Stonehenge
METALS LTD

STONEHENGE METALS LIMITED

ABN 81 119 267 391

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2014

CONTENTS

	Page
▪ Corporate directory	2
▪ Directors' Report	3
▪ Auditor's Independence Declaration	13
▪ Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
▪ Consolidated Statement of Financial Position	15
▪ Consolidated Statement of Changes in Equity	16
▪ Consolidated Statement of Cash Flows	17
▪ Notes to the Consolidated Financial Statements	18
▪ Directors' Declaration	24
▪ Independent Auditor's Review Report to the members	25

CORPORATE DIRECTORY

Directors

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

Company Secretary
Mathew Foy

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Australian Securities Exchange
ASX Code - **SHE**

Share Registry
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Bankers
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Auditor
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38 Station Street
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DIRECTORS' REPORT

Your Directors present the financial report for the consolidated entity, consisting of Stonehenge Metals Limited (**Stonehenge**) and the entities it controls (**Consolidated Entity** or **Group**) for the half-year ended 31 December 2014 (**Period**).

DIRECTORS

The names of Directors who held office during the half-year and up to the date of signing this report are:

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

PRINCIPAL ACTIVITIES

The principal activities of the Group and its subsidiaries during the period was mineral exploration in South Korea and commercialisation activities associated with the Protean Wave Energy Converter.

There were no significant changes in the nature of these activities during the half-year.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the half-year (31 December 2013: Nil).

FINANCIAL SUMMARY

The Group made a net loss after tax of $646,215 for the financial half-year ended 31 December 2014 (31 December 2013: loss $639,082). At 31 December 2014, the Group had net assets of $8,835,017 (30 June 2014: $7,438,530) and cash assets of $942,570 (30 June 2014: $89,760).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Consolidated Entity during the financial period and to the date of this report are set out in the review of operations below.

REVIEW OF OPERATIONS

During the half-year ended 31 December 2014, the Group continued to focus on the development of the Daejon, Miwon and Gwesan uranium and vanadium projects in South Korea. The Company also announced 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.

KOREA RESOURCES INVESTMENT & DEVELOPMENT INC BINDING JV AGREEMENT

During the reporting period the Company advised it had entered into a binding term sheet joint venture (**JV**) agreement (**Term Sheet**) with Korea Resources Investment & Development Inc. (**KORID**) with the definitive JV documentation executed subsequent to the reporting period. The Term Sheet and subsequent definitive JV agreement superseded a memorandum of understanding executed by parties earlier in the reporting period. The JV agreement creates a framework for KORID and Stonehenge to work together to accelerate the development of the mineral exploration rights and properties held by the Stonehenge's wholly owned Korean subsidiary, Stonehenge Korea Ltd (**SHK**).

The transaction contemplated by the formal documentation remains subject to a number Pre-Conditions to Completion, as outlined below, which are expected to be satisfied by 30 May 2015.

The JV, created via the sale to KORID of 50% of Stonehenge Korea Ltd, will cement a strong working relationship between KORID and Stonehenge. The JV will initially focus on accelerating development of the Daejon vanadium and uranium project by conducting work to contribute to the preparation of a pre-feasibility study (**PFS**).

The JV with KORID will focus on:

- Securing a collaboration agreement to test the relevant sections from within the 36,000 metres of mineralised historical drill core (from Stonehenge's Daejon Project area) stored at the Korean Institute of Geoscience and Mineral Resources (KIGAM);
- Significantly upgrading the current Daejon Project resource estimates in size and or confidence;
- Preparing a PFS for the Daejon project; and
- Preparing work programs and budgets to support completion of a definitive or bankable feasibility study for the Daejon project.

Key Terms of the Transaction

(a) The Term Sheet and Shareholders' Agreement set out the terms for the sale by Stonehenge of 50% of the issued capital in its 100% owned Korean subsidiary, SHK, to KORID.

(b) KORID will pay Stonehenge $2.5m in consideration for the purchase of 50% of the shares in SHK. The consideration will be satisfied by the issue of KOSDAQ listed KORID shares, with a 12 month escrow. Proceeds from the sale of any of the consideration shares are to be re-invested in the JV projects or any other collaboration project agreed to by the parties.

