



QUARTERLY ACTIVITIES REPORT

PERIOD ENDING 31 DECEMBER 2012



ASX CODE: SHE

Stonehenge Metals Ltd

ABN 81 119 267 391

L8, 225 St Georges Terrace

Perth WA 6000

T: +61 8 9481 2277

www.stonehengemetals.com.au

Enquiries regarding this report may be directed to:

Richard Henning

Managing Director

Matthew Foy

Company Secretary

HIGHLIGHTS

- Drilling approval granted at the Company's Daejon Project
- Staged Diamond Drill Programme
- Tenure management plan completed
- Environmental Framework completed
- New President elected in South Korea
- Cost saving measures introduced
- Non-renounceable priority offer closed

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

DRILLING APPROVAL GRANTED

Subsequent to the quarter, the Company announced that following the land access agreements secured in July 2012, it has received approval from the East District of Daejon Metropolitan City Council, Korea to create access roads for the purpose of commencing an initial 12 hole diamond drill programme at the Company's Daejon Project.

The lack of exploration progress during the quarter was largely due to the level of surveying and administration that was required in submitting and revising the application to the relevant local authorities.

The approval from the East District now enables Stonehenge to finalise the details of the drill programme which will aim to confirm historical uranium drill results through twinning, upgrade the resource to the next category and establish a maiden vanadium resource.

A two stage programme is planned on Daejon 6-1. Stage 1 will comprise of up to 5 diamond drill holes for 1,700m which will be used to confirm results of historical drilling and provide data for variography studies. The variography study will aim to provide optimum drill spacing for resource drilling at Daejon and will be completed prior to finalising Stage 2 of the programme. The two stage programme will aim to provide Stonehenge with an upgrade in the confidence of the existing uranium resource and aim to delineate a maiden Vanadium and Molybdenum resource using robust sampling and analytical methods. It is anticipated that Stage 2 will follow Stage 1 without any interruption to activity.

The areas to be targeted are at a shallow depth from surface (<200m) in an area inferred to have a relatively high metal accumulation based on thick mineralised intervals intersected by historical holes DH74-1, 80-DE-27, 80-DE-26. As such mineralisation in this targeted area may be amenable to extraction from relatively shallow open pits and or bulk underground stopes.

Stonehenge has a standing land access agreement with the owner of Daejon 6-1 and is working towards completing road access and drill sites as soon as possible. The planned access road is 1.4km long and has been designed and permitted in compliance with temporary mountain road specifications (Appendix 2).

The road will enable access to two permitted drill sites spaced at about 160m ENE – WSW in Appendix 3. These sites will enable initial resource drilling of the mineralisation at Chubu to upgrade confidence in the existing eU₃O₈ inferred resource and provide sampling for a maiden vanadium resource. It is planned to start drilling on Daejon 6-1 in the first quarter of 2013 once all site accesses have been completed and a suitable drill rig is on site.

The initial 2013 resource drilling programme on Daejon 6-1 has been staged to meet company strategic objectives. Stage 1 of the programme is designed to confirm the location of the historical mineralisation with a small programme of 80m spaced holes that will also twin DH74-1 (true width 41.9m at 270ppm eU₃O₈) and provide initial variography data for input into the Stage 2 programme. Stage 2 of the programme is designed to deliver a high quality inferred resource in the upper 200m of the central Chubu area of the Daejon Project. Depending on results and input with surface mapping and sampling it may be possible to further upgrade some of this resource drilling to higher confidence categories.

TENEMENTS

The Company has applied for extensions to 27 of its currently granted tenements – 12 in Daejon, 6 in Miwon and 9 in Gwesan. Application has also been made for Uranium, Vanadium and Molybdenum exploration rights over a further 20 tenements across the project area.

ENVIRONMENTAL

During the quarter, the company also completed phase one of our **Environmental Baseline Monitoring**.

