

11 August 2015

Market Announcements Platform
ASX Limited,
Exchange Centre,
20 Bridge Street,
Sydney NSW 2000



**OCEAN BASED PROTEAN™ TEST SUCCESSFULLY COMPLETED
OPTION TO ACQUIRE PROTEAN™ EXERCISED
CAPITAL RAISING COMPLETED**

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- Protean™ WEC ocean based test program successfully completed
 - Option to acquire 100% of Protean™ intellectual property exercised
 - \$800,000 raised via convertible loan facility and oversubscribed placement
 - Executive team secured
 - Protean™ accelerated commercialisation program on track
-

Stonehenge Metals Limited (**Stonehenge**, or the **Company**) is pleased to advise that the functional ocean based testing of the fully assembled proof of commercial applicability Protean™ Wave Energy Converter (**WEC**) device has been successfully completed. The testing showed that the Protean™ WEC functioned as anticipated and that it was responsive to wave motion even in very low wave height conditions. Preparations for fabrication of the 30 Protean™ WEC buoys which make up the planned pre-commercial demonstration wave farm have now commenced.

Building on the success of the testing program, the Company has now formalised its intention to complete the acquisition of 100% of the Protean™ intellectual property by exercising its rights under the option agreement (**Option**) between the Company and Protean Energy Ltd (**PEL**). Furthermore, the Company is pleased to announce that it has successfully completed a capital raising with sophisticated investors for \$800,000 by way of a convertible loan facility and a heavily oversubscribed placement.

The Company remains focused on proving the commercial applicability of the technology through local, national and international collaborations with both existing and new supporters of the Protean™ WEC system.

Stonehenge MD, Bruce Lane said *“The successful completion of ocean testing of the single proof of commercial applicability device was the next major milestone in our program to accelerate commercialisation of the Protean™ WEC technology. This is a pivotal moment for the Company and we are excited to have now exercised our option to acquire the Protean IP and to secure the ongoing commitment and services of both Sean Moore and Scott Davis. It is very pleasing to be in a position to commence building the 30 buoy demonstration wave farm so quickly.”*

More on: Ocean Testing

The functional ocean based testing program was successfully conducted at Coogee Beach, Western Australia, in approximately 2.5m of water, utilising only readily available equipment and personnel. The full assembly of the single proof of commercial applicability device was successfully tested including: beach launching equipment, Protean™ mooring, counterweights, buoy and energy conversion mechanism. Also tested was an extension to the development project; a prototype of an energy transmission and storage system with associated electrical generator used to power an array of nine (9) independent loads set up to demonstrate the modular scalability of the Protean Power™. The testing showed that the Protean™ WEC was responsive to wave motion even in very low wave height conditions.

The next phase in the project execution is the fabrication of the 30 commercial applicability buoy demonstration array. Preparation for the build has commenced and is expected to be completed towards the end of 2015.

More on: Capital Raising

The Company has completed a placement to raise \$500,000 to sophisticated investors via the issue of 12,500,000 new shares at 4 cents per share (**Placement**). The Placement was made pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1. ASX will not quote the Placement securities until following recompliance and ASX escrow provisions will apply. Funds raised under the Placement will be used to fund continuing operations, completion of the acquisition and re-compliance with ASX Listing Rules.

The Company has also entered into an additional loan facility for up to \$300,000 (**Loan**) with a small number of sophisticated investors (**Lenders**) including one of the Company's directors, Mr Bevan Tarratt. The Loan is convertible subject to shareholder approval and has material terms and conditions that are the same as the existing loan facility previously advised on 1 July 2015 as summarised in **Schedule 1**.

More on: Option Exercise, Name Change and Re-compliance with ASX Listing Rules

Pursuant to the Option the Company has entered into a Share Sale and Purchase Agreement with PEL, which specifies the terms on which the Company agrees to acquire 100% of the issued capital of Protean Energy Australia Pty Ltd (**PEA**) from PEL (**Acquisition**). The key terms of the agreement were previously announced to ASX on 14 August 2014 and are summarised in **Schedule 2**.

