



STONEHENGE METALS
LIMITED

Quarterly Activities Report

Period Ending 31 December 2009



ASX Code: SHE

Stonehenge Metals Limited is an exploration company formed in 2006 to explore a portfolio of prospective tin, nickel and zinc exploration projects in Tasmania.

The Stonehenge Nickel and Base Metals Project has potential to host nickel and base metals deposits in close proximity to Allegiance Mining NL's Avebury Nickel Mine and Creat Resources Limited's Comstock Zinc Operations. An initial Inferred Resource of **287,600 tonnes at 2.8% zinc, 1.5% lead and 31g/t silver** is established at the Sunshine lease.

Stonehenge's **Federation Tin Project** covers a number of tin bearing lodes in the South Heemskirk Tin Field and includes the Sweeney's Inferred Resource of 562,000t at 0.5% tin, 1.4% zinc and 36 g/t silver containing 2,869 tonne of tin, 8,000 tonnes of zinc and 657,000 ounces of silver.

Overview

During the quarter, Stonehenge Metals Limited (ASX: SHE) refined its approach to planned field exploration activity on its Tasmanian properties. Subsequent to the end of the quarter the Company initiated the field reconnaissance program on 9 priority geochemical targets within the Stonehenge project area as outlined in the company's previous quarterly report on 30 October 2009.

In addition the company reviewed a number of new project opportunities across a range of commodities and geographies. This has resulted in the recent announcements to the ASX by Stonehenge on the 6th and 11th of January 2010 regarding the agreement to acquire Chong Ma Mines Inc which holds the rights to 4 uranium projects in South Korea. The uranium projects are estimated to contain **56¹ million pounds** of uranium oxide (at an average grade of 292ppm U₃O₈) as determined by the Korean Institute of Energy and Resources (**KIER**) in a 1986 published report.

Divestment of the Heemskirk Tin Project, as outlined in the previous quarterly report ended 30 September 2009, is now only subject to approval by the Department of Infrastructure, Energy and Resources (Tasmania). This divestment will enable the Company to continue to focus effort on its exploration activities on the promising base metal targets on the Stonehenge (EL17/2003) and Sunshine (20M/2001) tenements and, subject to completion of the acquisition, the newly acquired South Korean uranium projects.

Operations and Exploration

A review of all current and historical exploration information covering the Company's tenements in Tasmania has been conducted. Further exploration targets have been delineated, with a particular emphasis on the resource areas at the Stonehenge project area.

A detailed data validation program has been undertaken across the Stonehenge tenement based on results extracted from historical exploration reports which were integrated into a regional geological model designed to attain a further understanding of the controls on mineralisation. Planning and budgeting for field sampling programs has been finalised, with field work to examine structural and geochemical targets initiated in January 2010. Soil and rock chip sampling programs are planned to refine definition of a number of Pb/Zn targets defined from previous regional soil and stream sediment sampling campaigns.



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The Company has initiated its planned field reconnaissance program on 9 priority geochemical targets within the Stonehenge project area. The field reconnaissance program is designed to provide a greater understanding of the geography and structure of the area as well as determine the best method for evaluating the potential of the project area and how best to design a detailed field exploration program.

Stonehenge will continue work during the quarter ended March 2010 which will include a detailed infill soil sampling program and rock chip sampling over the anomalies to provide a basis for further geochemical sampling and potentially drilling of the targets.

Corporate

On 12 October 2009, the Company announced that it had obtained approval from its shareholders to complete the placement of 50,000,000 shares at an issue price which is the equivalent to a 20% discount to the 5-day VWAP of the Stonehenge share price. This was later re-approved by shareholders as announced to the ASX on 25 November 2009. As at the date of this report, no shares have been issued pursuant to this shareholder approval.

