



# MARCH 2011 QUARTERLY REPORT

29 APRIL 2011

## SUMMARY OF QUARTERLY ACTIVITIES

### HIGHLIGHTS

- COMPLETES ACQUISITION OF 75.5% INTEREST IN NAMBIAN MANGANESE DEVELOPMENT PROJECT, (OTJOZONDU, "OTJO")
- MAIDEN INFERRED JORC RESOURCE AT OTJO OF 6.8MT AT 23.1%MN
- POSITIVE ECONOMICS FROM SCOPING STUDY FOR OTJO
- OTJO DRILLING AND FEASIBILITY STUDIES COMMENCING IN JUNE 2011 QUARTER
- 7,500m DRILL PROGRAM COMMENCING AT BARAMINE MANGANESE PROJECT, EAST PILBARA IN JUNE 2011 QUARTER
- 1,000M DRILLING PROGRAMME AT BUTRE MANGANESE PROJECT IN GHANA COMPLETED, RESULTS PENDING
- \$25M CAPITAL RAISING ANNOUNCED TO FUND OTJO
- OTJO PRODUCTION PLANNED TO COMMENCE IN Q2- 2012

Shaw River Resources Limited is a manganese focused company moving towards manganese production in 2012 from its 75.5% owned Otjozondou Project in Namibia.

Shaw River completed the significant acquisition of a 75.5% stake in the Otjozondou (Otjo) Manganese Project in Namibia during the March Quarter. The Otjo Manganese Project has added an advanced manganese project to Shaw River's project pipeline. Shaw River is continuing to aggressively advance the Company's projects at Baramine (Pilbara), Butre (Ghana) and Skull Springs (Pilbara) as it moves Otjo through further resource definition and feasibility studies towards production.

Shaw River's largest shareholder, Atlas Iron Limited (45.2%), is a strong supporter of Shaw River's manganese strategy.

Shaw River offers excellent exposure to this strategic metal, critical to the global steel industry. Manganese offers investors the benefits of a high unit sale price and strong global demand.

## PROJECTS

### OTJOZONDU MANGANESE PROJECT, NAMIBIA- SHAW RIVER (75.5%)

#### Highlights for the March 2011 Quarter

Otjo is located 150km north-east of the Namibian capital of Windhoek (see Figure 2), and lies in a historical manganese field which has produced in aggregate approximately 500,000t of high grade manganese since the 1950's.

Otjo provides Shaw River with the opportunity to realise its plan to become a global manganese producer. Shaw River will leverage its manganese expertise to transform Otjo into a world-class manganese project. Otjo has significant potential to expand through additional exploration, resource development and investment in processing and mine planning. Shaw River intends to make Otjo a major, low-cost manganese producer that will generate significant future cashflows.

The acquisition of Otjo is complementary to Shaw River's manganese strategy, and it's existing manganese projects in the Pilbara region of WA and in Ghana. Shaw River believes the Otjo project can be transformed into a lucrative world-class operation within two years with a substantial resource inventory which is significantly leveraged to the manganese price.

#### Completion of Otjo Acquisition

In February 2011, Shaw River announced that it had completed the acquisition of a 75.5% interest in the Otjozondou Manganese Project in Namibia, in a deal which will see Shaw River join the ranks of global manganese producers by 2012. Shaw River acquired a 75.5% interest in Otjo through the purchase of 100% of Otjozondou Holdings (Pty) Ltd, a Namibian company that holds a 75.5% stake in Otjo.

Shaw River released a maiden resource at Otjo during the Quarter of 6.8Mt at 23.1%Mn, and will commence a significant infill drilling program at Otjo in May 2011 to expand the resource base. Following the release of positive results from a scoping study, a feasibility study has commenced with the appointment of GTI Engineers with the results of the study expected by October 2011 in Q4 2011.

#### Maiden Resource Calculation

During the Quarter Shaw River reported a JORC Inferred Resource of 6.8Mt having an average grade of 23.1 percent manganese (Figure 1 and Table 1), which trial mining in 2010 has shown can produce an export-standard manganese product using a simple beneficiation process.

The current resource is expected to underpin at least the first five years of production. There is also immense potential for further growth in this resource inventory given that the maiden resource covers only 7km of the identified manganese field, which has an outcropping strike length of 144km.

Shaw River currently has an exploration target at Otjo of 35Mt - 50Mt grading 23-27 percent manganese †.

