



**Stonehenge**  
METALS LTD

**STONEHENGE METALS LIMITED**

**ABN 81 119 267 391**

**INTERIM FINANCIAL REPORT  
31 DECEMBER 2010**

# STONEHENGE METALS LTD

## CORPORATE DIRECTORY

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### Directors

Warren Staude *Non Executive Chairman*  
Richard Henning *Managing Director*  
Simon Fleming *Executive Director &  
Chief Operating Officer*  
Bob Cleary *Non Executive Director*  
Bevan Tarratt *Non Executive Director*

### Stock Exchange Listing

The Company's shares are listed by  
ASX Limited  
The home exchange is Perth.  
Facsimile: 61 8 9315 2233  
ASX Code - SHE.

### Company Secretary

Jay Stephenson

### Share Registry

Link Market Services Limited  
Ground Floor, 178 St Georges Terrace  
PERTH WA 6005  
Telephone: 61 8 9315 2333

### Registered Office

Unit 6, 34 York Street,  
NORTH PERTH WA 6006

### Bankers

National Australia Bank Limited  
50 St Georges Terrace  
PERTH WA 6000

### Principal Office

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1306 Hay Street  
WEST PERTH WA 6005  
Telephone: 61 8 9481 2277  
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Web: [www.stonehengemetals.com.au](http://www.stonehengemetals.com.au)

### Auditor

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

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# STONEHENGE METALS LTD

## DIRECTORS' REPORT

Your Directors submit the financial report on Stonehenge Metals Ltd ('the Group') for the half-year ended 31 December 2010 (**Period**).

### Directors

The names of Directors who held office during or since the end of the half-year:

Warren Staude	Non Executive Chairman
Richard Henning	Managing Director (appointed 3 August 2010)
Simon Fleming	Executive Director & Chief Operating Officer
Bob Cleary	Non Executive Director
Bevan Tarratt	Non Executive Director
Bruce Lane	Executive Director (resigned 3 August 2010)

## HIGHLIGHTS & OVERVIEW

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- **Stonehenge moves to 56% ownership of the 3 Korean Uranium Projects**
  - **Appointment of former Extract Resources Ltd executive Richard Henning, as MD**
  - **Outstanding uranium and vanadium assay results from sampling program and from the translation of historic KORES report**
  - **Commencement of pre-scoping engineering study on Korean uranium deposit following desktop study of historical KORES work which shows that uranium is readily amenable to conventional acid leaching**
  - **Uranium Met Testing Continues After Encouraging Review Of Historical Test Work**
  - **Significant New Institutional Investors Secured Via Successful \$3m Placement**
  - **Gwesan Sampling Returned Assay Results Up To 5,354ppm U<sub>3</sub>O<sub>8</sub>**
  - **Maiden Korean Diamond Drilling Program Commenced & Completed**
  - **Research Program With Kongju University Commenced On Historical Daejon Drill Core**
  - **Additional Tenement Granted At Gwesan In South Korea**
  - **87% Increase In Inferred Resource To 65mlbs eU<sub>3</sub>O<sub>8</sub> from 92Mt @ 320 ppm with exploration target of 17 to 39 million pounds U<sub>3</sub>O<sub>8</sub> at a grade of 250 to 350 ppm**
  - **Positive Daejon Adit Sampling Results**
-

## STONEHENGE METALS LTD

During the first six months of the year, Stonehenge Metals Limited (ASX: SHE, **Stonehenge** or the **Company**) made significant progress in developing its uranium projects in South Korea.

### **Acquisition Up-date – Stonehenge Moves to 56% Ownership**

On 22 July 2010 Stonehenge advised that the Company's wholly owned subsidiary Chong Ma Mines Inc had, in accordance with the agreement to acquire 3 uranium projects in South Korea, paid US\$400,000 to secure an additional 4/9 of the Daejon, Miwon and Gwesan uranium projects. Chong Ma Mines Inc, now holds 5/9 (56%) of the title to the 3 uranium projects and can secure the remaining 4/9 (44%) of the title through the payment of another US\$400,000 by July 2011. This remaining payment has been set aside and could be paid in advance of July 2011 as the Company wishes.

### **Appointment of Mr Richard Henning as MD**

On 3 August 2010 the Company advised of the **appointment of Mr Richard Henning**, a highly experienced uranium industry executive, as Managing Director of the Company.

Mr Henning was responsible for business and corporate relations of ASX and TSX listed Extract Resources Limited (Extract) during the previous four years. Within the period of Mr Henning's tenure Extract's share price increased from below 60 cents to a market high of \$11.20, achieving a market capitalisation of >\$2.00Bn and entry into the ASX S & P 200 index.

### **Significant New Institutional Investors via Successful \$3m Placement**

On 15 October 2010 the Company advised that 39,999,999 new SHE shares had been placed with Australian institutions at a price of 7.5 cents per share. This additional investment in Stonehenge by institutional funds marks a significant milestone for the Company and is a major step toward achieving Stonehenge's objective to develop world class uranium assets in South Korea.

### **Outstanding Results from Daejon Surface Sampling**

Surface sampling completed at Daejon during the Period to investigate the extensions of known uranium mineralised units onto tenement applications at the Daejon Project in South Korea has returned assay results up to 858ppm U<sub>3</sub>O<sub>8</sub> and 1.26% V<sub>2</sub>O<sub>5</sub>. This sampling is part of an ongoing exploration campaign to gain a more complete understanding of the deposit and its potential extensions. Additional sampling will better define the new zones of mineralization; a complete set of results from the recent surface sampling program is contained in the Company's ASX release dated 2 August 2010.

### **Gwesan Surface Sampling**

As previously reported on 28 October, the Company advised that positive results were achieved from chemical assay analysis for surface rock chips from the Gwesan area (**Figure 2**). Initial rock chip sampling conducted along a road cutting in Okseong (10R002) has returned assay results up to 5,354ppm U<sub>3</sub>O<sub>8</sub>. Other samples were taken from shallow trenches approximately 50m along the strike with sample G004 returning 637ppm U<sub>3</sub>O<sub>8</sub> (and associated 2,017ppm V<sub>2</sub>O<sub>5</sub>). Further detail of sampling results is contained later (**Table 1**) in this report and in the Company's 28 October 2010 ASX release.

### **Maiden Korean Drilling Program Commenced and Completed**

Following strong outcrop sampling results from chemical assays at its Gwesan Project Stonehenge commenced its maiden diamond drilling program in Korea. The drilling was designed to establish the down dip and along strike continuity of the outcropping uranium and vanadium mineralisation at Gwesan. The drilling program included approximately 1,050m of diamond drilling in seven (7) drill holes (see **Figure 5**) and will provide an initial test of approximately 800 metres of strike length of the mineralised horizons (up to three zones).

## STONEHENGE METALS LTD

The strike extensions of the outcrop sampling have been partially confirmed by strong scintillometer readings from a number of outcrops widely spaced along the mineralised zone. On 22 February 2011 the Company advised that the drill program has now been completed and the first analytical results should be available in due course.

### **Pre-Scoping Engineering Study - Met Testing Continues After Encouraging Review**

During the Period Stonehenge completed a desk top pre-scoping engineering study (Study) of its Daejon Uranium Project in South Korea. Stonehenge subsequently advised that the Study was completed and that the results from this study were considered to be positive. The Study ascertained that historical testing of Uranium mineralisation, from the same geological formation at Stonehenge's Daejon Project, showed it to be readily amenable to conventional acid leaching and that U<sub>3</sub>O<sub>8</sub> recovery was estimated to be 90 – 92%. Further testing was subsequently commissioned on fresh samples from the project area. Early results reported on 12 January 2011, showed uranium recoveries in excess of 90% using a conventional acid leach process.

### **Commencement of Research Program with Kongju University on Historical Daejon Drill Core**

On 30 November the Company advised that it has signed a contract research agreement with Kongju University in Korea for research and review of uranium ore in the Okcheon Belt. The Okcheon Belt runs through the Company's Daejon, Miwon and Gwesan project areas.

The study aims to use the latest technology to review drill core from the 1970s and 1980's and to use the new data collected to assess the technical and economic feasibility of resources in the related areas. The study will select representative drilling cores and investigate the overall characteristics of the uranium mineralization of the Okcheon system. The term of the initial agreement is five months and commenced on December 1st, 2010.

### **Additional Tenement Granted In South Korea**

After the end of the Period, on 12 January 2011, the Company advised that it had received confirmation from South Korean Government agency, MKE, of the granting of mining rights (effectively an exclusive exploration licence) to Goisan 137 (Gwesan) shown in **Figure 6**. The block is 275ha (2.75km<sup>2</sup>) in area, current for 20 years, and brings the Company's total project area under grant to over 7,000ha. Whilst there has been limited historical exploration on this block, previous rock chip sampling has recorded grades of 404ppm U<sub>3</sub>O<sub>8</sub> and 0.94% V<sub>2</sub>O<sub>5</sub>.

