



Stonehenge Metals Ltd
(to be renamed **Protean Wave Energy Limited**)

(ACN 119 267 391)

Prospectus

Prospectus

An offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free attaching Public Offer Option with an exercise price of \$0.0375 for every one (1) new Share to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of 100,000,000 Shares, to raise a further \$2,500,000 for a total raising of up to \$5,000,000 (**Public Offer**) including a priority offer of up to 100,000,000 Shares to existing Shareholders of the Company holding at least 50,000 Shares in the Company (**Priority Offer**). Refer to Sections 4.1 and 4.13.1 for further details of the Priority Offer.

This is an important document. Please consult your professional adviser(s) if you have any questions. Accordingly investment in the Securities offered by this Prospectus should be regarded as speculative in nature, and investors should be aware that they may lose some or all of their investment. Hard copies of this Prospectus may be inspected at both the Company's Share Registry and the registered office.



Stonehenge Metals Ltd (to be renamed Protean Wave Energy Limited)

(ACN 119 267 391)

The Offers are conditional upon the Conditions of the Offers outlined in Section 4.6 being satisfied. In the event that the Conditions of the Offers are not satisfied the Company will not proceed with the Offers and the Company will repay all application monies received.

This Prospectus also contains the following offers (under which no funds will be raised):

- an offer of up to 30,761,352 Shares and 30,761,352 Class H Attaching Options to the Loan Holders (**Conversion Offer**). Refer to Sections 4.1 and 4.13.2 for further details of the Conversion Offer;
- an offer of up to 60,000,000 Shares and 120,000,000 Performance Shares to the Vendor (**Vendor Offer**). Refer to Sections 4.1 and 4.13.3 for further details of the Vendor Offer;
- an offer of up to 80,000,000 Incentive Options to Directors and Mr Sean Moore (**Incentive Offer**). Refer to Sections 4.1 and 4.13.4 for further details of the Incentive Offer;
- an offer of up to 1,000,000 Class C Options to Director Mr Brendan Hammond (**Director Offer**). Refer to Sections 4.1 and 4.13.5 for further details of the Director Offer;
- an offer of up to 5,000,000 Class D Options to previous Director Mr Richard Henning (**Previous Director Offer**). Refer to Sections 4.1 and 4.13.6 for further details of the Previous Director Offer;
- an offer of up to 57,500,000 Performance Rights to Director Mr Bruce Lane and Mr Sean Moore (**Executive Offer**). Refer to Sections 4.1 and 4.13.7 for further details of the Executive Offer;
- an offer of up to 7,500,000 Placement Bonus Shares and 12,500,000 Placement Options to the participants in the Placement (**Placement Offer**). Refer to Sections 4.1 and 4.13.8 for further details of the Placement Offer; and
- an offer of up to 12,000,000 Lead Manager Options to CPS Capital Group Pty Ltd (**Lead Manager Offer**). Refer to Sections 4.1 and 4.13.9 for further details of the Lead Manager Offer.

This Prospectus is dated 25 November 2015 and relates to Securities of Stonehenge Metals Ltd (to be renamed Protean Wave Energy Limited).

This is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the Listing Rules and to satisfy ASX requirements for re-admission to the Official List following a change to the nature and scale of the Company's activities.

The Lead Manager to the Public Offer is CPS Capital Group Pty Ltd

Corporate Directory

Current Directors

Brendan Hammond – Non-Executive Chairman
Bruce Lane – Managing Director
Bevan Tarratt – Non-Executive Director
Young Yu – Non-Executive Director

Company Secretary

Matthew Foy

Registered Office

Office J, Level 2, 1139 Hay Street
West Perth WA 6005

Principal Place of Business

Level 3, 89 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9481 2277

Facsimile: +61 8 9481 2355

Website: www.stonehengemetals.com.au

Securities Exchange Listing

ASX Limited
Current ASX Code: SHE

Proposed New ASX Code: POW

Share Registry*

Link Market Services Limited

Investor enquiries:

Telephone: +61 1300 554 474

1300 554 474 (within Australia)

Facsimile: +61 2 9287 0303

Australian Solicitors

Nova Legal

Ground Floor, 10 Ord Street

West Perth WA 6005

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

Independent Market Expert

Energetics Pty Ltd (ABN 67 001 204 039),

Level 7, 132 Arthur Street

North Sydney NSW 2060

Intellectual Property Lawyer

WRAYS (ABN 63 136 975 552)

Ground Floor, 56 Ord Street

West Perth WA 6005

Lead Manager of the Public Offer

CPS Capital Group Pty Ltd (ABN 73 088 055 636)

Level 45 108 St George's Terrace

Perth WA 6000

Independent Geologist

Optiro Pty Ltd (ABN 63 131 922 739)

Level 1, 16 Ord Street

West Perth WA 6005

In-country Solicitors (South Korea)

Yi Gong Lawyers

Seoul, Seocho-gu, Banpodaero 98, 3rd floor

(Seocho-gu, Ilshin Building) Republic of Korea

Auditors*

BDO Audit (WA) Pty Ltd

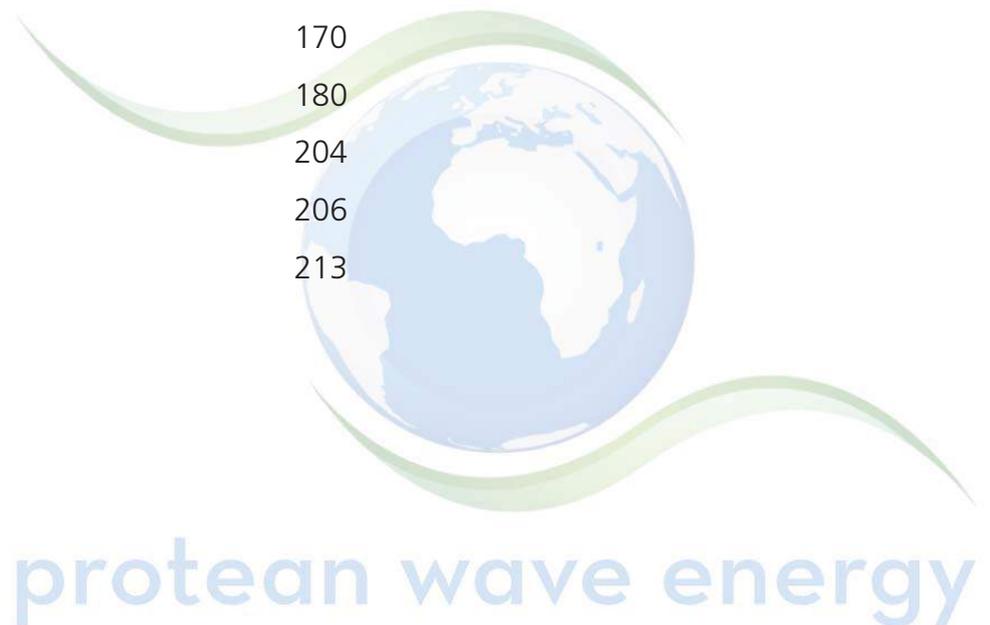
38 Station Street

Subiaco WA 6008

** These parties are included for information purposes only.
They have not been involved in the preparation of this
Prospectus.*

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Important information

CHANGE IN NATURE AND SCALE OF ACTIVITIES AND RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE LISTING RULES

As announced on 14 August 2014, the Company entered into a binding Term Sheet with Protean Energy Australia Pty Ltd (ACN 143 809 803) (**PEA**) and Protean Energy Pty Ltd (ACN 142 254 466) (**PEL** or **Vendor**) (**Term Sheet**). PEA is an entity with no trading history and the wholly owned subsidiary of the Vendor. Pursuant to the Term Sheet, the Company agreed to acquire all of the issued shares in PEA from the Vendor on the terms and conditions set out in this Prospectus (**Acquisition**). Subsequently on 10 November 2014, the Company entered into a more formal document for the Acquisition, being the Call Option and Licence Agreement (which annexed the Share Purchase Agreement), which superseded and replaced the Term Sheet.

Please refer to Section 3 for information on the Vendor and PEA, and Section 11 for further details of the key terms and conditions on which the Acquisition is to be completed.

As announced on 11 August 2015, the Company exercised the option pursuant to the Call Option and Licence Agreement and entered into the Share Purchase Agreement to acquire all of the shares in PEA from the Vendor. The Company's proposed acquisition of PEA will involve a significant change in the nature and scale of the Company's activities which requires approval of Shareholders under Chapter 11 of the Listing Rules. At the Annual General Meeting to be held on 30 November 2015 Shareholders will be asked to approve, amongst other things, the acquisition of PEA and the change in the nature and scale of the Company's activities.

The Company must comply with ASX requirements to re-list on ASX, which include re-complying with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to meet these requirements. The Offers under this Prospectus are conditional on the satisfaction of certain conditions. Refer to Section 4.6 for further details of the Conditions of the Offers.

The Company's Securities will be suspended from trading on ASX from the date of the Annual General Meeting referred to above and will not be reinstated until satisfaction of the Conditions of the Offers and ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules. There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on ASX. In the event the Conditions of the Offers are not satisfied or the Company does not receive conditional approval for re-quotations on ASX, then the Company will not proceed with the Offers and will repay all Application Monies received.

GENERAL

This Prospectus is dated 25 November 2015 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

The expiry date (**Prospectus Expiry Date**) of this Prospectus is 13 months after the date it was lodged with ASIC. No Securities will be issued on the basis of this Prospectus after the Prospectus Expiry Date.

Important Information

This Prospectus will generally be made available in electronic form during the Exposure Period by being posted on the Company's website at www.stonehengemetals.com.au/prospectus.aspx. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and the relevant Application Form (free of charge) from the Company's principal place of business during the Offer Period by contacting the Company. The Offers constituted by this Prospectus in electronic form are only available to persons receiving an electronic version of this Prospectus and relevant Application Form within Australia.

Applications for Securities will only be accepted on the Application Form in its paper copy form as downloaded in its entirety from www.stonehengemetals.com.au/prospectus.aspx. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offers other than as is contained in this Prospectus. Any information or representation not contained in the Prospectus should not be relied on as having been made or authorised by the Company or its Directors in connection with the Offers.

The Company will make application within 7 days of the date of this Prospectus for Official Quotation of the Securities.

Defined terms and abbreviations used in this Prospectus are explained in the glossary in Section 15.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key Risk Factors are highlighted in the investment risks table below and detailed in Section 1.3 and Section 12. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

OVERSEAS INVESTORS

No action has been taken to register or qualify the Securities, or the Offers, or otherwise to permit the public offering of the Securities, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable Securities laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

EXPOSURE PERIOD

Applications for Securities under this Prospectus will not be processed until after expiry of the Exposure Period pursuant to Chapter 6D of the Corporations Act. No preference will be conferred on Applications received during the Exposure Period. All Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date. If the Exposure Period is extended by ASIC, Applications will not be processed until after expiry of the extended Exposure Period.

The purpose of the Exposure Period is to enable examination of this Prospectus by market participants prior to the acceptance of Applications and the raising of funds. That examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

SPECULATIVE INVESTMENT

The Securities offered under this Prospectus are considered speculative. There is no guarantee that the Securities offered by this Prospectus will make a return on the capital invested, that dividends will be paid on the Securities or that there will be an increase in the value of the Securities in the future.

Prospective investors should carefully consider whether the Securities offered by this Prospectus are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Refer to Section 12 for details relating to the investment risks.

APPLICATION FOR SECURITIES UNDER THIS PROSPECTUS

Persons wishing to subscribe for Securities offered by this Prospectus should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses, and prospects of the Company and the rights and liabilities attaching to the Securities offered pursuant to this Prospectus. If persons considering subscribing for the Securities offered by this Prospectus have any questions, they should consult their stockbroker, solicitors, accountants or professional advisers for advice.

Prospective investors wishing to subscribe for Securities should complete the Application Form.



1. Investment Overview

1. Investment Overview

The information in this Investment Overview is a selective overview only. Prospective investors should read the Prospectus in full, including the full risk factors set out in Section 12 and the experts' reports in this Prospectus, before deciding to invest in Securities.

1.1 Key information

Topic	Summary	Section Reference
<p>Acquisition and overview of PEA</p>	<p>As announced on 14 August 2014, the Company entered into the binding Term Sheet to acquire 100% of all of the issued shares in PEA from the Vendor, subject to the terms and conditions as set out in this Prospectus.</p> <p>Subsequently on 10 November 2014, the Company entered into formal documents for the Acquisition, being the Call Option and Licence Agreement (which annexed the Share Purchase Agreement), which superseded and replaced the Term Sheet. The key terms of the Call Option and Licence Agreement and the Share Purchase Agreement are set out in Section 11.</p> <p>The Company has exercised its option to acquire all of the issued shares in PEA subject to the terms and conditions as set out in this Prospectus. PEA is a non-trading entity which is the legal and beneficial owner of the intellectual property titles, rights and licences to the Protean™ wave energy converter technology.</p> <p>The Company is currently funding, via a \$500,000 fixed price turnkey contract with Moore Commerce Pty Ltd, construction of 30 Protean™ WEC buoys. These buoys together form the core of the project to deploy and test a demonstration wave farm off the coast of Western Australia.</p>	<p>3.1 and 11</p>
<p>Overview of PEA's technology</p>	<p>PEA has developed the Protean™ WEC Technology. The WEC Technology is based upon a point-absorber wave energy converter buoy device which floats on the ocean 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 Company believes that this device is unique due to its patents (both pending and granted as per the Intellectual Property Report in Section 7) and its design to optimise the conversion of energy from waves through all six degrees of wave movement or motion. The WEC Technology is designed for:</p> <p>Scalability: the Protean system is designed to provide low cost energy for a wide range of applications, from small to large scale production;</p> <p>Versatility: the Protean system has been designed for production of electricity and or the desalination of seawater to drinking water quality; and</p> <p>Affordability: the WEC Technology is designed from the ground up to provide cost effective, consistent and reliable renewable energy in a range of energy wave resource locations. The WEC Technology is designed for cost effective manufacture, deployment and maintenance.</p> <p>The future plan for the WEC Technology include creating a demonstration wave farm prior to moving the technology into early commercialisation. The Company has to date currently funded, via a</p>	<p>3.3</p>

1. Investment Overview

Topic	Summary	Section Reference
	<p>\$500,000 fixed price turnkey contract with Moore Commerce Pty Ltd, construction of 30 Protean™ WEC buoys. These buoys together form the core of the project to deploy and test a demonstration wave farm off the coast of Western Australia.</p> <p>At the time of lodging this Prospectus a functional ocean test has been conducted with one Protean™ WEC device. This test is considered by the Company to be a major milestone within the program to deploy the 30 buoy demonstration wave farm and was one of the key factors that the Company considered as supportive to its decision to exercise the Option to acquire PEA.</p> <p>The next step in the program involves the fabrication and assembly of the full 30 buoy array prior to deployment of the demonstration wave farm off the coast of Western Australia. The 30 buoy demonstration wave farm is designed to test and verify the design features targeted and to provide data with which to conduct initial economic analysis and project feasibility modelling. This demonstration wave farm is designed to produce compressed air. The transfer and storage of the compressed air and attendant generation of electricity has been demonstrated at proof of concept stage and the scale up of this system using “off the shelf” components is expected to form part of the development work conducted during 2016.</p>	
<p>Overview of the Company’s current projects – Stonehenge Korea</p>	<p>As announced on 18 February 2015, the Company executed formal joint venture (JV) documentation with Korea Resources Investment & Development Inc. (KORID) for the sale of 50% of the Company’s Korean subsidiary, Stonehenge Korea Ltd (SHK) to KORID (JV Agreement). Stonehenge Korea Ltd holds 100% of the rights to three vanadium and uranium exploration projects in South Korea.</p> <p>On 28 July 2015 KORID completed the acquisition of 50% of the total shares in SHK. As announced to ASX on 19 August 2015, BHI Co Ltd (BHI) has now acquired a 20% interest in the JV from KORID. Accordingly, the current holdings in SHK pursuant to the JV Agreement are: Company 50%, KORID 30% and BHI 20%.</p> <p>The JV, through Stonehenge Korea Ltd, is working toward:</p> <ul style="list-style-type: none"> (a) securing a collaboration agreement with the Korea Institute of Geoscience and Mineral Resources (KIGAM) to test the relevant sections from within the 36,000 metres of mineralised historical drill core (from Stonehenge Korea’s Daejon Project area) stored at KIGAM; (b) upgrading the current Daejon Project resource estimates in size and or confidence; (c) preparing a pre-feasibility study for the Daejon project; and (d) preparing work programs and budgets to support completion of a definitive or bankable feasibility study for the Daejon project. <p>The Company remains committed to its contractual obligations with KORID and BHI and will continue developing the Korean projects as set out above, subject to results and market conditions.</p>	<p>3.6, 9 and 10</p>
<p>Board and Management</p>	<p>None of the current Directors of the Company will resign as a result of the completion of the Acquisition.</p> <p>Refer to Section 5 for details of the experience and qualifications of the Directors.</p>	<p>1.8 and 5</p>

1. Investment Overview

Topic	Summary	Section Reference
<p>What is being offered</p>	<p>Under the Public Offer the Company will seek to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of up to a further \$2,500,000, to fund the activities of the Company through the offer by the Company of up to 200,000,000 Shares at an issue price of \$0.025 per Share, with one free attaching Public Offer Option for every one Share subscribed for under the Public Offer. The Public Offer Options are exercisable at \$0.0375 on or before 30 November 2018.</p> <p>This Prospectus also contains the Priority Offer, whereby the Company is inviting existing Shareholders (as at the Priority Offer Record Date) to subscribe for up to \$2,500,000 of Shares available under the Public Offer, and as such will set aside 100,000,000 Shares (and 100,000,000 Public Offer Options) for existing Shareholders.</p> <p>This Prospectus also contains the Conversion Offer, an offer to the Loan Holders of up to 30,761,352 Shares and 30,761,352 Class H Attaching Options on conversion of the Convertible Loans. Refer to Section 11.4 for details of the Convertible Loans and Section 13.17 for the terms of the Class H Attaching Options.</p> <p>This Prospectus also contains the Vendor Offer, being an offer of 60,000,000 Shares and 120,000,000 Performance Shares to the Vendor and its nominees in consideration for the acquisition of all the issued capital in PEA. Refer to Sections 4.1 and 4.13.3 for details of the Vendor Offer, and Section 13.9 for the terms of the Performance Shares.</p> <p>This Prospectus also contains the Incentive Offer, being an offer of 80,000,000 Incentive Options to Directors and Mr Sean Moore as a performance linked incentive component of their remuneration packages. Refer to Sections 4.1 and 4.13.4 for details of the Incentive Offer, and Sections 13.16 for terms and conditions of the Incentive Options.</p> <p>This Prospectus also contains the Director Offer, being an offer of 1,000,000 Class C Options to Mr Brendan Hammond as a sign-on bonus as part of his remuneration package negotiated prior to his appointment. Refer to Sections 4.1 and 4.13.5 for details of the Director Offer, and Section 13.15 for the terms of the Class C Options.</p> <p>This Prospectus also contains the Previous Director Offer, being an offer of 5,000,000 Class D Options to previous Director Mr Richard Henning as a remuneration bonus in relation to past services. Refer to Sections 4.1 and 4.13.6 for details of the Previous Director Offer, and Section 13.16 for the Terms of the Class D Options.</p> <p>This Prospectus also contains the Executive Offer, being an offer of 57,500,000 Performance Rights to Director Mr Bruce Lane and Mr Sean Moore to provide a performance linked incentive component in the remuneration package for Mr Bruce Lane and Mr Sean Moore to motivate and reward performance in achieving specified vesting conditions within a specified period. Refer to Sections 4.1 and 4.13.7 for details of the Executive Offer and Section 13.11 for the terms of the Performance Rights.</p> <p>This Prospectus also contains the Placement Offer, being an offer of 7,500,000 Placement Bonus Shares and 12,500,000 Placement Options to the participants in the Placement. Refer to Sections 4.1 4.13.8 and for details of the Placement Offer, and Section 13.17 for the terms of the Placement Options.</p>	<p>4.1</p>

1. Investment Overview

Topic	Summary	Section Reference
	<p>This Prospectus also contains the Lead Manager Offer, being an offer of 12,000,000 Lead Manager Options to CPS Capital Group Pty Ltd in consideration for services provided as Lead Manager of the Offer. Refer to Sections 4.1 and 4.13.9 for details of the Lead Manager Offer, and Section 13.17 for the terms of the Lead Manager Options.</p> <p>Shares issued under the Public Offer will represent approximately 9.43% (assuming the Full Subscription of \$2,500,000 is raised) of the issued share capital of the Company following the Offers and on completion of the Acquisition (on an undiluted basis).</p> <p>Refer to Section 4 for further details of the Offers.</p>	
How do I apply for Securities	<p>Applications for Securities under the Public Offer can be made by completing the Public Offer Application Form in accordance with the instructions.</p> <p>Existing Shareholders who hold 50,000 Shares or more in the Company are invited to apply for Shares under the Priority Offer, whereby the Company has set aside 100,000,000 Shares and 100,000,000 Public Offer Options under the Public Offer, by completing the Priority Offer Application Form in accordance with the instructions.</p> <p>If you are a Loan Holder, please complete your personalised Conversion Offer Application Form.</p> <p>If you are a Vendor, please complete your personalised Vendor Offer Application Form.</p> <p>If you are a participant under the Incentive Offer, please complete your personalised Incentive Offer Application Form.</p> <p>If you are a participant under the Director Offer, please complete your personalised Director Offer Application Form.</p> <p>If you are a participant under the Previous Director Offer, please complete your personalised Previous Director Offer Application Form.</p> <p>If you are a participant under the Executive Offer, please complete your personalised Executive Offer Application Form.</p> <p>If you are a participant under the Placement Offer, please complete your personalised Placement Offer Application Form.</p> <p>If you are a participant under the Lead Manager Offer, please complete your personalised Lead Manager Offer Application Form.</p>	16 – Application Forms
What are the costs of the Offers	<p>The total expenses of the Offers payable by the Company are estimated at approximately \$445,000 including capital raising fees (on the basis of the Full Subscription amount of \$2,500,000).</p>	13.6
Revenue and dividend status	<p>The Company is not expected to generate revenue and profits or to pay a dividend in the near future.</p> <p>As at the date of this Prospectus, there has yet to be material sales and revenue generated by the business.</p>	1.14, 4.17 and Investigating Accountant's Report in Section 8
Company contact	<p>You can contact the Company on +61 (8) 9481 2277 for further details.</p>	Corporate Directory

Note: This information is a selective overview only. Prospective investors should read the Prospectus in full, including the experts' reports in this Prospectus before deciding to invest in Securities.

1. Investment Overview

1.2 Key strengths

Topic	Summary	For more information
Asset Acquisition Opportunity	The Acquisition represents a significant asset acquisition opportunity for the Company of a technology that has been developed and may be nearing commercialisation.	3
Enhanced Liquidity	Through the acquisition of the Protean™ WEC Technology, a larger market capitalisation and enhanced shareholder base should provide a more liquid stock than the Company currently has.	1.6
Experienced Board and Management	The Board of Directors and management team will provide an experienced set of skills in the renewable energy sector to guide the growth of the Company.	1.8

Key risks

You should read this entire Prospectus, including Risk Factors in Section 12 before making any decision to invest. Investing in the Shares should be considered as speculative and the achievement of objectives high risk, and is not suitable as an investment for investors who require security of capital or income. You should consult your professional financial advisors before investing.

The Risk Factors in Section 12 and other general risks applicable to all investments in listed Securities not specifically referred to, may in the future affect the value of the Shares offered pursuant to this Prospectus. Accordingly, an investment in the Company should be considered speculative. Set out below is a summary of the key risks in investing in the Company and its Shares. This information is intended to be a summary only and should be read in conjunction with the more detailed information on risks appearing in Risk Factors in Section 12 of this Prospectus.

Risk	Summary	Section Reference
Capital Raising and Transaction Settlement	If the Company does not satisfy the Conditions of the Offer then it will not be able to satisfy a condition of the Acquisition. Failure of the Public Offer may impact the ability of the Company to settle the Acquisition and therefore compromise the success of the Company.	12.1.1
Commercialisation, technology, third party service provider reliance, competition	The Company will rely on third parties including Moore Commerce Pty Ltd, to successfully deliver the pre-commercial Protean™ WEC demonstration wave farm project (Project SHE1). Furthermore, the Company's success will depend, in part, on its ability to commercialise the Protean™ WEC Technology. Failure to either deliver the Project SHE1 or commercialise the Protean™ WEC Technology may impact the success of the Company.	12.1.2
Limited Operating History	PEA is a non-trading entity and as such has no relevant operating history. This combined with the unproven potential of its technology and any proposed business model makes any evaluation of the business or its prospects difficult.	12.1.3

1. Investment Overview

Risk	Summary	Section Reference
Reliance on Key Management	<p>The Company is heavily reliant upon the technical abilities of the inventor of the WEC Technology, Mr Sean Moore. Mr Moore will be engaged by the Company as a Chief Technology Officer - Wave Energy to develop the Protean™ WEC Technology. The departure of Mr Moore in the short term would be likely to have an adverse effect on the Company's performance and its ability to achieve its objectives. In order to mitigate this risk, the Company has agreed to provide Mr Moore with significant incentives to remain with the Company and has also executed a Consultancy Agreement with Mr Moore's company Moore Commerce Pty Ltd. Please refer to Section 11.13 for the material terms of the Consultancy Agreement between the Company and Moore Commerce Pty Ltd.</p> <p>Furthermore, there can be no assurance given that there will be no detrimental impact on the Company if one or more of its senior management and its key personnel cease their employment.</p>	12.1.4
Market Risk and Brand Establishment and Maintenance	<p>There is a risk that even after the Protean™ WEC Technology has been successfully developed that it is not taken up by customers to the degree the Company anticipates.</p> <p>The Company believes that establishing and maintaining the Protean™ brand in the nascent wave energy market is critical to attracting and growing a user base and creating technology acceptance. This will depend largely on the Company's ability to provide useful and innovative technology. The actions of external industry participants may affect the brand if users do not have a positive experience using the Protean™ technology. If the Company fails to successfully establish and maintain its brand its business and operating results could be adversely affected.</p>	12.1.5
Development and Commercialisation of Technologies	<p>There are many risks inherent in the development of technology products like the WEC Technology, particularly as these products are in the early stages of development. The development of the WEC Technology can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.</p> <p>The Company makes no representation that any of its research into or development of the full scale prototype will be successful, that the development milestones will be achieved, or that the WEC Technology will be developed into products that are commercially exploitable. A failure to successfully develop and commercialise the WEC Technology is likely to lead to a loss of opportunity and adversely impact on the Company's operating results and financial position.</p>	12.1.6
Technology rights and Protection of Rights	<p>Securing rights to technologies, and in particular patents, is an integral part of securing potential product value in the outcomes of technology research and development. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.</p> <p>The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvents such patents. The Company's success depends, in part, on its and or PEA's ability to obtain patents, maintain trade secret protection and operate without infringing the</p>	12.1.7

1. Investment Overview

Risk	Summary	Section Reference
	<p>proprietary rights of third parties. Because the patent position of technology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in technology patents nor their enforceability can be predicted. There can be no assurance that any patents that PEA may own or control or licence now and in the future will afford the Company commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications.</p> <p>Although the Company is not aware of any third party interest in relation to the rights to PEA's technologies, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company. The Company is aware of an instance in the past of a third party in the US using the trademark "Protean™" in relation to a competing wave energy technology. The Company has considered the circumstances and at the date of this Prospectus does not consider the matter to be material nor is it expected to cause any negative commercial consequences and therefore the Company does not intend to act on the matter.</p> <p>Although the Company will implement all reasonable endeavours to protect PEA's technologies, there can be no assurance that these measures have been, or will be sufficient.</p> <p>Furthermore, PEA has numerous patents pending (i.e. an application for a patent has been made but the patent has not yet been granted). There is no guarantee that all applications for patents will be successful.</p>	
Research and Development	<p>The Company can make no representation that any of its research into or development of the Protean™ WEC Technology will be successful or that the Protean™ WEC Technology will be developed into products that are commercially exploitable.</p> <p>There are many risks inherent in the development of renewable energy technologies, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.</p>	12.1.8
Technology Risks	<p>There is a risk of technology failure in the technologies used in a wave power project. If this occurs, it could have a material adverse effect on that project and in turn on the Company. There is also a risk of technology redundancy due to the long-term nature of the Company's projects. This risk is mitigated by the use of technology and materials from leading international suppliers and manufacturers; this ensures that regular maintenance is undertaken and contracting operations and maintenance is undertaken by experienced industry practitioners.</p>	12.1.9
Other Renewable Energy Technologies	<p>Other renewable energy technologies may be developed or emerge which supersede the Protean™ WEC Technology or make it obsolete, which may cause loss to the Company.</p>	12.1.10

1. Investment Overview

Risk	Summary	Section Reference
Wave Variability	Although wave energy projects may be more predictable than other renewable energy projects like wind or solar energy, fluctuations in the level of waves occur on a short term basis (examples include daily, monthly and seasonal variations). These fluctuations will affect the amount of energy produced by the WEC Technology and the revenue generated by it, and if the amount of energy produced is reduced, this is likely to be to the detriment of the Company.	12.1.11
Public Attitude	Public attitude towards the visual and environmental impact of renewable energy projects, including wave technology, affects the renewable energy targets set by governments and other interested parties which may in turn affect the location and number of WEC units in any given area. The attitude of communities to these and other aspects of renewable energy projects, including wave technology, may change over time. These changes, and any consequential changes to government policy and the regulatory environment, may be positive or negative for the Company.	12.1.12
Product Liability and Uninsured Risks	<p>Through its intended business, the Company may be exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.</p> <p>Although the Company will work to rigorous standards, there is still the potential for the WEC Technology to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.</p> <p>If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.</p> <p>Further, the Company is exposed to the risk of catastrophic loss to necessary equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.</p>	12.1.13
Renewable Energy Regulatory Risks	Wave energy projects may be dependent on mandatory or voluntary renewable energy or emissions trading schemes and other government initiatives for economic viability. Typically these government initiatives or program are available for a specified period of time, at the end of which there is no guarantee that the relevant initiative or program will be extended. Equally, during the term of the initiative or program, changes in political or other activities may result in changes to, suspension or abolition of those initiatives or program, which could have a positive or negative effect on the Company.	12.1.14

1. Investment Overview

Risk	Summary	Section Reference
General Working capital	The Directors believe the funds raised from the Public Offer will give the Company sufficient working capital to achieve its immediate objectives as stated in this Investment Overview Section. However, funds raised under this Prospectus are unlikely to be sufficient to enable the Company to satisfy its long term objectives to fully commercialise its projects and technologies.	12.1.17
Funding Risk	There is the risk that if or when the Company requires additional funding that it may not be able to raise these funds. This would likely have a detrimental effect on the Company.	12.1.17
General Operation Risk	Renewable energy projects are exposed to numerous operational risks including the impact of force majeure events, plant breakdowns, electricity network and other utility service failures, and other unanticipated events. The cost of repairing or replacing damaged assets may be considerable, while repeated or prolonged interruption may result in termination of contracts, substantial litigation and damages or penalties for regulatory or contractual non-compliance, reduced cash flows and increased funding costs. Moreover, such amounts may not be recoverable under insurances and, in relation to network failures, network service providers and market operators may also benefit from limitations of liability reducing the quantum of any recovery of damages from them. If the operation expenditure is different from that projected for the wave farm project, it will affect the cash flow available from the project which may have a detrimental impact on the Company.	12.1.19
Market Price of Electricity and Renewable Energy Rights is Volatile	Demand for electricity is dependent on numerous factors including economic conditions, population growth, government policy, weather, availability and price of alternative fuels or energy sources. Demand for products such as the Protean™ WEC Technology may be dependent on mandatory requirements for electricity to come from renewable energy sources, market demand for electricity and renewable energy, and their availability. Given the kinds of factors which affect demand, demand has inherent volatility. This may impact on the price of electricity and renewable energy positively or negatively.	12.1.20
Management of Growth	There is a risk that management of the Company will not be able to implement the Company's strategy. The capacity of management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.	12.1.21
Joint Venture Parties, Agents and Contractors	<p>The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity. Issues arising with these third parties and their ability to perform the obligations under the JV Agreement could have a material impact on the assets and financial position of the Company.</p> <p>In order to meet its contractual obligations under the JV Agreement, the Company is required to enter into a collaboration agreement with Korea Institute of Geoscience and Minerals (KIGAM) to undertake a</p>	12.2.7

1. Investment Overview

Risk	Summary	Section Reference
	<p>core analysis program. While the Company has no reason to believe that the collaboration agreement with KIGAM will not proceed, the Company cannot guarantee that the collaboration agreement with KIGAM will be executed. A failure to execute the collaboration agreement with KIGAM would mean the ability of the Company to access the drill core to conduct the core analysis work may be limited or restricted either in part or absolutely.</p> <p>Under the Shareholders Agreement executed with KORID, KORID can elect to terminate the Term Sheet and Shareholders Agreement 12 months from completion with 1 months' notice to the Company. If KORID elects to terminate the Term Sheet and Shareholders Agreement, this would result in the return of the consideration for the transaction, the KORID shares issued (currently in escrow) to the Company.</p>	

1.4 Indicative Timetable for the Offer

Event	Date
Company announces change of nature and scale of activities	30 November 2015
Suspension of the Company's Securities from trading on ASX at the opening of trading	30 November 2015
Annual General Meeting to approve the change of nature of activities and other matters	10am WST, 30 November 2015
Priority Offer Record Date	5pm WST, 30 November 2015
ASX informed of Shareholder approvals	Following AGM on 30 November 2015
Lodgement of Prospectus for Capital Raising	25 November 2015
Opening Date of the Offers	2 December 2015
Closing Date of the Offers	22 December 2015
Completion of Capital Raising and issue of New Shares	29 December 2015
Settlement of Acquisition	29 December 2015
Anticipated date the suspension of trading of Shares is lifted	14 January 2016

Notes

1. Subject to the Exposure Period. Any extension of the Exposure Period will impact on the Opening Date.
2. Prospective investors are encouraged to submit their Applications as early as possible. The Directors reserve the right to close the Offers earlier or later than as indicated above without prior notice to prospective investors.
3. Anticipated dates only. The above dates are indicative only and may change without notice. The Directors reserve the right to amend the timetable. The date the Securities are expected to be issued and/or commence trading on ASX may vary with any change to the relevant Closing Date.

1. Investment Overview

1.5 Key Offer statistics

The price of Shares offered under this Prospectus is \$0.025 per Share.

The Company will seek to raise \$2,500,000 (before expenses of the Offer), with the ability to take oversubscriptions of a further \$2,500,000 (being a maximum of \$5,000,000), to fund the activities of the Company through the offer by the Company of up to 200,000,000 Shares at an issue price of \$0.025 per Share, with one free attaching Public Offer Option for every Share subscribed for (**Public Offer**).

The Company is inviting existing Shareholders who hold at least 50,000 Shares in the Company to take part in the Public Offer, and has set aside 100,000,000 Shares (and 100,000,000 Public Offer Options) in the Public Offer for existing Shareholders under the Priority Offer (**Priority Offer**). Existing Shareholders who hold 50,000 Shares at the Priority Offer Record Date may apply for a minimum \$2,000 allocation being a parcel of 80,000 Shares and 80,000 Public Offer Options and up to a maximum allocation of \$50,000 (inclusive of the \$2,000) being 2,000,000 Shares and 2,000,000 Public Offer Options on a first come, first serve basis by completing the Priority Offer Application Form. However the allocation under the Priority Offer is limited and will be subject to availability, Listing Rule 7.3.8 and the Board's absolute discretion. Any of the Shares and Public Offer Options offered under the Priority Offer available for existing Shareholders are not applied for by 5.00pm (WST) on the Priority Offer Closing Date, those Shares and Public Offer Options will be made available to other Applicants pursuant to the Public Offer.

This Prospectus also contains the Conversion Offer, being an offer to the Loan Holders of up to 30,761,352 Shares and 30,761,352 Attaching Options on conversion of the Convertible Loans (**Conversion Offer**). Refer to Section 4.13.2 for details of the Conversion Offer.

This Prospectus also contains the Vendor Offer, being an offer to the Vendor of 60,000,000 Shares and 120,000,000 Performance Shares as consideration for the Acquisition pursuant to the terms of the Share Purchase Agreement (**Vendor Offer**).

This Prospectus also contains the Incentive Offer, being an offer to Directors and Mr Sean Moore of 80,000,000 Incentive Options as a performance linked incentive component of their remuneration packages (**Incentive Offer**).

This Prospectus also contains the Director Offer, being an offer to Mr Brendan Hammond of 1,000,000 Class C Options as a sign-on bonus as part of his remuneration package negotiated prior to his appointment (**Director Offer**).

This Prospectus also contains the Previous Director Offer, being an offer to previous Director Mr Richard Henning of 5,000,000 Class D Options for past services provided (**Previous Director Offer**).

This Prospectus also contains the Executive Offer, being an offer to Director Mr Bruce Lane and Mr Sean Moore of 57,500,000 Performance Rights to provide a performance linked incentive component in the remuneration package of Mr Bruce Lane and Mr Sean Moore to motivate and reward performance in achieving specified vesting conditions within a specified period (**Executive Offer**).

This Prospectus also contains the Placement Offer, being an offer to participants of the Placement of 7,500,000 Placement Bonus Shares and 12,500,000 Placement Options as consideration for the reduction in the average price of the Placement to participants to be in line with the Public Offer price of \$0.025 together with the free attaching Public Offer Options (**Placement Offer**).

1. Investment Overview

This Prospectus also contains the Lead Manager Offer, being an offer to CPS Capital Group Pty Ltd of 12,000,000 Lead Manager Options as consideration for services provided as Lead Manager of the Offer (**Lead Manager Offer**).

Key information relating to the Offers and references to further details are set out in this Investment Overview below. For further details of the Offers, please refer to Section 4.

1.6 Lead Manager arrangements

The Company has appointed CPS Capital Group Pty Ltd as the Lead Manager for the Public Offer. Please refer to the summary of the Lead Manager Mandate in Section 11.8 for details and services provided by CPS Capital Group Pty Ltd and fees to be paid by the Company in respect of these arrangements.

Pro-forma capital structure

The capital structure of the Company following completion of the Public Offer, Acquisition and other matters will be as follows¹:

Shares

Event	Number of Shares based on the Company raising Over Subscriptions under the Public Offer	%
Existing Shares		
Existing Shareholders	861,353,928	74.28%
Shares to be issued under the Offers		
Shares issued to Vendor (the Vendor Offer)	60,000,000	5.17%
Shares issued to Loan Holders (the Conversion Offer)	30,761,352	2.65%
Shares issued under the Placement Offer	7,500,000	0.65%
Shares issued under the Capital Raising (the Public Offer)	200,000,000	17.25%
TOTAL	1,159,615,280	100%

Assumes the Oversubscription of a total of \$5,000,000 is raised under the Prospectus at \$0.025 per Share.

The Company notes that 5,000,000 Shares are entitled to be issued (due to the milestones under the Class F Performance Shares being satisfied), and the Company anticipates issuing these Shares on or about 2 December 2015.

1. Investment Overview

Options

Class	Number of Options	%
Existing Options		
Class A Options (unlisted, exercisable at \$0.01, expiry 25 March 2020) – To be cancelled	35,000,000	8.41%
Class B Options (unlisted, exercisable at \$0.014, expiry 5 April 2020) – To be cancelled	40,000,000	9.61%
Options to be issued under the Offers		
Class C Options (unlisted, exercisable at \$0.081, expiry 4 years from the date of the Company obtains Official Quotation under this Prospectus)	1,000,000	0.24%
Class D Incentive Options (unlisted, exercisable at \$0.0375 expiry 30 November 2018)	8,500,000	2.04%
Class E Incentive Options (unlisted, exercisable at \$0.05 expiry 30 November 2018)	17,000,000	4.08%
Class F Incentive Options (unlisted, exercisable at \$0.0625 expiry 30 November 2018)	25,500,000	6.13%
Class G Incentive Options (unlisted, exercisable at \$0.075 expiry 30 November 2018)	34,000,000	8.17%
Class H Attaching Options (unlisted, exercisable at \$0.0375 expiry 31 December 2018)	30,761,352	7.39%
Class I Placement Options (unlisted, exercisable at \$0.0375, expiring 31 December 2018)	12,500,000	3.00%
Class J Lead Manager Options (unlisted, exercisable at \$0.0375, expiring 31 December 2018)	12,000,000	2.88%
Class K free attaching Public Offer Options (unlisted, exercisable at \$0.0375, expiring 31 December 2018)	200,000,000	48.05%
TOTAL	416,261,352	100%

Performance Rights

Holder	Existing Performance Rights	Performance Rights to be Issued under Offers	%
Mr Bruce Lane	30,00,000	12,500,000	23.13%
Mr Sean Moore	15,000,000	45,000,000	32.65%
Mr William Toman	-	26,250,000	14.29%
SMVG	-	45,500,000	24.76%
Mr Jae Ho Hong	9,500,000	-	5.17%
TOTAL	54,500,000	129,250,000	100%

Assumes none of the Performance Right Milestones have been achieved.

1. Investment Overview

Performance Shares

Holder	Existing Performance Shares	Performance Shares to be Issued under Offers	%
Performance Shares issued to the Vendor and its nominees (Vendor Offer)	-	120,000,000	96.00%
Class F Performance Shares (existing)	5,000,000	-	4.00%
TOTAL	5,000,000	120,000,000	100%

The Company notes that the ordinary shares on conversion of the existing Class F Performance Shares are entitled to be issued (due to the milestones under the Class F Performance Shares being satisfied), and the Company anticipates issuing these Shares on or about 2 December 2015. Assumes no other Performance Share Milestones have been achieved.

1.7 Objectives of the Offers and Use of Funds

Funds raised from the Public Offer will be utilised over a 2 year period as follows:

Use of funds	Full Subscription (\$2.5 million)		Over Subscription (\$5 million)	
	Year 1	Year 2	Year 1	Year 2
Expenditure on administration & overheads	\$350,000	\$350,000	\$650,000	\$655,000
Expenditure on Protean™ WEC Technology US (WEC testing and development support activities)	\$150,000	\$150,000	\$300,000	\$300,000
Expenditure on Protean™ WEC technical development (Post deployment of demonstration wave farm - Project SHE1). Extended testing and verification, TSG system development, desalination, feasibility study for commercial pilot project	\$345,000	\$350,000	\$1,040,000	\$1,100,000
IP costs	\$30,000	\$30,000	\$30,000	\$30,000
Expenditure on Korean JV ⁽¹⁾	\$200,000	\$100,000	\$200,000	\$100,000
Costs of the Offers ⁽²⁾	\$295,000	-	\$295,000	-
Capital Raising Fees ⁽³⁾	\$150,000	-	\$300,000	-
Total ⁽⁴⁾	\$1,520,000	\$980,000	\$2,815,000	\$2,185,000

(1) The JV Agreement with KORID requires the Company to spend up to \$800,000 under Stage 1 of the JV. The Company estimates the actual costs of Stage 1 will be no more than \$600,000 which is to be funded from \$300,000 of funds raised under the Prospectus plus \$300,000 from the KORID Placements. Should the Company be required to spend further funds on Stage 1 then these funds would be drawn from administration and overheads.

(2) Approximate amount to conduct and complete the Offers.

(3) Up to 6% of funds raised.

(4) Assumes full subscription of the Conversion Offer.

1. Investment Overview

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (such as the risk factors noted in Section 12) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors believe that the Company will have sufficient working capital to meet its immediate business obligations, as set out in the above table, and to meet its objectives upon completion of the Offers.

1.8 Board and management

Set out below is a background of the Company's Directors and key management. The Company's Directors and key management outlined below will be continuing in their roles upon Completion of the Acquisition.

(a) Board and management changes

There are no charges to the Board anticipated as part of the Acquisition.

(b) Current Directors and key management

(i) Brendan Hammond – Non-Executive Chairman (Cit. WA)

Mr Hammond has a distinguished career in the minerals and utilities industries. He spent some 24 years with Rio Tinto as a metallurgist at the Rossing Uranium mine in Namibia and was eventually appointed as General Manager Operations and subsequently Managing Director at Argyle Diamonds Limited where he led a turnaround to create a highly profitable business with a significantly extended open-pit and underground mine life. Brendan was subsequently appointed as Chairman of Horizon Power (WA's largest regional power company) and Dampier Port Authority Boards. He has also been a member of the Western Australian Watercorp Board and is currently both Chairman of Centric Digital International Ltd and a Professor Adj. of Sustainability at Curtin University, Western Australia.

(ii) Bruce Lane – Managing Director (BCom, MSc, GAICD)

Mr Lane has a broad range of operational management and corporate experience involving the execution of a number of successful corporate and operational events including capital raisings, acquisitions (both in Australia and offshore), joint ventures and minerals exploration campaigns. Mr Lane has worked with a number of early stage technology companies as an advisor, investor and manager and also managed a number of successful ASX IPOs and secondary raisings for ASX companies. Mr Lane is a graduate of the Australian Institute of Company Directors and completed a Sloan Fellowship at London Business School.

(iii) Bevan Tarratt – Non-Executive Director (BA (Bus), SDIA)

Mr Tarratt has an extensive background in the accounting industry primarily focused on small cap resource companies. This experience has allowed Mr Tarratt to develop an in-depth understanding of the resource sector within Western Australia and globally, allowing Mr Tarratt to systematically evaluate project and corporate opportunities. Mr Tarratt has extensive equity capital markets experience and is currently a director of a number of Australian public companies.

