



QUARTERLY ACTIVITIES REPORT

PERIOD ENDING 31 DECEMBER 2010



ASX CODE: SHE

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- 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 U₃O₈
 - Maiden Korean Diamond Drilling Program Commenced
 - Research Program With Kongju University Commenced On Historical Daejon Drill Core
 - Additional Tenement Granted At Gwesan In South Korea
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SUMMARY

During the Quarter, Stonehenge Metals Limited (**Stonehenge** or the **Company**) made further significant progress in developing its uranium projects in South Korea.

Metallurgical Testing Continues After Encouraging Review of Historical Testing

During the previous Quarter Stonehenge completed a desk top pre-scoping engineering study (**Study**) of its Daejon Uranium Project in South Korea. Stonehenge subsequently advised, on 6 October 2010, that the Study was completed and that the results from the 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 U₃O₈ recovery was estimated to be 90 – 92%.

The Company subsequently commissioned further testing during the Quarter 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.

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.

Gwesan Surface Sampling in Korea

As previously reported on 28 October, the Company advised that positive results were achieved from chemical assay analysis of surface rock chip samples from the Gwesan area (Figure 1). Initial rock chip sampling conducted along a road cutting in Okseong (10R002) has returned assay results up to 5,354ppm U₃O₈. Other samples were taken from shallow trenches approximately 50m along the strike with sample G004 returning 637ppm U₃O₈ (and associated 2,017ppm V₂O₅). Further detail of sampling results is contained later (Table 1) in this report and in the Company's 28 October 2010 ASX release. Stonehenge advised that, as a result of these promising results, a drilling programme was planned at Gwesan.

Maiden Korean 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 includes approximately 1,050m of diamond drilling in seven (7) drill holes (see Figure 2) 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 first analytical results should be available during early 2011.

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 Quarter, 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 3. The block is 275ha (2.75km²) 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 U₃O₈ and 0.94% V₂O₅.

Corporate Activity

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.

DETAILED OPERATIONS AND EXPLORATION REVIEW

South Korea

Metallurgical 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 voluminous 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.

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 Quarter 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 chip samples from the Gwesan area (Figure 1) and, as a result, defined a drilling programme to further investigate this new, 100% owned, exploration target. Significant results included:

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 1** overleaf.

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 1** overleaf).

Further sampling has been conducted along the three uranium zones at a nominal spacing of 5m. This will determine whether the vanadium, and other elements of economic interest are also carried 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.

Figure 1: Gwesan Area, Showing Stonehenge Tenements in Red

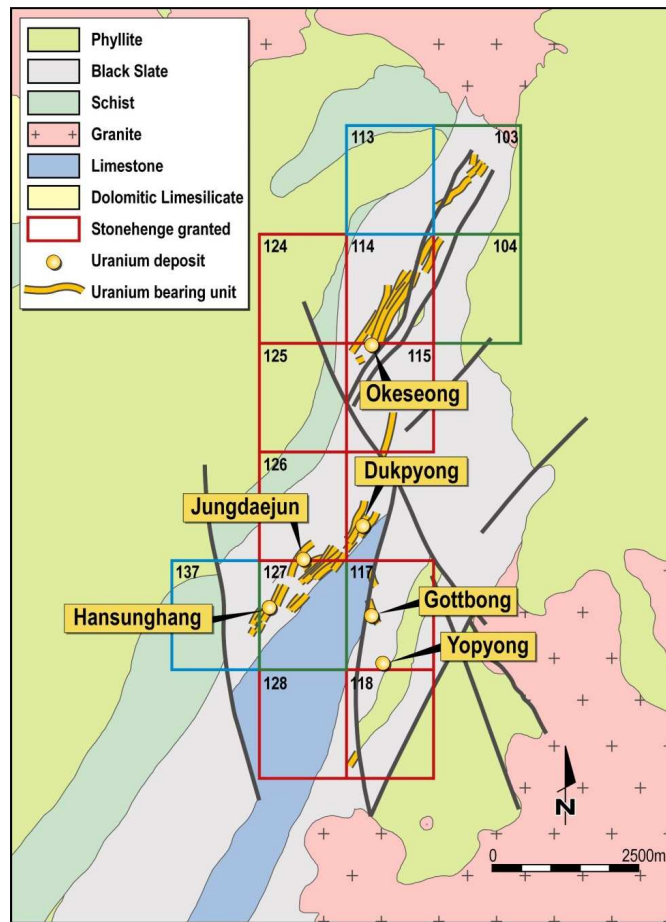


Table 1: Surface Sampling Results from Gwesan Project, South Korea

Sample	Type	Easting	Northing	Project	Description	Ag ppm	Mo ppm	U ₃ O ₈ ppm	V ₂ O ₅ 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.

