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Market Announcements Platform
ASX Limited,
Exchange Centre,
20 Bridge Street,
Sydney NSW 2000



ASX Code: **SHE**

Stonehenge Signs Binding JV Agreement With Korea Resources Investment & Development Inc. (KORID)

TRANSACTION HIGHLIGHTS

- KOSDAQ¹ listed KORID to issue \$2.5m in scrip (escrowed 12 months) to Stonehenge as consideration for 50% of Stonehenge's Korean subsidiary
 - KORID to subscribe for \$300k in placements in Stonehenge
 - KORID to provide \$200k in country support costs
 - Stonehenge to fund 1st phase of development expenditure (up to \$1m) to complete core analysis and vanadium & uranium resource upgrades, subject to gaining access for testing of 36,000 metres of core held at Korea Institute of Geosciences & Minerals (KIGAM)
 - Subsequent development stages, targeted at completing a prefeasibility study (PFS), funded 50/50
 - Stonehenge & KORID agree to collaborate on evaluation of new projects introduced by either party
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ABOUT KOREA RESOURCES INVESTMENT & DEVELOPMENT INC. (KORID)

KORID is a Korean public company listed on KOSDAQ². KORID is focused on developing mineral and energy resources and operates successful exploration and mining operations in many locations including Indonesia, Peru and Mongolia. KORID has existing partnership agreements with a number of parties, including KIGAM³ and KORES⁴, for exploration and development of mineral resources. More information about KORID can be found at [their website](#).

¹ Korean Securities Dealers Automated Quotations or KOSDAQ is the SME trading board of the main South Korean Exchange (KRX) with approximately 1,000 companies listed.

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³ Korea Institute of Geoscience and Mineral Resources (KIGAM) is a research institute under the umbrella of the Korean Ministry of Trade, Industry and Energy.

⁴ Korea Resources Corporation (KORES) specialises in mineral resources information, research and development in Korea. KORES is based in Seoul and focuses on supplying energy and industrial mineral resources including coal, uranium, iron, copper, zinc, and nickel with branch offices in Toronto, Lima, Sydney, Beijing, Pretoria, Almaty, Jakarta & Kinshasa.

Stonehenge Metals Ltd (**Stonehenge** or the **Company**) is pleased to advise that it has entered into a binding term sheet joint venture (**JV**) agreement (**Term Sheet**) with Korea Resources Investment & Development Inc. (**KORID**). The JV agreement creates a framework for KORID and Stonehenge to work together to accelerate the development of the mineral exploration rights and properties held by the Stonehenge's wholly owned Korean subsidiary, Stonehenge Korea Ltd (**SHK**). The JV will initially focus on conducting work which will contribute to the preparation of pre-feasibility study (**PFS**) for the Daejon vanadium and uranium project.

The JV will focus on:

- Working towards a collaboration with KIGAM to test 36,000 metres of mineralised historical core (from Stonehenge's Daejon Project area) stored at KIGAM;
- Significantly upgrading the current Daejon Project vanadium and uranium resource estimates in size and or confidence as a result of testing the core at KIGAM;
- Preparing a pre-feasibility study; and
- Preparing work programs and budgets to support completion of a definitive or bankable feasibility study.

The binding Term Sheet stipulates the exchange of equity between Stonehenge (via SHK) and KORID such that SHK will be 50% owned and controlled by both Stonehenge and KORID.

Key Terms of the Transaction

- (a) The Term Sheet sets out the terms on which Stonehenge agrees to sell 50% of the issued capital in its 100% owned Korean subsidiary, Stonehenge Korea Ltd (**SHK**), to KORID.
- (b) KORID will pay Stonehenge \$2.5m in consideration for the purchase of 50% of the shares in SHK. The consideration will be paid through the issue by KORID of KOSDAQ listed shares in KORID with a 12 month escrow.
- (c) The Parties agree that it is their common intention, through the sale and purchase of shares in SHK and the Formal Documentation, to co-fund and accelerate development of the mineral exploration rights and properties held by SHK with particular focus on the Daejon Project. The relationship between the parties in respect of SHK will be governed by the constitution of SHK and the Shareholders Agreement; the key terms of which are included below and in the Term Sheet. The parties agree that development of the Daejon Project including completion of a Pre-Feasibility Study (PFS) is their primary objective and as such there are expected to be three phases of development and funding, with all funding costs after Stage 1 shared in proportion to the parties' percentage shareholding in SHK, as follows:
 - (i) Stage 1 – within 18 months from the date of Completion, achieving access to and completing testing of 36,000 metres of historical drill core (held by KIGAM) and upgrading the existing uranium and vanadium resources in accordance with the JORC code (2012). SHE to provide \$700,000 in cash funding. KORID to provide \$300,000 in cash funding (via the Placements) and \$200,000 of Korean in country services, assistance or facilities as requested by SHK with the valuation to be determined by SHK.
 - (ii) Stage 2 – within 3 years from the date of Completion, undertaking further field work, drilling and resource definition work as required to more accurately define economic resources and a preliminary mining plan. Estimated Total Cost \$1 million to be funded by SHE and KORID in proportion to their shareholdings in SHK
 - (iii) Stage 3 – within 4 years of the date of Completion, achieving the development of a PFS to a sufficient standard for the purposes of illustrating potential return on investment scenarios which will in turn support efforts to secure a future Korean development partner. This will be funded by SHE and KORID in proportion to their SHK shareholdings.