Shaw River has commenced a feasibility study based on an initial production target of 250,000tpa of manganese product ramping up to production to 500,000tpa.

Deposit (using 15% Mn Cutoff)	Mt	Mn%	Fe %	P%	Category
Labusrus*	0.89	25.9	14.2	0.09	Inferred
North Bosrand*	1.33	22.9	14.2	0.02	Inferred
Bosrand*	2.75	22.6	13.5	0.03	Inferred
Uitkomst	1.84	22.7	14.0	0.03	Inferred
Total	6.81	23.1	13.9	0.04	Inferred

Table 1. Otjozondou Manganese Project - Mineral Resource Summary (\*Deposit lies entirely within granted Mining Lease)

There is significant potential for a rapid increase in resources with additional drill-defined prospects at Ouparakane (0.9km strike), Ongorussengo (2.3km strike) and East Otjozondou (1.4km strike) not yet included in the resource base. Importantly, most of the drilling at Otjo does not extend below 85m deep, though high-grade manganese mineralisation is known to extend to depths in excess of 250m.

There is also further exploration potential beyond these prospects, with the historical 33,000m of drilling (22,000m of diamond drilling and 11,000m of RC drilling) covering just 15 percent of the 144km of mapped strike extent at the total Otjozundu Manganese Field.

The resource envelopes used in the calculation were modelled by Cube Consulting using drilling data and outcrop mapping data supplied by Shaw River Resources. Wireframe boundaries have been based on a nominal cut-off of 15%Mn. Resource Classifications have been conducted by Adriaan du Toit of AEMCO PTY LTD Consultants, who has eight years experience in the Otjozundu Manganese Field.

Figure 1 shows the location of the Inferred Resources as well as the location of prospects not yet modelled, but that will form part of resource infill drilling and resource upgrades.

Infill drilling will commence in May 2011. This infill drilling is aimed at upgrading the classification of the existing resource and expanding the Inferred Resource to encompass all the currently known high-grade mineralised intersections.

### Scoping Study Results

Following the end of the March quarter, Shaw River released the results of a scoping study indicating that Otjo has the potential to produce strong cashflows, with positive economics setting the stage for the planned feasibility study on the project. The key highlights of the study include:

- Proposed initial 250,000tpa operation from 2012 targeting ramp-up to 500,000tpa
- High-grade, high-quality product with targeted average manganese product grade of 38-40%
- Estimated operating costs in the range of A\$110 to \$140 per tonne
- Scoping Study indicates strong operating cashflows<sup>1</sup> using manganese price of US\$4.50/dmtu FOB
- Excellent leverage to anticipated global increases in manganese ore prices
- Modest A\$37 million capital cost for an initial 250ktpa operation
- Additional A\$22 million to achieve steady-stage production of 500,000tpa

Favourable geology, shallow open-pit mine mineralisation and the availability of existing infrastructure are expected to underpin low operating costs delivering ore by road and rail to Walvis Bay Port, for export to predominantly Asian markets. Unit cash operating costs are forecast in the range of A\$110 to A\$140/tonne, enabling the operation to potentially generate strong operating margins of A\$58 to A\$88/tonne using a conservative manganese price of US\$4.50/dmtu FOB Walvis Bay (A\$198/t FOB).

At a manganese price of US\$6.00/dmtu FOB Walvis Bay (A\$264/t FOB), operating margins will almost double to A\$124 and A\$154/tonne, demonstrating the Otjo Project's significant leverage to the manganese price.

<sup>1</sup> Revenue from product less royalties and operating costs (EBITDA)

### Feasibility Study Manager Awarded

Following a tender and evaluation process which took place during the March Quarter, Shaw River awarded the study management of the Feasibility Study of the Otjo Project to Green Team International (GTI). GTI is a project management company specialising in mining and metallurgical projects

Established by Norman Green in 1998 and incorporated in South Africa, GTI has had significant experience in providing project management services to international mining companies. GTI brings with them a wealth of local Namibian knowledge and expertise following recent involvement in the following projects:

- Skorpion Zinc Project – from feasibility to production handover;
- Swakop Uranium's Husab Mine – project management; and
- Craton Mining's Omitimire Copper Project – preliminary feasibility study

## Management Team Significantly Strengthened

The Feasibility Study has been further strengthened by the support of Shaw River's growing management team which will provide specialised technical support to GTI. Key recent additions to the team include:

**Noel O'Brien – Consultant Metallurgical Engineer and Feasibility Study Owners Representative**

Noel brings with him 30 years of African experience where he was Managing Director of SNC Lavelin's South African office. Noel's expertise in bulk mineral processing and beneficiation will provide invaluable technical support to the Feasibility Study team.

