



QUARTERLY ACTIVITIES REPORT



PERIOD ENDING 30 September 2011
ASX CODE: SHE

Stonehenge Metals Ltd

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OVERVIEW

- Acquisition of Korean Uranium Projects Complete
- Commencement of pit optimisation modelling
- Latest metallurgical test work delivers 90 per cent Uranium & 68 per cent Vanadium extraction
- Environmental baseline monitoring commences
- Senior Adviser appointed in Korea

Stonehenge Metals Limited (ASX:SHE) (**Stonehenge** or the **Company**) is pleased to provide shareholders the following quarterly activities report with respect of the Company's activities.

Acquisition of Korean Uranium Projects complete

On 19 July 2011 the Company advised that its wholly owned subsidiary Chong Ma Mines Inc. (**Chong Ma**) had, pursuant to the Acquisition Agreement announced on 6 January 2010, made the final payment of US\$400,000 to secure the remaining 4/9 interest in the Daejon, Miwon and Gwesan Uranium projects.

The Company has resolved not to exercise its option to acquire the Pyeonghae Option Property after investigations did not yield any prospect of economic mineralisation being discovered.

Stonehenge, via Chong Ma, now holds 100 per cent of the title to the three (3) uranium projects which comprise 25 granted mining rights and 10 mining right applications covering an approximate area of 15,847 hectares.

Geology – Sampling & Mapping to Continue

Stonehenge has continued with collation and translation of historical data. The existing data has been verified with new reports and new information has been added to an access database.

Ventilation of the Chubu Adit has been setup to allow for sampling and mapping. This will add to the understanding of the mineralogy and structural geology of the project. Monitoring of the adit is now in place for the health and safety of workers.

The collection of two bulk samples from the Chubu Adit dump were sent for metallurgical testing in Perth. Both of these samples are to be used for vanadium analysis.

Planned Work – Analysis of Historical Data

Historical Collars – Some of the drilling sites that were completed in the 1980's have been located. An accurate survey of the collars is planned during the autumn months.

Data Sharing - Stonehenge has been building relationships with key partners and will be working on data sharing and information agreements.

Pit Optimisation – Stonehenge has commissioned Optiro to undertake a preliminary pit optimisation to help identify key areas for resource upgrade.

The study will consider mining cost and uranium grade as the main parameters for this optimisation study. Based on the current operating cost study it has been assumed that 2.75Mtpa (million tonnes per annum) of ore is required to be delivered to the mill at an average head grade of 400ppm U_3O_8 during the initial payback period for an annual production rate of 1,000 tpa U_3O_8 . Multiple scenarios will be run in order to understand the sensitivities on mining operation to achieve an ore throughput of 2.75Mtpa.

Metallurgy – Ease of Extraction

Stonehenge metallurgical test program is focused on extracting the full potential value of Daejon ore and in particular uranium and vanadium.

Two potential flow sheet options are being evaluated. The first flow sheet option involves pressure acid leaching of whole ore to leach uranium, vanadium and any associated base metals sulphides. The second process option uses atmospheric acid leaching to extract uranium and then salt roast leach residue to liberate vanadium.

Fresh bulk samples from the Chubu exploration adit were delivered to ALS Ammtec in June 2011 for metallurgical testing. Acid pressure leach tests are being performed to assess different operating conditions between the temperature range of 120°C-220°C to maximise vanadium extraction. Results from acid pressure leach tests have continued to confirm uranium is easily extracted. To date all pressure leach tests have achieved greater than 90 per cent uranium extraction.

Vanadium extraction results achieved to date in the current program have been as high as 68 per cent extraction after 1 hour leach residence time at 180°C. Previous best vanadium extraction result using whole ore acid leaching was 50 per cent at a leach temperature of 95°C. Pressure leach tests will continue over the next three months to optimise leach conditions and assess ore variability. Stonehenge has also identified a large domestic supplier of concentrate sulphuric acid within 120km of the project area and within the vicinity of existing rail infrastructure.

Competitive tenders have been received for vanadium salt roasting program and proposals are currently being assessed for award in October. Stonehenge's target is to achieve 90 per cent uranium and 75 per cent vanadium extraction. Using the existing operating cost model, if 75 per cent vanadium extraction is achieved then the net cash cost for production of both uranium and vanadium after by-product credits will be US\$14.00 / lb U_3O_8 . A vanadium price assumption of US\$6.50 / lb V_2O_5 flake was used with an annualised production of 1,000 tpa U_3O_8 and 6,965 tpa V_2O_5 flake.

