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**SHAW RIVER RESOURCES LIMITED**  
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**NOTICE OF GENERAL MEETING**

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**The General Meeting of the Company will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 17 May 2011 at 12.30pm (WST).**

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# SHAW RIVER RESOURCES LIMITED

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### NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of shareholders of Shaw River Resources Limited ("**Company**") will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 17 May 2011 at 12.30pm (WST) ("Meeting").

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 15 May 2011 at 5.00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

### AGENDA

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#### 1. Resolution 1 – Ratification of first tranche of the Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the allotment and issue of 48,700,000 Shares each at an issue price of 20 cents to sophisticated and professional investor clients of Hartleys Limited ("Hartleys") and Atlas Iron Limited ("Atlas Iron") on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

**Short Explanation:** Approval is sought under Listing Rule 7.4 to ratify the allotment and issue of 48,700,000 Shares to sophisticated and professional investors pursuant to the first tranche of the Placement. Refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who participated in the first tranche of the Placement and any associates of those persons.

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#### 2. Resolution 2 - Approval to issue Shares under second tranche of the Placement to Mr Ken Brinsden

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 100,000 Shares each at an issue price of 20 cents to Mr Ken Brinsden and his associates pursuant to the second tranche of the Placement and on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 for the allotment and issue of up to 100,000 Shares to Mr Brinsden pursuant to the second tranche of the Placement. Refer to the Explanatory Statement for details.

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Mr Brinsden, his nominee or any of his associates.

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### **3. Resolution 3 - Approval to issue Shares under second tranche of the Placement to Mr Vincent Algar**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 100,000 Shares each at an issue price of 20 cents to Mr Vincent Algar pursuant to the second tranche of the Placement and on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 for the allotment and issue of up to 100,000 Shares to Mr Vincent Algar pursuant to the second tranche of the Placement. Refer to the Explanatory Statement for details.

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Mr Algar, his nominee or any of his associates.

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### **4. Resolution 4 - Approval to issue Shares under second tranche of the Placement to Mr Anthony Walsh**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 100,000 Shares each at an issue price of 20 cents to Mr Anthony Walsh pursuant to the second tranche of the Placement and on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 for the allotment and issue of up to 100,000 Shares to Mr Anthony Walsh pursuant to the second tranche of the Placement. Refer to the Explanatory Statement for details.

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Mr Walsh, his nominee or any of his associates.

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### **5. Resolution 5 - Approval to issue Shares under second tranche of the Placement**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 76,300,000 Shares each at an issue price of 20 cents to sophisticated and professional investor clients of Hartleys Limited ("Hartleys") and Atlas Iron Limited ("Atlas Iron") on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

**Short Explanation:** Approval is sought under Listing Rule 7.1 for the allotment and issue of up to 76,300,000 Shares to existing Shareholders pursuant to the second tranche of the Placement announced on 15 April 2011. Refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any Shareholders who are participating in the second tranche of the Placement announced on 15 April 2011 and any person who may obtain a benefit, except in the capacity of a holder of ordinary shares, if the resolution is passed, and any associates of those persons.

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## 6. Resolution 6 – Authority to Grant Options to Mr Brinsden

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,000,000 Options to Mr Ken Brinsden (or his nominee) on the terms and conditions described in the Explanatory Memorandum accompanying this Notice.”*

**Short explanation:** Approval is sought under Listing Rule 10.11 to allow the Company to issue these options to Mr Ken Brinsden. Please refer to the Explanatory Memorandum for details.

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Mr Ken Brinsden, his nominee or any of his associates.

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## 7. Resolution 7 – Authority to Grant Options to Mr Algar – Managing Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 2,000,000 Options to Mr Vincent Algar (or his nominee) for nil consideration as part of his remuneration package, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice”*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to allow the Company to issue these options to Mr Vincent Algar. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Mr Vincent Algar, his nominee or any of his associates.

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## 8. Resolution 8 – Authority to Grant Options to Mr Walsh

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Mr Anthony Walsh (or his nominee) on the terms and conditions described in the Explanatory Memorandum accompanying this Notice.”*

**Short explanation:** Approval is sought under Listing Rule 10.11 to allow the Company to issue these options to Mr Anthony Walsh. Please refer to the Explanatory Memorandum for details.