**Rob Morrow – Consultant Mining**

Rob is a Mining engineer with strong mining contracting and bulk commodity mine construction experience and brings considerable strength to the team in the mining equipment and operations area. Rob has worked extensively with HWE as well as NRW and more recently Gindalbie's Karara JV.

**Sean Richardson – Operations Manager**

Sean has a diverse mining experience spanning 18 years. A mining engineer with experience with gold and iron ore, Sean has significant experience in Central and South-East Asian economies. Sean brings excellent management and planning skills to the Otjozondou Project.

**Ashley Jones – Country Manager Geology, Namibia**

Ashley is a geologist, and has spent the last 3 years in Africa managing local mineral exploration companies. He brings experience from 13 years from mining, exploration and mining feasibility studies. With his African management experience and his strong resource geology background he is ideally placed to help Otjozondou Mining to become a long-term producer of manganese.

**Adriaan Du Toit – Consultant Geologist**

Adriaan's 11 years operating as a geologist in Namibia includes 8 years working in the Otjozondou Manganese Field where the Otjozondou Project is located. Adriaan brings with him unique local knowledge of the Otjozondou Project and its geological domains.

## Plans for the June 2011 Quarter

The objectives for the June quarter at Otjo are centered on advancing four key aspects;

- Feasibility Study Outcomes
- Exploration Drilling and Resource Development
- Beneficiation Testing
- Site Works and Training

These programs will all commence in earnest in May 2011, following the Easter break. Exploration drilling is likely to continue through the rest of 2011, with the feasibility results presented to the board in Q4 2011.

**BARAMINE PROJECT, WA - SHAW RIVER 70%, (80 km northwest of the Woodie Woodie Manganese Mine and 280 km east of the town of Port Hedland)**

The Baramine Manganese Project consists of three tenements located 80 km northwest of the Woodie Woodie Manganese Mine and 280 km east of the town of Port Hedland (see Figure 1). The geology has great similarity to the nearby Woodie Woodie deposits, which host high grade (+40% Mn) direct shipping ores (DSO).

Manganese at Baramine is associated with the Carawine Dolomite and Pinjian Chert over a minimum estimated area of 70 km<sup>2</sup>. Shaw River is targeting manganese mineralisation similar to that at the world-class Woodie Woodie deposits (see targets, Figure 3).

## Highlights for the March 2011 Quarter - Baramine

- A period of re-evaluation of data and targets took place during the Quarter following the appointment of a new Exploration Manager, Mike Morawa.
- A longer and wetter than usual wet season in the Pilbara delayed the start of field works and drilling until late April 2011.

### Recent Baramine drilling success

Recent drilling at Baramine has identified intersections of up to 45.8% Mn and identified significant mineralisation at six prospects. Drilling in 2010 identified five new areas of manganese mineralisation and extended two other known mineralised trends.

Drill intersections identified a range of different mineralisation types, some similar in nature to those known at the nearby operating Woodie Woodie Mine. These included high manganese-low iron, high iron and high carbonate styles of mineralisation. Intersections to be followed up in the first programme of 2011 include:

#### Area 3

- BRC018; 5m @ 24.1% Mn (0 – 5m)
- BRC169; 8m @ 22.4% Mn (34 – 42m)
- BRC241; 13m @ 18.0% Mn (63 – 76m)

#### Jose South

- BRC112; 5m @ 18.2% Mn (44 – 49m)
- BRC205; 11m @ 16.14% Mn (71 – 82m)
- BRC208; 7m @ 18.9% Mn (15 – 22m)

Overall, drilled mineralisation trends have been extended to 4km, accounting for just 11% of the 35km of mineralised target trends tested thus far at Baramine.

### Plans for the June 2011 Quarter

Shaw River is pleased to announce the commencement of the 2011 Pilbara field season with an initial 7500m RC drilling programme at its Baramine Project. The primary focus is aimed at the infill and extension of known manganese mineralisation in the Area 3 and Jose South prospects where previous RC drilling has returned substantial manganese intersections including. Planning is currently underway for additional drilling on completion of the above programme on targets identified through previous drilling as well as geophysical methods.