- (d) The Parties have agreed that, subject to shareholder and regulatory approvals if required, KORID will subscribe for \$300,000 in SHE Shares in three tranches as follows (together **The Placements**):
- (i) Placement 1: \$100,000 on the date that is 6 months from the date of Completion (**Placement 1 Date**) and at a price equal to the Volume Weighted Average Price (VWAP) of SHE shares traded on ASX during the 15 traded days prior to Placement 1 Date. These shares will be escrowed for 6 months from their date of issue;
 - (ii) Placement 2: \$100,000 on a date that is 9 months from the date of Completion (**Placement 2 Date**) and at a price equal to the VWAP of SHE shares traded on ASX during the 15 traded days prior to Placement 2 Date. These shares will be escrowed for 3 months from their date of issue; and
 - (iii) Placement 3: \$100,000 on the date that is 12 months from the date of Completion (**Placement 3 Date**) and at a price equal to the VWAP of SHE shares traded on ASX during the 15 traded days prior to Placement 3 Date.
- (e) This Term Sheet and the Formal Documentation stipulate the development objectives for the Daejon Project and provide terms of reference for future collaboration on New Projects introduced by KORID or Stonehenge.
- (f) The Term Sheet and the transactions contemplated therein remain subject to detailed tax and regulatory reviews and as such the terms of this agreement may need to be changed to avoid any deleterious taxation or regulatory outcomes.
- (g) Completion is conditional upon and subject to the following conditions being satisfied or waived no later than 120 days from the date of this Term Sheet or such other date as the Parties agree:
- (i) all loans from SHE to SHK being converted into equity in SHK to a maximum value of \$5m
 - (ii) KORID conducting due diligence enquiries with respect to SHK and, being satisfied with the results of those enquiries at its absolute discretion, notifying SHE of the successful completion of due diligence;
 - (iii) if required, the shareholders of KORID or any relevant governmental or regulatory body of the Republic of Korea approving the transactions contemplated by this Term Sheet;
 - (iv) if required under the Corporations Act, the Constitution of SHE or the ASX Listing Rules, the shareholders of SHE approving the transactions contemplated by this Term Sheet;
 - (v) the parties entering into the Formal Documentation; and
 - (vi) KORID providing the nominations and consents of two directors to the board of SHK.
- (together the **Pre-Conditions to Completion**). The Pre-Conditions to Completion must be satisfied or waived no later than 120 days from the date of this Term Sheet or such other date as the parties agree in writing (**Pre-Condition End Date**).
- (h) **Shareholders Agreement** - the parties agree to enter into a Shareholders Agreement on terms not materially inconsistent with those specified below.
- (i) The board of SHK shall be composed of two representatives each from KORID and SHE;
 - (ii) The board of SHK will appoint a manager or management committee to prepare a business plan including budgets and work programs. This business plan will be agreed annually by the board and updated quarterly. The manager or management committee will be responsible for carrying out and regularly reporting on approved work programs;
 - (iii) Funding drawdowns will be agreed by the board of SHK and Drawdown Notices will be issued to the Parties by the board of SHK in a timely fashion;
 - (iv) The parties will agree to restrictions on the transfer of their shares, pre-emptive rights and drag along/come along provisions.