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Mr Anthony Walsh, his nominee or any of his associates.

## Voting Exclusion – Resolutions 1 through to 8

The Company need not disregard a vote in Resolutions 1 to 8 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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## 9. Resolution 9 – Change of Company Name

To consider, and if thought fit, to pass the following resolution as a special resolution:

*"That pursuant to section 157 of the Corporations Act 2001, and subject to consent of ASIC, that the name of the Company be changed to "Shaw River Manganese Limited"."*

- **Short explanation:** Approval is sought pursuant to section 157 of the Corporations Act 2001 to change the name of the Company to "Shaw River Manganese Limited". Please refer to the Explanatory Memorandum for details.
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Dated 15 April 2011

By Order of the Board



.....  
Tony Walsh  
Company Secretary

# SHAW RIVER RESOURCES LIMITED

## ACN 121 511 886

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### EXPLANATORY MEMORANDUM

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#### Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 17 May 2011 at 12.30pm (WST) ("Meeting").

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#### 1. Resolution 1 – Ratification of Placement

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the Company without requiring shareholder approval.

Resolution 1 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify the previous issue of 48,700,000 Shares each at an issue price of 20 cents under the first tranche of the Placement, to existing shareholders of Shaw River including Atlas Iron, and sophisticated and professional investors who are clients of Hartleys Limited ("Hartleys").

The Company confirms that the issue and allotment of the Shares the subject of Resolution 1 did not breach ASX Listing Rule 7.1. The Company confirms that Atlas Iron and sophisticated and professional investors who are clients of Hartleys are not related parties of the Company. The Company confirms that none of the parties issued Shares under this placement were related parties.

The reason for an approval under ASX Listing Rule 7.4 is to reinstate the capacity of the Company to issue up to 15% of its securities without the approval of its Shareholders.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Statement for that purpose:

- (a) The total number of securities issued by the Company is 48,700,000 Shares;
- (b) The Shares will be issued prior to the general meeting to existing shareholders of Shaw River including Atlas Iron, and sophisticated and professional investors who are clients of Hartleys Limited ("Hartleys") at an issue price of 20 cents each;
- (c) The Shares rank equally with the existing Shares on issue;
- (d) \$9.74 million was raised by this placement; and
- (e) Funds raised by the Company from this Placement will be used to fund further exploration and feasibility study expenditure on its existing manganese tenements in Namibia, Australia and Ghana, funding drilling on the Company's manganese tenements and maintaining the Company's other tenements in good standing.

A voting exclusion statement is included in this Notice for Resolution 1.

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## **2. Resolutions 2, 3 and 4 – Approval to issue Shares under second tranche of the Placement to Mr Brinsden, Mr Algar and Mr Walsh**

Resolutions 2, 3 and 4 seek Shareholder approval pursuant to Listing Rule 10.11 for the issue of Shares pursuant to the second tranche of the Placement to the Directors, being Messrs Brinsden, Algar and Walsh. This will enable the Directors to participate in the second tranche of the Placement.

Listing Rule 10.11 restricts the Company's ability to issue equity securities in certain circumstances to related parties, unless approval is obtained from the Shareholders. The effect of passing Resolutions 2, 3 and 4 will be to allow the issue of up to 100,000 Shares each to Messrs Brinsden, Algar and Walsh, who are related parties, under the second tranche of the Placement.

For the purposes of ASX Listing Rules 10.13, information regarding the Shares is provided as follows:

- (a) The maximum number of Shares the Company will issue under the second tranche of the Placement to Messrs Brinsden, Algar and Walsh and their associates is 100,000 Shares each, being in aggregate a maximum of 300,000 Shares.
- (b) The Shares will be issued on one date no later than one month after the date of the Meeting, or such longer periods of time as ASX may in its discretion allow. It is expected that the Shares will issued simultaneously with the Shares issued under Resolution 5.
- (c) Shares will be issued by the Company at an issue price of 20 cents each.
- (d) The Shares rank equally with the existing Shares on issue.
- (e) Up to \$60,000 (a maximum of \$20,000 from each of Messrs Brinsden, Algar and Walsh and their associates) will be raised by issuing the Shares pursuant to the second tranche of the Placement under Resolutions 2, 3 and 4.
- (f) Funds raised by the Company from this issue will be used to fund further exploration and feasibility study expenditure on its existing manganese tenements in Namibia, Australia and Ghana, funding drilling on the Company's manganese tenements and maintaining the Company's other tenements in good standing.
- (g) Shareholder approval is being sought under Listing Rule 10.11 and, as such, approval is not required under Listing Rule 7.1

A voting exclusion statement is included in this Notice for Resolutions 2, 3 and 4.

