



STONEHENGE METALS
LIMITED

(ABN 81 119 267 391)

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2009

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Stonehenge Metals Limited

CORPORATE DIRECTORY

| | |
|------------------------------------|--|
| ABN | 81 119 267 391 |
| Directors | Warren Staude - Chairman Bevan Tarratt Bruce Lane |
| Company Secretary | Jay Stephenson Rosemary Wilson |
| Registered office | 6/34 York Street NORTH PERTH WA 6006 |
| Principal place of business | Ground Floor 1306 Hay Street WEST PERTH WA 6005 |
| Share register | Link Market Services Limited |
| Bankers | National Australia Bank |
| Auditors | BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 |

Stonehenge Metals Limited

DIRECTORS' REPORT

Your directors submit the financial report on Stonehenge Metals Ltd ('the Group) for the half-year ended 31 December 2009.

Directors

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

| | |
|---------------|------------------------|
| Warren Staude | Non Executive Chairman |
| Bruce Lane | Executive Director |
| Bevan Tarratt | Non Executive Director |

Overview

During the first six months of the year, Stonehenge Metals Limited (ASX: SHE) refined its approach to planned field exploration activity on its Tasmanian properties. Subsequent to the end of the half year the Group initiated the field reconnaissance program on 9 priority geochemical targets within the Stonehenge project area as outlined in the Group's previous quarterly report on 30 October 2009.

In addition, the group reviewed a number of new project opportunities across a range of commodities and geographies. This has resulted in the announcements to the ASX by Stonehenge on the 6th and 11th of January 2010 regarding the agreement to acquire Chong Ma Mines Inc which holds the rights to 4 uranium projects in South Korea. The uranium projects are estimated to contain significant quantities of uranium oxide as determined by the Korean Institute of Energy and Resources (KIER) in a 1986 published report and outlined in an ASX announcement made by the Group on 6 January 2010.

Divestment of the Heemskirk Tin Project, is now only subject to approval by the Department of Infrastructure, Energy and Resources (Tasmania). This divestment will enable the group to continue to focus effort on its exploration activities on the promising base metal targets on the Stonehenge (EL17/2003) and Sunshine (20M/2001) tenements and subject to completion of the acquisition, the newly acquired South Korean uranium projects.

Operations and Exploration

A review of all current and historical exploration information covering the group's tenements in Tasmania has been conducted. Further exploration targets have been delineated, with a particular emphasis on the resource areas at the Stonehenge project area.

A detailed data validation program has been undertaken across the Stonehenge tenement based on results extracted from historical exploration reports. These historical results were integrated into a regional geological model designed to attain a further understanding of the controls on mineralisation. Planning and budgeting for field sampling programs has been finalised, with field work to examine structural and geochemical targets initiated in January 2010. Soil and rock chip sampling programs have been designed to refine definition of a number of Pb/Zn targets defined from previous regional soil and stream sediment sampling campaigns.

Stonehenge Metals Limited

Corporate

On 12 October 2009, the Group announced that it had obtained approval from its shareholders to complete the placement of 50,000,000 shares at an issue price which is the equivalent to a 20% discount to the 5-day VWAP of the Stonehenge share price. This was later re-approved by shareholders as announced to the ASX on 25 November 2009. As at the date of this report, no shares have been issued pursuant to this shareholder approval.

On 12 October 2009, the Group also announced that it had received shareholder approval for the issue of 50,000,000 new shares to investors including the directors, at an issue price of 1.5 cents. The Group subsequently placed 3,000,000 shares from this placement to the directors. At the meeting of shareholders held on 25 November 2009, the Group then obtained approval from its shareholders for the placement of 25,000,000 shares at an issue price of 1.5 cents per share, which was an extension to the previous approval obtained. As at the date of this report, the Group has issued 25,000,000 shares at 1.5 cents to raise \$375,000 with no further shares to be issued pursuant to this shareholder approval.

On 13 November 2009 the Group announced a non-renounceable pro rata entitlements issue of options to existing Optionholders for the issue of 12,014,324 new options at an issue price of 0.25 cents per option on the basis of one (1) new option for every two (2) existing options held to raise \$30,036 before issue costs. Proceeds from the offer have been used to fund the continuing review of new opportunities, increase general working capital, and fund the costs of the offer. The Group issued 7,094,019 new options to applicants on 18 December 2009 and placed the shortfall of 4,920,305 options on 9 February 2010.