## BUTRE PROJECT, GHANA- SHAW RIVER 80% (30km west of bulk port of Takoradi)

Shaw River's Butre Manganese Project located in the mining friendly Republic of Ghana in West Africa (see Figure 4). Ghana and West Africa have long been one of the key suppliers of high quality manganese oxide ore for the steel market.

The Butre Project is strategically located 30 km on sealed roads from the bulk port of Takoradi, and 200km west of the Capital, Accra. Takoradi currently ships around one million tonnes per annum of manganese ore from the nearby Nsuta Manganese Mine, which has been operating since 1923 and has produced some 25 million tonnes of high grade oxide manganese ore.

Butre is also located directly adjacent to ground held by Adamus Resources Limited, which is currently developing the multi-million ounce Salman Gold Project 30km to the west of Butre.

### Highlights for the March 2011 Quarter

- A programme of 1000m Air Core drilling was completed during the Quarter.
- Assay results from the program have been delayed due to a problem with the quarantining of samples in Ghana. This problem has been overcome and results are expected in May 2011.

### Plans for the June 2011 Quarter

- Bulk sampling of manganese source material to be taken and sent for beneficiation will be undertaken during the June 2011 quarter
- An economic study on a potential operation at Butre using the Port of Takoradi, just 30km from the project, will commence on the receipt of drilling results and bulk sample test results
- Follow up on the extensive gold anomalism at Butre will be planned for the September quarter of 2011.

## SKULL SPRINGS PROJECT SHAW RIVER (JV earning in up to 80%), (located 30km from the Woodie Woodie manganese mine)

The Wandanya Prospect at Skull Springs is located only 40km southwest of the Woodie Woodie operations. High grade rock chips up to 65% Mn in outcrops of manganese mineralisation trending NE-SW have previously been compiled at Skull Springs. Airborne EM has been completed over the Wandanya Prospect and a number of targets were outlined within prospective geology.

### Plans for the June 2011 Quarter

- Shaw River will undertake a 1,500 metre first pass RC programme in the June 2011 quarter. Drilling at the Skull Springs Project will target outcropping manganese over 2.5km of strike. Drilling has been delayed due to the unusually long wet season in the Pilbara which has hampered access of equipment to the site.

## CORPORATE

During the Quarter Shaw River completed the acquisition of a 75.5 % stake in the Otjozundu Mining Manganese Project in Namibia. The payment of the up-front part of the consideration (i.e. excluding royalty) to the vendors was completed on 10 February 2011. The payment included:

- Payment of US\$5,130,000 in cash funded through the placement to Atlas Iron Limited (Atlas) and OM Holdings Limited (the placement to major shareholders is detailed below);
- The issue of:
  - 31,495,417 Shaw River shares based on the 5 day VWAP prior to announcing this transaction (subject to 12 month escrow);
  - 2,053,114 Atlas shares valued based on the 5 day VWAP prior to announcing this transaction; and
  - 45 million unlisted 5 year Shaw River options exercisable at A\$0.20 each.
- The issue of Atlas Shares was funded through a Loan Agreement, payable before Dec 2012 to the value of A\$7.5m. An offset facility in the loan agreement allows for the amount to be offset against any funds owed by Atlas to Shaw River.

- Subsequent to the end of the March Quarter Shaw River advised that it has resolved to raise up to \$25 million through a placement of 125 million shares at an issue price of 20 cents per share to sophisticated and professional investor clients of Hartleys Limited and its major shareholder, Atlas. The funds raised pursuant to the capital raising will be used to fund development of Shaw River's manganese assets in Namibia, Australia and Ghana.
- The Placement will be completed in two tranches with the first tranche of up to 48.7 million shares to be issued pursuant to the Company's 15% capacity under ASX Listing Rule 7.1, and the second tranche of up to 76.3 million shares to be issued subject to shareholder approval at the Company's General Meeting currently scheduled for Tuesday 17 May 2011.
- Shaw River continues to assess new manganese project acquisition opportunities both domestically and internationally.
- The Company's cash position at 31 March 2011 was \$6.0 million. This excludes the \$25 million fund raising announced in early April 2011.