As part of the Acquisition, the Company will seek the approval of shareholders to change its name to Protean Wave Energy Limited. The Acquisition will result in a change in the Company's nature and scale of activities, requiring shareholder approval under Chapter 11 of the ASX Listing Rules and the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules. In order to re-comply with the ASX Listing Rules the Company expects to seek shareholder approval to, amongst other things, issue a re-compliance prospectus to raise sufficient funds to accelerate commercialisation of the Protean WEC technology. A notice of meeting to seek approval for the above matters, including the quantum of the capital raising, is expected to be dispatched in due course. The process of re-complying with ASX listing rules is not expected to require a consolidation of the Company's share capital.

Indicative Timetable

An indicative timetable for the Acquisition is set out below. The Company notes that the timetable may be subject to change.

| Event | Date |
|--|-------------------|
| Announcement of Exercise of the Option | 11 August 2015 |
| Dispatch Notice of Meeting | 27 August 2015 |
| Lodgement of Prospectus and offer open | 23 September 2015 |
| Shareholder meeting to approve Acquisition | 28 September 2015 |
| Securities suspended from trading | 28 September 2015 |
| Offer Close | 14 October 2015 |
| Satisfaction of ASX Listing Rules re-compliance conditions | 21 October 2015 |
| Re-admission to the Official List | 30 October 2015 |

Executive Team Contracts

The Company also advises that Managing Director Bruce Lane, Sean Moore (Protean™ WEC Inventor & Chief Technology Officer) and Scott Davis (General Manager Business Development) have agreed to re-contract to the Company subject to the completion of the 100% acquisition of PEA and successful recompliance with ASX listing rules (**Re-Compliance**). The material contractual amendments made to the existing executive agreements with Mr Lane and Mr Moore are summarised in **Schedule 3**.

In addition, subject to recompliance, the Company has agreed to grant Moore Commerce Pty Ltd (a company owned by Sean Moore) a 5% share of net profit relating to each commercial Protean™ wave farm project commissioned in the future. Moore Commerce Pty Ltd is also the exclusive provider of design, manufacture, deployment and project management services for Protean™ WEC wave farm deployments.

For further information see www.stonehengemetals.com.au, www.proteanwaveenergy.com.au or contact:

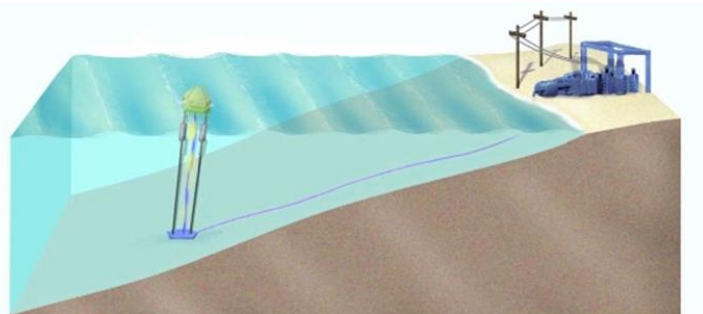
Bruce Lane – Managing Director

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Stonehenge has exercised its option to acquire the Protean WEC technology. The Protean WEC 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 seabed. The device is unique in that it optimises the conversion of energy from waves at the surface through **all six degrees of wave movement**.

Figure 2:
Protean WEC
technology



The Protean WEC has been developed to use compact architecture to produce power from a small, low cost, scalable design targeted at keeping the projected levelised cost of energy (LCOE)¹ down. The Protean WEC has been designed to be 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 tried and proven scale device to produce a suitable pre-commercial model;
2. **Create** a scalable power array 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 of an independent expert to qualify the testing results; and
5. **Commence** commercialisation of the scalable array for small to medium customers.

Protean Wave Energy Converter (WEC) Design, Construction and Deployment

| <p style="text-align: center;">PAST Successfully Tested Prototype</p> | <p style="text-align: center;">PRESENT AND FUTURE Deploy Demonstration Wave Farm</p> |
|---|--|
| | |
| <ul style="list-style-type: none"> ➤ 1.5m wide proof-of-concept device successfully tested. ➤ Device operation validated in varied depths and sea states. ➤ Design principles independently verified from test results. ➤ Simple patented deployment system demonstrated. | <ul style="list-style-type: none"> ➤ Identify and secure deployment sites and customers. ➤ Deploy "proof of commercial applicability" device. ➤ Demonstrate key design improvements. ➤ Deploy an array (farm) of Protean WEC devices. ➤ Confirm Protean as scalable power/water solution. |

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

¹ 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.