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## **3. Resolution 5 – Approval to issue Shares under the second tranche of the Placement**

Resolution 5 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of Shares pursuant to tranche 2 of the Placement announced on 15 April 2011 to sophisticated and professional investors who are clients of Hartleys Limited and Atlas Iron. The passing of Resolution 5 will allow the Directors to issue up to 76,700,000 Shares without using up the Company's 15% placement capacity under ASX Listing Rule 7.1.

Listing Rule 7.1 restricts the Company's ability to issue equity securities in certain circumstances, unless approval is obtained from the Shareholders. The effect of passing Resolution 5 will be to allow the Directors to issue up to 76,700,000 Shares, without using up the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Company confirms that Atlas Iron and sophisticated and professional investors who are clients of Hartleys are not related parties of the Company. The Company confirms that none of the parties issued Shares under this placement were related parties.

For the purposes of ASX Listing Rules 7.3, information regarding the Shares issued pursuant to Resolution 5 is provided as follows:

- (a) The maximum number of Shares the Company can issue under this resolution is 76,700,000 Shares.
- (b) The Shares will be issued on one date no later than three months after the date of the Meeting, or such longer periods of time as ASX may in its discretion allow. It is expected that the Shares will be issued simultaneously with the Shares issued under the second tranche of the Placement announced on 15 April 2011.
- (c) Shares will be issued by the Company at an issue price of 20 cents each.
- (d) The Shares rank equally with the existing Shares on issue.
- (e) Up to \$15,260,000 will be raised by issuing the Shares.
- (f) The Shares will be issued to existing shareholders of Shaw River including Atlas Iron, and sophisticated and professional investors who are clients of Hartleys.
- (g) Funds raised by the Company from this issue will be used to fund further exploration and feasibility study expenditure on its existing manganese tenements in Namibia, Australia and Ghana, funding drilling on the Company's manganese tenements and maintaining the Company's other tenements in good standing.

A voting exclusion statement is included in this Notice for Resolution 5.

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#### **4. Resolution 6 - Authority to Grant Options to Mr Ken Brinsden**

Resolution 6 seeks Shareholder approval in accordance with Listing Rule 10.11 for the issue of 1,000,000 Options to Mr Ken Brinsden (or his nominee), a non-executive director of the Company.

The primary purpose of the grant of the Options to Mr Brinsden is not to raise capital, but to form part of his Director's remuneration package.

Shareholder approval is required for the grant of the 1,000,000 Options under Listing Rule 10.11 because Mr Brinsden, as a Director, is a related party of the Company. Furthermore, Shareholder approval of the issue of the 1,000,000 Options means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Under the Company's present circumstances, the Board considers that the issue of the Options is a cost effective and appropriate component of the Directors' remuneration packages, and is preferred over the payment of further cash consideration. No funds will be raised from the issue of the Options. Any funds raised from exercise of the Options will be used for general working capital purposes. There are no significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. Mr Brinsden must contribute his own money to the Company to fund the exercise price of their respective Options.

##### **Information required by the Listing Rules**

For the purposes of Listing Rule 10.13 information regarding the 1,000,000 Options the subject of Resolution 6 is provided as follows:

- (a) 1,000,000 Options will be issued to Mr Ken Brinsden (or his nominee).