### **87% Uranium Resource Increase**

On 22 February 2011 the Company announced an 87% increase to the Company's Mineral Resource Estimate for the Daejon Uranium Project. The Mineral Resource Estimate is calculated at 92 million tonnes averaging 320 ppm eU<sub>3</sub>O<sub>8</sub> for a contained 65 million pounds of eU<sub>3</sub>O<sub>8</sub> at a lower cut-off grade of 200 ppm eU<sub>3</sub>O<sub>8</sub>. The entire resource is classified in the Inferred Resource category. The Mineral Resource Estimate has been prepared by independent consultants Snowden Mining Industry Consultants Pty Ltd (**Snowden**) and is reported in accordance with the JORC Code (2004). Snowden also provided a revised exploration target estimate of 17 to 39 million pounds U<sub>3</sub>O<sub>8</sub> at a grade of 250 to 350 ppm at the project (**Table 3**).

## STONEHENGE METALS LTD

### Positive Daejon Adit Sampling Results

The Company has recently received the results of selective sampling of a 350 metre long adit that was developed into the central part of the Daejon ore body. The adit extends both through and along the strike of the uranium ore body. The sampling was designed to reproduce the results of previous historical sampling completed by KORES. The recent SHE samples were assayed for a wide range of elements (35 elements in total) including uranium, vanadium, molybdenum, nickel and zinc. A complete set of results is included in the Company's ASX release dated 22 February 2011. The assay results clearly demonstrate the multi-element nature of the deposit. The sampling also shows that the deposit hosts wide zones of uranium mineralisation at grades well above the previously announced bulk grade of the deposit, and that there are wide intervals with significant grades of Molybdenum (Mo), Nickel (Ni) and Zinc (Zn) which will add considerable value to the deposit.

There is strong evidence to suggest that some zones of rare earth Elements (REE) may also be included in the mineralisation.

## DETAILED OPERATIONS AND EXPLORATION REPORT

### South Korea

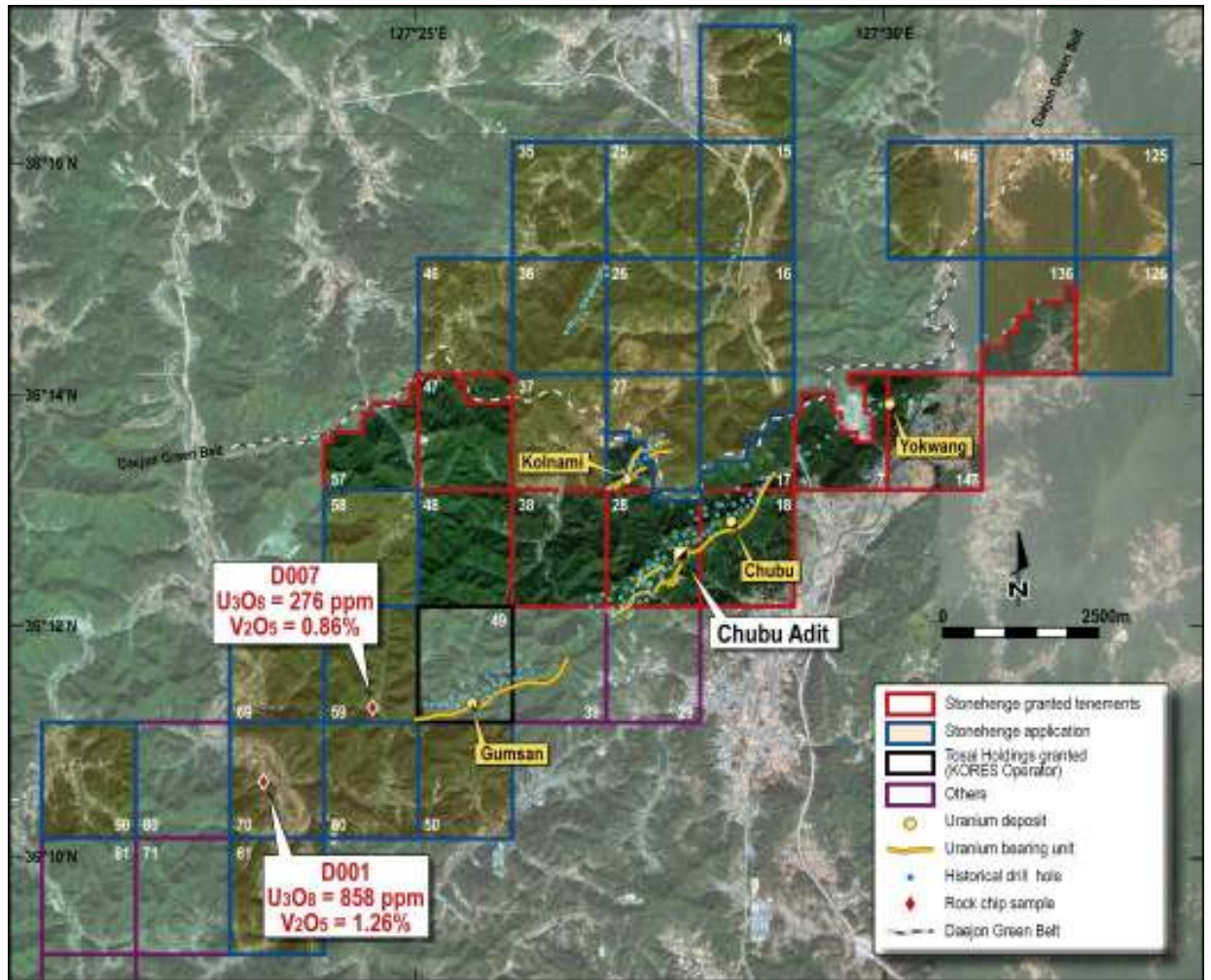
#### Outstanding Uranium & Vanadium Results from Daejon Surface Sampling in Korea

Surface sampling completed by Stonehenge to investigate the extensions of known uranium mineralised units onto tenement applications at the Daejon Project in South Korea has returned assay results up to 858ppm  $U_3O_8$  and 1.26%  $V_2O_5$ .

This sampling was part of the ongoing exploration campaign to gain a more complete understanding of the deposit and its potential extensions. Additional sampling was planned to better define the new zones of mineralisation. A complete set of results from this surface sampling program is included in Appendix 1 of the Company's ASX release dated 2 August 2010 and selected sample results are highlighted in **Figure 1**.

# STONEHENGE METALS LTD

Figure 1: Daejon Project showing sample locations, grades from recent sampling & Chubu Adit location



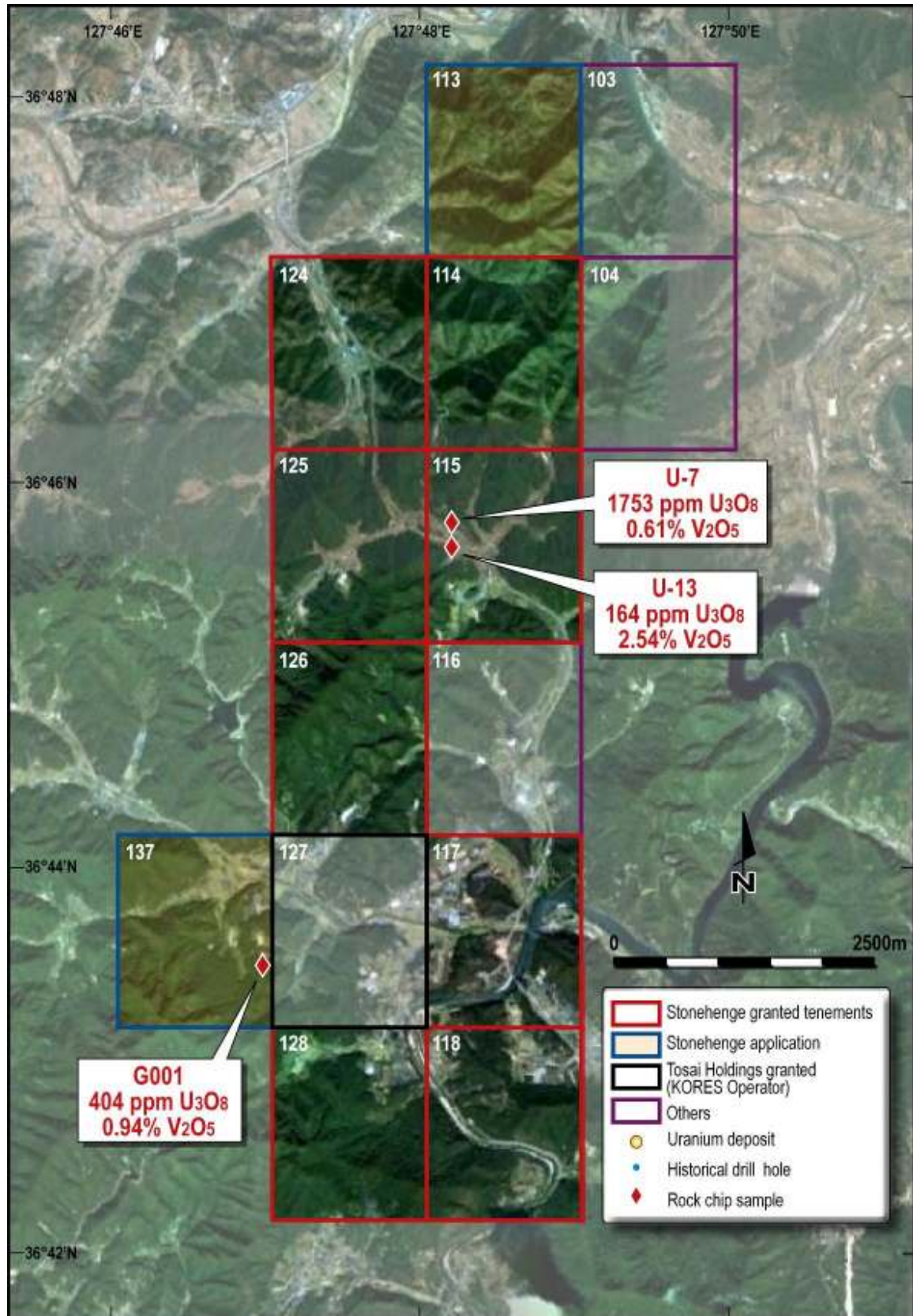
Stonehenge has also been progressively translating and evaluating historical Korean Government work completed on the Stonehenge tenements. A recently translated document produced by KORES in 2003 quotes uranium grades up to 1,753ppm  $U_3O_8$  and up to 2.54%  $V_2O_5$  at the Gwesan Project.