At 31 December 2009, 24,028,648 listed and 7,224,995 unlisted options expired. Prior to expiry the holders of 6,125,000 unlisted options were offered 3,062,500 new options on the same terms and conditions as those of the non-renounceable pro-rata entitlement issue of 13 November 2009. The Group issued 1,875,123 new options on 9 February 2010 to those applicants who accepted the offer.

Conditional Agreement to Acquire Chong Ma Mines Inc – Subsequent Event

On 6 January 2010 the Directors of Stonehenge announced that the Group had entered into an acquisition agreement (Acquisition Agreement) with Yellow Sun Mines (Operations) Pty Ltd (Yellow Sun) to acquire 100% of Yellow Sun's wholly owned Korean subsidiary, Chong Ma Mines Inc (Chong Ma). Chong Ma holds the rights to 4 uranium projects comprised of 42 granted mining rights and 14 uranium mining right applications (together the Uranium Projects) in South Korea.

On 16 February 2010 the Group advised the ASX that due diligence enquiries to date regarding Chong Ma and the Uranium Projects had been satisfactory subject to receiving final financial accounts from Chong Ma prior to completion. In line with its favourable due diligence findings Stonehenge took the decision to dispatch a Notice of Meeting to Shareholders so that they can vote on the transaction at a general meeting of shareholders to be held on 19 March 2010.

The Uranium Projects contain substantial historical foreign resources of uranium oxide (U_3O_8) as reported to the ASX on 6 January 2010 and determined by the Korean Institute of Energy and Resources (KIER) in a 1986 published report. KIER conducted significant exploration on the Uranium Projects from 1974 to 1985 (including 264 diamond drill holes totaling 36,293 meters of drill core).

Stonehenge Metals Limited

The directors believe that this historical exploration provides a solid foundation to rapidly upgrade the existing historical foreign uranium resource estimates to JORC compliant status ahead of a mining feasibility study.

The key highlights of the acquisition are set out as follows:

- Stonehenge has entered into an agreement to acquire 100% of Chong Ma Mines Inc which holds the rights to 4 South Korean uranium projects (Uranium Projects)
- Consideration is comprised of 10 million Stonehenge shares plus 60 million Stonehenge performance shares with A\$3 million to be spent on work commitments and purchase payments over 24 months including up to A\$150,000 of expenses reimbursement
- The Uranium Projects comprise 42 granted mining rights and 14 mining right applications
- The largest of the Uranium Projects, Daejon, contains a substantial historical foreign resource of U_3O_8 over 6kms of strike in a shallow deposit with open pit mining potential
- Potential exists for a rapid resource upgrade to JORC compliant status through evaluation of an existing 264 drill hole database which contains details from 36,293 meters of core

The Directors are of the opinion that the Uranium Projects present a near term opportunity for development due to South Korea's high dependence on imports of U_3O_8 and robust prices for uranium combined with increasing worldwide demand for nuclear power. The projects also hold significant potential for economic quantities of Vanadium and Molybdenum.

The commercial terms of the acquisition, which is subject to Stonehenge shareholder approval, include the issue of 10 million SHE ordinary shares and 60 million SHE performance shares. The performance shares are broken into seven distinct classes with milestones for conversion. The shares will all be issued at completion of the Acquisition Agreement (**Completion**) and escrowed for a minimum of 1 year from their date of issue or conversion into ordinary shares. The performance shares convert to ordinary shares on a 1-for-1 basis upon achievement of various milestones involving independent delineation, classification and reporting of mineral resources in accordance with the JORC Code, completion of a feasibility study, a decision to mine, securing a joint venture and / or financing and entering into an off-take arrangement. Pursuant to the Acquisition Agreement Stonehenge has committed to spend A\$3 million in work commitments and purchase payments (described above) on the Uranium Projects within 24 months post Completion.