1. Investment Overview

(iv) Young Yu – Non-Executive Director (B.Bus MBA CPA)

Mr Yu is an experienced professional businessman with private and public sector experience in finance, consulting, trade and international business in both Australia and Korea. He is a Certified Practising Accountant and holds a bachelor of business (Accounting) Degree and an MBA from Curtin University in Western Australia. Mr Yu worked as the Trade Commissioner to the Australian Trade Commission within the Australian Embassy in Seoul, Korea and was responsible for Mineral & Resources, Industrial and Investment sectors since 2008. He was the Regional Director / Representative for the Western Australian Trade and Investment Office in Seoul, Korea for four years.

(v) Mr Sean Moore, Chief Technology Officer – Wave Energy

Mr Moore is the founder and inventor of the Protean™ WEC Technology and has over 60 international patent applications on ocean energy technologies. Sean has been the recipient of many awards and scholarships and is recognised for his expertise in ocean energy. He was a panellist on the Ocean Energy Panel at the inaugural 2009 Asia Pacific Clean Energy Summit in Hawaii. Sean holds a Bachelor of Engineering (Honours), and a Bachelor of Science, from Edith Cowan University.

(vi) Mr William (Bill) Toman, President of Protean Wave Energy Inc. (US Subsidiary)

Mr Toman has developed over 2,000 MW of generating capacity in the USA and overseas. He led a US Department of Energy (DOE) funded study investigating siting, cost and feasibility issues for developing a national wave energy test centre off California's coast for Pacific Gas and Electric Company. Mr Toman also led development of the US's first open ocean, grid-connected wave energy testing and demonstration facility (Humboldt WaveConnect), a 5 MW project.

(vii) Mr Scott Davis, General Manager Business Development

Mr Davis has over 20 years' experience across the electricity and resource sectors in Australia, Canada and the Solomon Islands. He led the introduction of a location based renewable energy buyback tariff for regional Western Australia together with the introduction of generation management requirements for solar – a first for Australia. He also led innovation in the design of power purchase agreements to facilitate significant cost reductions, balance sheet benefits, and more effective management of customer demand and renewable energy integration.

Refer to Section 5 for further details on current Directors and key personnel.

1.9 Related Party transactions

(a) Related Party policy

The Company's policy in respect of related party arrangements is:

- (i) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (ii) the Director who has a material personal interest should not be present while the matter is being considered by the Board at the meeting and must not vote on the matter.

(b) Acquisition of PEA

The Company's Acquisition of all the shares in PEA from PEL is not a related party transaction.

(c) The Public Offer

The Company is seeking Shareholder's approval at the Annual General Meeting for the purpose of the Directors participation in the Public Offer as set out in Section 1.11.

1. Investment Overview

(d) Convertible Loans

On 11 August 2015, the Company advised that it had secured an additional loan facility of \$300,000 of which Director, Mr Bevan Tarratt provided \$75,000. Subject to Shareholder approval the loan facility is convertible into Shares on the terms and conditions set out in Section 11.4.

(e) Agreements with Directors

Mr Brendan Hammond – Non Executive Chairman – Letter of Appointment

The Company has entered into a non-executive letter of appointment in respect of Brendan Hammond's position as Non-Executive Chairman of the Company. The terms and conditions of this arrangement are set out in Section 11.10 below.

Mr Bruce Lane – Managing Director - Executive Services Agreement

The Company has entered into an executive services agreement in respect of Mr Bruce Lane's position as a Managing Director of the Company. The terms and conditions of this arrangement are set out in Section 11.9 below.

Mr Bevan Tarratt – Non Executive Director - Letter of Appointment

The Company has entered into a non-executive letter of appointment in respect of Mr Bevan Tarratt position as a Non-Executive Director of the Company. The terms and conditions of this arrangement are set out in Section 11.11 below.

Mr Young Yu – Non Executive Director - Letter of Appointment

The Company has entered into a non-executive letter of appointment in respect of Mr Young Yu's position as a Non-Executive Director of the Company. The terms and conditions of this arrangement are set out in Section 11.12 below.

(f) Deeds of indemnity, insurance and access

In addition to the above, the Company has entered into a deed of indemnity and access with each of its Directors and the Company Secretary (**Deeds**). Under the terms of the Deeds, the Company indemnifies each officer to the extent permitted by the Corporations Act against any liability as a result of the Officer acting as an officer of the Company. The Company is required under the Deeds to use its best endeavours to obtain and maintain insurance policies for the benefit of the relevant officer for the term of the appointment and for a period of seven years after retirement, termination or resignation, except to the extent that such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company. The Deeds also provide for the Directors and Company Secretary to have a right of access to Board papers and minutes.

1.10 Directors' interests and remuneration

The Directors are not required to hold any Securities in the Company under the Constitution. The Directors have the relevant interests in the Securities of the Company as at the date of this Prospectus as set out in the table below.

At the Annual General Meeting to be held on 30 November 2015, it is proposed to grant Bevan Tarratt, Bruce Lane, Brendan Hammond and Young Yu (being Directors of the Company) or their respective nominees, the entitlement to participate in the Public Offer.

1. Investment Overview

In accordance with the Listing Rules, shareholder approval is required for the issue of equity securities to a Related Party of the Company. The Directors of the Company are Related Parties of the Company. Consequently, in accordance with Listing Rule 10.11, Shareholder approval is to be sought for the issue of equity securities to a Related Party of the Company. Full details of the Resolution, background to the Resolution, and details required by ASX Listing Rule 10.11 are set out in the Notice of Annual General Meeting.

Should Shareholder approval pursuant to the Resolution referred to above be granted, the above named Directors (or their respective associates) may subscribe in total for a maximum number of 8,000,000 Shares with up to 8,000,000 Public Offer Options in the Public Offer. Should the Directors (or their nominees) subscribe for the maximum number of Shares in the Public Offer approved by Shareholders, they will obtain the maximum voting power upon completion of the Acquisition as detailed in the following table:

Director	Current Shareholding (Direct & Indirect)	%	Following completion of Offers, Full Subscription of Public Offer (Direct & Indirect)	%
Bevan Tarratt	21,717,607	2.52%	23,717,607	2.23%
Young Yu	49,401,677	5.73%	51,401,677	4.85%
Bruce Lane	2,172,630	0.02%	4,172,630	0.04%
Brendan Hammond	-	-	2,000,000	0.01%

Notes:

1. Assumes no Milestones for the Performance Rights have been achieved.
2. Assumes the Full Subscription of \$2,500,000 million is achieved.
3. Assumes each Director subscribes for securities in the Public Offer up to the maximum amount approved by Shareholders at the Annual General Meeting (being 2,000,000 shares and 2,000,000 Public Offer Options each).

Following completion of the Offers the Directors will have the following relevant interests in the Securities of the Company should the Directors not participate in the Public Offer and all other Offers are completed:

Director	Current Shareholding (Direct & Indirect)	Unlisted Options (Direct & Indirect)	Performance Rights
Bevan Tarratt	21,717,607	7,500,000	-
Young Yu	49,401,677	7,500,000	-
Bruce Lane	2,172,630	17,500,000	42,500,000
Brendan Hammond	-	3,500,000	-

1. Including Public Offer Options.

1. Investment Overview

Director	FY	Cash salary, fees and leave	Post- employment benefits- superannuation	Share based payments Performance rights	Total	Performance related
		\$	\$	\$	\$	%
Bevan Tarratt	2015	32,877	3,123	-	36,000	-
	2014	32,952	3,048	-	36,000	-
Young Yu	2015	49,727	-	-	49,727	-
	2014	187,923	11,563	-	199,486	-
Bruce Lane	2015	139,779	9,222	107,632	256,633	41.94
	2014	20,000	-	-	20,000	-
Brendan Hammond	2015	-	-	-	-	-
	2014	-	-	-	-	-

1. Includes consulting fees paid to associated companies

1.1 Substantial holders

Based on public information as at the date of this Prospectus, the persons who (together with their associates) have a relevant interest in 5% or more of the Company's Securities are set out below:

Shareholder	No. of Shares	%
Protean Energy Pty Ltd (ACN 142 254 466)	60,000,000	6.97
Slade Technologies Pty Ltd	58,153,058	6.75
JLC Corporation Pty Ltd	49,401,677	5.73

On completion of the Offers (oversubscriptions and completion of the Acquisition), the following Shareholders will own 5% or more of the Company's Securities.

Shareholder	No. of Shares	%
Protean Energy Pty Ltd (ACN 142 254 466)	120,000,000	10.41
Slade Technologies Pty Ltd	58,153,058	5.04

1.12 Restricted Securities

Chapter 9 of the Listing Rules prohibits holders of restricted Securities from disposing of those securities or an interest in those Securities or agreeing to dispose of those Securities or an interest in those Securities for the relevant restriction periods. The holder is also prohibited from granting a security interest over those Securities. Subject to the Company being re-admitted to the Official List, certain Shares, Performance Shares, Performance Rights and Options on issue prior to the Offer may be classified by ASX as restricted Securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

1. Investment Overview

It is estimated that 67,500,000 Shares will be escrowed as follows:

(a) 67,500,000 for 12 months from the date of Official Quotation (primarily held by seed investors and unrelated Vendors).

It is estimated that 120,000,000 Performance Shares will be escrowed as follows:

(b) 120,000,000 for 12 months from the date of Official Quotation (held by unrelated Vendors and its nominees).

It is estimated that 129,250,000 Performance Rights will be escrowed as follows:

(c) 12,500,000 for 24 months from the date of Official Quotation (held by Directors); and

(d) 116,750,000 for 12 months from the date of Official Quotation (primarily held by management and consultants).

It is estimated that 141,261,352 Options will be escrowed as follows:

(e) 56,844,290 for 24 months from the date of Official Quotation (primarily held by promoters and Directors); and

(f) 84,417,062 for 12 months from the date of Official Quotation (primarily held by management and unrelated seed investors).

The restricted Securities listed above are subject to change depending on the escrow periods imposed by ASX in accordance with the Listing Rules. The Company will announce to ASX the full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's re-admission to the Official List.

1.13 Historical financial information

Protean Energy Australia Pty Ltd (ACN 143 809 803)

The Company is acquiring 100% of the shares in PEA. PEA is a non-trading subsidiary of PEL, and is the legal and beneficial owner of the intellectual property relating to the Protean™ WEC Technology. There is no trading information available for PEA as PEA has never been a trading entity.

Stonehenge Metals Ltd (ACN 119 267 391)

This Section contains the audited historical financial information for 2013, 2014 and 2015 for Stonehenge Metals Ltd (ACN 119 267 391) and its controlled subsidiaries (the **Financial Information**) that the Directors consider relevant to investors. The Financial Information is presented in an abbreviated form and does not contain all the disclosures that are usually contained in an annual report prepared in accordance with the Corporations Act.

BDO Corporate Finance (WA) Pty Ltd has prepared an Investigating Accountants' Report which incorporates the audited financial information for the Company for the financial year ended to 30 June 2015, in Section 8.

The following table provides a summary of the historical audited income statements and statement of financial position of the Company and its controlled subsidiaries for the financial years ended 2013, 2014 and 2015. As the Company was a mineral exploration Company during these periods, with minimal revenue, commonly incorporated financial ratios are not applicable or are immaterial and have not been included. The below is a summary of key financial information with the historical profit and loss and historical statement of financial position in Appendix 5 of the Investigating Accountants Report, in Section 8, this should be read in conjunction with all other information contained in this Prospectus.

1. Investment Overview

	FY 2013 Audited Actual	FY 2014 Audited Actual	FY 2015 Audited Actual
Total revenue	24,376	7,230	269
Operating expenses	(1,121,649)	(1,244,899)	(4,709,437)
EBITDA	(1,097,273)	(1,237,669)	(4,709,168)
Depreciation	(33,389)	(28,027)	(24,290)
EBIT	(1,130,662)	(1,265,696)	(4,733,458)
Interest income (expense)	93,221	16,298	12,979
NPBT	(1,037,441)	(1,249,398)	(4,720,479)
Tax	(448,942)	(232,607)	-
NPAT	(1,486,383)	(1,482,005)	(4,720,479)
Total assets	9,449,744	8,006,175	5,270,629
Total liabilities	(731,784)	(567,645)	(137,058)
Net assets	8,717,960	7,438,530	5,133,571

1.14 Expenses of the Offer (Refer to Section 13.6)

The total expenses of the Offer payable by the Company are estimated at approximately \$445,000 (on the basis of the Full Subscription of \$2,500,000) and are expected to be applied towards the items set out in Section 13.6 below, including ASIC and ASX fees, legal fees, printing and other miscellaneous fees.



2. Chairman's Letter

2. Chairman's Letter

Dear Investor

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in Stonehenge Metals Ltd to be renamed Protean Wave Energy Limited (**Company** or **Stonehenge**).

As announced on 10 November 2014, the Company entered into a Call Option and Licence Agreement with Protean Energy Pty Ltd (**PEL**) to acquire 100% of PEL's wholly owned subsidiary, Protean Energy Australia Pty Ltd (**PEA**). PEA is a non-trading entity which is the legal and beneficial owner of the intellectual property titles, rights and licences to the Protean™ WEC Technology. On 11 August 2015, following the successful functional ocean based testing of a fully assembled proof of commercial applicability Protean™ WEC device, the Company advised it had formalised its intention to complete the acquisition of 100% of the Protean™ intellectual property by exercising its rights under the Call Option and Licence Agreement with PEL.

The Protean™ WEC technology is a patented and patent pending intellectual property invented by Sean Moore and has been identified as having a number of potential advantages over other wave energy technologies currently being investigated internationally. The technology 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 through all six available directional wave forces.

The Company will hold its Annual General Meeting on 30 November 2015, at which time Shareholder approval will be sought for a number of resolutions to give effect to the acquisition of PEA. The resolutions will seek to approve, amongst other things, the acquisition of PEA, the issue of Vendor Shares to them, a change to the name, nature and scale of the Company, a re-compliance capital raising of \$2,500,000 by the issue of up to 100,000,000 Shares at \$0.025 and the participation of Directors in the proposed re-compliance capital raising.

The Offers

The Company is seeking to raise \$2,500,000 (100,000,000 shares) at an issue price of \$0.025 per share, with up to 100,000,000 free attaching Public Offer Options (before costs) pursuant to the Public Offer detailed in this Prospectus. There is provision for oversubscriptions of a further 100,000,000 Shares at the Public Offer price (to raise a further \$2,500,000) with up to 100,000,000 free attaching Public Offer Options.

Of the 100,000,000 Shares being offered under this Prospectus, 100,000,000 Shares and 100,000,000 Public Offer Options will be offered in priority to existing Shareholders of the Company who hold at least 50,000 Shares in the Company on the Priority Offer Record Date, (Priority Offer). Existing Shareholders will be assured a minimum \$2,000 allocation being a parcel of 80,000 Shares and 80,000 Public Offer Options and up to a maximum allocation of \$50,000 being 2,000,000 Shares and 2,000,000 Public Offer Options on a first come, first serve basis. The Company will retain absolute discretion regarding the allocation of Shares and Public Offer Options under the Priority Offer and Public Offer.

The Public Offer is an important next step in the evolution of our Company and the Board believes it is an integral part of our long term growth strategy. The Public Offer provides an opportunity for you to share in our exciting future.

2. Chairman's Letter

The proceeds of the Public Offer will primarily be used to fund the commercialisation of the Protean™ WEC Technology and to advance Stage 1 of the JV Agreement with KORID, as well as to provide general working capital (including costs of the Capital Raising). Shareholders should note that the KORID Placements of \$300,000 are intended to fund expenditure commitments relating to the JV Agreement with KORID.

This Prospectus also contains the Conversion Offer, Vendor Offer, Incentive Offer, Director Offer, Previous Director Offer, Executive Offer, Placement Offer and Lead Manager Offer. Refer to Section 4 for further details of the Offers.

Conclusion

The information in this Prospectus contains detailed information about the Offers and a detailed explanation of the business. An investment in the Company is subject to certain risks, non-exhaustive lists of which are highlighted in Sections 1.3 and 12. These risks include (but are not limited to) capital raising and transaction settlement risk, risks associated with developing and commercialising the Protean™ wave energy technology, reliance on key management risk, technology rights and protection risk, public attitude risks, funding risks and joint venture risks.

I strongly encourage you to read the Key Risks in Section 1.3 and the Risk Factors in Section 12.

Before making your decision to invest, I ask that you carefully read this Prospectus and seek professional advice if required.

If you have any questions about how to apply for Securities, please call on +61 9481 2277 (from 9.00 am to 5.00 pm WST) Monday to Friday during the Offer Period.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely



Brendan Hammond
Non-Executive Chairman



3. Overview of the Company

3. Overview of the Company

3.1 History of the Company

Incorporated in April 2006, the Company originally listed on the ASX on 19 December 2006. The Company's principal activities previously involved minerals exploration. In light of difficult market conditions for junior resource and exploration companies, the Company has been evaluating high quality, value adding investment opportunities outside the commodities industry to take advantage of global market trends and maximise the value of its Securities. The Directors believe the proposed Acquisition of PEA (subject to Shareholder approval) is an excellent opportunity for the Company to transition from minerals exploration to renewable energy generation.

On 11 August 2015, the Company formalised its intent to acquire all of the issued capital in PEA by entering into a binding Share Purchase Agreement and exercising the option to acquire PEA on the terms and conditions as set out in this Prospectus. PEA is a non-trading entity, which is the legal and beneficial owner of the intellectual property title, rights and licenses to the WEC Technology.

The Company currently holds 50% of a JV company that has mineral exploration rights in South Korea. Details of the JV arrangements and the Korean Assets are contained in Section 3.8 and Sections 9 and 10 of this Prospectus.

A diagram illustrating the corporate structure of the Company is set out in Section 13.19.

3.2 The Renewable Energy Market and Wave Energy Potential

Renewable Energy

The Intergovernmental Panel on Climate Change has stated that the world should be targeting major greenhouse gas reductions by 2050 and the Paris COP21 meeting in December this year is expected to be a critical event to further this goal. Accordingly, renewable power systems are experiencing a rapid acceleration in their deployment lead by wind and solar photovoltaic (**PV**) which have collectively reached >500GW installed capacity in 2015. Wind power deployment is dominated by large wind farms and progressively larger turbines and blades, whereas the solar PV investments are supporting the decentralisation of power networks through both modularized deployments and large grid scale projects.

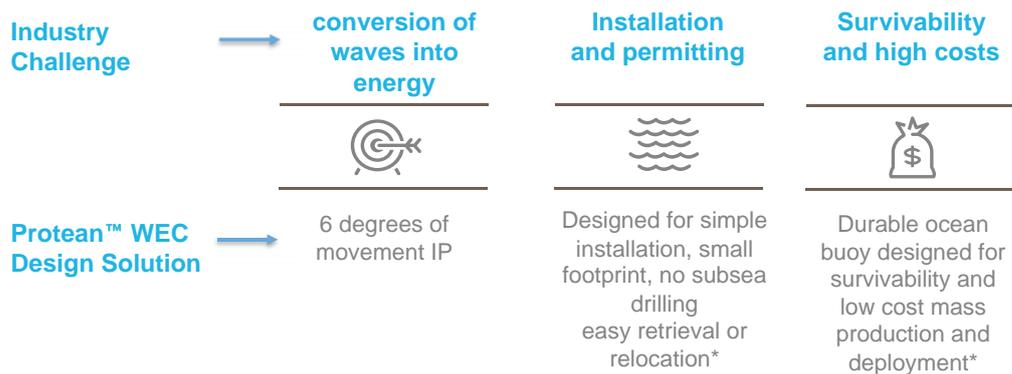
Wave Power

The potential energy in our oceans is substantial; however wave power technologies are still at a relatively early stage in their technology development and commercialisation. The technology approaches to date have predominantly been larger "wind turbine" sized systems. There have been technical challenges in deploying large scale pieces of equipment in harsh environments and wave power is generally seen as an emerging technology with significant potential, but still an "unknown" in terms of its in-field commerciality. Figure 1 below outlines some key challenges faced by developers of wave energy converters and how the Protean™ WEC Technology design plans to deal with those challenges.

CSIRO studies on the variability of wave power generation have shown that wave power is less variable in its energy output than wind generation meaning wave power benefits from increased predictability of energy production. CSIRO estimates that energy production can be forecast accurately 36 hours in advance. This factor may give wave energy an advantage over other renewable energy sources such as solar PV or wind. Figure 1 below illustrates that wave energy is widely available globally.

Figure 1. Wave Energy Challenges and Protean™ Solution*

Targeted To Reduce Barriers to Adoption of Wave Energy*



JRC estimates that 45 WEC's are in advanced development globally but none have been properly commercialised to date due to the inherent challenges faced.**

* Major design features and benefits of the design to be tested through the deployment of a demonstration wave farm and a commercial pilot project
 **JRC Ocean Energy Status Report, 2014

The commercial uptake of wave energy is still very uncertain with Bloomberg forecasting a deployment of 21 MW of power by 2020 and the UK Carbon trust forecasting a market for wave technologies of £3B in 2050 under a medium growth scenario.

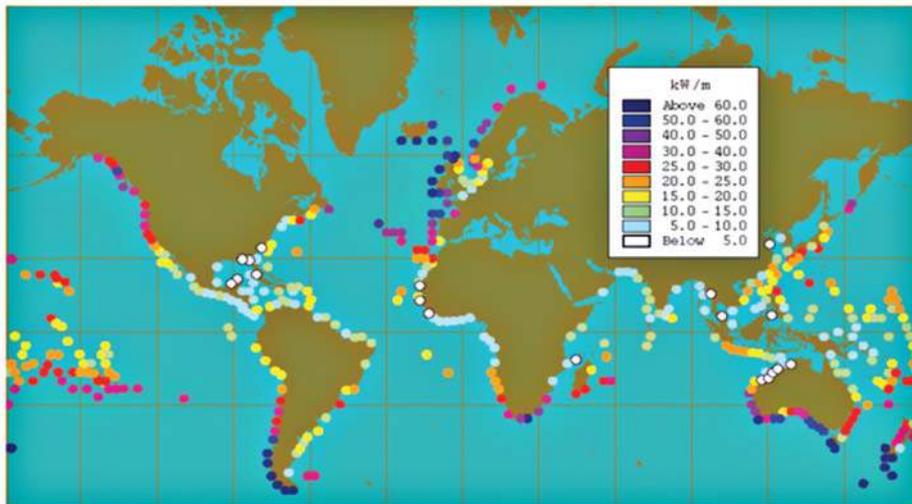
As the sector is still in its infancy there is large uncertainty in the forecasts of wave power commercial uptake. CSIRO analysis of wave power in Australia found that the wave energy resource across the 25m isobath in Australia (Geraldton to Tasmania) is 1300 TWh/y, approximately five times Australia's energy requirements. Scenarios developed by the CSIRO see wave power contributing between 1% and 11% of Australia's electricity needs.

Potential candidates for modularised wave power deployment are remote islands, non-grid connected coastal industry and cities and military bases where there are good wave resources and a reliance on diesel electricity generation. Applications where electricity is supplied directly to a business or consumer for their self-consumption (Behind The Meter) could include aquaculture, coastal industry and ports with potential co-benefits for these sectors of additional wave attenuation adding to the business case by mitigating storm surge and shore erosion and protecting coastal infrastructure. Potential initial niche markets include:

- (a) Island communities and non-grid connected cities displacing high cost diesel in micro grids.
- (b) Military deployments needing rapid deployment for community rebuilding (e.g. disaster relief) typically replacing diesel generation.

Figure 2. Wave Energy

Global wave power distribution



wave power density measured in kilowatts (kW) per meter (m) of wave front for the various parts of the world

Source - The wave power density measured in kilowatts (kW) per meter (m) of wave front for the various parts of the world are provided in the graphic above (Hagerman 2004) from <http://www.geni.org/globalenergy/library/renewable-energy-resources/ocean.shtml>

3. Coastal industry and ports as “Behind The Meter” deployments allowing wholesale and network electricity costs to be displaced. The business case for behind the meter deployments could possibly be enhanced if the system can also provide wave attenuation benefits.

As referenced in the Energetics Report in section 3.1.1, remote island communities have several characteristics that could make them attractive markets for wave power. Island communities that are situated near wave resources are usually highly dependent upon importing diesel for their power generation. Electricity from smaller scale diesel power generation is significantly more expensive than centralised large scale electricity networks.

The World Resource Institute CAIT dataset lists 65 small island nations. The available data shows these island nations have greenhouse gas emissions due to electricity generation and heating of 81 million tonnes of CO₂-e. Excluding the islands with significant power consumption, small island nations have emissions of 22 million tonnes of CO₂-e. If the average emissions factor for off grid electricity generation is applied (NGER Measurement Determination 0.69 tonnes CO₂-e/MWh) these electricity and heating emissions equate to a potential market size of 31 TWh of electricity and heat. This equates to a potential requirement of more than 5,000 MW of generation capacity, with their needs growing as their economic development continues. If an electricity price of 30¢/kWh is assumed then an indicative annual energy market spend would be \$9 billion.

3. Overview of the Company

3.3 Overview of Protean™ Wave Energy Converter Technology

The WEC Technology is based upon a patented and patent pending intellectual property invented by Sean Moore. The Protean™ WEC system is based upon a point-absorber wave energy converter buoy device which floats at the water surface and converts energy from the waves by the extension and retraction of a tether to its anchoring weight on the sea bed as described and illustrated in Figure 3 below.

The Company believes that the Protean™ WEC technology design may have a number of significant potential advantages over other wave energy technologies currently being investigated internationally. These significant potential advantages are the WEC Technology's small scale, its modularity and capacity to harness energy from all six available directional wave forces (being: heave (up-down), surge (back-and-forth), sway (side-to-side), yaw, pitch and roll). Other wave energy systems typically use fewer degrees of movement, which can reduce their productivity.

Figure 3. The Protean™ WEC Design Concept

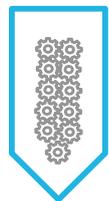
Designed to generate energy by converting wave movement into compressed air



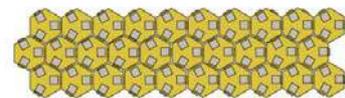
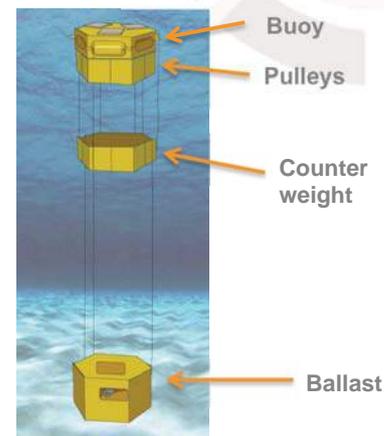
The buoy floats on the surface and all 6 degrees of motion created from waves cause the counterweights to move and the pulleys to rotate



The rotation from the pulleys creates bidirectional shaft power, which is converted into compressed air in the buoy.



Individual WEC buoys are connected together to form arrays. Multiple arrays are joined together to create a wave farm



The above images are a stylised representation of the Protean WEC and do not accurately represent the actual equipment. The demonstration wave farm will test the generation of compressed air.

3. Overview of the Company

Transfer, Storage and Generation system (TSG)

For commercial deployments, a Transfer Storage & Generation System (**TSG**) as depicted in Figure 4 below, will form a critical part of the process of converting wave energy to electrical energy. The TSG transfers and stores compressed air for electricity generation. The proposed system is designed to utilise the volume in the transfer pipe as compressed air energy storage. Additional storage can be provided on shore if desired.

An off take from the transfer pipe is designed to supply compressed air to an air motor which drives an electricity generator. Compressed air could also be supplied to an air driven water pump for reverse osmosis seawater desalination. A proof-of-concept system for the transfer and storage of compressed air and generation of electricity has been demonstrated. The Company plans to develop the TSG to commercial pilot scale using off the shelf components.

Figure 4. Transfer Storage & Generation System (TSG)

Designed to transfer and store compressed air for electricity generation



The compressed air is transported to shore via a poly pipe transfer and storage system



Air pressure drives an air motor onshore, which in turn powers a conventional electrical generator



Air Motor



Generator

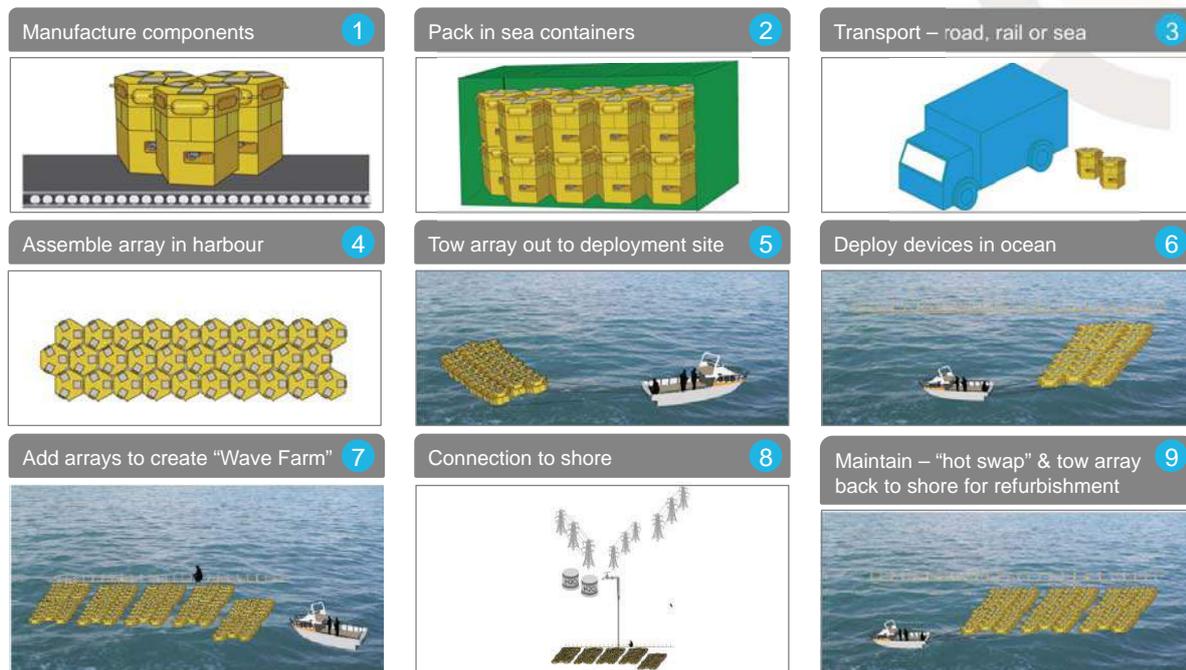
A prototype proof-of-concept system for transfer and storage of compressed air and generation of electricity from that compressed air (TSG) has been tested. The TSG will be developed to commercial pilot scale using “off the shelf components”.

3. Overview of the Company

Implementation Concept

The Protean™ Wave Energy design concept is to be simple to manufacture, transport, deploy, operate and maintain. The system implementation concept utilises a group of buoys, connected and packed closely together to form an array, whereby multiple arrays can then be combined to form a wave farm. Figure 5 below is an illustration of the wave farm concept.

Figure 5. Implementation Concept



*The planned pre-commercial demonstration wave farm is targeting testing to verify core design features and benefits. This demonstration wave farm will produce compressed air. The implementation concept shown above will be tested during the planned demonstration wave farm deployment and the subsequent commercial pilot.

3. Overview of the Company

Protean™ Technology Status

The WEC Technology has been demonstrated in the ocean off Perth where short term functional deployments were successfully completed for the following system components and implementation procedures:

- (a) Beach/Slipway launching procedure.
- (b) Protean mooring system (including deployment and retrieval).
- (c) Counterweight system.
- (d) Buoy and energy conversion mechanism.
- (e) Prototype proof-of-concept TSG.

Protean™ Design Could Address Key Wave Technology Adoption Barriers

The Protean™ design is based on globally accepted and proven ocean buoy technology and is designed to withstand the harsh ocean environment, a critical issue for wave energy conversion systems. Major design benefits of the system currently under demonstration include:

- (a) Scalability – the WEC Technology system is designed to provide low cost energy for a wide range of applications, from small to large-scale production. Scalability could also allow for lower capex requirements with regard to initial wave farm construction.
- (b) Versatility – the WEC Technology system has been designed for either dedicated or simultaneous production of electricity or the desalination of seawater. The design could also provide for potential wave attenuation benefits.
- (c) Affordability – the WEC Technology system is designed to provide cost effective, consistent and reliable renewable energy in a range of wave resource locations. The WEC Technology is designed for cost effective manufacture, transportability, deployment and maintenance.
- (d) Predictable - one of the benefits that ocean energy has over other renewable energy sources is its greater predictability and availability.

WEC Technology Development Plan Recent Development Activity

The Company commenced its assessment program for the WEC Technology on 10 November 2014. The assessment program aimed to:

- (a) refine the scale device to produce and test a suitable pre-commercial model;
- (b) create a demonstration power array (wave farm) from the pre-commercial model;
- (c) deploy and test the demonstration wave farm for its potential to deliver cost effective energy;
- (d) verify the results, including commissioning an independent expert to qualify the testing results; and
- (e) commence pilot commercialisation of the wave farm via trials for small to medium customers.

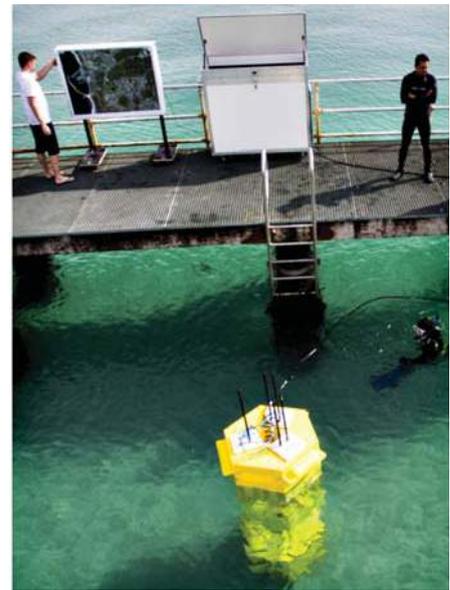


Figure 6. Photograph above is of the 1 metre demonstration device that was tested in the ocean at Coogee Beach, Western Australia

3. Overview of the Company

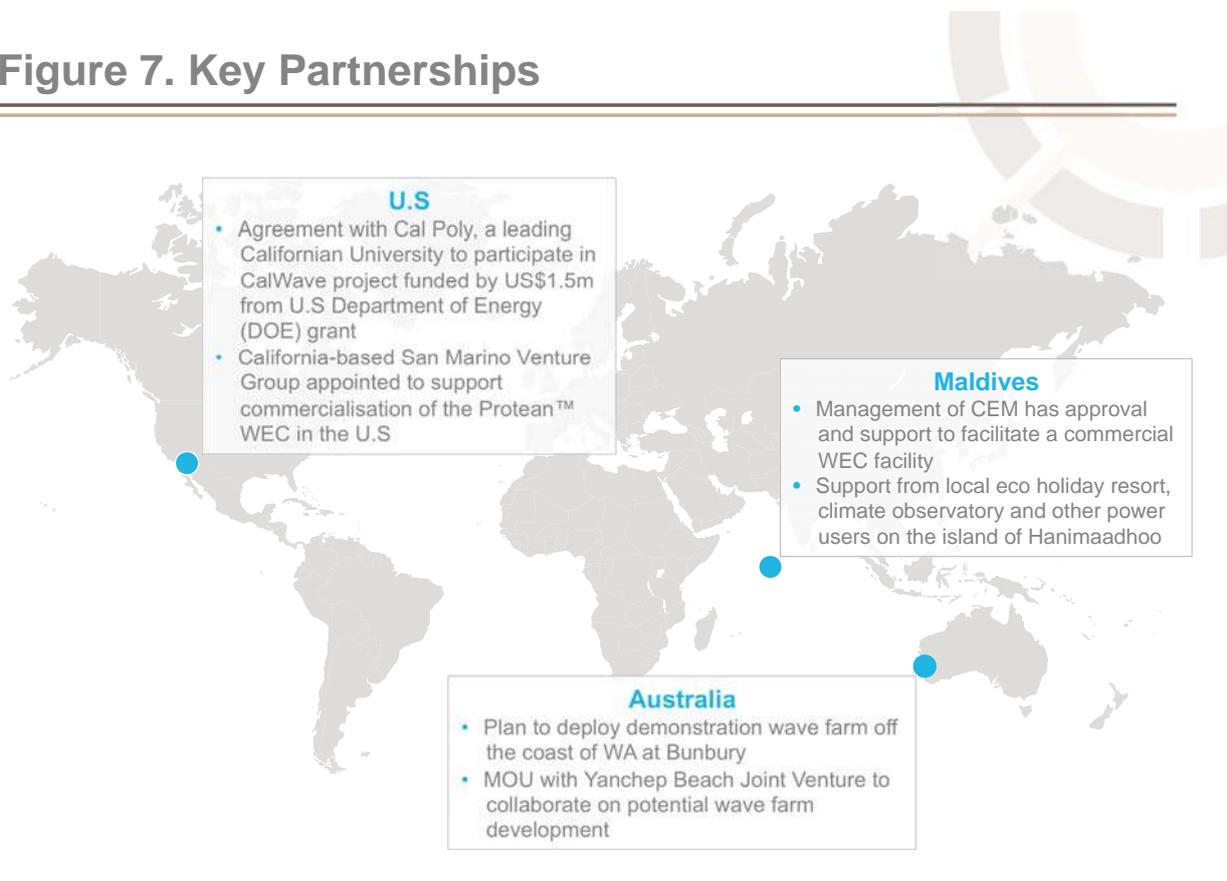
The Company has to date met its commitment to spend \$500,000 under a fixed price agreement with Moore Commerce Pty Ltd (Sean Moore's company) to build and deploy a demonstration wave farm off the coast of Western Australia. This demonstration wave farm, which is designed to produce compressed air, is expected to be delivered and deployed during early 2016.

The Company has built management capability through engagements with key personnel bringing expertise and experience from sectors including wave and renewable energy, remote electricity supply, ports and resources. Key engagements include Mr Brendan Hammond as Chairman of the Board, Mr Bill Toman as a consultant and President of the Company's U.S. subsidiary, Protean Wave Energy Inc. and Mr Scott Davis as General Manager Business Development.

The Company has secured ongoing contracts with these personnel together with Mr Bruce Lane and Mr Sean Moore, subject to the completion of the 100% acquisition of PEA and successful re-compliance with ASX Listing Rules. Details on the background and qualifications of the Directors and key management are set out in Section 1.8. Details on the services agreement with Directors and key management are set out in Section 11.

The Company has a number of Key Partnerships as shown below in Figure 7 below, including with Sean Moore's company Moore Commerce. Moore Commerce is a significant partner in the Company's plans to develop and commercialisation the WEC Technology.

Figure 7. Key Partnerships



3. Overview of the Company

The Company has also engaged San Marino Venture Group LLC, a Californian venture advisory group, to support commercialisation of the Protean™ WEC technology in the US.

In addition the Company has recently joined, under a memorandum of understanding, with the California Polytechnic University at San Luis Obispo (**Cal Poly**) to be a partner in the CalWavesm Project (<http://www.iatpp.calpoly.edu/projects/energyinitiative.asp>). The CalWavesm Project team has been notified that it will receive a US\$1.5 million grant from the US Department of Energy (**DOE**) to further assess feasibility of locating a National Wave Energy Test Facility offshore of California (CalWavesm Project). The CalWavesm Project team has been notified that their application for funding has been successful and therefore the project, of which Stonehenge is a team member, is expected to be funded, subject to negotiation of a final funding agreement. The CalWavesm Project has been funded to date by DOE, with an initial US\$750,000 grant. The CalWavesm team, including Stonehenge, answered a specific request by DOE for an application for an additional US\$1.5 million award to continue its work on the CalWavesm Project.

The US\$1.5 million award is targeted by the DOE to support the next phase of the CalWavesm Project initiative, which will provide more detailed engineering, permitting and stakeholder process delineation.

The final funding agreement for this award may be concluded during the period of the Prospectus and if it is it will have no effect on the Company's income or expenditure. The Company has entered into a cost share arrangement with Cal Poly where Mr William (Bill) Toman, a consultant to the Company, will contribute project management and technical support services to Cal Poly for the CalWavesm Project. Mr Toman, President of Protean's non-trading U.S. subsidiary (Protean Wave Energy, Inc.), will continue on the CalWavesm team as Project Manager and will serve to provide insight into wave energy technologies, utility operations and the wave energy industry.

Other members of the CalWavesm team include: Pacific Gas and Electric Co. (PG&E) – California's largest power utility, Vandenberg Air Force Base – proposed purchaser of wave test centre generated power and host of its shore based operations, and the California Natural Resources Agency – a cabinet-level policy and regulatory body of the State of California.

On 19 June 2015, the Company announced a memorandum of understanding with Yanchep Beach Joint Venture (**YBJV**) to collaborate on a wave farm development off the coast of Western Australia. YBJV is one of the largest metropolitan urban development projects in Australia (SunCity).

The Company has funded and plans to deploy the demonstration wave farm of 30 Protean™ WEC's off the coast of Western Australia at Bunbury.

The Company has also entered into an exclusive option to acquire 99% of Clean Energy Maldives Pvt Ltd (**CEM**) including the retention of key management. The management of CEM has approval and local support to facilitate the establishment of a commercial wave energy converter power generation and seawater desalination facility off the coast of Hanimaadhoo Island, Maldives.

3. Overview of the Company

Strategy

The Company's strategy for developing the WEC Technology is to:

- (1) successfully complete the building and testing of the 30 WEC pre-commercial demonstration wave farm including independent testing, verification and economic modelling, which will be used to support the feasibility study for the deployment of a commercial pilot wave farm and further business development activity;
- (2) continue development of the prototype TSG to build a pilot commercial scale system; and
- (3) commence commercialisation through strategic alliances and the building of a customer base in locations including:
 - Hanimaadhoo Island, the Maldives; and
 - Yanchep/Two Rocks and Bunbury, Western Australia.

During 2015, a functional ocean demonstration was successfully completed with one Protean™ WEC device converting wave energy to electricity. This demonstration is considered by the Company to be a major milestone within the program to deploy the 30 buoy demonstration wave farm and was one of the key factors that the Company considered in its decision to exercise the Option to acquire PEA. The next step in the program, which is ongoing, involves the fabrication and assembly of 30 buoys that will make up the demonstration wave farm for a planned deployment off the coast of Western Australia.

Subject to successful demonstration of the technology via the planned 30 buoy demonstration wave farm and further development of the TSG, the Company intends to pursue commercialisation of the Protean™ WEC technology for small island nations starting with Hanimaadhoo Island in the Maldives.

Road to Commercialisation

Subject to being able to demonstrate the commercial viability of the WEC Technology and TSG, the Company initially plans to build and operate small wave farms and to sell electricity and eventually water directly to either individual customers or to existing electricity utilities or suppliers. After a period of operation and validation of the technology, the Company may consider selling these wave farms or power plants to either local communities, government entities, local utilities or infrastructure funding partners or a combination thereof. The Company will also consider licensing opportunities as a means of commercialising the intellectual property.

Long-Term Objectives

The Company's long-term objective is to expand its wave energy operations around Australia and globally by maximising the use of its Protean™ WEC Technology in multiple markets using strategic alliance partners. The Company notes that its long-term objective is subject to the successful development of the Protean™ WEC Technology and TSG and the Company raising additional funds.

3.4 Acquisition of Protean Energy Australia

On 14 August 2014, the Company entered into a binding Term Sheet to acquire an exclusive 24-month unrestricted licence with an option to acquire 100% of the equity of Protean Energy Australia Pty Ltd (**PEA**).

PEA is a non-trading entity, which holds the intellectual property title, rights and licences to the WEC Technology (described in the Intellectual Property Report in Section 7) and has never traded as a business.

3. Overview of the Company

On 10 November 2014, the Company entered into the Call Option and Licence Agreement, which superseded and replaced the Term Sheet. The key terms of the Term Sheet and the Call Option and Licence Agreement are outlined at Section 11.2 of the Prospectus. On 10 August 2015, the Company exercised the Option pursuant to the Call Option and Licence Agreement and entered into the Share Purchase Agreement with PEL to acquire 100% of the shares in PEA subject to the terms and conditions as set out in this Prospectus.

As part of the Acquisition the Company will:

- (a) obtain all necessary approvals from Shareholders approving the Acquisition and all transactions contemplated by the Share Purchase Agreement;
- (b) re-comply with Chapters 1 and 2 of the Listing Rules as Settlement of the Acquisition will change the nature and scale of the Company's business; and
- (c) spend not less than \$500,000 on exploitation and development of the Protean™ WEC Technology within 18 months of the Call Option and Licence Agreement.

Please refer to Section 11 for detailed summaries of the key terms of the Call Option and Licence Agreement, Share Purchase Agreement and other Acquisition documents.

3.5 Shareholder approval at Annual General Meeting

Shareholder approval for the Acquisition, the Offers and related matters is being sought at the Annual General Meeting of Shareholders of the Company, to be held at 10 am WST on 30 November 2015 at Level 3, 89 St Georges Terrace, Western Australia

A copy of the Notice of Annual General Meeting can be obtained from the ASX platform www.asx.com.au under the Company's ASX code, SHE.

The Offers are conditional upon the Conditions of the Offers outlined in Section 4.6 of the Prospectus being satisfied.

3.6 Korean Assets

Background

The Company also has an interest in vanadium and uranium exploration projects in Korea via a 50% ownership position in Stonehenge Korea Ltd. The Korean Exploration Projects include the mineral resources described in the Independent Geologists Report in Section 9 of the Prospectus. As announced to ASX on 18 February 2015, the Company executed formal joint venture documentation with Korea Resources Investment & Development Inc. (KORID) for the sale of 50% of Stonehenge Korea Ltd to KORID (JV).

On 28 July 2015, the Company completed the transaction for the sale of 50% of Stonehenge Korea Ltd to KORID. As advised on 19 August 2015, BHI Co Ltd (BHI) acquired a 20% interest in the JV from KORID. Accordingly, the current holdings in SHK pursuant to the JV Agreement at the date of this Prospectus are: Company 50%, KORID 30% and BHI 20%.