A complete set of results from this historical surface sampling program is included in Appendix 2 of the Company's ASX release dated 2 August 2011 and selected sample results are highlighted in **Figure 2** overleaf.



# STONEHENGE METALS LTD

Figure 2: Gwesan Project showing tenements, sample locations & grades of historical sampling



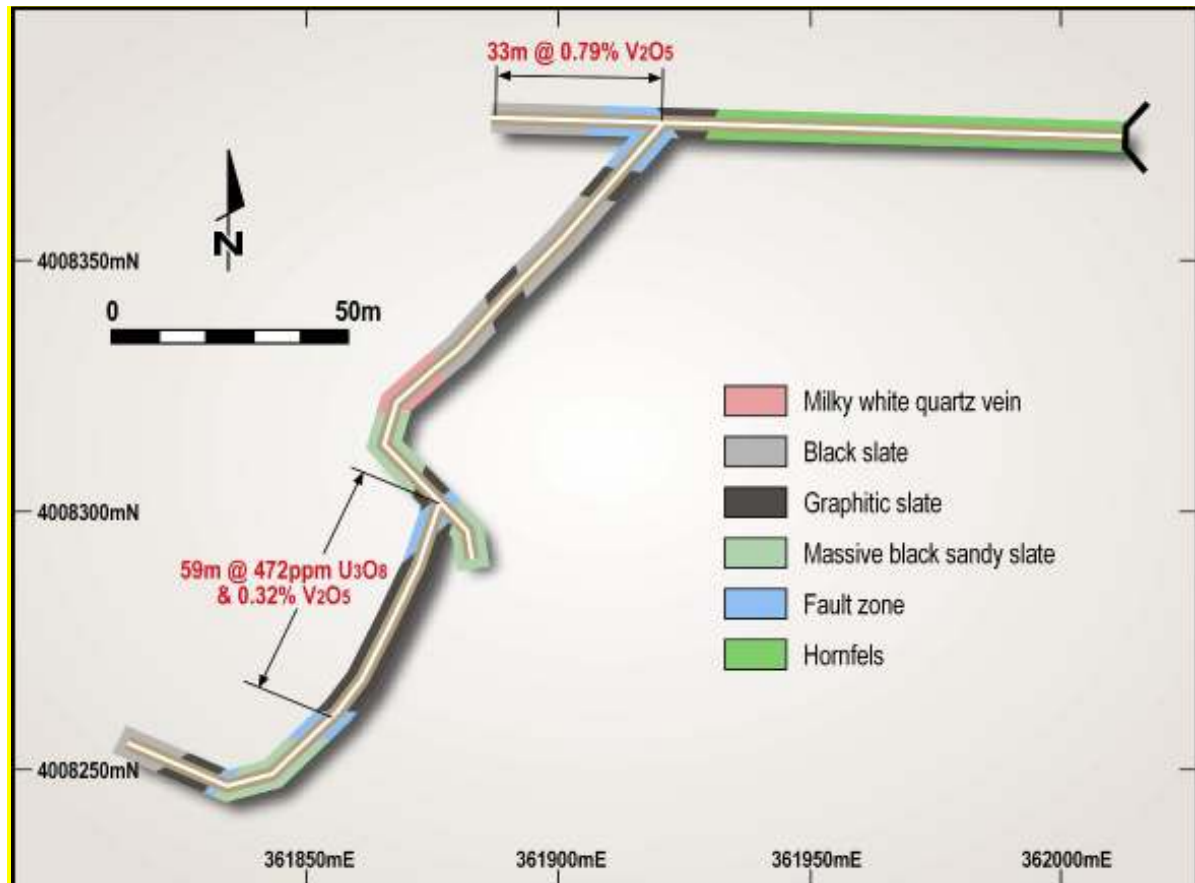


## STONEHENGE METALS LTD

In addition, historical geochemical sampling of a 340m long adit excavated into the Daejon deposit shows one zone of uranium mineralisation of 59m @ 472ppm  $U_3O_8$  and 0.33%  $V_2O_5$  and another zone of vanadium mineralisation with 33m @ 0.79%  $V_2O_5$  (including 9m @ 1.33%  $V_2O_5$ ).

A complete set of historical adit sampling results (from the recently translated KIER report "KEIR, 1982") are included in Appendix 3 of the Company's ASX release dated 2 August 2011 and selected mineralised zones are highlighted in **Figure 3** below.

**Figure 3: Chubu Adit (Daejon) showing mineralised zones identified by historical geochemical sampling**



### Pre-Scoping Engineering Study - Met Testing Continues After Encouraging Review of Historical Testing

Clean TeQ Holdings Ltd (ASX: CLQ) was appointed to complete a desk top pre-scoping engineering study of its Daejon Uranium Project in South Korea (Study). Clean TeQ is a recognised leader in Ion exchange, Resin-in-Pulp and Resin-in-Leach processing designs and the delivery of turnkey processing facilities.

The Study drew on historical metallurgical testing completed by the Korea Resources Corporation (KORES) in the 1980's, which was recently translated into English by Stonehenge. A significant body of additional geological information has also been translated and was incorporated into the study.

## STONEHENGE METALS LTD

The primary aims of the Study were to provide:

- a concise review of available geological and metallurgical information,
- a conceptual metallurgical flow sheet and process description, and
- a metallurgical test work program to compliment and augment the historical metallurgical testing.

Stonehenge subsequently advised, on 6 October 2010, that the Study was completed and that the results from this study were considered to be positive. The Study ascertained that historical testing of Uranium mineralisation, from the same geological formation at Stonehenge's Daejon Project, showed it to be readily amenable to conventional acid leaching and that  $U_3O_8$  recovery was estimated to be 90 – 92%.

As a result of these encouraging results the Company commissioned further testing on fresh samples from the project area. Early results from this new testing, reported after the Period on 12 January 2011, showed uranium recoveries in excess of 90% using a conventional acid leach process.

### Gwesan Surface Sampling in Korea

On 28 October 2010 the Company advised that it had completed chemical assay analysis for surface rock chips from the Gwesan area (**Figure 4**) and, as a result, defined a drilling programme to further investigate this new, 100% owned, exploration target. Significant results are included in **Table 1** below:

**Table 1: Significant Surface Sampling Results**

Sample	Type	Easting	Northing	Project	Mo (ppm)	$U_3O_8$ (ppm)	$V_2O_5$ (ppm)
G004	Rock chip	393272	4069298	Gwesan	353	637	2,017
10R002	Rock chip	393212	4069269	Gwesan	1,370	5,354	171
10R003	Rock chip	393212	4069269	Gwesan	1,119	5,059	134

Initial rock chip sampling conducted along a road cutting in Okseong (10R002) has returned assay results up to **5,354ppm  $U_3O_8$** . Other samples were taken from shallow trenches approximately 50m along the strike with sample G004 returning **637ppm  $U_3O_8$**  (and associated **2,017ppm  $V_2O_5$** ). Further detail of sampling results is contained in **Table 2**.

The road cutting at Okseong shows strongly silica altered Guryongsan Formation sediments hosting three, six to eight metre wide, vertical mineralised zones of strongly carbonaceous (graphite) and brecciated slate. The Okseong results were taken at close spaced intervals within the north – south striking brecciated graphitic black slate. The Okseong project at Gwesan hosts the Dypeyoung project to the south, and lies within the Guryongsan Formation (see **Figure 4**).