The Uranium Projects comprise granted mining rights and mining right applications as follows:

Stonehenge Metals Limited

Table 1: South Korean Uranium Projects

| Project | Granted Mining Rights | Mining Right Applications | Area (hectares) | Holes and metres |
|---------------------------------|------------------------------|----------------------------------|------------------------|-----------------------------------|
| Daejon | 11 | 2 | 5,639 6 km strike | 140 holes for 28,954 m |
| Gwesan | 8 | 2 | 6,116 | 41 holes for 6,733 m |
| Miwon | 6 | 6 | 4,092 | 12 holes for 1,791 m |
| Pyeonghae Option Property | 17 | 4 | 11,552 | |
| TOTALS | 42 | 14 | 27,399 | 193 holes for 37,478 m |

*(KIER Resource Report 1986)

Uranium mineralisation is strata bound, being hosted within the 200m thick Guryongsan Slate of the Ogchon Basin sequence. The Guryongsan Slate consists of two or three 40m thick, uranium-bearing coaly graphite slate beds interbedded within phyllite and can be traced over a strike length of at least 90km.

The Guryongsan Slate is considered to be a newly recognised example of syngenetic metal-rich black shale mineralisation, probably analogous to the uranium-bearing metal-rich shales of the Chattanooga Shale, south-eastern USA and the Alum Shale, Sweden.

The Daejon, Miwon and Gwesan uranium projects are situated in the northeast-trending Ogchon Fold Belt, consisting of Cambro-Ordovician meta-sediments and meta-volcanics that were deposited in an elongate marine geosynclinal basin in the centre of the peninsula. The Ogchon Belt is a fold-and-thrust belt, bounded by the Kyonggi Massif to the northwest and the Yongnam Massif to the southeast.

The Ogchon Belt can be divided into the Ogchon Basin to the southwest and the Taebaeksan Basin to the northwest, mainly on the basis of lithology and metamorphic grade. Rocks of the Ogchon Basin consist of non-fossiliferous, low-to-medium grade metasedimentary and metavolcanic rocks in contrast to the fossiliferous, non-to-weakly metamorphosed sediments of the Taebaeksan Basin.

The Ogchon Basin is considered to be a deeper marine geosynclinal basin that developed in a "rift valley" type fault bounded graben setting. A shallow marine shelf environment is considered to be the depositional setting for the Taebaeksan Basin.

Stonehenge Metals Limited

Asset Value Impairment

The Group has actively reviewed the carrying values of its assets and as a consequence the Directors have resolved to impair the carrying value of all capitalised exploration expenditure. The carrying values of the balance of the Group's assets have been impaired in these audited half year accounts and asset write downs totalling \$15,214 contribute to the Group's net loss after tax of \$495,954.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 8 for the half year ended 31 December 2009.

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



Bruce Lane
DIRECTOR

Dated this 12th Day of March, 2010

12 March 2010

Stonehenge Metals Limited
Ground Floor, 1306 Hay Street
WEST PERTH 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF STONEHENGE METALS LIMITED

As lead auditor of Stonehenge Metals Limited for the half-year ended 31 December 2009, 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
- No contraventions of 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.



Peter Toll
Director



BDO Audit (WA) Pty Ltd

Stonehenge Metals Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | December 2009 \$ | December 2008 \$ |
|--|---------------------|---------------------|
| <i>Continuing operations</i> | | |
| Revenue | 13,508 | 53,282 |
| Employee benefits expense | - | (60,754) |
| Plant & equipment impairment | - | (463,299) |
| Directors fees | (50,800) | (64,000) |
| Corporate | (51,378) | (23,640) |
| Travelling expenses | (24,197) | (32,075) |
| Administration | (500) | (46,501) |
| Advertising | - | (15,346) |
| Share based payments | 12 (165,975) | - |
| Interest expense | - | (240) |
| Rent | (12,388) | (39,353) |
| Depreciation | (9,327) | (12,766) |
| Other expenses | (179,683) | (130,570) |
| Loss before income tax | (480,740) | (835,262) |
| Income tax expense | - | - |
| Loss from continuing operations | (480,740) | (835,262) |
| <i>Discontinued operations</i> | | |
| Loss from discontinued operations | 10 (15,214) | (3,669,501) |
| Total comprehensive income and loss for the half-year attributable to the members of Stonehenge Metals Limited | (495,954) | (4,504,763) |
| | cents | cents |
| Basic loss per share | (0.431) | (7.26) |