One year baseline dust and water monitoring data (i.e. quarterly surface water and groundwater quality) has been collected across the Daejon project. Dissolved metal concentrations in surface water across the Daejon project area showed significant spatial variations. On the northern (i.e. Daejon City) side of the catchment divide, dissolved uranium was almost entirely less than the lower detection limit of 0.02 µg/L. On the southern (i.e. Geumsan County) side of the catchment divide, where creeks and dams receive runoff from mineralised black shale, the mean concentration was 0.13 µg/L uranium with a maximum of 12 µg/L, observed down gradient from an active quarry. The highest mean uranium concentration of 0.55 µg/L was observed in groundwater with a maximum of 31 µg/L U from a shallow monitoring bore near a decommissioned adit. Toxic metals, particularly cadmium and nickel were elevated at monitoring sites directly downstream from areas undergoing excavation activities such as the construction site, highway tunnel site and quarry. Dissolved concentrations of up to 230 µg/L Ni (i.e. exceeding 7 times WHO guideline level)

and 15 µg/L Cd (i.e. 5 times WHO guideline) were observed down gradient from the construction site.

Soil Survey

Soil samples were collected across the Chubu and Yokwang deposits for portable XRF spectrometer assays between 30 October 2012 and 7 November 2012. Acid soil conditions between pH 4 and 6.5 prevail across the project area due to soils derived from the oxidation of sulfide minerals in black shale units and possibly the biodegradation of pine needles into humic acid. Black soils were enriched in toxic metals such as arsenic, cadmium and uranium. Dispersion halos of these metals are well developed due to i) favourable chemical leaching conditions in acid soils and ii) steep terrains, which promotes transportation of black shale as colluvium down towards village settlements, pastures and water supply dams. Soils exceeding safe levels of arsenic (30ppm As) were assayed approximately 100m up gradient from Birae-1 village dam (i.e. 47ppm As) and 74ppm at Seongdang-2 village, at a location approximately 100m up gradient from ginseng pastures. Figure 1 shows the uranium dispersion halo developed down gradient from the mineralised black shale. Uranium concentrations typically ranged between 5ppm and 9ppm, with a mean of 7ppm, which is significantly less compared to historical mean value of 27ppm in the Chubu area. The portable XRF assay results are likely to be underestimated compared to the higher precision laboratory method using ICP-AES instrument.

Highly enriched toxic metal concentrations could have significant health impacts to the local community, particularly as these soils

are in close proximity to water supply dams and in some areas, encroaching on subsistence agricultural pastures with crops that are known to take up toxic metals through the root system.

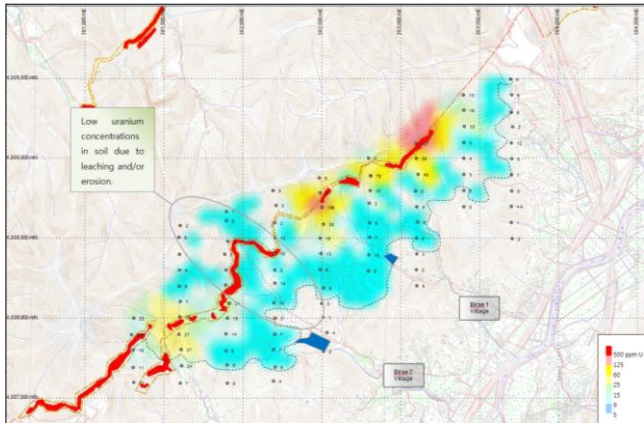


Figure 1: Soil uranium concentration map of the Chubu Deposit. Dispersion halo front (dotted line).

Environmental Pre-Scoping Document

Environmental Resources Management Pty Ltd (ERM) was appointed to prepare the environmental pre-scoping document to conduct an initial environmental and social screening and assessment of the available information related physical characteristics of the project area. The document also provides description in the approval processes required in South Korea by identifying pre-scoping activities associated with the Environmental Social Impact Assessment (ESIA). Key milestones towards approval of the ESIA study within the Korean regulatory framework are summarized in steps 1 to 18 in a flow chart below (Appendix 1, Figure 2). The key milestones achieved to date or in progress include;

Milestone 1 – Project description has been specified to characterise the project and provide an overview of its potential effects on the environmental and local community. Site

layout and the area of disturbance has been established.

Milestone 2 – Mapping of stakeholders and key project issues related to approvals has been identified.

Milestone 3 – Understanding of regulatory responsibilities and framework is in progress.

Milestone 4 – Assessment Plan (AP) detailing the project scope of works is in progress. Final draft of the ERM pre-scoping document will be used in the AP with formal consultation process outcomes to be included. AP is considered as the formal commencement step in the approval process.

Milestone 5 – The AP will be submitted to EIA committee, MoE and relevant regulatory agencies.

Milestone 6 – Environmental baseline studies have already been commenced with one year water quality data and dust monitoring data collected and analysed.

