



STONEHENGE METALS  
LIMITED



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ASX Code: SHE

## Boardroom Radio Interview

### Stonehenge Metals Limited to Acquire Advanced South Korean Uranium Projects

Stonehenge Metals Limited is pleased to advise that the Company's Executive Director, Mr Bruce Lane, has participated in an interview with Tom McKay of Boardroom Radio.

In the interview Mr Lane discusses Stonehenge's agreement to acquire 100% of Chong Ma Mines Inc which holds the rights to four (4) South Korean uranium projects. You can read this transcript of this interview or listen via the following link:

<http://www.brr.com.au/event/63812>

**Tom McKay:** "Today on Boardroom Radio I have Mr Bruce Lane, who's the Executive Director at Stonehenge Metals Limited. Bruce, welcome to Boardroom Radio and thank you for your time."

**Bruce Lane:** Thanks for having me on Boardroom Radio, Tom.

**Tom McKay:** Stonehenge recently announced an agreement to acquire 100% of Chong Ma Mines Incorporated which holds the rights to 4 South Korean uranium projects. What specifically attracted the company to these assets?

**Bruce Lane:** Tom, it's probably worth me starting by outlining the context for the opportunity. South Korea is now the world's 10th largest economy and Asia's third largest economy behind China & Japan with a population of over 48 million people. South Korea has got a very large and fast growing nuclear power industry that imports all its U<sub>3</sub>O<sub>8</sub> requirements – and that is approximately 7.7Mlb each year as we understand. There is no uranium mining currently undertaken in South Korea but there are 20 nuclear power plants in operation at the moment with four (4) additional plants under construction. So there will be up to 30 plants in total expected to be operational across South Korea by 2030 that need uranium supply.

So these projects that we have agreed to acquire comprise 42 granted mining rights and 14 mining right applications with a foreign historical resource estimate of approximately 56 million pounds of uranium oxide at an average grade of 292 ppm, or parts per million of U<sub>3</sub>O<sub>8</sub>.

I should just point out that details supporting the company's quotation of that foreign historical resource were provided by the Company in an announcement made to the ASX on 6 January 2010. This announcement refers to the foreign historical resource and the waiver granted by the ASX in respect to Listing Rule 5.6.

So this foreign historical resource estimate was published in 1986 by the Korean Institute of Energy and Resources and of that 56Mlb, 52Mlb is estimated to be contained within Chong Ma's Daejon project

area and that includes the Chubu deposit. The Chubu deposit is, according to the Korean Institute of Energy and Resources, or KORES as it is otherwise known, the largest known uranium deposit in South Korea. So we consider that the acquisition, based on that background, provides Stonehenge shareholders with exposure to a relatively near-term uranium development opportunity and we think given all that, that the assets are very attractively priced.

**Tom McKay:** *What stage are you at with the acquisition and what consideration is Stonehenge paying for these assets?*

**Bruce Lane:** The vendor, Yellow Sun Mines, has now successfully completed its acquisition of Chong Ma, therefore satisfying a key condition precedent in the acquisition process. The remaining pre-conditions are satisfactory legal, financial and project due diligence - all of those we are working on now. Stonehenge shareholder approval is also required and will be sought once we are satisfied with our due diligence enquiries. In addition the company requires approval from the ASX for the terms of the performance shares to be issued and also Stonehenge must execute consulting agreements with Mr Chris Sennitt and Mr Kim Wan Joong.

The consideration payable to Yellow Sun is comprised of 10 million Stonehenge ordinary shares plus 60 million Stonehenge performance shares. Stonehenge is also required to spend A\$3 million on work commitments and purchase payments over 24 months, including up to A\$150,000 of expenses reimbursement. The performance shares will convert to Stonehenge ordinary shares on achievement of those milestones on a 1 for 1 basis. All of the shares will be subject to 12 months escrow from either their date of issue or, in the case of the performance shares, their date of conversion.

**Tom McKay:** *There has obviously been some historical drilling on the assets. How extensive was it?*

**Bruce Lane:** The Korean Institute of Energy and Resources undertook significant exploration work on the projects from 1974 to 1985 and that included 264 diamond drill holes for over 36,293 meters of drill core. The Stonehenge Directors believe that this historical exploration provides a solid foundation to rapidly upgrade the existing historical foreign uranium resource estimates to JORC compliant status and this would be required ahead of a mining feasibility study. Hellman & Schofield and Watts, Griffiths and McQuat have been retained with the objective of providing a JORC compliant resource estimate and an independent geologists report on the project. They are also evaluating the potential for substantial mineralisation targets beyond the existing historical resource areas.

**Tom McKay:** *Confirming the resource estimate is obviously an important milestone. When do expect to publish the report findings?*

**Bruce Lane:** At this stage it is premature to give a specific time but we are hopeful that the reports will be completed by the end of the second quarter 2010.

**Tom McKay:** *On the assumption that Stonehenge is happy with its due diligence and Shareholders approve the acquisition, how do you expect to see the company develop these assets?*

**Bruce Lane:** Tom, Stonehenge currently has about A\$2 million cash at hand and these funds will support our initial work program which includes a review of all existing data and target prioritization for exploration with a view to increasing defined resources and planning a field exploration program. As I mentioned, Watts, Griffiths and McQuat have been engaged to provide an independent experts report which will encompass an overview of the work program required to take the project through to Bankable Feasibility stage. We anticipate that further funding will be required in due course subject to completion of the acquisition and favourable exploration results.