- (b) The issue price of each Option is nil and therefore no funds will be raised by the issue of the Options.
- (c) The Company will issue the Options no later than one month after the date of the Meeting or such longer period of time as ASX may in its discretion allow.
- (d) Each Option entitles the holder to subscribe for one Share, at an exercise price of 50% above the closing market price of Shares traded on ASX on the date that Shareholders approve Resolution 6, and is exercisable on or before 31 May 2016.
- (e) The Options will not be quoted on ASX.
- (f) The terms and conditions of the Options are set out in Schedule 22.
- (g) A voting exclusion statement is included in the Notice.
- (h) Shareholder approval is being sought under Listing Rule 10.11 and, as such, approval is not required under Listing Rule 7.1.

The Board has formed the view that remuneration in the form of Options is reasonable given the Company's circumstances, and Mr Brinsden's circumstances (including his responsibilities). The Board is of the opinion that the terms of issue of the Options to Mr Brinsden are reasonable.

### **Corporate governance**

The Listing Rules set out practice recommendations for ASX listed companies, including a suggestion that non-executive directors should not receive options or bonus payments. It is important to note that these guidelines are not prescriptions and do not require a "one size fits all" approach to corporate governance. In the Board's view, the guideline is inappropriate to the Company's circumstances, where the preservation of the Company's cash resources is paramount and the retention of high quality and well credentialed non-executive directors is considered important to the ongoing development of the Company and its iron ore projects.

### **Financial implications**

Australian International Financial Reporting Standards require the Options to be expensed which is guided by AASB 2 – Share Based Payments. As these Options vest immediately, they are expected to be expensed in the financial year in which the Options are granted. Expensing the Options will have the effect of increasing both the expenses and contributed equity of the Company. Whilst there will be a reduction in profit, there will be no impact on the net assets or the cash position or financial resources of the Company as a result of expensing the Options. There are no tax implications for the Company in issuing these Options.

### **Dilution**

If the Options to be issued to Mr Brinsden are exercised, this will have a diluting effect on the percentage interest of existing Shareholders' holdings. The diluting effect if the 1,000,000 Options are exercised is approximately 0.18% of the Company's current Share capital. If the Options are exercised and the Share price is higher than the exercise price, the value of the Company's shares may be diluted.

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## **5. Resolution 7 - Authority to Grant Options to Mr Vincent Algar – Managing Director**

Resolution 7 seeks Shareholder approval in accordance with Listing Rule 10.11 for the issue of 2,000,000 Options to Mr Vincent Algar (or his nominee).

Mr Vincent Algar is Managing Director of the Company. The Board has determined, subject to obtaining prior Shareholder approval under the Listing Rules, to offer Mr Vincent Algar, as part of his Long Term Incentive Package, 2,000,000 Options.

Shareholder approval is required for the grant of the 2,000,000 Options under Listing Rule 10.11 because Mr Vincent Algar, as a Director, is a related party of the Company. Furthermore, Shareholder approval of the issue of 2,000,000 Options means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

The primary purpose of the grant of the Options to Mr Vincent Algar is not to raise capital, but to form part of Mr Vincent Algar's remuneration package. Under the Company's present circumstances, the Board considers that the incentive represented by the issue of the Options is a cost effective and appropriate component of Mr Vincent Algar's remuneration package, and is preferred over the payment of further cash consideration. No funds will be raised from the issue of the Options. Any funds raised from exercise of the Options will be used for general working capital purposes. There are no significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. Mr Vincent Algar must contribute his own money to the Company to fund the exercise price of the Options.

### **Information required by the Listing Rules**

For the purposes of Listing Rule 10.13 information regarding the 2,000,000 Options the subject of Resolution 7 is provided as follows:

- (a) 2,000,000 Options will be issued to Mr Vincent Algar (or his nominee).
- (b) The issue price of each Option is nil and therefore no funds will be raised by the issue of the Options.
- (c) The Company will issue the Options no later than one month after the date of the Meeting or such longer period of time as ASX may in its discretion allow.
- (d) Each Option entitles the holder to subscribe for one Share, at an exercise price of 50% above the closing market price of Shares traded on ASX on the date that Shareholders approve Resolution 7, and is exercisable on or before 31 May 2011.
- (e) The Options will not be quoted on ASX.
- (f) The terms and conditions of the Options are set out in Schedule 22.
- (g) A voting exclusion statement is included in the Notice.
- (h) Shareholder approval is being sought under Listing Rule 10.11 and, as such, approval is not required under Listing Rule 7.1.