Shaw River is aware that there have been reported changes to Namibian Mineral Policy. Shaw River is currently of the understanding that its existing rights and equity position in its Namibian manganese project would not be effected by the reported changes to Namibian Mineral Policy.

#### SHAREHOLDER INFORMATION

As at 31 March 2010 Shaw River Resources had 326,582,803 of shares on issue. The top 20 shareholders hold 72.85% of the issued capital of Shaw River Resources Limited.



Vincent Algar  
 Managing Director  
 31 March 2011

This information can be downloaded from [www.shawriver.com.au](http://www.shawriver.com.au)

#### Exploration Target Statement:

Exploration Target is conceptual in nature and there has currently been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

#### Competent Person Statement

The information in this report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Vincent Algar of Shaw River Resources Ltd and Mr. Adriaan du Toit of Aemco Pty Ltd who are Members of the Australasian Institute of Mining and Metallurgy. Mr. Vincent Algar is a full-time employee of the company and Mr. Adriaan du Toit, an independent consultant, who have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Vincent Algar and Mr. Adriaan du Toit consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

#### † Forward Looking and Exploration Target Statements

Some statements in this announcement regarding future events are forward-looking statements. They involve risk and uncertainties that could cause actual results to differ from estimated results. Forward-looking statements include, but are not limited to, statements concerning the Company's exploration programme, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "planned", "estimate", "possible", "future", "prospective" and similar expressions. The terms "Direct Shipping Ore (DSO)", "Target" and "Exploration Target", where used in this announcement, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. Exploration Targets are conceptual in nature and it is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Reserve.