Following the execution of a Collaboration Agreement with Korea Institute of Geoscience and Minerals (KIGAM) for the core analysis program the JV in conjunction with KIGAM will apply to access 36,000 metres of drill core from the Daejeon Project area to conduct core analysis work with KIGAM and its consulting geologists.

3. Overview of the Company

The Company is committed to its contractual obligations in respect of the JV and will continue developing the Korean projects as set out above. The JV Agreement with KORID requires the Company to spend up to \$800,000 during Stage 1 of the JV. The Company estimates the actual cost of Stage 1 will be no more than \$600,000 which is to be funded from \$300,000 of funds raised under the Prospectus plus \$300,000 from the KORID Placements.

Objectives

Upon execution of a Collaboration Agreement with KIGAM, the JV plans to conduct the proposed core analysis program relating to the Daejon Project. Subject to the outcome of that study and market factors the Company may consider further investment within the terms of its JV Agreement with KORID. Further investment beyond the proposed core analysis program is expected to be funded, subject to KORID's continuance under the terms of the JV Agreement after 13 months, by the sale of the KORID shares listed on KOSDAQ.



4. Details of Offer

4. Details of Offer

4.1 The Offers

The Offers are being made to give effect to the Company's Acquisition of PEA and for the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Public Offer under this Prospectus invites investors to apply for up to 100,000,000 Shares at an issue price of \$0.025 per Share to raise \$2,500,000 (before associated costs) with one free attaching Public Offer Option for every Share subscribed for, with the ability to take oversubscriptions for a further 100,000,000 Shares (and a further 100,000,000 free attaching Public Offer Options) to raise an additional \$2,500,000 (up to a maximum of \$5,000,000).

As part of the Public Offer, the Company is inviting existing Shareholders to take part in the capital raising, and has set aside 100,000,000 Shares (and 100,000,000 free attaching Public Offer Options) for existing Shareholders under the Priority Offer. Existing Shareholders, who hold at least 50,000 Shares on the Priority Offer Record Date, will be assured a minimum \$2,000 allocation being a parcel of 80,000 Shares and 80,000 Public Offer Options and up to a maximum allocation of \$50,000 (inclusive of the \$2,000) being 2,000,000 Shares and 2,000,000 Public Offer Options on a first come, first serve basis and subject to availability, Listing Rule 7.3.8 and the Directors' absolute discretion.

The Board retains absolute discretion when deciding whether or not to accept any particular application under the Priority Offer or the Public Offer in part or in full and will not be liable to an existing Shareholder who is not allocated Shares (or their full application for Shares). In the event that there is excess demand under the Priority Offer, the Directors will determine the allocation of Shares under the Priority Offer in their sole discretion.

If any of the Shares offered under the Priority Offer available for existing Shareholders are not applied for by 5.00pm (WST) on the Priority Offer Closing Date, those Shares will be made available to other Applicants pursuant to the Public Offer.

This Prospectus also contains the Conversion Offer, an offer to the Loan Holders of up to 30,761,352 Shares on conversion of the Convertible Loans. Completion under the Conversion Offer is subject to the Company having completed a capital raising of not less than \$2 million. Refer to Section 11 for the material terms of the Convertible Loans.

This Prospectus also contains the Vendor Offer, being an offer of 60,000,000 Shares and 120,000,000 Performance Shares to the Vendor and its nominees in consideration for the acquisition of all the issued shares in PEA pursuant to the Share Purchase Agreement. The terms and conditions of the Performance Shares offered under the Vendor Offer are set out in Section 13.9. Refer to Section 11.3 for the material terms of the Share Purchase Agreement.

This Prospectus also contains the Incentive Offer, being an offer of 80,000,000 Incentive Options to Directors and Mr Sean Moore as a performance linked incentive component of their remuneration packages. Refer to Section 4.13.4 for details of the Incentive Offer.

This Prospectus also contains the Director Offer, being an offer of 1,000,000 Class C Options to Mr Brendan Hammond as a sign-on bonus as part of his remuneration package negotiated prior to his appointment. Refer to Section 4.13.5 for details of the Director Offer.

The Prospectus also contains the Previous Director Offer, being an offer of 5,000,000 Class D Options to previous Director Mr Richard Henning as a remuneration bonus. Refer to Section 4.13.6 for detail of the Previous Director Offer.

4. Details of Offer

This Prospectus also contains the Executive Offer, being an offer of 57,500,000 Performance Rights to Managing Director Mr Bruce Lane and Mr Sean Moore to provide a performance linked incentive component in their remuneration packages to motivate and reward performance in achieving specified vesting conditions within a specified period. Refer to Section 4.13.7 for details of the Executive Offer.

This Prospectus also contains the Placement Offer, being an offer of 7,500,000 Placement Bonus Shares and 12,500,000 Placement Options to the participants in the Placement. Refer to Section 4.13.8 for details of the Placement Offer.

This Prospectus also contains the Lead Manager Offer, being an offer of 12,000,000 Lead Manager Options to CPS Capital Group Pty Ltd in consideration for services provided as Lead Manager of the Offer. Refer to Section 4.13.9 for details of the Lead Manager Offer.

All ordinary Shares offered under this Prospectus will rank equally with the existing applicable Securities on issue.

The Company believes that, following completion of the Public Offer, the Company will have sufficient working capital to achieve its objectives as set out in this Prospectus. No funds will be raised under the Conversion Offer, Vendor Offer, Incentive Offer, Director Offer, Previous, Director Offer, Executive Offer, Placement Offer or Lead Manager Offer.

All application monies are payable in full on Application.

4.2 Capital structure

The capital structure of the Company following completion of the Offers, the Acquisition and other matters is set out in Section 1.6.

The Company confirms that upon Completion of the Acquisition and Capital Raising, no one Shareholder, (either in isolation or with their associates combined), will hold more than 19.9% of the issued capital of the Company and therefore the Company is not in breach of any part of the takeovers legislation in the Corporations Act.

4.3 Change of name and ASX Code

The Company will seek approval from Shareholders at the Annual General Meeting to change its name to 'Protean Wave Energy Limited'. The Directors believe that this new name better suits the Company moving forward pursuant to the Acquisition. The Company also plans change its ASX code to POW.

4.4 Purpose of the Offers

The purpose of the Public Offer (and the Priority Offer) is to assist the Company to meet the requirements of ASX and re-comply with Chapters 1 and 2 of the Listing Rules and provide additional funds to enable the Company to fund development, and commercialisation of WEC Technology, JV obligations, pay costs of the issue and general working capital and as set out in this Prospectus.

The purpose of the Conversion Offer is to allow the Company to satisfy the requirements of the Convertible Loans (which form part of the conditions to completion of the Acquisition). Refer to Section 11 for the material terms of the Convertible Loans.

4. Details of Offer

The purpose of the Vendor Offer is to allow the Company to satisfy the requirements of the Share Purchase Agreement (which form part of the conditions to completion of the Acquisition) and issue the consideration payable to the Vendors for the acquisition of PEA. Refer to Section 11 for the material terms of the Share Purchase Agreement and Acquisition documents.

4.5 Objectives of the Offers and use of Funds

Funds raised from the Capital Raising will be utilised over a 2 year period as set out in Section 1.7 on page 19.

4.6 Conditions of the Offers

(a) the Public Offer is conditional upon:

- (i) the Company obtaining all necessary regulatory and Shareholder approvals required to complete the Acquisition and the Capital Raising (as set out in the resolutions in the Notice of Annual General Meeting); and
- (ii) the Company receiving in principle approval from the ASX for the re-admission of the Company's Securities to the Official List of ASX on conditions reasonably acceptable to the Company;

(b) the Vendor Offer is conditional upon satisfaction (or waiver) of all of the conditions contained in the Share Purchase Agreement specified at Section 11.3(a);

(c) the Conversion Offer is conditional upon the Company having completed a capital raising of not less than \$2,000,000. The Company anticipates satisfaction of this condition by way of raising the necessary funds under the Public Offer; and

(d) the Incentive Offer, Director Offer, Previous Director Offer, Executive Offer, Placement Offer and Lead Manager Offer are conditional upon Shareholder approval being received. The Company anticipates satisfaction of this condition at the Annual General Meeting to be held on 30 November 2015,

(together, the **Conditions of the Offers**)

It is anticipated that the Company's Securities will be suspended from Official Quotation from the time of the Annual General Meeting and will not be re-instated until the Conditions of the Offers are achieved.

There is a risk that the Conditions of the Offers will not be achieved. In the event the Conditions of the Offers are not achieved, the Company will not proceed with the Offers and will repay all Application Monies received.

4.7 Forecasts

Prior to the Acquisition, the Company has operated in a speculative industry in which there are significant uncertainties associated with forecasting future revenues from its previous activities. Following the Acquisition, the Company will still not be in a position to provide a forecast as the Acquisition is yet to build a reliable history of revenue and profitability.

The Directors believe that given these inherent uncertainties, it is not possible to include a reliable forecast in this Prospectus.

4. Details of Offer

4.8 Minimum Application under the Offers

Applications for Shares by existing Shareholders under the Priority Offer must be made using the Priority Offer Application Form.

Applications for Shares under the Public Offer must be made using the Public Offer Application Form.

Applications under the Priority Offer and the Public Offer must be for a minimum of 80,000 Shares (\$2,000) and thereafter in multiples of 4,000 Shares (\$100). Applications to subscribe for Shares under the Priority Offer and Public Offer will only be accepted on the relevant Application Form.

Only the Loan Holders may accept the Conversion Offer. Applications under the Conversion Offer must be made on the personalised Conversion Offer Application Form provided to each Loan Holder in respect of their Convertible Loans.

Only the Vendor and its nominees may accept the Vendor Offer. Applications under the Vendor Offer must be made on the personalised Vendor Offer Application Form provided to the Vendor in respect of their Vendor Securities.

Only the current Directors and Mr Sean Moore may accept the Incentive Offer. Applications under the Incentive Offer must be made on the personalised Incentive Offer Application Form provided to those named above in respect of their Incentive Securities.

Only Mr Brendan Hammond may accept the Director Offer. Applications under the Director Offer must be made on the personalised Incentive Offer Application Form provided to Mr Hammond in respect of the Director Securities.

Only previous Director Mr Richard Henning may accept the Previous Director Offer. Applications under the Previous Director Offer must be made on the personalised Previous Director Offer Application Form to be provided to Mr Richard Henning in respect of the Previous Director Options.

Only Mr Bruce Lane and Mr Sean Moore may accept the Executive Offer. Applications under the Executive Offer must be made on the personalised Executive Offer Application Form provided to Mr Bruce Lane and Mr Sean Moore in respect of the Executive Securities.

Only those who participated in the Placement may accept the Placement Offer. Applications under the Placement Offer must be made on the personalised Placement Offer Application Form provided to those participants in the Placement in respect of the Placement Securities.

Only CPS Capital Group Pty Ltd may accept the Lead Manager Offer. Applications under the Lead Manager Offer must be made on the personalised Lead Manager Offer Application Form provided to CPS Capital Group Pty Ltd in respect of the Lead Manager Securities.

4.9 Full Subscription Amount

The Full Subscription amount under the Public Offer is \$2,500,000 (100,000,000 Shares) (**Full Subscription**). Should Applications for the Full Subscription not be received within four (4) months from the date of this Prospectus, the Company will either repay the Application Monies (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one (1) month to withdraw their Applications and Application Monies will be repaid (without interest).

4. Details of Offer

There is no minimum subscription under the Priority Offer, Vendor Offer, Conversion Offer, Incentive Offer, Director Offer, Previous Director Offer, Executive Offer, Placement Offer or Lead Manager Offer.

4.10 Existing Shareholders

Existing Shareholders who hold at least 50,000 Shares in the Company are invited to participate in the Public Offer via the Priority Offer as set out in Section 4.13.1 below. If you are an existing Shareholder and hold at least 50,000 Shares in the Company and you have any queries in respect of the Public Offer or the Priority Offer, please contact the Company by telephone on (08) 9481 2277.

4.11 Lead Manager

The Lead Manager to the Public Offer is CPS Capital Group Pty Ltd. Refer to Section 11 for details of the Lead Manager Mandate and the fees payable by the Company to CPS Capital Group Pty Ltd for services.

Brokerage and/or handling fees on Applications for Securities will be payable to member firms of ASX or licenced investment advisers on such Public Offer Application Forms bearing their stamp and accepted by the Company.

4.12 Offers not Underwritten

The Offers are not underwritten.

4.13 How to Apply

4.13.1 Priority Offer and Public Offer

If you are an existing Shareholder and wish to apply for Shares and Public Offer Options in the Company under the Priority Offer, complete the Priority Offer Application Form. Completed Priority Offer Application Forms should be returned to the Company, together with the Application Monies in full, prior to 5.00pm (WST) on the Priority Offer Closing Date.

If you wish to apply for Shares and Public Offer Options in the Company under the Public Offer, complete the Public Offer Application Form.

Completed Public Offer Application Forms should be returned to the Company, together with the Application Monies in full, prior to 5.00pm (WST) on the Public Offer Closing Date.

Completed Application Forms and Application Monies should be returned to the Company by post to:

Stonehenge Metals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Refer to the instructions on the back of the Application Form when completing your Application. Cheques must be made payable to "Stonehenge Metals Ltd - Offer Account" and crossed "Not Negotiable". All cheques must be in Australian currency.

4. Details of Offer

An original completed and lodged Application Form, together with a cheque for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form. The Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon issue of the Securities.

The Priority Offer and Public Offer may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their relevant Application Forms as early as possible. However, the Company reserves the right to extend the Priority Offer and the Public Offer.

4.13.2 Conversion Offer

If you are a Loan Holder applying for Conversion Shares under the Conversion Offer, you must complete and return the personalised Conversion Offer Application Form accompanying this Prospectus. Loan Holders will be issued an allocated number of Shares under the Conversion Offer pursuant to their Convertible Loans. Loan Holders may not apply for Shares in excess of the amount specified on their personalised Conversion Offer Application Form, unless an Application is made pursuant to the Public Offer on a Public Offer Application Form (or if the Loan Holder is an existing Shareholder, pursuant to the Priority Offer on a Priority Offer Application Form).

Completed Conversion Offer Application Forms should be returned to the Company prior to 5.00pm (WST) on the Closing Date by post to:

Stonehenge Metals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Refer to the instructions on the back of your personalised Conversion Offer Application Form when completing your Application under the Conversion Offer.

4.13.3 Vendor Offer

The Vendor and its nominees are entitled to apply for the Vendor Securities under the Vendor Offer and must complete and return the personalised Vendor Offer Application Form accompanying this Prospectus. The Vendor will be issued an allocated number of Shares and Performance Shares under the Vendor Offer pursuant to the Share Purchase Agreement. The Vendor will only receive the amount of Shares and Performance Shares specified on their personalised Vendor Offer Application Forms provided by the Company.

4.13.4 Incentive Offer

The Directors and Mr Sean Moore are entitled to apply for the Incentive Securities under the Incentive Offer and must complete and return the personalised Incentive Offer Application Form accompanying this Prospectus. The Directors and Mr Sean Moore will be issued an allocated number of Incentive Options pursuant to the Notice of Annual General Meeting. The Directors and Mr Sean Moore will only receive the amount of Incentive Options specified on their personalised Incentive Offer Application Forms provided by the Company.

4. Details of Offer

4.13.5 Director Offer

Mr Brendan Hammond is entitled to apply for the Director Securities under the Director Offer and must complete and return the personalised Director Offer Application Form accompanying this Prospectus. Mr Hammond will be issued an allocated number of Class C Options pursuant to the Notice of Annual General Meeting. Mr Hammond will only receive the amount of Class C Options specified on the personalised Incentive Offer Application Form provided by the Company.

4.13.6 Previous Director Offer

Previous Director Mr Richard Henning is entitled to apply for the Class D Options under the Previous Director Offer and must complete and return the personalised Previous Director Offer Application Form accompanying this Prospectus. Mr Henning will be issued an allocated number of Class D Options pursuant to the Notice of Annual General Meeting. Mr Henning will only receive the amount of Class D Options specified on the personalised Previous Director Offer Application Form provided by the Company.

4.13.7 Executive Offer

Mr Bruce Lane and Mr Sean Moore are entitled to apply for the Executive Securities under the Executive Offer and must complete and return the personalised Executive Offer Application Form accompanying this Prospectus. Mr Bruce Lane and Mr Sean Moore will be issued an allocated number of Performance Rights pursuant to the Notice of Annual General Meeting. Mr Bruce Lane and Mr Sean Moore will only receive the amount of Performance Rights specified on their personalised Executive Offer Application Forms provided by the Company.

4.13.8 Placement Offer

The participants in the Placement are entitled to apply for the Placement Securities under the Placement Offer and must complete and return the personalised Placement Offer Application Form accompanying this Prospectus. The participants of the Placement will be issued an allocated number of Shares and Placement Options pursuant to the Notice of Annual General Meeting. The participants in the Placement will only receive the amount of Shares and Options specified on their personalised Placement Offer Application Forms provided by the Company.

4.13.9 Lead Manager Offer

CPS Capital Group Pty Ltd is entitled to apply for the Lead Manager Securities under the Lead Manager Offer and must complete and return the personalised Lead Manager Offer Application Form accompanying this Prospectus. CPS Capital Group Pty Ltd will be issued an allocated number of Lead Manager Options pursuant to the Notice of Annual General Meeting. CPS Capital Group Pty Ltd will only receive the amount of Lead Manager Options specified on the personalised Lead Manager Offer Application Form provided by the Company.

4.14 Official Quotation

An application will be made to ASX not later than seven (7) days after the date of this Prospectus for the Company to be re-admitted to the Official List and for Official Quotation of the Securities on ASX.

The fact that ASX may re-admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Securities offered by this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

4. Details of Offer

4.15 Issue of Securities

Application Monies will be held in trust for Applicants until the issue of the Securities. Any interest that accrues will be retained by the Company. No issue of Securities under this Prospectus will occur unless the Conditions of the Offers are satisfied and the Full Subscription is raised.

The Company reserves the right to reject any Application or to issue a lesser number of Securities than those applied for under the Priority Offer or the Public Offer. Where the number of Securities issued is less than the number applied for under the Priority Offer or the Public Offer, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Public Offer Closing Date.

Securities under the Offers are expected to be issued on the Issue Date. It is the responsibility of Applicants to determine their allocation prior to trading in the Securities issued under the Offers. Applicants who sell Securities before they receive their holding statements do so at their own risk. If ASX does not grant permission for Official Quotation within 3 months after the date of this Prospectus (or within such longer period as may be permitted by ASIC) none of the Securities offered by this Prospectus will be issued. If no issue is made, all Application Monies will be refunded to Applicants (without interest).

4.16 CHESS

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**), operated by ASX Settlement Pty Ltd (**ASXS**) (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASXS Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's register of Shareholders.

The Company will not issue certificates to Shareholders. Instead, as soon as is practicable after issue, successful Applicants will receive a holding statement which sets out the number of Securities issued.

A holding statement will also provide details of a shareholder's Holder Identification Number (**HIN**) (in the case of a holding on the CHESS sub-register) or Shareholder Reference Number (**SRN**) (in the case of a holding on the issuer sponsored sub-register).

Following distribution of these initial holding statements, an updated holding statement will only be provided at the end of any month during which changes occur to the number of Securities held. Security holders may also request statements at any other time (although the Company may charge an administration fee).

4.17 Dividend Policy

The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company. At the date of issue of this Prospectus the Company does not intend to declare or pay any dividends in the immediately foreseeable future.

4. Details of Offer

4.18 Risk Factors of an Investment in the Company

Prospective investors should be aware that an investment in the Company should be considered speculative and involves a number of risks inherent with a technology business. Section 1.2 contains details of key Risk Factors which prospective investors should be aware of and Section 12 contains more detailed Risk Factors. It is recommended that prospective investors consider these risks carefully before deciding whether to invest in the Company.

This Prospectus should be read in its entirety as it provides information for prospective investors to decide whether to invest in the Company. If you have any questions about the desirability of, or procedure for, investing in the Company please contact your stockbroker, accountant or other independent adviser.

4.19 Overseas Applicants

No action has been taken to register or qualify the Securities, or the Offers, or otherwise to permit the public offering of the Securities, in any jurisdiction outside Australia.

The distribution of this Prospectus within jurisdictions outside Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

4.20 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offers in which case the Company will return all Application Monies (without interest) within 28 days of giving notice of their withdrawal.

4.21 Enquiries

Enquiries relating to this Prospectus, or requests for additional copies of this Prospectus, should be directed to the Company Secretary on (+61) 9481 2277.



5. Board and Management

5. Board and Management

5.1 Current Directors' Profiles

The names and details of the Directors in office at the date of this Prospectus is detailed in Section 1.8.

5.2 Details of Directors post re-compliance

The Company's Directors outlined in Section 1.8 will continue upon Completion of the Acquisition.

5.3 Management

The names and details of the management at the date of this Prospectus is detailed in Section 1.8.

5.4 Corporate Governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The independent Directors of the Company are free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgement.

The responsibilities of the Board include:

- (a) protection and enhancement of Shareholder value;
- (b) formulation, review and approval of the objectives and strategic direction of the Company;
- (c) approving all significant business transactions including acquisitions, divestments and capital expenditure;
- (d) monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- (e) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (f) the identification of significant business risks and ensuring that such risks are adequately managed;
- (g) the review and performance and remuneration of executive Directors and key staff;
- (h) the establishment and maintenance of appropriate ethical standards; and
- (i) evaluating and, where appropriate, adopting with or without modification, the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX CGC P&R**).

A full copy of the Company's corporate governance charter and associated policies, protocols and related instruments is available on the Company's website under its "Corporate Profile" heading – Corporate Governance.

The Company intends to follow the ASX CGC P&R in all respects other than as specifically provided below.

5. Board and Management

However, notwithstanding the adoption of the Company's corporate governance charter and the aforementioned intention, and given the Company's change in business activities, developing business base and growing staffing complement, cultural adherence in practice to all aspects of the charter and the ASX CGC P&R remains an evolving "work in progress".

In particular, each of the recommendations of the ASX CGC P&R which will not be followed by the Company as at the time of re-admission to the official list, and the reasons why they respectively will not be followed, are set out below. Given the underlying issue and nature of the non-compliance with each of the recommendations and the intended temporal duration of the non-compliance, no alternate governance practices are intended to be adopted in lieu of each specified recommendation of the ASX CGC P&R.

The independent directors of the Company are Brendan Hammond and Bevan Tarratt. Post-acquisition of PEA the Company will have the same number of independent directors, being Mr Hammond and Mr Tarratt. When determining the independent status of a Director the Board used the Guidelines detailed in the ASX CGC P&R.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Other than where specifically written in italics below, the current practice will continue post-Acquisition of PEA.

Recommendation		Current Practice
1.1	A listed entity should disclose: <ol style="list-style-type: none"> a. The respective roles and responsibilities of its board and management; and b. Those matters expressly reserved to the board and those delegated to management. 	Information about the respective roles and responsibilities of board and management (including those matters expressly reserved to the board and those delegated to management) is found under the Board Charter on the Company's website and also in the 2015 Annual Report.
1.2	A listed entity should: <ol style="list-style-type: none"> a. Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and a. Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director 	<p>The appointment of directors is currently undertaken by the full Board under the guidance of the Nomination Committee charter.</p> <p>The function of the Nomination Committee is to identify and recommend candidates to fill vacancies and to determine the appropriateness of director nominees for election to the Board. The Board recognises the benefits arising from diversity and aims to promote an environment conducive to the appointment of well qualified Board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.</p> <p>As required under the ASX Listing rules and the Corporations Act, election or re-election of directors is a resolution put to members at each Annual General meeting. The notice of meeting contains all material information relevant to a decision on whether or not to elect or re-elect a director.</p>

5. Board and Management

Recommendation		Current Practice
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Letters of appointment for each director and senior executive have been executed by the Company.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with proper functioning of the board.	Noted in the letter of appointment of Company Secretary.
1.5	A listed entity should: <ol style="list-style-type: none"> Have a diversity policy; Disclose that policy or a summary of it; Disclose the measurable objectives for achieving gender diversity and the its progress towards achieving them; and The respective proportions of men and women. 	<p>The Company has a Diversity policy which can be found on its website under the Corporate Governance section.</p> <p>The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. The Company's policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.</p> <p>The Company has not set measurable objectives for achieving gender diversity during the reporting period of 2014 - 2015. The Company has no senior executives. One woman is employed across the organisation (16.67%) and there are no women on the Board (0%).</p>
1.6	A listed entity should: <ol style="list-style-type: none"> Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and Disclose whether performance evaluations were undertaken. 	Process for evaluating Board performance is detailed in the Board Charter. No formal Board performance evaluations were conducted during the previous twelve months.
1.7	A listed entity should: <ol style="list-style-type: none"> Have and disclose a process for periodically evaluating the performance of senior management; and Disclose whether performance evaluations were undertaken. 	In the context of undertaking comprehensive reviews of remuneration practices of the Company, the historical performance of senior executives is taken into account. Performance evaluations of senior executives, when applicable, will be undertaken on an annual basis and will form part of the remuneration assessment. No formal executive performance evaluations were conducted during the reporting period.

5. Board and Management

Recommendation		Current Practice																																								
2.1	<p>A listed entity should have a nomination committee which:</p> <ul style="list-style-type: none"> - Consists of at least 3 members, a majority of whom are independent directors; - Is chaired by an independent director; <p>And disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee - The number of times the committee met and individual attendance at those meetings <p>If it does not have a nomination committee disclose that fact and the process it follows to address that role.</p>	<p>The Company's Corporate Governance Plan includes a Nomination Committee Charter. The Corporate Governance Plan is available on the Company's website.</p> <p>The primary purpose of the Nomination Committee is to support and advise the Board in maintaining a Board with an appropriate mix of skills and experience and ensuring the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.</p> <p>Given the size of the Company, the operation of the Nomination Committee is currently conducted by the full Board. When appropriate, external consultants are engaged to assist in the nomination process and to ensure a balance of skills, knowledge, experience, independence and diversity is achieved.</p>																																								
2.2	<p>A listed entity should have and disclose a board skills matrix.</p>	<p>The Board has identified that the appropriate mix of skills and diversity required of its members on the Board to operate effectively and efficiently is achieved by directors having substantial skills and experience in operational management, exploration and geology, corporate law, finance, listed resource companies, equity markets.</p> <p>The Board Skills matrix for the current Board is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Brendan Hammond</th> <th>Bruce Lane</th> <th>Young Yu</th> <th>Bevan Tarratt</th> </tr> </thead> <tbody> <tr> <td>Operational management</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>-</td> </tr> <tr> <td>Exploration and geology</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> </tr> <tr> <td>Wave technology</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Corporate law</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> </tr> <tr> <td>Accounting & finance</td> <td>-</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Listed resource companies</td> <td>-</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Equity markets</td> <td>-</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table>		Brendan Hammond	Bruce Lane	Young Yu	Bevan Tarratt	Operational management	✓	✓	✓	-	Exploration and geology	✓	-	✓	-	Wave technology	-	-	-	-	Corporate law	-	-	✓	-	Accounting & finance	-	✓	✓	✓	Listed resource companies	-	✓	✓	✓	Equity markets	-	✓	✓	✓
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Equity markets	-	✓	✓	✓																																						

5. Board and Management

Recommendation		Current Practice
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> - The names of the directors considered by the board to be independent directors and length of service. - If a director has an interest / association / relationship that meets the factors of assessing independence. 	<p>The Company considers that Brendan Hammond and Bevan Tarratt are independent directors. The length of service of each director is set out below as at November 2015:</p> <ul style="list-style-type: none"> - Brendan Hammond: 5 months. - Bruce Lane: 1 year, 6 months. - Young Yu: 3 years, 2 months. - Bevan Tarratt: 8 years, 2 months.
2.4	<p>A majority of the board should be independent directors.</p>	<p>Half of the Board are independent directors and therefore the majority of the Board is not independent. However, all Directors bring to the Board the requisite skills which are complementary to those of the other directors to adequately discharge their responsibilities and bring independent judgements to bear on their decisions.</p>
2.5	<p>The chair should be an independent director. The roles of Chair and Chief Executive Officer should not be exercised by the same individual.</p>	<p>The Board's Chairman, Mr Brendan Hammond is considered independent and does not act as the CEO of the Company.</p>
2.6	<p>A listed entity should have a program for inducting new directors.</p>	<p>The Company provides induction material for any new directors and, depending on specific requirements, will provide appropriate professional development opportunities for directors.</p>
3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> - have a code of conduct; and - disclose the code or a summary of it. 	<p>The Company's Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive to abide by when dealing with each other, shareholders and the broad community. The Code of Conduct is available on the Company's website.</p>
4.1	<p>The board of a listed entity should have an audit committee which:</p> <ul style="list-style-type: none"> - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. <p>Disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The relevant member qualifications; - The number of times the committee met and individual attendance at those meetings 	<p>The Company's Audit and Risk committee comprises Mr Bevan Tarratt, Mr Young Yu and Mr Brendan Hammond. The Chair of the committee is Mr Bevan Tarratt who is considered independent.</p> <p>The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter. The Corporate Governance Plan is available on the Company's website.</p> <p>Qualifications and experience of members of the Audit and Risk Committee are found under the directors' profile in both the Annual report and on the Company's website at Directors and Management.</p> <p>No Audit and Risk committee meetings were held during the last reporting period (to 30 June) as the Audit and Risk committee was formed subsequent to the reporting period.</p>

5. Board and Management

Recommendation		Current Practice
4.2	The board should receive declarations for CEO & CFO in accordance with S.295A of corporations act before approving financial statements.	The Board ensures that it either provides, or receives as appropriate, the requisite declarations and assurances including a declaration that the Company's accounts have been kept in accordance with section 295A of the Corporations Act 2001.
4.3	A listed entity should ensure its external auditor attends its AGM.	The Company ensure that the Auditor attends the AGM each year and is available to answer any question from shareholders either at the AGM or submitted in writing prior to the AGM.
5.1	A listed entity should: <ul style="list-style-type: none"> - Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and - disclosure that policy or a summary of it. 	The Company's Corporate Governance Plan includes a continuous disclosure program. The Corporate Governance Plan is available on the Company's website.
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company's website provides information on the Company including its background, objectives, projects and contact details. The Corporate Governance page provides access to key policies, procedures and charters of the Company, such as the Board and Committee charters, securities trading policy, diversity policy and the latest Corporate Governance Statement. ASX announcements, Company reports and presentations are uploaded to the website following release to the ASX and editorial content is updated on a regular basis.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company encourages security holders to attend and participate in general meetings and makes itself available to meet investors and regularly responds to telephone or email enquiries from investors.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company encourages shareholders to attend all general meetings of the Company and sets the time and place of each meeting to promote maximum attendance by Shareholders. The Company encourages Shareholders to submit questions in advance of a general meeting, and for the responses to these questions to be addressed through disclosure relating to that meeting. The Company's Shareholder Communication Policy is disclosed on the Company's website.

5. Board and Management

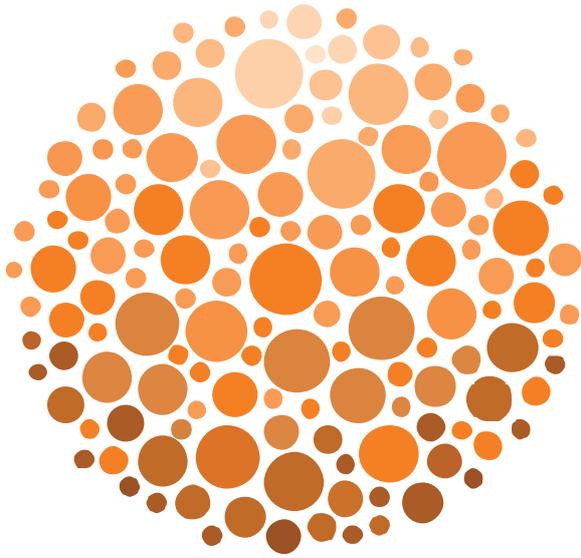
Recommendation		Current Practice
6.4	A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.	It is the Company's desire that shareholders receive communications electronically in the interests of the environment and constraining costs. In an endeavour to drive this objective the Company has a policy of providing hard materials at cost (which will generally involve a black & white presentation even where the electronic version is full colour).
7.1	<p>The board of a listed entity should have a committee to oversee risk, which:</p> <ul style="list-style-type: none"> - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. <p>Disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee; and - The number of times the committee met and individual attendance at those meetings <p>If it does not have a risk committee disclose that fact and the process it follows to address that role.</p>	<p>The Company's Audit and Risk committee comprises Mr Bevan Tarratt, Mr Young Yu and Mr Brendan Hammond. The Chair of the committee is Mr Bevan Tarratt who is considered independent.</p> <p>The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter. The Corporate Governance Plan is available on the Company's website.</p> <p>Qualifications and experience of members of the Audit and Risk Committee are found under the directors' profile in both the Annual report and on the Company's website at Directors and Management.</p> <p>Details of meetings of the audit and risk committee are to be found in the Annual report of the Company.</p> <p>The Board has established a Risk Policy which can be found on the company's website.</p> <p>Risk management is specifically discussed at the Company's board meetings during the year.</p>
7.2	<p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> - Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and - Disclose whether such a review has taken place. 	The Company reviews its risk management framework bi-annually and this information is disclosed in the annual report.
7.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> - If has an internal audit function, how the function is structured and what role it performs; - If it does not have an internal audit function, disclose that fact and the process it follows to address that function. 	Due to the size of the Company, the Board does not consider it necessary at this time, to formally conduct an internal audit function. The Board continually monitors the risk management and internal control processes adopted by the Company to ensure they are appropriate to the operations of the Company's group structure. The Board is satisfied with the current level of risk, risk management and control monitoring within the Company.

5. Board and Management

Recommendation		Current Practice
7.4	The entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages those risks.	The Company is subject to, and responsible for, existing environmental liabilities associated with its tenements. The Company will continually monitor its ongoing environmental obligations and risks, and implement rehabilitation and corrective actions as appropriate to remain compliant. These risks may be impacted by change in Government policy. The Company does not believe it has any significant exposure to economic and social sustainability risks.
8.1	The board of a listed entity should: <ul style="list-style-type: none"> - Have a remuneration committee which has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent director; and Disclose: <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee; and - The number of times the committee met and individual attendance at those meetings If it does not have a remuneration committee disclose that fact and the process it follows to address that role.	The Company's Corporate Governance Plan includes a Remuneration Committee Charter. The Corporate Governance Plan is available on the Company's website. The key responsibilities of the Remuneration Committee is to support and advise the Board in fulfilling its responsibility to investors by: <ul style="list-style-type: none"> (a) Reviewing and approving the executive remuneration policy to enable the Company to attract and retain Executives and Directors who will create value for shareholders; (b) Ensuring that the execution remuneration policy demonstrates a clear relationship between key executive performance and remuneration; (c) Recommending to the Board the remuneration of Executive Directors; and (d) Reviewing and approving any equity based plans and other incentive schemes. The Remuneration Committee has three members and is chaired by independent director Mr Bevan Tarratt. One meeting of the Remuneration Committee was held during the previous reporting period (to 30 June).
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company has a Remuneration Policy which can be found on its website under Corporate Governance.
8.3	A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> - Have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme; - Disclose that policy or a summary of it. 	The Company's equity-based remuneration scheme is governed by the Stonehenge Performance Rights and Options Plan. A summary of the plan Scheme is available on the Company's website.



6. Independent Market Report



13 October 2015

Wave Energy Industry and Market
Opportunity Report
For
Stonehenge Metals Limited (ProteanTM
Wave Energy)

energetics^o



Project details

Stonehenge Metals Contacts	Energetics Contact
Bruce Lane	Tim Carter

Description	Prepared By	Reviewed By	Approved By	Approval Date
Wave Energy Industry and Market Opportunity Report	Tim Carter	Dr. Gordon Weiss	Tony Cooper	12 October 2015

About Energetics

Energetics is a specialist energy and carbon management consultancy. Our experts help clients to

Be leaders. Develop and implement strategy

Be informed. Make data-driven decisions

Be efficient. Drive business improvement and realise savings

Buy better. Leverage energy supply and carbon markets



2014

- Winners of BRW Client Choice Awards: - Best Professional Services Firm (revenue < \$50M)
- Best Consulting Engineering Firm (revenue < \$50M)
- Best value
- Finalists: BRW Client Choice Awards for Best Client Service, Most Friendly and Most Innovative



2013

- Finalist: BRW Client Choice Award for Best Client Relationship Management
- Finalist: Leading in Sustainability Banksia Award



2012

- Winner: Australian Business Award for Recommended Employer
- Winner: Australian Business Award for Service Excellence



2011

- Winner: BRW Client Choice Award for Best Value
- Finalists: BRW Client Choice Awards for Exceptional Service, Most Innovative, Outstanding Client Care and Best Consulting Engineering Firm (revenue <\$50 Million)

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Executive summary

This document provides an overview of wave power technologies and potential markets with a specific focus on the Protean™ Wave Energy Conversion technology. This report does not critique or cover the economic feasibility of any one wave power technology. We have relied on publicly available sources in producing this report.

The transformation of the world's energy systems to a renewable energy based system is accelerating. The Intergovernmental Panel on Climate Change¹ has stated that the world should be targeting major greenhouse gas reductions by 2050 and the Paris COP21 meeting in December this year is expected to be a critical event to further this goal. Accordingly, renewable power systems are experiencing a rapid acceleration in their deployment lead by wind and solar photovoltaic (PV) which have collectively reached >500GW installed capacity in 2015. Wind power deployment is dominated by large wind farms and progressively larger turbines and blades, whereas the solar photovoltaic (PV) investments are supporting the decentralisation of power networks through both modularized deployments and large grid scale projects.

The potential energy in our oceans is substantial; however wave power technologies are still at a relatively early stage in their technology development and commercialisation. The technology approaches to date have predominantly been larger “wind turbine” sized (MW) systems. There have been technical challenges in deploying large scale pieces of equipment in harsh environments and wave power is generally seen as an emerging technology with significant potential, but still an “unknown” in terms of its in-field commerciality.

The global resource for renewable energy technologies is not generally the constraint. The constraints to the deployment of renewable energy technologies are a combination of development approvals, ability to obtain long term offtake agreements, connection accessibility and the economics of what are typically high capital cost and low opex facilities.

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 seabed.

The Protean™ WEC has been developed to use a compact architecture (1.5kw units and 1m diameter) to produce power in a design which is similar in size and modularity to PV systems. Wave power is an emerging renewable energy technology with significant global potential. There is currently a significant amount of research activity in the area of wave energy conversion technologies. The Protean™ WEC technology is one of more than 50 approaches to converting wave power into a useful form of energy^{2,3}.

¹ <http://www.ipcc.ch/report/ar5/index.shtml> (Accessed August 2015)

² JRC Ocean Energy Status Report, 2014

³ Carbon Trust – Accelerating Marine Energy July 2011

The wave power industry has been slow to develop commercially due to the high cost of:

- initial construction,
- deployment, and
- operations and maintenance.

The CSIRO⁴ has assessed the technical potential for wave power in Australia to be 1300 TWh/y, approximately five times Australia's energy requirements which suggests that the potential for wave energy is not constrained by a lack of suitable sites.

One way that this technology could enter the market is to follow the path of solar PV deployments and seek to initially displace high cost diesel systems in remote sites. This could possibly be followed by behind the meter applications (generating power solely for use by that site or business). Potential candidates for modularised wave power deployment are remote islands, non-grid connected coastal industry and cities and military bases where there are good wave resources and a reliance on diesel electricity generation. Behind the meter applications could include aquaculture, coastal industry and ports with potential co-benefits for these sectors of additional wave attenuation adding to the business case by mitigating storm surge and shore erosion and protecting coastal infrastructure. Potential initial niche markets include:

1. Island communities and non-grid connected cities displacing high cost diesel in micro grids
2. Military deployments needing rapid deployment for community rebuilding (e.g. disaster relief) typically replacing diesel generation
3. Coastal industry and ports as behind meter deployments allowing wholesale and network electricity cost to be displaced. The business case for behind the meter deployments could possibly be enhanced if the system can also provide wave attenuation benefits.

The opportunity to compete and integrate into large power grids will require a major breakthrough in wave power economics to allow wave power to compete with the current wholesale price of electricity.

Should economies of scale provide a reduction in capital costs and the necessary capacity factor improvements then the inherent consistency and predictability of wave resources could provide a more valuable energy source than the current competing grid connected renewable technologies.

⁴ Ocean renewable energy: 2015-2020 An analysis of energy in Australia, CSIRO, July 2012

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Wave Energy Industry and Market Opportunity Report

1. Purpose of this document

This document provides an overview of wave power technologies and potential markets with a specific focus on the Protean™ Wave Energy Conversion technology. It describes wave power technologies in general, how wave power compares to the range of other electricity generation systems, and also highlights potential applications where wave power systems may offer advantages over other forms of generation.

This report does not critique or cover the economic feasibility of any one wave power technology. Energetics has relied on material provided by Stonehenge Metals Limited (the Company) and on publicly available sources in producing this report.

2. Wave power and its place in the renewable energy spectrum

The transformation of the world's energy systems to renewable energy is accelerating. Many experts are stating that the world should be targeting major greenhouse gas reductions by 2050 and the December COP21 meeting in Paris this year is expected to be a critical event.

Wave energy is one of a range of emerging renewable energy technologies. These renewable energy technologies include solar photovoltaic, solar thermal collectors for heat and for power generation, onshore and offshore wind, biomass for combustion or the production of biofuels, geothermal power generation and marine power.

Investments in wind and solar power have accelerated in the past five years. Wind power is a relatively mature technology with some turbines now up to 40 years old and has seen its deployment more than double in the period 2008 to 2013, approaching 300 gigawatts (GW) of cumulative installed capacity. Wind installations are led by China (75 GW), the United States (60 GW) and Germany (31 GW). Wind power now provides 2.5% of global electricity demand, and up to 30% in Denmark, 20% in Portugal and 18% in Spain⁵.

Solar PV (photovoltaic) is currently seeing a rapid growth in capacity. Since 2010, the world has added more solar PV capacity than in the previous four decades with total global capacity reaching 150 gigawatts (GW) in early 2014. PV system prices have fallen by over 60% in six years in most markets, while module prices have fallen by 80%⁶. In Australia, small scale 1.5kW to 3kW roof top installations have dominated the deployment which has seen household PV installations go from less than 5000 in 2005 to over 1,000,000 and 4500MW in 2015⁷.

A variety of marine power systems have been proposed. These include⁸:

- tidal power, where the energy associated with tides is captured to drive turbines

⁵ IEA Technology Roadmap: Wind Energy - 2013 edition

⁶ IEA Technology Roadmap: Solar Photovoltaic Energy - 2014 edition

⁷ <http://pv-map.apvi.org.au/analyses>

⁸ <http://www.iea.org/topics/renewables/subtopics/ocean/> (Accessed June 2015)

- ocean thermal energy conversion, which take advantage of the temperature gradient between the sea surface and deep water to generate power
- wave power systems where the kinetic energy associated with ocean waves is captured
- ocean current
- salinity gradient.

The Protean™ Wave Power is a wave power system.

Levelised Cost of Energy (LCOE) is a useful metric for comparing power generation alternatives. It reflects the average cost of energy over the lifecycle of a generation system/plant. LCOE is the minimum average cost of energy at which a generator must sell the produced electricity in order to achieve its desired economic return⁹.

In 2013 the then Bureau of Resources and Energy Economics (BREE), published an update to its Australian Energy Technology Assessment.¹⁰ This document presented the levelised costs of a number of different existing and emerging power generation technologies. BREE published the data in Table 1 below, which shows the forecast levelised cost ranges for some existing and emerging renewable energy technologies and the levelised costs for some traditional fossil-fuel based electricity generation technologies.

Table 1: Forecast of LCOE for various technologies

Technology	Levelised cost range (\$/MWH)	
	2030	2050
Pulverised coal supercritical plant based on bituminous coal	\$60 - \$105	\$60 - \$110
Combined cycle plant burning natural gas	\$75 - \$125	\$75 - \$125
Solar thermal plant using compact linear fresnel reflector technology w/o storage	\$125 - \$330	\$60 - \$300
Solar Photovoltaic (PV) - non-tracking	\$125 - \$190	\$25 - \$125
Wind onshore, 100 MW	\$60 - \$110	\$55 - \$130
Wind offshore, 100 MW	\$110 - \$230	\$90 - \$195
Wave/Ocean	\$210 - \$490 ¹¹	\$125 - \$325

The table above is unlikely to have included the Protean™ WEC technology in its assessments as the proponents have stated they have not submitted their economic models to BREE

⁹ Arif Syed (BREE) 2013, The Australian Energy Assessment (AETA) 2013 Model update, Canberra, December 2013.

¹⁰ http://www.industry.gov.au/Office-of-the-Chief-Economist/Publications/Documents/aeta/australian_energy_technology_assessment.pdf (Accessed August 2015)

¹¹ The BREE 2013 report did not update the wave information from 2012, and is unlikely to have included Protean™ WEC technology in its assessment as it is based on the information available at that time and various submissions.

It is important to note that in order to be accurate LCOE requires forward looking financial modelling of fully commercialised energy technologies, typically based on actual historical data, to calculate an accurate estimated cost. Inherent in these calculations are assumptions on economic indicators such as hurdle rates, inflation and technology forecasts such as efficiency and cost improvements. While the BREE report used the most up to date information available, the analysis is specific to the time and environment in which it was conducted. Changes in these input assumptions can have large impacts upon the outcomes of this analysis.

Wave generation has been deployed in limited demonstration and early development stages around the world. These deployments have used a wide variety of wave power technologies. At this stage wave power technologies are still underdeveloped and therefore no single wave power technology has to date convincingly demonstrated that it is superior to other technologies¹².

The most popular type of wave power technology at present is the point absorber, with the JRC Ocean Energy Status Report showing it accounts for 40% of wave power R&D¹³. A point absorber is a floating structure which absorbs energy from near the surface of the wave and converts this energy into usable electricity. Examples of recent deployments are Carnegie Wave Energy's Garden Island development which has been operating since late 2014¹⁴.