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

Stonehenge Metals Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

| | Note | 31 December 2009 \$ | 30 June 2009 \$ |
|---|------|------------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 2,688,543 | 1,329,728 |
| Trade and other receivables | | 67,576 | 16,470 |
| Total current assets | | 2,756,119 | 1,346,198 |
| NON-CURRENT ASSETS | | | |
| Mineral exploration and evaluation expenditure | 4 | 27,875 | 24,086 |
| Property, plant and equipment | 8 | 75,788 | 118,304 |
| Total non current assets | | 103,663 | 142,390 |
| TOTAL ASSETS | | 2,859,782 | 1,488,588 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 770,792 | 116,609 |
| Total current liabilities | | 770,792 | 116,609 |
| TOTAL LIABILITIES | | 770,792 | 116,609 |
| NET ASSETS | | 2,088,990 | 1,371,979 |
| EQUITY | | | |
| Contributed equity | 11 | 10,163,036 | 9,090,582 |
| Reserves | | 521,624 | 381,113 |
| Accumulated losses | | (8,595,670) | (8,099,716) |
| TOTAL EQUITY | | 2,088,990 | 1,371,979 |

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

Stonehenge Metals Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | Contributed Equity | Accumulated Losses | Share Based Payments Reserve | Options Premium Reserve | Total Equity |
|---|-----------------------|-----------------------|------------------------------------|-------------------------------|------------------|
| As at 1 July 2008 | 8,922,582 | (3,260,611) | 140,725 | 240,388 | 6,043,084 |
| Loss for the half-year | - | (4,504,763) | - | - | (4,504,763) |
| Comprehensive income for the half-year | - | - | - | - | - |
| Total comprehensive income for the half-year | - | (4,504,763) | - | - | (4,504,763) |
| Transactions with owners in their capacity as owners | - | - | - | - | - |
| As at 31 December 2008 | 8,922,582 | (7,763,374) | 140,725 | 240,388 | 1,538,321 |
| | | | | | |
| | Contributed Equity | Accumulated Losses | Share Based Payments Reserve | Options Premium Reserve | Total Equity |
| As at 1 July 2009 | 9,090,582 | (8,099,716) | 140,725 | 240,388 | 1,371,979 |
| 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) |
| Transactions with owners in their capacity as owners | | | | | |
| 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 |
| As at 31 December 2009 | 10,163,036 | (8,595,670) | 251,200 | 270,424 | 2,088,990 |

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

Stonehenge Metals Limited

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | December 2009 \$ | December 2008 \$ |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments for administration | (379,204) | (437,692) |
| Other payments – GST | (6,054) | (70,017) |
| Payments for exploration, evaluation expenditure | (58,557) | (260,866) |
| Other Receipts | 5,348 | 1,940 |
| Interest received | 13,508 | 53,282 |
| Net cash outflow from operating activities | (424,959) | (713,353) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for plant and equipment | (21,704) | - |
| Proceeds from disposal of plant and equipment | 40,000 | - |
| Net cash outflow from investing activities | 18,296 | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 1,765,478 | - |
| Net cash inflow from financing activities | 1,765,478 | - |
| Net increase/(decrease) in cash and cash equivalents | 1,358,815 | (713,353) |
| Cash and cash equivalents at the beginning of the period | 1,329,728 | 2,075,444 |
| NET CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR | 2,688,543 | 1,362,091 |

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

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

The general purpose financial statements for the half-year reporting period 31 December 2009 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, except as follows:

Change in Accounting Policy

Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Group as the Managing Director and other members of the Board of Directors.

AASB 101

The group has also adopted new changes to AASB 101 which essentially changed the name of the Income Statement to the Statement of Comprehensive income and the Balance Sheet to the Statement of Financial Position.

NOTE 2: LOSS FOR THE PERIOD

Loss before income tax includes the following expenses whose disclosure is relevant in explaining the financial performance for the interim period:

| | December 2009 \$ | December 2008 \$ |
|----------------------------|-----------------------------|-----------------------------|
| Loss for the period | (495,954) | (4,504,763) |
| Expenses | | |
| Travelling expenses | 24,197 | 32,075 |
| Accounting Fees | 27,772 | 25,281 |
| Consultancy fees | 14,800 | 5,500 |
| Rent | 12,388 | 39,353 |

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 3: SEGMENT INFORMATION

Management has determined that the Group has one reportable segment, being mineral exploration in Tasmania. 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.