- (v) The parties will provide warranties normally found in an agreement of this type.
- (vi) The parties agree to be bound by the constitution of SHK and the Shareholders Agreement and where there is inconsistency the Shareholders Agreement will take precedence.
- (i) In the event that the objectives set out in Stage 1, as per (c) (i) above are not achieved within 12 months of Completion (or such other time as agreed) then, after 12 months, either Party can elect to terminate this agreement in writing with 1 months' notice to the other Party.
- (j) If, at any stage after the objectives set out in (c) (i) (Stage 1) are achieved, and either of the parties subsequently is unable to, or elects not to, provide funding to advance Stage 2 or Stage 3 of the Daejon Project development program a specified Dilution Formula will apply. In addition the party that withdraws from funding must use reasonable endeavours to find an alternative funding partner that meets the approval of the other party.
- (k) In addition, the parties wish to contemporaneously work collaboratively to advance the evaluation and development of other potential minerals projects (**New Projects**) introduced by KORID or Stonehenge. The collaboration activities of the parties will be defined by a separate Collaboration Agreement (**Collaboration Agreement**). The parties agree to enter into the Collaboration Agreement on terms including those specified below and otherwise on terms consistent with agreements of this type.

Stonehenge Chairman Richard Henning said *"this binding JV agreement with KORID is a defining event for Stonehenge in Korea. This agreement has created a framework for Stonehenge and KORID to proceed with confidence towards unlocking the significant value that exists in the Daejon Project. This JV with KORID will materially enhance our efforts to substantially upgrade the vanadium and uranium resources at Daejon. We look forward to joining forces with the experienced team at KORID as we work towards a positive collaborative relationship with KIGAM"*

For further information visit www.Stonehengemetals.com.au or contact:

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ABOUT STONEHENGE METALS

Stonehenge Metals Limited (ASX Code: SHE) is developing a multi-mineral project in South Korea. Stonehenge owns 100% of the rights to three projects in South Korea, including the Company's flagship Daejon Project, which contains the largest uranium resource within South Korea at **66.7Mlbs** grading **329ppm U₃O₈** at a cut-off of **200ppm U₃O₈** (JORC 2004 compliant). Recently, the Company established a maiden vanadium resource of **17.3Mlbs** (largely indicated) grading **3,186ppm V₂O₅** at a cut-off of **2,000ppm V₂O₅**.

U ₃ O ₈ Mineral Resource Estimate at a 200 ppm U ₃ O ₈ cut-off			
Classification	Tonnes	Grade	Metal
	Mt	ppm	Mlbs
Indicated - Chubu	3.3	247	1.8
Inferred - Chubu	45.9	335	33.9
Sub-Total Chubu	49.2	329	35.7
Inferred - Yokwang	39	310	26
Inferred - Kolnami	7	340	5
Total	95.2	329	66.7

V ₂ O ₅ Mineral Resource Estimate at a 2,000 ppm V ₂ O ₅ cut-off			
Classification	Tonnage	Grade	Metal
	Mt	ppm	Mlbs
Indicated	2.3	3,208	16.5
Inferred	0.1	2,788	0.8
Total	2.5	3,186	17.3

Vanadium Exploration Target ¹		
Tonnes (Mt)	Grade V ₂ O ₅ (ppm)	Contained V ₂ O ₅ (Mlbs)
70 - 90	2,500 - 3,500	385 - 695

Uranium Exploration Target ¹		
Tonnes (Mt)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (Mlbs)
15 - 59	300 - 500	17-39

November 2013) that demonstrated vanadium and uranium mineralisation through the black shales.

The geology in the Okcheon belt consists of a meta-sedimentary sequence that comprises three formations, Wunkyori, Hwajeonri & Guryongsan. The stratigraphic sequence within the belt at the Gwesan project comprises dark grey phyllite, overlain by the black shale (ore zone) & a fine grained sandstone. The historical drilling at the Gwesan project has demonstrated black shale deposits along 10km of strike. KORES completed three drill holes targeting the mineralised black shale at Gwesan in order to verify the mineralisation zone throughout the area. All three holes were drilled to a total depth of 100m and several ore zones between 3m and 11m have been intercepted in each drill hole.

The best intercept of 3500 ppm V₂O₅ & <10 ppm U₃O₈ in the first hole provides encouraging results (refer ASX announcement 13 Nov 2013). More drilling will be required to define the high grade mineralisation zone in the area. The mineralisation remains open at depth & along the 10km strike. The project is in its exploration stage and the additional drilling is expected to increase the potential to discover high class uranium and vanadium

South Korean Project Locations



¹ The potential quantity & grade of the

exploration target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource & it is uncertain if further exploration will result in the definition of a Mineral Resource.