Attenuators use a number of floats that align in the direction of the wave travel. As the wave passes along the attenuator the oscillation motion between the floats captures the energy in the wave. Examples of linear absorbers include the deployment of Pelamis Wave Power's three devices in Portugal in 2008 which had a peak power rating of 2.25MW of power¹⁵ (since decommissioned due to internal funding issues) and the 2010 deployment in Scotland of a 750kW¹⁶ peak power facility.

Terminators are a category of wave technology that use the rise and fall of the waves to capture water in a raised reservoir. Energy is converted with low head turbines that generate hydroelectricity.

Overall the JRC Ocean Energy Status report identifies 45 companies that have reached, or are about to reach, open sea deployment of their technologies¹⁷. This report did not include the ProteanTM WEC technology.

2.1. Challenges of wave power

The wave power industry has to date been slow to develop and wave power currently has limited worldwide deployment. Multiple issues have held back the potential of wave energy which include¹⁸.

- High capital costs of the wave power systems – oceans are harsh environments for equipment to operate in and can require complex engineering to ensure survivability.

12 MacGillivray, A., Jeffrey, H., Hanmer, C., Magagna, D., Raventos, A., Badcock-Broe, A., 2013, Ocean Energy Technology: Gaps and Barriers, Published by SI Ocean; www.si-ocean.eu.

13 JRC Ocean Energy Status Report, 2014

14 Carnegie Wave Energy website, <http://carnegiwave.com/projects/perth-project.html>, (Accessed June 2015)

15 <http://www.power-technology.com/projects/pelamis/>

16 <http://www.gov.scot/News/Releases/2010/05/17144639>

17 JRC Ocean Energy Status Report, 2014

18 MacGillivray, A., Jeffrey, H., Hanmer, C., Magagna, D., Raventos, A., Badcock-Broe, A., 2013, Ocean Energy Technology: Gaps and Barriers, Published by SI Ocean; www.si-ocean.eu.

- High cost of deployment – the challenge of deploying the systems in an ocean environment which may lead to high deployment costs.
- High maintenance costs – the harsh environment increases the wear on equipment and along with the high cost of deploying specialist personnel to remote sites, this can result in high maintenance costs.

The Company has made a number of qualified statements regarding the potential advantages of the Protean™ Technology design¹⁹ as detailed in in Table 2.

Table 2: Protean™ Wave Energy statements

Stonehenge statements	Our response
Compact architecture to produce power from a small, low cost, scalable design	The Protean™ design is a relatively small (1.5kW) compact design.
Improvements in power to weight ratio	Energetics was not provided with sufficient information to test this assertion. We note however that the material that was made available to us suggested that the Protean™ Wave Energy converter is a relatively simple structure which may make it possible to improve the power to weight ratio.
Designed for small and large scale deployment	Provided that it performs as described the modular design of the Protean™ Wave Energy converter should allow small to large scale deployment through linking multiple units. The technology has not yet been piloted in multiple unit deployment and so we were not provided with sufficient information to determine the scalability factors or the relationship between the total size of the deployment and the cost of construction and deployment.
Transportability	The technology is of size that multiple units would fit into a sea container and allows for progressive deployment.

At this stage of pre-commercial development Energetics is unable to confirm whether the Protean™ WEC design will deliver the outcomes it is targeting in regards to performance output or the economics of a multi-unit array. However it is possible that the relatively small unit size and modular configuration would give it an advantage compared to other wave technologies especially in its deployment in developing countries and remote locations with more limited infrastructure.

3. Potential for wave power – available wave resource

As the sector is still in its infancy there is large uncertainty in the forecasts of wave power commercial uptake. CSIRO analysis of wave power in Australia found that the wave energy resource across the 25m isobath in Australia (Geraldton to Tasmania) is 1300 TWh/y, approximately five times Australia's

¹⁹ ASX Announcement, New Project Acquisition Protean Wave Energy Conversion Technology, Stonehenge Company presentation, Sept 2014

energy requirements. This showed that the potential for wave energy is not constrained by a lack of suitable sites. Scenarios developed by the CSIRO see wave power contributing between 1% and 11% of Australia's electricity needs²⁰.

The commercial uptake is still very uncertain with Bloomberg forecasting a global deployment of 21MW of power by 2020²¹ and the UK Carbon Trust forecasting a UK market for wave technologies of £3B in 2050 under a medium growth scenario²².

CSIRO studies on the variability of wave power generation have shown that wave power is less variable in its energy output than wind generation meaning wave power benefits from increased predictability of energy production. CSIRO estimates that energy production can be forecast accurately 36 hours in advance²⁰. This factor may give wave energy an advantage over other renewable energy sources such as solar PV or wind.

3.1. Potential initial markets for Protean™ Wave Power

To compete with the established energy technologies renewable energy technologies need to first find a niche or niches where their unique characteristics make it a more attractive energy source. Developing installations within one or more niches will allow it to gain operational experience and progress down the experience cost curve²³.

Renewable energy technologies such as solar PV, wind power and wave power are characterised by having low marginal cost of energy production as there are no fuel costs. In the case of wave power, the operational and maintenance costs are expected to be higher due to the ocean environment. However these are still an unknown. It should be noted that the capital costs of most renewable energy systems can be high and investments are typically highly leveraged with high debt servicing costs however these risks may be mitigated by the reduced intermittency and improved predictability of a wave resource.

The ability of renewable energy generators, particularly solar PV, to be easily transported has allowed it to compete with high marginal cost diesel electricity generation and these markets have been an attractive starting point for renewable energy deployment. Table 3 shows the marginal cost of diesel electricity generation for various combinations of generator efficiency and diesel price.

²⁰ Ocean renewable energy: 2015-2020 An analysis of energy in Australia, CSIRO, July 2012

²¹ <http://www.bloomberg.com/news/articles/2014-08-14/wave-and-tidal-power-costing-more-than-forecast> (accessed July 2015)

²² Technology Innovation Needs Assessment – Marine Energy Summary report, Low Carbon Innovation Coordination Group Carbo Trust, August 2012. <https://www.carbontrust.com/media/168547/tina-marine-energy-summary-report.pdf> (accessed October 2015)

²³ Christensen, C. M., "Innovators Dilemma: When New Technologies Cause Great Firms to Fail", Harvard Business Review Press, 1997

Table 3: Marginal cost of diesel electricity generation

Generation efficiency	Cost of Diesel		
	\$1.0/litre	\$1.5/litre	\$2.0/litre
30%	\$0.31/kWh (\$310/MWh)	\$0.47/kWh (\$470/MWh)	\$0.62/kWh (\$620/MWh)
35%	\$0.27/kWh (\$270/MWh)	\$0.40/kWh (\$400/MWh)	\$0.53/kWh (\$530/MWh)
40%	\$0.23/kWh (\$230/MWh)	\$0.35/kWh (\$350/MWh)	\$0.47/kWh (\$470/MWh)

Analysis assumption: The energy content of diesel used was 38.6 GJ/kL sourced from the National Greenhouse and Energy Reporting Act 2007 Measurement Determination.

Fuel is a globally traded commodity and so the primary variables in fuel costs come from government subsidies/taxes and transport costs to the location. Remote island communities can be subject to very high small vessel transport costs. The efficiency of diesel generators depends upon a number of factors, such as the design and age of the generator, the quality of maintenance and the load on the generators. Smaller, isolated systems generally suffer from lower efficiencies than well managed and balanced microgrids that can operate in the 35 to 40% efficiency range²⁴. One of the characteristics of markets with high marginal cost of electricity generation is their reliance on high cost fuels such as diesel. Some of these potential markets are discussed below.

3.1.1. Island communities

Remote island communities have several characteristics that could make them attractive markets for wave power. Island communities which are situated near wave resources are usually highly dependent upon importing diesel for their power generation. Smaller scale diesel power generation is significantly more expensive electricity than centralised large scale electricity networks.

The World Resource Institute CAIT²⁵ dataset lists 65 small island nations. The available data shows these island nations have greenhouse gas emissions due to electricity generation and heating of 81 million tonnes of CO₂-e. Excluding the islands with significant power consumption, small island nations have emissions of 22 million tonnes of CO₂-e. If the average emissions factor for off grid electricity generation is applied (NGER Measurement Determination 0.69 tonnes CO₂-e/MWh) these electricity and heating emissions equate to a potential market size of 31 TWh of electricity and heat required of potentially more than 5,000 MW of continuous generation capacity²⁶, with their needs growing as their economic development continues. If an electricity price of 30c/kWh is used then an indicative annual energy market spend would be \$9 billion. The replacement capital cost of existing energy infrastructure capital would be greater than \$5 billion²⁷.

²⁴ http://www.dieselserviceandsupply.com/Diesel_Fuel_Consumption.aspx, (Accessed July 2015)

²⁵ CO₂ Emissions from Fuel Combustion, CAIT Climate Data Explorer. 2015. Washington, DC: World Resources Institute.

²⁶ Calculation to estimate 5,000 MW capacity is 31TWh divided by 8760 hours in a year.

²⁷ U.S. Energy Information Administration, Updated Capital Cost Estimates for Utility Scale Electricity Generating Plants, April 2013

Case study example – Island community

A potential market for the Protean™ WEC technology is island communities such as those in the Pacific. A case study example is an island with a local grid dependent on diesel generation. With an estimated minimum demand in the order of 100kW and maximum demand of 300kW, we would expect an installed capacity roughly double to ensure the system is stable (e.g. 600kW). An island with this power need would consume approximately 500kL of diesel and generate 1,500 MWh of electricity per year costing them greater than 30c/kWh.

A Protean™ system producing an average power of 50kW²⁸ could possibly displace a maximum of 30% of the energy need and potentially save \$150,000/yr²⁹ in reduced diesel costs for the island community (provided that there are suitable locations, wave resources, maintenance capabilities and infrastructure to install the system).

3.1.2. Regional and Remote Coastal Industry and Ports

Some coastal industry (e.g. aquaculture operations) and regional ports can be situated in more remote and isolated areas which may be suitable for wave power generation if the energy cost can compete with the behind the meter energy value (a combination of wholesale, network costs and retail margin). Behind the meter projects in Australia can potentially sell energy for between 10 and 20c/kWh depending on the client's energy use profile and location. The business case for behind the meter deployments could possibly be enhanced if the system can also provide wave attenuation benefits to mitigate storm surge, shore erosion and to protect coastal infrastructure. Wave attenuation is the reduction in intensity of the wave when energy is taken out of the wave by an energy generation device such as a Protean™ array.

3.1.3. Military deployment

Military and naval operations are often required to operate in remote and isolated areas which may be suitable for wave power generation. The potential value of wave energy to military could come from:

- Reduced cost of generation
- Decreased reliance on the supply chain improves the security of energy supply and could enhance operational flexibility

By substituting diesel generation with wave generation, military operations may be able to remove the supply chain risk.

²⁸ An average electricity production of 50kW equates to 438MWh of electricity production in a year.

²⁹ Assuming a diesel generation efficiency of 30% and diesel cost of \$1/kL.

Appendix A. List of References

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U.S. Energy Information Administration, Updated Capital Cost Estimates for Utility Scale Electricity Generating Plants, April 2013

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Energetics is a carbon neutral company



7. Intellectual Property Report

INTELLECTUAL PROPERTY REPORT

13 November 2015

Wrays ref: 254639

Stonehenge Metals Ltd
P O Box 7631
PO Box Z5187
PERTH WA 6000

Attention: Mr B Lane, Managing Director

Dear Mr Lane

**Stonehenge Metals Ltd
Intellectual Property Portfolio : Patent Attorney Report
Protean Energy Australia Pty Ltd**

We have been requested by Stonehenge Metals Limited ("Stonehenge") to provide an Independent Report on the intellectual property portfolio of Protean Energy Australia Pty Ltd ("PEA").

This report has been prepared for inclusion in a prospectus to be issued by the Company in relation to a Prospectus for an offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free Attaching Option with an exercise price of \$0.0375 for every one (1) New Share to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of 100,000,000 Shares, to raise a further \$2,500,000 for a total raising of up to \$5,000,000.

1. Summary

This Report and attached Schedules include information on the granted patents, pending patent applications, and registered trade marks in the names of PEA and Protean Power Pty Ltd ("PP") (formerly known as Australian Sustainable Energy Corporation Pty Ltd ("ASEC")), and being managed by our firm. The information contained in the attached Schedules is current at 13 November 2015. The Report and Schedules are provided on the basis of the limitations set out in paragraph 11 of this report.

2. Introduction

PEA has a portfolio of Australian and international patents, and pending patent applications, covering three families of inventions. PEA also owns a number of registered trade marks.

This Report has been prepared by WRAYS, a firm of Patent and Trade Mark Attorneys (“Wrays”). The information regarding the current status of granted patents, patent applications, and registered trade marks provided in this Report is correct to the best of our knowledge at the date of this Report.

3. The Patent Portfolio

3.1 Background

Schedule 1 sets out the granted patents and patent applications owned by PEA.

The granted patents and pending applications set out in the Schedule are currently in force, although they are subject to the payment of periodic (mainly renewal) fees in order to maintain them in force.

PEA is the owner of 3 international patent families summarised below, with full details provided in Schedule 1.

3.1.1. Patent Family 1 : Wave Energy Converter

Summary of Technology

This family is directed to an apparatus for converting wave energy into a more usable form, and relates particularly, though not exclusively, to such wave energy converters that operate on the principles of buoyancy, hydrodynamic pressures, and oscillation. Further, it relates to a tension mooring system, and an improved float member.

Due to the requirement that a patent application may only cover one invention, in some countries, during examination PEA has been/ may be required to divide aspects of the invention into separate patent applications.

3.1.2 Patent Family 2 : Improvements to Wave Energy Converter

Summary of Technology

This family is directed to an improved apparatus for converting wave energy into a more usable form comprising a rigid skirt to facilitate the extraction of energy from the energy gradient of the cross-section of a travelling wave below the surface of the water. Further, it relates to a tension mooring system.

Due to the requirement that a patent application may only cover one invention, in some countries, during examination PEA has been/ may be required to divide aspects of the invention into separate patent applications.

3.1.3 Patent Family 3 : System and Method for Deploying and Retrieving a Wave Energy Converter

Summary of Technology

This family is directed to a system for deploying a wave energy converter, the system having a submersible structure with a buoyancy chamber filled with gas. The system also includes a tethering means and a docking station. Further, this family relates to a method for transporting, launching, mooring and retrieving a wave energy converter.

Due to the requirement that a patent application may only cover one invention, in some countries, during examination PEA has been/ may be required to divide aspects of the invention into separate patent applications.

4. Patent Ownership

The PEA Patent Family 1 and Patent Family 3 applications were filed in the name of Australian Sustainable Energy Corporation Pty Ltd (“ASEC”), a company established by the inventor, Sean Derek Moore (“Mr Moore”). ASEC changed its name to Protean Power Pty Ltd (“Protean Power”). Patent Family 2 was filed in the name of Protean Power.

All ownership of the various patent applications, and granted rights, was assigned from Protean Power to PEA in November 2010.

By way of background, a patent for an invention may only to be granted to the inventor(s), or alternatively to a person or entity who has entitlement to the invention by way of assignment or other means.

The records of the Australian Patent Office were updated to record the assignment of the Australian patent rights for all three Patent Family applications to PEA. However steps were not taken to record the assignment of rights to PEA at all of the various overseas patent offices, given the often substantial costs that can be incurred in taking these steps. We understand that these assignments may still be recorded in the various overseas offices at some stage.

5. Patent Protection

Patent rights are national (and in some cases regional), such that a patent must be obtained in each country (or region) where protection of the invention is required. To obtain a valid patent, the invention must be novel (new) and inventive at the filing date of the patent application.

In Australia, the usual process towards obtaining a patent for an invention begins with the filing of an application accompanied by a provisional specification in Australia. The filing of a provisional application establishes the priority date in respect of the invention disclosed in the provisional specification. To proceed with the patenting of the invention, within 12 months from the date of the filing of the provisional application, a complete application must be lodged. To obtain protection in other countries or regions, the applicant must file separate national patent applications in each of the countries in which protection is required. Alternatively, to delay the time frame for filing separate national applications, an applicant may file a single international patent application under the Patent Co-operation Treaty (generally referred to as a "PCT" application or an international application). A PCT application allows the applicant the option to proceed with patent protection in about 145 countries or regions.

In Australia and most other countries, patent rights may be kept in force for a period of 20 years from the date of filing of the complete application on which the patent is granted, and while the patent is in force the owner has the exclusive right to exploit the invention.

6. Patent Protection Variations and Limitations

The national or regional patent applications are typically subjected to examination for novelty and inventive step before a patent is granted. For each of the three PCT International patent applications listed in Schedule 1 of this Report, international search

reports were conducted and published by the Australian Patent Office. These search reports set out the most relevant prior art (documents published before the earliest filing date of the priority application) found by the Australian Patent Office during the searches it carried out of the subject matter of the various PCT applications. No further searches of prior art relating to the three patent families were carried out by Wrays, or by any other parties as far as we are aware, and Wrays is not aware of any other prior art pertinent to these inventions. During examination of the various country and regional pending patent applications, further prior art may be located upon examination in these individual patent offices, and it may be necessary to disclose such prior art to other offices.

It should be noted that there is no guarantee that the pending patent applications summarised in Schedule 1 of the Report will proceed to a granted patent. There is also no guarantee that the scope of protection provided by a granted patent resulting from one or more of these pending applications will be of scope identical to that which was filed with the original PCT applications. It should also be noted that the scope of patent protection granted in one jurisdiction may be different to that granted in another jurisdiction due to the differences in examination and procedural requirements between the various country and regional patent offices.

In addition, it is important to note that the grant of a patent does not imply that the patent is valid, and in most jurisdictions a granted patent can later be challenged for invalidity, for example on the basis of further prior art which may be found.

Furthermore, the granting of a patent for an invention does not imply that the invention as covered in the granted patent may not infringe on the patent (or other) rights of others. Wrays has not conducted any searches to determine whether the inventions of PEA may infringe on the rights of others. However there is a reasonable chance that at least some of any such relevant rights owned by others may have been located in the international searches conducted in respect of the PCT applications as noted above.

7. The Trade Marks

7.1 Background

Schedule 2 sets out the registered trade marks owned by PEA.

The information in this Report is current as at 13 November 2015, and is correct to the best of our knowledge. The PEA trade mark portfolio covers two trade marks, PROTEAN and PROTEAN POWER. These trade marks are protected by various registered trade marks in Australia, and in a number of overseas jurisdictions.

The registered trade marks set out in the Schedule are currently in force, although they are subject to the payment of periodic (mainly renewal) fees in order to maintain them in force.

We understand that PEA is actively using the trade mark PROTEAN (and to a lesser extent PROTEAN POWER). The trade mark PROTEAN has been used by PEA in the course of its business within Australia, and we understand in other jurisdictions such as the USA. The name "PROTEAN" was devised by Mr Moore as the name for this wave energy technology. This name is derived from the name of the Greek sea-god Proteus, because of the connection with the technology and waves in the sea.

8. Trade Mark Ownership

All of the registered trade marks and formerly pending applications were assigned to PEA in November 2010.

The records of the Australian Trade Marks Office have been updated to show the correct owner as PEA, but the various overseas records have not at this stage been updated to record the correct owner name as PEA.

9. The Trade Marks Process

Whilst a trade mark may be protected under common law in some jurisdictions, there are many benefits to a trade mark owner of registering a trade mark. The trade mark registration process begins with the filing of a trade mark application in the relevant international class(es) covering the goods and services of interest. Following the successful examination of an application, the trade mark may be registered usually for a ten year period. Trade marks may be continually registered for successive ten year periods, for as long as the trade mark owner wishes.

A trade mark may be one or more of a word, phrase, letter, number, sound, smell, shape, logo, picture, aspect of packaging, or a combination of these, and is used to denote the trade source of goods or services.

An Australian registered trade mark gives the owner the legal right to use or license the use of the trade mark within Australia for the goods and services covered by the registration. In order to protect a trade mark overseas, it is necessary to file a national application in that country. Alternatively it is possible to file an International Trade Mark Application under the Madrid Protocol for those countries covered by the Madrid Protocol.

10. Trade Secrets and Know-How

Wrays does not have any information on its records concerning any trade secrets or know-how of PEA.

11. Disclaimers and Limitations

Wrays makes no recommendation or assurance as to the validity of any patents, patent applications, or registered trade marks disclosed in this Report and the attached Schedules, or the likelihood of grant or registration of any of the pending applications, and no reliance should be placed on this Report to that effect. Moreover, the Report does not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of earlier patents or trade marks.

Most of the information regarding the status of overseas granted patent and trade mark rights, and pending applications, as provided in this Report and the Schedules, has been obtained from overseas patent attorney firms.

11.1 Patent Disclaimer

Further, please note each jurisdiction has its own laws and particular requirements that need to be met for the grant of a patent. Accordingly, as noted above patent applications in most of the various countries will undergo examination by the respective patent office, and prior art may be located which has not already been reported in the international search reports published with each of the three PCT applications forming the basis of most of the PEA patent rights. As also noted above, the grant of a patent in one country is not a guarantee that a patent will be granted in another country or region, due to the different standards of examination in each jurisdiction.

It should be noted that during examination of a patent application in a particular jurisdiction it may be necessary to make amendments to the claims to deal with any further prior art raised, or to more clearly define the invention. Therefore the scope of the final claims if granted will not necessarily be of the same or similar scope to the claims as they stood on filing the application. Such amendments may affect the resultant commercial significance of the patent protection. It is also important to note that the scope of claims for each jurisdiction may vary depending on national laws.

We also point out that certain countries do not have an examination procedure, so that patent applications simply proceed to grant without examination, with the court system being used more frequently to challenge patent rights in these instances.

We confirm our advice as outlined above that a granted patent provides no guarantee of validity. The validity of a patent may be challenged at any time after grant, by way of revocation proceedings filed in a Court of competent jurisdiction.

In addition, the grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention, since the working of an invention, even if validly patented, may infringe an earlier patent or other intellectual property rights. However, Wrays has no knowledge at this time that use of the inventions of PEA in Australia or overseas may breach any other party's intellectual property rights.

11.2 Trade Mark Disclaimer

In preparing this Report, we did not conduct availability or infringement searches of any national or international trade mark office records to determine whether there were any relevant rights owned by other parties which may present difficulties to use of the two PROTEAN trade marks by PEA. We confirm that a trade mark may be granted even though the trade mark may infringe a trade mark of a third party.

However, Wrays has no knowledge of any concerns or complaints raised by any third parties and no knowledge at this time that use of the trade marks in Australia or overseas would breach any other party's intellectual property rights.

Further, please note each jurisdiction has its own laws and particular requirements that need to be met for the registration of a trade mark. Accordingly, the assessment of trade mark registrability varies from jurisdiction to jurisdiction, and marks which may be granted and registrable in one jurisdiction may be excluded from grant and registration in another. Moreover, the different jurisdictional requirements may result in variations on the scope of trade mark protection in different jurisdictions.

The outcome of examination of a trade mark application by the office of one jurisdiction is not binding on the office of any other jurisdiction. As such, there is always a risk that a trade mark may be registered in one jurisdiction, but that a trade mark may not be allowed elsewhere, due to the different trade mark registers in each country or region.

12. Disclosure of Interests

Wrays, established in 1920, is a national firm of patent and trade mark attorneys that provides advice in relation to all aspects of intellectual property including the intellectual property rights of patents, trade marks and registered designs.

Wrays has prepared this Report and Schedules on an independent basis and has been remunerated on a normal fee for service arrangement. Neither Wrays nor any of its Directors, Principals or employees that were involved in the preparation and management of PEA's patent or trade mark portfolio, has any entitlement to any securities or other rights in PEA, ASEC, PP, or Stonehenge, or has any other interest in the promotion of PEA, ASEC, PP, or Stonehenge.

We have given our consent to the issue of a prospectus with this Report and Schedules appearing therein.

Yours faithfully



**Janet Stead, Principal of WRAYS
Patent and Trade Mark Attorney
WRAYS**

SCHEDULE 1

Patent Family 1 : Wave Energy Converter; Apparatus for Converting Wave Energy; Float Member for Wave Energy Converter; Tension Mooring System

PCT Number: PCT/AU2007/000940
International Filing Date: 9 July 2007
Priority Filing Date: 11 July 2006
Priority Application: Australian application 2006903707
Applicant/Owner: Australian Sustainable Energy Corporation Pty Ltd
Inventor: Sean Derek Moore

Country	Official Number	Status	Renewal Due Date
Argentina	P07 01 03080	Under examination	Unknown as yet
Australia*	2007272290	Granted	9 July 2016
Australia*	2011202488	Granted	9 July 2016
Australia*	2011202492	Granted	9 July 2016
Chile	CL 50086	Granted	28 December 2017
India	955/DELNP/2009	Awaiting examination	Unknown as yet
Indonesia	W-00200900375	Under examination	Unknown as yet
Indonesia	W-00201202953	Under examination	Unknown as yet
Indonesia	W-00201202952	Under examination	Unknown as yet
Mexico	MX/a/2009/000329	Awaiting examination	Unknown as yet
New Zealand*	574786	Granted	9 July 2017
Republic of Korea	10-1521882-00-00	Granted	14 May 2018
Republic of Korea	10-1549676	Granted	25 August 2018
Republic of Korea	10-2014-7030953	Under examination	Unknown as yet
USA*	8,264,093	Granted	11 March 2016

* in name of PEA

Patent Family 2 : Improvements to Wave Energy Converter; Multipoint Mooring System for a Wave Energy Converter; Wave Energy Converting Apparatus

PCT Number: PCT/AU2008/001806
International Filing Date: 8 December 2008
Priority Filing Date: 12 December 2007
Priority Application: Australian application 2007906745
Applicant/Owner: Protean Power Pty Ltd
Inventor: Sean Derek Moore

Country	Official Number	Status	Renewal Due Date
Australia*	2015201739	Awaiting examination	8 December 2015
China*	201210422664.8	Under examination	Unknown as yet
China*	201210425330.6	Accepted	Unknown as yet
Indonesia	W-00201002358	Awaiting examination	Unknown as yet
India	5054/DELNP/2010	Awaiting examination	Unknown as yet
Taiwan**	I496989	Granted	20 August 2016

* in name of PEA

** in name of ASEC

Patent Family 3: System and Method for Deploying and Retrieving a Wave Energy Converter

PCT Number: PCT/AU2009/000429
International Filing Date: 9 April 2009
Priority Filing Date: 11 April 2008
Priority Application: Australian application 2008901763
Applicant/Owner: Australian Sustainable Energy Corporation Pty Ltd
Inventor: Sean Derek Moore

Country	Official Number	Status	Renewal Due Date
Australia*	2015201771	Under examination	9 April 2016
Canada	2,721,139	Under examination	9 April 2016
Europe (includes Norway)	09730284.8	Awaiting examination	9 April 2016
Hong Kong	1148567A	Awaiting examination	9 April 2017
India	7549/DELNP/2010	Awaiting examination	Unknown as yet
Republic of Korea	10-2010-7025040	Under examination	Unknown as yet
South Africa	2010/07577	Granted	9 April 2016
Taiwan	098112072	Accepted	Unknown as yet

* in name of PEA

SCHEDULE 2

Trade Mark 1 : **PROTEAN**

Priority Filing Date: 27 November 2008

Classes: 7, 37, 39, 40, 42

Country	Official Number	Status	Renewal Due
Australia	1274504	Registered	27 November 2018
Canada	TMA804332	Registered	12 August 2026
New Zealand	806711	Registered	27 November 2018
Madrid Protocol:	1007960	Registered	25 May 2019
<i>European Community</i>	1007960	Registered	25 May 2019
USA	3960650	Registered	25 May 2019

Trade Mark 2 : **PROTEAN POWER**

Priority Filing Date: 27 November 2008

Classes: 7, 37, 39, 40, 42

Country	Official Number	Status	Renewal Due
Australia	1274508	Registered	27 November 2018
Canada	TMA804333	Registered	12 August 2026
New Zealand	806713	Registered	27 November 2018
Madrid	1007959	Registered	25 May 2019
Protocol:			
<i>European Community</i>	1007959	Registered	25 May 2019
USA	3983399	Registered	25 May 2019



8. Investigating Accountant's Report



STONEHENGE METALS LIMITED

Investigating Accountant's Report

23 November 2015

23 November 2015

The Directors
Stonehenge Metals Limited
Level 3, 89 St Georges Terrace
Perth WA 6000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Stonehenge Metals Limited ('Stonehenge' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to certain financial information of Stonehenge for inclusion in the Prospectus. The Prospectus is required under Australian Securities Exchange ('ASX') requirements for Stonehenge to re-comply with Chapters 1 and 2 of the ASX Listing Rules, as a result of Stonehenge exercising its rights to complete the acquisition of all of the Protean Energy Australia Pty Ltd ('PEA') shares from Protean Energy Pty Ltd (formerly known as Protean Energy Limited) ('PEL') ('Transaction'). PEA holds the intellectual property relating to the Protean Wave Energy Converter ('WEC').

Broadly, the Prospectus will offer 200 million shares at an issue price of \$0.025 per share with one free attaching option with an exercise price of \$0.0375 for every one share to raise \$5 million before associated costs ('the Offer'). The Offer is subject to a minimum subscription level of 100 million shares to raise \$2.5 million before associated costs.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the ‘**Historical Financial Information**’) of Stonehenge included in the Prospectus:

- the historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 for Stonehenge; and
- the historical Statement of Financial Position as at 30 June 2015, 30 June 2014 and 30 June 2013 of Stonehenge.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company’s adopted accounting policies. The Historical Financial Information of Stonehenge has been extracted from the financial report for the year ended 30 June 2015, which was audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued an unqualified audit opinion for the 30 June 2015 financial report. However, the financial report was issued with an Emphasis of Matter paragraph which indicates the existence of a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (‘**Pro Forma Historical Financial Information**’) of Stonehenge included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 30 June 2015.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Stonehenge, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company’s actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by Stonehenge to illustrate the impact of the events or transactions described in Section 6 and Section 7 of the Report on Stonehenge’s financial position as at 30 June 2015. As part of this process, information about Stonehenge’s financial position has been extracted by Stonehenge from the Company’s financial statements for the year ended 30 June 2015.

The Pro Forma Historical Financial Information incorporates the completion of the acquisition of PEA whereby the Company will issue 60 million ordinary shares and 120 performance shares to PEL in consideration for 100% of the shares in PEA. PEA is not and has never been an operating entity, it however owns the rights and title to the intellectual property relating to the Protean WEC technology.

3. Directors' responsibility

The directors of Stonehenge are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information to be free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 for Stonehenge; and
- the historical Statement of Financial Position as at 30 June 2015 of Stonehenge.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of Stonehenge as at 30 June 2015.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The pro-forma Statement of Financial Position reflects the following events that have occurred subsequent to the year ended 30 June 2015:

- The issue of convertible notes to raise up to \$600,000, on the following terms:
 - Repayment date is 31 December 2015;
 - Interest rate is 9.25% per annum payable quarterly; and
 - Conversion price is and the lower of:
 - \$0.025; or
 - The price calculated on the basis of a 15% discount to the VWAP of Stonehenge's shares traded on the ASX during the last 10 trading days prior to the date the notice is provided by the lender to Stonehenge in accordance with paragraph 8, subject to a minimum price of \$0.02.
 - Each convertible note is issued with a free unlisted option exercisable at \$0.0375 on or before 31 December 2018.
- The completion of a placement to sophisticated investors to raise \$500,000 before associated costs of \$30,000 via the issue of 1,250,000 shares at \$0.04; and
- Prior to 30 June 2015, Stonehenge held its Korean subsidiary company, Stonehenge Korea Limited ('SHK'), as an asset held for sale. On 28 July 2015, Stonehenge announced the completion of the sale of 50% of SHK to KOSDAQ listed Korea Resources Investment & Development Inc. ('KORID') for which Stonehenge received 4,643,497 shares in KORID. These shares have been valued at \$2,407,020 and recorded as an investment in KORID post 30 June 2015. The Company and KORID now hold 50% each of SHK which is now an incorporated Joint Venture ('JV') company. The Company recognises its 50% share of the assets and liabilities of the JV as an Investment in associate in the statement of financial position.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of Stonehenge, not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 30 June 2015, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The Company will change its name from Stonehenge Metals Limited to Protean Wave Energy Limited;
- The issue of 200 million shares at an offer price of \$0.025 each to raise \$5 million before costs pursuant to the Prospectus, based on a minimum subscription of 100 million shares to raise \$2.5 million before costs. Costs of the Offer are estimated to be \$347,012 under

the minimum subscription and \$494,512 under the maximum subscription, which are to be offset against the contributed equity; and

- The issue of 60 million ordinary shares and 120 million performance shares to PEL in consideration for the acquisition of all of the issued capital of PEA. The performance shares will convert into ordinary shares upon achievement of any one of the following performance milestones within three years from the date of issue:
 - Other than through an ASX re-compliance prospectus raising, completion of financing of not less than \$5,000,000 to fund further development of the WEC technology, in aggregate, via equity, debt, government grant, joint venture or partnership (or any combination thereof);
 - Commissioning of a WEC technology facility of 45 Kilowatts or greater outside Australia;
 - Commissioning of a WEC technology facility or facilities of cumulative 500 Kilowatts or greater;
 - Execution of a fully funded agreement to install a WEC technology facility or facilities of cumulative 1 Megawatt or greater on commercial terms; or
 - Execution of a bona fide arm's length third party licensing, co-operation or collaboration agreement or agreements valued cumulatively at not less than \$5,000,000, at the time of signing, for the whole or part of WEC technology for assessment, development or commercialization. Value to be determined by an independent valuer using generally accepted valuation methodologies.

Currently, Stonehenge management considers the Company likely to achieve any one of the performance milestones. Therefore, we have assumed that 100% of the performance shares will vest.

We have valued the consideration received for the acquisition of PEA to be \$4.5 million. This is based on 60 million ordinary shares and 120 million performance shares valued at an underlying price of \$0.025 per share, which is the Offer price at which funds are being raised under the Prospectus.

There are additional costs associated with the Transaction of \$97,988 under the minimum subscription, and \$100,488 under the maximum subscription. These costs are related to the Transaction and have therefore been expensed.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Offer other than in connection with the preparation of this Report, for which professional fees will be received. BDO is the auditor of Stonehenge and from time to time provides Stonehenge with certain other professional services for which normal professional fees are received.

9. Disclosures

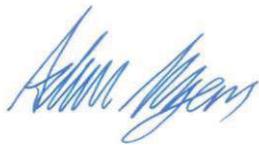
This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Adam Myers

Director

APPENDIX 1

STONEHENGE METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-15
	\$
Interest income	12,979
Other income	269
Research and development expense	(414,762)
Depreciation expense	(24,290)
Administrative expense	(1,115,748)
Finance costs	(30,000)
Share based payment expense	(359,415)
Impairment of exploration assets	(3,158,967)
Loss on sale of non-current asset	-
Foreign exchange gain/(loss)	79
Loss before income tax	(5,089,855)
Income tax benefit/(expense)	369,376
Loss after income tax	(4,720,479)
Exchange differences on translation of foreign operations	118,095
Total comprehensive loss for the period	(4,602,384)

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4. Past performance is not a guide to future performance.

APPENDIX 2
STONEHENGE METALS LIMITED
CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Notes	Audited as at 30-Jun-15	Subsequent events	Pro-forma adjustments minimum	Pro-forma adjustments maximum	Pro-forma after issue minimum	Pro-forma after issue maximum
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	2	45,379	1,029,490	2,055,000	4,405,000	3,129,869	5,479,869
Trade and other receivables	3	93,456	(16,175)	-	-	77,281	77,281
TOTAL CURRENT ASSETS		138,835	1,013,315	2,055,000	4,405,000	3,207,150	5,557,150
NON CURRENT ASSETS							
Property, plant and equipment	4	17,754	(17,754)	-	-	-	-
Investment in associate	5	-	2,409,549	-	-	2,409,549	2,409,549
Investment in KORID	6	-	2,407,020	-	-	2,407,020	2,407,020
Other financial asset	7	300,000	-	4,500,000	4,500,000	4,800,000	4,800,000
Asset held for sale	8	4,814,040	(4,814,040)	-	-	-	-
TOTAL NON CURRENT ASSETS		5,131,794	(15,225)	4,500,000	4,500,000	9,616,569	9,616,569
TOTAL ASSETS		5,270,629	998,090	6,555,000	8,905,000	12,823,719	15,173,719
CURRENT LIABILITIES							
Trade and other payables	9	134,545	(22,701)	-	-	111,844	111,844
Borrowings	10	-	600,000	-	-	600,000	600,000
Provisions		2,513	-	-	-	2,513	2,513
TOTAL CURRENT LIABILITIES		137,058	577,299	-	-	714,357	714,357
TOTAL LIABILITIES		137,058	577,299	-	1	714,357	714,358
NET ASSETS		5,133,571	420,791	6,555,000	8,904,999	12,109,362	14,459,361
EQUITY							
Issued capital	11	24,560,701	440,000	6,652,988	9,005,488	31,653,689	34,006,189
Reserves		2,667,668	-	-	-	2,667,668	2,667,668
Accumulated losses	12	(22,094,798)	(19,209)	(97,988)	(100,488)	(22,211,995)	(22,214,495)
TOTAL EQUITY		5,133,571	420,791	6,555,000	8,905,000	12,109,362	14,459,362

[#] The cash and cash equivalents balance above does not account for working capital of approximately \$767,000 spent on the Protean call and option licensing agreement, Korean exploration activities and acquisition costs during the period from 1 July 2015 to the date of this report. The estimated working capital requirement for the Company combined until completion of the Offer is estimated to be approximately \$132,739 per month.

The above consolidated pro-forma consolidated statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4.

APPENDIX 3

STONEHENGE METALS LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. Statement of significant accounting policies

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

Reporting Basis and Conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Principles of Consolidation

Subsidiaries

The historical financial information incorporate the assets and liabilities of subsidiaries of the Company at the end of the reporting period. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where a subsidiary has entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Intercompany transactions, balances and unrealised gains on

transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Foreign currency translation

Functional and presentation currency

Items included in the historical financial information of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The historical financial information is presented in Australian dollars, which is Stonehenge's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

c) Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured it is probable that future economic benefits will flow to the entity.

Revenue for other business activities is recognised on the following basis:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

d) Income Tax and Other Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Stonehenge Metals Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

f) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

g) Cash and Cash Equivalents

For the purposes of the historical financial information, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

h) Trade and Other Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months.

i) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less

costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

j) Investments and other financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivable are included in trade and other receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated using the diminishing value and prime cost methods and is brought to account over the estimated economic lives of all plant and equipment. The rates used are based on the useful life of the assets and range from 10% to 40%.

l) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method. Under this method exploration and evaluation expenditure is carried forward on the following basis:

- Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs; and
- Exploration and evaluation expenditure related to an area of interest is carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
 - such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated and recognised as an asset in the historical financial information in respect of each particular area of interest include only net direct expenditure.

m) Share Based Payment Transactions

The Group provides benefits to employees and consultants (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

The costs of these equity settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the single barrier share option pricing model. The fair value of options granted is determined by using the Black-Scholes option pricing technique.

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of: (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is valued as if it will vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximately their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

o) Employee Entitlements

The Group’s liability for employee entitlements arising from services rendered by employees to reporting date is recognised in other payables. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which

will be settled within one year, have been measured at their nominal amount and include related on-costs.

p) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	Audited 30-Jun-15 \$	Pro-forma after Offer minimum \$	Pro-forma after Offer maximum \$
NOTE 2. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	45,379	3,129,869	5,479,869
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		45,379	45,379
<i>Subsequent events:</i>			
<i>Issue of convertible notes</i>		600,000	600,000
<i>Convertible notes facility fee</i>		(30,000)	(30,000)
<i>Issue of placement shares</i>		500,000	500,000
<i>Share placement capital raising costs</i>		(30,000)	(30,000)
<i>Deconsolidation of subsidiary company</i>		(10,510)	(10,510)
		1,029,490	1,029,490
<i>Pro-forma adjustments:</i>			
Proceeds from shares issued under this Prospectus		2,500,000	5,000,000
Capital raising costs		(347,012)	(494,512)
Costs of the Transaction		(97,988)	(100,488)
		2,055,000	4,405,000
Pro-forma Balance		3,129,869	5,479,869

[#] The cash and cash equivalents balance above does not account for working capital of approximately \$767,000 spent on the Protean call and option licensing agreement, Korean exploration activities and acquisition costs during the period from 1 July 2015 to the date of this report. The estimated working capital requirement for the Company combined until completion of the Offer is estimated to be approximately \$132,739 per month.

	Audited 30-Jun-15	Pro-forma after Offer minimum	Pro-forma after Offer maximum
NOTE 3. TRADE AND OTHER RECEIVABLES	\$	\$	\$
Trade and other receivables	93,456	77,281	77,281
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		93,456	93,456
<i>Subsequent events:</i>			
<i>Deconsolidation of subsidiary company</i>		(16,175)	(16,175)
		(16,175)	(16,175)
Pro-forma Balance		77,281	77,281

	Audited 30-Jun-15	Pro-forma after Offer minimum	Pro-forma after Offer maximum
NOTE 4. PROPERTY PLANT AND EQUIPMENT	\$	\$	\$
Property, plant and equipment	17,754	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		17,754	17,754
<i>Subsequent events:</i>			
<i>Deconsolidation of subsidiary company</i>		(17,754)	(17,754)
		(17,754)	(17,754)
Pro-forma Balance		-	-

	Audited 30-Jun-15	Pro-forma after Offer minimum	Pro-forma after Offer maximum
NOTE 5. INVESTMENT IN ASSOCIATE	\$	\$	\$
Investment in Joint Venture	-	2,409,549	2,409,549
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		-	-
<i>Subsequent events:</i>			
<i>Deconsolidation of subsidiary company</i>		3,072,184	3,072,184
<i>Sale of 50% share in subsidiary company</i>		(662,635)	(662,635)
		2,409,549	2,409,549
Pro-forma Balance		2,409,549	2,409,549

	Audited 30-Jun-15	Pro-forma after Offer minimum	Pro-forma after Offer maximum
NOTE 6. INVESTMENT IN KORID	\$	\$	\$
Investment in KORID	-	2,407,020	2,407,020
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		-	-
<i>Subsequent events:</i>			
<i>Consideration for sale of 50% share in subsidiary company</i>		2,407,020	2,407,020
		2,407,020	2,407,020
Pro-forma Balance		2,407,020	2,407,020

	Audited 30-Jun-15 \$	Pro-forma after Offer minimum \$	Pro-forma after Offer maximum \$
NOTE 7. OTHER FINANCIAL ASSET			
Other financial asset	300,000	4,800,000	4,800,000
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		300,000	300,000
<i>Pro-forma adjustments:</i>			
Acquisition of PEA		4,500,000	4,500,000
		4,500,000	4,500,000
Pro-forma Balance		4,800,000	4,800,000

*The opening balance relates to the consideration paid for the option to purchase PEA. Subsequently, as part of the Transaction, Stonehenge exercised the option to acquire PEA by way of issuing shares and performance shares with a fair value of \$4.5 million. See section 7 of this report for further details.

	Audited 30-Jun-15 \$	Pro-forma after Offer minimum \$	Pro-forma after Offer maximum \$
NOTE 8. ASSET HELD FOR SALE			
Asset held for sale	4,814,040	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		4,814,040	4,814,040
<i>Subsequent events:</i>			
Reclassification of asset held for sale		(4,814,040)	(4,814,040)
		(4,814,040)	(4,814,040)
Pro-forma Balance		-	-

	Audited 30-Jun-15	Pro-forma after Offer minimum	Pro-forma after Offer maximum
NOTE 9. TRADE AND OTHER PAYABLES	\$	\$	\$
Trade and other payables	134,545	111,844	111,844
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		134,545	134,545
<i>Subsequent events:</i>			
<i>Deconsolidation of subsidiary company</i>		(22,701)	(22,701)
		(22,701)	(22,701)
Pro-forma Balance		111,844	111,844

	Audited 30-Jun-15	Pro-forma after Offer minimum	Pro-forma after Offer maximum
NOTE 10. BORROWINGS	\$	\$	\$
Borrowings	-	600,000	600,000
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		-	-
<i>Subsequent events:</i>			
<i>Issue of convertible notes</i>		600,000	600,000
		600,000	600,000
Pro-forma Balance		600,000	600,000

	Audited 30-Jun-15 \$		Pro-forma after Offer minimum \$	Pro-forma after Offer maximum \$
NOTE 11. ISSUED CAPITAL				
Issued Capital	24,560,701		31,653,689	34,006,189
		Number of shares (min)	Number of shares (max)	
			\$	\$
<i>Adjustments to arise at the pro-forma balance:</i>				
Fully paid ordinary share capital	847,535,000	847,535,000	24,560,701	24,560,701
<i>Subsequent events:</i>				
Issue of placement shares	12,500,000	12,500,000	500,000	500,000
Share placement capital raising costs	-	-	(30,000)	(30,000)
Convertible notes facility fee	-	-	(30,000)	(30,000)
	12,500,000	12,500,000	440,000	440,000
<i>Pro-forma adjustments:</i>				
Proceeds from shares issued under this Prospectus	100,000,000	200,000,000	2,500,000	5,000,000
Consideration paid for acquisition of PEA**	60,000,000	60,000,000	4,500,000	4,500,000
Capital raising costs	-	-	(347,012)	(494,512)
	160,000,000	260,000,000	6,652,988	9,005,488
Pro-forma Balance	1,020,035,000	1,120,035,000	31,653,689	34,006,189

**In addition to these ordinary shares, the Company will also issue 120 million performance shares that will convert subject to their performance milestones.