On 12 October 2009, the Company also announced that it had received shareholder approval for the issue of 50,000,000 new shares to investors including the directors, at an issue price of 1.5 cents. The Company subsequently placed 3,000,000 shares from this placement to the directors. At the meeting of shareholders held on 25 November 2009, the Company then obtained approval from its shareholders for the placement of 25,000,000 shares at an issue price of 1.5 cents per share, which was an extension to the previous approval obtained. As at the date of this report, the Company has issued 25,000,000 shares at 1.5 cents to raise \$375,000 with no further shares to be issued pursuant to this shareholder approval.

On 13 November 2009 the Company announced a non-renounceable pro rata entitlements issue of options to existing Optionholders for the issue of 12,014,324 new options at an issue price of 0.25 cents per option on the basis of one (1) new option for every two (2) existing options held to raise \$30,036 before issue costs. Proceeds from the offer have been used to fund the continuing review of new opportunities, increase general working capital, and fund the costs of the offer. The Company issued 7,094,019 new options to applicants on 18 December 2009 and is currently finalising the placement of the shortfall of 4,920,305 options.

At 31 December 2009, 24,028,648 listed and 7,224,995 unlisted options expired. Prior to expiry the holders of 6,125,000 unlisted options were offered 3,062,500 new options on the same terms and conditions as those of the non-renounceable pro-rata entitlement issue of 13 November 2009. The Company is currently finalising the issue of new options to those applicants who accepted the offer.

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Conditional Agreement to Acquire Chong Ma Mines Inc – Subsequent Event

On 6 January 2010, the Directors of Stonehenge announced that the Company had entered into an acquisition agreement (**Acquisition Agreement**) with Yellow Sun Mines (Operations) Pty Ltd (**Yellow Sun**) to acquire 100% of Yellow Sun's wholly owned Korean subsidiary, Chong Ma Mines Inc (**Chong Ma**). Chong Ma holds the rights to 4 uranium projects comprised of 42 granted mining rights and 14 uranium mining right applications (together the **Uranium Projects**) in South Korea.

The Uranium Projects contain **56¹ million pounds** of uranium oxide (at an average grade of 292ppm U₃O₈) as determined by the Korean Institute of Energy and Resources (**KIER**) in a 1986 published report. KIER conducted significant exploration on the Uranium Projects from 1974 to 1985 (including 264 diamond drill holes totalling 36,293 meters of drill core).

The directors believe that this historical exploration provides a solid foundation to rapidly upgrade the existing historical foreign uranium resource estimates to JORC compliant status ahead of a mining feasibility study.

The key highlights of the acquisition are set out as follows:

- Stonehenge has entered into an agreement to acquire 100% of Chong Ma Mines Inc which holds the rights to 4 South Korean uranium projects (Uranium Projects)
- Consideration is comprised of 10 million Stonehenge shares plus 60 million Stonehenge performance shares with A\$3m to be spent on work commitments and purchase payments over 24 months including up to A\$150k of expenses reimbursement
- The Uranium Projects comprise 42 granted mining rights and 14 mining right applications
- 56¹ million lbs (Mlb) U₃O₈ at an average grade of 292 ppm have been estimated at the Uranium Projects by the Korean Institute of Energy and Resources in a 1986 report
- The largest of the Uranium Projects, Daejon, contains 52¹ Mlb of U₃O₈ over 6kms of strike in a shallow deposit with open pit mining potential
- Potential exists for a rapid resource upgrade to JORC compliant status through evaluation of an existing 264 drill hole database which contains details from 36,293 meters of core

The Directors are of the opinion that the Uranium Projects present a near term opportunity for development due to South Korea's high dependence on imports of U₃O₈ and robust prices for uranium combined with increasing worldwide demand for nuclear power. The projects also hold significant potential for economic quantities of Vanadium and Molybdenum.

¹ All statements referring to U₃O₈ resources were estimated in a report titled "Studies on Uranium Geophysical exploration in Korea", compiled by the Korean Institute of Energy and Resources (**KIER**) dated 1986 and based on exploration drilling undertaken by KIER from 1974 to 1985. The exploration results and subsequent resource reports have been reviewed by Mr Christopher Sennitt and Mr Sennitt believes that the work conducted is of high standard and it is considered that these estimates provide an indication as to the potential of the Uranium Projects however they should not be considered to represent Mineral Resources classified in accordance with the JORC code.