(c) The parties agree that it is their common intention, through the sale and purchase of shares in SHK and the Formal Documentation, to co-fund and accelerate development of the mineral exploration rights and properties held by SHK with particular focus on the Daejon Project. The relationship between the parties in respect of SHK will be governed by the constitution of SHK and the Shareholders Agreement. The parties agree that development of the Daejon Project, including completion of a PFS, is their primary objective and as such there are expected to be three phases of development and funding, with all funding costs after Stage 1 shared in proportion to the parties' percentage shareholding in SHK, as follows:

(i) Stage 1 – within 12 months from the date of Completion, achieving access to and completing testing of 36,000 metres of historical drill core (held by KIGAM) and upgrading the existing uranium and vanadium resources in accordance with the JORC code (2012). SHE to provide up to $800,000 in cash funding. KORID to provide $300,000 in cash funding (via the Placements) and $200,000 of Korean in country services, assistance or facilities as requested by SHK.

(ii) Stage 2 – within 3 years from the date of Completion, undertaking further field work, drilling and resource definition work as required to more accurately define economic resources and a preliminary mining plan. Estimated total cost is $1 million to be funded by SHE and KORID in proportion to their shareholdings in SHK.

(iii) Stage 3 – within 4 years of the date of Completion, achieving the development of a PFS to a sufficient standard for the purposes of illustrating potential return on investment scenarios which will in turn support efforts to secure a future Korean development partner. This will be funded by SHE and KORID in proportion to their SHK shareholdings.

(d) The parties have agreed that, subject to shareholder and regulatory approvals if required, KORID will subscribe for $300,000 in SHE Shares in three tranches as follows (together the **Placements**):

(i) Placement 1: $100,000 on the date that is 6 months from the date of Completion (**Placement 1 Date**) and at a price equal to the Volume Weighted Average Price (**VWAP**) of SHE shares traded on ASX during the 15 traded days prior to the Placement 1 Date. These shares will be escrowed for a period of 6 months from their date of issue;

(ii) Placement 2: $100,000 on a date that is 9 months from the date of Completion (**Placement 2 Date**) and at a price equal to the VWAP of SHE shares traded on ASX during the 15 traded days prior to the Placement 2 Date. These shares will be escrowed for a period of 3 months from their date of issue; and

(iii) Placement 3: $100,000 on the date that is 12 months from the date of Completion (**Placement 3 Date**) and at a price equal to the VWAP of SHE shares traded on ASX during the 15 traded days prior to the Placement 3 Date.

(e) This Shareholders Agreement stipulates the development objectives for the Daejon Project and the Collaboration Agreement provides terms of reference for future collaboration on New Projects introduced by KORID or Stonehenge.

(f) The Shareholders Agreement remains subject to detailed tax and regulatory reviews and as such the terms of this agreement may need to be changed.

(g) Completion is conditional upon and subject to the following conditions being satisfied or waived no later than 30 May 2015 or such other date as the parties agree (**Pre-Condition End Date**):

(i) all loans from the Company to SHK being converted into equity in SHK;

(ii) KORID conducting due diligence enquiries with respect to SHK and, being satisfied with the results of those enquiries at its absolute discretion, notifying SHE of the successful completion of due diligence;

(iii) if required, the shareholders of KORID or any relevant governmental or regulatory body of the Republic of Korea approving the transactions contemplated by the Term Sheet and Shareholders Agreement;

(iv) if required under the Corporations Act, the Constitution of SHE or the ASX Listing Rules, the shareholders of SHE approving the transactions contemplated by the Term Sheet; and

(v) KORID providing the nominations and consents of two directors to the board of SHK.

(together the **Pre-Conditions to Completion**). The Pre-Conditions to Completion must be satisfied or waived no later than 30 May 2015 or such other date as the Parties agree in writing (**Pre-Condition End Date**).

