Options

Directorships held in other listed entities

Director (Non-executive)

- BA (Bus), SDIA
- Mr Tarratt has an extensive background in the accounting industry primarily focused on small cap resource companies. This experience has allowed Mr Tarratt to develop an in-depth understanding of the resource sector within Western Australia and globally, allowing Mr Tarratt to systematically evaluate project and corporate opportunities. Mr Tarratt has extensive equity capital markets experience with Paterson's Securities Ltd and is currently a director of a number of Australian public companies.
- 19,467,606 ordinary shares in Stonehenge Metals Limited.
- In the previous three years, Mr Tarratt has formerly been a director of ASX listed companies ZYL Limited, Minerals Corporation Limited, Excelsior Gold Limited (formerly Atom Energy Limited) and Pura Vida Energy NL. Bevan has held no other directorships of ASX listed companies in the last 3 years.

Mr Young Yu

Qualifications

Experience

Interest in Shares and Options

Directorships held in other listed entities

Director (Non-executive)

- B.Bus MBA CPA
- Mr Yu was previously the Regional Director/Representative for the Western Australian Trade and Investment Office in South Korea for four years. In that position he was responsible for Industry and Agribusiness, with his main areas of responsibility in the Clean Energy, Mineral & Resources and Investment sectors.
- 28,101,389 ordinary shares in Stonehenge Metals Limited.
- Mr Yu has held no other directorships in the last three years.

Mr Bruce Lane

Qualifications

Experience

Interest in Shares and Options

Directorships held in other listed entities

Director (Executive) – Appointed 6 May 2014

- BCom, MSc, GAICD
- Mr Lane has a broad range of operational management and corporate experience involving the execution of a number of successful corporate & operational events including capital raisings, acquisitions (both in Australia and offshore), joint ventures and minerals exploration campaigns. Mr Lane has worked with numerous early stage technology companies as an advisor, investor and manager and also managed a number of successful ASX IPOs and secondary raisings for ASX companies.
- 2,172,630 ordinary shares in Stonehenge Metals Limited.
- No other current directorships. In the last three years Mr Lane was a for Non-executive Director of ASX listed Kunene Resources Ltd.



Remuneration report (Audited)

The Remuneration Report is set out under the following main headings:

- A Remuneration policy
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

This report details the nature and amount of remuneration for each Director of Stonehenge Metals Limited and key management personnel receiving the highest remuneration.

The following table shows the gross revenue, profits/losses and share price of the Group at the end of the current and previous financial years.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
	\$	\$	\$	\$	\$
Revenue from continuing operations	23,528	117,597	357,389	184,785	26,921
Net loss	(1,393,790)	(1,935,325)	(1,967,341)	(2,575,576)	(1,820,735)
Share price	\$0.004	\$0.012	\$0.030	\$0.090	\$0.068

A. Remuneration Policy

The remuneration policy of Stonehenge Metals Limited has been designed to align director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives, based on key performance areas affecting the Group's financial results. During the period the Company did not engage remuneration consultants. Key performance areas of the Group include cash flow, share price, exploration results and development of cash-generating business activities. The Board of Stonehenge Metals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Group has a charter for a remuneration committee however, a committee has not been established at this time. Given the relative small size of the board and Company, the entire board performs the functions of the remuneration committee.

At the 2013 Annual general Meeting the Company remuneration report was passed by the requisite majority of shareholders (100% by a show of hands). During the Period no equity securities were issued as part of any employees' performance based remuneration.

Remuneration Governance

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The remuneration committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share plan arrangement. If an executive is invited to participate in an employee share plan arrangement the issue and vesting of any equity securities will be dependent on performance conditions relating to the executive's role in the Group and/or a tenure based milestone.

The employees of the Group receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits.

Directors' Report

All remuneration paid to Directors and executives is valued at the cost to the Group and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The non-executive Directors have been provided with options that are meant to incentivise the non-executive Directors. The remuneration committee determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting which occurred on 20 October 2006. The maximum amount of fees payable to non-executive directors is \$150,000 per annum. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group.

B. Details of Remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Stonehenge Metals Limited are set out in the following tables:

The key management personnel of Stonehenge Metals Limited include the directors (as per page 18) and the company secretary being:

Company secretary:

- Matthew Foy

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

2014	Short-term benefits	Post-employment benefits	Share-based Payment				
Name	Cash Salary and Fees	Super-annuation	Equity	Options	Total	Share-based payments as a % of remuneration	% perf. based
Non-Executive Directors							
Bevan Tarratt	32,952	3,048	-	-	36,000	-	-
Executive Directors							
Richard Henning	174,901	8,672	22,708	-	206,281	11.0%	-
Young Yu	165,215	11,563	22,708	-	199,486	11.4%	-
Bruce Lane (i)	20,000	-	-	-	20,000	-	-
Key Management Personnel							
Matthew Foy	35,000	-	-	-	35,000	-	-
Total	428,068	23,283	45,416	-	496,767		

(i) Appointed 6 May 2014



2013	Short-term benefits	Post- employment benefits	Share-based Payment				
Name	Cash Salary and Fees	Super- annuation	Equity	Options	Total	Share- based payments as a % of remuneration	% perf. based
Non-Executive Directors							
Bob Cleary (i)	5,872	528	-	-	6,400	-	-
Warren Staude (i)	7,872	528	-	-	8,400	-	-
Bevan Tarratt	33,028	2,972	-	-	36,000	-	-
Executive Directors							
Richard Henning	231,250	41,250	37,500	-	310,000	12.0%	-
Young Yu (ii)	219,764	18,000	-	-	237,764	-	-
Key Management Personnel							
Matthew Foy	22,500	-	-	-	22,500	-	-
Total	520,286	63,278	37,500	-	621,064		

(i) Resigned 31 August 2012

(ii) Appointed 31 August 2012

C. Service Agreements

Mr Bevan Tarratt (Non-Executive Director)

Term of Agreement – commencing 1 March 2010

Agreement – provision of board and consulting services between the Group and Mr Bevan Tarratt for a standard board remuneration fee of \$3,000 per calendar month inclusive of superannuation plus a variable consulting fee of \$1,000 per day inclusive of superannuation. The additional consulting fee service agreement stipulates a one month notice period. Either party may terminate the additional consulting services agreement without cause by providing one month's written notice and no termination benefits are payable.

Young Yu (Non-Executive Director)

Term of Agreement – commencing 1 May 2014

No fixed remuneration fee for the provision of board and consulting services for the Group. Mr Yu may charge a variable consulting fee of \$1,000 per day inclusive of superannuation. The additional consulting fee service agreement stipulates a one month notice period. Either party may terminate the additional consulting services agreement without cause by providing one month's written notice and no termination benefits are payable.

Richard Henning (Non-Executive Chairman)

Term of Agreement – commencing 1 May 2014

No fixed remuneration fee for the provision of board and consulting services for the Group. Mr Henning may charge a variable consulting fee of \$1,000 per day inclusive of superannuation. The additional consulting fee service agreement stipulates a one month notice period. Either party may terminate the additional consulting services agreement without cause by providing one month's written notice and no termination benefits are payable.