**Tom McKay:** *As part of the acquisition Mr Christopher Sennitt and Mr Kim Wang Joong will be managing the projects, what is their experience in minerals exploration in South Korea?*

**Bruce Lane:** Mr Sennitt and Mr Kim Wang Joong are Directors and shareholders of Yellow Sun and Chong Ma and have extensive experience in the Korean resources sector. Mr Sennitt has over 28 years in managing multi-commodity exploration programs throughout Asia and Australia. He has worked previously with Indochina Goldfields Ltd (Ivanhoe Mining Ltd), Oriental Minerals Inc, Silk Road Resources Ltd, Battle Mountain Australia Inc, CSR Limited and Korean Minerals Group Inc. He has a comprehensive knowledge of South Korea and has compiled an extensive geological database of South Korea. He is also very well versed in Korean culture and protocols.

Mr Kim Wang Joong also has great experience with over 15 years working as a geologist in exploration and mining in South Korea. He was instrumental in discovering the Eunsan & Moisan gold deposits for Indochina Goldfields Ltd (Ivanhoe Mining Ltd). He has extensive experience in dealing with the South Korean Mining Title process and Mining Act.

**Tom McKay:** *There are not too many foreign-listed resource companies operating in South Korea and many people may not be aware of South Korea as a destination for mining exploration, can you provide a brief overview of the country and its mining regime?*

**Bruce Lane:** South Korea is a major trading partner with Australia and Canada and currently imports most of its raw materials and all its energy requirements. Their major industries include electronics, telecommunications, automobile production, chemicals, steel and shipbuilding.

The Country has well established workable mining laws, with 100% foreign ownership of mining rights permitted, no royalty regime, a corporate tax rate of 25% and a corporate legal system largely based on United States law.

**Tom McKay:** *You mentioned the demand for nuclear energy in South Korea. How much of the country's energy is nuclear powered at the moment?*

**Bruce Lane:** Nuclear power is very significant as an energy supply in South Korea with 45% of their electricity supply coming from nuclear power. As I mentioned, it currently has 20 nuclear power plants in operation with 4 additional plants under construction. Up to 30 plants are expected to be operational across South Korea by 2030, supplying about 60% of the country's electrical needs. The power plants are operated by Korea Hydro & Nuclear Power supplying the national grid operated by the government backed utility Korea Electrical Power Company or KEPCO.

South Korea has a world-class nuclear power plant construction and management capability that is growing fast. This was highlighted recently when a South Korean consortium including Samsung, Hyundai, Westinghouse and KEPCO won a \$40 billion tender to construct, maintain and supply 1400MW nuclear power plants in the United Arab Emirates. The consortium needs to secure uranium supplies to fuel this plant and any of the other international tenders which are won in the future

**Tom McKay:** *And what is the country's current level of uranium production?*

**Bruce Lane:** South Korea currently imports 100% of its uranium needs which is about 3,500 tonnes or 7.7 Mlb per annum. Because of its reliance on nuclear power, which will grow significantly in the near future, KEPCO and KORES have recently taken an aggressive stance to secure uranium supply globally. We believe this action has been taken to secure supply for domestic use and to support the aggressive

push by into the international market by the KEPCO-led consortium highlighted by the successful UAE tender.

It is our understanding that nuclear power station operational contracts include guaranteed feedstock supply for at least 20 years. So South Korea's demand for uranium is growing fast on two fronts.

**Tom McKay:** *The announcement also notes that the projects hold significant potential for economic quantities of Vanadium and Molybdenum. What are your plans for these?*

The deposit area is poly-metallic with significant Vanadium & Molybdenum mineralisation present - however it will take time to understand whether this mineralisation is economic and whether it constitutes a resource under the JORC Code. We do intend to investigate this potential in more detail as part of our exploration program obviously subject to the acquisition being completed.

**Tom McKay:** *The announcement states that uranium production is planned by the KORES on the adjoining deposit along strike to the south of the Chubu deposit. What does this imply for Stonehenge?*

We understand that a deposit adjoining to the south of Chong Ma's 52Mlb Daejon project, at Gumsan, contains about 22 Mlb of uranium according to KORES. KORES has recently completed check drilling (7 holes) and established a resource of just over 26Mt @ 390 ppm U<sub>3</sub>O<sub>8</sub>. - This gives it a resource of 22.2Mlb of contained U<sub>3</sub>O<sub>8</sub>. We also believe that KORES has applied for a mining permit to develop that deposit on behalf of Tozai Holdings Incorporated. We think that this bodes well for the projects given that the Chubu deposit within the Daejon project area held by Chang Ma runs along strike immediately to the north and is the "senior" deposit to the smaller boundary-constrained Gumsan deposit.

**Tom McKay:** *Bruce, we really appreciate your time. Thank you.*

**Bruce Lane:** Ok, thanks Tom"

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For further information visit [www.stonehengemetals.com.au](http://www.stonehengemetals.com.au) or contact:

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#### Competent Persons Statement

*Information in this announcement that relates to 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) which provides geological consulting services to Stonehenge Metals Limited. 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.*

#### Foreign Historical Resource Estimates

*All statements referring to U<sub>3</sub>O<sub>8</sub> 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. Please refer to the Company announcement made to ASX on 6/01/10 which refers to the foreign historical resource and the waiver from the ASX concerning Listing Rule 5.6.*