Milestone 7 – Information related to the completion of a Background Information Document (BID) is available to be distributed to the local community. BID is not a part of any approval process but allows the community consultations to commence. The remaining milestones will be achieved once Milestones 1 to 7 have been completed.

CORPORATE

During the quarter the following classes of options lapsed unexercised:

Options	Exercise Price	Expiration Date
4,500,000	\$0.075	12/10/2012
39,889,336	\$0.10	21/12/2012

Non-Renounceable Priority Offer

On 13 December 2012 the Company announced a non-renounceable priority offer of one (1) new Option for every two (2) Listed Options held registered at the Record Date at an issue price of \$0.005 per Option (**Options Rights Issue**). Based on the number of Listed Options on issue as at the date of the offer, a maximum of 19,944,668 Options may be issued pursuant to the Offer to raise approximately \$99,723.34.

The new options are exercisable at \$0.075 per option on or before 12 December 2014. On 15 January the Options Rights Issue closed having received valid applications for 1,102,377 options.

Pursuant to shareholder approval obtained on 29 November 2012 the Company has until 28 February 2013 to place the shortfall at the discretion of the Board.

Political Issues in Korea

The South Korean people elected their first woman President on 19 December 2012. Madam Park is from pro-business and pro-nuclear power generation party and has been a strong supporter of national energy security to continue a successful economic development for the Republic of Korea.

Korea imports 97% of energy resources to power its engines to deliver national prosperity to all people. Therefore, energy security for the nation is a paramount factor

to overcome current global crisis and resurrect the Korean economy.

South Korea relies heavily (34%) on nuclear power to generate its electricity requirements and it is believed that the President elect will continue the current nuclear power policy but with caution. Madam Park said that “a thorough inspection of the nuclear power plants should be carried out first to assess whether or not they pose any threat to the public”.

Madam Park is mindful about the public sentiment on nuclear power generation but also understands the national interest associated with security of electricity generation supply. Korean government has been under high pressure due to limited availability of alternative options for electricity generation in recent times. The Korean government under the 2010 Electricity Supply Base Plan will increase 23 nuclear power plants to 34 by 2024. It is expected that a safe nuclear power generation policy will stay with Korea for a long time and the new President elect will embrace its importance to the nation.

Personnel

The Board of Stonehenge is very aware of the present market conditions with respect to cash burn and future capital requirements and capital raising. As such certain cost saving measures were implemented in November and December. It is important to stress that the majority of the cost savings will affect the Perth Head Office, and should not impact on the Korean operations.

For further information please visit:

