

SHAW RIVER RESOURCES LIMITED

Otjozondou Acquisition to Fast Track Production

Shaw River Resources Limited ("Shaw River", "SRR", "Company") has entered into an agreement to purchase 75.5% of the Otjozondou Manganese Project ("Otjo") in Namibia. The project is located 150km north-east of the Namibian capital of Windhoek and has been in production up until recent times. Consideration for the acquisition is ~US\$31m, to be funded by a mixture of shares, cash, options and production royalties. Of this, ~US\$18.5m is to be paid up front. Following a period of drilling and development studies, we understand Shaw River plans to commence production at Otjo in 2012 at an initial rate of 250ktpa - 300ktpa.

We see Otjo as a potentially company making project, fast tracking Shaw River to producer status and strong cashflow within 2 years. The potential to modernise and upscale the existing operations should see economies of scale and efficiency savings, which should enable the Company to generate excellent margins and free cashflow. If the Company can achieve ~US\$100/t margins, implied operating cashflow would be in the order of US\$25 - 30m per annum. In addition, Otjo appears to have substantial exploration upside that may deliver a long mine life and possible production increases.

Project details

The project covers 1,367km² and has historic production of ~500kt since the 1950's. Recent trial mining has been at up to 10kt per month producing a +38% Mn product. Mining has been via shallow open pits using typical drill and blast techniques, with ore crushed and processed on a jig to produce a saleable product. We understand that the project has its own water bores, and benefits from nearby rail, roads and access to a bulk commodities port. The projects 24.5% joint venture partner, Oreport Namibia, controls the bulk commodities port facilities at Walvis Bay, Namibia's largest port.

Work Plan

On the completion of the acquisition, Shaw River plans to undertake a feasibility study on recommencing production using shallow open pit mining methods and exporting through Walvis Bay. The Company plans to undertake a detailed drill program with a view to having an initial resource out in 1H CY2011. The Company believes that the project is relatively underexplored as historic RC & diamond drilling (~33,000m) only covered 24% of the 44km of prospective strike. Whilst seven deposits were identified, most drilling did not go below 85m depth and the mineralisation remains open at depth. Shaw River has an exploration target for the project of 35 – 50Mt grading 23% - 27%Mn.

The Company is targeting the production of a high grade lump and fines manganese product grading 38 – 42% Mn following beneficiation. We understand that the product is a high quality low phosphorous ore, with iron grades of 13 – 15%, and ideal for blending with lower value high phosphorous ores. The Company believes that the recent production will benefit significantly from investment in mine planning, drilling and more sophisticated mining practices enabling the much higher production rates.
(Continued over page)

13 Dec 2010

Share Price (last): \$0.150

Brief Business Description:

Manganese explorer/developer

Hartleys Brief Investment Conclusion

Excellent project pipeline led by the pending Otjozondou acquisition

Pre Aqn.Capital:	226.9m
- fully diluted	228.4m
Pre Aqn. Market Cap:	\$34.0m
- fully diluted	\$34.3m
Cash (est)	\$7.0m
EV	\$27.0m

Main Projects

Otjozondou (Namibia)	Mn
Barramine (WA)	Mn
701 Mile (WA)	Mn
Mt Minnie (WA)	Mn, Cu, Au
Skull Springs (WA)	Mn
Butre (Ghana)	Mn, Au

Board & Management

Tony Walsh (Chairman and Co. Sec.)

Vincent Algar (MD)

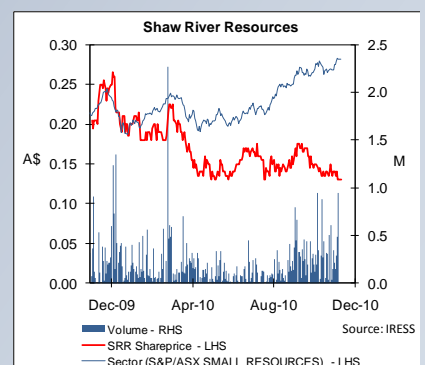
Ken Brinsden (Non-Exec. Dir.)

Glenn Martin (Expl. Manager)

Major Shareholders:

Atlas Iron Limited	45.2%
OM Holdings Limited	11.1%

Company Address:

 33 Ventnor Ave
 West Perth, WA, 6005

Author:

Andrew Muir

Resources Analyst

Ph: +61 8 9268 3045

E: andrew_muir@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Shaw River Resources Limited. See back page for full disclosure.

Initial 250ktpa – 300ktpa production rate constrained by infrastructure

We understand that the Company is targeting a production rate of 250ktpa – 300ktpa from 2012. We believe that this rate is governed by current infrastructure constraints including processing and transport. Over time the Company plans to remove these bottlenecks and increase production.

We understand that for the Company to recommence production at the targeted 250ktpa - 300ktpa rate it will require capital in the order of US\$20m.