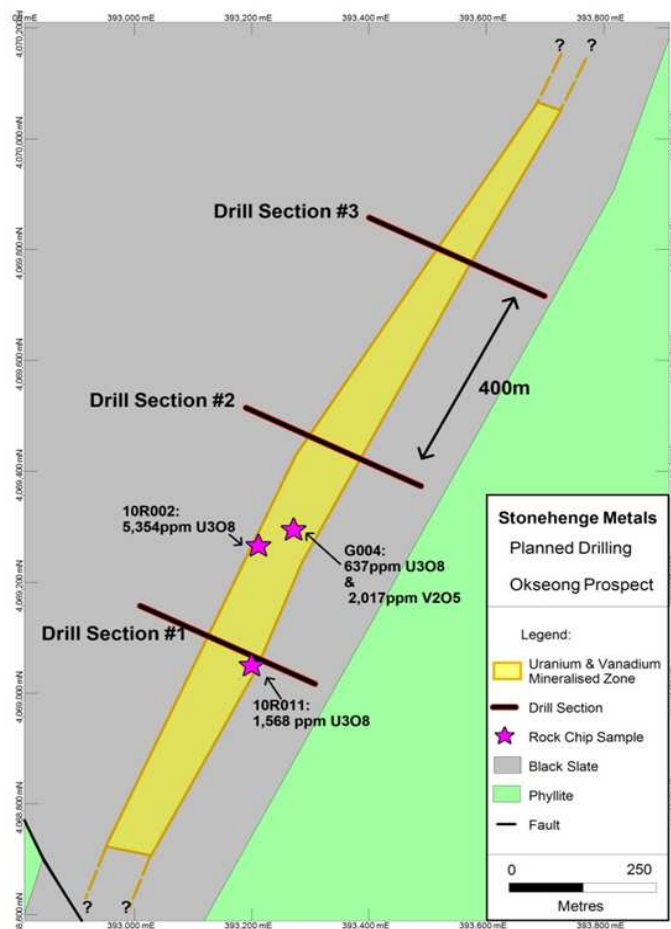
The drilling program will include approximately 1,050m of diamond drilling in seven (7) drill holes (see Figure 2) and will provide an initial test of approximately 800 metres of strike length of the mineralised horizons (up to three zones). The strike extensions of the outcrop sampling have been partially 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.

After the end of the Quarter, 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. Assays will be released once the analysis is complete.

Figure 2 Gwesan Project – Planned Diamond Drill Hole Locations



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 Quarter 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.

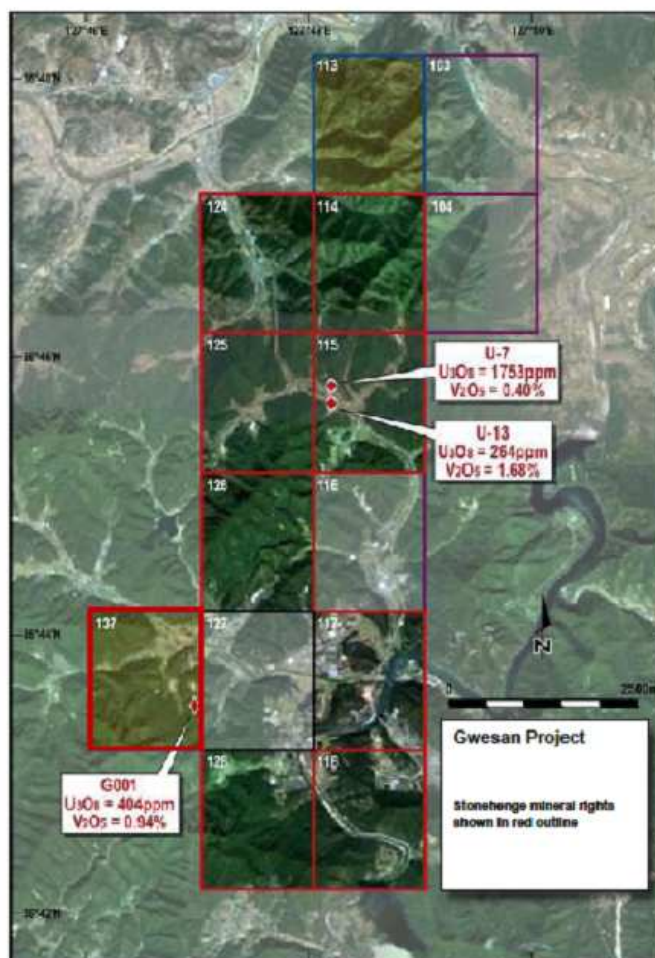
The Snowden Group in Perth has been retained by the Company to advise on the relevance of the core analysis to the present Inferred Resource. Further drilling at Chubu will be considered once all data has been reviewed and analyzed.

Additional Tenement Granted In South Korea

After the end of the Quarter, 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 3. The block is 275ha (2.75km²) 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 U₃O₈ and 0.94% V₂O₅.

Figure 3 – Gwesan project showing newly granted tenement 137



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 quarter.

CORPORATE

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.

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	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	

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.	Pyeonghae
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	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	

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 ²	09-Jul-10 (extension application)	Stonehenge Metals Ltd	100%

The Heemskirk Extended mining lease application (1M/2009), which was subject to transfer to McDermott Mining upon grant under the terms of the Heemskirk Project divestment lapsed during the June 30 2010 quarter. McDermott Mining will be responsible for a new application, if required, post finalisation of the Heemskirk divestment. The application for an extension of term over the Stonehenge exploration licence, EL17/2003, has been refused and the refusal is currently being appealed through the normal appeals process.

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".