	Audited 30-Jun-15 \$	Pro-forma after Offer minimum \$	Pro-forma after Offer maximum \$
NOTE 12. ACCUMULATED LOSSES			
Accumulated losses	(22,094,798)	(22,211,995)	(22,214,495)
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of Stonehenge at 30 June 2015		(22,094,798)	(22,094,798)
<i>Subsequent events:</i>			
Loss on sale of 50% interest in subsidiary		(19,209)	(19,209)
		(19,209)	(19,209)
<i>Pro-forma adjustments:</i>			
Costs of the Transaction		(97,988)	(100,488)
		(97,988)	(100,488)
Pro-forma Balance		(22,211,995)	(22,214,495)

APPENDIX 4
STONEHENGE METALS LIMITED
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

Historical Consolidated Statement of Financial Position	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
CURRENT ASSETS		
Cash and cash equivalents	89,760	1,266,504
Trade and other receivables	38,796	455,550
TOTAL CURRENT ASSETS	128,556	1,722,054
NON CURRENT ASSETS		
Mineral exploration and evaluation expenditure	7,830,923	7,636,456
Property, plant and equipment	46,696	71,234
Other financial asset	-	20,000
TOTAL NON CURRENT ASSETS	7,877,619	7,727,690
TOTAL ASSETS	8,006,175	9,449,744
CURRENT LIABILITIES		
Trade and other payables	164,807	229,930
Provisions	33,462	30,617
TOTAL CURRENT LIABILITIES	198,269	260,547
NON CURRENT LIABILITIES		
Deferred tax liabilities	369,376	471,237
TOTAL NON CURRENT LIABILITIES	369,376	471,237
TOTAL LIABILITIES	567,645	731,784
NET ASSETS	7,438,530	8,717,960
EQUITY		
Issued capital	22,622,692	22,577,276
Reserves	2,190,157	1,916,585
Accumulated losses	(17,374,319)	(15,775,901)
TOTAL EQUITY	7,438,530	8,717,960

APPENDIX 4 (CONT)
STONEHENGE METALS LIMITED
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-14 \$	Audited for the year ended 30-Jun-13 \$
Interest income	16,298	93,221
Other income	7,230	24,376
Gain/(loss) on sale of non-current asset	(160,440)	-
Depreciation expense	(28,027)	(33,389)
Employee benefits expenses	(467,345)	(906,369)
Advertising and marketing expenses	(6,887)	(11,491)
Audit expenses	(38,225)	(34,006)
Accounting expenses	(76,642)	(61,521)
Directors expenses	(76,000)	(88,300)
Share based payments	(45,416)	(56,855)
Corporate and regulatory expenses	(83,098)	(49,470)
Rent expenses	(229,160)	(219,362)
Travel expenses	(75,212)	(136,527)
Other administrative expenses	(609,349)	(631,123)
Impairment of available-for-sale assets	-	(60,000)
Foreign exchange gain/(loss)	157,661	235,491
Loss before income tax	(1,714,613)	(1,935,325)
Income tax benefit/(expense)	232,607	448,942
Loss after income tax	(1,161,183)	(1,486,383)
Exchange differences on translation of foreign operations	157,160	(77,832)
Total comprehensive loss for the period	(1,324,846)	(1,564,215)



9. Independent Geologists' Report on Tenements



Stonehenge Metals Independent Geologists' Report on the Daejon, Miwon and Gwesan Projects, South Korea



J_1859

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November 2015

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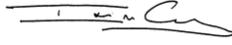
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Stonehenge Metals: 1

Principal Authors:	Christine Standing <i>BSc Hons, MAusIMM, MAIG</i> Ian Glacken <i>FAusIMM(CP), CEng</i>	Signature:	  
		Date:	12 November 2015
Contributors:			
Principal Reviewer:	Jason Froud <i>BSc Hons, MAusIMM</i>	Signature:	
		Date:	12 November 2015
Important Information:			
<p>This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Stonehenge Metals and the terms of Optiro's Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Stonehenge Metals for the purposes set out in Optiro's proposal and in accordance with the Agreement. Stonehenge Metals may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro's prior written consent.</p> <p>Unless Optiro has provided its written consent to the publication of this Report by Stonehenge Metals for the purposes of a transaction, disclosure document or a product disclosure statement issued by Stonehenge Metals pursuant to the Corporations Act, then Optiro accepts no responsibility to any other person for the whole or any part of this Report and accepts no liability for any damage, however caused, arising out of the reliance on or use of this Report by any person other than Stonehenge Metals. While Optiro has used its reasonable endeavours to verify the accuracy and completeness of information provided to it by Stonehenge Metals and on which it has relied in compiling the Report, it cannot provide any warranty as to the accuracy or completeness of such information to any person.</p>			

12 November 2015

Our Ref: J_1859

The Directors
Stonehenge Metals Limited
Level 3, 89 St Georges Terrace
Perth
6000, Western Australia

Dear Sirs

**INDEPENDENT GEOLOGISTS' REPORT ON THE DAEJON, MIWON AND GWESAN PROJECTS,
SOUTH KOREA**

At your request, Optiro Pty Ltd (Optiro) has prepared an Independent Geologists' report on the mineral assets held by Stonehenge Metals Limited (Stonehenge or the Company) in South Korea. This report represents a Competent Person's review and independent assessment of the geology, exploration data, Mineral Resources and exploration potential of Stonehenge Metals' tenements that cover the Daejon, Miwon and Gwesan projects, South Korea. This report has been prepared for inclusion in a Prospectus for an offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free Attaching Option with an exercise price of \$0.0375 for every one (1) New Share to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of 100,000,000 Shares, to raise a further \$2,500,000 for a total raising of up to \$5,000,000 for the purposes of recompliance with Chapters 1 and 2 of the ASX Listing Rules as a result of the Company exercising its option to acquire 100% of the issued capital of Protean Energy Australia Pty Ltd.

The mineral assets held by Stonehenge comprise a 50% interest in 27 granted Mining Rights, with a total area of 66.41 km², at the Daejon, Miwon and Gwesan projects, South Korea. The tenements are held by Stonehenge Korea Ltd (a subsidiary of Stonehenge Metals Limited.).

The objectives of this report are to provide an overview of the geological setting of Stonehenge's main assets in the Daejon project area, outline the recent and historic exploration work undertaken, report on the defined Mineral Resources and comment on the exploration potential and the proposed resource conversion study. The Daejon project area contains the Chubu, Yokwang and Kolnami uranium and vanadium deposits with Indicated and Inferred Mineral Resources. Historical Mineral Resources have been identified at the Miwon-Isikiri-Jukeumri deposits within the Miwon project area and at the Yopyung and Gottbong deposits within the Gwesan project area, although these have not been declared as Mineral Resources by Stonehenge.

Stonehenge has provided to Optiro drilling and sampling data and other information generated by Stonehenge and by previous owners of the Daejon, Miwon and Gwesan project areas. A site visit was previously undertaken by Optiro to the Daejon project in August 2011 and Optiro is satisfied that there have been no material developments since that time. Optiro has based its assessment of Stonehenge's mineral assets on a review of the technical information compiled by Stonehenge.

Based on Optiro's assessment of Stonehenge's projects, it is our opinion that the Daejon, Miwon and Gwesan projects are of value. The Daejon project contains Indicated and Inferred uranium and vanadium Mineral Resources, along with additional areas that are prospective for uranium and vanadium mineralisation. Optiro has considered the expenditure schedules, studies and programmes outlined by Stonehenge, particularly the proposed resource conversion study, and considers them to be reasonable and appropriate to progress the project. However, all exploration projects are subject to risk from unforeseen future issues and events beyond the control of the company; in this sense, Stonehenge's Daejon, Miwon and Gwesan projects are no exception.

Consent has been sought from Stonehenge's representatives to include technical information and opinions expressed by them. No other entities referred to in this report have consented to the inclusion of any information or opinions and have only been referred to in the context of reporting any relevant activities.

Optiro has prepared this report upon the understanding that the exploration licences are currently in good legal standing, and has not independently verified Stonehenge's legal tenure over its tenements. Optiro is not qualified to make statements in this regard and has relied upon information provided by Stonehenge and Yi Gong Lawyers.

Optiro has endeavoured, by making reasonable enquiry of Stonehenge, to ensure that all material information in the possession of Stonehenge has been fully disclosed to Optiro. However, Optiro has not carried out any type of audit of the records of Stonehenge to verify that all material documentation has been provided. A final draft version of this report was provided to the Directors of Stonehenge along with a request to confirm that there are no material errors or omissions in the report and that the information in the report is factually accurate. Confirmation of these terms has been provided in writing and has been relied upon by Optiro. Optiro has based its findings upon information supplied up until 1 September 2015.

This report was prepared by Mrs Christine Standing (Principal) and Mr Ian Glacken (Principal and Director) and was reviewed by Mr Jason Froud (Principal) of Optiro in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports (the VALMIN Code) and the 2004 and 2012 editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

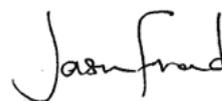
Optiro is an independent consulting and advisory organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The authors of this report declare that they have no material interest in Stonehenge Metals Limited., its associated entities or in the assets described in this report. Optiro has charged Stonehenge a professional fee for services rendered, the quantum of which is unrelated to the outcome or the content of this report.

Yours sincerely

OPTIRO PTY LTD



I M Glacken *FAusIMM (CP), CEng*
Principal



J C Froud *BSc (Hons), MAusIMM*
Principal

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1. EXECUTIVE SUMMARY

1.1. PURPOSE

Optiro Pty Ltd (Optiro) has prepared this Independent Geologist's Report on the mineral assets of Stonehenge Metals Limited (Stonehenge). Stonehenge is developing uranium and vanadium projects in South Korea and this report is a Competent Person's review and independent assessment of the geology, exploration data, Mineral Resources and exploration potential of the mineralisation within the Daejon, Miwon and Gwesan projects, South Korea. This report has been prepared for inclusion in a Prospectus for an offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free Attaching Option with an exercise price of \$0.0375 for every one (1) New Share to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of 100,000,000 Shares, to raise a further \$2,500,000 for a total raising of up to \$5,000,000 for the purposes of recompliance with Chapters 1 and 2 of the ASX Listing Rules as a result of the Company exercising its option to acquire 100% of the issued capital of Protean Energy Australia Pty Ltd.

1.2. LOCATION AND TENURE

Stonehenge, through its subsidiary Stonehenge Korea, acquired 27 Mining Rights to the Daejon, Miwon and Gwesan uranium projects. The Mining Rights cover a total area of 6,641 hectares (66.41 km²). Until February 2015, Stonehenge Metals Inc. held 100% of Stonehenge Korea. On 18 February 2015, Stonehenge executed a formal joint venture agreement with KOSDAQ listed Korea Resources Investment and Development Inc. (KORID) for the sale to KORID of 50% of Stonehenge Korea. On 19 August 2015, BHI Co Ltd (BHI) acquired a 20% interest in the joint venture from KORID. Stonehenge, KORID and BHI are together the joint venture partners (JV Partners).

The Daejon, Miwon and Gwesan uranium projects are located in the Ogchon Belt near Daejeon City in the centre of the Korean peninsula. Nuclear energy is a strategic priority for South Korea, a country that currently has 23 operating nuclear reactors, five under construction and eight planned. The development of the uranium resources at Daejon has a high strategic importance in securing a large portion of South Korea's future demand for uranium.

1.3. GEOLOGY AND MINERALISATION

The Daejon, Miwon and Gwesan projects are located within the Ogchon Belt. The project areas contain Cambrian to Ordovician aged deep marine sequences, shallow marine sequences and platform limestone. The Guryongsan Slate consists of two or three 40 m thick, uranium-bearing graphitic slate beds interbedded with phyllite that can be traced over a strike length of at least 90 km.

Within the Daejon project area beds of the Guryongsan Slate are traceable over a 25 km strike length and uranium mineralisation is contained within a continuous horizon that is approximately 6,000 m in strike length. The Chubu, Yokwang and Seondang uranium deposits have been identified within this project area. At Chubu, uranium and vanadium mineralisation is contained within and on the contact of graphitic black shales in the Guryongsan Slate unit. Testwork by Stonehenge indicates the vanadium can be co-extracted with the uranium at Daejon.

1.4. MINERAL RESOURCES

The most recent Mineral Resource for the Daejon project was declared by Stonehenge in August 2013. This comprises both a uranium resource (expressed as U₃O₈) and a vanadium resource, contained within part of the uranium mineralisation (and expressed as V₂O₅).

This Mineral Resource is based mostly on historical drilling, but also includes five holes drilled at the Chubu prospect by Stonehenge in 2013.

Table 1.1 Current Daejon project U₃O₈ Mineral Resource

Stonehenge Daejon project U₃O₈ Mineral Resource estimate (200 ppm U₃O₈ cut-off)			
Category	Tonnes (Mt)	Grade (ppm)	Metal (Mlbs)
Indicated	3.3	247	1.8
Inferred	91.9	325	64.9
Total	95.2	322	66.7

 Table 1.2 Current Daejon project V₂O₅ Mineral Resource

Stonehenge Daejon project V₂O₅ Mineral Resource estimate (2,000 ppm V₂O₅ cut-off)			
Category	Tonnes (Mt)	Grade (ppm)	Metal (Mlbs)
Indicated	2.3	3,210	16.5
Inferred	0.1	2,790	0.8
Total	2.4	3,190	17.3

1.5. EXPLORATION POTENTIAL

Exploration potential does exist at the Daejon project, but Optiro considers that this is secondary in importance to the opportunity to increase existing resources based upon the proposed programme to assay existing historical core (see below). In order to reflect the potential of sampling existing vanadium mineralisation in the existing historical core collection, Stonehenge has declared an Exploration Target, in accordance with the guidelines of the 2004 edition of the JORC Code, of between 70 and 90 Mt of mineralisation at a V₂O₅ grade of between 2,500 and 3,500 ppm, resulting in between 385 and 695 Mlbs V₂O₅. In accordance with the guidelines of the JORC Code, this vanadium Exploration Target is considered to be conceptual in nature, and there is no guarantee that the Target will convert to a resource with additional drilling. Notwithstanding this, vanadium mineralisation does exist in the historical core and Optiro considers that extensions to the vanadium resource could readily be achieved if the resource conversion programme proceeds.

1.6. PROPOSED RESOURCE CONVERSION PROGRAMME

A significant library of historical diamond drill core from the Daejon region exists at a storage facility in Daejon City owned by the Korea Institute of Geoscience and Mineral Resources (KIGAM). This represents drilling by various parties during historical uranium drilling programmes within the Daejon region between 1975 and 1985. Although the primary target of these programmes was uranium mineralisation, many of the holes also intersected vanadium mineralisation which has not yet been assayed. Stonehenge's proposed core research programme would involve largely non-destructive assaying of historical core for vanadium mineralisation, with the expected outcome of generating significant new vanadium assays for an enlarged Mineral Resource. At the same time, existing U₃O₈ mineralisation could be confirmed, again largely through non-destructive assaying, that is, portable XRF measurements, which would be checked by a much smaller subset of chemical assaying. The cost of this proposed core research and resource conversion programme is estimated to be around A\$300,000. The progress of the programme is dependent upon the JV Partners gaining the acceptance and co-operation of KIGAM.

2. INTRODUCTION AND TERMS OF REFERENCE

2.1. TERMS OF REFERENCE

Optiro has prepared this Independent Geologists' Report on the mineral assets of Stonehenge located in South Korea. The mineral assets comprise a 50% interest in the mineral assets associated with 27 granted Mining Rights, with a total area of 66.41 km², at the Daejon, Miwon and Gwesan projects, South Korea. The tenements are held by Stonehenge Korea Ltd (Stonehenge Korea, a subsidiary of Stonehenge Metals Limited.) and on 18 February 2015 Stonehenge executed a joint venture with Korea Resources Investment and Development Inc. (KORID) for the sale of 50% of Stonehenge Korea to KORID. Subsequently, on 19 August 2015, BHI Co Ltd (BHI) acquired a 20% interest in the joint venture from KORID. Stonehenge, KORID and BHI are together the joint venture partners (JV Partners).

2.2. PURPOSE FOR WHICH THE REPORT WAS PREPARED

This report has been prepared for inclusion in a Prospectus for an offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free Attaching Option with an exercise price of \$0.0375 for every one (1) New Share to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of 100,000,000 Shares, to raise a further \$2,500,000 for a total raising of up to \$5,000,000 for the purposes of recompliance with Chapters 1 and 2 of the ASX Listing Rules as a result of the Company exercising its option to acquire 100% of the issued capital of Protean Energy Australia Pty Ltd.

The objectives of this report are to:

- provide an overview of the regional and local geological setting of Stonehenge's Daejon project area and the associated uranium and vanadium mineralisation
- outline the historic and recent exploration work undertaken on the project area
- give an opinion on the exploration potential of the Daejon project area for uranium and vanadium mineralisation
- consider the appropriateness of Stonehenge's proposed core research and resource conversion programme for the Daejon project.

2.3. VALIDATION OF LEGAL TENURE

Optiro has prepared this report upon the understanding that all of Stonehenge's 50% owned tenements are currently in good standing and has not independently verified Stonehenge Korea's legal tenure over the tenements. Optiro is not qualified to make statements in this regard and has relied upon information provided by Stonehenge and Yi Gong Lawyers.

2.4. RESPONSIBILITY FOR THE INDEPENDENT GEOLOGISTS' REPORT

This report was prepared by Mr Ian Glacken (Principal) and Mrs Christine Standing (Principal) and was reviewed by Mr Jason Froud (Principal) of Optiro. Mr Michael Andrew (formerly a Principal of Optiro) undertook a site visit to the Daejon project during August 2011. Since this visit, Stonehenge Korea has drilled five holes at the Chubu prospect. The authors and reviewer of this report are Members and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and therefore are obliged to prepare Competent Person's reports in accordance with the reporting requirements as set out in the VALMIN and JORC Codes.

In preparing this report, Optiro has relied upon information and data obtained by Stonehenge and previous licence holders, along with research papers published by various academic institutions. Optiro has also had discussions with representatives of Stonehenge regarding various aspects of its Daejon, Miwon and Gwesan project areas.

3. KOREA

South Korea is a sovereign state in East Asia located on the southern portion of the Korean Peninsula. The Korean Peninsula is located on the eastern edge of the Asian continent and is covered by mountains over 70% of its land area. The Peninsula has been divided in two since 1945, comprising the Republic of Korea, commonly referred to as South Korea and the Democratic People's Republic of Korea, called North Korea.

South Korea is a presidential republic consisting of 16 administrative divisions and is a developed country with a very high standard of living. The South Korean government is divided into three branches: executive, judicial and legislative. The executive and legislative branches operate primarily at the national level, although various ministries in the executive branch also carry out local functions.

South Korea has a temperate climate with four distinct seasons. During the winter, from December to January, it is cold and dry under the dominant influence of the Siberian air mass. In summer, from June to August, it is hot and humid, with frequent heavy rainfalls associated with the East-Asian Monsoon. Annual precipitation is approximately 1,500 mm in the southern region and about 1,300 mm in the central region with more than a half of the total rainfall occurring during the summer season.

South Korea is Asia's fourth largest economy and ranks 13th in the world by nominal GDP. It has been a member of the G-20 since 2004 and has strong trading partners including China and Japan, and has recently signed trade agreements with the European Union. South Korea is a low sovereign risk jurisdiction with attractive fiscal, legal and regulatory regimes, extensive power and transport infrastructure and a world leading manufacturing base. It is one of the world's leading steel producers and its other main industries are electronics, telecommunication, automobile manufacturing, chemicals, shipbuilding and steel production.

South Korea is the 5th largest consumer of uranium (U_3O_8) in the world. In 2011, nuclear power provided almost 40% of South Korea's electrical generation capacity, and is projected to grow to 60% by 2035. South Korea imports all of its uranium and approximately 97% of its thermal coal requirements.

Nuclear energy is a strategic priority for South Korea which currently has 23 operating nuclear reactors, five under construction and eight planned. The development of the uranium resources at Daejon has a high strategic importance in securing a large portion of South Korea's future demand for uranium.

4. URANIUM AND VANADIUM

4.1. URANIUM

Uranium is a very heavy metal which can be used as an abundant source of concentrated energy. It occurs in most rocks in concentrations of 2 to 4 ppm and is as common in the Earth's crust as tin, tungsten and molybdenum. Its melting point is 1,132°C.

From the 1940s to the 1970s, virtually all of the uranium that was mined was used in the production of nuclear weapons. Currently the main use of uranium is the generation of electricity by nuclear power reactors, and over 16% of the world's electricity is generated from uranium in this way. Other minor uses include medical and use in ceramic glazes and glass-making, light fittings, photographic chemicals, gyroscopic compasses and for military purposes.

Australia hosts approximately 30% of the world's known recoverable uranium resources and ranks third behind Kazakhstan and Canada in terms of supply of primary uranium to the world's nuclear industry. After a global downturn following the Fukushima accident (after the 11 March 2011 earthquake), nuclear power generation is now growing. Electricity is produced by approximately 440 nuclear reactors with a total output capacity of more than 350,000 megawatts operating in 31 countries. About thirty more reactors are under construction globally and another 70 are planned.

The Daejon project represents the only declared Mineral Resources of uranium (U_3O_8) in South Korea.

4.2. VANADIUM

Vanadium is a soft silvery-grey mineral that is classified as a ductile transition metal that makes up about 0.012% of the earth's crust. It occurs in deposits of phosphate rock, titaniferous magnetite, and uraniumiferous sandstone and siltstone, within which it constitutes less than 2% of the host rock. Vanadium is typically recovered as a by-product or co-product, largely from iron ore projects.

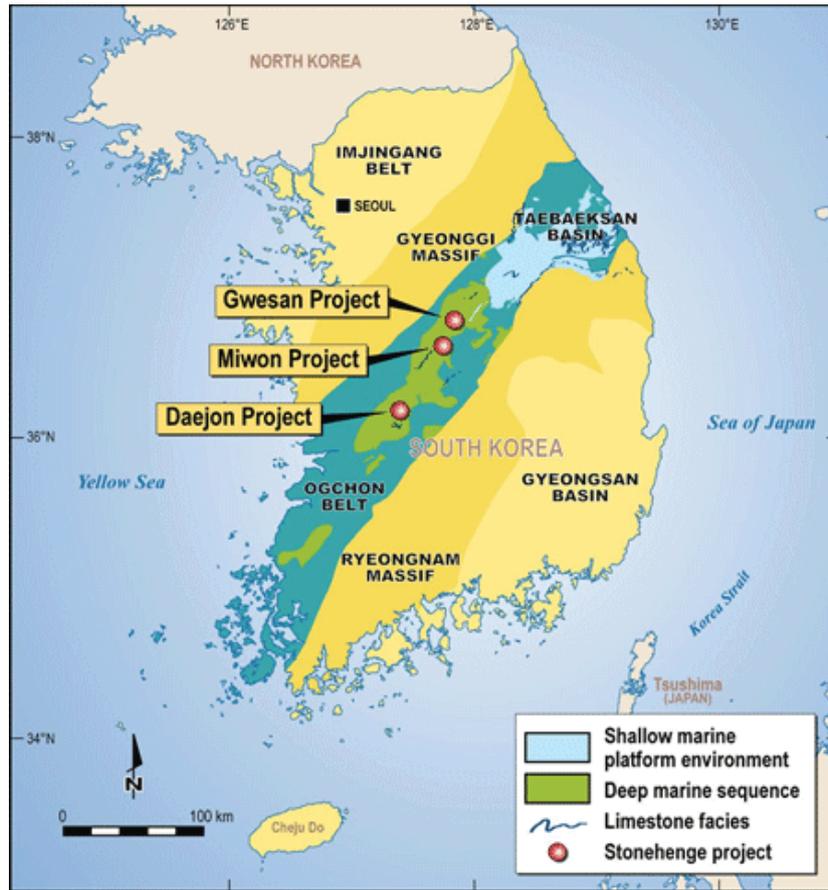
Vanadium is used extensively in the steel industry and approximately 85% of vanadium produced is used as ferrovanadium or as a steel additive. It also has a growing role in the alternative fuel market, is essential as a catalyst for the production of important industrial chemicals, and is a critical component in vanadium redox batteries (VRB) and military aerospace technology.

Steels containing various combinations of other alloying elements can be substituted for steels containing vanadium. Certain metals, such as manganese, molybdenum, niobium (columbium), titanium, and tungsten, are to some degree interchangeable with vanadium as alloying elements in steel. Platinum and nickel can replace vanadium compounds as catalysts in some chemical processes. Currently, no acceptable substitute for vanadium is available in aerospace titanium alloys.

5. PROJECT LOCATION AND ACCESS

Stonehenge, through its then wholly owned subsidiary Stonehenge Korea, acquired the Mining Rights to the Daejon, Miwon and Gwesan uranium projects, located in the Ogchon Belt near Daejeon City in the centre of the Korean peninsula. Daejeon City serves as a transportation hub, is at the crossroads of major transport routes and is about 50 minutes by high speed train from the capital city, Seoul.

Figure 5.1 Location of the Daejon, Gwesan and Miwon projects



6. PROJECT HISTORY AND OWNERSHIP

The Daejon project was first evaluated in the late 1980s following a phase of drilling between 1975 and 1985, and at that time the uranium mineralisation was assessed to be non-commercial. Global uranium prices have increased since then and the ability to economically recover other metals has increased. This has changed the project economics.

Stonehenge Korea holds 27 granted Mining Rights for uranium over the Daejon, Miwon and Gwesan uranium projects (Table 6.1). The Mining Rights cover a total area of 6,641 hectares (66.41 km²).

Until February 2015, Stonehenge Metals Limited. held 100% of Stonehenge Korea. On 18 February 2015, Stonehenge executed a formal JV agreement with KOSDAQ listed Korea Resources Investment and Development Inc. (KORID) for the sale to KORID of 50% of Stonehenge Korea. 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 the Korea Institute of Geoscience and Mineral Resources (KIGAM) and the Korean Resources Corporation (KORES - operated by the Korean Government), for the exploration and development of mineral resources.

On 19 August 2015, BHI acquired a 20% interest in the joint venture from KORID. Stonehenge, KORID and BHI are together the JV Partners. The intent of the JV is to progress the Daejon vanadium and uranium project by:

- securing a collaboration agreement to test the mineralised historical drill core stored at the Korean Institute of Geoscience and Mineral Resources (KIGAM);
- significantly upgrade the current Daejon Project Mineral Resources in size and confidence;

- preparing a pre-feasibility study for the Daejon project; and
- preparing work programmes and budgets to support completion of a definitive or bankable feasibility study for the Daejon project.

Table 6.1 Details of the Daejon, Miwon and Gwesan project licences

Property	Registration number	Land register	Number	Area (ha)	Interest	Registration date	Registrant
Daejon	77010	Okcheon	136	138	50%	10/06/2008	Stonehenge Korea
	77011	Daejon	18	277	50%	10/06/2008	Stonehenge Korea
	77012	Daejon	28	259	50%	10/06/2008	Stonehenge Korea
	77013	Daejon	38	277	50%	10/06/2008	Stonehenge Korea
	77014	Daejon	48	277	50%	3/07/2008	Stonehenge Korea
	77038	Ogchon	147	277	50%	19/06/2008	Stonehenge Korea
	77039	Daejon	17	103	50%	19/06/2008	Stonehenge Korea
	77114	Daejon	7	190	50%	3/07/2008	Stonehenge Korea
	77115	Daejon	27	56	50%	3/07/2008	Stonehenge Korea
	77363	Daejon	47	242	50%	16/10/2008	Stonehenge Korea
	77364	Daejon	57	186	50%	16/10/2008	Stonehenge Korea
200204	Daejon	59	228	50%	18/12/2012	Stonehenge Korea	
Gwesan	76967	Gwesan	114	275	50%	28/05/2008	Stonehenge Korea
	76942	Gwesan	115	275	50%	14/05/2008	Stonehenge Korea
	76965	Gwesan	117	275	50%	28/05/2008	Stonehenge Korea
	76966	Gwesan	118	275	50%	28/05/2008	Stonehenge Korea
	76964	Gwesan	124	275	50%	28/05/2008	Stonehenge Korea
	76941	Gwesan	125	275	50%	14/05/2008	Stonehenge Korea
	76968	Gwesan	126	275	50%	28/05/2008	Stonehenge Korea
	76969	Gwesan	128	275	50%	28/05/2008	Stonehenge Korea
	79161	Gwesan	137	275	50%	12/01/2011	Stonehenge Korea
Miwon	77018	Miwon	36	276	50%	11/06/2008	Stonehenge Korea
	77019	Miwon	46	276	50%	11/06/2008	Stonehenge Korea
	77020	Miwon	58	276	50%	11/06/2008	Stonehenge Korea
	77225	Miwon	37	276	50%	21/08/2008	Stonehenge Korea
	77291	Miwon	47	276	50%	23/09/2009	Stonehenge Korea
	77292	Miwon	57	276	50%	23/09/2009	Stonehenge Korea

7. GEOLOGICAL SETTING AND MINERALISATION

7.1. REGIONAL GEOLOGY

The Korean Peninsula is situated on the eastern margin of the North China-Korea Platform, an Archaean craton comprised of three blocks, namely the Nangrim-Pyeongnam Block and the Gyeonggi and Yeongnam Massifs. These are separated by the northeast-trending Imjingang and Ogchon mobile belts of Phanerozoic age. The Daejon, Miwon and Gwesan projects are located within the Ogchon Belt (Figure 5.1).

The Ogchon Belt is a fold-and-thrust belt sandwiched between the Gyeonggi massif to the northwest and the Yeongnam massif to the southeast. The Ogchon Belt forms a structural boundary between these Archaean blocks, originally existing as a single platform basin in the early Cambrian. During the middle to late Cambrian, rifting within this basin resulted in the development of a deeper trough of post-Cambrian to early Ordovician age, into which a volcano-sedimentary basin sequence (the Ogchon Group) was deposited.

The Ogchon Belt has been divided into the southern Ogchon Zone and northern Taebaek-san Zone. Within the Ogchon Belt, the metamorphic grade increases from east to west, and consists of several superimposed events. The Ogchon Zone is comprised of Cambrian to Ordovician aged, low to medium-grade metasedimentary and metavolcanic rocks of the Wunkyori, Hwajeonri and Guryongsan formations. The Taebaek-san Zone contains weakly-metamorphosed shallow-marine

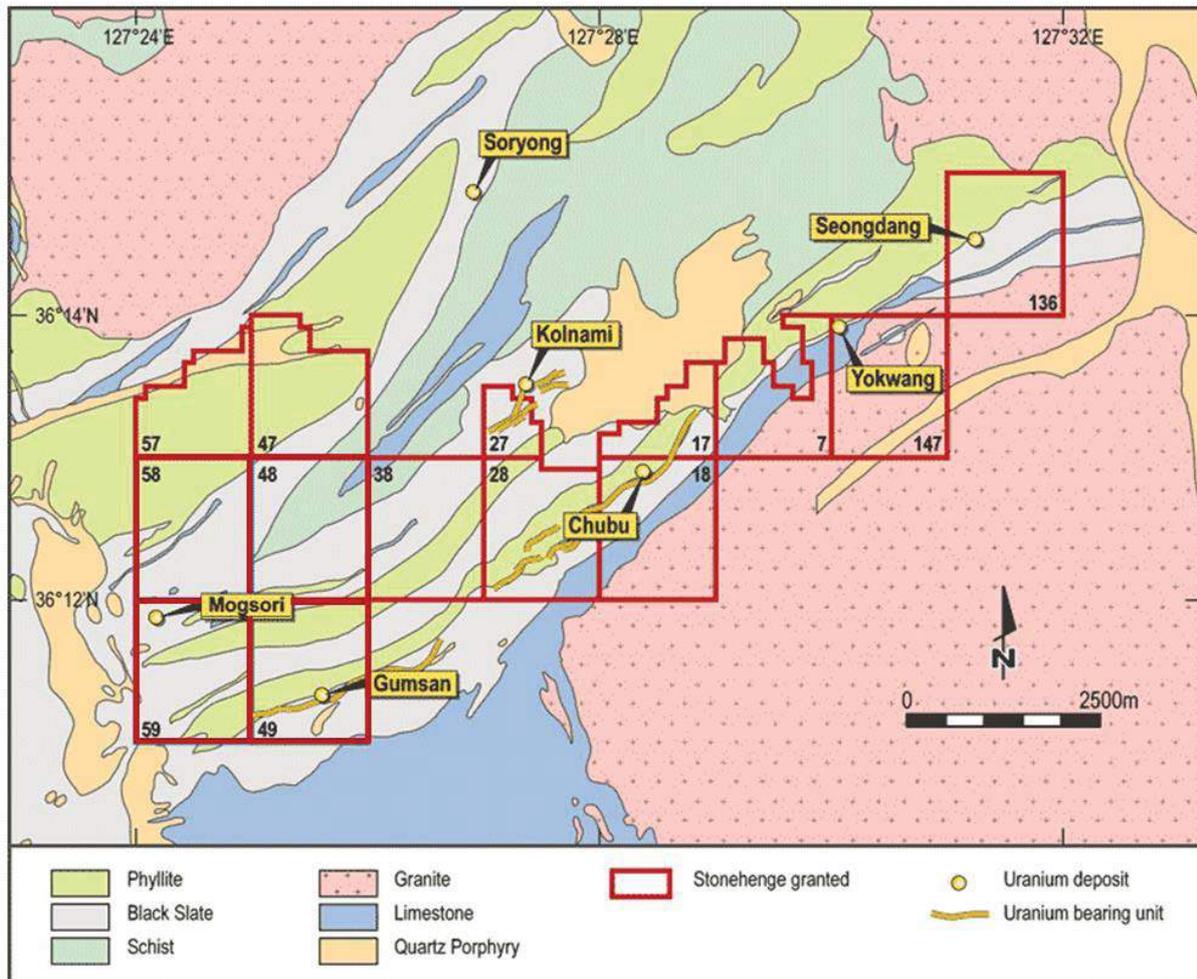
Palaeozoic sedimentary rocks and marginal-marine to non-marine Early Mesozoic, sedimentary rocks that contain economically important coal measures. These rocks rest unconformably upon Precambrian gneiss and metasedimentary rocks of the Yulli Group of the Yongnam massif.

7.2. PROJECT GEOLOGY AND MINERALISATION

The Daejon, Miwon and Gwesan projects are located within the Ogchon Belt. The project areas contain Cambrian to Ordovician aged deep marine sequences, shallow marine sequences and platform limestone. The Guryongsan Slate consists of two or three 40 m thick, uranium-bearing graphitic slate beds interbedded with phyllite that can be traced over a strike length of at least 90 km. The overall stratigraphic sequence has been folded into a broad antiformal structure, which has resulted in the development of two sub-parallel horizons of Guryongsan Slate. Uranium and vanadium mineralisation is stratabound and is contained within multiple-folded uranium-bearing graphitic-carbonaceous slate beds of the Guryongsan Slate.

Within the Daejon project beds of the Guryongsan Slate are traceable over a 25 km strike length and uranium mineralisation is contained within a continuous horizon that is about 6,000 m in strike length. The Chubu, Yokwang and Seondang uranium deposits have been identified within this project area (Figure 7.1). Chubu and Yokwang are hosted by graphitic slate units and Kolnami is hosted by calc-silicate hornfels units. The stratigraphic sequence within the belt at the Gwesan project comprises dark grey phyllite, overlain by the black shale (mineralisation host) and fine-grained sandstone.

Figure 7.1 Geological map of the Daejon project area



The uranium and vanadium mineralisation at Chubu is contained within and on the contact of graphitic black shales in the Guryongsan Slate unit. The shale unit has an average thickness of 35 m and the true thickness of the interpreted uranium mineralisation ranges between 0.5 m to 33 m, with an average thickness of 8.5 m.

The uranium mineralisation consists of various primary and secondary minerals that occur as massive, banded and nodular forms, as quartz and sulphide veins, and as fracture cavity fillings. The main mineral species is uraninite and the mineralisation occurs as 2-20 micron disseminations, either within fractures or as loose grains adhering to the surface of organic matter, partially as inclusion within the carbon.

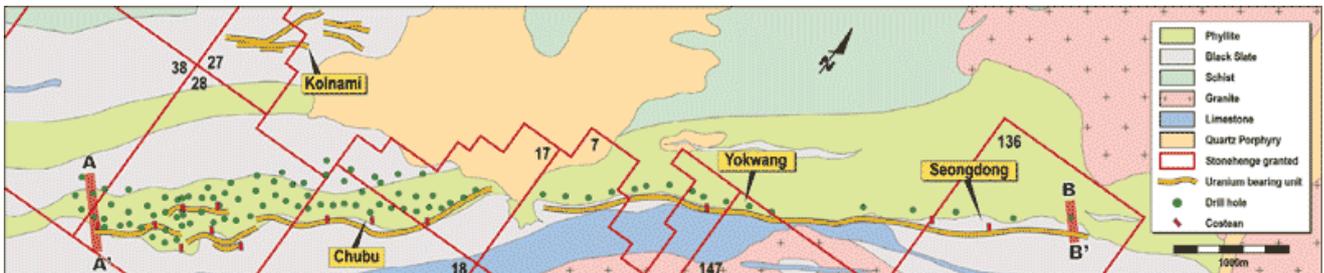
The vanadium mineralisation is interpreted to lie proximal and over the hangingwall and footwalls of the shale unit. Two units of vanadium mineralisation are interpreted with an average thickness of 11 m. Testwork by Stonehenge indicates the vanadium can be co-extracted with the uranium at Daejon. The vanadium mineralisation is not entirely coincident with the uranium mineralisation, but could be extracted jointly with it in a mining operation.

8. EXPLORATION

8.1. HISTORICAL EXPLORATION

Previous exploration during 1975-1985 by the Korea Institute of Energy Resources (KIER), a government organisation, discovered numerous uranium-vanadium-molybdenum deposits and prospects, mainly situated in the Ogchon Basin. These uranium deposits were not developed because of the prevailing uranium prices and geo-political considerations associated with the Korean peninsula. Work completed by KIER included 233 diamond drillholes (totalling 31,807 m) within the Daejon project area (Figure 8.1). Drill core from 26 drillholes from the Chubu uranium deposit was retained and stored at the Korea Institute of Geoscience and Mineral Resources (KIGAM).

Figure 8.1 Daejon project area – location of diamond drillhole collars



KIER also drilled 12 diamond holes (totalling 1,791 m) within the Miwon project area and 19 diamond holes (totalling 2,695 m) within the Gwesan project area. The drilling at the Gwesan project identified black shale deposits along 10 km of strike.

8.2. EXPLORATION BY STONEHENGE

Stonehenge acquired the tenements in 2010. Initial rock-chip sampling was undertaken within the Daejon and Gwesan project areas. Anomalous uranium and vanadium mineralisation was identified.

During 2011, Stonehenge undertook check sampling of the 350 m long Daejon Adit at the Chubu uranium deposit at 1 m intervals to verify the historical data. Two coherent zones of U-V-Mo-Ni-Zn mineralisation were identified, demonstrating the multi-element nature of the Guryongsan Slate mineralisation. Results confirmed uranium grades and potential for substantial vanadium and molybdenum mineralisation.

During 2011, eight diamond drillholes (for a total of 935 m) were completed at the Gwesan project. These drillholes targeted the mineralised black shale at Gwesan and several ore zones between 3 m and 11 m were intercepted. The mineralisation remains open at depth and along the 10 km strike.

Metallurgical results from ongoing development testwork at Daejon indicated average recovery of 92% uranium and 70% vanadium through pressure oxidation leaching.

During 2013, Stonehenge completed five diamond drillholes at the Chubu deposit for a total of 1,760 m. Results from this confirmed historical drill results and were used to estimate an updated Mineral Resource for uranium and an initial Mineral Resource for Vanadium.

9. MINERAL RESOURCES

The Mineral Resources at the Daejon project have been updated a number of times during Stonehenge's ownership of the project. The initial Mineral Resource estimates at the three main prospects of Chubu, Yokwang and Kolnami were generated by Snowden Mining Industry Consultants Pty Ltd (Snowden) in 2011 (Snowden, 2011) based upon historical data. As a consequence of the lack of QAQC on the historical drilling and assaying, Snowden classified all of the mineral resources as Inferred under the JORC 2004 guidelines.

Since the initial estimate in 2011, Stonehenge has gained access to an adit at the Chubu prospect, allowing detailed access to the mineralised sequence. Channel sampling by Stonehenge demonstrated the existence of continuous uranium and vanadium mineralisation. In addition to the adit sampling, Stonehenge gained permission to drill five holes at Chubu in 2013. These holes were sampled and assayed (using wet chemical methods) for both uranium and vanadium, and the assaying enabled an update to the Mineral Resource estimated for U_3O_8 to be carried out at Chubu, and a maiden inferred vanadium (V_2O_5) estimate was generated. Furthermore, the confirmation of historical drilling grades in both the adit sampling and the recent drilling allowed a portion of the Chubu deposit to be categorised as an Indicated Mineral Resource.

Mineral Resources have been generated using a conventional wireframing technique above a mineralisation cut-off grade within favourable black slate host units, followed by estimation using ordinary block kriging. Suitable top-cuts (caps) were applied to uranium and vanadium outliers. Models were visually and statistically validated against the input composite drillhole and sample data.

The current uranium Mineral Resources for the Chubu, Yokwang and Kolnami prospects are detailed in Table 9.1 and the 2013 vanadium Mineral Resource is tabulated in Table 9.2.

Table 9.1 Current Mineral Resource statement for uranium (U_3O_8) at the Daejon project

U_3O_8 Mineral Resources for the Daejon project above a 200 ppm U_3O_8 cut-off				
Prospect	Category	Tonnes (Mt)	Grade (ppm)	Metal (Mlbs)
Kolnami	Inferred	7.0	340	5.0
Yokwang	Inferred	39.0	310	26.0
Chubu	Indicated	3.3	247	1.8
Chubu	Inferred	45.9	335	33.9
Total		95.2	322	66.7

Table 9.2 Current Daejon project V₂O₅ Mineral Resource

V ₂ O ₅ Mineral Resource for the Daejon project estimate above a 2,000 ppm V ₂ O ₅ cut-off			
Category	Tonnes (Mt)	Grade (ppm)	Metal (Mlbs)
Indicated	2.3	3,210	16.5
Inferred	0.1	2,790	0.8
Total	2.4	3,190	17.3

10. EXPLORATION POTENTIAL AND EXPLORATION TARGETS

The exploration potential of the Daejon project is considered by Optiro excellent, with two uranium-bearing beds of the Guryongsan Slate traceable over a 25 km strike length. In 2011, Snowden estimated a conceptual Exploration Target of 30 to 50 Mt of 250-350 ppm U₃O₈, reporting under the auspices of the 2004 JORC Code. This Exploration Target is considered to be conceptual in nature with uncertainty in both the tonnage and the grade. There has currently been insufficient exploration or sampling to define a Mineral Resource within the Exploration Target areas, and it is uncertain whether further exploration will result in the determination of an additional Mineral Resource.

Since the historical core was largely not assayed for vanadium as this was not considered a metal of interest in the 1970s and 1980s, there remains significant potential to add to the existing vanadium resource base. In early 2013, based upon work by Optiro, Stonehenge announced an Exploration Target for vanadium in accordance with the guidelines of the JORC Code (2004), under which the Mineral Resources detailed in Table 9.1 and Table 9.2 were reported. The Exploration Target was between 70 and 90 Mt of vanadium mineralisation at V₂O₅ grades of between 2,500 and 3,500 ppm resulting in a target of between 385 and 695 Mlbs of V₂O₅. In line with the JORC 2004 Code, it is important to note that this target is considered to be conceptual in nature with uncertainty in both the tonnage and the grade. There has currently been insufficient exploration or sampling to define a Mineral Resource, and it is uncertain whether further exploration will result in the determination of an additional Mineral Resource to that already reported. Notwithstanding this statement, Stonehenge is confident that assaying of the existing core in the KIGAM library will result in the definition of additional vanadium mineralisation which will most likely be able to be classified as Mineral Resources, and Optiro endorses this view.

Historical Mineral Resources have been identified at the Miwon-Isikiri-Jukeumri deposits within the Miwon project area and at the Yopyung and Gottbong deposits within the Gwesan project area, although these have not been declared as Mineral Resources by Stonehenge.

11. PLANNED PROJECT EXPENDITURE

11.1. CORE RESEARCH AND RESOURCE CONVERSION STUDY

As previously highlighted, there is a significant library of historical diamond drill core at the KIGAM facility in Daejon City. This core has been cut and assayed using chemical techniques for uranium (U₃O₈) in addition to radiometric gamma readings using a handheld scintillometer. There is some sampling for vanadium (V₂O₅) but the majority of the core remains untested. Since the vanadium mineralisation is known and has been proven to co-exist largely with the uranium mineralisation, there is an opportunity to carry out a research programme on the core in the library, resulting in a suite of vanadium assays and enhanced confidence in the existing uranium assays. In January 2015, Optiro on behalf of Stonehenge, generated a proposal for a programme to carry out this core research. The proposed study involves the following stages:

1. examination, cleaning, logging, and non-destructive testing of vanadium (V₂O₅)

2. core cutting for check assays at the rate of 1 in 20, sample preparation and assay for V₂O₅ at KIGAM laboratory
3. submission of the assay pulps to an external commercial laboratory
4. density measurements on cut or whole core and geotechnical logging
5. digitising of existing gamma logs for uranium
6. analysis of results and calibration of non-destructive assays if required
7. an external petrography study to assess mineral species
8. use of V₂O₅ assays to generate Mineral Resources for the Chubu, Yokwang and Kolnami deposits, including Indicated Mineral Resources if appropriate.

Portable XRF technology has advanced to the level where it is possible and feasible to scan the cut core in the KIGAM library using a handheld portable scanner (pXRF). This device can be used to determine both vanadium and uranium concentrations. The programme proposes pXRF assaying of up to 11,000 m of existing core samples. At the same time the core will be washed, photographed and re-logged, with all of the information being made available to KIGAM. The study will also result in a better suite of density measurements and more comprehensive geotechnical logs of joints and fractures, assisting in any future mining studies.