www.stonehengemetals.com.au

Competent Person Statement

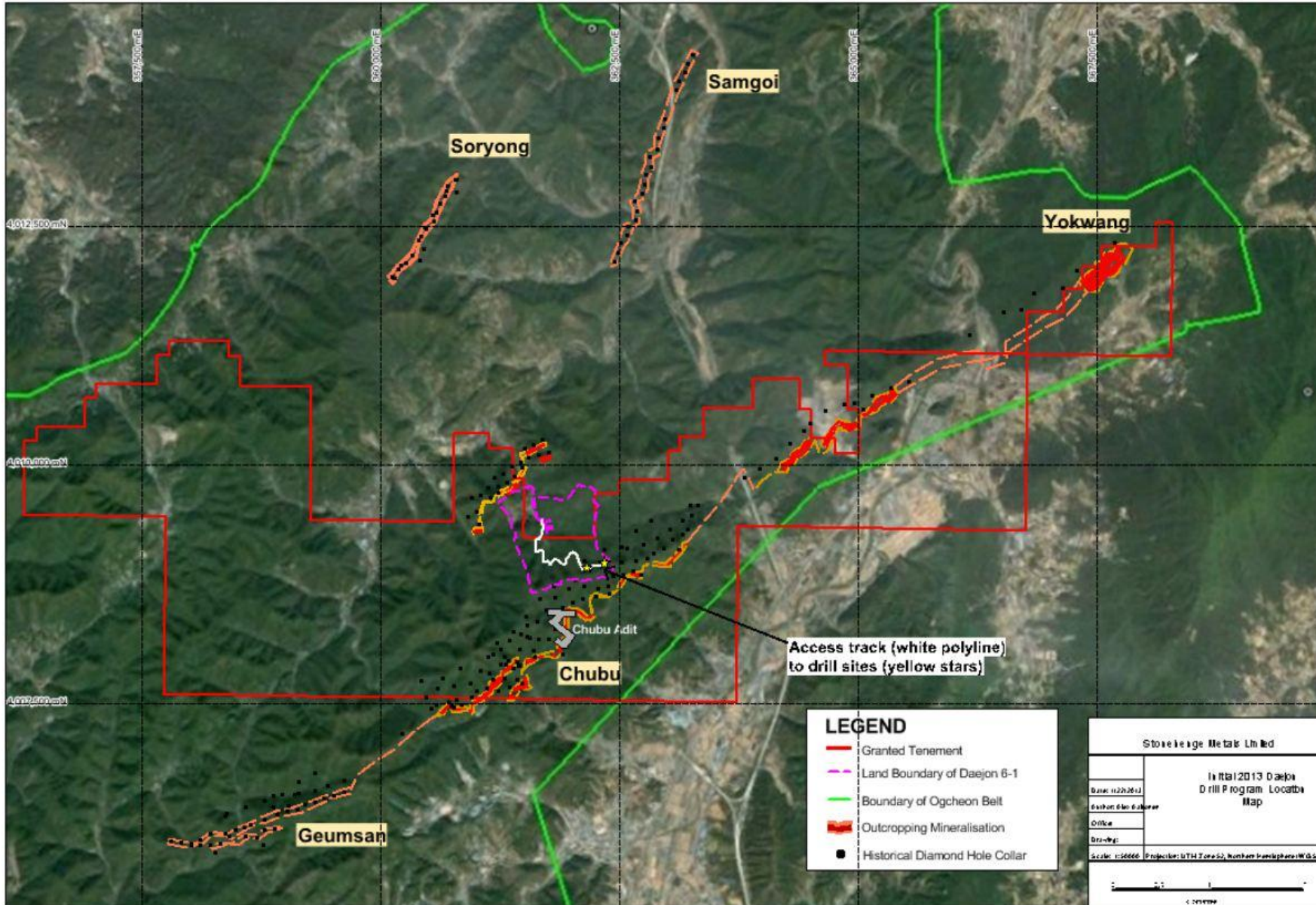
The information contained in this report that relates to Mineral Resources, exploration targets and exploration results is based on information compiled by Mr. Michael Andrew of Optiro Pty Ltd (ABN 63 131 922 739), which provides geological consulting services to Stonehenge Metals Limited. Mr. Andrew 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