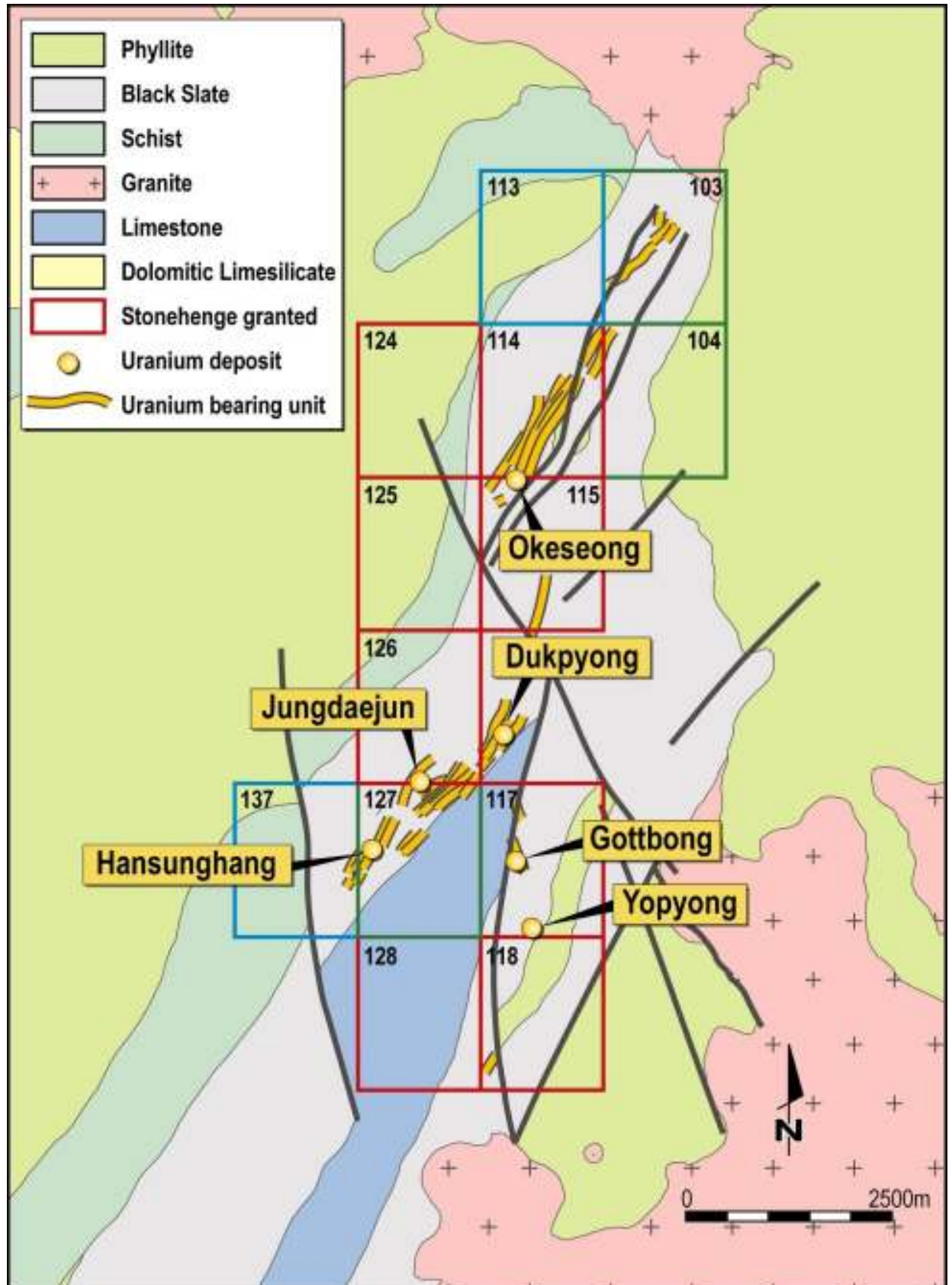
Further sampling has been conducted along the three uranium zones at a nominal spacing of 5m. This will determine whether the vanadium is also carried in the rock minerals in the slate. A proposed hand auguring and trenching program will help define the orientation of the uranium horizons prior to diamond drilling.

Additionally, the Adit at Chubu has been re-sampled and these samples have been submitted to ALS Brisbane for chemical assay.

With land access agreements in place, due largely to the success of the on-going community relations programme, local support has been very positive and the Company is encouraged by the nature of the co-operation of the local land-owners.

# STONEHENGE METALS LTD

Figure 4: Gwesan Area, Showing Stonehenge Tenements in Red



## STONEHENGE METALS LTD

**Table 2: Surface Sampling Results from Gwesan Project, South Korea**

Sample	Type	Easting	Northing	Project	Description	Ag ppm	Mo ppm	U <sub>3</sub> O <sub>8</sub> ppm	V <sub>2</sub> O <sub>5</sub> ppm
G003	Rock chip	393240	4069333	Gwesan	c250cts in 20cm trench on ridge, sample, graphitic shale	0	32	71	146
G004	Rock chip	393272	4069298	Gwesan	c900cts, in trench, graphitic shale and clay, sample, photo#P8140204	0	353	637	2,017
10R001	Rock chip	393146	4069329	Gwesan	60cm graphitic horizon, rd cut sample	0.3	24	0	162
10R002	Rock chip	393212	4069269	Gwesan	60cm graphitic horizon, rd cut sample	2.6	1,370	5,354	171
10R003	Rock chip	393212	4069269	Gwesan	Sample up to 4000cps visible carnotite and Autunite/Torbernite	2.1	1,119	5,059	134
10R004	Rock chip	393212	4069269	Gwesan	Sample up to 4000cps visible carnotite and Autunite/Torbernite	2.8	255	212	334
10R005	Rock chip	393256	4069252	Gwesan	Very graphitic horizon	3.2	260	212	850
10R006	Rock chip	393256	4069252	Gwesan	Quartz Boudin- very rusted, cavities, boxwork textures	0.2	16	59	86
10R007	Rock chip	393256	4069252	Gwesan	Very graphitic horizon	14.2	437	165	1,785

Stonehenge also advised that, as a result of these promising results, a drilling programme was planned to further investigate this new, 100% owned, exploration target.

### Maiden Drilling Program

Following strong outcrop sampling results from chemical assays at its Gwesan Project, Stonehenge commenced its maiden diamond drilling program in Korea. The drilling should establish the down dip and along strike continuity of the outcropping uranium and vanadium mineralisation at Gwesan.

The drilling program will include approximately 1,050m of diamond drilling in seven (7) drill holes (see **Figure 5**) and will provide an initial test of approximately 800 metres of strike length of the mineralised horizons (up to three zones). The strike extensions of the outcrop sampling have been partially confirmed by strong scintillometer readings from a number of outcrops widely spaced along the mineralised zone.

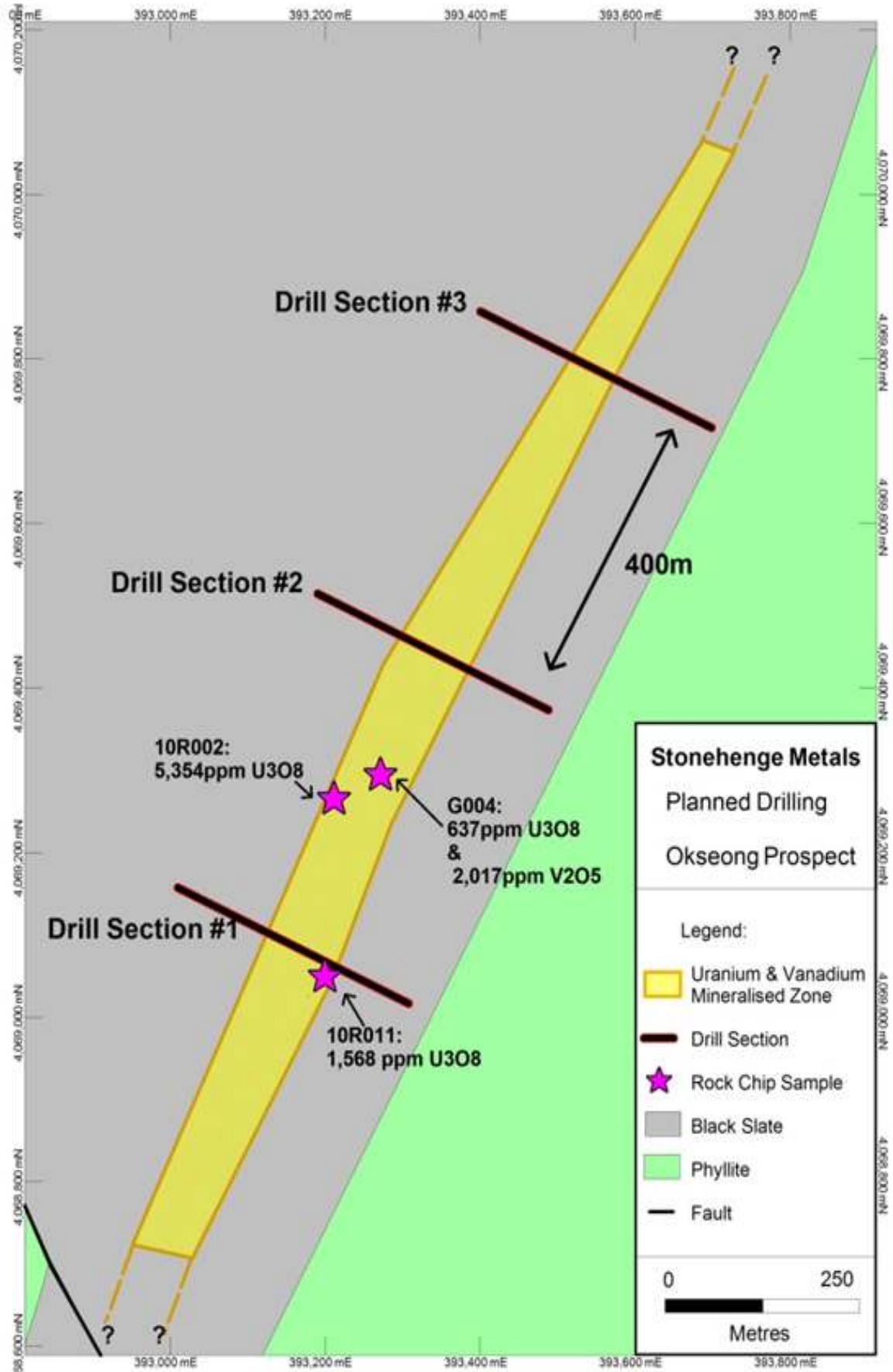
The drill cross sections - three drill cross sections in total - are placed at approximately 400m intervals along the strike length of the mineralisation. Drilling costs in Korea compare favorably to most other jurisdictions with the all-inclusive cost of a drilling contractor being around AUD\$100/m for NQ diameter diamond core.