Bruce Lane (Executive Director)

Consultancy Agreement – commencing 1 May 2014 to completion of capital raising

Consultancy Agreement for the provision of professional services at a rate of \$10,000 per calendar month. The Company or the Executive may terminate the engagement at any time by the provision of one month's written notice.

Executive Services Agreement – commencing following completion of capital raising

Subject to the Company completing a capital raising of not less than \$1.2 million, the operation of the Executive Services Agreement will commence for a period of one year at a salary of \$150,000 per year on a total employment cost basis. The Executive salary will be reviewed annually by the Company. The Company may at any time during the term of the agreement pay the Executive a performance-based bonus over and above the aforementioned salary. Any Performance Based Bonus shall take into consideration the key performance indicators of the Executive and the Company as may be set from time to time. The Executive Services Agreement may be terminated by the Company at any time by giving three month's written notice.

Directors and Key Management Personnel may be included in the company's share plan to which where agreed and approved an individual will be invited to participate in the employee share plan.

Matthew Foy

Agreement – provision of contract services between the Group and Minerva Corporate Pty Ltd for the services of Mr Matthew Foy as Company Secretary for a fee of \$2,000 per month.

D. Share-based compensation

The Stonehenge Metals Ltd Employee Share Plan (the "Plan") is used to reward Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. Approved by Shareholders 28 November 2013, the Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Shares

Details of ordinary shares in the Group provided as remuneration to each director of Stonehenge Metals Limited are set out below:

Share-based compensation benefits							
Name	Year granted	Number of shares granted during the year	Number of shares vested during the year	Vested %	Forfeited %	No of shares yet to vest	Financial Years in which shares may vest
Richard Henning	2013	1,250,000 (i)	1,250,000	100%	-	-	-
	2014	1,434,722 (ii)	1,434,722	100%	-	-	-
Young Yu	2014	1,434,722 (ii)	1,434,722	100%	-	-	-

1,250,000 shares issued to Richard Henning during the year at \$0.003 pursuant to Richard executive services agreement as approved by shareholders on 9 November 2011.

1,434,722 shares issued to Richard Henning and Young Yu during the year at \$0.016 in lieu of Director fees foregone from 1 January 2013 to 31 May 2013 as approved by shareholders on 18 March 2013.

Options

There were no options issued to Directors or employees by the Group during the year (2013: Nil).

Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on any exercise of such options

No options were provided as remuneration during the year.

(ii) Option holdings

The number of options over ordinary shares in the Group held during the financial year by each Director of Stonehenge Metals Limited and any other key management personnel of the Group, including their personally related parties are set out below: +



2014 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
B Tarratt	-	-	-	-	-	-	-
R Henning	-	-	-	-	-	-	-
Y Yu	-	-	-	-	-	-	-
Bruce Lane (appointed 6 May 2014)	-	-	-	-	-	-	-
Other Specified Executives							
M Foy	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

(iii) Share holdings

Aggregate numbers of shares of the Group held directly, indirectly or beneficially by Directors or key management personnel of the Group at 30 June 2014:

2014	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors				
Bevan Tarratt	19,467,606	-	-	19,467,606
Richard Henning	11,354,167	-	**1,434,722	12,788,889
Young Yu	26,666,667	-	**1,434,722	28,101,389
Bruce Lane (appointed 6 May 2014)	-	-	2,172,630	2,172,630
Other Specified Executives				
Matthew Foy	250,000	-	-	250,000
	57,738,440	-	5,042,074	62,780,514

** Richard Henning and Young Yu received 1,434,722 ordinary shares each in lieu of Director Fees.

Other Key Management Personnel Disclosures

Director, Mr B Tarratt, is a shareholder and a director of Hemisphere Corporate Services Pty Ltd. During the 2014 year the Group was providing tenancy and administration services to Stonehenge Metals Limited. No formal contract is in place in regard to these transactions. All transactions were conducted on normal commercial terms.

Directors' Report

Aggregate amounts of each of the above types of other transactions with key management personnel of Stonehenge Metals Limited are as follows:

OTHER TRANSACTIONS WITH RELATED PARTIES

	2014 \$	2013 \$
Rent and administration	-	139,294
Consultancy fees	-	11,300
Accounting & bookkeeping expenses	-	39,578
	-	190,172
Balance outstanding at year end		
Trade payables	-	-

End of Audited Remuneration Report

Meetings of Directors

During the financial year, 5 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number Attended
Bevan Tarratt	5	5
Richard Henning	5	5
Young Yu	5	5
Bruce Lane (appointed 6 May 2014)	2	2

Options

At the date of this report, the un-issued ordinary shares of **Stonehenge Metals Limited** under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
28 February 2013	12 December 2014	\$0.075	1,235,883
		Total	1,235,883

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

No options were exercised in the 2014 year (2013: none were exercised).

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Group is subject to.

Greenhouse gas and energy data reporting requirements

The Company is not required to under the Energy Efficiencies Opportunity Act 2006 or the National Greenhouse and Energy Efficient Reporting Act 2007 (the **Acts**). The Group has not yet fully reviewed the reporting requirements under the Acts, but believes it has adequate processes in place to ensure compliance with these Acts.

Indemnifying Officers or Auditor

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. During the period the Group paid \$16,953 in premiums for Directors and Officer Insurance.



Auditor's Remuneration

During the financial period the following fees were paid or payable for non-audit services provided by the auditor:

	2014 \$	2013 \$
BDO Corporate Tax (WA) Pty Ltd, a related organisation, for income tax advice	10,030	1,749
	<u>10,030</u>	<u>1,749</u>

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

This report is signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

26th day of September 2014, at Perth, Western Australia

Bruce Lane

Executive Director

Corporate Governance Statement

For the year ended 30 June 2014

The Board of Stonehenge Metals Limited and the entities it controls, (the Group) is committed to maintaining high standards of Corporate Governance. This statement outlines the main Corporate Governance practices that were adopted or in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: *Companies should establish the functions reserved to the board and management.*

The Board's primary responsibility is to oversee the Group's business activities and management for the benefit of shareholders.

Its functions and responsibilities include:

- Determining strategic and policy direction and monitoring performance against strategy;
- Establishing goals and monitoring performance;
- Identifying risk and opportunities for ensuring risk management systems are established and reviewed;
- Approving and monitoring financial reports, capital management, and compliance; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Group and its officers act legally, ethically and responsibly.

The Board is also governed by the Group's constitution. The day to day management of the Group's affairs and implementation of corporate strategies and policy initiatives are formally delegated by the Board to the CEO and senior executives.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

There are no formal processes for monitoring senior executive performance as the size of the Group permits ongoing monitoring by the board of senior executive performance.

Recommendation 1.3: Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 1.

The evaluation of performance of senior executives has taken place throughout the year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: *A majority of the Board should be Independent Directors.*

Given the Group's background, nature and size of its business and the current stage of its development, the Board is comprised of four directors, Mr Tarratt is non-executive and independent, while Mr Henning is the Executive Chairman and Mr Yu is the CEO and an Executive Director. The Board believes that this is both appropriate and acceptable.