The vanadium and uranium exploration targets are based on exploration results from the 2013 drilling at Chubu & Gwesan (refer announcements 15 July & 13

Mineral Resources at Gwesau. Stonehenge expects to test the validity of the exploration target once access to historical drill core is obtained and the Company is able to assay the core for vanadium mineralisation.

The Company is continuing its efforts to access the core and further updates on this progress will be advised as soon as it becomes available. This information was prepared and first disclosed under the JORC Code 2004 (refer ASX announcement 29 Aug 2013). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Competent Person's statement

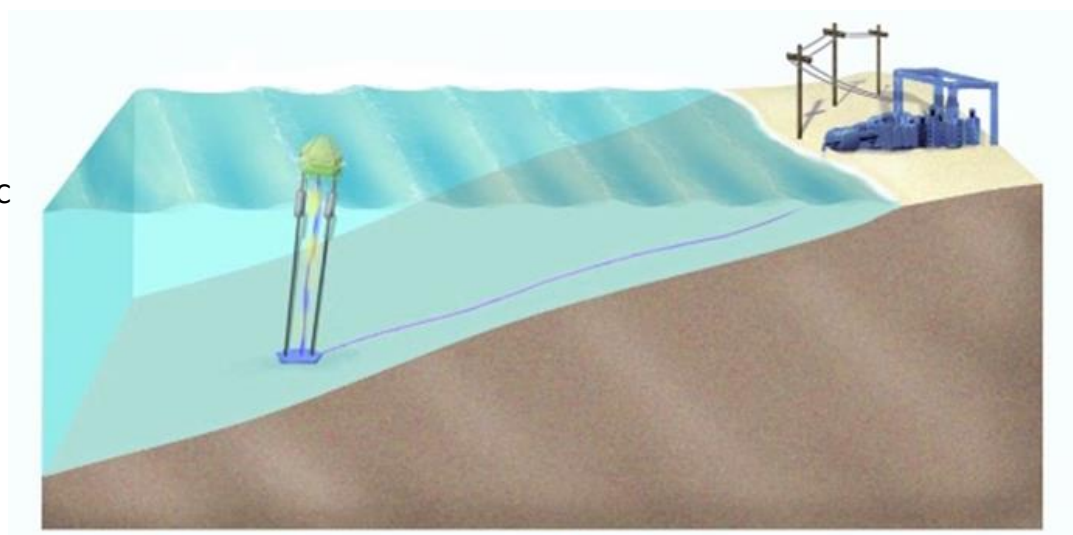
The information contained in this ASX release relating to exploration results and Mineral Resources has been compiled by Mr. Ian Glacken of Optiro Ltd. Mr. Glacken is a Fellow of The Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Glacken consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



ABOUT THE PROTEAN WAVE ENERGY CONVERTER (WEC) TECHNOLOGY

Stonehenge has entered into an option agreement to purchase the Protean WEC technology. The Protean WEC system is based upon a point-absorber wave energy converter buoy device which floats at the water surface and extracts energy from the waves by the extension and retraction of a tether to its anchoring weight on the sea bed. The device is unique in that it optimises the conversion of energy from waves at the surface through **all six degrees of wave movement**.

Figure 1:
Protean WEC
technology



The Protean WEC has been developed to use compact architecture to produce power very efficiently from a small, low cost design targeted at keeping the projected levelised cost of energy (**LCOE**)⁵ down.

The future plans for the Protean WEC include the modularisation of the proven size for the purpose of creating a dynamic, configurable and scalable power array prior to moving the technology into early commercialisation.

During the Option period the Stonehenge assessment program aims to:

1. **Refine** the tried and proven scale device to produce a suitable pre-commercial model;
2. **Create** a scalable power array so as to provide the power requirements of a prospective customer;
3. **Test** the scalable power array for its potential to delivery cost effective power,
4. **Verify** the results, including commissioning an independent expert to qualify the testing results; and
5. **Commence** commercialisation of the scalable array for small to medium customers.

For further information visit: www.proteanwaveenergy.com.au or www.stonehengemetals.com.au

⁵ Levelised cost of energy is one of the industry's main metrics for the cost of electricity produced. It accounts for all of a system's expected lifetime costs (incl. construction, finance, fuel, maintenance, tax, insurance & incentives), which are then divided by the system's lifetime expected power output (kWh) & discounted for inflation & time cost of money.