Following the approval of all local government permits and land owner permission, the drill pad was cleared on Friday 19th in preparation for the rig to be moved onto site. Drilling commenced on drill hole OKS 001 on Saturday 20th November 2010; the initial program is expected to be completed over the course of the first quarter of 2011. Drill core is being photographed, logged, cut and sampled at the company's core handling facility located nearby in Daejeon. Samples are being sent by airfreight to ALS Laboratories in Brisbane, Australia, (direct flight Seoul to Brisbane) for analysis by pressed powder XRF methods. The first analytical results should be available during early 2011.

On 12 January 2011, the Company advised that the initial drilling programme at Gwesan 114/115 was nearing completion. Six of the seven holes planned have been drilled at depths ranging from 100m to 150m. Three of the holes appear to contain uranium mineralisation. On 22 February 2011 the Company advised that the drill program has now been completed and the first analytical results should be available in due course.

# STONEHENGE METALS LTD

Figure 5 Gwesan Project – Planned Diamond Drill Hole Locations





## STONEHENGE METALS LTD

### Commencement of Research Program with Kongju University on Historical Daejon Drill Core

On 30 November the Company advised that it has signed a contract research agreement with Kongju University in Korea for research and review of uranium ore in the Okcheon Belt. The Okcheon Belt runs through the Company's Daejon, Miwon and Gwesan project area.

The agreement is a collaborative research agreement using four PhD researchers from the Department of Geological and Environmental Sciences at Kongju University and professional geologists from Chong Ma Mines Inc., a wholly owned subsidiary of Stonehenge.

The research program will enable the logging of the Black Slates of Okcheon Mineral Belt of Korea - an area estimated by the Korean Resources Corporation (KORES) to contain in excess of 100 million tonnes of uranium resources.

The Study aims to use the latest technology to review drill core from the 1970s and 1980's and to use the new data collected to assess the technical and economic feasibility of resources in the related areas. The Study will select representative drilling cores and investigate the overall characteristics of the uranium mineralization of the Okcheon system; the study will include;

1. Photographing (each core box);
2. Geological logging; and
3. Logging of uranium using a portable spectrometer.

The term of the initial agreement is five months and commenced on December 1st, 2010.

Speaking at the company's AGM, Chairman Mr Warren Staude said "We know that there is approximately 36,000m of core from previous drilling. To be able to work collaboratively with Kongju University to determine the mineralogy of these cores will be a huge benefit to our understanding of the resource in Korea and will advance our objective of presenting a domestic energy source to a country dedicated to generating low carbon energy"

Subsequent to the end of the Period the Company reported that core from previous Chubu drilling, housed in facilities at the Korea Institute of Geosciences and Mineral Resources (KIGAM), is presently being re-logged, photographed and tested by spectrometer. By Q2 2011, all significant core samples will have been re-logged.

The Snowden Group in Perth has been retained by the Company to advise on the relevance of the core analysis to the present Inferred Resource. Further drilling at Chubu will be considered once all data has been reviewed and analyzed.

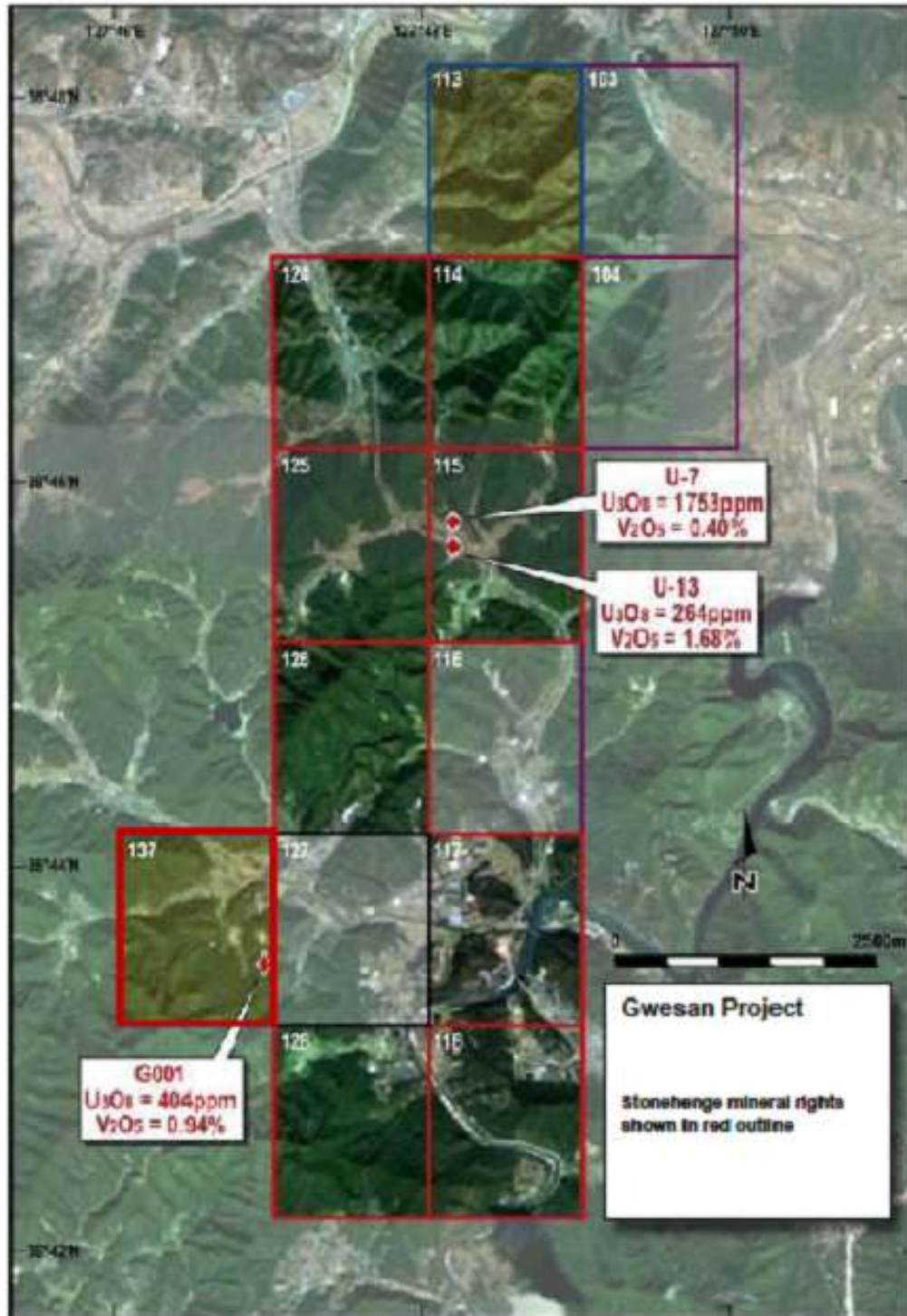
### Additional Tenement Granted In South Korea

On 12 January 2011, the Company advised that it had received confirmation from South Korean Government agency, MKE, of the granting of mining rights (effectively an exclusive exploration licence) to Goisan 137 (**Gwesan**) shown in **Figure 6**. The block is 275ha (2.75km<sup>2</sup>) in area, current for 20 years, and brings the Company's total project area under grant to over 7,000ha.

Whilst there has been limited historical exploration on this block, previous rock chip sampling has recorded grades of 404ppm U<sub>3</sub>O<sub>8</sub> and 0.94% V<sub>2</sub>O<sub>5</sub>.