(h) **Shareholders Agreement** - the key terms of the Shareholders Agreement are:

(i) The board of SHK shall be composed of two representatives each from KORID and SHE;

(ii) The board of SHK will appoint a manager or management committee to prepare a business plan including budgets and work programs. This business plan will be agreed annually by the board and updated

quarterly. The manager or management committee will be responsible for carrying out and regularly reporting on approved work programs;

(iii) Funding drawdowns will be agreed by the board of SHK and Drawdown Notices will be issued to the parties by the board of SHK in a timely fashion;

(iv) The parties will agree to restrictions on the transfer of their shares, pre-emptive rights and drag along/come along provisions;

(v) The parties will provide warranties normally found in an agreement of this type; and

(vi) The parties agree to be bound by the constitution of SHK and the Shareholders Agreement and where there is inconsistency the Shareholders Agreement will take precedence.

(i) Within 14 days of the day that is 12 months from Completion, KORID can elect to terminate the Term Sheet and Shareholders Agreement in writing with 1 month's notice to Stonehenge. This will result in the reversal of the transfer of SHK shares to KORID and the return of KORID shares issued to Stonehenge.

(j) If, at any stage after the objectives set out in (c) (i) (Stage 1) are achieved, and either of the parties subsequently is unable to, or elects not to, provide funding to advance Stage 2 or Stage 3 of the Daejon Project development program a specified Dilution Formula will apply. In addition the party that withdraws from funding must use reasonable endeavours to find an alternative funding partner that meets the approval of the other party.

(k) In addition, the parties wish to contemporaneously work collaboratively to advance the evaluation and development of other potential minerals projects (**New Projects**) introduced by KORID or Stonehenge. The collaboration activities of the parties have been defined by a separate Collaboration Agreement which the parties have now executed.

About KORID

KORID is a Korean public company listed on KOSDAQ[1]. KORID is focused on developing mineral and energy resources and operates successful exploration and mining operations in many locations including Indonesia, Peru and Mongolia. KORID has existing partnership agreements with a number of parties, including KIGAM[2] and KORES[3], for exploration and development of mineral resources. More information about KORID can be found at their website.

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

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

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

BREAKTHROUGH PROTEAN™ WAVE TECHNOLOGY

During the reporting period, the Company advised it had executed formal transaction documents and completed the option agreement with Protean Energy Ltd (**PEL**) agreed earlier in the reporting period.

The option agreement with PEL grants Stonehenge an exclusive 24 month global licence and an option to acquire 100% of the equity of Protean Energy Australia Pty Ltd (**PEA**) (the **Option**). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter (**Protean WEC**) technology.

The Protean WEC is positioned to carve out a stake in the rapidly growing global renewable energy market tipped to be worth over $600BN by 2015[4]. Wave energy converters offer significant energy supply potential due to wave energy's density being many times greater than that of solar or wind energy.

The Protean™ Wave Energy Converter (**WEC**) is targeted to disrupt the global renewable energy market through its potential to provide a scalable cost effective renewable energy solution[5]. 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.

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.**

4 According to the new market research report 'Global **Renewable Energy Market** Outlook (2008 – 2015), published by MarketsandMarkets, the global renewable energy market is expected to reach a size of $614.92 billion by 2015 at a CAGR of 7.5% from 2010-2015.

5 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.