| | December 2009 \$ | December 2008 \$ |
|---|-----------------------------|-----------------------------|
| Revenue from external sources | - | - |
| Reportable segment loss | (15,214) | (3,669,501) |
| Reportable segment assets at 31 December 2009 | 103,663 | 167,573 |
| Reportable segment assets at 30 June 2009 | - | 167,573 |

Reconciliation of reportable segment profit or loss

| | | |
|-------------------------|-----------|-------------|
| Reportable segment loss | (15,214) | (3,669,501) |
| Other profit | 13,507 | 53,282 |
| Unallocated: | | |
| - Corporate expenses | (494,247) | (888,544) |
| Loss before tax | (495,954) | (4,504,763) |

NOTE 4: MINERAL EXPLORATION AND EVALUATION EXPENDITURE

| | December 2009 \$ | June 2009 \$ |
|----------------------------------|-----------------------------|-------------------------|
| Opening Balance | 24,086 | 3,523,264 |
| Exploration expenditure incurred | 19,003 | 228,690 |
| Less: Impairment charge | (15,214) | (3,727,948) |
| Closing Balance | 27,875 | 24,086 |

The balance carried forward represents projects in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 5: EVENTS SUBSEQUENT TO BALANCE DATE

On 6 January 2010, the Group has entered into an agreement with Yellow Sun Mines Pty Ltd (Yellow Sun) to acquire 100% of the issued capital of Yellow Sun's South Korean subsidiary, Chong Ma Mines, Inc (Chong Ma). Chong Ma holds 14 mining right applications, and an option to acquire 42 granted mining rights, comprising 4 uranium projects. For further details regarding the Uranium Projects, please refer to Table 1 on page 6 of this report.

Acquisition terms

In consideration for the acquisition of Chong Ma, the Group will issue to Yellow Sun 10,000,000 fully paid ordinary Stonehenge shares and 60,000,000 performance shares which will convert into fully paid ordinary shares in the capital of the Group on a one-for-one basis upon achievement of certain milestones. For further details regarding the performance share milestones, future expenditure commitments and other advances of funds under this agreement please refer to the ASX announcement lodged by Stonehenge Metals Ltd on 6 January 2010.

NOTE 6: CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2009.

NOTE 7: DIVIDENDS

No dividends have been declared or paid for the half-year ended 31 December 2009.

NOTE 8: FIXED ASSET IMPAIRMENT

| | December 2009 \$ | June 2009 \$ |
|----------------------------------|-----------------------------|-------------------------|
| Opening Balance | 118,304 | 516,353 |
| Additions of plant and equipment | 28,811 | 101,760 |
| Sales of plant and equipment | (62,000) | - |
| Less: Depreciation | (9,327) | (36,510) |
| Less: Impairment charge | - | (463,299) |
| Closing Balance | <u>75,788</u> | <u>118,304</u> |

During the comparative period the Group completed the refurbishment of the Heemskirk gravity separation mill and wet commissioning of the plant commenced immediately. After commissioning the plant it was evident that further significant plant modifications would be required to improve tin recovery to an economic quantity. Therefore the Group elected to suspend all processing operations and write off all expenditure in relation to the acquisition and refurbishment of the plant.

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 9: RELATED PARTY TRANSACTIONS

During the period the Group entered into a service agreement with Hemisphere Corporate Services Pty Ltd to provide general office expenses at no more than \$2,000 per quarter, provision of undercover car parking of \$320 per month, provision of company secretarial and general administration services at \$2,500 per month and rental of office space at \$3,400 per month. Hemisphere Corporate Services Pty Ltd has common directorships with the Group.

NOTE 10: NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

(a) Discontinued operation

(i) Description

On 9 June 2009, the directors of Stonehenge Metals Limited advised that they intended to sell the Heemskirk tin mining and processing operation, including the Mill, which was originally acquired at the time the Group was admitted to the ASX in 2006. The Group entered into an agreement, on 9 June 2009, to sell the Heemskirk tin mining and processing operation to McDermott Mining Pty Limited pursuant to due diligence, formal documentation and ministerial approval. The due diligence and formal documentation have been completed and the sale is now only subject to ministerial approval. The plant to be disposed of is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 31 December 2009 and the year ended 30 June 2009.