Recommendation 2.2: *The Chairperson should be an Independent Director.*

The Chairman Mr Henning is not independent, however the Board considers that he is suitably skilled to perform the role.

Recommendation 2.3: *The roles of the chairperson and chief executive officer should not be exercised by the same individual.*

The positions of Chairman and CEO are currently held by separate persons.

Recommendation 2.4: *The Board should establish a nomination committee.*

The Group has established a nomination committee charter; however it has not established a nomination committee at this time due to the Group's background, nature and size of its business and the current stage of its development. The Board undertakes the process of determining the need for, screening and appointing new directors.

Recommendation 2.5: *Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives.*

The Group has adopted self-evaluation processes to manage Board performance. An annual review is undertaken in relation to the composition and skills mix of the Directors of the Group.



Recommendation 2.6: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 2.*

The skills and experience for the directors are set out in the Group's Annual Report and on its website.

The Group has not included on its website, information on procedures for the selection and appointment of new Directors as these procedures are not formalised.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- 3.1.1. The practices necessary to maintain confidence in the Group's integrity
- 3.1.2. The practices necessary to take into account the legal obligations and the reasonable expectations of stakeholders
- 3.1.3. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Group has adopted a Code of Conduct setting standards expected of directors, officers, employees and contractors and demonstrate the Group's commitment to conducting business in an ethical and accountable manner. Directors, officers, employees and contractors are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Adherence to the code of conduct is expected at all times and the Board actively promotes a culture of quality and integrity.

The Board monitors the implementation of the Code. Breaches are reported by employees or contractors to the Executive Director or Company Secretary.

Recommendation 3.2: *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*

The Board has developed and adopted a diversity policy that ensures all personnel within the organisation will be treated with respect and no person will be discriminated against either during their employment or through the recruitment process, no matter their gender, ages, race, religion, cultural background, marital status, sexual orientation or disability. Stonehenge recognises there is difficulty achieving diversity across all areas of the company due to its relatively small size, but considers increased representation by women to be a desirable outcome.

Recommendation 3.3: *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

In respect of gender diversity the Company's goal is to build upon the current level of diversity across the Company and increase this level over time as the business expands.

Recommendation 3.4: *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

As at 30 June 2013 the Company has no female employee or Board member.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Please refer to Recommendation 3.1.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: *The Board should establish an audit committee.*

The Group has a formal charter for an Audit Committee, however, no Committee has been appointed to date. All members of the Board currently provide an active role in the following activities:

- Review the Group's accounting policies;
- Review the content of financial statements;
- Review the scope of the external audit, its effectiveness, and independence of the external audit;

Corporate **Governance Statement**

- Ensure accounting records are maintained in accordance with statutory and accounting standard requirements;
- Monitor systems used to ensure financial and other information provided is reliable, accurate, and timely;
- Review the audit process with the external auditors to ensure full and frank discussion of audit issues; and
- Present half and full year financial statements to the Board.

Recommendation 4.2: *Structure the Audit Committee so that it consists of:*

- *Only non-executive directors;*
- *A majority of independent directors;*
- *An independent chairperson, who is not chairperson of the Board; and*
- *At least 3 members.*

Refer to Recommendation 4.1.

Recommendation 4.3: The Audit Committee should have a formal charter.

Refer to Recommendation 4.1.

Recommendation 4.4: Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 4.

Refer to Recommendation 4.1.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: *Establish written policies and procedure designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.*

The Group has a formal continuous disclosure policy. The policy requires all executives and Directors to inform the CEO or in his absence the Company Secretary of any potentially material information as soon as practical after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on the ASX in deciding whether to buy, sell or hold the Group's securities.

Information need not be disclosed only if the ASX listing rules provide for non-disclosure.

The CEO is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Recommendation 5.2: *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 5.*

Disclosure is reviewed as a routine agenda item at each Board meeting.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Group is committed to dealing fairly, transparently and promptly with shareholders. The Board aims to ensure that the shareholders are informed of all major developments.

The annual report is distributed to all shareholders who have specifically requested the document. In addition, the Group makes all ASX announcements, details of shareholder meetings and financial reports available of the Group's website.

Half-year financial reports prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange. The financial reports are sent to any shareholder who requests them and quarterly reports are submitted to the ASX under the requirements of the Exchange relating to mining companies. Copies of the quarterly reports are sent to shareholders whenever sufficient new information in the report warrants distribution.



Recommendation 6.2: *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 6.*

The Group effectively communicates with shareholders via ASX announcements and newsletters.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: *The Board or appropriate committee should establish policies on risk oversight and management of material business risks and disclose a summary of those policies.*

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level. The Risk Management Policy is reviewed annually. A copy of the Risk management policy is available on the Group's website.

Recommendation 7.2: *The board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.*

The Group is not of size to allow this recommendation to be followed. The Board is responsible for the design and implementation of risk management and internal control systems.

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.*

The Group's Executive Chairman and Chief Financial Officer provide this statement.

Recommendation 7.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to reporting on Principle 7.*

A description of the Group's risk oversight and management policy and internal compliance and control system is included on the Group's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: *The Board should establish a remuneration committee.*

The Group has a charter for a remuneration committee however; a committee has not been established at this time. Given the small size of the board, the entire board performs the functions of the remuneration committee.

Recommendation 8.2: *The remuneration committee should be structured so that it:*

- Consists of a majority of independent directors;
- Is chaired by an independent chair; and
- Has at least three members.

Please refer to 8.1 in relation to the remuneration committee.

Recommendation 8.3: *Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.*

The Group outlines the structure of remuneration of non-executive Directors and executives of the Group in the Remuneration report in the annual report.

Recommendation 8.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8.*

Refer to Recommendation 8.1 in relation to the remuneration committee.

Refer to the Remuneration report in this Annual Report in relation to the superannuation payments to directors. The Group does not have a superannuation scheme for its employees.

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF STONEHENGE METALS LIMITED

As lead auditor of Stonehenge Metals Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stonehenge Metals Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 26 September 2014

Consolidated **Statement of Profit or Loss and Other Comprehensive Income** for the year ended 30 June 2014



	Note	2014 \$	2013 \$
Revenue from continuing operations – interest received		16,298	93,221
Other revenue		7,230	24,376
Gain/(Loss) on sale of non-current asset		(160,440)	-
Depreciation expenses		(28,027)	(33,389)
Employee benefits expenses		(467,345)	(906,369)
Advertising and marketing expenses		(6,887)	(11,491)
Audit expenses		(38,225)	(34,006)
Accounting expenses		(76,642)	(61,521)
Directors expenses		(76,000)	(88,300)
Share based payments	21	(45,416)	(56,855)
Corporate and regulatory expenses		(83,098)	(49,470)
Rent expenses		(229,160)	(219,362)
Travel expenses		(75,212)	(136,527)
Other administrative expenses	3	(609,349)	(631,123)
Impairment of Available-for-sale assets		-	(60,000)
Foreign exchange gain (loss)		478,483	235,491
Loss before income tax		(1,393,790)	(1,935,325)
Income tax (expense)/benefit	4	232,607	448,942
Loss after income tax for the year		(1,161,183)	(1,486,383)
Other comprehensive income			
Items that may be reclassified to the profit or loss			
Exchange difference on translation of foreign operations		(163,663)	(77,832)
Other comprehensive income(loss) for the year, net of tax		(163,663)	(77,832)
Total comprehensive loss for the year attributable to the year attributable to the owners of Stonehenge Metals		(1,324,846)	(1,564,215)
Loss per share attributable to the members of Stonehenge Metals Limited			
Basic and diluted loss per share (cents per share)	5	(0.0027)	(0.0035)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated **Statement of Financial Position**