Initial acquisition cost is US\$18.5m in cash and shares, with a 3% royalty capped at US\$12.73m

Acquisition details

The ~US\$31m purchase price consists of a mixture of cash (US\$5.13m), SRR shares (US\$4.17m), Atlas Iron Limited (“Atlas”) shares (US\$6.2m), a 3% production royalty (capped at US\$12.73m), as well as 45m SRR A\$0.20 unlisted options. To help fund the acquisition, Atlas, Shaw River’s largest shareholder, is providing the Company with an unsecured US\$11.3m loan (terms to be determined). Shaw River has flagged that the Company will require a raising to pay back this loan.

The acquisition is subject to a number of conditions precedent including completion of due diligence by Shaw River, SRR shareholders approval, Shaw River taking over the relevant overdrafts of N\$22.3m (~A\$3.3m), as well as consent from the Namibian competition authorities. The acquisition is due to be completed by 31 March 2011.

Potential two year payback once production commences

Summary

We see this as an outstanding acquisition for Shaw River, giving the Company near term high grade production potential from a known manganese producing area. With the modernisation and up scaling of the existing operations, we see good potential for economies of scale and efficiency savings, which may enable the Company to generate initial annual cashflow of ~US\$25 - 30m within 2 years for a capital outlay of ~US\$20m. Combined with the purchase price, implied payback for the project is ~2 years based on this cashflow scenario.

Baramine and Butre exploration ongoing, but Otjo likely to be the near term focus

The Company plans to continue exploration of its Baramine project in the Pilbara, as well as the Butre project in Ghana with drilling on both projects scheduled early in CY2011. Consequently we expect a steady flow of news across all its projects over the coming months. However, we expect that in the short to medium term the focus will be on the development of Otjo, and its ability to generate cash to fund ongoing exploration and expansion.

Retain Speculative Buy

Whilst there remains a number of conditions requiring to be fulfilled, we see this agreement as an outstanding opportunity for Shaw River to join the ranks of producers. We rate Shaw River resources Limited as a Speculative Buy.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
Resources					
Gold					
1. Intrepid Mines Limited	IAU	1.93	826	Explorer	Speculative Buy
2. Integra Mining Limited	IGR	0.625	472	Producer	Speculative Buy
3. Beadell Resources Limited	BDR	0.710	441	Developer	Speculative Buy
4. Silver Lake Resources Limited	SLR	2.26	404	Producer	Buy
5. Dominion Mining Limited	DOM	3.05	315	Producer	Speculative Buy
6. Catalpa Resources Limited	CAH	1.810	295	Producer	Buy
7. Gold One International Limited	GDO	0.360	290	Producer	Speculative Buy
8. Tanami Gold NL	TAM	1.000	260	Producer	Speculative Buy
9. Focus Minerals Ltd	FML	0.054	155	Producer	Speculative Buy
10. YTC Resources Limited	YTC	0.370	76	Developer	Buy
11. Cortona Resources Limited	CRC	0.185	36	Explorer	Speculative Buy
12. Ausquest Limited	AQD	0.150	34	Explorer	Speculative Buy
13. Emmerson Resources Limited	ERM	0.155	32	Explorer	Speculative Buy
14. Canyon Resources Limited	CAY	0.450	14	Explorer	Speculative Buy
15. Geopacific Resources NL	GPR	0.340	13	Explorer	Speculative Buy
15. Southern Gold Limited	SAU	0.067	9	Explorer	Speculative Buy
Iron Ore					
1. Atlas Iron Limited	AGO	3.000	1,639	Producer	Buy
2. Centaurus Metals Ltd	CTM	0.105	63	Explorer	Speculative Buy
Coal					
1. Riversdale Mining Limited	RV	16.200	3,052	Developer	Speculative Buy
Base Metals					
1. Western Areas NL	WSA	6.190	1,108	Nickel Producer	No Rating
2. Jabiru Metals Limited	JML	0.595	329	Zinc-Copper Producer	Buy
3. Avalon Minerals Limited	AVI	0.200	30	Copper/Iron Ore Dev.	Speculative Buy
Other metals					
1. Magma Metals Limited	MMW	0.590	96	PGM-Cu-Ni Developer	Speculative Buy
2. Kasbah Resources Limited	KAS	0.335	80	Tin Developer	Buy
3. Hazelwood Resources Ltd	HAZ	0.200	38	Tungsten Developer	Speculative Buy
4. Shaw River Resources Limited	SRR	0.130	29	Manganese Explorer	Speculative Buy
Uranium					
1. Peninsula Energy Ltd	PEN	0.070	115	Developer	Buy
2. Impact Minerals Limited	IPT	0.097	11	Explorer	Speculative Buy
		Sub-Total	10,262		