Schedule 1 – Convertible Loan Facility

1. **Facility Amount:** \$300,000.
2. **Repayment Date:** 31 December 2015.
3. **Interest Rate:** 9.25% per annum payable in cash quarterly, on the last business day of each quarter. If Interest is not paid on the last business day of each quarter, the interest rate payable for the remainder of the interest period will increase to 12% per annum.
4. **Facility Fee:** 5% payable in cash within 14 days of the funds being made available.
5. **Conversion:** Subject to shareholder and regulatory approval by no later than the Repayment Date, the Lender may at any time after the loan is drawn down and after the Company has completed a capital raising of at least \$2 million, convert the outstanding balance in whole or in part into shares issued at the Conversion Price together with one free Attaching Option for every two shares issued on conversion by delivery to the Borrower of a notice duly executed by the Lender, completed as to the amount outstanding to be converted and the number of Shares (together with Attaching Options) to be issued on Conversion (**Notice**).
6. **Conversion Price:** Means 3.5 cents per share.
7. **Attaching Options:** Means an unlisted Option exercisable at 5.3 cents per share, being a 50% premium to the Conversion Price of 3.5 cents per share, on or before 31 December 2018.
8. **Transferable:** The Convertible Loan is transferable either in whole or in part, by mutual agreement at any time, by an instrument in writing signed by both the transferor and the transferee.

Schedule 2 – Summary of Key Terms of the Share Sale and Purchase Agreement

The Share Sale and Purchase Agreement contains the following key terms and conditions:

- (a) The Company agrees to acquire all of the Protean Energy Australia Pty Ltd (**PEA**) Shares from Protean Energy Limited (**PEL**) subject to the following conditions being satisfied (or waived) before completion (Conditions):
 - (i) all necessary third party consents required to be obtained in respect of material contracts that PEA is a party, being granted in writing and on terms satisfactory to the Company;
 - (ii) the Company obtaining all necessary Shareholder and regulatory approvals for the purpose of completing the transaction pursuant to the Share Sale and Purchase Agreement;
 - (iii) the Company spending not less than AUD\$500,000 on exploitation and development of the WEC Technology within 18 months of the date of the Call Option and Licence Agreement (**Option**);
 - (iv) PEA not having breached any of its obligations under the Option;
 - (v) The Company validly exercising the option in accordance with the Option Agreement.
- (b) Subject to the satisfaction (or waiver) of the Conditions, at completion:
 - (i) PEL must deliver to the Company:
 - (A) subscription forms and escrow agreements in respect of the Shares and Performance Shares, the subject of the Vendor Offer, signed by PEL and each Nominee;
 - (B) an executed transfer form in favour of the Company (or its nominee), and the related share certificates, in respect of the PEA Shares;
 - (C) the records and common seal of PEA;
 - (D) completed authorities for the operation of PEA's bank accounts in favour of the Company;
 - (E) the written resignations of the existing officers of PEA;
 - (F) a resolution of the board of PEA resolving to transfer the PEA Shares to the Company and other related matters,
 - (ii) the Company must:
 - (A) pay the purchase price by issuing to PEL and each Nominee that number of Shares and Performance Shares (the subject of the Vendor Offer) that they are entitled to based on their respective holding of PEA Shares; and

The Share Sale and Purchase Agreement otherwise contains warranties, terms and conditions that typical for an agreement of this type. In consideration for the PEA shares Stonehenge will issue PEL 60,000,000 fully paid ordinary shares and 120,000,000 Performance Shares that will convert into ordinary shares upon achievement of any one of the following performance milestones within 3 years from the date of issue:

- 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 Kw or greater 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.