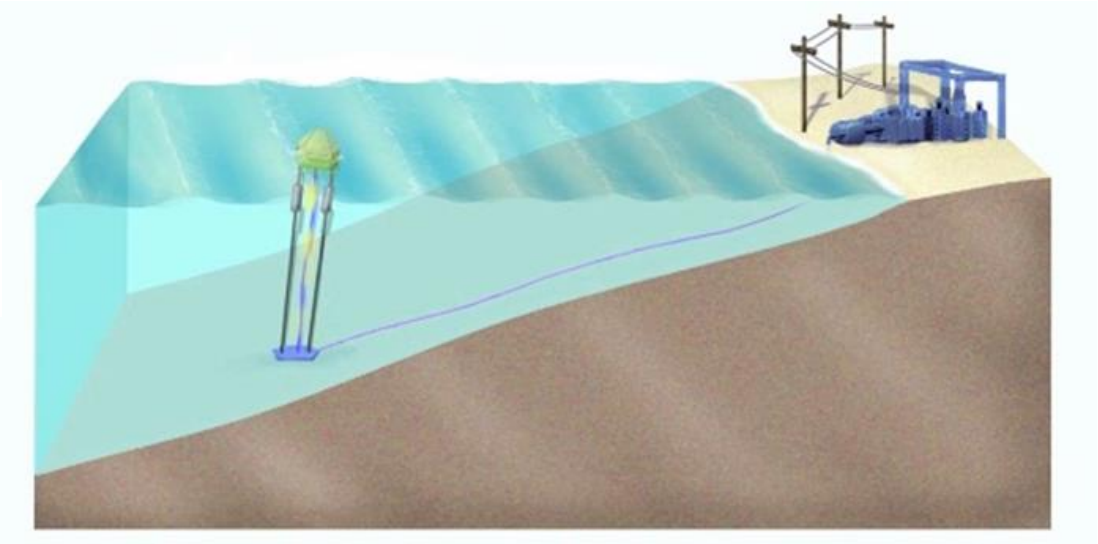


Figure 1: Protean WEC technology

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



Figure 2: Protean WEC ready for deployment

The Protean WEC uses compact architecture to produce power very efficiently from a small, low cost design targeted at keeping the projected levelised cost of energy[6] down.

6 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.

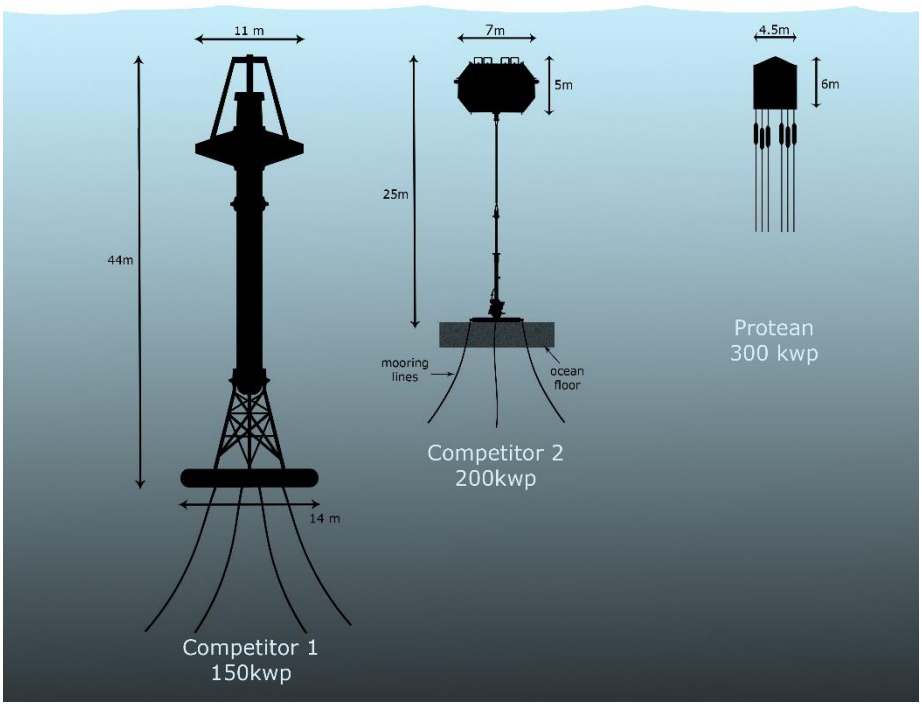


Figure 3:
Dimensions of selected wave energy technologies

The Protean WEC has been designed to be an efficient converter of wave energy and cost competitive to manufacture, deploy, maintain and retrieve. The future plans for the Protean WEC include the deployment of a pre-commercial demonstration of 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 successfully tested prototype device to produce a 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 deliver 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.

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 Moore[7] 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.