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	6	89,760	1,266,504
Trade and other receivables	7	38,796	455,550
Total Current Assets		128,556	1,722,054
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	7,830,923	7,636,456
Property, plant and equipment	9	46,696	71,234
Other financial assets	10	-	20,000
Total Non-Current Assets		7,877,619	7,727,690
TOTAL ASSETS		8,006,175	9,449,744
CURRENT LIABILITIES			
Trade and other payables	11	164,807	229,930
Provisions	11	33,462	30,617
Total Current Liabilities		198,269	260,547
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	369,376	471,237
Total Non-Current Liabilities		369,376	471,237
TOTAL LIABILITIES		567,645	731,784
NET ASSETS		7,438,530	8,717,960
EQUITY			
Contributed equity	13	22,622,692	22,577,276
Reserves	14	1,752,922	1,916,585
Accumulated losses	15	(16,937,084)	(15,775,901)
TOTAL EQUITY		7,438,530	8,717,960

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014



	Contributed Equity \$	Accumulated Losses \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Foreign Translation Reserve	Total Equity \$
Balance at 1 July 2013	22,577,276	(15,775,901)	281,290	1,594,047	41,248	8,717,960
Loss for the year	-	(1,161,183)	-	-	-	(1,161,183)
Exchange difference on foreign operations	-	-	-	-	(163,663)	(163,663)
Total comprehensive loss for the year	-	(1,161,183)	-	-	(163,663)	(1,324,846)
Transactions with owners in their capacity as owners						
Shares/options issued during the year	45,416	-	-	-	-	45,416
Share issue expenses	-	-	-	-	-	-
Balance at 30 June 2014	22,622,692	(16,937,084)	281,290	1,594,047	(122,415)	7,438,530
Balance at 1 July 2012	22,540,063	(14,289,518)	275,111	1,594,047	119,080	10,238,783
Loss for the year	-	(1,486,383)	-	-	-	(1,486,383)
Exchange difference on foreign operations	-	-	-	-	(77,832)	(77,832)
Total comprehensive loss for the year	-	(1,486,383)	-	-	(77,832)	(1,564,215)
Transactions with owners in their capacity as owners						
Shares/options issued during the year	56,855	-	6,179	-	-	63,034
Share issue expenses	(19,642)	-	-	-	-	(19,642)
Balance at 30 June 2013	22,577,276	(15,775,901)	281,290	1,594,047	41,248	8,717,960

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated **Statement of Cash Flows**

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Other Revenue		6,090	-
Payments to suppliers and consultants		(1,007,781)	(1,542,116)
Interest Received		57,696	76,986
Research and development refund		130,746	304,754
Other payments - GST		15,061	7,527
Net cash (outflow) from operating activities	16	(798,188)	(1,152,849)
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		(418,523)	(1,111,024)
Loans advanced		-	-
Proceeds from sale of equity investments		39,560	-
Payments for property, plant and equipment	9	(208)	(38,449)
Net cash (outflow) from investing activities		(379,171)	(1,149,473)
Cash flows from financing activities			
Proceeds from issue of shares and options net of transaction costs		-	(13,463)
Net cash outflow from financing activities		-	(13,463)
Net decrease in cash and cash equivalents		(1,177,359)	(2,315,785)
Cash and cash equivalents at the beginning of the financial year		1,266,504	3,800,578
Foreign exchange movement on cash and cash equivalents		615	(218,289)
Cash and cash equivalents at the end of the financial year	6	89,760	1,266,504

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In order to assist in the understanding of the accounts, the following summary explains the material accounting policies that have been adopted in the preparation of the accounts.

(a) Basis of Preparation

The financial report includes the consolidated financial statements and notes of Stonehenge Metals Limited and controlled entities (the Group) for the year ended 30 June 2014. The financial statements were authorised for issue by the board on 26 September 2014.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Group Interpretations and the Corporations Act 2001. Stonehenge Metals Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Parent Information

Financial information for Stonehenge Metals Limited as an individual entity is included in note 26. This financial information has been prepared on the same basis as the consolidated financial statements except for the policies set out in note 1(b).

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

New and amended standards adopted by the group

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other than for the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits which came into effect on 1 July 2013. Stonehenge Metals Limited have reviewed the impact of applying these new standards compared to the previous standards and concluded that there is no material impact on the Group's performance and position arising from the initial application of these standards and, apart from additional note disclosures required under AASB 13, they are therefore immaterial in the context of the Group's financial report for the year reporting period ended 30 June 2014 or the comparative information.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stonehenge Metals Limited as at 30 June 2014 and the results of all subsidiaries for the year then ended. Stonehenge Metals Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(r)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(c) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

During the year the consolidated entity incurred a net loss of \$1,393,790 (2013: \$1,935,325) and incurred net cash outflows from operating activities of \$798,188 (2013: \$1,152,849). The consolidated entity held cash assets at 30 June 2014 of \$89,760 (2013: \$1,266,504).

On 28 July 2014 the Company advised that it had signed a non-binding memorandum of understanding with a KOSDAQ listed resource development company, Korea Resources Investment & Development Inc.

On 14 August 2014 the Company advised that it had entered into a binding option agreement with Protean Energy Limited (PEL) to acquire 100% of PEL's wholly owned subsidiary, Protean Energy Australia Pty Ltd (**PEA**). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter Technology.

On 1 September 2014 the company advised that the shareholders of PEL had voted to allow Stonehenge to acquire its 100% subsidiary, PEA, which holds the intellectual property titles and rights to the Protean Wave Energy Converter Technology.

On 2 September 2014 the Company announced an equity raising of up to \$1,503,643 before costs, via a pro-rata non-renounceable rights issue. Eligible shareholders will be provided the opportunity to subscribe for seven (7) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm WST on 8 September 2014.

On 25 September 2014 the Company advised the results of the Rights Issue. Shareholders subscribed for 96,986,780 ordinary shares of entitlements in addition to 32,898,524 shortfall shares to raise a total of \$649,426. The Company has until 22 December 2014 to place the shortfall of 170,843,368 ordinary shares.

The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements.

The Directors believe that the consolidated entity will continue as a going concern. As a result the financial report has been prepared on a going concern basis. However should the consolidated entity be unsuccessful in undertaking additional raisings or being reinstated the consolidated entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of assets and liabilities that might be necessary should the consolidated entity not continue as a going concern.

(d) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(e) Share Based Payment Transactions

Under AASB 2 Share Based Payments, the Group must recognise the fair value of options granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of Profit or Loss and Other Comprehensive Income with a corresponding adjustment to equity.

The Group provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined using the Black Scholes option pricing model.