| | Note | 31 December 2009 | 30 June 2009 |
|---|------|------------------------|--------------------|
| | | \$ | \$ |
| Revenue | | | |
| Expenses | | (15,214) | (1,986,447) |
| Loss before income tax | | (15,214) | (1,986,447) |
| Income tax expense | | - | - |
| Loss after income tax of discontinued operation | | (15,214) | (1,986,447) |
| Loss on sale of division before income tax | | - | - |
| Income tax expense | | - | - |
| Loss on sale of the division after income tax | | - | - |
| Loss from discontinued operation | | (15,214) | (1,986,447) |

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 10: NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (cont)

(ii) *Financial performance and cash flow information (cont)*

| | 31 December 2009 \$ | 30 June 2009 \$ |
|---|------------------------------|--------------------------|
| Net cash inflow from operating activities | - | - |
| Net cash outflow from investing activities (30 June 2009 includes an inflow of nil from the sale of the division) | (50,057) | (1,462,333) |
| Net cash outflow from financing activities | - | - |
| Net decrease in cash generated by the division | (50,057) | (1,462,333) |

(b) **Discontinued operation (cont)**

(iii) *Details of the sale*

| | 31 December 2009 \$ | 30 June 2009 \$ |
|--|------------------------------|--------------------------|
| Consideration received or receivable | | |
| Cash | - | - |
| Fair value of contingent consideration | - | - |
| Total disposal consideration | - | - |
| Carrying amount of net assets sold | - | - |
| Loss on sale before income tax | - | - |
| Income tax expense | - | - |
| Loss on sale after income tax | - | - |

(iii) *Details of the sale of the division (cont)*

The carrying amount of assets and liabilities as at the date of sale were:

| | 9 June 2009 |
|-------------------------------|----------------|
| Property, plant and equipment | - |
| Total assets | - |
| Net assets | - |

In the event that there are any net smelter returns in the future, as specified in an “earn out” clause in the sale agreement, additional consideration of 2% of net smelter returns will be received. In addition, the Group is entitled to receive 10% of the consideration (net of costs directly associated with sale) from any future sale of the Tenements and the Operating Assets. **If the Tenements and Operating Assets are sold then the 2% of net smelter return royalty will be extinguished.** At the time of the sale the fair value of the consideration was determined to be nil.

Stonehenge Metals Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 11: CONTRIBUTED EQUITY

Ordinary shares (i)

(i) *Ordinary shares*

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

| <i>Movement in ordinary shares on issue</i> | <i>Number</i> | <i>\$</i> |
|---|--------------------|-------------------|
| At 1 July 2008 | 56,397,617 | 8,922,582 |
| Issued during period | - | - |
| Costs of share issue | - | - |
| At 31 December 2008 | <u>56,397,617</u> | <u>8,922,582</u> |
| At 1 July 2009 | 64,797,617 | 9,090,582 |
| Issued during period | 69,297,617 | 1,072,454 |
| Costs of share issue | - | - |
| At 31 December 2009 | <u>134,095,234</u> | <u>10,136,036</u> |

NOTE 12: SHARE BASED PAYMENTS

Included as an expense in the income statement is \$165,975 (2008: \$NIL) relating to share based payments.

On 12 October 2009 4,500,000 options were granted to the directors of Stonehenge Metals Limited. These options have an exercise price of 7.5 cents each and are exercisable between 12 October 2009 and 12 October 2012.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

| | |
|----------------------------------|---------|
| Dividend yield (%) | - |
| Expected volatility (%) | 130 |
| Risk-free interest rate (%) | 3 |
| Expected life of options (years) | 3.1 |
| Option exercise price (\$) | 0.075 |
| Share price at grant date (\$) | 0.037 |
| Value of option (\$) | 0.02455 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

On 12 October 2009 1,500,000 ordinary shares were issued to Bruce Lane (director) as part of his remuneration.

Stonehenge Metals Limited

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 2009 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 12th day of March 2010



Bruce Lane
Director

12 March 2010

Stonehenge Metals Limited
Ground Floor, 1306 Hay Street
WEST PERTH 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF STONEHENGE METALS LIMITED

As lead auditor of Stonehenge Metals Limited for the half-year ended 31 December 2009, 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
- No contraventions of 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.



Peter Toll
Director



BDO Audit (WA) Pty Ltd