Schedule 3 – Summary of Non-Cash Executive Remuneration

| Title | Executive | New Contract Term | Current non-cash incentives | New non-cash incentives subject to shareholder approval |
|--------------------------------|------------|-------------------|-------------------------------|---|
| Managing Director | Bruce Lane | 3 years | 30 million performance rights | 17.5 million options and 12.5 million performance rights based on additional new milestones (see table below for details) |
| Chief Technology Officer (CTO) | Sean Moore | 3 years | 15 million performance rights | 45 million options and 45 million performance rights based on additional new milestones (see table below for details) |

New Performance Rights and Milestones (all expire 5 years from the date of Re-Compliance)

| Executive | # of Rights | Milestones - Subject to Re-Compliance | Tenure Period (years post Re-Compliance) |
|------------|-------------|---|--|
| Bruce Lane | 2,500,000 | Performance rights shall convert to ordinary shares upon raising the minimum subscription under a re-compliance prospectus and successful re-admission of the company to ASX. | 2 |
| Sean Moore | 9,000,000 | | 0 |
| Bruce Lane | 2,500,000 | Performance rights shall convert to ordinary shares upon the Company's market capitalisation (fully diluted) exceeding the market capitalisation of the company at re-admission (based on the prospectus raising share price) by 100% for a period of 20 consecutive trading days based on the closing price of the shares on ASX. | 2 |
| Sean Moore | 9,000,000 | | 2 |
| Bruce Lane | 2,500,000 | Performance rights shall convert to ordinary shares upon the Company's market capitalisation (fully diluted) exceeding the market capitalisation of the company at re-admission (based on the prospectus raising share price) by 150% for a period of 20 consecutive trading days based on the closing price of the shares on ASX. | 2 |
| Sean Moore | 9,000,000 | | 2 |
| Bruce Lane | 2,500,000 | Performance rights shall convert to ordinary shares upon either: 1. the Company commissioning its first commercial installation of at least 250kW; or 2. the Company's market capitalisation (fully diluted) exceeding the market capitalisation of the company at re-admission (based on the prospectus raising share price) by 200% for a period of 20 consecutive trading days based on the closing price of the shares on ASX. | 2 |
| Sean Moore | 9,000,000 | | 2 |
| Bruce Lane | 2,500,000 | Performance rights shall convert to ordinary shares upon the achievement of any three of the following Class A & Class B US Options vesting conditions: 1. ratification of a working relationship between California Polytechnic State University, San Luis Obispo (Cal Poly), or a sub-entity thereof, and the Subsidiary (Protean Wave Energy Inc.). By way of example a suitable relationship may be in the form of a memorandum of understanding or heads of agreement to implement a Protean demonstration array off the coast of California or some other acceptable relationship; | 2 |
| Sean Moore | 9,000,000 | | 2 |

| | | | |
|--|--|---|--|
| | | <ol style="list-style-type: none"> 2. when the Subsidiary receives the first payment under any prize or grant scheme in the US; 3. the Subsidiary receives the first payment of a grant scheme or prize or some other endowment with a total value greater than or equal to US\$250,000; 4. ratification of a working relationship between the Subsidiary and any branch of the U.S. Government either military or civilian; 5. ratification of a working relationship between the Subsidiary and a significant port (or its subsidiary) or an oil/gas producer or an oil/gas production or oil/gas processing facility within the US; 6. ratification of the first binding power purchase agreement or water supply agreement for least 2 MW of electric power or its economic equivalent in water supply cumulative between one or more customers and the Subsidiary, within the US for purposes of deploying a demonstration of the Protean Wave Energy Technology; and 7. An acceptable funding event for the Subsidiary, wherein the Subsidiary attracts funding in the US equivalent to not less than USD\$5,000,000 from a source other than the Company, a grant, prize or endowment. | |
|--|--|---|--|

New Options Milestones

| Executive | Number of Options to be Issued | | | | | Expiry |
|------------|---|--|--|--|-------------|--------------------|
| | 10% of Total Award @ 50% premium to Re-Compliance Share Price | 20% of Total Award @ 100% premium to Re-compliance Share Price | 30% of Total Award @ 150% premium to Re-compliance Share Price | 40% of Total Award @ 200% premium to Re-compliance Share Price | Total Award | |
| Bruce Lane | 1,750,000 | 3,500,000 | 5,250,000 | 7,000,000 | 17,500,000 | 5 years from grant |
| Sean Moore | 4,500,000 | 9,000,000 | 13,500,000 | 18,000,000 | 45,000,000 | 5 years from grant |