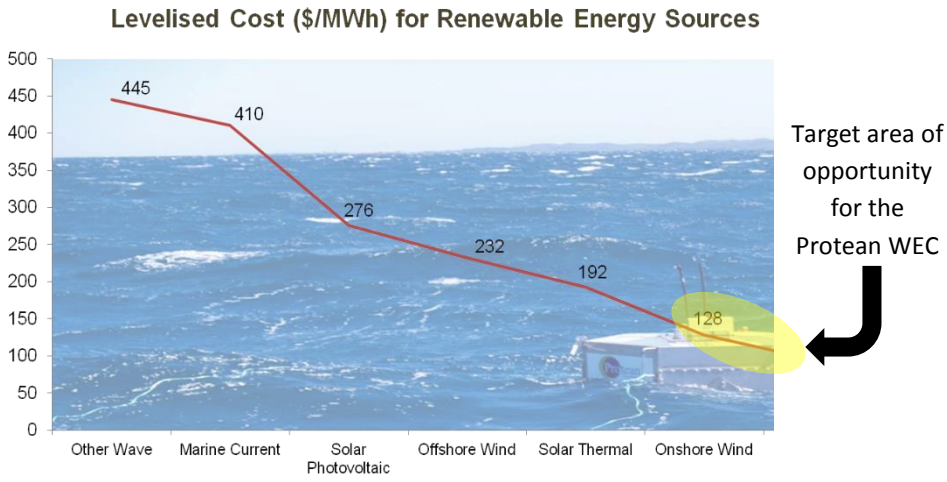
7 Sean Moore holds degrees in science & engineering and has been researching and developing ocean energy technologies since 2004. Mr Moore has been the recipient of numerous awards and scholarships as well as being an international speaker on wave energy. During late 2009 Mr Moore was recognised for 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.

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

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



CORPORATE

Rights Issue

During the reporting period, the Company completed an equity raising of $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**). New Shares under the Rights Issue were offered at $0.005 per share.

Applications under the Rights Issue totalled $649,427 representing approximately 43% of all shares offered.

Later in the period, CPS Capital, acting as Lead Manager, successfully placed the remaining 170,843,200 Shortfall Shares at $0.005 to raise a further $854,216.

Appointment of Chief Technology Officer (Wave Energy) and Managing Director

As a result of completion of the transaction with PEL, Mr Sean Moore (the Protean WEC inventor) and Mr Bruce Lane both commenced in their respective roles of Chief Technology Officer (Wave Energy) and Managing Director during the reporting period.

Conversion of Convertible Notes

During the Period, the Company advised that it had arranged $120,000 of working capital funding via a convertible loan. The loan, provided by parties including the Directors of Stonehenge, converted into Stonehenge shares following shareholder approval, at a price of $0.004 being 80% of the Rights Issue price.

On 24 November 2014 the Company advised that the outstanding convertible loan notes had been converted into 30,000,000 ordinary shares following shareholder approval at a general meeting held on 11 November 2014.

Option Lapse

On 12 December 2014 the Company advised that 1,235,883 options exercisable at $0.075 on or before 12 December 2014 had lapsed unexercised.

During the period the Company also agreed to provide PEL with a working capital loan of up to $30,000, secured against the assets of PEL.

ASSET VALUE IMPAIRMENT

The Group has actively reviewed the carrying values of its assets and as a consequence the Directors have resolved not to impair the carrying value of all capitalised exploration expenditure.

EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

Subsequent to the reporting period, the Company advised that formal joint venture documentation had been signed with KORID, substantially on the same terms as the previously executed term sheet. The transaction contemplated by the formal documentation remains subject to a number Pre-Conditions to Completion, which are expected to be satisfied by 30 May 2015.

In the opinion of the Directors, no other event of a material nature or transaction, has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

AUDITOR'S INDEPENDANCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.



Bruce Lane

Managing Director

Perth, Western Australia

13 March 2015

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Australia

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

As lead auditor for the review of Stonehenge Metals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 13 March 2015

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31 December 2014 $	31 December 2013 $
Revenue from continuing operations		
Other income	6,131	10,272
Expenses		
Employee benefits expense	(11,649)	(377,851)
Directors fees and consultancy expense	(74,207)	(28,000)
Share based payment expense	(48,878)	-
Corporate and regulatory expense	(28,119)	(41,329)
Travelling expenses	(56,189)	(50,538)
Accounting expense	(27,060)	(50,092)
Advertising and marketing expense	(71,067)	(5,980)
Audit expense	(12,327)	(15,888)
Depreciation expense	(13,444)	(13,452)
Corporate advisory expense	(128,245)	(9,000)
Rent expense	(5,346)	(129,663)
Other expenditure	(175,815)	(58,306)
Loss before income tax	(646,215)	(769,828)
Income tax benefit	-	130,746
Loss after income tax attributable to members of the Company	(646,215)	(639,082)
Other comprehensive income		
Items that may be reclassified to the profit or loss		
Exchange differences on translation of foreign operations	85,814	24,098
Other comprehensive income for the period, net of tax	85,814	24,098
Total comprehensive loss for the period attributable to the members of the Company	(560,401)	(614,984)
Basic and diluted loss per share (cents per share)	(0.11)	(0.15)