The Board has formed the view that remuneration in the form of Options is reasonable given the Company's circumstances, and Mr Vincent Algar's circumstances (including his responsibilities). The Board is of the opinion that the terms of issue of the Options to Mr Vincent Algar are reasonable.

### **Corporate governance**

Mr Vincent Algar is an executive director of the Company. Recommendation 8.2 of ASX's Corporate Governance Principles and Recommendations encourages ASX listed companies to find a balance between short term and long term performance objectives. In the Board's view, the issue of Options to Mr Vincent Algar is an appropriate means of providing these long term performance objectives. The Board also considers that the retention of high quality and well credentialed executive directors, like Mr Vincent Algar, is important to the ongoing development and success of the Company and its projects.

### **Financial implications**

The financial implications for the Company are the same as those set out in the Explanatory Memorandum for Resolution 6.

### **Dilution**

If the Options to be issued to Mr Vincent Algar are exercised, this will have a diluting effect on the percentage interest of existing Shareholders' holdings. The diluting effect

if the 2,000,000 Options are exercised is approximately 0.4% of the Company's current Share capital. If the Options are exercised and the Share price is higher than the exercise price, the value of the Company's shares may be diluted.

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## **6. Resolution 8 - Authority to Grant Options to Mr Anthony Walsh**

Resolution 8 seeks Shareholder approval in accordance with Listing Rule 10.11 for the issue of 1,500,000 Options to Mr Anthony Walsh (or his nominee), the Company's non-executive Chairman.

The primary purpose of the grant of the Options to Mr Anthony Walsh is not to raise capital, but to form part of his Director's remuneration package.

Shareholder approval is required for the grant of the 1,500,000 Options under Listing Rule 10.11 because Mr Anthony Walsh, as a Director, is a related party of the Company. Furthermore, Shareholder approval of the issue of the 1,500,000 Options means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Under the Company's present circumstances, the Board considers that the issue of the Options is a cost effective and appropriate component of the Directors' remuneration packages, and is preferred over the payment of further cash consideration. No funds will be raised from the issue of the Options. Any funds raised from exercise of the Options will be used for general working capital purposes. There are no significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. Mr Anthony Walsh must contribute his own money to the Company to fund the exercise price of their respective Options.

### **Information required by the Listing Rules**

For the purposes of Listing Rule 10.13 information regarding the 1,500,000 Options the subject of Resolution 8 is provided as follows:

- (a) 1,500,000 Options will be issued to Mr Anthony Walsh (or his nominee).
- (b) The issue price of each Option is nil and therefore no funds will be raised by the issue of the Options.
- (c) The Company will issue the Options no later than one month after the date of the Meeting or such longer period of time as ASX may in its discretion allow.
- (d) Each Option entitles the holder to subscribe for one Share, at an exercise price of 50% above the closing market price of Shares traded on ASX on the date that Shareholders approve Resolution 8, and is exercisable on or before 31 May 2011.
- (e) The Options will not be quoted on ASX.
- (f) The terms and conditions of the Options are set out in Schedule 22.
- (g) A voting exclusion statement is included in the Notice.
- (h) Shareholder approval is being sought under Listing Rule 10.11 and, as such, approval is not required under Listing Rule 7.1.

The Board has formed the view that remuneration in the form of Options is reasonable given the Company's circumstances, and Mr Anthony Walsh's circumstances (including his responsibilities). The Board is of the opinion that the terms of issue of the Options to Mr Anthony Walsh are reasonable.

### **Corporate governance**

The Listing Rules set out practice recommendations for ASX listed companies, including a suggestion that non-executive directors should not receive options or bonus

payments. It is important to note that these guidelines are not prescriptions and do not require a “one size fits all” approach to corporate governance. In the Board's view, the guideline is inappropriate to the Company's circumstances, where the preservation of the Company's cash resources is paramount and the retention of high quality and well credentialed non-executive directors is considered important to the ongoing development of the Company and its iron ore projects.