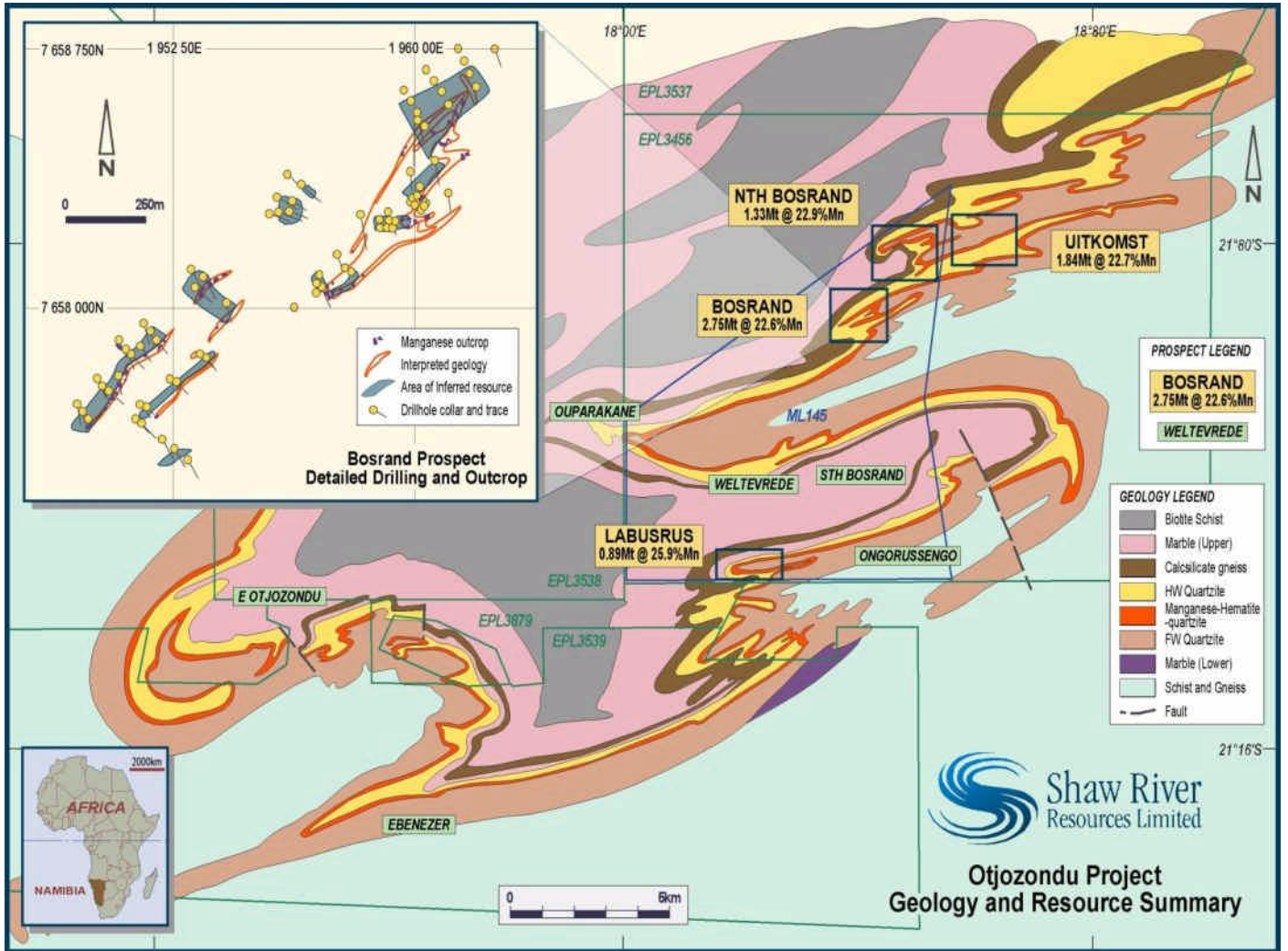


Figure 1. Otjozondu Manganese Project , Geology and Prospects



Figure 2 Location Diagram Otjozondu Manganese Project, Namibia, Walvis Bay Port