## STONEHENGE METALS LTD

Figure 6 – Gwesan Project showing newly granted tenement 137



### 87% Uranium Resource Increase

After the Period on 22 February 2011 the Company announced a significant upgrade to the Company's Mineral Resource Estimate for its wholly owned Daejon Uranium Project in South Korea.

The Mineral Resource Estimate has been calculated at 92 million tonnes averaging 320 ppm eU<sub>3</sub>O<sub>8</sub> for a contained 65 million pounds of eU<sub>3</sub>O<sub>8</sub> at a lower cut-off grade of 200 ppm eU<sub>3</sub>O<sub>8</sub>. The entire resource is classified in the Inferred Resource category. The Mineral Resource Estimate has been prepared by independent consultants Snowden Mining Industry Consultants Pty Ltd and is reported in accordance with the JORC Code (2004).

## STONEHENGE METALS LTD

The resource is summarised in **Table 3** below and is reported for the three prospects: Chubu, Yokwang and Kolnami. Chubu and Yokwang are hosted by graphitic slate units and Kolnami is hosted by calc-silicate hornfels units. A default density of 2.6 t/m<sup>3</sup> has been used in the estimate for mineralisation. Ordinary block kriging was used to interpolate grade into the model based on the current drill database, with a 700 ppm eU<sub>3</sub>O<sub>8</sub> top cut applied to the data. The Inferred Resource classification reflects the lack of industry standard QAQC data, reliance on historic data and the current drill spacing. Snowden has stated it is confident that an infill drill programme with industry standard sampling, assaying and QAQC procedures and protocols, together with metallurgical test work, will result in an upgrading of the resource classification.

**Table 3: Daejon Resource estimate February 2011, reported at a 200 ppm eU<sub>3</sub>O<sub>8</sub> cut-off:**

Daejon Project: Inferred Resource Estimate				
Prospect	Classification	Tonnes	Grade eU <sub>3</sub> O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (lbs)
Chubu	Inferred	46,000,000	330	34,000,000
Yokwang	Inferred	39,000,000	310	26,000,000
Kolnami	Inferred	7,000,000	340	5,000,000
<b>Total</b>		<b>92,000,000</b>	<b>320</b>	<b>65,000,000</b>

Daejon Project: Conceptual Exploration Target <sup>1</sup>			
	Tonnage Range (Mt)	Grade Range eU <sub>3</sub> O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> Range (lbs)
<b>Chubu - Yokwang</b>	<b>30 - 50</b>	<b>250 - 350</b>	<b>17 – 39 million</b>

*N.B. Totals may not add up due to rounding of input numbers. Resource estimates have been conducted in accordance with JORC Guidelines.*

<sup>1</sup>*The potential quantity and grade of the Daejon Uranium Project Conceptual Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

The increased resource is based on a combination of new information including new detailed (1: 5,000 scale) geological mapping over much of the deposit by KORES in 2009. KORES also completed ground radiometric traverses at 50 metre spacings along strike over much of the deposit. This information is contained within a 175 page report prepared on the Project by KORES in 2009. The report also contains a full set of detailed, graphic logs of every drill hole in the Project.

In addition to this information, SHE now has the assay results from a number of costeans excavated along the strike of the resource which demonstrate the along strike continuity of the mineralisation.

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Stonehenge geologists have recently been able to gain access to the historic drill core from the original drilling at the Daejon Project through an agreement signed with Korean government agency, KIGAM as part of a collaborative research programme with Kongju University. The drill core is in excellent condition and the re-logging has greatly added to the overall understanding of the structure, lithologies and stratigraphy of the Daejon mineralisation.

### Daejon Adit Sampling

The Company has recently received the results of selective sampling of a 350 metre long adit that was developed into the central part of the Daejon ore body. The adit extends both through and along the strike of the uranium ore body. No detailed structural mapping has been completed in the adit, consequently the sampled length should not be construed as true widths.

The sampling was designed to reproduce the results of previous historical sampling completed by KORES. The KORES samples were only assayed for uranium and vanadium. The recent SHE samples were assayed for a wide range of elements (35 elements in total) including uranium, vanadium, molybdenum, nickel and zinc. A complete set of results is included as Appendix 2.

Two coherent zones of multi-element mineralisation have been identified by the adit sampling, these include:

#### **Samples CB001 – 049:**

- **49m @ 212 ppm U<sub>3</sub>O<sub>8</sub>, incl: 10m @ 436 ppm U<sub>3</sub>O<sub>8</sub>**
- **49m @ 334 ppm Mo, incl: 10m @ 700 ppm Mo**
- **49m @ 396 ppm Ni, incl: 10m @ 692 ppm Ni**
- **49m @ 546 ppm Zn and incl: 10m @ 1,013 ppm Zn**
- **49m @ 4,754 ppm V<sub>2</sub>O<sub>5</sub> incl: 24m @ 7,171 ppm V<sub>2</sub>O<sub>5</sub>**

#### **Samples CB051 – 113:**

- **63m @ 382 ppm U<sub>3</sub>O<sub>8</sub>, incl: 9m @ 502 ppm U<sub>3</sub>O<sub>8</sub> & 17m @ 459 ppm U<sub>3</sub>O<sub>8</sub>**
- **63m @ 491 ppm Mo, incl: 22m @ 622 ppm Mo**
- **63m @ 533 ppm Ni, incl: 22m @ 606 ppm Ni**
- **63m @ 842 ppm Zn and incl: 15m @ 998 ppm Zn & 10m @ 2,201 ppm Zn**
- **60m @ 3,210 ppm V<sub>2</sub>O<sub>5</sub> incl: 12m @ 4,281 ppm V<sub>2</sub>O<sub>5</sub> & 10m @ 4,275 ppm V<sub>2</sub>O<sub>5</sub>**

The assay results clearly demonstrate the multi-element nature of the deposit. The sampling also shows that the deposit hosts wide zones of uranium mineralisation at grades well above the previously announced bulk grade of the deposit, and that there are wide intervals with significant grades of Molybdenum (Mo), Nickel (Ni) and Zinc (Zn) which will add considerable value to the deposit.

In the near future a comprehensive sampling program will be conducted along the whole length of the adit and assayed for an expanded suite of elements. There is strong evidence to suggest that some zones of rare earth Elements (REE) may also be included in the mineralisation.

### Positive Scoping Study and Preliminary Metallurgy Test Results at Daejon

On 1 March 2011 the Company advised of the pre-scoping study at the Daejon Project conducted by Clean TeQ. The preliminary results indicate a favourable Uranium unit cash costs with upside potential, while preliminary metallurgical testing has also produced excellent results.

## STONEHENGE METALS LTD

Preliminary leach tests on two bulk metallurgical samples from the Daejon Project consisting of both black graphitic coal and grey slate have delivered excellent uranium recoveries. Uranium extraction of over 90% was achieved from the samples using weak acidic conditions and leach temperature of 50°C. Both ore types had very low acid consumptions at 10 kg acid / tonne ore.

Results of the metallurgical test program have been applied to a conceptual flow sheet developed by Clean TeQ to recover uranium and vanadium with an extremely positive outcome.

**Table 4: Base Case Operating Cost for Uranium/Vanadium Flowsheet – Breakdown**

Area	Cost (A\$M pa)	Cost (%)	Total unit cost (US\$/lb U <sub>3</sub> O <sub>8</sub> )	Net unit cost (US\$/lb U <sub>3</sub> O <sub>8</sub> )
Mining	42.26	29.6%	17.25	7.26
Oxidant	19.70	13.8%	8.04	3.38
Ammonium Fluoride	14.07	9.9%	5.74	2.42
Sulphuric Acid	12.57	8.8%	5.13	2.16
Product Transportation	12.42	8.7%	5.07	2.13
Labour	5.95	4.2%	2.43	1.02
Maintenance	4.60	3.2%	1.88	0.79
General and Admin	4.23	3.0%	1.73	0.73
Power	3.83	2.7%	1.56	0.66
Other	23.13	16.2%	9.44	3.95
<b>Total</b>	<b>142.76</b>	<b>100.0%</b>	<b>58.26</b>	<b>24.50</b>

Mineralogy (QEMSEM) of the metallurgical samples confirmed uranium was present as uraninite (UO<sub>2</sub>) which can be easily liberated via a conventional crush, SAG and ball mill circuit to a grind size of 150 µm. QEMSEM analysis has shown that the vanadium was found to be associated with network silicate minerals, notably calcic feldspars and calcic amphiboles. The calcic feldspars typically carry up to 5 - 10% vanadium. Occurrence of vanadium in calcic feldspars is contrary to previous understanding, where the vanadium was thought to be associated with white mica's. This new information will aid the metallurgists in their design of a process to liberate the vanadium from the mineralisation.

### Tasmania

The planned divestment of the Heemskirk Tin Project, as outlined in the September 2009 Quarterly report, remains subject to approval by the Department of Infrastructure, Energy and Resources (Tasmania). An inspection of the site was conducted by the Department during the June 30 2010 Quarter in preparation for the finalization of the transfer.