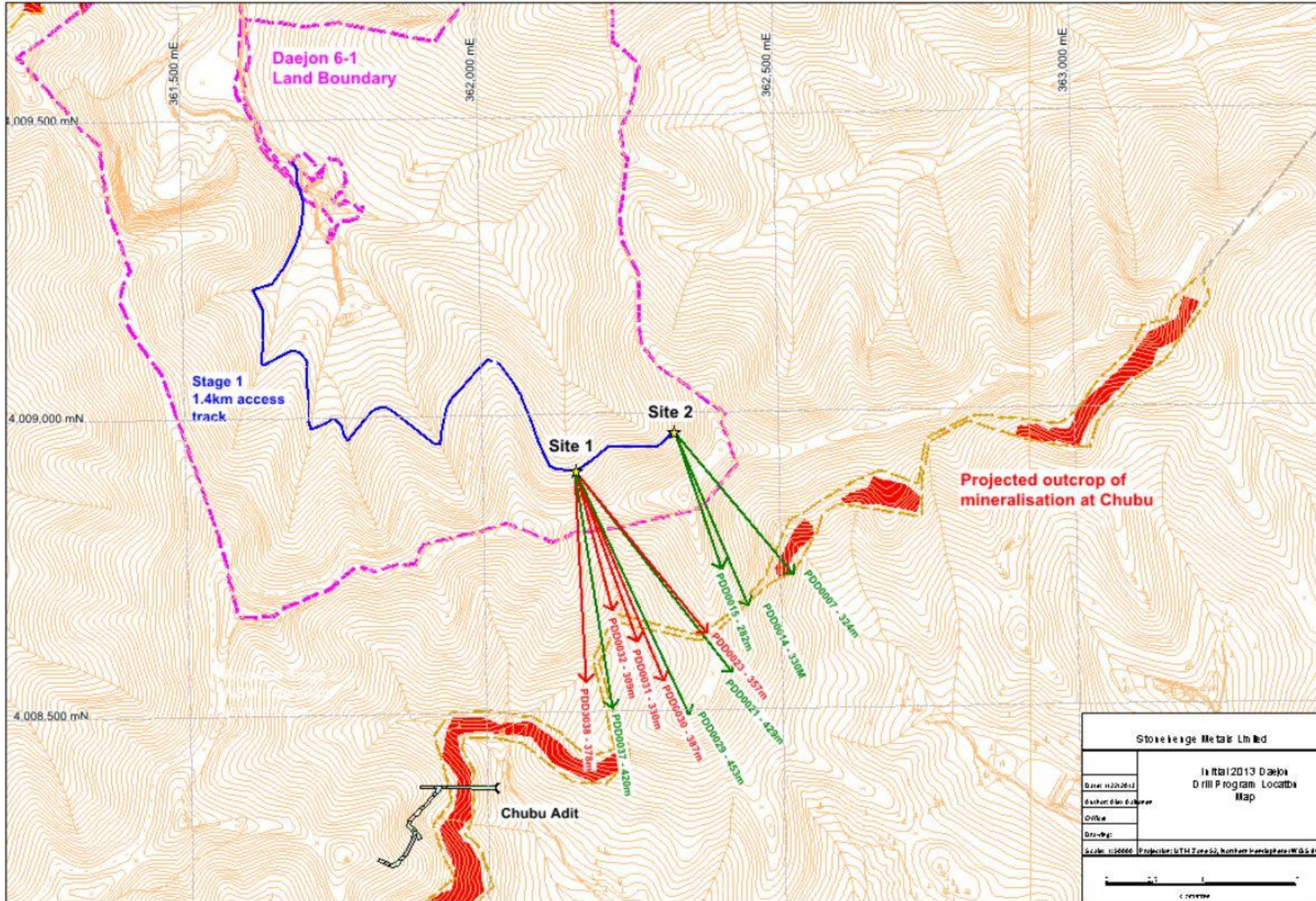


Figure 2: Overview of key milestones in the ESIA process.

Appendix 2: Daejon Project granted tenements; projected surface outcrop of modelled mineralisation, historic drill collars and planned access on Daejon 6-1



Appendix 3: 2013 proposed drill hole traces; inferred outcrop position of Chubu mineralisation, permitted access track/drill sites



Appendix 4: Stonehenge Tenement Details

Table 1: Korean Tenement Schedule (held directly by Stonehenge Metals Korea)

Tenement Name	ID	Registration No.	Registration Date	Area (ha)	Mineral
Gweson	115	76942	15/05/2008	275	Uranium
	125	76941	15/05/2008	275	Uranium
	114	76967	29/05/2008	275	Uranium
	117	76965	29/05/2008	275	Uranium
	118	76966	29/05/2008	275	Uranium
	124	76964	29/05/2008	275	Uranium
	126	76968	29/05/2008	275	Uranium
	128	76969	29/05/2008	275	Uranium
	137	79161	12/01/2011	275	Uranium, Vanadium
Miwon	36	77018	12/06/2008	276	Uranium
	46	77019	12/06/2008	276	Uranium
	58	77020	12/06/2008	276	Uranium
	37	77225	22/08/2008	276	Uranium
	47	77291	24/09/2008	276	Uranium
	57	77292	24/09/2008	276	Uranium
Daejon	18	77011	11/06/2008	277	Uranium
	28	77012	11/06/2008	259	Uranium
	38	77013	11/06/2008	277	Uranium
	48	77014	11/06/2008	277	Uranium
Okcheon	136	77010	11/06/2008	138	Uranium
	147	77038	20/06/2008	277	Uranium
Daejon	17	77039	20/06/2008	103	Uranium
	7	77114	04/07/2008	190	Uranium
	27	77115	04/07/2008	56	Uranium
	47	77363	17/10/2008	242	Uranium
	57	77364	17/10/2008	186	Uranium
Daejon	59	200204	18-12-2012	228	Uranium, Vanadium, Molybdenum

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 (pending renewal)	Stonehenge Metals Ltd	100% - Subject to 100% transfer to McDermott Mining
Granville East Extended Lease	9M/2006	10 ha	09-Oct-11 (pending renewal)	Stonehenge Metals Ltd	100% - Subject to 100% transfer to McDermott Mining