(f) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of directors.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximately their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(h) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated using the diminishing value and prime cost methods and is brought to account over the estimated economic lives of all plant and equipment. The rates used are based on the useful life of the assets and range from 10% to 40%.

(i) Income Tax and Other Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(i) Income Tax and Other Taxes (Cont)

Stonehenge Metals Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(j) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method. Under this method exploration and evaluation expenditure is carried forward on the following basis:

- i. Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs; and
- ii. Exploration and evaluation expenditure related to an area of interest is carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
 - such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated and recognised as an asset in the Consolidated Statement of Financial Position in respect of each particular area of interest include only net direct expenditure.

(k) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

(l) Investments and other financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivable are included in trade and other receivables in the statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or company of financial assets is impaired. Any impairment costs are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(m) Employee Entitlements

The Group's liability for employee entitlements arising from services rendered by employees to reporting date is recognised in other payables. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(n) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating loss attributable to the equity holder of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

(o) Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(p) Trade and Other Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

(q) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(r) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(s) Business Combinations (Cont)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurements of all amounts has been reviewed, the difference is recognised directly in Statement of Profit or Loss and Other Comprehensive Income as a bargain purchase.

Where any settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and condition. Contingent consideration is classified either as equity or a financial liability. Amount classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(t) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Stonehenge's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognized in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(u) Dividends

No dividends were paid or proposed during the year.

(v) Comparatives

Comparative figures have been restated to conform with the current year's presentation. This has had no impact on the financial statements.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(w) New accounting standards and interpretation

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014 and are expected to impact the entity in the period of initial application.

In all cases the entity intends to apply these standards from application date as indicated in the table below.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Annual reporting periods beginning on or after 1 January 2017 ¹²	Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The entity does not currently have any financial instruments.
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: • Adding the new hedge accounting requirements into AASB 9 • Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable	Annual reporting periods beginning on or after 1 January 2015	The application date of AASB 9 has been deferred to 1 January 2017. The entity has not yet made an assessment of the impact of these amendments. The entity does not currently have any hedging arrangements in place.

¹² The application date of AASB 9 has been deferred from annual periods beginning on or after 1 January 2015 to annual periods beginning on or after 1 January 2017 by AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(w) New accounting standards and interpretation (Cont)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
		- An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure - When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI		

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Financial Statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Company has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

Deferred tax assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(b) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont)

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

3. EXPENSES

Loss includes the following specific expenses included in other administrative expenses:

	2014 \$	2013 \$
Share Registry Fees	10,308	30,566
Insurances	40,071	48,202
Legal costs	26,191	29,220
Entertainment expenses	48,959	76,905

4. TAXATION

(i) Reconciliation

The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

Loss before income tax at 30% tax rate (2013: 30%)	(418,137)	(489,172)
Tax effect of amounts which are not deductible in calculating taxable income:		
Share based payments	-	30,486
Other	110,172	95,946
Deferred tax assets relating to tax losses not recognised	169,064	166,120
Timing differences previously unrecognised now recognised to reduce deferred tax liabilities	-	-
Foreign tax rate differential	37,040	52,432
Under/(over) provision	(130,746)	(304,754)
Total income tax expense	(232,607)	(448,942)

The franking account balance at year end was \$nil (2013: \$nil).

Deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets

Deferred tax asset relating to tax losses	6,700,095	5,592,795
Deferred tax assets relating to temporary differences	246,049	144,188
Deferred tax liabilities relating to temporary differences	38,617	48,311

	6,984,761	5,785,294
Offset	(246,049)	(144,188)

Net deferred tax assets	6,738,712	5,641,106
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Deferred tax liabilities

Business Combination	615,425	615,425
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Offset against deferred tax assets	(246,049)	(144,188)
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Net deferred tax liabilities	369,376	471,237
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Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

	2014 \$	2013 \$
5. LOSS PER SHARE		
(a) Loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Group	(1,161,183)	(1,486,383)
Loss attributable to the ordinary equity holders of the Group	(1,161,183)	(1,486,383)
(b) Reconciliations of loss used in calculated loss per share		
Basic and diluted loss per share	(0.0027)	(0.0035)
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss:		
Loss from continuing operations	(1,161,183)	(1,486,383)
	(1,161,183)	(1,486,383)
(c) Weighted average number of shares used as a denominator	#	#
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	429,318,765	426,478,102
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	429,318,765	426,478,102
Options have not been included in the calculation of diluted loss per share as they are not considered dilutive because they decrease the loss per share.		
	2014 \$	2013 \$
6. CASH AND CASH EQUIVALENTS		
Deposits at call	45,586	1,013,529
Cash at bank	44,174	-
Term deposits	-	49,000
	89,760	1,266,504
(a) Reconciliation to cash at end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances above	89,760	1,266,504
Balance per statement of cash flows	89,760	1,266,504
(b) Cash at bank		
These are not interest bearing.		
(c) Deposits at call		
The deposits are at call.		
(d) Term deposits		
Cash invested in term deposits is at call and is interest bearing with interest rates between 4.0% and 5.5%.		
(e) Interest rate risk exposure		
The Group's exposure to interest rate risk is discussed in Note 19.		

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



7. TRADE AND OTHER RECEIVABLES

Other receivables

2014
\$

2013
\$

38,796

455,550

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(b) Ageing of receivables past due not impaired

As at 30 June 2014 and 30 June 2013 there were no receivables past due not impaired.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant as is the fair value of any collateral sold or repledged. Refer to note 19 for more information on the risk management policy of the group and the credit quality of the entity's receivables.

2014
\$

2013
\$

8. EXPLORATION AND EVALUATION EXPENDITURE

Balance at beginning of the year

7,636,456

6,849,258

Exploration expenditure incurred

92,900

665,999

Movement due to foreign exchange translation

101,567

121,199

Balance at the end of the year

7,830,923

7,636,456

The balance carried forward represents projects in the exploration and evaluation phase.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

9. PROPERTY, PLANT AND EQUIPMENT

Office equipment- at cost

14,678

14,678

Accumulated depreciation

(13,287)

(12,251)

Net book value

1,391

2,427

Mining Equipment- at cost

132,280

125,222

Accumulated depreciation

(86,975)

(56,415)

Net book value

45,305

68,807

Total net book value at 30 June

46,696

71,234

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

	2014 \$	2013 \$
9. PROPERTY, PLANT AND EQUIPMENT (Cont)		
<i>Reconciliation of the carrying amount of office equipment:</i>		
Carrying amount at 1 July	2,427	42,278
Movement due to foreign currency translation	-	-
Additions	-	178
Disposals	-	(34,249)
Loss on disposal	-	-
Depreciation expense for the period	(1,036)	(5,780)
Carrying amount at 30 June	1,391	2,427
<i>Reconciliation of the total carrying amount of mining equipment:</i>		
Carrying amount at 1 July	68,807	61,236
Movement due to foreign currency translation	3,489	4,407
Additions	-	36,486
Disposals	-	(5,714)
Loss on disposal	-	-
Depreciation expense for the period	(26,991)	(27,608)
Carrying amount at 30 June	45,305	68,807
<i>Reconciliation of the total carrying amount of property, plant & equipment:</i>		
Carrying amount at 1 July	71,234	101,554
Movement due to foreign currency translation	3,489	4,407
Additions	-	36,664
Disposals	-	(39,963)
Depreciation expense for the period	(28,027)	(33,389)
Carrying amount at 30 June	46,696	71,234

The carrying values of items of property, plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

These reviews did not give rise to any impairment charges during the year to 30 June 2014 (2013: Nil).