The application for an extension of term over the Stonehenge exploration licence, EL17/2003, has been refused and the refusal is being appealed through the normal appeals process. No field work was conducted on the Company's Tasmanian tenements during the Period.

### Competent Persons Statement

The geological information contained in this ASX release relating to South Korean Exploration Results has been compiled by Mr. Simon Fleming of Stonehenge Metals Limited. Mr. Fleming is a Fellow of The Australian Institute of Geoscientists and Mr. Fleming has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".



# STONEHENGE METALS LTD

## CORPORATE

On 3 August 2010 the Company announced the appointment of Mr Richard Henning as Managing Director and at the same time advised that Mr Bruce Lane had resigned as a director of Stonehenge. In addition, on that date, Stonehenge advised that Miss Rosemary Wilson has resigned from the position of Company Secretary and that Mr Bevan Tarratt will transition from being an Executive director to Non-Executive director.

On 12 October 2010, Stonehenge advised that a share placement had been agreed with Australian institutions and subsequently on 15 October 2010 the Company advised that 39,999,999 new SHE shares had been issued at a price of 7.5 cents per share. A further issue of 1,016,000 shares to directors (pursuant to the shareholder approval of 24 September 2010) at 7.5 cents per share was completed and advised to ASX on 28 October 2010. These new shares issues raised \$3,076,200.00 before costs.

On 12 October 2010, Stonehenge advised that a share placement had been agreed with Australian institutions and subsequently on 15 October 2010 the Company advised that 39,999,999 new SHE shares had been issued at a price of 7.5 cents per share.

A further issue of 1,016,000 shares to directors (pursuant to the shareholder approval of 24 September 2010) at 7.5 cents per share was completed and advised to ASX on 28 October 2010. Together these new share issues raised \$3,076,200.00 before costs.

Subsequently on 9 November 2010 as outlined in an ASX release dated 12 November 2010, 1,333,333 shares and 1,000,000 SHEO listed options were issued to parties for services in connection with the previously completed \$3,000,000 institutional share placement.

On 23 November 2010 the Company issued two tranches of 6,250,000 unlisted options to purchase shares to parties in connection with capital raising and promotion of the Company. One of these tranches has an exercise price of 8.4 cents per share and the other has an exercise price of 11.2 cents per share with both tranches expiring on 23 November 2013.

## STONEHENGE METALS LTD

### SOUTH KOREAN TENEMENT SCHEDULE AS AT 20 JANUARY 2011

Korean Granted Mining Rights (subject to the Sim Acquisition Agreement)

Registration Number	Land Register	Number	Area (ha)	Minerals	Registration Date	Registrant	Property
76967	Goesan	114	275	Uranium	28/05//2008	Sim Jae Youl	<b>Goesan [Gwesan]</b>
76942	Goesan	115	275	Uranium	14/05/2008	Sim Jae Youl	
76965	Goesan	117	275	Uranium	28/05/2008	Sim Jae Youl	
76966	Goesan	118	275	Uranium	28/05/2008	Sim Jae Youl	
76964	Goesan	124	275	Uranium	28/05/2008	Sim Jae Youl	
76941	Goesan	125	275	Uranium	14/05/2008	Sim Jae Youl	
76968	Goesan	126	275	Uranium	28/05/2008	Sim Jae Youl	
76969	Goesan	128	275	Uranium	28/05/2008	Sim Jae Youl	
77018	Miwon	36	276	Uranium	11/06/2008	Sim Jae Youl	
77019	Miwon	46	276	Uranium	11/06/2008	Sim Jae Youl	
77020	Miwon	58	276	Uranium	11/06/2008	Sim Jae Youl	
77225	Miwon	37	276	Uranium	21/08/2008	Sim Jae Youl	
77291	Miwon	47	276	Uranium	23/09/2009	Sim Jae Youl	
77292	Miwon	57	276	Uranium	23/09/2009	Sim Jae Youl	
77010	Okcheon	136	138	Uranium	10/06/2008	Sim Jae Youl, Sim Jun Bo	<b>Daejon</b>
77011	Daejon	18	277	Uranium	10/06/2008	Sim Jae Youl, Sim Jun Bo	
77012	Daejon	28	259	Uranium	10/06/2008	Sim Jae Youl, Sim Jun Bo	
77013	Daejon	38	277	Uranium	10/06/2008	Sim Jae Youl, Sim Jun Bo	
77014	Daejon	48	277	Uranium	3/07/2008	Sim Jae Youl, Sim Jun Bo	
77038	Okcheon	147	277	Uranium	19/06/2008	Sim Jae Youl, Sim Jun Bo	
77039	Daejon	17	103	Uranium	19/06/2008	Sim Jae Youl, Sim Jun Bo	
77114	Daejon	7	190	Uranium	3/07/2008	Sim Jae Youl, Sim Jun Bo	
77115	Daejon	27	56	Uranium	3/07/2008	Sim Jae Youl, Sim Jun Bo	
77363	Daejon	47	242	Uranium	16/10/2008	Sim Jae Youl	
77364	Daejon	57	186	Uranium	16/10/2008	Sim Jae Youl	

## STONEHENGE METALS LTD

Korean Granted Mining Rights (subject to the Sim Acquisition Agreement)

Registration Number	Land Register	Number	Area (ha)	Minerals	Registration Date	Registrant	Property
77293	Pyeonghae	123	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	<b>Pyeonghae</b>
77294	Pyeonghae	124	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77295	Pyeonghae	125	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77296	Pyeonghae	133	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77297	Pyeonghae	138	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77298	Pyeonghae	103	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77299	Pyeonghae	104	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77300	Pyeonghae	113	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77301	Pyeonghae	114	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77302	Pyeonghae	115	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77303	Pyeonghae	117	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77304	Pyeonghae	118	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77305	Pyeonghae	126	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77306	Pyeonghae	127	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77307	Pyeonghae	128	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77308	Pyeonghae	136	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	
77309	Pyeonghae	137	275	Uranium	23/09/2008	Se Woo Mining Co Ltd.	

Korean Mining Right Applications (held directly by Chong Ma)

Registration Number	Land Register Name	Number	Area (ha)	Minerals	Registration Date	Registrant	Property Location
03673	Daejon	58	277	Uranium	Nov 16, 2010	Chong Ma	<b>Daejon</b>
03674	Daejon	59	277	Uranium	Nov 16, 2010	Chong Ma	
03675	Daejon	68	277	Uranium	Nov 16, 2010	Chong Ma	
03676	Daejon	69	277	Uranium	Nov 16, 2010	Chong Ma	
03677	Daejon	70	277	Uranium	Nov 16, 2010	Chong Ma	

## STONEHENGE METALS LTD

Korean Mining Rights (held directly by Chong Ma)

Registration Number	Land Register Name	Number	Area (ha)	Minerals	Registration Date	Registrant	Property Location
79161	Goisan	137	275	U, V	Dec 30, 2010	Chong Ma	Gwesan

**Note:** All Mining Rights & Applications (above) have been pegged as standard 1 minute latitude X 1 minute longitude graticules and are approximately 277- 275 ha in size.

### TASMANIAN TENEMENT SCHEDULE AS AT 20 JANUARY 2011

Project Name	Tenement	Area	Expiry Date	Holder	Stonehenge Interest
Granville Leases/ Twelve Mile Creek - Granville East, Central Big H, North Heemskirk Alluvial, Heemskirk Tin Mill	21M/2003	68 ha	05-Mar-09	Stonehenge Metals Ltd	100% - Now subject to 100% transfer to McDermott Mining
Granville East Extended Lease	9M/2006	10 ha	09-Oct-11	Stonehenge Metals Ltd	100% - Now subject to 100% transfer to McDermott Mining
Sunshine/ McLean Creek Lease	20M/2001	21 ha	10-Mar-09 (extension application)	Stonehenge Metals Ltd	100%
Stonehenge Creek	EL17/2003	7 km <sup>2</sup>	09-Jul-10 (extension application)	Stonehenge Metals Ltd	100%

### 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.

### AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 23 for the half year ended 31 December 2010.

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



Bevan Tarratt  
**DIRECTOR**

Dated this 16th Day of March, 2011

16 March 2011

The Board of Directors  
Stonehenge Metals Limited  
1306 Hay Street  
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Stonehenge Metals Limited for the half year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- 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

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia



# STONEHENGE METALS LTD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	December 2010 \$	December 2009 \$
<i>Revenue from continuing operations</i>		
Other income	105,027	13,508
Employee benefits expense	(363,071)	-
Directors fees and consultancy	(89,500)	(50,800)
Corporate	(81,882)	(51,378)
Travelling expenses	(105,427)	(24,197)
Exploration costs not capitalised	(43,097)	-
Accounting	(41,042)	-
Advertising	(53,231)	-
Share based payments	-	(165,975)
Interest expense	(10)	-
Legal costs	(36,196)	-
Occupation	(56,391)	(12,388)
Depreciation	(10,668)	(9,327)
Other expenses	(225,153)	(180,183)
Loss before income tax	(1,000,641)	(480,740)
Income tax expense	-	-
Loss from continuing operations attributable to the members of Stonehenge Metals Limited	(1,000,641)	(480,740)
<i>Discontinued operations</i>		
Loss from discontinued operations	-	(15,214)
<i>Other comprehensive income</i>		
Exchange differences on translation of foreign operations	(80,096)	-
Other comprehensive income for the year, net of tax	(80,096)	-
Total comprehensive income for the half-year attributable to the members of Stonehenge Metals Limited	(1,080,737)	(495,954)
	<b>Cents</b>	<b>cents</b>
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company	(0.326)	(0.431)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