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
AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	30 June 2014 $
Current assets			
Cash and cash equivalents		942,570	89,760
Trade and other receivables		97,719	38,796
Total current assets		1,040,289	128,556
Non-current assets			
Mineral exploration and evaluation expenditure	3	7,915,125	7,830,923
Property, plant and equipment		37,538	46,696
Other financial asset	4	300,000	-
Total non-current assets		8,252,663	7,877,619
Total assets		**9,292,952**	**8,006,175**
Current liabilities			
Trade and other payables		86,060	164,807
Provisions		2,498	33,462
Total current liabilities		88,558	198,269
Non-current liabilities			
Deferred tax liabilities		369,377	369,376
Total non-current liabilities		369,377	369,376
Total liabilities		**457,935**	**567,645**
Net assets		**8,835,017**	**7,438,530**
Equity			
Issued capital	6	24,530,701	22,622,692
Reserves		2,324,850	2,190,157
Accumulated losses		(18,020,534)	(17,374,319)
Total equity		**8,835,017**	**7,438,530**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
As at 1 July 2013	22,577,276	2,032,998	(15,892,314)	8,717,960
Loss for the half-year	-	-	(639,082)	(639,082)
Exchange difference on foreign operations	-	24,098	-	24,098
Total comprehensive income/loss for the half-year	-	24,098	(639,082)	(614,984)
Transactions with owners in their capacity as owners				
Shares/options issued during the period - non-cash	45,416	-	-	45,416
Share issue expenses	-	-	-	-
As at 31 December 2013	22,622,692	2,057,096	(16,531,396)	8,148,392
As at 1 July 2014	22,622,692	2,190,158	(17,374,319)	7,438,530
Loss for the half-year	-	-	(646,215)	(646,215)
Exchange difference on foreign operations	-	85,814	-	85,814
Total comprehensive income/loss for the half-year	-	85,814	(646,215)	(560,401)
Transactions with owners in their capacity as owners				
Shares issued during the period	2,076,085	-	-	2,076,085
Share issue expenses	(168,076)	-	-	(168,076)
Performance rights expense recognised during the half-year	-	48,878	-	48,878
As at 31 December 2014	24,530,701	2,324,850	(18,020,534)	8,835,017

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31 December 2014 $	31 December 2013 $
Cash flows from operation activities		
Payments in the normal course of business	(607,542)	(502,979)
Other payments	5,688	9,564
Interest received	(15,833)	50,881
Net cash used in operating activities	(617,687)	(442,534)
Cash flows from investing activities		
Payments for property, plant and equipment	(4,287)	-
Payments for exploration and evaluation expenditure	-	(320,557)
Loans to other entities	(30,782)	-
Net cash used in investing activities	(35,069)	(320,557)
Cash flows from financing activities		
Proceeds from borrowings	120,000	-
Proceeds from issue of shares	1,503,642	-
Share issue costs	(118,076)	-
Net cash inflow from financing activities	1,505,566	-
Net increase/(decrease) in cash and cash equivalents	852,810	(763,091)
Effects of exchange rate changes on cash and cash equivalents	-	30,259
Cash and cash equivalents at the beginning of the period	89,760	1,266,504
Net cash and cash equivalents at the period	942,570	533,672

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of financial performance, financial position and financing and investing activities of the consolidated entity as full year financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Stonehenge Metals Limited during the interim reporting period in accordance With the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New standards and interpretations not yet adopted

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* (AASB 9) addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013 it also sets out new rules for hedge accounting.

When adopted, the standard will affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group does not have any such assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Adoption of AASB 9 is only mandatory for the year commencing 1 January 2017. There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting period and in the foreseeable future.

Changes to accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which may have an effect on the amounts recognised in the financial statements. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Key estimates and assumptions may have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities. Key estimates and judgements are consistent with 30 June 2014.