While the pXRF device would be calibrated daily, as an additional data integrity check the research programme proposes check assaying of cut core for vanadium at the KIGAM research laboratory. The suite of vanadium assays thus obtained, together with current industry standard QAQC, will allow re-estimation and expansion of the existing vanadium Mineral Resources, with the potential of generating resources at the Indicated level of confidence. At the same time the effective resampling of the existing uranium assays will allow increased confidence in the existing uranium resources, also with the possibility of confidence upgrades. It is expected that such a study may take around three months once an agreement has been reached with KIGAM.

The total cost of the proposed core research study programme, together with an associated petrography study, is estimated to be around A\$300,000.

11.2. PRE-FEASIBILITY STUDY

Following the successful completion of the core research programme, Stonehenge, together with its JV partners, expects to move towards a pre-feasibility study. At a broad scale, this will involve the following stages:

- open pit optimisation using revised costs and revenue factors for the combined products
- conceptual underground mine design and determination of a mining method
- 'trade-off' study to determine whether open pit, underground or a combination of methods is most appropriate
- open pit and/or underground mine design
- report Ore Reserves
- carry out additional metallurgical testwork as per Stonehenge plans
- settle on a most likely flowsheet
- pre-feasibility engineering study once flowsheet has been defined
- carry out environmental baseline study
- document the permitting and approvals process
- generate a preliminary cashflow model.

It is expected that this process will take approximately one year from commencement to presentation of the final report. As part of this pre-feasibility study, metallurgical testwork is required to further define key processing parameters for the extraction of the vanadium and potentially molybdenum for the shale host rocks.

In Optiro's opinion the Mineral Resources identified at the Daejon project, the Historical Mineral Resources and the identified exploration targets within the Daejon, Miwon and Gwesan project areas have sufficient technical merit to justify the proposed programmes and associated expenditure.

12. DECLARATIONS BY OPTIRO

12.1. INDEPENDENCE

Optiro is an independent consulting organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, and Optiro's staff work on a variety of projects across a range of commodities worldwide.

This report has been prepared independently and in accordance with the VALMIN and JORC Codes of the AusIMM. The authors do not hold any interest in Stonehenge Metals Ltd, its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Optiro's standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

12.2. QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Ian Glacken (Principal and Director), Mrs Christine Standing (Principal) and Mr Jason Froud (Principal) of Optiro.

Mr Ian Glacken [BSc (Hons) Geology, MSc (Mining Geology), MSc (Geostatistics), FAusIMM(CP), MIMMM, CEng, DIC] is a geologist with over 30 years' experience worldwide in the mining industry. He specialises in resource audit and independent expert reports and has in recent times compiled IGR reports for the IPO of Tusker Gold Ltd, the Finnish assets of Vulcan Resources Ltd and a report on the assets of Aditya Birla Ltd for an IPO, and has recently generated a report on the assets of two copper companies for a merger. Ian was formerly the Group General Manager Resources and Geology for a major consulting firm.

Mrs Christine Standing [BSc (Hons) Geology, Grad Dip (Min Econs), MAusIMM, MAIG] is a geologist with over 30 years' extensive experience in the exploration and mining industry. She has been consulting in resource estimation and generating independent experts' reports since 1988, and her skills include resource evaluation studies, grade control and reconciliation work. Christine is a Principal for Optiro in Perth and is involved in independent technical reviews, audits and valuations of exploration assets.

Mr Jason Froud is a geologist with over 18 years' experience in mining geology, exploration, resource definition, mining feasibility studies, reconciliation, consulting and corporate roles in gold, iron ore, base metal and uranium deposits principally in Australia and Africa. Jason has previously acted as a Competent Person and Independent Expert across a range of commodities with expertise in mineral exploration, grade control, financial analysis, reconciliation and quality assurance and quality control.

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14. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Term	Explanation
Abbreviations	°C - degrees Celsius, ha – hectare, JV - joint venture, km – kilometre, km ² – square kilometre, m – metre, m ³ – cubic metres, M – million, Mt – million tonnes, % - percentage, t – tonnes
Chemical elements	Mo – molybdenum, Ni – nickel, U – uranium, U ₃ O ₈ – Triuranium octoxide, V – vanadium, V ₂ O ₅ – Vanadium pentoxide, Zn - zinc
antiformal	A folded rock sequence that contains progressively younger rocks from the core outwards.
Archaean	Era of the geological time scale containing rocks greater than 2,500 million years old.
bedrock	The solid rock lying beneath superficial material such as gravel or soil.
bulk density	A property of particulate materials. It is the mass of many particles of the material divided by the volume they occupy. The volume includes the space between particles as well as the space inside the pores of individual particles.
Cambrian	The first geological period of the Palaeozoic Era, lasting from 541 to 485 million years ago.
classification	A system for reporting Mineral Resources and Ore Reserves according to a number of accepted Codes.
compositing	The process of combining drillhole assay grades into even sample intervals to provide an even representation of sample grades and eliminate bias due to sample length.
cut-off grade	The grade that differentiates between mineralised material that is economic to mine and material that is not.
diamond drilling	Drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit.
fold (folded)	A flexure in rocks.
formation	A defined interval of strata, often comprising similar rock types.
gneiss	A rock formed by high-grade regional metamorphic processes from pre-existing formations that were originally either igneous or sedimentary rocks.
granite	A coarse grained intrusive felsic igneous rock.
hornfels	A metamorphic rock formed at a contact to an intrusive rock due to the heat stress from the adjacent intrusive.
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC 2012)
Inferred Mineral Resource	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.' (JORC 2012)
intercept	Mineralised intersection in a borehole.
JORC Code	The JORC Code provides minimum standards for public reporting to ensure that investors and their advisers have all the information they would reasonably require for forming a reliable opinion on the results and estimates being reported. The current version is dated 2012.
KIGAM	Korea Institute of Geoscience and Mineral Resources - a research institute operating under the Korean Ministry of Trade, Industry and Energy
KORES	Korean Resources Corporation (KORES) operated by the Korean Government through the Ministry of Knowledge Economy portfolio. KORES is primarily responsible for identifying and evaluating vital mineral resources overseas and assisting major corporations secure access, including participating with investment.
metallurgy	Study of the physical properties of metals as affected by composition, mechanical working and heat treatment.
metamorphism	The change of minerals or geologic texture in pre-existing rocks that occurs primarily due to heat, pressure, and the introduction of chemically active fluids.
Mesozoic	An interval of geological time from about 252 to 66 million years ago.
Mineral Resource	'A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC 2012)
mineralisation	The process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit.
ordinary kriging	A geostatistical estimation method which relies upon a model of spatial continuity as defined in a variogram.
Ordovician	A geological time period that covers the time between 485 and 444 million years ago.

Term	Explanation
orogeny	The process of mountain building and may be studied as a tectonic structural event, as a geographical event and a chronological event, in that orogenic events cause distinctive structural phenomena and related tectonic activity, affect certain regions of rocks and crust and happen within a time frame.
pre-feasibility study	Preliminary assessment of a project to determine mining and processing methods, capital costs, logistics etc.
phyllite	A fine-grained metamorphic rock formed by the reconstitution of fine-grained, parent sedimentary rocks, such as mudstones or shales.
QAQC	Quality assurance and quality control: the sum of a series of activities designed to provide assurance through systematic checks that sampling, assaying and density determination is being carried out to an appropriate standard with acceptable levels of accuracy, precision and lack of contamination.
quartz	Crystalline silica (SiO ₂).
recovery	Metallurgical: The percentage of metal that can be recovered given the limitations of the processing equipment.
sediments	Loose, unconsolidated deposit of debris that accumulates on the Earth's surface.
siltstone	A type of sedimentary rock where the individual particles are predominantly between <0.05 mm in size.
shale	A fine-grained, clastic sedimentary rock composed of mud that is a mix of flakes of clay minerals and tiny fragments (silt-sized particles) of other minerals, especially quartz and calcite.
slate	A fine-grained, foliated, homogeneous metamorphic rock derived from an original shale-type sedimentary rock composed of clay or volcanic ash through low-grade regional metamorphism.
uraninite	A radioactive, uranium-rich mineral and ore with a chemical composition that is largely UO ₂ , but due to oxidation the mineral typically contains variable proportions of U ₃ O ₈ .
vein	A tabular or sheet like body of one or more minerals deposited in openings of fissures, joints, or faults.
volcanics	Sequence of strata formed from an erupting volcano.
XRF	X-ray fluorescence; an assaying technique which uses the back-scattering of x-rays from a beam directed at a rock sample to determine the elemental concentration of a range of values. XRF is non – destructive when applied through a portable device (pXRF), allowing accurate concentrations of elements to be obtained following calibration.



10. Korean Solicitor's Report on Tenements



23 November 2015

The Board of Directors
Stonehenge Metals Limited
Office J, Level 2
1139 Hay Street,
West Perth WA 6005

SOLICITORS REPORT ON TENEMENTS

Stonehenge Metals Limited (ACN 119 267 391) (Company)

This report has been prepared for inclusion in a Prospectus for an offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free Attaching Option with an exercise price of \$0.0375 for every one (1) New Share to raise \$2,500,000 (before expenses of the Offers), with the ability to take oversubscriptions of 100,000,000 Shares, to raise a further \$2,500,000 for a total raising of up to \$5,000,000 for the purposes of re-compliance with Chapters 1 and 2 of the ASX Listing Rules as a result of the Company exercising its option to acquire 100% of the issued capital of Protean Energy Australia Pty Ltd.

We have been requested to report on the mining tenement interests of the Company in the Republic of Korea (Korea). As at the date of this report, the Company has the above tenement interests through its subsidiary. The Company owns all shares in SK Energy Metals Pty Ltd (ACN 141 277 812), (SK) which in turn owns 100% of the shares in Stonehenge Korea Ltd, a company duly incorporated and existing under the laws of Korea with its registered office at Level 15, Kyobo Building, 1 Jongno, Jongno-gu, Seoul, Korea (SHK).

This is the report on the tenement interests which SHK is entitled to or has acquired. All granted or acquired mining tenements and all applications of SHK in Korea are collectively referred to in this report as the "Tenements". Some English expressions of legal terms in Korean laws are different from that in Australia, and this report, for some important meanings, quotes (using the symbol of "...") directly from the provisions of relevant laws in order to prevent unnecessary confusions. Details of the Tenements are listed in the attached Schedule of Tenements (Schedule).

1. SEARCHES

For the purposes of this report, we have conducted searches and made enquiries of the Tenements as follows:

- (a) The Mining Industry Act (MI Act), which provides mining rights and governs the exploration and production of minerals in Korea, was amended on 28 January 2011 (The MI Act before and after the amendment is referred to in this report as the "Old Act" and the "New Act" respectively). SHK's mining tenement interests granted or acquired before the amendment (Old Tenements) are governed by the Old Act and some important permits and approvals for Company's mining tenement interests were granted by the relevant provincial governments, Chungnam Provincial Government and Chungbuk Provincial Government. All mining tenement interests granted or acquired after the amendment (New Tenements) are governed by the New Act and the permits and approvals are granted by the Mining Registration Office in Korea (MRO). The MRO maintains all mining related records and registers. We conducted searches and reviews of the Old Tenements and the New Tenements in the above-mentioned provincial governments and the registers maintained by MRO. These searches were conducted between 7 May and 17 June 2015.

10. Korean Solicitor's Report on Tenements

(a) We have reviewed SHK board's resolutions for the transfers and acquisitions of the Tenements, and reviewed the validity of the resolutions.

(a) We have reviewed agreements relevant and/or material to the Tenements.

The Company's rights regarding the Tenements depend on the validity and enforceability of the resolutions and agreements and the parties to the agreements complying with the terms and conditions of the agreements.

As a result of those searches and our reviews of the resolutions and agreements, we consider this report provides an accurate statement, as at the date of the respective searches, as to the status of the Tenements and the interests of the Company in the Tenements. We have assumed that the information kept by the provincial governments and the registers of MRO are accurate. The references in the Schedule are taken from the electronic registers of MRO.

We have further assumed that the signatures and seals of the directors and parties to the resolutions and the agreements are authentic, and that those directors and parties made valid executions within their capacities and powers. Especially, we have assumed that company seals, whose impressions were printed on the resolutions and the agreements, are the authentic seals registered to the relevant court registry in Korea. We assume that the agreements were validly executed and delivered by the parties and binding on them, and comprise the entire agreements of the parties to each of them concerning their respective subject matters.

2. OPINION

On the basis of our searches, enquiries and reviews, but the assumptions and qualifications set out herein, we are in the opinion that:

(a) the details of the Tenements in this report are accurate as to the status of the Tenements and the Company's interests in the Tenements;

(b) the agreements for the acquisitions of the Tenements were validly made and the Company's interests in the Tenements are validly registered with MRO;

(c) the grants of Tenements from the applicable authority were validly made by the authority and the Company's interests in the Tenements are validly registered with MRO;

(d) a pending application for extension of a term of the Tenement, if any, is disclosed herein;

(e) all applicable license fees, rents, stamp duties, registration fees and/or any other official duties under the relevant legislation whose non-payment may affect the validity of the Tenements have been paid, unless otherwise stated herein.

3. MINING TENEMENTS IN KOREA (GOVERNMENT LEGISLATION)

3-1. Relevant Legislation and its Amendment

The MI Act provides mining rights and governs the exploration and production of minerals in Korea. The 'mining' under the Act is defined as "exploration and extraction of minerals, and other incidental activities, such as ore dressing and refining" (Article 3). A mineral defined under the MI Act can be registered with the MRO by a successful applicant to the relevant authority or through a lawful acquisition from a mining right holder. Upon registration, the registered mineral is subject to mining activities. The minerals under the MI Act include uranium ore, vanadium ore and molybdenum ore. Therefore, those minerals could be registered by SHK, and SHK acquired or was granted with the 'mining right' under the same legislation.

10. Korean Solicitor's Report on Tenements

The MI Act in Korea was amended on 28 January 2011. Some important differences between the Old and New Act are:

- (a) all mining interests registered before the amendment are governed by the Old Act while such interests registered after the amendment are governed by the New Act;
- (b) the New Act divides the mining right to “the right to explore” and “the right to extract” (Article 3), and it sets harder steps to follow from the stage of exploration right to that of extraction right by demanding additional or more difficult requirements than the Old Act;
- (c) under the Old Act, approvals for “Handling the Report of Exploring Plan” and “Extension of the Period for Submission of Exploring Records” were granted by an applicable provincial government while, under the New Act, such approvals are granted by the MRO.

Therefore, the Company's Old Tenements shall be maintained by the requirements provided under the Old Act and the New Tenements under the New Act. This report has reviewed the provisions of MI Act, its Regulation, Decree and Working Manuals relevant to the Tenements.

3-2. Korean Tenements

The Korean tenements comprise exploration right, extraction right and mining concession.

(a) Right to Explore

Definition

The MI Act defines that “the holder of right to explore is entitled to explore registered minerals and other minerals existing in the same mineral deposits as the registered minerals within a registered land district (hereinafter referred to as “mining area”)(Article 3).

The exploration right in Korea is characterized as a “real right” (right in rem as contrast to right in personam), and the MI Act states that it cannot be “the object of any right except for inheritance, transfer, disposition on default, or compulsory execution” (Article 11). The MI Act clearly excludes the exploration right from the object of mortgage as contrast to the extracting right which can be mortgaged. The MI Act further provides that, unless stated in the Act, “provisions concerning real estate in the Civil Act and other Acts and subordinate statutes shall apply mutatis mutandis thereto” (Article 10).

Application

The person who intends to establish the right to explore shall submit to the Minister of Trade, Industry and Energy (Minister) an application for “the establishment of the right to explore” together with “area map” and “mineral deposit description”. The area map and the mineral deposit description can be submitted within 6 months from the date the application is submitted. (Article 15 MI Act and Article 9 Enforcement Decree).

Establishment and Registration

The MI Act provides that, within 30 days from the date of receiving the notice of permit for the establishment of the right to explore, the applicant must pay a registration tax and apply for a registration to the Minister. The applicant shall then register in the mining ledger (i) the name of minerals (ii) type of mining right (i.e. exploration right) (iii) establishment, modification, transfer, extinguishment and restriction on the disposition of the right to explore or mortgage (iv) duration of the exploration right, and (v) withdrawal of joint mining right holder, if any. (Articles 28 and 38)

10. Korean Solicitor's Report on Tenements

The MI Act stipulates that “a person who obtained a permission or authorization for the establishment of or modification to the right to explore by an unlawful means shall be punished by imprisonment for not more than three years or by a fine not exceeding 30 million won, or may be punished by both” (Article 101).

Reporting on Exploring Plans

The holder of exploration right must report his/her exploring plan, including the exploration method adopted (e.g. geophysical survey, geochemical survey, drilling or digging), to the Minister within one year after the registration date of the establishment of the exploring right in accordance with the Ordinance of the Ministry of Trade, Industry and Energy (Article 40 MI Act and Article 20 Enforcement Regulation).

Recognitions on Exploring Records

The holder of exploration right must submit “exploring records” to the Minister (in practice, to the Head of MRO) within three years after he/she submitted a report on the exploring plan, including the mineral deposit description, resources report, and mining area map (in case of digging). The submission of the exploring records shall be considered as an application for the establishment of extracting rights. The person who wishes to obtain “recognition on exploration records” from the Minister before the termination of exploration right shall submit an application for the recognition by the termination date under the New Act (under the Old Act, three month before the termination date). (Article 41 MI Act, Article 37 Enforcement Decree and Article 20-3 Enforcement Regulation)

Term of Exploration Right and Extension of the Period for Submission of Exploring Records

The term of exploring rights shall not exceed 7 years. Under the Old Act, The Minister of Knowledge Economy (the competent authority then was the Ministry of Knowledge and Economy) may extend the period for the submission of exploring records for once to the maximum of three years upon the request of the exploring right holder when the Minister of Knowledge and Economy is satisfied that more than a half of the exploration planned has been completed, more than 15,000,000 won has been spent on the exploration or further performance cannot be continued due to a natural disaster or other acts of God. (Article 37(3) Enforcement Decree of the Old Act and Article 5(5) Working Manuals of the Old Act).

Under the New Act, if the holder of right to explore fails to submit exploring records within three years “due to an unavoidable cause prescribed by Presidential Decree” or the reported exploring records fails to comply with the “standard of scale, quality, etc. of minerals by mineral type”, the Minister may extend the period for the submission of exploring records for once for the period of up to three years upon the request of the exploring right holder. In such cases, the total period of the foregoing extension, the period for the reporting exploring plan and the period for submitting exploring records shall not exceed 7 years. (Articles 12, 24 and 41) The person who was granted with the extension of period to submit exploring records shall submit to the Minister a written application for the recognition of exploring records at least three months before the period of extension is terminated (Article 37 Enforcement Decree).

(b) Right to Extract

Definition

The MI Act defines that “the holder of right to extract is entitled to extract and acquire registered minerals and other minerals existing in the same mineral deposits as the registered minerals within a mining area” (Article 3).

10. Korean Solicitor's Report on Tenements

The “extracting right” is also characterized as a “real right” as in the case of the exploration right. However, different from the exploration right, the MI Act allows the extracting right to be an object for a mortgage as well as inheritance, transfer, disposition on default, or compulsory execution. The MI Act further provides that “provisions concerning real estate in the Civil Act and other Acts and subordinate statutes shall apply mutatis mutandis thereto”. (Articles 10 and 11)

Term

The term of extracting rights shall not exceed 20 years (Article 12).

Applications for Establishment

The MI Act provides that submission of exploring records shall be considered as an application for the establishment of extracting rights. The Act states that “when exploring records which have been submitted comply with the standard of scale, quality, etc. of minerals by mineral type, and accordingly obtain recognition thereof, the Minister shall grant permission for the establishment of the extracting rights to a person who has submitted its exploring records”. When the establishment of the extracting rights is registered, the existing exploring rights shall be extinguished notwithstanding the remained term of exploring rights (Article 41).

The person who intends to obtain the establishment of the right to extract shall submit to the Minister, area map, mineral deposit description, resources report and mining area map (Article 15(2) MI Act and Article 8(2) of Enforcement Regulation). The area map and mineral deposit description may be submitted within 6 months from the date the application is submitted (Article 15 MI Act and Article 9 Enforcement Decree).

Establishment and Registration

Within 30 days from the date of receiving a notice of permit for the establishment of the right to extract, the applicant shall pay a registration tax and apply for the relevant registration to the Minister. The applicant shall then register in the mining ledger (i) the name of minerals (ii) type of mining right (i.e. extracting right) (iii) establishment, modification, transfer, extinguishment and restriction on disposition of the right to extract or mortgage (iv) duration of the exploration right, and (v) withdrawal of joint mining right holder, if any (Articles 28 and 38).

The MI Act stipulates that a person who obtained the permission or authorization for the establishment of or modification to the right to extract by an unlawful means shall be punished by imprisonment for not more than three years or by a fine not exceeding 30 million won, or may be punished by both (Article 101).

Authorization of Extracting Plan

The MI Act provides that a person who wishes to obtain an authorization of the extracting plan shall make a relevant application within three years from the date when the establishment of extracting rights is registered. When the extracting right holder fails to apply for the authorization of the extracting plan within this period “due to an unavoidable cause prescribed by Presidential Decree, or the applied extracting plan fails to obtain authorization”, the Minister may extend the period for an application to obtain the authorization of the extraction plan for once for the period of up to one year upon the request of the extracting right holder. No extracting right holder shall extract or acquire minerals without obtaining the authorization of the extracting plan. When the Minister acknowledges that it is necessary for the rational development of the mining industry, he/she may order an extracting right holder to modify the extracting plan. (Article 42).

10. Korean Solicitor's Report on Tenements

The MI Act provides that a person who extracts or acquires minerals without obtaining the authorization of the extracting plan and who mines minerals in the area where mining is restricted without obtaining an authorization shall be punishable by imprisonment for not more than one year or by a fine not exceeding 10 million won (Article 102).

Commencement, Suspension and Resumption of Extraction

An extraction is deemed to be commenced on the date when the extracting right holder obtains the authorization of the extraction plan. If the extraction right holder wishes to suspend the extraction for the period of more than one year, he/she shall obtain an authorization from the Minister by determining the period. When the extraction right holder who has suspended the extraction upon the receipt of the authorization resumes the extraction, he/she must report immediately of the fact to the Minister. (Article 42-2)

Submission of Monthly Report

The MI Act (Article 83) and its Enforcement Decree (Article 59) require that an extracting right holder (or a mining concession holder) shall submit a monthly mineral production report to the Minister by the twentieth day of the following month. A person who fails to file a mineral production report, or files a false mineral production report shall be subject to a fine for negligence not exceeding five million won (Article 104).

(c) Mining Concession

(Note: SHK does not currently hold a mining concession nor have a plan to submit an application for it. However, it is important to investigate whether a third party has a mining concession in the Tenements because the third party's concession may interfere with Company's interests in the Tenements. Our investigation reveals that there is no such concession on the Tenements as at the date of our searches.)

Definition

The MI Act provides that "the holder of mining concession is entitled to the right to extract or acquire minerals which are subject to any extracting rights within the mining areas of other persons" (Article 3).

Establishment of Mining Concessions

The establishment of mining concessions shall be made in accordance with a written contract between an extracting right holder and a person intending to hold a mining concession (Article 51).

Authorization of Establishment

If a person intending to hold a mining concession and an extracting right holder intend to establish a mining concession, he/she shall obtain an authorization from the Minister. If a person intending to hold a mining concession receives a notice of the authorization, he/she shall pay a registration tax and apply for the relevant registration to the Minister within 30 days from the date of receiving such notice of authorization. If the application for the registration is not filed, the authorization shall cease to be effective. (Article 52)

Consent of Concession Holder for Changes in Extracting Rights

If an extracting right holder intends to apply any change to the extracting right, including reduction, division and extinguishment, he/she must obtain the consent of the mining concession holder (Article 53).

10. Korean Solicitor's Report on Tenements

Extinguishment of Mining Concessions

If a mining concession holder is in arrears in the payment of his/her mining concession royalty to the extracting right holder or fails to perform his/her contractual obligations, the extracting right holder may apply for the extinguishment of the mining concession to the Minister. The extracting right holder, in order to make such application, shall give the concession holder the minimum of three month notice to perform his/her obligations. A one month notice is sufficient if the mining concession holder fails to perform his/her contractual obligations and is unable to manage the mining business due to insolvency or something to that effect. If the Minister concerns that the application is reasonable, he/she may extinguish the mining concession. (Article 56)

Registration

A concession holder must register his/her mining concession and record the following details in the mining concession ledger:

- (i) Establishment and modification of mining concessions;
- (ii) Transfer of mining concessions by inheritance or other successions;
- (iii) Extinguishment of mining concessions;
- (iv) Term of mining concessions; and
- (v) Secession of joint mining concession holders. (Article 58).

(d) Use and Expropriation of Land

Access to Land and Removal of Obstructions

If it is necessary for mining surveys or field investigations, persons intending to apply for the establishment of mining rights, persons intending to become mining concession holders, mining applicants, persons applying for the authorization of the establishment of mining concessions, mining right holders or mining concession holders may enter another person's land or remove obstructions on such land with the permission of the Minister. After the permission of the Minister has been obtained, opinions of the owner and the occupant of the land or the owner of the obstruction shall be sought. If a person who has obtained the permission intends to enter another person's land or remove an obstruction thereon, he/she shall notify in advance to the owner and the occupant of the land or the owner of the obstruction. (Article 67)

Rights of Access to and Use of Land

If it is necessary for the prevention of imminent danger to mining activities, a mining right holder or a mining concession holder may immediately enter or use another person's land. In such cases, the mining right holder or the mining concession holder shall notify without delay the owner and the occupant of the land. (Article 68)

Compensation for Losses

A person entering or using another person's land or removing an obstruction shall compensate for losses incurred by his/her such activities. (Article 69)

Purposes of Land Use

A mining right holder or a mining concession holder may use the land of another person which is located in a mining area or mining concession area, or in the vicinity thereof, if the land is required for any of the following purposes:

10. Korean Solicitor's Report on Tenements

- (i) Opening of pitheads;
- (ii) Extraction of minerals by strip mining;
- (iii) Installation of machinery necessary for exploring or mining of minerals;
- (iv) Installation of facilities for piling pit props, gunpowder, fuel or other important materials, minerals, earth, stone, or mineral scraps or ashes;
- (v) Installation of facilities for ore dressing or refining;
- (vi) Opening of railroads, tramroads, roads, canals, drainage systems, ponds, wells, or electric structures;
- (vii) Installation of mining offices or lodging facilities or health and sanitation mining facilities for those engaged in mining operations; and
- (viii) Installation of other structures necessary for mining operations. (Article 70).

If a mining right holder or a mining concession holder intends to use another person's land as above, he/she shall obtain an approval of the Minister. (Article 72)

Purposes of Expropriating Land

A mining right holder or a mining concession holder may expropriate another person's land in a mining area or mining concession area, or in the vicinity thereof, for any of the following purposes:

- (i) Opening of pitheads, mineral extraction by strip mining, or installation of machinery necessary for mineral extraction operations;
- (ii) Installation of facilities for piling earth and stone or mineral scraps;
- (iii) Installation of facilities for ore dressing or refining; and
- (iv) Opening of railroads, tramroads, roads, canals, drainage systems, ponds, wells, or establishment of electrical structures. (Article 71).

If a mining right holder or a mining concession holder intends to expropriate another person's land as above, he/she shall obtain an approval of the Minister. (Article 72)

4. SHK'S TENEMENTS

SHK currently holds 27 exploration rights, among which 25 rights were transferred to SHK when the Company (through its nominee, SK) acquired 100% of the issued capital of Chong Ma Mines Inc. in Korea (CMM) from Yellow Sun Mines Pty Ltd (ABN 32 137 917 821) (YSM) on 3 January 2010. CMM then was 100% subsidiary of YSM and the holder of the 25 exploration rights. After the acquisition, CMM changed its name to SHK and the 25 exploration rights were registered under the name of SHK. The two remaining exploration rights were acquired by SHK through its successful application of exploration rights to the MRO.

SHK, for the convenience of its maintenance and management, categories the 27 exploration rights into 5 tenements by grouping the exploration rights in adjacent land into one unit. SHK does so because the MI Act allows mining rights in adjacent land to be treated as one unit for such legal processes as application, approval, extension, and extinguishment. For example, if the term of an exploration right is extended, those of all other exploration rights in adjacent land are also extended if the rights are grouped as one unit. The 5 groups are as follows:

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4-1. Gwesan Tenement (GT)

GT is the group of 8 exploration rights in adjacent land (registration no. of 76941, 76942, 76964, 76965, 76966, 76967, 76968 and 76969). GT is a part of the above-mentioned 25 exploration rights. The history of transactions concerning GT indicates that GT was originally owned by Mr. Jae Youl Sim, a Korean individual who was granted with the 8 rights from Chungbuk Province. The rights were then sold to CMM, and the Company acquired the tenement interests by acquiring CMM as explained above. Our searches, inquiries and reviews of the relevant agreements, resolutions and registrations reveal that the transactions were validly made and SHK currently holds valid interests in GT without an encumbrance.

GT covers an area of 2,200 hectares in Moonkwang-myun, Gwesan-gun, Chungbuk Province. These 8 tenements are granted before the amendment of MI Act and they are governed by the Old Act. GT has uranium deposits. SHK has the right to explore these tenements until 16 May 2016. Its exploration method reported under the MI Act is 'drilling'. An exploration right can be extended once by submitting the evidence that not less than a half of the drilling plan reported has been completed (Article 37(3) Enforcement Decree of the Old Act and Article 5(5) Working Manuals of the Old Act). Since the exploration period of GT has already been extended once, it cannot be extended any further.

Therefore, SHK should apply for a right to extract in order to maintain the interests in GT after 16 May 2016. For this, SHK should submit a full drilling report under the MI Act by 16 February 2016. After SHK obtains the authorization of the extraction plan, SHK can commence extraction activities.

4-2. Miwon Tenements (MT)

MT is the group of 6 exploration rights in adjacent land (registration no. of 77018, 77019, 77020, 77225, 77291 and 77292). MT is also a part of the above-mentioned 25 exploration rights. MT was also owned by the said Mr. Jae Youl Sim who was granted with the 6 exploring rights covering an area of 1,656 hectares in Sanwoi-myun and Naebuk-myun, Boeun-gun, Chungbuk Province. These 6 tenements are granted before the amendment of MI Act and, therefore, governed by the Old Act. The rights were then sold to CMM, and the Company acquired the tenement interests by acquiring CMM. Our searches, inquiries and reviews of the relevant agreements, resolutions and registrations reveal that the transactions were validly made and SHK currently holds valid interests in MT.

Among these 6 tenements, Miwon 36 (reg.77018), Miwon 37 (reg.77225) and Miwon 47 (reg.77291) are under certain conditions as prescribed in their mining ledgers registered. Miwon 36 tenement is under the condition that the right holder shall not make any claim for compensation or file any objection against public works, including the establishment of industrial zoning plan and the change of road construction areas within the areas specified in the registered mining ledger. The areas subject to change specified in the ledger are regions between Naebuk and Woonam as well as Boeun and Naebuk. Miwon 47 tenement is also under the condition that the right holder shall not make any claim for compensation or file any objection against any public work performed within the area of industrial zoning plan. Miwon 37 tenement is under the condition that the right holder shall not make any claim for compensation or file any objection against the enforcement of road widening or pavement works. The said ledgers specify that exercising any mining right despite of the public works shall be considered as an objection.

10. Korean Solicitor's Report on Tenements

MT has uranium deposits. SHK has the right to explore until 9 June 2016. The initial exploration method reported to the relevant authority under the MI Act was drilling, but SHK changed the exploration method to a geochemical survey. An exploration right can be extended once by submitting the evidence that not less than a half of the geochemical survey has been completed or more than 15,000,000 won has been spent on the geochemical survey (Article 37(3) Enforcement Decree of the Old Act and Article 5(5) Working Manuals of the Old Act). Since the exploration period of MT has already been extended once by spending 15,000,000 won, it cannot be extended any further.

Therefore, SHK should apply for a right to extract in order to maintain the interests in MT after 9 June 2016. For this, SHK should submit a full geochemical survey report under the MI Act by 9 March 2016. After SHK obtains the authorization of the extraction plan, SHK can commence extraction activities.

4-3. Daejeon Tenement (DT)

DT is the group of 11 exploration rights in adjacent land (registration no. of 77010, 77011, 77012, 77013, 77014, 77038, 77039, 77114, 77115, 77363 and 77364). DT is also a part of the above-mentioned 25 exploration rights. DT was jointly owned by Mr. Jae Youl Sim and Jun Bo Sim, who were granted with the 11 rights covering an area of 2,282 hectares in Chubu-myun and Boksu-myun of Geumsan-gun, Chungnam Province and Dong-gu and Joong-gu of Daejeon City. The rights were then sold to CMM, and the Company acquired the tenement interests by acquiring CMM. Our searches, inquiries and reviews of the relevant agreements, resolutions and registrations reveal that the transactions were validly made and SHK currently holds valid interests in DT. DT is granted before the amendment of MI Act and, therefore, is governed by the Old Act.

Among these 11 tenements, Okcheon 136 (reg.77010), Okcheon 147 (reg.77038), Daejeon 18 (reg.77011) and Daejeon 7 (reg.77114) tenements are under certain conditions. Okcheon 136 tenement is under the condition that the right holder shall not make any claim for compensation, cause any hardship or file any objection when river improvement works are undertaken. Okcheon 147 tenement is under the condition that the right holder shall not make any claim for compensation, cause any hardship or file any objection to the enforcement of road construction works between the Majeon and Eunhaeng regions. Daejeon 18 tenement is under the condition that the right holder shall not make any claim for compensation, cause any hardship or file any objection when a river and small river improvement works are undertaken. Daejeon 7 tenement is under the condition that the right holder shall not make any claim for compensation, cause any hardship or file any objection to public works, including road construction from Majeon to Eunhaeng, 154KV transmission line construction from Chubu region, and general repair works for a river and small river (including Wondang Stream).

DT has uranium, vanadium and molybdenum deposits. SHK has the right to explore these tenements until 8 June 2016. The exploration method taken by SHK in accordance with the MI Act was a geochemical survey. Since the exploration period has already been extended once by submitting evidence that not less than a half of geochemical survey reported has been completed, it cannot be extended any further.

Therefore, SHK should apply for a right to extract in order to maintain the interests in DT after 8 June 2016. For this, SHK should submit a full geochemical survey report under the MI Act by 8 March 2016. After SHK obtains the authorization of the extraction plan, SHK can commence extraction activities.

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4-4. Gwesan 137 Tenement

Gwesan 137 tenement covering an area of 275 hectares in Chungchun, Munkwang-myun, Gwesan-gun, Chungbuk Province is registered by SHK. This tenement is granted on 11 January 2011, a few days before the amendment of MI Act. Therefore, Gwesan 137 is governed by the Old Act.

This tenement has uranium and vanadium deposits. SHK has already extended the right to explore this tenement until 6 January 2019. The exploration method reported to the MRO by SHK in accordance with the MI Act was a geochemical survey. After this period, SHK cannot extend the exploration right, but should apply for an extraction right under the MI Act. This application should be made within 1 year from the expiration of the exploration right (i.e. by 6 January 2020).

4-5. Daejeon 59 Tenement

Daejeon 59 tenement is registered by SHK covering an area of 228 hectares in Boksu-myun, Geunsan-gun, Chungnam Province. This tenement is granted after the amendment of MI Act and, therefore, it is governed by the New Act. It has uranium, vanadium and molybdenum deposits. SHK has the right to explore this tenement until 9 December 2016. The exploration method reported to the MRO by SHK in accordance with the MI Act was a geochemical survey. The exploration period has not been extended yet and SHK can extend three more years by submitting a report stating that the geochemical survey reported has been performed but the legally required standards, including scale and quality have not been satisfied yet. This report should be submitted by 9 December 2016.

5. COMPLIANCE

The Company's interest in or rights in respect to the Tenements granted are subject to SHK's compliance with the respective terms and conditions of the granted Tenements under the provisions of the MI Act in Korea, and enforcement regulation, decree, ordinance and working manuals made pursuant to that legislation, together with the conditions applicable to any granted mining tenement. The searches that we have carried out in relation to the Tenements do not reveal any failure to comply with the conditions in respect of each mining tenement granted other than specified herein.

6. QUALIFICATIONS

While the status of the Tenements is described in detail in the Schedule, we point out, by way of summary, that;

- (a) we have assumed that all searches and investigations conducted on our behalf by the relevant departments and government authorities as well as investigation agencies we employed are complete and accurate as at the time the searches were conducted;
- (b) we have assumed that all information or advice, whether oral or written provided to us by the Company, SK, SHK and their officers, employees, agents or representatives is accurate and complete;
- (c) in relation to each tenement application or application for extension thereof we express no opinion as to whether such tenement application will ultimately granted and that reasonable conditions will be imposed upon grant, although we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed; and

10. Korean Solicitor's Report on Tenements

(d) where the Minister's consent is required in any transaction of any Tenement, we express no opinion as to whether such consent will be granted and that reasonable conditions will be imposed upon grant, although we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed.

7. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully,



David D.U.Kang

Registration No.	Tenement ID	Grant Date (Registration Date)	Minerals	Area Size (hectare)	Mining Act	Conditions/Encumbrances	Exploration Period	Exploration Method	Due date for the submission of Exploring Records	Extension of Exploration Period	Action Required to Retain
76941	Gwesan-125	14-5-08	Uranium	275	Old	Not Applicable	17-5-13 ~ 16-5-16	Drilling	16-2-16	Not permitted	SHK should apply for a right to extract in order to maintain the interests in GT after 16 May 2016. For this, SHK should submit a full drilling report under the MI Act by 16 February 2016. After SHK obtains the authorization of the extraction plan, SHK can commence extraction activities.
76942	Gwesan-115	14-5-08	Uranium	275	Old						
76964	Gwesan-124	28-5-08	Uranium	275	Old						
76965	Gwesan-117	28-5-08	Uranium	275	Old						
76966	Gwesan-118	28-5-08	Uranium	275	Old						
76967	Gwesan-114	28-5-08	Uranium	275	Old						
76968	Gwesan-126	28-5-08	Uranium	275	Old						
76969	Gwesan-128	28-5-08	Uranium	275	Old						
77018	Miwon-36	11-6-08	Uranium	276	Old						
77019	Miwon-46	11-6-08	Uranium	276	Old	Not Applicable					
77020	Miwon-58	11-6-08	Uranium	276	Old						
" 77225	Miwon-37	21-8-08	Uranium	276	Old	The right holder shall not make any claim for compensation or file any objection against the					



11. Material Contracts

11. Material Contracts

Set out below is a summary of the contracts to which the Company is a party that may be material or otherwise may be relevant to a potential investor in the Company. The whole of the provisions of the contracts are not repeated in this Prospectus and below is summary of the material terms only.

11.1 Term Sheet

The key terms and conditions of the Term Sheet, which were announced to ASX on 14 August 2014, have been subsequently replaced by the terms and conditions of the Call Option and Licence Agreement as a more formal document. Please refer to Section 11.2 for a summary of the Call Option and Licence Agreement.

11.2 Call Option and Licence Agreement

The Call Option and Licence Agreement, which supersedes and replaces the Term Sheet, contains the following key terms and conditions regarding the Acquisition:

(a) subject to:

- (i) the satisfaction (or waiver) of the conditions specified in sub-clauses (b) - (g) (below); and
- (ii) the payment by the Company to of the option and licence fee (60,000,000 Shares) to PEL (or its nominees) (**Option Consideration Shares**),

then the following will occur:

- (iii) PEA grants to the Company, an exclusive, irrevocable worldwide licence to use the WEC Technology during the option period (being 24 months from the date of the Call Option and Licence Agreement (**Option Period**) (**Licence**); and
 - (iv) PEL grants to the Company an option to acquire 100% of the issued shares of PEA on the terms and conditions specified in the Share Purchase Agreement (**Option**);
- (b) Stonehenge was required to raise at least \$1.2 million and so conducted a non-renounceable rights issue to raise up to \$1,503,643 on the basis of 7 new Stonehenge shares for every 10 existing Stonehenge shares held, at an issue price of \$0.005 per Share at the record date (**Rights Issue**). On 25 November 2014, the Company advised it had raised a total of \$1,503,643 under the Rights Issue and subsequent shortfall;
- (c) Sean Moore joining Stonehenge in the executive role of Chief Technology Officer for wave energy conversion;
- (d) Stonehenge engaging Moore Commerce Pty Ltd, a company controlled by Sean Moore, to deliver the pilot project as a turnkey project for a fixed price of \$500,000 within 18 months;
- (e) mutual due diligence by the parties (completed within 120 days of the Call Option and Licence Agreement);
- (f) PEA executing a general security agreement in favour of the Company to secure the Company's interests pursuant to the Call Option and Licence Agreement;

11. Material Contracts

- (g) the parties obtaining all necessary shareholder and regulatory approvals and consents to implement the Transaction. Shareholder approval was sought and obtained on 11 November 2014;
- (h) subject to the satisfaction (or waiver) of the above conditions, at completion:
 - (i) Stonehenge will issue the following securities, subject to shareholder approval as required, to PEL and its advisors and nominees:
 - (A) Option Consideration Shares: 60,000,000 Shares which were issued to PEL on 10 November 2014 upon Settlement of the Transaction and voluntarily escrowed for 12 months from their date of issue;
 - (B) Broker Shares: On 24 November 2014, Stonehenge issued 10,000,000 Shares to CPS Capital Group Pty Ltd for services relating to the Rights Issue.
 - (ii) PEL will deliver to the Company:
 - (A) a duly executed counterpart of the Share Purchase Agreement;
 - (B) an escrow agreement signed by PEL in respect of the Option Consideration Shares; and
 - (C) the Licence in accordance with the Call Option and Licence Agreement;
- (i) the Company may exercise the Option at any time during the Option Period by delivering a signed counterpart of the Share Purchase Agreement to PEL.

The Call Option and Licence Agreement otherwise contains terms considered standard for agreements of this nature.

11.3 Share Purchase Agreement

The Share Purchase Agreement between PEL and the Company was executed on 10 November 2015 and specifies the terms on which the Company agrees to acquire 100% of the issued capital of PEA (**PEA Shares**) from PEL. The Share Purchase Agreement contains the following key terms and conditions:

- (a) The Company agrees to acquire all of the PEA shares from PEL subject to the following conditions being satisfied (or waived) before Completion (**Conditions**):
 - (i) all necessary third party consents required to be obtained in respect of material contracts that PEA is a party, being granted in writing and on terms satisfactory to the Company;
 - (ii) the Company obtaining all necessary Shareholder and regulatory approvals for the purpose of completing the transaction pursuant to the Share Purchase Agreement;
 - (iii) the Company spending not less than AUD\$500,000 on exploitation and development of the WEC Technology within 18 months of the date of the Call Option and Licence Agreement;
 - (iv) PEA not having breached any of its obligations under clauses 3 and 6.3 of the Call Option and Licence Agreement;
 - (v) The Company validly exercising the option in accordance with the Call Option and Licence Agreement.
- (b) Subject to the satisfaction (or waiver) of the Conditions, at Completion:

11. Material Contracts

- (i) PEL must deliver to the Company:
 - (A) subscription forms and escrow agreements in respect of the Shares and Performance Shares, the subject of the Vendor Offer, signed by PEL and each Nominee;
 - (B) an executed transfer form in favour of the Company (or its nominee), and the related share certificates, in respect of the PEA Shares;
 - (C) the records and common seal of PEA;
 - (D) completed authorities for the operation of PEA's bank accounts in favour of the Company;
 - (E) the written resignations of the existing officers of PEA;
 - (F) a resolution of the board of PEA resolving to transfer the PEA Shares to the Company and other related matters,
- (ii) the Company must:
 - (A) pay the purchase price by issuing to PEL and each Nominee that number of Shares and Performance Shares (the subject of the Vendor Offer) that they are entitled to based on their respective holding of PEA Shares (being an aggregate total of 60,000,000 Shares and 120,000,000 Performance Shares under the Vendor Offer); and
 - (B) deliver executed consents to act for the Company's nominated incoming directors for PEA.
- (c) The terms of the Shares and the Performance Shares (and their milestones) issued to PEL and the Nominees are set out in Sections 13.8 and 13.9 respectively.

The Share Purchase Agreement otherwise contains warranties, terms and conditions that are considered standard for an agreement of this type.

11.4 Convertible Loans

The Company has entered into Convertible Loans with the Loan Holders. The key terms and conditions of the Convertible Loans are set out in the table below:

Total Convertible Loan Facility Amount	\$600,000
Repayment Date	On or before Thursday, 31 December 2015. By mutual agreement the loan can be extended for up to 6 months, if extended an additional Facility Fee of 2.5% of the Principal amount will be payable.
Interest Rate	9.25% per annum payable in cash quarterly, on the last business day of each quarter. If interest is not paid on the last business day of each quarter, the interest rate payable for the remainder of the interest period will increase to 12% per annum.
Facility Fee	5% payable in cash of the principal amount loaned by each Loan Holder, which is payable by the Company to the Loan Holder within 14 days of entering into the Loan.

11. Material Contracts

Conversion	Subject to Shareholder and regulatory approval by no later than the Repayment Date, the Loan Holder may at any time during the Draw Down Period and after the Company has completed a capital raising of at least \$2,000,000, convert the outstanding balance in whole or in part into shares issued at the Conversion Price together with one free Class H Attaching Option for every one share issued on conversion by delivery to the Company of a notice duly executed by the Loan Holder, completed as to the amount outstanding to be converted and the number of Shares (together with Attaching Options) to be issued on Conversion (Notice).
Conversion Price	The lower of: 1. \$0.025; or 2. The price calculated on the basis of a 15% discount to the 10 day VWAP of the Company's shares on the date the Notice is provided by the Loan Holder in accordance with Conversion, subject to a minimum price of \$0.02.
Attaching Option	Means a Class H Attaching Option to be issued in the event of Conversion exercisable at \$0.0375 on or before 31 December 2018.
Transferable	The Convertible Loan is transferable either in whole or in part, by mutual agreement at any time, by an instrument in writing signed by both the transferor and the transferee.