# STONEHENGE METALS LTD

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31 December 2010 \$	30 June 2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,655,250	3,563,109
Trade and other receivables		197,625	135,104
<b>Total current assets</b>		<b>4,852,875</b>	<b>3,698,213</b>
<b>NON-CURRENT ASSETS</b>			
Mineral exploration and evaluation expenditure		5,144,764	4,344,231
Property, plant and equipment		97,881	108,125
<b>Total non-current assets</b>		<b>5,242,645</b>	<b>4,452,356</b>
<b>TOTAL ASSETS</b>		<b>10,095,520</b>	<b>8,150,569</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		307,356	356,616
<b>Total current liabilities</b>		<b>307,356</b>	<b>356,616</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		789,275	789,275
<b>Total non-current liabilities</b>		<b>789,275</b>	<b>789,275</b>
<b>TOTAL LIABILITIES</b>		<b>1,096,631</b>	<b>1,145,891</b>
<b>NET ASSETS</b>		<b>8,998,889</b>	<b>7,004,678</b>
<b>EQUITY</b>			
Contributed equity	6	17,428,524	15,121,522
Reserves		2,491,457	1,803,607
Accumulated losses		(10,921,092)	(9,920,451)
<b>TOTAL EQUITY</b>		<b>8,998,889</b>	<b>7,004,678</b>

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

## STONEHENGE METALS LTD

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Options Premium Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>As at 1 July 2009</b>	<b>9,090,582</b>	<b>(8,099,716)</b>	<b>140,725</b>	<b>240,388</b>	<b>1,371,979</b>
Loss for the half-year	-	(495,954)	-	-	(495,954)
Comprehensive income for the half-year	-	-	-	-	-
Total comprehensive income for the half-year	-	(495,954)	-	-	(495,954)
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the period	1,016,954	-	-	-	1,016,954
Share based payments issued during the period	55,500	-	110,475	-	165,975
Options issued during the period	-	-	-	30,036	30,036
<b>As at 31 December 2009</b>	<b>10,163,036</b>	<b>(8,595,670)</b>	<b>251,200</b>	<b>270,424</b>	<b>2,088,990</b>

	Contributed Equity	Accumulated Losses	Share Based Payments Reserve	Options Premium Reserve	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
<b>As at 1 July 2010</b>	<b>15,121,522</b>	<b>(9,920,451)</b>	<b>1,535,413</b>	<b>275,111</b>	<b>(6,917)</b>	<b>7,004,678</b>
Loss for the half-year	-	(1,000,641)	-	-	-	(1,000,641)
Comprehensive income for the half-year	-	-	-	-	(80,096)	(80,096)
Total comprehensive income for the half-year	-	(1,000,641)	-	-	(80,096)	(1,080,737)
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the period	2,307,002	-	-	-	-	2,307,002
Options issued during the period	-	-	767,946	-	-	767,946
<b>As at 31 December 2010</b>	<b>17,428,524</b>	<b>(10,921,092)</b>	<b>2,303,359</b>	<b>275,111</b>	<b>(87,013)</b>	<b>8,998,889</b>

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

# STONEHENGE METALS LTD

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	December 2010 \$	December 2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments for administration	(1,048,174)	(379,204)
Other payments – GST	(25,723)	(6,054)
Other Receipts	-	5,348
Interest received	104,455	13,508
<b>Net cash outflow from operating activities</b>	<b>(969,442)</b>	<b>(366,402)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(5,151)	(21,704)
Payments for exploration, evaluation expenditure	(783,401)	(58,557)
Proceeds from disposal of plant and equipment	-	40,000
<b>Net cash outflow from investing activities</b>	<b>(788,552)</b>	<b>(40,261)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	2,924,041	1,765,478
<b>Net cash inflow from financing activities</b>	<b>2,924,041</b>	<b>1,765,478</b>
Net increase in cash and cash equivalents	1,166,047	1,358,815
Effects of exchange rate changes on cash and cash equivalents	(73,906)	-
Cash and cash equivalents at the beginning of the period	3,563,109	1,329,728
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>4,655,250</b>	<b>2,688,543</b>

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

# STONEHENGE METALS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 1: BASIS OF PREPARATION

The general purpose financial statements for the half-year reporting period 31 December 2010 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with any public announcements made by Stonehenge Metals Limited during the half-year 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 half-year reporting period.

### NOTE 2: SEGMENT INFORMATION

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

	Tasmania		South Korea			
	December	June	December	December	June	December
	2010	2010	2009	2010	2010	2009
	\$	\$	\$	\$	\$	\$
Revenue from external sources	-	-	-	-	-	-
Reportable segment profit / (loss)	-	-	(15,214)	-	-	-
Reportable segment assets	31,870	41,584	-	5,112,894	4,302,648	-
Reportable segment liabilities	-	-	-	-	829,210	-

# STONEHENGE METALS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 2: SEGMENT INFORMATION (contd)

Reconciliation of reportable segment profit or loss	December 2010 \$	December 2009 \$
Reportable segment profit / (loss)	-	(15,214)
Other income	105,027	13,507
Unallocated:		
- Corporate expenses	(81,882)	(51,378)
- Depreciation expense	(10,668)	(9,327)
- Director benefits	(89,500)	(50,800)
- Employee benefits	(363,071)	-
- Other expenses	(560,547)	(382,742)
Loss before tax	(1,000,641)	(495,954)

### NOTE 3: EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are of the opinion that there are no events subsequent to reporting date that need to be disclosed.

### NOTE 4: CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2010.

### NOTE 5: DIVIDENDS

No dividends have been declared or paid for the half-year ended 31 December 2010.

### NOTE 6: CONTRIBUTED EQUITY

#### (a) Share Capital

	December 2010 Shares	June 2010 Shares	December 2010 \$	June 2010 \$
Fully paid	331,444,566	289,095,234	17,023,970	15,121,522



# STONEHENGE METALS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 6: CONTRIBUTED EQUITY (contd)

#### (b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
01/07/10	Balance at beginning of year	289,095,234		15,121,522
15/11/10	Fully paid ordinary shares issued	39,999,999	\$0.075	3,000,000
29/10/10	Fully paid ordinary shares issued	1,016,000	\$0.075	76,200
09/11/10	Fully paid ordinary shares issued	1,333,333	\$0.075	100,000
	Less: transaction costs			(869,198)
31/12/10	Balance at end of period	<u>331,444,566</u>		<u>17,428,524</u>

The following options were issued during the period.

Date	Details	Number of options	Issue price	\$
15/11/10	Options issued	1,000,000	\$0.060	60,000
23/11/10	Options issued	12,500,000	\$0.0566	707,946
				<u>767,946</u>

### NOTE 7: SHARE BASED PAYMENTS

On 9 November 2010 as outlined in an ASX release dated 12 November 2010, 1,333,333 shares were issued for services in connection with the previously completed \$3,000,000 institutional share placement.

On 15 November as outlined in an ASX release dated 12 November 2010, 1,000,000 SHEO listed options were issued for services in connection with the previously completed \$3,000,000 institutional share placement.

On 23 November 2010 the Company issued two tranches of 6,250,000 unlisted options to purchase shares to parties in connection with capital raising and promotion of the Company. One of these tranches has an exercise price of 8.4 cents per share and the other has an exercise price of 11.2 cents per share with both tranches expiring on 23 November 2013.

#### Fair Value of share options and assumptions

The fair value of services received in return for share options granted to directors is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. This life of the options and early exercise option are built into the option model.

# STONEHENGE METALS LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 7: SHARE BASED PAYMENTS (contd)

The assumptions used for the third party options valuation for options issued in the period ended 31 December 2010 are as follows:

Exercise Price	\$0.084
Expected Life	3.2 years
Share Price at time of issue	\$0.08
Expected volatility	120%
Dividend yield	0%
Risk free interest rate	4.75%
Option value	\$0.0583

Exercise Price	\$0.12
Expected Life	3.2 years
Share Price at time of issue	\$0.08
Expected volatility	120%
Dividend yield	0%
Risk free interest rate	4.75%
Option value	\$0.05498

# STONEHENGE METALS LTD

## DECLARATION BY DIRECTORS

The Directors of the Group declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

- (a) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance as represented by the results of its operations, changes in equity and its cashflows, for the half year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Dated this 16th day of March 2010



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Bevan Tarratt  
*Director*

## 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 statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity 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 disclosing entity 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 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 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 2010 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 report.



## 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 2010 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*.

BDO Audit (WA) Pty Ltd

BDO  


Phillip Murdoch  
Director

Perth, Western Australia  
Dated this 16<sup>th</sup> day of March 2011