Going concern

The consolidated entity has incurred a net loss after tax of $646,215 (31 December 2013: $639,082) and experienced net cash outflows from operations of $617,687 (31 December 2013: $442,534) and net cash outflows from investing activities of $35,069 (31 December 2013: $320,557) for the half-year ended 31 December 2014.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 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.

NOTE 2: SEGMENT INFORMATION

Management has determined that the Group has two reportable segments, being an interest to explore for minerals in South Korea and investment in wave energy technology. This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. The Board monitors the Group based on actual versus budgeted exploration expenditure incurred by segment. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing activities, while also taking into consideration the results that has been performed to date.

	South Korea	Wave energy technology	Corporate activities	Total
	$	$	$	$
For the half-year ended				
31 December 2014				
Revenue from external sources	7	-	6,124	6,131
Reportable segment profit / (loss)	(84,371)	(54,575)	(507,269)	(646,215)
Reportable segment assets [1]	7,981,579	300,000	1,011,373	9,292,952
Reportable segment liabilities	652	-	457,283	457,935
For the half-year ended				
31 December 2013				
Revenue from external sources	-	-	10,272	10,272
Reportable segment profit / (loss)	(377,077)	-	(262,005)	(639,082)
For the year ended				
30 June 2014				
Reportable segment assets [2]	7,858,199	-	147,976	8,006,175
Reportable segment liabilities	2,549	-	565,096	567,645

1 Other corporate activities includes cash held of $928,598
2 Other corporate activities includes cash held of $80,935

NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

	$
Balance at 1 July 2013	7,636,456
Exploration expenditure incurred	92,900
Foreign exchange	101,567
Balance at 30 June 2014	7,830,923
Exploration expenditure incurred	-
Foreign exchange	84,202
Balance at 31 December 2014	7,915,125

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation.

NOTE 4: OTHER FINANCIAL ASSET

	31 December 2014 $	30 June 2014 $
Opening balance	-	-
Option to acquire rights & licenses to the Protean Wave Energy Converter Technology	300,000	-
Closing balance	300,000	-

During the period the Company entered into an option to acquire the exclusive 24 month global licence and 100% of the equity of Protean Energy Australia Pty Ltd (PEA) with Protean Energy Limited. PEA holds the intellectual property titles, rights & licenses to the Protean Wave Energy Converter Technology. In consideration for the option the Company issued 60 million shares to Protean Energy Limited on 10 November 2014.

NOTE 5: FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payable and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

NOTE 6: ISSUED CAPITAL

	31 December 2014 Shares	31 December 2013 Shares	31 December 2014 $	31 December 2013 $
Fully paid	847,534,700	429,612,389	24,530,701	22,622,692

Movements in ordinary share capital

Details	Date	Number of shares	Issue price $	$
Balance at 1 July 2013		426,742,945	-	22,577,276
Director Share Plan shares issued [1]	03-Jul-13	1,434,722	0.016	22,708
Director Share Plan shares issued [1]	03-Jul-13	1,434,722	0.016	22,708
Less: Share Issue Costs				-
Balance at 31 December 2013		**429,612,389**		**22,622,692**
Balance at 1 July 2014		429,612,389		22,622,692
Issue of share capital	29-Sep-14	129,885,304	0.005	649,427
Issue of share capital	28-Oct-14	136,843,400	0.005	684,217
Option to acquire - issue of share capital [2]	10-Nov-14	60,000,000	-	300,000
Issue of share capital	24-Nov-14	33,999,800	0.005	169,999
Share based payment [3]	24-Nov-14	11,200,000	-	56,000
Share based payment – Director fees [4]	24-Nov-14	15,993,807	-	96,442
Conversion of convertible notes [5]	24-Nov-14	30,000,000	0.004	120,000
Less: Share issue costs				(168,076)
Balance at 31 December 2014		**847,534,700**		**24,530,701**

1 *1,434,722 shares each were issued to Richard Henning and Young Yu in lieu of director fees for the period 1 January 2013 to 31 May 2013.*
2 *The option agreement with Protean Energy Limited grants Stonehenge an exclusive 24 month global licence and an option to acquire 100% of the equity of Protean Energy Australia Pty Ltd (PEA). PEA holds the intellectual property titles, rights and licenses to the Protean Wave Energy Converter Technology.*
3 *Share based payments have been made at fair value of services received for broker and compliance manager fees.*
4 *Shares issued to Richard Henning and Young Yu in accordance with the Stonehenge Director Share Plan in lieu of deferred employee entitlements as approved by shareholders on 11 November 2014.*
5 *Conversion of Convertible Notes.*

NOTE 7: DIVIDENDS

No dividends have been declared or paid for the half-year ended 31 December 2014.