### **Financial implications**

Australian International Financial Reporting Standards require the Options to be expensed which is guided by AASB 2 – Share Based Payments. As these Options vest immediately, they are expected to be expensed in the financial year in which the Options are granted. Expensing the Options will have the effect of increasing both the expenses and contributed equity of the Company. Whilst there will be a reduction in profit, there will be no impact on the net assets or the cash position or financial resources of the Company as a result of expensing the Options. There are no tax implications for the Company in issuing these Options.

### **Dilution**

If the Options to be issued to Mr Anthony Walsh are exercised, this will have a diluting effect on the percentage interest of existing Shareholders' holdings. The diluting effect if the 1,500,000 Options are exercised is approximately 0.30% of the Company's current Share capital. If the Options are exercised and the Share price is higher than the exercise price, the value of the Company's shares may be diluted.

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## **7. Resolution 9 – Change of Company Name**

The Directors of the Company have determined to change the Company's name to “Shaw River Manganese Limited” and Resolution 9 seeks Shareholder approval for that change in accordance with section 157 of the Corporations Act.

Resolution 9 is a special resolution and requires approval of 75% of the votes cast by Shareholders.

If the proposed name is available the change of name takes effect when ASIC alters the details of the Company's registration.

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## **8. Action to be taken by Shareholders**

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

## Schedule 1 - Definitions

In this Explanatory Memorandum and Notice:

**Article** means an article of the Constitution.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Atlas Iron** means Atlas Iron Limited ACN 110 396 168.

**Board** means the board of Directors.

**Company** means Shaw River Resources Limited ACN 121 511 886.

**Constitution** means the Constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company and **Directors** means the directors of the Company.

**Explanatory Memorandum** means the explanatory memorandum to the Notice.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of meeting.

**OM Holdings** means OM Holdings Limited ARBN 081 028 337.

**Option** means an option to acquire a Share.

**Placement** means the fund raising by way of share placement in two tranches announced on 15 April 2011 by the Company.

**Proxy Form** means the proxy form attached to the Notice.

**Resolution** means a resolution contained in this Notice.

**Schedule** means a schedule to this Notice.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shaw River** means the Company.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 - Terms and Conditions of Options

The terms and conditions of the Options are as follows:

1. Each Option shall be issued for no consideration.
2. Each Option entitles the holder (**Holder**) to subscribe for one Share in Shaw River Resources Limited (**Company**).
3. Each Option has an exercise price of 50% (Fifty percent) above the closing market price of Shares traded on ASX on the date of the Company's shareholders approving the grant of that Option.
4. Options will expire at 5.00 pm, (Perth time) on 31 May 2016 (**Expiry Date**).
5. Options are not transferable and will not be listed for official quotation on ASX.
6. There are no participating rights or entitlements inherent in the options and the Holder will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
7. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula Listing Rule 6.22.2.
8. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
9. Options will expire as follows:
  - (a) the date the Holder is disqualified from holding the office of director or officer of the Company; or
  - (b) one month after the date the Holder ceases to be a director or officer of the Company because of:
    - (i) voluntary retirement;
    - (ii) voluntary cessation, or
    - (iii) by mutual agreement of the Company and the Holder.
10. Options are exercisable immediately following issue and ending on the Expiry Date (**Exercise Period**) by the delivery to the registered office of the Company of a notice in writing (**Notice**) stating the intention of the Holder to exercise all or a specified number of Options accompanied by an option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options will not affect the rights of the Holder to the balance of the Options held.

11. On exercise of an Option and subject to the Company having received the subscription monies for the Shares in cleared funds:
- (a) The Company will issue the Share within 5 Business Days of receipt of the Notice.
  - (b) A Share issued on the exercise of an Option shall rank equally with the existing ordinary shares of the Company in all respects.
  - (c) A Share issued on the exercise of an Option must not be offered for sale by the Holder unless:
    - (i) the offer is made under circumstances that do not require disclosure to investors under Part 6D.2 of the Corporations Act; or
    - (ii) one of the following occurs:
      - (A) the Company gives ASX a notice that complies with section 708A(6) of the Corporations Act within 5 trading days of the issue of the Share;
      - (B) the Company lodges a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; or
      - (C) expiry of 12 months after issue of the Shares.
  - (d) Application will be made by the Company to ASX for official quotation of the Share issued on the exercise of an Option.

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