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



10. OTHER FINANCIAL ASSETS

Listed securities

	2014 \$	2013 \$
Fair value at 1 July	20,000	80,000
Investments at cost	-	-
Impairment this year	-	(60,000)
Disposed this year	(20,000)	-
Fair value at 30 June	-	20,000

Other financial assets comprise of one class being listed securities and are at fair value. Fair value was determined by reference to published price quotations in an active market with the fair value loss recognised in the statement of profit or loss and other comprehensive income. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the investments.

11. TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Trade payables	164,807	229,930
Provision for employee benefits	33,462	30,617

All current liabilities are expected to be settled within 12 months.

12. DEFERRED TAX LIABILITIES

Arising from temporary differences attributable to fair value adjustments to exploration and evaluation expenditure acquired in a business combination

	471,237	615,425
Offset against deferred tax assets arising from timing differences	(101,861)	(144,188)
	369,376	471,237

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

13. ISSUED CAPITAL

(a) Share Capital

	2014 Shares	2013 Shares	2014 \$	2013 \$
Fully paid	429,612,349	426,742,905	22,622,692	22,577,276

(b) Movements in ordinary share capital

2014

Date	Details	Number of shares	Issue price	\$
01/07/13	Balance at 1 July	426,742,905	-	22,577,276
03/07/13	Director Share Plan shares issued (d)(i)	1,434,722	\$0.016	22,708
03/07/13	Director Share Plan shares issued (d)(i)	1,434,722	\$0.016	22,708
	Less: Share Raising Costs	-		-
30/06/14	Balance at 30 June	429,612,349		22,622,692

2013

Date	Details	Number of shares	Issue price	\$
01/07/12	Balance at 1 July	424,847,745	-	22,540,063
20/08/12	Employee Share Plan shares issued	645,160	\$0.03	19,355
30/08/12	Employee Share Plan shares issued	1,250,000	\$0.03	37,500
	Less: Share Raising Costs			(19,642)
30/06/13	Balance at 30 June	426,742,905		22,577,276

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Director Shares Issued

The Company has a Director Share Plan in place adopted by shareholders on 18 March 2013. During the Period the following shares were issued.

(i) 1,434,722 shares were issued to each of Richard Henning and Young Yu in lieu of Director fees.

(e) Capital Risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders, issue new shares or sell assets to reduce debt. The Group defines capital as cash and cash equivalents plus equity.

The Board of Directors monitors capital on an ad-hoc basis.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



14. RESERVES

(a) Reserves

	2014 \$	2013 \$
Share-based payments reserve	1,594,047	1,594,047
Options reserve	281,290	281,290
Foreign currency translation reserve	(122,415)	41,248
	<u>1,752,922</u>	<u>1,916,585</u>

Movements:

Share-based payments reserve

Balance 1 July	1,594,047	1,594,047
Shares transferred to capital on achievement of milestone	-	-
Balance 30 June	<u>1,594,047</u>	<u>1,594,047</u>

Options reserve

Balance 1 July	281,290	275,111
Options capital raised	-	6,179
Balance 30 June	<u>281,290</u>	<u>281,290</u>

Foreign currency translation reserve

Balance 1 July	41,248	119,080
Foreign currency translation difference on consolidation	(163,663)	(77,832)
Balance 30 June	<u>(122,415)</u>	<u>41,248</u>

Nature and purpose of reserves

(i) Share-based payments reserve

The share based payments reserve is used to recognise:

- The fair value of options issued to employees and consultants but not exercised

(ii) Option reserve

The options reserve is used to recognised funds received for options issued to shareholders. The reserve is recognised in contributed equity when the options are exercised and converted to ordinary share capital.

(iii) Foreign currency translation reserve

The foreign currency translation reserve is used to recognise foreign exchange rate differences between intercompany loans and the foreign exchange differences arising on the translation of the foreign controlled entity. The cumulative amount is recognised to the consolidated statement of profit and loss and other comprehensive income.

	2014 \$	2013 \$
15. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(15,775,901)	(14,289,518)
Net loss attributable to members of the Group	(1,161,183)	(1,486,383)
Accumulated losses at the end of the financial year	<u>(16,937,084)</u>	<u>(15,775,901)</u>

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

	2014 \$	2013 \$
16. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Loss for the year	(1,161,183)	(1,486,383)
Depreciation and amortisation	28,027	33,389
Devaluation of financial assets	-	60,000
(Profit)/Loss on disposal of assets	160,440	39,962
Stonehenge Korea exploration expenses capitalised	215,181	523,489
Non-cash employee benefits expense – share-based payments	45,417	71,603
Decrease / (increase) in trade debtors and other receivables	100,143	(202,219)
(Decrease) / increase in deferred tax liability	(101,861)	(144,188)
(Decrease) / increase in trade creditors and other payables	(87,197)	(52,655)
(Decrease)/increase in provisions and accruals	2,845	4,153
Net cash outflow from operating activities	(798,188)	(1,152,849)

Non-cash investing and financing activities

There are no non-cash expenses recognised directly in equity during the year (2013: nil).

17. COMMITMENTS

Capital Commitments

There are no capital expenditure commitments as at 30 June 2014 (2013: nil).

18. REMUNERATION OF AUDITORS

Amounts received or due and receivable at 30 June 2014 by the auditors for:

Audit services:

BDO Audit (WA) Pty Ltd Audit and review of financial reports under the Corporations Act 2001

	38,226	34,006
Non audit services	10,030	1,749
	48,256	35,755

19. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- a) credit risk
- b) liquidity risk
- c) market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



19. FINANCIAL RISK MANAGEMENT (Cont)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and for the Group arises principally from cash and cash equivalents.

All cash balances are held with recognised institutions limiting the exposure to credit risk. There are no formal credit approval processes in place.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2014 \$	2013 \$
Loans and receivables	38,796	455,550
Cash and cash equivalents	89,760	1,266,504
	128,556	1,722,054

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:

Financial assets - counterparties without external credit rating -

Financial assets with no defaults in past	38,796	455,550
Cash and cash equivalents		
BBB+ S&P Rating	8,785	193,741
A S&P Rating	-	49,000
-AA S&P rating	80,975	1,023,763
	89,760	1,266,504

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

19. FINANCIAL RISK MANAGEMENT (Cont)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years cash flows	Total contractual (assets)/ liabilities	Carrying amount
	\$	\$	\$	\$	\$	\$	\$
As at 30 June 2014							
Trade and other payables	164,807	-	-	-	-	164,807	164,807
As at 30 June 2013							
Trade and other payables	229,930	-	-	-	-	229,930	229,930

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the South Korean Won.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group does not currently have any formal policies in place regarding currency risk as it is not considered significant.