The Convertible Loans otherwise contains terms considered standard for agreements of this nature.

11.5 General Security Agreement with PEA

Pursuant to the terms of the Call Option and Licence Agreement, the Company has entered into a general security agreement with PEA under which PEA has granted security in favour of the Company over the intellectual property of PEA, together with and all present and after-acquired property of PEA.

The general security agreement otherwise contains terms considered standard for agreements of this nature.

11.6 General Security Agreement with PEL

Pursuant to the terms of the Call Option and Licence Agreement, the Company has entered into a general security agreement with PEL under which PEL has granted security in favour of the Company over the shares PEL holds in PEA, together with and all present and after-acquired property of PEL.

The general security agreement otherwise contains terms considered standard for agreements of this nature.

11.7 JV Agreement and KORID Shareholders Agreement

The key terms and conditions of the JV Agreement are as follows:

- (a) KORID will pay Stonehenge \$2,500,000 in consideration for the purchase of 50% of the shares in Stonehenge Korea (which occurred on 28 July 2015) (**Completion**). The consideration will be satisfied by the issue of KOSDAQ listed KORID shares, with a 12 month escrow (**KORID Shares**). Proceeds from the sale of any of the KORID Shares are to be re-invested by the Company into the Stonehenge Korea projects or any other collaboration project agreed to by the parties.

11. Material Contracts

- (b) KORID and the Company agreed that it is their common intention to co-fund and accelerate development of the mineral exploration rights and properties held by Stonehenge Korea 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 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 Stonehenge Korea, as follows:
- (i) Stage 1 - within 12 months from the date of Completion, achieving access to and completing testing of 36,000 metres of historical drill core (held by Korean Institute of Geoscience and Mineral Resources (**KIGAM**)) and upgrading the existing uranium and vanadium resources in accordance with the JORC code (2012). SHE to provide up to \$800,000 in cash funding. KORID to provide \$300,000 in cash funding via the KORID Placements and \$200,000 of Korean in country services, assistance or facilities as requested by Stonehenge Korea. Although the Company's contract is to provide up to \$800,000, it is anticipated on a reasonably considered basis that no more than \$600,000 will need to be expended by the Company.
 - (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 is \$1 million to be funded by SHE and KORID in proportion to their shareholdings in Stonehenge Korea.
 - (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 Stonehenge Korea shareholdings.
- (c) 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 the Placement 1 Date. These shares will be escrowed for a period of 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 the Placement 2 Date. These shares will be escrowed for a period of 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 the Placement 3 Date.
- (d) This Shareholders Agreement stipulates the development objectives for the Daejon Project and the Collaboration Agreement provides terms of reference for future collaboration on new projects introduced by KORID or SHE.

On 17 February 2015 the Company and KORID entered into the Shareholders Agreement, which incorporates the terms of the JV Agreement, and include the following terms:

11. Material Contracts

- (a) The board of Stonehenge Korea shall be composed of two representatives each from KORID and SHE.
- (b) The board of Stonehenge Korea 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.
- (c) Funding drawdowns will be agreed by the board of Stonehenge Korea and drawdown notices will be issued to the parties by the board of Stonehenge Korea in a timely fashion.
- (d) The parties will agree to restrictions on the transfer of their shares, pre-emptive rights and drag along/come along provisions.
- (e) The parties will provide warranties normally found in an agreement of this type.
- (f) The parties agree to be bound by the constitution of Stonehenge Korea and the Shareholders Agreement and where there is inconsistency the Shareholders Agreement will take precedence.
- (g) Within 14 days of the day that is 12 months from Completion, KORID can elect to terminate the JV Agreement and Shareholders Agreement in writing with 1 months' notice to Stonehenge. This will result in the reversal of the transfer of Stonehenge Korea shares to KORID and the return of KORID shares issued to the Company.
- (h) If, at any stage after the objectives set out in 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.
- (i) 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 have been defined by a separate Collaboration Agreement (**Collaboration Agreement**) which the parties have now executed.

The JV Agreement and Shareholders Agreement otherwise contain terms considered standard for agreements of this nature.

11.8 Lead Manager Mandate

On 30 October 2015, the Company entered into a mandate with CPS Capital Group Pty Ltd (CPS) to act as lead manager of the Offer and to provide corporate advisory and capital raising services to the Company (**Lead Manager Mandate**) for a period of twelve (12) months. CPS will provide the following services under the Lead Manager Mandate:

- (a) co-ordinate and manage the Company's proposed capital raising of up to \$5,000,000 at \$0.025 per Share,
- (b) assist the Company with marketing to the Company's existing share registry and company contacts with providing a priority offer to existing Shareholders;
- (c) assist the Company with an overseas marketing roadshow in Europe, Singapore, Hong Kong and the rest of Asia where appropriate;

11. Material Contracts

- (d) assist the Company with the tidying up of the share registry;
- (e) assist the Company marketing and promotional material; and
- (f) provide the Company with corporate advisory assistance.

The Company has agreed to pay CPS the following fees for their services under the Lead Manager Mandate:

- (a) a management fee of 1% plus GST, over the total amount raised for managing the Offer;
- (b) a placing fee of 5% plus GST, where applicable, for funds raised via the Offer;
- (d) by negotiation, the Lead Manager will be liable to pay a placing fee to holders of a current AFSL, of up to 5% plus GST, where applicable;
- (e) a corporate advisory fee of \$6,000 plus GST, per month. The fee shall be payable quarterly in arrears, in Shares of the Company, at a price based on the previous 20 day VWAP of the Company's Shares; and
- (f) 12,000,000 Options (Class J Lead Manager Options) for assisting the Company to achieve the outcomes outlined above. These Lead Manager Options will be issued for nil consideration with an exercise price of \$0.0375 expiring three (3) years from the date of issue. The options will be issued upon re-compliance whether or not the Full Subscription is raised in full, partially raised, or not raised at all.

The Lead Manager Mandate otherwise contains terms considered standard for agreements of this nature.

11.9 Executive Services Agreement - Bruce Lane (Executive Director)

On 25 August 2014, the Company entered into an executive services agreement in respect of Bruce Lane's services as executive director of the Company (**Executive Services Agreement**). Under the Executive Services Agreement Mr Lane is paid \$12,500 per month plus superannuation (subject to annual review). In addition the Company may at any time pay Mr Lane a performance-based bonus over and above his salary. Mr Lane was also issued, following Shareholder approval at a general meeting held 11 November 2014, 30,000,000 Performance Rights (on terms specified in Section 13.11) under the Performance Rights Plan (terms specified in Section 13.12).

On 10 August 2015, the Company and Mr Lane agreed to a written variation of the Executive Services Agreement which would only come into effect upon the Company's successful readmission to Official Quotation pursuant to this Prospectus. The key variations and terms of the amended Executive Services Agreement are as follows:

- (a) Mr Lane will be engaged by the Company for a period of 3 years from the date of the readmission to Official Quotation pursuant to this Prospectus;
- (b) the Company will pay Mr Lane a one off cash bonus of 1% of the total funds raised under the Prospectus;
- (c) in addition to the Performance Rights issued under the terms of the original Executive Services Agreement, subject to Shareholder approval which the Company is seeking at the Annual General Meeting, the Company will also issue Mr Lane (or his nominee) the following:
 - (i) 12,500,000 Performance Rights on the terms specific in Section 13.11; and
 - (ii) 17,500,000 Incentive Options on the terms specified in Section 13.16.

The Executive Services Agreement otherwise contains terms and conditions considered standard for an agreement of its type.

11. Material Contracts

11.10 Brendan Hammond (Non-Executive Chairman) Letter of Appointment

The Company has entered into a binding letter agreement for Mr Brendan Hammond to act as non-executive chairman. Mr Hammond is paid a fee of \$36,000 per annum, which, subject to the Company's recompliance and readmission to ASX, will increase to \$48,000 per annum. Mr Hammond is also entitled to reimbursement of all reasonable expenses incurred in performing his duties. Mr Hammond will also receive 1,000,000 Class C Options as a sign-on bonus as part of his remuneration package negotiated prior to his appointment. Subject to the requirements of the Constitution and Corporations Act, Mr Hammond's appointment will continue until he is not re-elected in accordance with the Constitution and Corporations Act, or he resigns.

Subject to Shareholder approval at the Annual General Meeting, Mr Hammond is also entitled to receive 2,500,000 Incentive Options on the terms and conditions set out in Section 13.16.

The appointment of Mr Hammond as non-executive director is otherwise on terms that are standard for an appointment of this nature.

11.11 Bevan Tarratt (Non-Executive Director) Letter of Appointment

The Company has entered into a binding letter agreement with Mr Bevan Tarratt to act as a non-executive director. Mr Tarratt is paid a fee of \$36,000 per annum and is entitled to reimbursement of all reasonable expenses incurred in performing his duties. Subject to the requirements of the Constitution and Corporations Act, either party may terminate the agreement on one month's notice.

The appointment of Mr Tarratt as non-executive director is otherwise on terms that are standard for an appointment of this nature.

11.12 Young Yu (Non-Executive Director) Letter of Appointment

The Company has entered into a binding letter agreement with Mr Young Yu to act as a non-executive director. Mr Yu is paid a fee of \$36,000 per annum and is entitled to reimbursement of all reasonable expenses incurred in performing his duties. Subject to the requirements of the Constitution and Corporations Act, either party may terminate the agreement on one month's notice.

The appointment of Mr Yu as non-executive director is otherwise on terms that are standard for an appointment of this nature.

11.13 Consultancy Agreement - Moore Commerce Pty Ltd

The Company has entered into an agreement with Moore Commerce Pty Ltd for the delivery of the Protean WEC Pilot Project (**Consultancy Agreement**). This is a fixed price Turnkey contract which includes fees of \$500,000 (excluding GST) to deliver the Protean WEC Pilot Project within 18 months from the grant of the Option and Exclusive Licence. Moore Commerce will deliver services including; project management, design, fabrication, deployment, site operational approvals, power integration and site monitoring and management. Mr Sean Moore is contracted to Moore Commerce Pty Ltd to deliver the project.

On 10 August 2015, the Company and Moore Commerce Pty Ltd entered into a Deed of Variation to Consultancy Agreement. The key variations and terms of the amended Deed of Variation are as follows:

11. Material Contracts

- (a) the Consultant shall be entitled to 5% of the net profit generated by a wave energy project, payable quarterly in arrears; and
- (b) the Consultant shall be entitled to in the event of a full or partial sale of a wave energy project, 5% of net sale process payable on completion of the sale.

The Service Agreement otherwise contains terms and conditions considered standard for an agreement of its type.

11.14 Executive Services Agreement - Sean Moore

On 11 August 2014, the Company entered into an executive services agreement with Sean Moore (**Executive Services Agreement**). Mr Moore is employed as the Chief Technology Officer of the Company for Wave Energy Conversion is paid \$4,000 per month plus superannuation (subject to annual review) and this payment will be counted towards satisfaction of the total fees payable under Project: SHE1 described above. In addition, the Company may at any time pay Mr Moore a performance-based bonus over and above his salary. The Company has also issued 15,000,000 Performance Rights (on terms specified in Section 13.11) to Mr Moore, under the Performance Rights Plan (terms specified in Section 13.12)

On 10 August 2015, the Company and Mr Moore agreed to a written variation of the Executive Services Agreement which would only come into effect upon the Company's successful readmission to Official Quotation pursuant to this Prospectus. The key variations and terms of the amended Executive Services Agreement are as follows:

- (a) Mr Moore will be engaged by the Company as the Chief Technology Officer for a period of 3 years from the date of readmission to Official Quotation pursuant to this Prospectus;
- (b) the Company will pay Mr Moore a salary of \$150,000 per annum (plus superannuation);
- (c) the Company will pay Mr Moore a one off cash bonus of 1% of the total funds raised under the Prospectus;
- (d) in addition to the Performance Rights to be issued under the terms of the original Executive Services Agreement, subject to Shareholder approval which the Company is seeking approval for at the Annual General Meeting, the Company will also issue Mr Moore (or his nominee) the following:
 - (i) 45,000,000 Performance Rights on the terms specific in Section 13.11; and
 - (ii) 45,000,000 Incentive Options on the terms specified in Section 13.16.

The Executive Services Agreement otherwise contains terms and conditions considered standard for an agreement of its type.

11.15 Company Administration and Secretary Mandate - Minerva Corporate Pty Ltd

The Company has entered into an ongoing accounting, company secretarial and administration support services agreement with Minerva Corporate Pty Ltd (**Minerva**) (**Company Administration and Secretary Mandate**). The Company has agreed to pay \$5,000 per month and will provide Minerva with 2 months' notice of termination under this agreement.

11. Material Contracts

On 18 August 2015, the Company entered into services agreement for the provision of compliance management services for the Notice of Meeting and Prospectus in respect to the re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company has agreed to pay a management fee of \$15,000.

The Company Administration and Secretary Mandate, and services agreement otherwise contain terms and conditions considered standard for agreements of this type.

11.16 Consultancy Services Agreement – Aluna Services Pty Ltd

On 10 August 2015, the Company entered into a consultancy services agreement with Aluna Services Pty Ltd (**Consultant**).

Mr Scott Davis is the nominated person of the Consultant to deliver the services. Mr Davis is employed as General Manager Business Development of the Company and is paid \$6,300 per month plus superannuation (subject to annual review). In addition the Company will pay to the Consultant a cash bonus over and above his salary. The Company has also agreed to issue 2,000,000 Performance Rights (on terms specified in Section 13.11) under the Performance Rights Plan (terms specified in Section 13.12) and 2,000,000 Incentive Options to the Consultant (on terms specified in Section 13.16), under the Incentive Options Plan (terms specified in Section 13.18).

The consultancy agreement otherwise contains terms considered standard for agreements of this nature.

11.17 Consulting Agreement – Pacific Renewables

On 26 March 2015, the Company entered into a consultancy services agreement with Pacific Marine Renewables LLC (**Consultant**) for services to be provided by Mr William (Bill) Toman in respect of Mr Toman's appointment as President of the Company's incorporated US subsidiary, Protean Wave Energy Inc. Mr Toman will act as President and will oversee management of Protean Wave Energy Inc.

In consideration for his services, Mr Toman is paid USD\$7,000 per month and was issued 35,000,000 Class A Options, which currently remain unvested, on the terms and conditions set out in Section 13.13.

Pursuant to a letter of variation entered into on or about 15 October 2015, and subject to Shareholder approval at the Annual General Meeting, the Company and Mr Toman have agreed that the Class A Options will be cancelled in consideration for the issue of up to 26,250,000 Performance Rights to Mr Toman, on the terms and conditions set out in Section 13.11.

The agreement may be terminated by either party with one month's notice.

The agreement otherwise contains terms considered standard for agreements of this nature.

11.18 Consulting Agreement – San Marino Venture Group

On 6 April 2015, the Company entered into a consultancy services agreement with San Marino Venture Group (**SMVG**) for consultancy services to be provided to support the commercialisation of the Protean™ WEC Technology in the US as part of the Company's global commercialisation strategy.

In consideration for the services, SMVG's nominee was issued 40,000,000 Class B Options with a further 50,000,000 Class B Options to be issued subject to Shareholder approval, which currently remain unvested, on the terms and conditions set out in Section 13.14.

11. Material Contracts

Pursuant to a letter of variation anticipated to be formally entered into in due course, and subject to Shareholder approval at the Annual General Meeting, the Company and SMVG have agreed that the 40,000,000 Class B Options which have been issued will be cancelled (and a further 50,000,000 Class B Options will not be issued) in consideration for the issue of up to 39,000,000 Performance Rights to SMVG's nominee, on the terms and conditions set out in Section 13.11.

The agreement may be terminated by either party with one month's notice.

The agreement otherwise contains terms considered standard for agreements of this nature.

11.19 Directors' deeds of indemnity, insurance and access

Refer to Section 1.9 for details of the deeds of indemnity, insurance and access entered into by the Company and each of its Directors.

11.20 MOU with California Polytechnic State University

On or about 30 June 2015, the Company entered into a memorandum of understanding (**MOU**) with Cal Poly Corporation and California Polytechnic State University at San Luis Obispo (together, **Cal Poly**) to facilitate joint applications for two major funding opportunities offered by the US Department of Energy (**DOE**). If granted, the applications have a combined potential grant value of US\$3,750,000 comprised of the CalWave grant for up to US\$1,500,000 and the Wave Energy Prize competition for a grant of up to US\$2,750,000. The Company and Cal Poly have subsequently jointly agreed to withdraw from the Wave Energy Prize, as announced by the Company to ASX on 16 July 2015.

Pursuant to the terms of the MOU, the Company and Cal Poly will collaborate, exchange information, and work together to submit applications to DOE for the funding grants for the period of the earlier of 18 months from the date of the MOU, or in the event funding is granted, 12 months following the date of any grant (or such other period of cooperation mutually agreed by the Parties).

The CalWave grant of US\$1,500,000 is expected to occur shortly after the date of the Prospectus and will result in no additional cost or revenue for the Company. The only practical implication of the grant is that Bill Toman will be providing a portion of his time to the CalWave project as project manager.

The MOU otherwise contains terms considered standard for agreements of this nature.

11.21 Cost Share Letter with California Polytechnic State University

The Company entered into a letter of commitment on 27 October 2015 to support the California Wave Energy Test Center (CalWavesm), (CalWave 1.5) application led by California Polytechnic State University at San Luis Obispo to the US Department of Energy (**Cal Poly**). The Company will contribute, subject to Cal Poly entering into a funding agreement with the US Department of Energy for the CalWave US\$1,500,000 grant award, a minimum of US\$50,000 only, of in-kind project management and technical support services provided by William Toman.

The Cost Share Letter otherwise contains terms considered standard for agreements of this nature.

11. Material Contracts

11.22 YBJV MOU

The Company executed a memorandum of understanding with Yanchep Beach Joint Venture on 18 June 2015 for the collaboration on the development of a Protean™ WEC wave farm off the coast of Western Australia (**YBJV MOU**). The purpose of the YBJV MOU is to establish a basis of understanding between the parties for the potential commercial development of up to 20MW of WEC farm within the proximity of the Two Rocks Marina Breakwater, Western Australia.

The YBJV MOU otherwise contains terms considered standard for agreements of this nature.

11.23 CEM Option

On or about 22 September 2015, the Company entered into an option agreement with Clean Energy Maldives Pvt Ltd (**CEM**) and its shareholders, under which the Company has been granted an exclusive option to acquire 99% of the issued capital of CEM in consideration for the issue of 250,000 ordinary Shares in the Company (**CEM Option**). The remaining 1% will be retained by an existing shareholder of CEM. The CEM Option is exercisable at any time during the 24 months following execution of the agreement.

Executive management of CEM have been granted council approval (**Approval**) to facilitate the establishment of a commercial wave energy converter generation and seawater desalination facility off the coast of Hanimaadhoo Island in the Maldives (Project).

Completion of the agreement is subject to the following material conditions precedent:

- (a) all necessary Australian and Maldivian shareholder and regulatory approvals (including but not limited to the Company obtaining shareholder and regulatory approval for its re-compliance with Chapters 1 and 2 of the Listing Rules);
- (b) assignment of the Approval from executive management to CEM on terms satisfactory to the Company;
- (c) conversion of CEM from a Maldivian owned company to a Maldivian foreign investment company with authority to construct the Project;
- (d) the Company completing satisfactory due diligence and feasibility studies on the Project;
- (e) the Company and remaining CEM shareholder entering into a shareholders agreement; and
- (f) executive management of CEM entering into an employment or consultancy services agreement with the Company, under which executive management will be issued performance rights, subject to the terms and conditions of the Company's Performance Rights Plan, and necessary shareholder and regulatory approvals at such time that an agreement is entered into.

The agreement otherwise contains terms considered standard for agreements of this nature.



12. Risk Factors

12. Risk Factors

Any investment in the Company should be considered speculative.

The activities of the Company are subject to a number of risks and other factors, which may impact its future performance. Prospective investors should consider the Risk Factors described below, together with information contained elsewhere in this Prospectus before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the Risk Factors to which the Company is exposed.

12.1 Specific risks – Acquisition of PEA

A number of specific risk factors that may impact the future performance of the Company in relation to its proposed acquisition of PEA. In the event that the acquisition of PEA completes, the following risks in relation to PEA and its assets are described below. Shareholders should note that this list is not exhaustive.

12.1.1 Capital Raising and Transaction Settlement

If the Company does not satisfy the Conditions of the Offer then it will not be able to satisfy a condition of the Acquisition. Failure of the Public Offer may impact the ability of the Company to settle the Acquisition and therefore compromise the success of the Company.

12.1.2 PEL insolvency or administration

PEL has agreed to allow the Company to register a security interest over the Protean™ WEC Technology to protect the Company's interest under the Call Option and Licence Agreement. The Company has registered this security interest. However, in the event that PEL becomes insolvent or enters administration during the Option Period, the Company may not be able to enforce its rights to acquire PEA.

12.1.3 Limited Operating History

PEA is a non-trading entity and as such has no relevant operating history. This combined with the unproven potential of its technology and any proposed business model makes any evaluation of the business or its prospects difficult.

12.1.4 Reliance on Key Personnel

The Company's success depends largely on the core competencies of its Directors and management, and their familiarisation with, and ability to operate, in the mining industry and the Company's ability to find and retain key executives.

Specifically, the Company is heavily reliant upon the technical abilities of the inventor of the WEC Technology, Mr Sean Moore. Mr Moore will be engaged by the Company as a Chief Technology Officer – Wave Energy to develop the Protean™ WEC Technology. The departure of Mr Moore in the short term would be likely to have an adverse effect on the Company's performance and its ability to achieve its objectives. In order to mitigate this risk, the Company has agreed to provide Mr Moore with significant incentives to remain with the Company and has also executed a Consultancy Agreement with Mr Moore's company Moore Commerce Pty Ltd. Please refer to Section 11.13 for the material terms of the Consultancy Agreement between the Company and Moore Commerce Pty Ltd.

Furthermore, there can be no assurance given that there will be no detrimental impact on the Company if one or more of its senior management and its key personnel cease their employment.

12.1.5 Brand Establishment and Maintenance

There is a risk that even after the Protean™ WEC Technology has been successfully developed that it is not taken up by customers to the degree the Company anticipates.

12. Risk Factors

The Company believes that establishing and maintaining the Protean™ brand in the nascent wave energy market is critical to attracting and growing a user base and creating technology acceptance. This will depend largely on the Company's ability to provide useful and innovative technology. The actions of external industry participants may affect the brand if users do not have a positive experience using the Protean™ technology. If the Company fails to successfully establish and maintain its brand its business and operating results could be adversely affected.

12.1.6 Development and Commercialisation of Technology

There are many risks inherent in the development of technology products like the WEC Technology, particularly as these products are in the early stages of development. The development of the WEC Technology can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

The Company makes no representation that any of its research into or development of the full scale prototype will be successful, that the development milestones will be achieved, or that the WEC Technology will be developed into products that are commercially exploitable. A failure to successfully develop and commercialise the WEC Technology is likely to lead to a loss of opportunity and adversely impact on the Company's operating results and financial position.

12.1.7 Technology Rights and Protection of Rights

Securing rights to technologies, and in particular patents, is an integral part of securing potential product value in the outcomes of technology research and development. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvents such patents. The Company's success depends, in part, on its and or PEA's ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of technology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in technology patents nor their enforceability can be predicted. There can be no assurance that any patents that PEA may own or control or licence now and in the future will afford the Company commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications.

Although the Company is not aware of any third party interest in relation to the rights to PEA's technologies, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company. The Company is aware of an instance in the past of a third party in the US using the trademark "Protean™" in relation to a competing wave energy technology. The Company has considered the circumstances and at the date of this Prospectus does not consider the matter to be material nor is it expected to cause any negative commercial consequences and therefore the Company does not intend to act on the matter.

Although the Company will implement all reasonable endeavours to protect PEA's technologies, there can be no assurance that these measures have been, or will be sufficient.

12. Risk Factors

Furthermore, PEA has numerous patents pending (i.e. an application for a patent has been made but the patent has not yet been granted). There is no guarantee that all applications for patents will be successful.

12.1.8 Research and development

The Company can make no representation that any of its research into or development of the Protean™ WEC Technology will be successful or that the Protean™ WEC Technology will be developed into products that are commercially exploitable.

There are many risks inherent in the development of renewable energy technologies, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

12.1.9 Technology risks

There is a risk of technology failure in the technologies used in a wave power project. If this occurs, it could have a material adverse effect on that project and in turn on the Company. There is also a risk of technology redundancy due to the long-term nature of the Company's projects. This risk is mitigated by the use of technology and materials from leading international suppliers and manufacturers; this ensures that regular maintenance is undertaken and contracting operations and maintenance is undertaken by experienced industry practitioners.

12.1.10 Other renewable energy technologies

Other renewable energy technologies may be developed or emerge which supersede the Protean™ WEC Technology or make it obsolete, which may cause loss to the Company.

12.1.11 Wave Variability

Although wave energy projects may be more predictable than other renewable energy projects like wind or solar energy, fluctuations in the level of waves occur on a short term basis (examples include daily, monthly and seasonal variations). These fluctuations will affect the amount of energy produced by the WEC Technology and the revenue generated by it, and if the amount of energy produced is reduced, this is likely to be to the detriment of the Company.

12.1.12 Public attitude

Public attitude towards the visual and environmental impact of renewable energy projects, including wave technology, affects the renewable energy targets set by governments and other interested parties which may in turn affect the location and number of WEC units in any given area. The attitude of communities to these and other aspects of renewable energy projects, including wave technology, may change over time. These changes, and any consequential changes to government policy and the regulatory environment, may be positive or negative for the Company.

12.1.13 Product Liability and Uninsured Risks

Through its intended business, the Company may be exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

12. Risk Factors

Although the Company will work to rigorous standards, there is still the potential for the WEC Technology to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

Further, the Company is exposed to the risk of catastrophic loss to necessary equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

12.1.14 Renewable Energy Regulatory Risks

Wave energy projects may be dependent on mandatory or voluntary renewable energy or emissions trading schemes and other government initiatives for economic viability. Typically these government initiatives or program are available for a specified period of time, at the end of which there is no guarantee that the relevant initiative or program will be extended. Equally, during the term of the initiative or program, changes in political or other activities may result in changes to, suspension or abolition of those initiatives or program, which could have a positive or negative effect on the Company.

12.1.15 Competition

The Company will compete with other businesses and companies. Some of these companies are at different stages of development, have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

12.1.16 Insurance

The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company incurs uninsured losses or liabilities, the value of the Company's assets may be at risk.

12.1.17 General Working capital

The Directors believe the funds raised from the Public Offer will give the Company sufficient working capital to achieve its immediate objectives as stated in this Investment Overview Section. However, funds raised under this Prospectus are unlikely to be sufficient to enable the Company to satisfy its long term objectives to fully commercialise its projects and technologies.

12.1.18 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Additionally, the Company has committed to various capital requirements as a result of the Term Sheet. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its technology development as the case may be.

12. Risk Factors

12.1.19 General Operation Risk

Renewable energy projects are exposed to numerous operational risks including the impact of force majeure events, plant breakdowns, electricity network and other utility service failures, and other unanticipated events. The cost of repairing or replacing damaged assets may be considerable, while repeated or prolonged interruption may result in termination of contracts, substantial litigation and damages or penalties for regulatory or contractual non-compliance, reduced cash flows and increased funding costs. Moreover, such amounts may not be recoverable under insurances and, in relation to network failures, network service providers and market operators may also benefit from limitations of liability reducing the quantum of any recovery of damages from them. If the operation expenditure is different from that projected for the wave farm project, it will affect the cash flow available from the project which may have a detrimental impact on the Company.

12.1.20 Market Price of Electricity and Renewable Energy Rights is Volatile

Demand for electricity is dependent on numerous factors including economic conditions, population growth, government policy, weather, availability and price of alternative fuels or energy sources. Demand for products such as the Protean™ WEC Technology may be dependent on mandatory requirements for electricity to come from renewable energy sources, market demand for electricity and renewable energy, and their availability. Given the kinds of factors which affect demand, demand has inherent volatility. This may impact on the price of electricity and renewable energy positively or negatively.

12.1.21 Management of Growth

There is a risk that management of the Company will not be able to implement the Company's strategy. The capacity of management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

12.1.22 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

12.1.23 If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business or its market, or if they change their recommendations regarding the Company's Securities adversely, the price of its Securities and trading volumes could be adversely affected

The market for the Company's Securities trading on ASX may be influenced by any research or reports compiled by securities or industry analysts. If any of the analysts who may cover the Company and its technology change previously disclosed recommendations on the Company or for that matter its competitors, the price of its Securities may be adversely affected.

12.1.24 The Company does not expect to declare any dividends in the foreseeable future

The Company does not anticipate declaring or paying any dividends to Shareholders in the foreseeable future. Consequently, investors may need to rely on sales of their Securities to realise any future gains on their investment.

12. Risk Factors

12.1.25 If the Company's goodwill or intangible assets become impaired, it may be required to record a significant change to earnings

Under generally accepted accounting principles, the Company reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. The Company has on record a total of \$7,836,035 of intangible assets. Any change to the estimation of fair value could result in an impairment charge to the Company's intangible assets. Any such material charges may have a material negative impact on the Company's operating results.

12.2 Specific Risks – Current Assets

A number of specific risk factors that may impact the future performance of the Company are described below. Shareholders should note that this list is not exhaustive.

12.2.1 Operational Risks

The business of mineral exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on, amongst other things:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;
- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;
- (e) obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic mineral deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

12.2.2 Exploration and Mining Risk

The business of mineral exploration and mining involves risks and hazards. For example, in an exploration context no assurance can be given that ore bodies will be detected with preferred or desirable tonnages or grades. High risk and substantial expense can be incurred without the requisite or expected degree of reward. Even if commercial quantities of ore are discovered unforeseen risks can arise in the development and production phase including mining or processing issues, environmental hazards, industrial accidents, labour forced disruption, the unavailability of materials and equipment, unusual or unexpected geological formation, pit failures, changes in the regulatory environment and weather conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

12. Risk Factors

12.2.3 Uncertainty of Exploration and Development Programs

Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any exploration and development program are the location of ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, access to permits and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, several years may lapse from the initial phases of drilling until commercial operations commence and, during such time, the economic feasibility of production may change. Accordingly, the Company's exploration and development program may not result in any new economically viable mining operations.

12.2.4 Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information or techniques becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Even if the Company identifies a resource or reserve, actual ore reserves and resources (including grade and quantity) may differ from those estimated at an earlier time which may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

12.2.5 Ability to Exploit Successful Discoveries

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. The infrastructure requirements around a successful discovery may also impact on the exploitation of a discovery. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such work may require the Company to meet or commit to financing obligations for which it may have not planned.

12.2.6 Compliance Risk

The Company holds an interest in various mining Tenements. Title to these Tenements is subject to the Company, as tenement holder, complying with the terms and conditions of each tenement, including the minimum annual expenditure commitments. There is a risk that if the Company does not comply with the terms and conditions of each tenement, it may lose its interest in the relevant tenement.

The Company has implemented appropriate policies and practices to mitigate the risk that the terms and conditions attaching to each of the Tenements it has an interest in are not complied with.

12.2.7 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity. Issues arising with these third parties and their ability to perform the obligations under the JV Agreement could have a material impact on the assets and financial position of the Company.

12. Risk Factors

In order to meet its contractual obligations, the JV Agreement is required to enter into a collaboration agreement with Korea Institute of Geoscience and Minerals (KIGAM) to undertake a core analysis program. While the Company has no reason to believe that the collaboration agreement with KIGAM will not proceed, the Company cannot guarantee that the collaboration agreement with KIGAM will be executed. A failure to execute the collaboration agreement with KIGAM would mean the ability of the Company to access the drill core to conduct the core analysis work may be limited or restricted either in part or absolutely.

Under the Shareholders Agreement executed with KORID, KORID can elect to terminate the Term Sheet and Shareholders Agreement 12 months from completion with 1 months' notice to the Company. If KORID elects to terminate the Term Sheet and Shareholders Agreement, this would result in the return of the consideration for the transaction, the KORID shares issued (currently in escrow) to the Company.

12.2.8 Contractual Risk

The Company's ability to efficiently conduct its operations in a number of respects depends upon a number of contracts. As in any contractual relationship, the ability for the Company to ultimately receive the benefit of the contract is dependent upon the relevant third party complying with its contractual obligations. To the extent that such third parties default in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

12.2.9 Country Risk

The Company holds interest in assets located in South Korea but may acquire assets in foreign countries in the future. Operations by the Company may require approvals from regulatory authorities which include renewals of existing South Korean assets, service contracts, licences or permits, which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company.

While the Company has no reason to believe that all requisite approvals will not be forthcoming and while the Company's obligations for expenditure will be predicated on any requisite approvals being obtained it should be understood that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

Additionally, there are risks associated with exploration and mining activities and investments generally in foreign countries that may adversely affect the business, costs, expenditure and profitability of the Company. These risks include:

- (a) changes in foreign country government, government policies, regulatory regime, economic change, civil instability, attitudes towards foreigners or their businesses in their country;
- (b) land access and environmental regulation may be adverse or beneficial; and
- (c) the applicable legal regime including investment into and repatriation of revenue out of the foreign country.

12.2.10 Unforeseen Expenditure Risks

Expenditure may need to be incurred which has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, however if such expenditure is subsequently required or incurred, this may adversely impact budgeted expenditure proposals by the Company.

12. Risk Factors

12.2.11 Environmental

The Company's activities are subject to the environmental risks inherent in the mining industry. The Company is subject to environmental laws and regulations in connection with operations it may pursue in the mining industry. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations on any area.

12.2.12 Future capital needs and additional funding

The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the Company cannot forecast with any certainty.

Any additional equity financing will be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional funding as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

12.2.13 Insurance

Insurance against all risks associated with mineral exploration is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the operations of the Company. There is no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers is reasonable.

12.3 General risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

12.3.1 General Economic Climate

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and securities price may be affected by these factors, as well as by fluctuations in the price of commodities, which are beyond the Company's control.

12. Risk Factors

12.3.2 Changes in Legislation and Government Regulation

Government legislation in Australia, South Korea or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

12.3.3 Competition for Projects

The Company competes with other companies, including mineral exploration and production companies. Some of these companies have greater financial and other resources than the Company. As a result, such companies may be in a better position to compete for future business opportunities and there can be no assurance that the Company can effectively compete with these companies. In the event that the Company is not able to secure a new project or business opportunity this may have an adverse effect on the operations of the Company, its possible future profitability and the trading price of its Securities, including the Securities offered under this Prospectus.

12.3.4 Commodity Price Volatility and Exchange Rate Risk

If the Company achieves success leading to mineral production, the revenue it will derive through the sale exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and South Korean currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and Korean Won as determined in international markets.

12.3.5 Sharemarket Conditions

The market price of the Company's Securities may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

12.4 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.



13. Additional Information

13. Additional Information

13.1 Continuous Disclosure

The Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. Copies of announcements made by the Company to ASX may be obtained from www.asx.com.au

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations.

Those obligations include being required to notify ASX immediately of any information concerning the Company of which it is, or becomes, aware of and which a reasonable person would expect to have a material effect on the price or value of the Company's Securities. Exceptions apply for certain information which does not have to be disclosed.

Other documents that are required to be lodged include:

- (a) quarterly activities and cash-flow reports, to be provided to ASX within a specified time after the end of each quarter;
- (b) half yearly reports and preliminary financial statements, to be provided to ASX within a specified time after the end of each half and full year accounting period respectively; and
- (c) financial statements, to be lodged with ASX within a specified time after the end of each accounting period.

13.2 Privacy Disclosure

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments, corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

13. Additional Information

13.3 Taxation Implications

The acquisition and disposal of Securities will have taxation consequences, which will differ depending on the individual financial affairs of each investor. All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company. To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

13.4 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company, the outcome of which will have a material adverse effect on the business or financial position of the Company.

13.5 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid (in cash or Securities or otherwise) and no benefits have been given or agreed to be given to any Director:

- (d) to induce him to become, or to qualify him as, a Director; or
- (e) for services rendered by him in connection with the formation or promotion of the Company or the Offers.

The interests of the Directors in the Securities of the Company as at the date of this Prospectus and their proposed participation in the Offer are set out in Sections 1.10 and 1.11.

13.6 Expenses of the Offers

The total expenses of the Offers payable by the Company are estimated at approximately \$445,000 including capital raising fees (on the basis of the Full Subscription of \$2,500,000). See the table below for further details:

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Fees/Expenses	Full Subscription \$2.5 million	Oversubscriptions \$5 million
ASIC fees	\$2,320	\$2,320
ASX fees	\$85,668	\$88,168
Share Registry Fees	\$10,000	\$10,000
Legal and other professional fees	\$60,000	\$60,000
Printing, distribution and other expenses	\$5,000	\$5,000
Intellectual Property Lawyer's Fees	\$5,000	\$5,000
Tenement Legal Report	\$20,000	\$20,000
Investigating Accountants Fees	\$10,000	\$10,000
Prospectus Management Fees	\$35,000	\$35,000
Experts Report - Wave Energy	\$30,000	\$30,000
Experts Report (IGR) - Korean Projects	\$17,500	\$17,500
Other	\$14,512	\$12,012
Total excl Capital Raising Fees	\$295,000	\$295,000
Capital Raising Fees (6%)	\$150,000	\$300,000
Total	\$445,000	\$595,000

* Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company in accordance with the terms of the Lead Manager Mandate set out in Section 11. The amount calculated is based on 100% of applications being made in this manner. For those applications made directly to and accepted by the Company no broker commissions will be payable and the expenses of the Offers will be reduced and the additional funds will be put towards working capital.

*These expenses have been paid or will be payable by the Company.

* These amounts are exclusive of GST

13.7 Interests and Consents of Promoters, Experts and Advisors

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, for services rendered by that person in connection with the formation or promotion of the Company or the Offers.

Each of the parties referred to in this Section:

- (a) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below;

13. Additional Information

- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that party; and
- (c) has given and has not, before the date of lodgement of this Prospectus, with ASIC, withdrawn its written consent:
 - (i) to be named in this Prospectus in the form and context which it is named; and
 - (ii) to the inclusion in this Prospectus of the statement(s) and/or report(s) (if any) by that person in the form and context in which it appears in this Prospectus.

Energetics has acted as the Independent Market Expert and has prepared the Independent Market Report which is included in Section 6 of this Prospectus. The Company estimates it will pay Energetics a total of \$30,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Energetics has not received fees from the Company for any other services. Energetics has given its written consent to being named as Independent Market Expert in this Prospectus and to the inclusion of the Independent Market Report which is included in Section 6 of this Prospectus in the form and context in which the information and report is included. Energetics has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Energetics has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

WRAYS has acted as the Company's Patent Attorney and has prepared the Intellectual Property Report which is included in Section 7 of this Prospectus. The Company estimates it will pay WRAYS a total of \$5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, WRAYS has received fees of \$60,554 from the Company for other services. WRAYS has given its written consent to being named as the Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 7 of this Prospectus in the form and context in which the report is included. WRAYS has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. WRAYS has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 8 of this Prospectus. The Company estimates it will pay BDO of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, BDO was paid \$116,085 for other professional services. BDO has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 8 of this Prospectus in the form and context in which the information and report is included. BDO has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. BDO has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

13. Additional Information

Nova Legal has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Nova Legal \$60,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Nova Legal has received fees totalling approximately \$58,933.89 from the Company in respect of legal services provided to the Company. Nova Legal has given its written consent to being named as the solicitors to the Company in this Prospectus. Nova Legal has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. Nova Legal has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

CPS Capital Group Pty Ltd (**CPS**) will be paid fees for Lead Manager services in relation to this Prospectus as set out in Section 11.8. CPS have provided lead manager services to the Company under the Lead Manager Mandate described in Section 11.8 and fees totalling approximately \$147,732 (ex GST) have been paid for services provided to the Company over the past two years. Any further services required will be charged in accordance with CPS normal hourly rates and on commercial terms. CPS has given, and has not withdrawn its consent to being named as Lead Manager to the Company in this Prospectus. CPS has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Optiro Pty Ltd (**Optiro**) has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay Optiro of \$17,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Optiro has received fees of \$15,965 (ex GST) from the Company for any other services. Optiro has given its written consent to being named as Independent Geologist in this Prospectus and to the inclusion of the Independent Geologists Report in Section 9 of this Prospectus in the form and context in which the information and report is included. Optiro has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Optiro has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Yi Gong Lawyers Korea (**Yi Gong**) has acted as in-country solicitors for the Company in respect of its Korean Assets and has prepared the Korean Solicitor's Report on Tenements which is included in Section 10 of this Prospectus. The Company estimates it will pay Yi Gong fees of \$20,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Yi Gong has received fees of \$100,146 from the Company for other services. Yi Gong has given its written consent to being named as in-country solicitors in this Prospectus and to the inclusion of the Korean Solicitor's Report on Tenements in Section 9 of this Prospectus in the form and context in which the information and report is included. Yi Gong has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Yi Gong has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Link Market Services Limited (**Link**) has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and are paid for these services on standard industry terms and conditions. References to Link

13. Additional Information

appear for information purposes only. Link have not been involved in, authorised or caused the issue of this Prospectus.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

13.8 Rights and Restrictions Attaching to Shares

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

The Shares to be issued under this Prospectus will rank equally with the existing Shares.

- (a) At the date of this Prospectus all Shares are of the same class and rank equally in all respects. Specifically, the Shares that may be issued pursuant to this Prospectus will rank equally with existing Shares on issue.
- (b) Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.
- (c) Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.
- (d) The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares of the affected class, or with the sanction of a special resolution passed at a meeting of the holders of the Shares of the affected class.
- (e) Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.
- (f) Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.
- (g) If the Company is wound up, the liquidator may, with the sanction of a special resolution:
 - (i) divide among the Shareholders the whole or any part of the Company's property; and
 - (ii) decide how the division is to be carried out between the Shareholders.
- (h) Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them and in proportion to the amounts paid or credited as paid.

13.9 Terms and Conditions of Performance Shares to be issued to the Vendors

A total of 120,000,000 Performance Shares will be issued to the Vendor. Each (1) Performance Share shall be issued on Completion of the Acquisition and is convertible into one (1) Share in the capital of the Company, upon any of the following milestones being achieved:

Event / Milestone

(Milestone 1): Completion of financing of not less than \$5,000,000 to fund further development of the WEC Technology.

Expiry: Within 3 years of the date of issue of the Performance Share.

(Milestone 2): Commissioning of a WEC Technology facility of 45 kilowatts or greater in a jurisdiction outside Australia.

Expiry: Within 3 years of the date of issue of the Performance Share.

(Milestone 3): Commissioning of a WEC Technology facility or facilities of cumulative 500 kilowatts or greater.

Expiry: Within 3 years of the date of issue of the Performance Share.

(Milestone 4): Execution of a fully funded agreement to install a WEC Technology facility or facilities of cumulative 1 megawatt or greater on commercial terms.

Expiry: Within 3 years of the date of issue of the Performance Share.

(Milestone 5): Execution of a bona fide arm's length third party licensing, cooperation or collaboration agreement (or agreements) valued cumulatively at not less than \$5,000,000 at the time of signing, for the whole or part of the WEC Technology for assessment, development or commercialisation. Value to be determined by an independent valuer using generally accepted valuation methodologies.

Expiry: Within 3 years of the date of issue of the Performance Share.

The Performance Shares are to be issued to the Vendor upon Completion of the Acquisition, however, shall not convert to ordinary Shares until such time as the milestones referred to above have been satisfied.

The parties agreed to work together in good faith to obtain approval from ASX for the terms of the Performance Shares, and if the proposed terms of the Performance Shares were not approved by ASX the parties agreed to negotiate in good faith a restructuring of the Securities to be issued to Vendors such that the Vendors receive equivalent consideration. In this regard, the Company has obtained approval from ASX that the terms and conditions of the Performance Shares are appropriate.

The Performance Shares are otherwise subject to the following standard terms and conditions:

- (a) (**Performance Shares**) Each Performance Share is a share in the capital of the Company.
- (b) (**General Meetings**) The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) (**No Voting Rights**) The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

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- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Performance Share.
- (f) **(Not Transferable)** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into Shares, the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(No Other Rights)** The Performance Shares give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (k) **(Reconstruction)**
 - (i) If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for adjustment of the conversion of Performance Shares into Shares will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Holder which are not conferred on the Shareholders, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Performance Shares will remain unchanged.
 - (ii) The adjustments of this term will, subject to the ASX Listing Rules, be determined by the Company.
- (l) **(Redemption if Milestones not Achieved)** If the Milestones in relation to Performance Shares, as set out, are not achieved within a 36 month period commencing on the date of issue of the Performance Shares, then the 120 million Performance Shares held by the Holders will automatically consolidate into one (1) Performance Share and will then convert into one Share.
- (m) **(Conversion Procedure)** the Company will issue new holding statements for Shares as soon as practicable following the conversion of the Performance Shares into Shares.
- (n) **(Ranking of Shares)** The Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Shares.
- (o) **(Conversion on Change in Control)** Upon the occurrence of a Change of Control Event in circumstances where any of Performance Milestone 1, Performance Milestone 2, Performance Milestone 3, Performance Milestone 4 or Performance Milestone 5 has not been met:

13. Additional Information

- (i) that number of Performance Shares on issue that, after conversion, is up to a maximum number that is equal to 10% of Stonehenge's issued Share capital (as at the date of the Change of Control Event (defined below) will automatically convert into Shares);
 - (ii) Stonehenge will ensure the allocation of Shares issued under paragraph (3)(a) is on a pro rata basis to all holders of Performance Shares in respect of their respective holdings of Performance Shares; and
 - (iii) all remaining Performance Shares held by each holder will automatically consolidate into one Performance Share and will then convert into one Share
- (p) For the purpose of this clause (o), Change of Control means:
- (i) a bona fide takeover bid is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares; or
 - (ii) a court approves under Section 411(4)(b) of the Corporations Act 2001 (Cth) (Act) a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.
- (q) **(Takeover Provisions)**
- (i) If the conversion of Performance Shares (or part thereof) would result in any person being in contravention of Section 606(1) of the Act then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of Section 606(1) of the Act.
 - (ii) The Holders shall give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) may result in the contravention of Section 606(1) of the Act failing which the Company shall assume that the conversion of Performance Shares (or part thereof) will not result in any person being in contravention of Section 606(1) of the Act.
 - (iii) The Company shall (but is not obliged to) by written notice request the Holders to give notification to the Company in writing within 7 days if they consider that the conversion of Performance Shares (or part thereof) may result in the contravention of Section 606(1) of the Act. If the Holders do not give notification to the Company within 7 days that they consider the conversion of Performance Shares (or part thereof) may result in the contravention of Section 606(1) of the Act then the Company shall assume that the conversion of Performance Shares (or part thereof) will not result in any person being in contravention of Section 606(1) of the Act.