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The commercial terms of the acquisition, which is subject to Stonehenge shareholder approval, include the issue of 10 million SHE ordinary shares and 60 million SHE performance shares. The performance shares are broken into seven distinct classes with milestones for conversion. The shares will all be issued at completion of the Acquisition Agreement (**Completion**) and escrowed for a minimum of 1 year from their date of issue or conversion into ordinary shares. The performance shares convert to ordinary shares on a 1-for-1 basis upon achievement of various milestones involving independent delineation, classification and reporting of mineral resources in accordance with the JORC Code, completion of a feasibility study, a decision to mine, securing a joint venture and / or financing and entering into an off-take arrangement. Pursuant to the Acquisition Agreement Stonehenge has committed to spend A\$3m in work commitments and purchase payments (described above) on the Uranium Projects within 24 months post Completion.

The Uranium Projects comprise granted mining rights and mining right applications as follows:

Table 1: South Korean Uranium Projects

Project	Granted Mining Rights	Mining Right Applications	Area (hectares)	Tonnes (millions)	Grade U ₃ O ₈ (ppm)	Holes and metres	Contained U3O8 (Mlb)*
Daejon	11	2	5,639 6 km strike	83.40	289	233 holes for 31,807 m	52.96
Gwesan	8	2	6,116	2.64	384	19 holes for 2,695 m	2.21
Miwon	6	6	4,092	1.67	340	12 holes for 1,791 m	1.25
Pyeonghae Option Property	17	4	11,552				
TOTALS	42	14	27,399	87.71	292	264 holes for 36,293 m	56.42

*(KIER Resource Report 1986)

Uranium mineralization is stratabound, being hosted within the 200m thick Guryongsan Slate of the Ogchon Basin sequence. The Guryongsan Slate consists of two or three 40m thick, uranium-bearing coaly graphite slate beds interbedded within phyllite and can be traced over a strike length of at least 90km.

The Guryongsan Slate is considered to be a newly recognized example of syngenetic metal-rich black shale mineralization, probably analogous to the uranium-bearing metal-rich shales of the Chattanooga Shale, south-eastern USA and the Alum Shale, Sweden.

The Daejon, Miwon and Gwesan uranium projects are situated in the northeast-trending Ogchon Fold Belt, consisting of Cambro-Ordovician meta-sediments and meta-volcanics that were deposited in an elongate marine geosynclinal basin in the centre of the peninsula. The Ogchon Belt is a fold-and-thrust belt, bounded by the Kyonggi Massif to the northwest and the Yongnam Massif to the southeast.