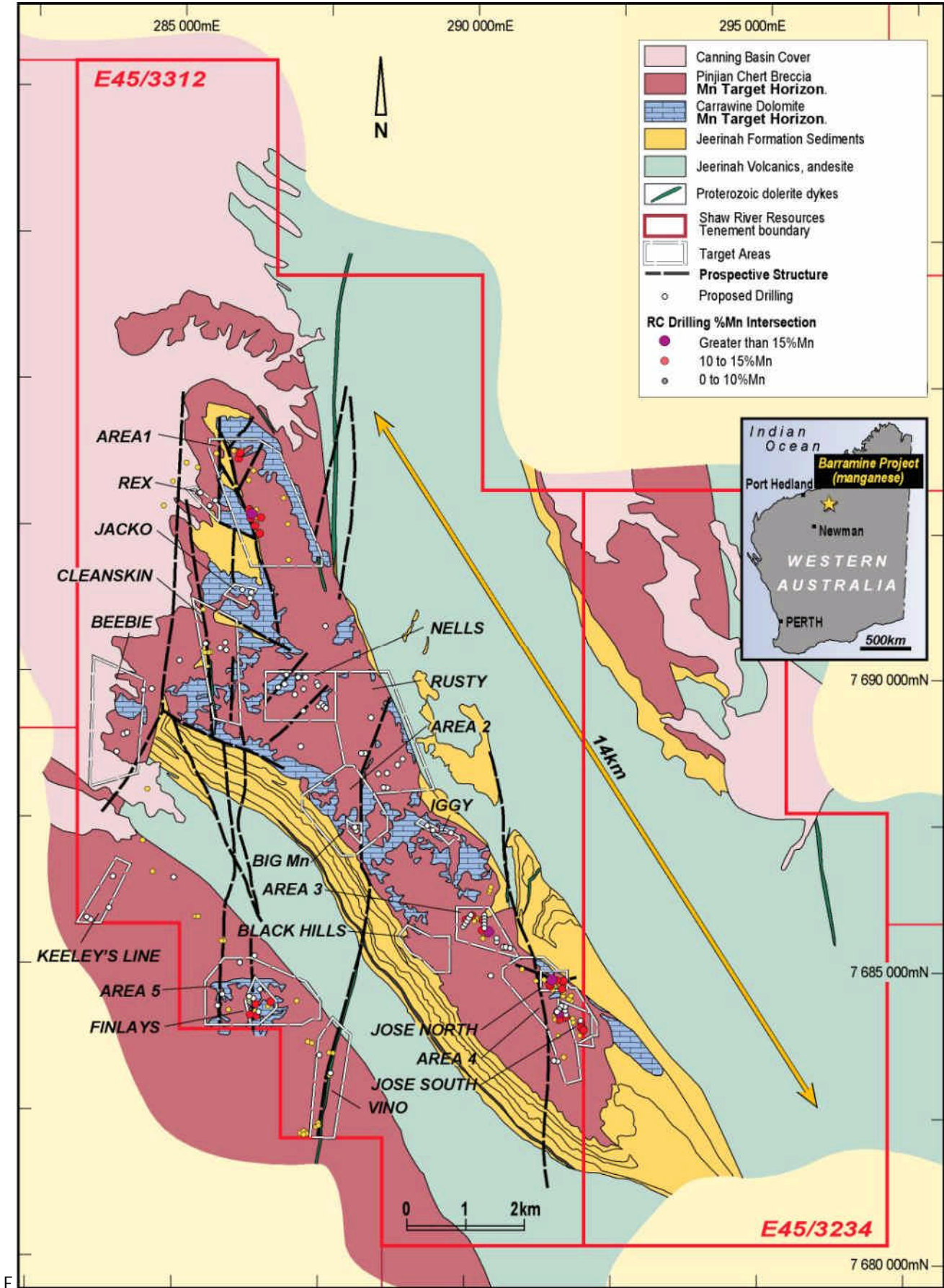


Figure 3. Baramine Manganese Project Exploration Targets

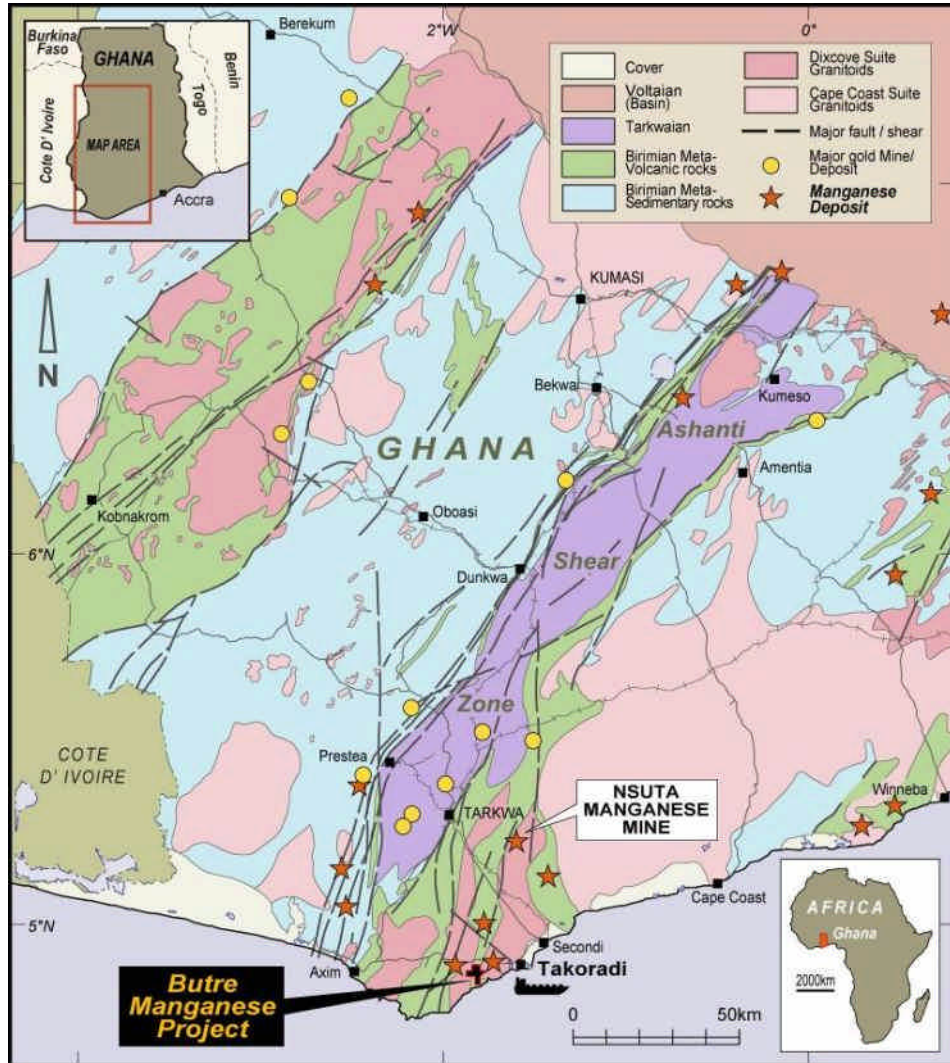


Figure 3. Ghana Geology and Butre Project Location