13.10 Terms and Conditions of Class F Performance Shares

- (a) **(Class F Performance Shares)**: A "Class F Performance Share" is a share in the capital of the Company.
- (b) **(General Meetings)**: A Class F Performance Share shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)**: A Class F Performance Share does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)**: A Class F Performance Share does not entitle the Holder to any dividends.

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- (e) **(Rights on Winding Up)**: The Holder is not entitled to participate in the surplus assets or profits of the Company in a winding up.
- (f) **(Not Transferable)**: A Class F Performance Share is not transferable except where:
- (i) the Holder is a company; and
 - (ii) the members of the Holder:
 - (A) pass a special resolution to wind up the Holder in accordance with Section 491 of the Corporations Act; or
 - (B) unanimously consent to the voluntary deregistration of the Holder for the purpose of Section 601AA of the Corporations Act,and provided that:
 - (ii) upon the special resolution or unanimous consent being obtained, the Holder may only transfer the Class F Performance Shares to the persons that are registered as members of the Holder on the date of issue of the Class F Performance Shares (**Record Date**) in proportion to their interests in the Holder on the Record Date; and
 - (iv) this exception only permits the distribution of the Class F Performance Shares by the initial Holder of those shares.
- (g) **(Reorganisation of Capital)**: If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)**: A Class F Performance Share will not be quoted on ASX. However, upon conversion of a Class F Performance Share into fully paid ordinary shares (Shares) in accordance with clause (j), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(No Other Rights)**: A Class F Performance Share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Class F Performance Shares:

- (j) **(Conversion)**: Subject to clauses (k) and (l) below, a Class F Performance Share will convert into one Share upon the execution of a binding JV agreement on the Uranium Projects (as that term is defined in the share sale agreement between the Company, Yellow Sun Mines (Operations) Pty Ltd and Chong Ma Mines Inc (**Chong Ma**) dated on or about 3 January 2010 (**Share Sale Agreement**) (**Milestone**).
- (k) **(Deficiency in expenditure)** If:
- (i) Chong Ma or the Company does not incur expenditure on the Mining Rights (as defined in the Share Sale Agreement) of at least A\$3 million within two (2) years of settlement of the Share Sale Agreement (Minimum Expenditure Obligation); and
 - (ii) the Company does not rectify the deficiency including by depositing funds into Chong Ma equal to the difference between the amount actually spent by Chong Ma and/or the Company on the Mining Rights in the two (2) years from settlement of the Share Sale Agreement (**Expenditure Incurred**) and A\$3 million,

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then, upon the achievement of the Milestone, each Class F Performance Share shall convert into that number of Shares which is equal to the Expenditure Incurred divided by 3 million.

- (l) (**Compliance with law**): The conversion of the Class F Performance Shares is subject to compliance at all times with the Corporations Act and the Listing Rules of ASX.
- (m) (**Lapse**) If the Milestone is not achieved within five (5) years of issue of the Class F Performance Shares, all Class F Performance Shares will lapse.
- (n) (**Conversion Procedure**) the Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of a Class F Performance Share into Shares in accordance with clause (i).
- (o) (**Ranking of Shares**) The Shares into which the Class F Performance Shares will convert will rank *pari passu* in all respects with existing Shares.

13.11 Terms and Conditions of Performance Rights

- (a) Under the Performance Rights Plan, the Board may grant Performance Rights to eligible employees (including Executive Directors) of the Company (or any of its subsidiaries) determined by the Board.
- (b) The Board may determine the number and value of any Performance Rights to be granted under the Plan. Without limiting its discretion, the Board may also determine the exercise price, vesting conditions, exercise conditions, exercise period and any other terms applicable to a particular grant of Performance Rights in an invitation to an eligible employee.
- (c) Subject to paragraph (m) below, the Director Performance Rights shall vest and convert to Shares within 5 years from the date of issue as follows:

# of Rights	Vesting Condition	Tenure Period (years post the date of readmission to ASX)
Mr. B Lane: 2,500,000	Performance Rights shall convert to Shares upon successfully raising the Full Subscription amount under a re-compliance prospectus and successful re-admission of the company to ASX.	2
Mr. S Moore: 9,000,000	Performance Rights shall convert to Shares upon successfully raising the Full Subscription amount under a re-compliance prospectus and successful re-admission of the company to ASX.	0
Mr. B Lane: 2,500,000 Mr. S Moore: 9,000,000	Performance Rights shall convert to Shares upon the Company's market capitalisation (fully diluted) exceeding the market capitalisation of the company at re-admission (based on the prospectus raising share price) by 100% for a period of 20 consecutive trading days based on the closing price of the Shares on ASX.	2

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# of Rights	Vesting Condition	Tenure Period (years post the date of readmission to ASX)
Mr. B Lane: 2,500,000 Mr. S Moore: 9,000,000	Performance Rights shall convert to Shares upon the Company's market capitalisation (fully diluted) exceeding the market capitalisation of the Company at re-admission (based on the prospectus raising share price) by 150% for a period of 20 consecutive trading days based on the closing price of the Shares on ASX.	2
Mr. B Lane: 2,500,000 Mr. S Moore: 9,000,000	Performance rights shall convert to Shares upon either: <ol style="list-style-type: none"> 1. the Company commissioning its first commercial installation of at least 250kW; or 2. the Company's market capitalisation (fully diluted) exceeding the market capitalisation of the Company at re-admission (based on the prospectus raising share price) by 200% for a period of 20 consecutive trading days based on the closing price of the Shares on ASX. 	2
Mr. B Lane: 2,500,000 Mr. S Moore: 9,000,000	Performance rights shall convert to Shares upon the achievement of any three of the following: <ol style="list-style-type: none"> 1. ratification of a working relationship between California Polytechnic State University, San Luis Obispo (Cal Poly), or a sub-entity thereof, and the Subsidiary (Protean Wave Energy Inc.). By way of example a suitable relationship may be in the form of a memorandum of understanding or heads of agreement to implement a Protean™ WEC demonstration array off the coast of California or some other acceptable relationship; 2. when the Subsidiary receives the first payment under any prize or grant scheme in the US; 3. the Subsidiary receives the first payment of a grant scheme or prize or some other endowment with a total value greater than or equal to US\$250,000; 4. ratification of a working relationship between the Subsidiary and any branch of the U.S. Government either military or civilian; 5. ratification of a working relationship between the Subsidiary and a significant port (or its subsidiary) or an oil/gas producer or an oil/gas production or oil/gas processing facility within the US; 6. ratification of the first binding power purchase agreement or water supply agreement for least 2 MW of electric power or its economic equivalent in water supply cumulative between one or more customers and the Subsidiary, within the US for purposes of deploying a demonstration of the Protean™ WEC Technology; and 7. An acceptable funding event for the Subsidiary, wherein the Subsidiary attracts funding in the US equivalent to not less than USD\$5,000,000 from a source other than the Company, a grant, prize or endowment. 	2

- (d) Each Performance Right which has vested and not lapsed or expired entitles the participating employee to one fully paid ordinary Share in the Company on exercise. Subject to the terms of grant, the Company may issue new Shares or arrange a transfer or purchase of existing Shares.
- (e) The Company may determine to issue shares to the participant or a trustee (to be held for and then transferred to the participant) or alternatively, it may acquire, or procure the trustee acquire Shares to be held for the participant's benefit before it is transferred to the participant.

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- (f) Without the prior approval of the Board, Performance Rights cannot be transferred, disposed of or be dealt with by a participant.
- (g) Shares to be delivered upon exercise of a Performance Right may be subject to disposal restrictions or forfeiture conditions determined by the Board at the time of grant.
- (h) Unless the exercise period set by the board expires at an earlier date or the Board determines otherwise in an invitation, Performance Rights will lapse on the latest of:
 - (i) expiry of 12 months after the participant's death, if death occurs before the Performance Rights would otherwise lapse;
 - (ii) expiry of 6 months after the date the participant ceases to be employed due to total and permanent disablement or redundancy;
 - (iii) expiry of 3 months after the date the participant's employer ceases to be a subsidiary of the Company;
 - (iv) the date the participant ceases to be employed for any other reason; or
 - (v) if the Board extends the time during which the Performance Right may be exercised (which cannot be later than the expiry of the exercise period), the expiry of that time.
- (i) Unexercised Performance Rights will also lapse if in the opinion of the Company, the participant has acted fraudulently or dishonestly.
- (j) Performance Rights do not carry entitlements to participate in new issues of securities made by Stonehenge, until the participant has validly exercised the Performance Rights and become a shareholder of the Company prior to the record date for the new issue. However, subject to the Listing Rules, adjustments may be made to the number of shares to which Performance Rights relate or the exercise price, to take into account changes to the capital structure of Stonehenge that occur by way of a pro rata issue or bonus issue respectively.
- (k) In any reorganisation of Stonehenge's issued capital, the number of Performance Rights may be adjusted to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital.
- (l) The Board may determine that any Performance Rights will become vested and may be exercised in any period, whether or not any or all applicable exercise conditions have been satisfied, including if there is a change of control of or takeover of Stonehenge.
- (m) Subject to paragraph (l), a Performance Right may only be exercised if:
 - (i) where the participant is an employee at the time of exercise, the Performance Right has vested at the time of exercise;
 - (ii) where:
 - a. the participant's employment with the Company ceases due to death, total and permanent disablement, redundancy or retirement; or
 - b. the participant's employer (being a company other than the Company) ceases to be a company within the Company group, whether or not after the cessation the participant remains an employee of that company,the Performance Right has vested on the employee's last employment date;

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(iii) at the time of exercise:

- a. the exercise period has commenced;
- b. the Performance Right has not lapsed;
- c. the exercise price (if any) has been paid; and
- d. each exercise condition (if any) has been satisfied or waived; and

(vi) where the participant is an individual, the participant is not bankrupt and has not committed an act of bankruptcy and where the participant is deceased, the Participant's estate is not bankrupt.

(n) A copy of the Performance Rights Plan Rules are set out in Section 13.12.

13.12 Terms and Conditions of Performance Rights Plan

- (a) Under the Performance Rights Plan (**Plan**), the Board may grant Performance Rights to eligible employees (including Executive Directors) of the Company (or any of its subsidiaries) determined by the Board.
- (b) The Board may determine the number and value of any Performance Rights to be granted under the Plan. Without limiting its discretion, the Board may also determine the exercise price, vesting conditions, exercise conditions, exercise period and any other terms applicable to a particular grant of Performance Rights in an invitation to an eligible employee.
- (c) Each Performance Right which has vested and not lapsed or expired entitles the participating employee to one fully paid ordinary share in the Company on exercise. Subject to the terms of grant, the Company issue new shares or arrange a transfer or purchase of existing Shares.
- (d) The Company may determine to issue Shares to the participant or a trustee (to be held for and then transferred to the participant) or alternatively, it may acquire, or procure the trustee to acquire Shares to be held for the participant's benefit before it is transferred to the participant.
- (e) Without the prior approval of the Board, Performance Rights cannot be transferred, disposed of or be dealt with by a participant.
- (f) Shares to be delivered upon exercise of a Performance Right may be subject to disposal restrictions or forfeiture conditions determined by the Board at the time of grant.
- (g) Unless the exercise period set by the Board expires at an earlier date or the Board determines otherwise in an invitation, Performance Rights will lapse on the latest of:
 - (i) Expiry of 12 months after the participant's death, if death occurs before the Performance Rights would otherwise lapse;
 - (ii) Expiry of 6 months after the date the participant ceases to be employed due to total and permanent disablement or redundancy;
 - (iii) Expiry of 3 months after the date the participant's employer ceases to be a subsidiary of the Company;
 - (iv) The date the participant ceases to be employed for any other reason; or
 - (v) If the Board extends the time during which the Performance Right may be exercised (which cannot be later than the expiry of the exercise period), the expiry of that time.

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- (h) Unexercised Performance Rights will also lapse if in the opinion of the Company, the participant has acted fraudulently or dishonestly.
- (i) Performance Rights do not carry entitlements to participate in new issues of securities made by the Company, until the participant has validly exercised the Performance Rights and become a shareholder of the Company prior to the record date for the new issue. However, subject to the Listing Rules, adjustments may be made to the number of shares to which Performance Rights relate or the exercise price, to take into account changes to the capital structure of the Company that occur by way of pro rata issue or bonus issue respectively.
- (j) In any reorganisation of Stonehenge's issued capital, the number of Performance Rights may be adjusted to the extent necessary to comply with the Listing Rules applying to a reorganization of capital.
- (k) The Board may determine that any Performance Rights will become vested and may be exercised in any period, whether or not any or all applicable exercise conditions have been satisfied, including if there is a change of control of or takeover of the Company.
- (l) Subject to paragraph (k), a Performance Right may only be exercised if:
 - (i) Where the participant is an employee at the time of exercise, the Performance Right has vested at the time of exercise;
 - (ii) Where:
 - A. The Participant's employment with a company in the Company's group ceases due to death, total and permanent disablement, redundancy or retirement; or
 - B. The Participant's employer (being a company other than the Company) ceases to be a company within the Company's group, whether or not after the cessation the Participant remains and employee of that company;
 - C. the Performance Right has vested on the employee's last employment date;
 - (iii) At the time of exercise:
 - A. The exercise period has commenced;
 - B. The Performance Right has not lapsed;
 - C. The exercise price (if any) has been paid; and
 - D. Each exercise condition (if any) has been satisfied or waived; and
- (m) Where the Participant is an individual, the Participant is not bankrupt and has not committed an act of bankruptcy and where the Participant is deceased, the Participant's estate is not bankrupt.

13.13 Terms and Conditions of Class A Options exercisable at \$0.01 expiring 25 March 2020 - To be cancelled

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option holder the right to subscribe for one Share.
- (b) The Options will expire at 5.00pm (WST) on 25 March 2020 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

13. Additional Information

- (c) The amount payable upon exercise of each Option will be \$0.01 (**Exercise Price**).
- (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;**(Exercise Notice)**.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares issued upon the exercise of the Options will upon issue rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares issued pursuant to the exercise of the Options on ASX within 10 Business Days after the date of issue of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying Securities over which the Option can be exercised.

13.14 Terms and Conditions of Class B Options exercisable at \$0.014 expiring 6 April 2020 - To be cancelled

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option holder the right to subscribe for one Share.
- (b) The Options will expire at 5.00pm (WST) on 5 April 2020 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.014 (**Exercise Price**).

13. Additional Information

- (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares issued upon the exercise of the Options will upon issue rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares issued pursuant to the exercise of the Options on ASX within 10 Business Days after the date of issue of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying Securities over which the Option can be exercised.

13.15 Terms and Conditions of Class C Options exercisable at \$0.081

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option entitles the holder to subscribe for one Share upon exercise of the Option at an Exercise Price of \$0.081 per Option (**Exercise Price**).
- (b) Each Option will expire at 5.00pm (WST) on the date that is four (4) years after the date the Options are granted (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

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- (c) The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (d) The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (Notice of Exercise) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (e) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (f) Within 15 Business Days after the later of the following:
 - (i) the Exercise Date; and
 - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information, but in any case no later than 20 Business Days after the Exercise Date, the Company will:
 - (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (iii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (g) If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- (h) Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.
- (i) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (j) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (k) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (l) The Company will not apply for quotation of the Options on ASX.
- (m) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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13.16 Terms and Conditions of Class D Options and Incentive Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option entitles the holder to subscribe for one ordinary Share in the Company.
- (b) Each Option entitles the holder to subscribe for one Share in the Company with on the following basis:
 - (i) 10% of the Options will have an exercise price of \$0.0375 per Option;
 - (ii) 20% of the Options will have an exercise price of \$0.05 per Option;
 - (iii) 30% of the Options will have an exercise price of \$0.0625 per Option; and
 - (iv) 40% of the Options will have an exercise price of \$0.075 per Option.
- (c) The Options are exercisable at any time on or before 5:00pm (WST) on 30 November 2018 by completing a notice of exercise and delivering it to the Company's share registry together with the payment for the number of Shares in respect of which the Options are exercised.
- (d) All Shares issued upon exercise of Options will be allocated within ten (10) Business Days (as defined in the Listing Rules of the ASX) of delivery of the option certificate, notice of exercise and the application monies in respect of the exercise.
- (e) Shares issued pursuant to the exercise of Options will rank pari passu in all respects with the then existing Shares. Subject to the Listing Rules, the Company will apply to ASX for official quotation of all Shares issued upon exercise of the Options.
- (f) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made available to shareholders of the Company in respect of their Options.
- (g) In the event of any reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of holders of Options will be changed to the extent necessary to comply with the Listing Rules of the ASX at the time of the reorganisation.
- (h) Options not exercised by 5:00pm (Australian Western Standard Time) on 30 November 2018 will lapse. There is no obligation to exercise Options.
- (i) The Shares will either be issued with a disclosure document (within the meaning of the Corporations Act) or, if the Company meets the requirements of section 708A(5) of the Corporations Act, with a notice that complies with section 708A(6) of the Corporations Act.

13.17 Terms and Conditions of Class K Options (Public Offer Options), Class H Options, Placement Options and Lead Manager Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option entitles the holder to subscribe for one ordinary Share in the Company.
- (b) Each Option entitles the holder to subscribe for one Share in the Company with a strike price of \$0.0375 expiring on 31 December 2018.

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- (c) The Options are exercisable at any time on or before 5:00pm (Australian WST) on 31 December 2018 by completing a notice of exercise and delivering it to the Company's share registry together with the payment for the number of Shares in respect of which the Options are exercised.
- (d) All Shares issued upon exercise of Options will be allocated within five (5) Business Days (as defined in the Listing Rules of the ASX) after receipt of a properly executed notice of exercise and the application monies in respect of the exercise.
- (e) Shares issued pursuant to the exercise of Options will rank *pari passu* in all respects with the then existing Shares. Subject to the Listing Rules, the Company will apply to ASX for official quotation of all Shares issued upon exercise of the Options.
- (f) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made available to shareholders of the Company in respect of their Options.
- (g) In the event of any reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of holders of Options will be changed to the extent necessary to comply with the Listing Rules of the ASX at the time of the reorganisation.
- (h) Options not exercised by 5:00pm (Australian WST) on 31 December 2018 will lapse. There is no obligation to exercise Options.
- (i) The Shares will either be issued with a disclosure document (within the meaning of the Corporations Act) or, if the Company meets the requirements of section 708A(5) of the Corporations Act, with a notice that complies with section 708A(6) of the Corporations Act.

13.18 Incentive Option Plan

- (a) The Directors, at their discretion, may issue Incentive Options to Eligible Participants at any time, having regard to relevant considerations such as the Participant's past and potential contribution to the Company, and their period of employment with the Company.
- (b) Eligible Participants in the Incentive Option Plan are Employees and Directors of the Company, or of a related body corporate. The Company will seek Shareholder approval for Director and related party participation in accordance with Listing Rule 10.14.
- (c) The Incentive Option Plan is administered by the Directors of the Company, who have the power to:
 - (i) determine appropriate procedures for administration of the Incentive Options Plan consistent with its terms;
 - (ii) resolve conclusively all questions of fact or interpretation in connection with the Incentive Options Plan;
 - (iii) delegate the exercise of any of its powers or discretions arising under the Incentive Options Plan to any one or more persons for such period and on such conditions as the Board may determine; and
 - (iv) suspend, amend or terminate the Incentive Options Plan.
- (d) Incentive Options will be issued for nil consideration.
- (e) The exercise price of the Incentive Options shall be determined by the Board in its absolute discretion.

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- (f) The Company acknowledges that offers made under the Scheme will only be made in accordance with the requirements of ASIC Class Order 14/1000. If the Company makes an offer of Incentive Options where:
- (i) the total number of Shares to be received on exercise of the Incentive Options the subject of that offer, exceeds the limit set out in the ASIC Class Order 14/1000; or
 - (ii) the offer does not otherwise comply with the terms and conditions set out in the ASIC Class Order 14/1000,
- the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.
- (g) The Shares to be issued on exercise of the Incentive Options will be issued on the same terms as the fully paid, ordinary Shares of the Company and will rank equally with all of the Company's then existing Shares.
- (h) The Board may determine the time periods or exercise condition after which the Incentive Options will vest. The Incentive Options provides for the release of vesting conditions at the Board's discretion in the event of a change of control of the Company.
- (i) Incentive Options must be exercised (if at all) not later than its expiry date and may only be exercised at any time after the Incentive Options have vested. The Board may determine (in its absolute discretion) any further conditions of exercise consistent with the terms of the Incentive Options Plan.
- (j) Incentive Options will not be listed for quotation. However, the Company will make application to ASX for official quotation of all Shares issued on exercise of the Incentive Options as soon as practicable after their Issue Date.
- (k) The Incentive Options are not transferable once issued subject to compliance with the Corporations Act.

13.19 Corporate Structure

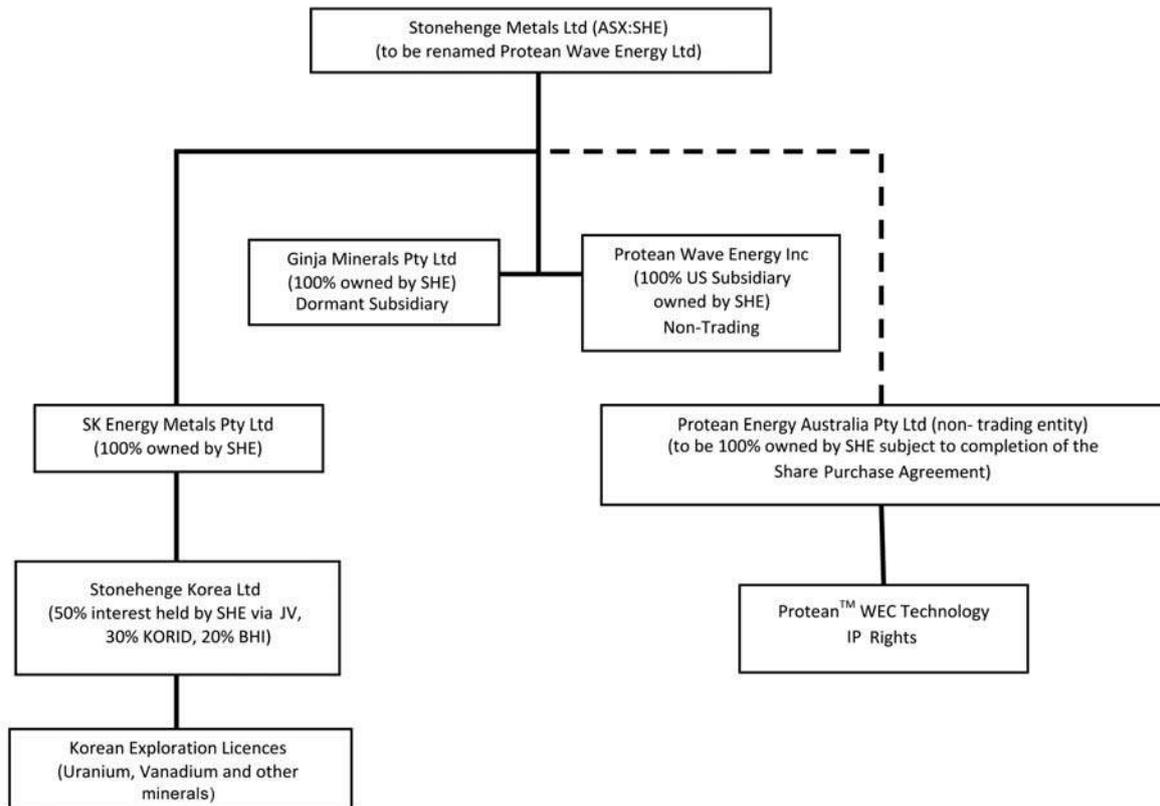
As at the date of this Prospectus, the Company is the ultimate Australian parent entity of the following entities:

Name of Entity	Country of Incorporation	SHE Equity Holding
SK Energy Metals Pty Ltd	Australia	100%
Stonehenge Korea Ltd	South Korea	50%
Ginja Minerals Pty Ltd	Australia	100%
Protean Wave Energy Inc	United States	100%

Subject to Completion of the Acquisition, the Company will become the ultimate Australian parent entity of Protean Energy Australia Pty Ltd.

13. Additional Information

The corporate structure of the Company as at the date of this Prospectus, and subject to Completion of the Acquisition is as follows:



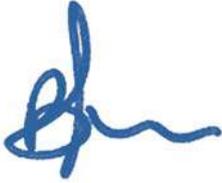


14. Directors' Authorisation

14. Directors' Authorisation

This Prospectus is authorised by each of the Directors of the Company and each has consented to the lodgement of this Prospectus in accordance with section 720 of the *Corporations Act 2001*.

This Prospectus is signed for and on behalf of the Company by:



Bruce Lane
Managing Director

For and on behalf of Stonehenge Metals Ltd (to be renamed Protean Wave Energy Limited)



15. Glossary of Terms

15. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

Terms used in the Independent Market Report in Section 6 have the same meaning throughout this Prospectus unless otherwise defined.

\$ means Australian Dollars.

Acquisition means the Company's acquisition of all the issued capital in PEA from the Vendor (being PEL) upon exercise of the option under the Call Option and Licence Agreement and the Share Purchase Agreement, as set out in Section 11.1.

Application Form(s) or Form(s) means an application form provided by the Company for the Securities offered pursuant to this Prospectus.

Application Monies means application monies for Securities received and banked by the Company.

Applications means completed Application Forms submitted to and received by the Company accompanied by Application Monies.

Annual General Meeting means the annual general meeting of the Company held on 30 November 2015 for the purpose of approving resolutions in connection with the Acquisition (at which all resolutions were approved by Shareholders).

Article means an article of the Company's Constitution.

ASIC means Australian Securities and Investments Commission.

ASX CGC P&R means the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules or Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

ASXS means ASX Settlement Pty Limited (ACN 008 504 532).

ASXS Operating Rules means the operating rules of ASXS, except to the extent of any relief given by ASXS.

Board means the Directors of the Company as at the date of this Prospectus.

Business Day means a day on which ASX is open for trading.

Call Option and Licence Agreement means the call option licence agreement between the Company, PEA and PEL dated 10 November 2014 (which annexed the Share Purchase Agreement) on the terms set out in Section 11.2.

CalWave has the meaning set out in Section 11.20.

CAPEX means capital expenditures are expenditures creating future benefits. CAPEX is incurred when a business spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life extending beyond the taxable year.

15. Glossary of Terms

Capital Raising means the capital raising the subject of this Prospectus.

CEM means Clean Energy Maldives Pvt Ltd, a company incorporated in the Maldives.

CEM Option Agreement means the agreement between the Company and CEM (dated 22 September 2015) for the acquisition of 99% of the shares in CEM by the Company.

Chapter means a chapter of either the Listing Rules or the Corporations Act.

CHES means Clearing House Electronic Subregistry System.

Class A Options means the Options of the Company issued on the terms set out in Section 13.13.

Class B Options means the Options of the Company issued on the terms set out in Section 13.14.

Class C Options means the Options of the Company issued on the terms set out in Section 13.15.

Class D Incentive Options means the Options of the Company issued on the terms set out in Section 13.16.

Class K Options means the Public Offer Options of the Company issued on the terms set out in Section 13.17.

Collaboration Agreement means the agreement between the Company and KORID dated 17 February 2015.

Company or **SHE** or **Stonehenge** means Stonehenge Metals Ltd (to be renamed Protean Wave Energy Limited) (ACN 119 267 391).

Company Secretary means Matthew Foy.

Completion means completion of the Acquisition under the Share Purchase Agreement.

Conditions of the Offer means the conditions of the Offer defined in Section 4.6.

Consideration means the Shares and Performance Shares issued by the Company to the Vendor, pursuant to the Term Sheet and the Call Option and Licence Agreement, in consideration for the Acquisition.

Constitution means the current constitution of the Company.

Conversion Offer means the offer, under this Prospectus, of up to 30,761,352 Shares to the Loan Holders on conversion of the Convertible Loans.

Convertible Loan or **Loans** means the convertible loan or loans issued by the Company to the Loan Holders on the terms specified in Section 11.4.

Corporate Directory means the corporate directory of the Company as set out on page 2 of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Daejon Project means the exploration licences held by the Company set out in Table 6.1 of the Independent Geologist's Report in Section 9.

Directors means the directors of the Company as at the date of this Prospectus.

Director Offer means the offer, under this Prospectus, of up to 80,000,000 Incentive Options to the Directors and Mr Sean Moore.

Director Securities means the Securities issued pursuant to the Director Offer.

Energetics means Energetics Pty Ltd (ABN 67 001 204 039) Level 7, 132 Arthur Street, North Sydney NSW 2060.

Executive Offer means the offer, under this Prospectus, of up to 57,500,000 Performance Rights to Mr Bruce Lane and Mr Sean Moore.

15. Glossary of Terms

Executive Securities means the Securities issued pursuant to the Executive Offer.

Exposure Period means the exposure period in accordance with section 727(3) of the Corporations Act, the period of 7 days (which may be extended by ASIC to up to 14 days) after lodgement of this Prospectus with ASIC during which the Company must not process Applications.

Full Subscription means the full subscription of the Public Offer, being 100,000,000 Shares at an issue price of \$0.025, together with 100,000,000 free attaching Public Offer Options to raise \$2,500,000 as set out in Section 4.9.

GST means Goods and Services Tax.

HIN means Holder Identification Number.

Incentive Option Plan means the Company's incentive option plan issued on the terms set out in Section 13.18.

Incentive Offer means the offer, under this Prospectus, of up to 80,000,000 Incentive Options to the Directors and Mr Sean Moore.

Incentive Option means an option to be issued under the Incentive Options Plan.

Incentive Securities means the Securities issued pursuant to the Incentive Offer.

Independent Market Expert means Energetics.

Independent Market Report means the report in Section 6 prepared by the Independent Market Expert.

Indicative Timetable means the indicative timetable for the Offer set out Section 1.4.

Intellectual Property Lawyer means Wrays.

Intellectual Property Report means the report in Section 7 prepared by the Intellectual Property Lawyer.

Investigating Accountant means BDO Corporate Advisory (WA) Pty Ltd.

Investigating Accountant's Report means the report in Section 8 prepared by the Investigating Accountant.

Investment Overview means the investment overview contained in Section 1 of this Prospectus.

Issue Date means the date, as determined by the Directors, on which the Securities offered under this Prospectus are issued, which is anticipated to be the date identified in the Indicative Timetable.

JV means the incorporated joint venture between KORID and the Company in respect of the Stonehenge Korea pursuant to the JV Agreement and the Shareholders Agreement.

JV Agreement means the agreement between KORID and the Company in respect of the part sale and ownership of Stonehenge Korea, the terms of which are set out in Section 11.7.

Korean Assets means the Tenements which are owned by Stonehenge Korea.

Korean Exploration Projects means the exploration licences held by the Company set out in Table 6.1 of the Independent Geologist's Report in Section 9.

KORID means Korea Resources Investment & Development Inc. (KOSDAQ: 033430) a company duly incorporated and existing under the laws of the Republic of Korea.

KORID Placements means the three placements of \$100,000 each (for a total of \$300,000) as outlined in the KORID Shareholders Agreement.

15. Glossary of Terms

KORID Shareholders Agreement or **Shareholders Agreement** means the shareholders agreement between KORID and the Company as shareholders of Stonehenge Korea, the terms of which are set out in Section 11.7.

KOSDAQ means Korean Securities Dealers Automated Quotations and is a trading board of Korea Exchange.

Lead Manager means CPS Capital Group Pty Ltd, the lead manager of the Public Offer.

Lead Manager Mandate means the mandate for lead managing services between the Lead Manager and the Company.

Lead Manager Offer means the offer, under this Prospectus, of up to 12,000,000 Class J Options to CPS Capital Group Pty Ltd.

Lead Manager Options means the 12,000,000 Class J Options to be issued to the Lead Manager pursuant to the Lead Manager Mandate, on the terms and conditions set out in Section 11.8.

Lead Manager Securities means the Securities issued pursuant to the Lead Manager Offer.

Loan Holders means a holder of a Convertible Loan, being SAJE Superannuation Fund, MRB (NSW) Pty Ltd, Mr Bevan Tarratt, Slade Technologies Pty Ltd as trustee for the Embrey Family Superfund, J&D Superannuation Fund.

Maldives Project means the project to build a commercial pilot wave energy production facility on the Island of Hanimaadhoo in the Maldives.

Moore Commerce Pty Ltd or **Moore Commerce** means Moore Commerce Pty Ltd (ACN 139 913 545).

Notice of Meeting means the notice of Annual General Meeting of the Company to be held on 30 November 2015.

Offer Period means the period from the Opening Date up to and including the Closing Date.

Offers means the offers under this Prospectus, being the Public Offer, the Priority Offer, the Conversion Offer, the Vendor Offer, the Incentive Offer, the Executive Offer, the Director Offer, the Previous Director Offer, the Placement Offer and the Lead Manager Offer made under Section 4.1 of this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX of the Securities on the Official List.

Opening Date means the date specified as the opening date for the Offers in the Indicative Timetable of the Offer.

Option or Options means a listed or unlisted option granted by the Company to subscribe for one Share.

Option and Exclusive Licence means the 24 month option and exclusive licence to acquire 100% of the issued capital of PEA in accordance with the Call Option and Licence Agreement.

Option Period means 24 months, as extended pursuant to clause 8 of the Term Sheet.

Optionholder or **Optionholders** means any person holding Options.

Optiro means Optiro Pty Ltd (ABN 63 131 922 739) of Level 1, 16 Ord Street, West Perth WA, 6005.

Oversubscription means the Company's ability to take oversubscriptions under the Public Offer of up to a further 100,000,000 Shares (and 100,000,000 free attaching Public Offer Options) to raise a further \$2,500,000 for a total raising of up to \$5,000,000.

PEA means Protean Energy Australia Pty Ltd (ACN 143 809 803) being the 100% owned non-trading subsidiary of PEL.

15. Glossary of Terms

PEL means Protean Energy Pty Limited (ACN 142 254 466).

Performance Milestone means the performance milestones for the Performance Shares set out in Section 13.9.

Performance Shares means the performance shares issued by the Company on the terms and conditions set out in Section 13.9.

Performance Rights means the performance rights issued by the Company on the terms and conditions set out in Section 13.11.

Performance Rights Plan means the performance rights plan implemented by the Company on terms set out in Section 13.12.

Placement means the placement announced to ASX on 11 August 2015 comprising the issue of 12,500,000 Shares at a subscription price of \$0.04 per Share to various unrelated professional and sophisticated investors.

Placement Bonus Shares means the fully paid ordinary Shares issued to the Placement participants pursuant to the Placement Offer.

Placement Offer means the offer, under this Prospectus, of up to 7,500,000 Placement Bonus Shares and 12,500,000 Options to participants in the Placement.

Placement Options means the Class I Options to be issued to the Placement participants pursuant to the Placement Offer, on the terms and conditions set out in Section 13.17.

Placement Securities means the Securities issued pursuant to the Placement Offer.

Previous Director Offer means the offer, under this Prospectus, of up to 5,000,000 Class D Options to previous Director Mr Richard Henning.

Priority Offer means the offer to existing Shareholders (as at the Priority Offer Record Date) to subscribe for up to a total of 100,000,000 Shares at \$0.025 per Share with one (1) free attaching Public Offer Option with an exercise price of \$0.0375 for every one (1) Share subscribed for under the Public Offer on a priority basis.

Priority Offer Closing Date means the date specified as the closing date for the Priority Offer in the Indicative Timetable of the Offers (or such earlier or later date determined by the Directors).

Priority Offer Record Date means the date for determining a Shareholder's entitlement to participate in the Priority Offer as specified in the Indicative Timetable of the Offers.

Prospectus Expiry Date means the date that is 13 months after the date this Prospectus was lodged with ASIC.

Prospectus means this Prospectus dated 25 November 2015, which was lodged with ASIC on that date.

Protean™ WEC Pilot Project or **Project SHE1** means the fixed price Turnkey project to deploy an array of Protean™ wave energy converter units within 18 months of settlement of the Term Sheet.

Public Offer means the offer of 100,000,000 Shares at an issue price of \$0.025 per Share with one (1) free attaching Public Offer Option with an exercise price of \$0.0375 for every one (1) Share subscribed for, to raise \$2,500,000 (before expenses), with the ability to take oversubscriptions of 100,000,000 Shares (and 100,000,000 free attaching Public Offer Options), to raise a further \$2,500,000 for a total raising of up to \$5,000,000 and includes the allocation of Shares pursuant to the Priority Offer.

15. Glossary of Terms

Public Offer Closing Date means the date specified as the closing date for the Public Offer, the conversion Offer and the Vendor Offer in the Indicative Timetable of the Offers (or such earlier or later date determined by the Directors).

Public Offer Options means the Class K free attaching Options exercisable at \$0.0375 on or before 31 December 2018 issued on the basis of one Option for every Share subscribed under the Public Offer, on the terms and conditions set out in Section 13.17.

Related Party has the meaning ascribed to that term as set out in the Corporations Act and the Listing Rules.

Risk Factors refers to the risk factors set out in Section 12.

Section refers to a section of this Prospectus.

Securities means a security of the Company, being a Share, Performance Share or Option issued or granted (as the case may be).

Security holder means any person holding Securities.

Settlement or **Completion** means settlement or completion of the Acquisition under the Share Purchase Agreement, as defined in Section 11.3.

Share or **Shares** means ordinary fully paid shares in the capital of the Company.

Share Registry means Link Market Services Limited.

Share Purchase Agreement means the share sale and purchase agreement specified in Section 11.3.

Shareholder(s) means any person holding Shares.

SRN means Shareholder Reference Number.

Stonehenge Korea or **SHK** means Stonehenge Korea Ltd, a company duly incorporated and existing under the laws of the Republic of Korea.

Tenements means the mineral exploration tenements and exploration rights held by Stonehenge Korea in South Korea.

Term Sheet means the binding terms sheet between the Company and PEL in respect of the Option and Exclusive Licence as announced by the Company on 14 August 2014.

TSG means transfer, storage and generation system, as described in Section 3.3.

Turnkey means inclusion of all materials, labour, and equipment for the execution of the Protean WEC Pilot Project as defined in the Moore Commerce Agreement.

Vendor means Protean Energy Pty Limited (ACN 142 254 466).

Vendor Offer means the offer of 60,000,000 Shares and 120,000,000 Performance Shares to the Vendor.

Vendor Securities means the Securities issued pursuant to the Vendor Offer.

Wrays means WRAYS (ABN 63 136 975 552), Ground Floor, 56 Ord Street, West Perth, WA 6005.

WEC or **WEC Technology** means the Protean™ wave energy converter technology.

WST means Western Standard Time, being the time in Perth, Western Australia.



Stonehenge Metals Limited
 (to be renamed Protean Wave Energy Limited)
 (ACN 119 267 391)

Broker Code

Adviser Code

Public Offer Application Form

This is an Application Form for Shares in Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) under the Public Offer on the terms set out in the Prospectus dated 25 November 2015. You may apply for a minimum of 80,000 Shares and multiples of 20,000 Shares thereafter. This Application Form and your cheque or bank draft must be received by **5:00pm (AEDT) on 22 December 2015**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for at **A\$0.025** **B** Application Monies **A\$**

(minimum 80,000 Shares, thereafter in multiples of 20,000 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names) **+**

C Applicant #1
 Surname/Company Name

Title First Name Middle Name

Joint Applicant #2
 Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code
 First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

E PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here) **+**

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be made payable to **“Stonehenge Metals Limited”** in Australian currency and crossed “Not Negotiable”.

H Cheque or Bank Draft Number BSB - Account Number

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEDT) on 22 December 2015 to:
 Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

SHE IPO001



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) Shares. Further details about the shares are contained in the Prospectus dated 25 November 2015 issued by Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited). The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 80,000 Shares and thereafter in multiples of 20,000 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited)'s issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B. Make your cheque or bank draft payable to **"Stonehenge Metals Limited"** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 22 December 2015 at:

Mailing Address

Stonehenge Metals Limited
(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

Stonehenge Metals Limited
(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

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The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 80,000 Shares and thereafter in multiples of 20,000. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
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- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited)'s issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B. Make your cheque or bank draft payable to **"Stonehenge Metals Limited"** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

LODGEMENT INSTRUCTIONS

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Mailing Address

Stonehenge Metals Limited
(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

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(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Stonehenge Metals Limited
 (to be renamed Protean Wave Energy Limited)
 (ACN 119 267 391)

Broker Code

Adviser Code

Director Option Offer Application Form

This is an Application Form for Options in Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) under the Director Option Offer on the terms set out in the Prospectus dated 25 November 2015. This Application Form must be received by **5:00pm (AEDT) on 22 December 2015**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Options applied for

A

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

B

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

C

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

D

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

E **X**

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

F ()

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEDT) on 22 December 2015 to:
 Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

SHE IPO003



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Options to which this Application Form relates are Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) Shares. Further details about the Options are contained in the Prospectus dated 25 November 2015 issued by Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited). The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Options you wish to apply for. You may be issued all of the Options applied for or a lesser number.
- B** Write the full name you wish to appear on the register of Options. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- C** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- D** Please enter your postal address for all correspondence. All communications to you from Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited)'s issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 22 December 2015 at:

Mailing Address

Stonehenge Metals Limited
(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

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Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Stonehenge Metals Limited
 (to be renamed Protean Wave Energy Limited)
 (ACN 119 267 391)

Broker Code

Adviser Code

Executive Offer Application Form

This is an Application Form for Performance Rights in Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) under the Executive Offer on the terms set out in the Prospectus dated 25 November 2015. This Application Form must be received by **5:00pm (AEDT) on 22 December 2015**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Performance Rights applied for

A

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names) **+**

Applicant #1

Surname/Company Name

B

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

C

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

D

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHES HIN (if you want to add this holding to a specific CHES holder, write the number here)

E

+

Please note: that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

F ()

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEDT) on 22 December 2015 to:
 Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

SHE IPO004



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Performance Rights to which this Application Form relates are Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) Shares. Further details about the Performance Rights are contained in the Prospectus dated 25 November 2015 issued by Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited). The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Performance Rights you wish to apply for. You may be issued all of the Performance Rights applied for or a lesser number.
- B** Write the full name you wish to appear on the register of Performance Rights. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- C** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- D** Please enter your postal address for all correspondence. All communications to you from Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited)'s issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 22 December 2015 at:

Mailing Address

Stonehenge Metals Limited
(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

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(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
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CORRECT FORMS OF REGISTRABLE NAMES

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Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Stonehenge Metals Limited
 (to be renamed Protean Wave Energy Limited)
 (ACN 119 267 391)

Broker Code

Adviser Code

Incentive Option Offer Application Form

This is an Application Form for Options in Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) under the Incentive Option Offer on the terms set out in the Prospectus dated 25 November 2015. This Application Form must be received by **5:00pm (AEDT) on 22 December 2015**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Options applied for

A

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names) **+**

Applicant #1

Surname/Company Name

B

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

C

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

D

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHES HIN (if you want to add this holding to a specific CHES holder, write the number here)

E

+

Please note: that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

F ()

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEDT) on 22 December 2015 to:
 Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

SHE IPO005



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Options to which this Application Form relates are Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) Shares. Further details about the Options are contained in the Prospectus dated 25 November 2015 issued by Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited). The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Options you wish to apply for. You may be issued all of the Options applied for or a lesser number.
- B** Write the full name you wish to appear on the register of Options. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- C** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- D** Please enter your postal address for all correspondence. All communications to you from Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited)'s issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 22 December 2015 at:

Mailing Address

Stonehenge Metals Limited
(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

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Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
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Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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LODGEMENT INSTRUCTIONS

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Mailing Address

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(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

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(to be renamed Protean Wave Energy Limited)
C/- Link Market Services Limited
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Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
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Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
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Sydney South NSW 1235

Hand Delivery

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Stonehenge Metals Limited
 (to be renamed Protean Wave Energy Limited)
 (ACN 119 267 391)

Broker Code

Adviser Code

Previous Director Option Offer Application Form

This is an Application Form for Options in Stonehenge Metals Limited (to be renamed Protean Wave Energy Limited) under the Previous Director Option Offer on the terms set out in the Prospectus dated 25 November 2015. This Application Form must be received by **5:00pm (AEDT) on 22 December 2015**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Options applied for

A

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

B

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

C

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

D

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESSE HIN (if you want to add this holding to a specific CHESSE holder, write the number here)

E

+

Please note: that if you supply a CHESSE HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESSE, your Application will be deemed to be made without the CHESSE HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

F ()

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEDT) on 22 December 2015 to:
 Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

SHE IPO009



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