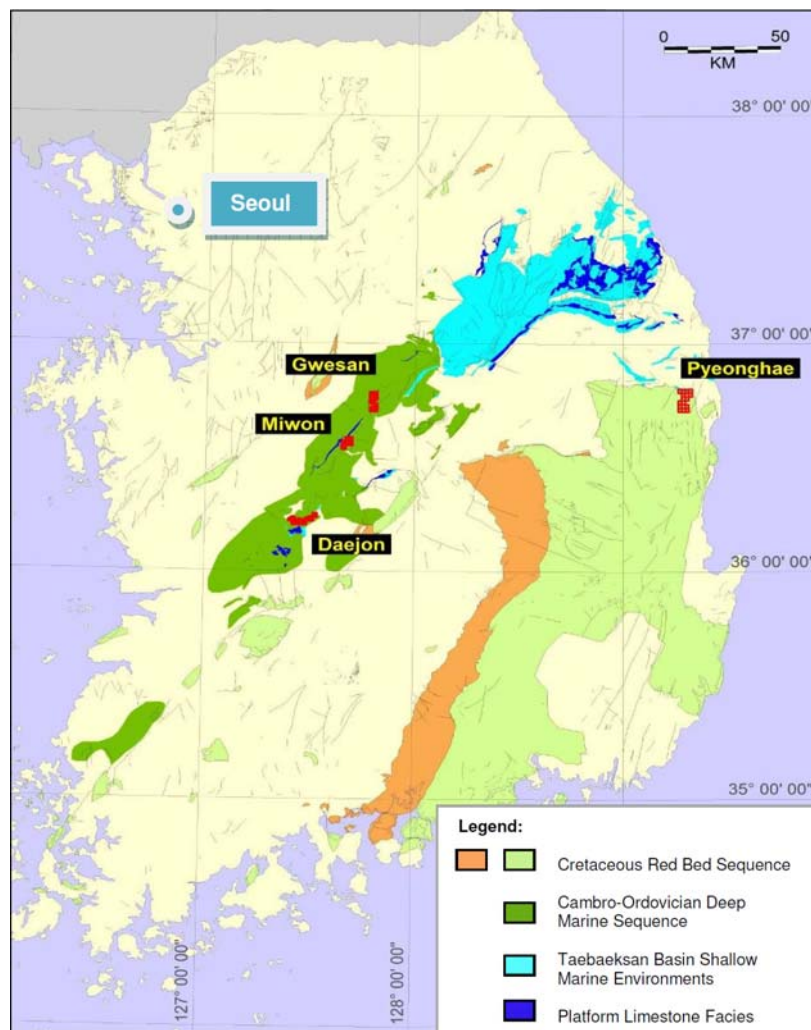
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The Ogchon Belt can be divided into the Ogchon Basin to the southwest and the Taebaeksan Basin to the northwest, mainly on the basis of lithology and metamorphic grade. Rocks of the Ogchon Basin consist of non-fossiliferous, low-to-medium grade metasedimentary and metavolcanic rocks in contrast to the fossiliferous, non-to-weakly metamorphosed sediments of the Taebaeksan Basin.

The Ogchon Basin is considered to be a deeper marine geosynclinal basin that developed in a “rift valley” type fault bounded graben setting. A shallow marine shelf environment is considered to be the depositional setting for the Taebaeksan Basin.

Figure 1: South Korean Uranium Projects Location Map
(Tenement areas indicated in red)





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Tenement Schedule as at 28 January 2010

<i>Project Name</i>	<i>Tenement Number</i>	<i>Area</i>	<i>Expiry Date</i>	<i>Registered Holder</i>	<i>Stonehenge Interest</i>
Granville Leases/ Twelve Mile Creek - Granville East, Central Big H, North Heemskirk Alluvial, Heemskirk Tin Mill	21M/2003	68 ha	05-Mar-09	SHE	100% subject to 100% transfer to McDermott Mining
Granville East Extended Lease	9M/2006	10 ha	09-Oct-11	SHE	100% subject to 100% transfer to McDermott Mining
Federation/ Cumberland Lake	EL31/2002	7 km ²	18-Dec-09	SHE	100% subject to extension from Mineral Resource Department of Tasmania
Sunshine/ McLean Creek Lease	20M/2001	21 ha	10-Mar-09 (extension application submitted)	SHE	100%
Stonehenge Creek	EL17/2003	7 km ²	09-Jul-10	SHE	100%
Heemskirk Extended Mining Lease Application	1M/2009	22 ha	N/A	SHE	100% subject to grant and subject to 100% transfer to McDermott Mining

During the quarter, the Company surrendered the Interview project area (EL12/2007).

Competent Persons Statement:

Information in this document that relates to Australian Mineral Resources and exploration results is based on information compiled by Mr David Hamlyn of Resourserve Pty Ltd (ACN 131 161 414) which provides geological consulting services to Stonehenge Metals Limited. Mr Hamlyn 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 a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hamlyn consents to the inclusion in the document of the information in the form and context in which it appears.

Information in this announcement that relates to South Korean Mineral Resources and exploration results is based on information compiled by Mr Christopher Sennitt of Senlac Geological Services Pty Ltd (2009) (ACN 010 677 595). Mr Sennitt is a Member of The Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Sennitt consents to the inclusion in the document of the information in the form and context in which it appears.