The groups exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2014 KRW \$	2013 KRW \$
Cash and cash equivalents	8,825	193,741
Trade and other receivables	15,354	91,532
Trade and other payables	2,549	30,873

(ii) Price Risk

The group is exposed to equity securities price risk. This arises from investments held by the group and classified in the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The group is not exposed to commodity price risk.

The group's equity investments are publicly traded on the ASX.

The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

(iii) Cashflow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk. The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



19. FINANCIAL RISK MANAGEMENT (Cont)

(c) Market Risk (Cont)

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

30 June 2014	Weighted average interest rate	1 year or less \$	2-5 years \$	Total \$
Financial assets				
Deposits at call	1.60	89,760	-	89,760
30 June 2013	Weighted average interest rate	1 year or less \$	2-5 years \$	Total \$
Financial assets				
Deposits at call	3.50	1,266,504	-	1,266,504

(d) Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Fair value of financial instruments that are not traded in an active market (for example investments in unlisted subsidiaries) is determined using valuation techniques.

There were no financial assets or liabilities at 30 June 2014 requiring fair value estimation and disclosure as they are either not carried at fair value or in the case for short term assets and liabilities, their carrying values approximate fair value.

20. SEGMENT INFORMATION

Management has determined that the Group has only one reportable segments, being Uranium exploration in South Korea. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	South Korea \$	Total \$
Revenue from external sources	-	-
Reportable segment profit / (loss)	(474,221)	(474,221)
Reportable segment assets	7,858,199	7,858,199
Reportable segment liabilities	2,549	2,549

Reconciliation of reportable segment profit or loss

Reportable segment profit /(loss)	(474,221)
Other income	23,527
Depreciation expense	(28,027)
Director benefits	(296,038)
Share based payments	-
Employee benefits	(216,723)
Other expenses	(402,308)
Loss before tax	(1,393,790)

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

20. SEGMENT INFORMATION (Cont)

	South Korea \$	Total \$
Revenue from external sources	-	-
Reportable segment profit / (loss)	(668,741)	(668,741)
Reportable segment assets	8,164,878	8,164,878
Reportable segment liabilities	30,873	30,873
Reconciliation of reportable segment profit or loss		
Reportable segment profit /(loss)		(668,741)
Other income		117,597
Depreciation expense		(33,389)
Director benefits		(574,852)
Share based payments		-
Employee benefits		(388,372)
Other expenses		(387,568)
Loss before tax		(1,935,325)

Other Segment Information

	2014 \$	2013 \$
Total segment revenue	-	-
Interest revenue	16,298	93,221
Other revenue	7,230	24,376
Total revenue from continuing operations	23,528	117,597

Segment assets are reconciled to total assets as follows:

Segment assets	7,858,199	8,164,878
Unallocated:		
Cash and cash equivalents	80,935	1,072,762
Trade and other receivables	20,345	140,870
Property plant & equipment	46,696	71,234
Other assets	-	-
Total assets as per the statement of financial position	8,006,175	9,449,744

Segment liabilities are reconciled to total liabilities as follows:

Segment Liabilities	2,549	30,873
Unallocated:		
Trade and other payables	195,720	229,674
Deferred tax liability	471,237	471,237
Total liabilities as per the statement of financial position	669,506	731,784



21. SHARE BASED PAYMENT TRANSACTIONS

(a) Employee Option Plan

The Stonehenge Metals Ltd Share Option Plan is used to reward Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. There are no performance requirements to be met before exercise can take place. The Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The share based payments listed below have been issued to the company directors under the terms of the Stonehenge Metals Ltd Share Option Plan.

Share based payments transactions are recognised at fair value in accordance with AASB 2. The adoption of AASB 2 is equity-neutral for equity-settled transactions.

No Employee Options were issued this year (2013: Nil).

Share based payments issued during 2014 are as follows:

Directors	Number of shares Issued	Issue Price	\$
Richard Henning	1,434,722 (i)	\$0.016	22,708
Young Yu	1,434,722 (i)	\$0.016	22,708
Total	2,869,444		45,416

(i) 1,434,722 ordinary shares were issued to Messrs Henning and Yu in lieu of Director Fees as approved by shareholders on 18 March 2013.

Share based payments issued during 2013 are as follows:

Directors	Number of shares Issued	Issue Price	\$
Richard Henning	1,250,000 (i)	\$0.03	37,500
Consultants and employees			
Tony Chamberlain	645,160 (ii)	\$0.03	19,355
Total	1,895,160		56,855

(i) 1,250,000 shares issued to Richard Henning during the year on completion of 24 months service in accordance with the Executive Service Agreement. These shares were valued at \$0.03 per share, being the share price on the date of issue.

(ii) 645,160 shares issued to Tony Chamberlain during the year in line with the Employee Share Plan.

22. DIVIDENDS

There were no dividends paid or declared by the Group during the year. (2013: Nil)

23. EVENTS OCCURRING AFTER REPORTING DATE

On 28 July 2014 the Company advised that it had signed a non-binding memorandum of understanding with a KOSDAQ listed resource development company, Korea Resources Investment & Development Inc.

On 14 August 2014 the Company advised that it had entered into a binding option agreement with Protean Energy Limited (**PEL**) to acquire 100% of PEL's wholly owned subsidiary, Protean Energy Australia Pty Ltd (**PEA**). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter Technology.

On 1 September 2014 the company advised that the shareholders of PEL had voted to allow Stonehenge to acquire its 100% subsidiary, PEA, which holds the intellectual property titles and rights to the Protean Wave Energy Converter Technology.

On 2 September 2014 the Company announced an equity raising of up to \$1,503,643 before costs, via a pro-rata non-renounceable rights issue. Eligible shareholders will be provided the opportunity to subscribe for seven (7) new fully paid ordinary shares in the Company for every ten (10) shares held as at 5:00pm WST on 8 September 2014.

On 23 September 2014 the Company advised that it had extend the term of its Memorandum of Understanding with KORID to 1 December 2014.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014

23. EVENTS OCCURRING AFTER REPORTING DATE (Cont)

On 25 September 2014 the Company advised the results of the Rights Issue. Shareholders subscribed for 96,986,780 ordinary shares of entitlements in addition to 32,898,524 shortfall shares to raise a total of \$649,426. The Company has until 22 December 2014 to place the shortfall of 170,843,368 ordinary shares.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

24. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of Incorporation	Class of shares	Equity holding	Equity holding
			2014	2013
SK Energy Metals Pty Ltd ¹	Australia	Ordinary	100%	100%
Stonehenge Korea Inc ²	South Korea	Ordinary	100%	100%
Ginja Minerals Pty Ltd ³	Australia	Ordinary	100%	100%

¹ Holding Company of Stonehenge Korea Inc.

² Holder of all Korean exploration licences.

³ Dormant subsidiary.

25. RELATED PARTY TRANSACTIONS

(a) Parent entities

The group is controlled by the following entities:

Name of entity	Type	Place of Incorporation	Equity holding	Equity holding
			2014	2013
Stonehenge Metals Ltd	Ultimate parent entity and controlling party	Australia	100%	100%

The parent entity within the Group is Stonehenge Metals Limited. The ultimate parent entity and ultimate controlling party is Stonehenge Metals Limited (incorporated in Australia) which at 30 June 2014 owns 100% of the issued ordinary shares of SK Energy Metals Pty Ltd which owns 100% of Stonehenge Korea Inc (formerly Chong Ma Mines Inc).