Source: IRESS, Hartleys Research. * 13 Dec 2010

Hartleys Research Coverage					
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
Oil & Gas					
Conventional Oil & Gas					
1. Woodside Petroleum Ltd	WPL	43.00	33,546	Major	Buy
2. Nexus Energy Ltd	NXS	0.45	431	Developer / Explorer	Speculative Buy
3. Carnarvon Petroleum Ltd	CVN	0.43	292	Producer / Explorer	Buy
4. Tap Oil Ltd	TAP	0.82	128	Producer / Explorer	Buy
5. Cooper Energy Ltd	COE	0.42	121	Producer / Explorer	Buy
6. Otto Energy Ltd	OEL	0.090	96	Explorer / Producer	Buy
7. FAR Ltd	FAR	0.071	80	Explorer / Producer	Speculative Buy
8. Amadeus Energy Ltd	AMU	0.225	68	Producer / Explorer	No Rating
9. Sun Resources NL	SUR	0.070	27	Explorer / Producer	Speculative Buy
Non Conventional Oil & Gas					
1. Aurora Oil and Gas Ltd	AUT	1.79	599	Producer / Developer	Reduce
2. Samson Oil & Gas Ltd	SSN	0.059	98	Developer / Producer	Buy
3. European Gas Ltd	EPG	0.45	90	Producer / Explorer	Speculative Buy
4. Oilx Ltd	OEX	0.38	84	Explorer / Producer	Speculative Buy
5. Strike Energy Ltd	STX	0.17	54	Explorer / Producer	Buy
6. Entek Energy Ltd	ETE	0.11	25	Producer / Explorer	Speculative Buy
		Sub-Total	35,739		
Industrials					
Resource Services - Capital Intensive					
1. Ausdrill Limited	ASL	2.80	733	Contract Drilling	Buy
2. Fleetwood Corporation	FWD	12.47	718	Accommodation	Hold
3. Mermaid Marine Ltd	MRM	2.93	605	Oil & Gas Services	Speculative Buy
4. NRW Holdings Ltd	NWH	2.04	512	Contract mining	Buy
5. Clough Limited	CLO	0.63	428	Oil & Gas Construction	No Rating
6. Matrix Composites &	MCE	5.70	416	Oil & Gas Services	Buy
7. Macmahon Holdings Limited	MAH	0.54	393	Contract mining	Hold
8. Index Ltd	IMD	1.63	316	Drilling Supplies	Buy
9. MACA Ltd	MLD	1.63	245	Contract mining	Buy
10. Pacific Energy Ltd	PEA	0.35	112	Remote Power	Buy
11. Swick Mining Services Ltd	SWK	0.40	95	Contract Drilling	Speculative Buy
12. Neptune Marine Ltd	NMS	0.21	89	Oil & Gas Services	Speculative Buy
Resource Services - Labour Intensive					
1. Monadelphous Group Limited	MND	17.12	1,473	Construction	Buy
2. Decmil Group Limited	DCG	2.48	307	Construction	Buy
3. RCR Tomlinson Ltd	RCR	1.52	200	Engineer. & Constr.	Buy
4. Lycopodium Limited	LYL	4.49	174	Engineer. & Constr.	Buy
5. VDM Group Limited	VMG	0.35	73	Engineer. & Constr.	Hold
6. LogiCarms Limited	LCM	1.20	72	Engineer. & Constr.	Buy
Other Industrial Companies					
1. West Australia New s Hdgs Ltd	WAN	6.56	1,602	Media	Hold
2. Austal Limited	ASB	3.01	566	Civil and Military	Speculative Buy
3. Cash Converters Internat.	CCV	0.66	262	Unsecured Finance	Buy
4. Amcom Telecommunications	AMM	0.33	237	Telecommunications	Buy
		Sub-Total	9,626		
		65. GRAND TOTAL	55,627		

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Andrew Muir	Senior Resources Analyst	+61 8 9268 3045
Mike Millikan	Resources Analyst	+61 8 9268 2805
David Wall	Energy Analyst	+61 8 9268 2826
Peter Gray	Industrial Analyst	+61 8 9268 2837
Janine Hodges	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Head of Corporate Finance	+61 8 9268 2851
Richard Simpson	Director - Corporate Finance	+61 8 9268 2824
Paul Fryer	Director - Corporate Finance	+61 8 9268 2819
Dale Bryan	Director - Corporate Finance	+61 8 9268 2829
Ben Wale	Senior Manager - Corporate Finance	+61 8 9268 3055
Ben Crossing	Senior Manager – Corporate Finance	+61 8 9268 3047
Stephen Kite	Senior Manager – Corporate Finance	+61 8 9268 3050
Scott Weir	Corporate Finance Exec.	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details

Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
firstname_lastname@hartleys.com.au

Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Hold	Take no action.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause weakness.
Sell	Significant price depreciation anticipated

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has completed a capital raising in the past 12 months for Shaw River Resources Limited ("Shaw River"), for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Shaw River for which it has earned and continues to earn fees. Hartleys has a beneficial interest in 500,000 Shaw options.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 2887
Simon van den Berg	+61 8 9268 3062
Steven Boyce	+61 8 9268 2867
Nick Wheeler	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Damir Mikulic	+61 8 9268 3027
Nicole Morcombe	+61 8 9268 2896
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Elliott Rowton	+61 8 9268 3059
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Alex Wallis	+61 8 9268 3060
Marlene White	+61 8 9268 2806
Samuel Williams	+61 8 9268 3041