Environmental – Best Practice Management Systems

Work has commenced on a regional hydrocensus, which includes a survey of private bores and identification of watercourses, springs, seeps and dams. Monitoring locations will be identified and a sampling program will commence in October 2011.

Commitment to best practices in environmental management and current international standards specific to the uranium exploration and mining will be made, including the acknowledgement of a recent change in the World Health Organisation's (WHO) safe drinking water guidelines for uranium from 0.015 to 0.030 mg/L.

Water quality data will also be measured against the Australia and New Zealand Environment Conservation Council (ANZECC) Guidelines (2000) for the Protection of Stockwater and Aquatic Ecosystems. A minimum of two year baseline data will be collected for preparation of an Environmental Impact Statement (EIS). As part of QA/QC, a qualified in-house hydrogeologist will carry out the initial water sampling program. Field personnel will be trained for future sampling.

Historical data show levels of uranium and radionuclide in groundwater downstream from the orebody, exceeding that of the WHO safe drinking water limit. Water quality monitoring data collected will be used as an important consultation tool in the early stages of community and stakeholder engagement.

Corporate – Acquisition Interest

On 5 May 2011, Stonehenge announced to the ASX that it was in negotiation with a second party in regard to a potential acquisition. The potential acquisition resulted from a proposal to the Stonehenge Board by Tozai Holdings Inc. to acquire up to 51 per cent of their uranium tenements in Korea, most notably Daejon 49.

A terms sheet was agreed upon, subject to the conditions being met in a Letter of Intent (LOI). A due diligence period of three months was granted

in order to confirm the conditions outlined in the LOI.

The result of the Company's due diligence on the Daejon 49 Project was such that Stonehenge formally withdrew from negotiations on 29 September 2011.

Management – New Senior Adviser

The Board of Stonehenge is pleased to announce that Mr Cheong-Hie Kim will join the company in Korea in the position of Senior Advisor.

Mr Kim was previously employed by BHP Billiton Korea Co. Ltd from 2002 to 2008 as Senior Advisor and Representative Director. He had overall marketing responsibility of company products in Korea, including coal, iron ore, non-ferrous minerals, LNG/petroleum products, alloys etc. and his role included management of customer relationship including POSCO, Korean power corporation groups, Korea Gas Corporation and Hyundai steel.

Prior to his position with BHP, Mr Kim was with the Samsung Group since 1978 in a variety of roles including four years with the Samsung Group in Sydney as Senior General Manager, Energy Department, and The Samsung Corp - International Trading, 1998 to 2002 and General Manager, Export Department, Samsung America Inc. (New York)- 1987 to 1990.

From 1975 to Jan 1978 he was employed by Korea Resources Corp (KORES) as a Mining engineer-valuation of mine, expatriate to premier office, Republic of Korea.

Mr Kim is a graduate of The College of Engineering, the Yonsei University in Korea, the Delft University of Technology, Netherlands and the Seoul National University, Korea. He is also the technical advisor to the Korea Mining Industry Association.

The Annual Report was submitted to the ASX and is available on the company website.

For further information please visit:

www.stonehengemetals.com.au

Competent Person Statement

The information contained in this report that relates to Mineral Resources and exploration results is based on information compiled by Mr. Michael Andrew of Optiro Pty Ltd (ABN 63 131 922 739), which provides geological consulting services to Stonehenge Metals Limited. Mr. Andrew 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 Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Andrew consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 1

Table 1: Stonehenge Tenement Details:

Registration Number	Land Register	Number	Area (ha)	Minerals	Registration Date	Registrant	Property
76967	Goesan	114	275	Uranium	28/05//2008	Sim Jae Youl	Goesan [Gwesan]
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	Daejon
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	

Table 2: 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	Daejon
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	

Table 3: 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

Technical 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.

Table 4: Tasmanian Tenement Schedule

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% - Subject to 100% transfer to McDermott Mining*
Granville East Extended Lease	9M/2006	10 ha	09-Oct-11	Stonehenge Metals Ltd	100%
Sunshine/ McLean Creek Lease	20M/2001	21 ha	10-Mar-09 (extension application)	Stonehenge Metals Ltd	100% - Subject to 100% transfer to McDermott Mining
Stonehenge Creek	EL17/2003	7 km ²	09-Jul-10 (pending renewal)	Stonehenge Metals Ltd	100%

* 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 30 June 2010 Quarter in preparation for the finalisation of the transfer.