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

	2014 \$	2013 \$
(c) Key Management Personnel Compensation		
Short-term employee benefits	428,068	520,286
Post-employment benefits	23,282	63,278
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	45,416	37,500
	<u>496,767</u>	<u>621,064</u>

Disclosures relating to key management personnel are set out in the remuneration report on pages 23 to 28.

(d) Other Key Management Personnel Disclosures

Director, Mr B Tarratt, is a shareholder and a director of Hemisphere Corporate Services Pty Ltd. During the 2014 year the Group was providing tenancy and administration services to Stonehenge Metals Limited. No formal contract is in place in regard to these transactions. All transactions were conducted on normal commercial terms.

Notes to and Forming Part of the **Consolidated Financial Statements** for the year ended 30 June 2014



25. RELATED PARTY TRANSACTIONS (Cont)

(d) Other Key Management Personnel Disclosures (Cont)

Aggregate amounts of each of the above types of other transactions with key management personnel of Stonehenge Metals Limited are as follows:

	2014 \$	2013 \$
OTHER TRANSACTIONS WITH RELATED PARTIES		
Rent and administration	-	139,294
Consultancy fees	-	11,300
Accounting & bookkeeping expenses	-	39,578
	-	190,172
Balance outstanding at year end		
Trade payables	-	-

(e) Outstanding balances arising from sales/purchases of goods and services

There are no outstanding balances arising from sales/purchases of goods and services.

26. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Stonehenge Metals Ltd, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2014 \$	2013 \$
ASSETS		
Current Assets	86,546	1,178,707
Non-Current Assets	6,147,355	9,005,725
TOTAL ASSETS	6,233,901	10,184,432
 Current Liabilities	 195,720	 229,673
TOTAL LIABILITIES	195,720	229,673
 Contributed equity	 22,622,692	 22,577,276
Reserves	1,875,337	1,875,337
Accumulated losses	(18,373,302)	(14,497,854)
TOTAL EQUITY	6,124,728	9,954,759
 Loss for the year	 (3,875,448)	 (611,110)
Other Comprehensive loss for the year	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(3,875,448)	(611,110)
Parent entity capital commitments		
Commitments contracted for by the parent entity at the reporting date but not recognised as liabilities are as follows:		
Within one year	-	-
Later than one year but no later than five	-	-
	-	-

At reporting date the parent entity has nil guarantees and contingent liabilities (2013: nil).

27. CONTINGENCIES

The Group currently has no contingent assets or liabilities.

Directors' Declaration

STONEHENGE METALS LIMITED
ACN 119 267 391

DECLARATION BY DIRECTORS

The directors of the Group declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The group has included in the notes to the financial statements and explicit an unreserved statement of compliance with International Financial Reporting Standards.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Bruce Lane
Executive Director
Perth, Western Australia
26 September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Stonehenge Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Stonehenge Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which



has been given to the directors of Stonehenge Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Stonehenge Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Stonehenge Metals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 26 September 2014



Information as at 16 September 2014

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	46
1,001 – 5,000	158
5,001 – 10,000	217
10,001 – 100,000	754
100,001 – and over	448
	1,623

(b) The number of shareholdings held in less than marketable parcels is 1,050.

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

There are no voting rights attached to any class of options that are on issue.

Performance Shares

There are no voting rights attached to any class of Performance Shares that are on issue.

20 Largest Shareholders — Ordinary Shares as at 16 September 2014

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 JLC CORPORATION PTY LTD	28,101,389	6.55%
2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,184,728	5.87%
3 MR PAUL JACKSON	13,047,874	3.04%
4 R H HENNING PTY LTD <RATHMORE SUPER FUND A/C>	11,354,167	2.65%
5 FLUFFY DUCK SUPER PTY LTD <FLUFFY DUCK SUPER FUND>	10,814,133	2.52%
6 SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C>	10,000,000	2.33%
6 LEGAL CULTURE LTD	10,000,000	2.33%
7 MR MICHAEL PATRICK KELLY & MRS KATHLEEN MARGARET KELLY	6,934,977	1.62%
8 FLUFFY DUCK SUPER PTY LTD <FLUFFY DUCK SUPER FUND A/C>	6,000,000	1.40%
9 LOK HUNG NOMINEES PTY LTD <SF SUPERANNUATION FUND A/C>	5,001,888	1.17%
10 CSC SECURITY HOLDINGS (CHINA) PTY LIMITED	5,000,000	1.17%
11 SEQUOIA AGGRESSIVE GROWTH FUND	4,464,286	1.04%
12 COMSEC NOMINEES PTY LIMITED	3,934,319	0.92%
13 MR WAN JOONG KIM	3,387,288	0.79%
14 FAB INVESTMENTS CO. LIMITED	3,276,183	0.76%
15 ATEQ INVESTMENTS PTY LTD	3,125,000	0.73%
16 MR CLIVE THOMAS	3,000,000	0.70%
16 CASTLE BAILEY PTY LTD <D & S BAILEY FAMILY A/C>	3,000,000	0.70%
17 MR HENRY ROBERT ELLIS	2,795,182	0.65%
18 MR PAUL ANTHONY GREENWOOD	2,775,000	0.65%
19 DR ANTHONY CHARLES CHAMBERLAIN	2,707,660	0.63%
20 TRAYBURN PTY LTD	2,611,637	0.61%
TOTAL	166,515,711	38.80%
Balance of Register	262,596,678	61.20%
Grand TOTAL	429,112,389	100.00%

Substantial Shareholders

As at 16 September 2014, shareholders with 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%



The name of the Company Secretary is Mr Matthew Foy.

The address of the principal registered office is Office J, Level 2, 1139 Hay Street, West Perth WA 6005. Telephone (08) 9481 2277.

Registers of securities are held at the following addresses

Western Australia	Link Market Services Limited
	Ground Floor, 178 St Georges Tce
	Perth WA 6000

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

Unquoted Securities

Options over Un-issued Shares

As at 16 September 2014 the following options over un-issued shares were on issue.

- 1,235,883 options exercisable at 7.5 cents on or before 12 December 2014.

Performance Shares on Issue

As at 16 September 2014 the following Performance Shares were on issue.

Class	Shares Issued	Milestone relating to Uranium Projects
F	5,000,000	The execution of a binding JV agreement on the Uranium Projects.
G	7,500,000	The execution of a binding off take agreement on Vanadium produced within the Uranium Projects.

Note: Shares issued upon the achievement of the relevant milestone will be escrowed for a minimum of 1 year from their date of conversion into ordinary shares.

Securities Subject to Escrow

There are no securities currently subject to escrow.

Unquoted Equity Security Holders with Greater than 20% of an Individual Class

As at 16 September 2014 the following classes of unquoted securities had holders with greater than 20% of the class on issue.

Options exercisable at 7.5 cents on or before 12 December 2014

Percentage Held %	Name	Number of Securities held
44.50%	Mr Brian Lee & Mrs Audrey Lee	550,000

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