NOTE 8: SHARE BASED PAYMENTS

Share-based payment transactions are recognised at fair value in accordance with AASB 2.

Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or Monte-Carlo model taking into account the assumptions detailed within this note.

During the half-year the Group had the following share-based payments:

Performance rights

Key inputs to the Monte-Carlo simulation valuation models used in the calculation of performance rights which have had an expense recognised during the half-year ended 31 December 2014 were as follows:

Number Granted	Expected price volatility [1]	Exercise price	Vest date	Expiry date	Share price at grant date	Risk free interest rate [2]	Fair Value per performance right	Total Fair Value
Grant date: 01 April 2014								
5,000,000	140%	n/a	30-Jun-15	01-Apr-19	$0.0071	3.47%	$0.0071	$35,500
Grant date: 10 November 2014 [3]								
15,000,000	140%	n/a	10-Nov-19	10-Nov-19	$0.0050	3.11%	$0.0050	$75,000
Grant date: 11 November 2014 [4]								
30,000,000	140%	n/a	11-Nov-19	11-Nov-19	$0.0060	3.11%	$0.0060	$180,000

1 *Expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publically available information*
2 *Risk free rate of securities with comparable terms to maturity*
3 *Performance rights are split equally between three tranches. The volatility and risk free rate did not apply to tranches 1 and 2 as the hurdles for these rights were non-market based. The expected vesting dates for tranche 1 & 2 is 31 December 2015*
4 *Performance rights are split equally between six tranches. The volatility and risk free rate did not apply to tranches 1, 2, 4, 5 and 6 as the hurdles for these rights were non-market based. The expected vesting dates for tranche 1, 2 & 5 is 31 December 2015, tranche 4 is 30 June 2014 and tranche 6 is 30 June 2016*

The total expense arising from share based payments transactions recognised during the period in relation to performance shares issued was $48,878 (31 December 2013: Nil)

NOTE 9: COMMITMENTS

There are no material changes to the commitments as disclosed at 30 June 2014.

NOTE 10: CONTINGENCIES

The Group has no contingent assets or liabilities as at 31 December 2014.

NOTE 11: RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	31 December 2014 $	31 December 2013 $
During the period the following related party transactions took place with director related entities:		
Expertec Pty Ltd [1]	9,000	10,000
JLC Corporation Pty Ltd [2]	18,000	-
Tapanui Capital Pty Ltd [3]	42,500	-
	69,500	10,000

1 Mr Henning is a Director of Expertec which received Mr Henning's director fees during the period
2 Mr Yu is a Director of JLC Corporation which received Mr Yu's director and consulting fees during the period
3 During the period whilst Director, Mr Lane, provided consulting services to the Company for $42,500. A formal contract was in place and all transaction were conducted on normal commercial terms.

(b) Share based payments

During the period Mr Lane was granted 30 million performance rights, details of the valuation are set out in Note 8.

There were no other related party transactions during the period.

NOTE 12: EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

Subsequent to the reporting period, the Company advised that formal joint venture documentation had been signed with KORID, substantially on the same terms as the previously executed term sheet. The transaction contemplated by the formal documentation remains subject to a number Pre-Conditions to Completion, which are expected to be satisfied by 30 May 2015.

In the opinion of the Directors, no other event of a material nature or transaction, has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements, and accompanying notes set out above, 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) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date.

2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Bruce Lane

Managing Director

Perth, Western Australia

13 March 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stonehenge Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stonehenge Metals Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stonehenge Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stonehenge Metals Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year 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 successful development and subsequent exploitation of the consolidated entity's wave technology. 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.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 13 March 2015