
SHAW RIVER RESOURCES LIMITED
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NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 21 January 2011 at 9.30am (WST).

SHAW RIVER RESOURCES LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that a 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 Friday, 21 January 2011 at 9.30am (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 19 January 2011 at 5.00pm (WST).

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

AGENDA

1. Resolution 1 – Ratification of 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 all other purposes, Shareholders approve and ratify the allotment and issue of 8,010,000 Shares each at 13 cents per share to shareholders pursuant to the Share Purchase Plan announced on 28 October 2010 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 8,010,000 Shares to shareholders under the Share Purchase Plan announced on 28 October 2010 and not approved at the Annual General Meeting on 30 November 2010. 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 Placement and any associates of those persons.

2. Resolution 2 - Ratification of 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 all other purposes, Shareholders approve and ratify the allotment and issue of 5,575,914 Shares each at 13 cents per share to Atlas Iron Limited 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 5,575,914 Shares to Atlas Iron Limited pursuant to a placement announced on 28 October 2010 and not approved at the Annual General Meeting on 30 November 2010. 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 Placement and any associates of those persons.

3. Resolution 3 - Approval to issue Shares and Unlisted Options to Vendors of Namibian Manganese Project

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 31,500,000 Shares at a deemed issue price of 13.573 cents per share and 45,000,000 Unlisted Options to the Vendors of the Namibian Manganese Project and on the terms and conditions in the Explanatory Memorandum."

Short Explanation: Approval is sought under Listing Rule 7.1 for the allotment and issue of up to 31,500,000 Shares and 45,000,000 Unlisted Options to the Vendors of the Namibian Manganese Project, Metalcorp Group B.V., Creo Investments (Pty) Limited, Goldex Investments (Pty) Limited and Henbase Holdings (Pty) Limited. None of the Vendors of the Namibian Manganese Project are related parties. Refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by the vendors of the Namibian Manganese Project and any person who may obtain a benefit, except in the capacity of a holder of ordinary shares, and any associates of those persons.

4. Resolution 4 - Approval to issue Shares

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 42,000,000 Shares each at each at 13.573 cents per share to Atlas Iron Limited and OM Holdings Limited and on the terms and conditions in the Explanatory Memorandum."

Short Explanation: Approval is sought under Listing Rule 7.1 for the allotment and issue of up to 42,000,000 Shares to Atlas Iron Limited and OM Holdings Limited. Refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by Atlas Iron Limited and OM Holdings Limited and any person who may obtain a benefit, except in the capacity of a holder of ordinary shares and any associates of those persons.

5. Resolution 5 – Approval to Renew Employee Share Option Scheme

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That in accordance with Exception 9 of ASX Listing Rule 7.2 Shareholders approve the renewal of the Shaw River Resources Employee Option Scheme approved by Shareholders and established on 26 November 2007 and the issue securities under the scheme on the terms and conditions in the Explanatory Memorandum".

Short Explanation: Approval is sought under Exception 9 of Listing Rule 7.2 to renew the Shaw River Resources Employee Option Scheme and allow the Company to issue securities under the scheme. Please refer to the Explanatory Memorandum for details.

Voting Exclusion

The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of a Director. However, the Company will not disregard a vote if:

- (a) it is cast by the person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.

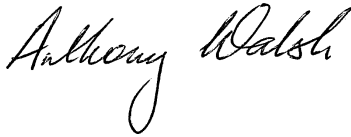
Voting Exclusion – Resolutions 1 through to 5

The Company need not disregard a vote in Resolutions 1 to 5 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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Dated 21 December 2010

By Order of the Board



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Tony Walsh
Company Secretary

SHAW RIVER RESOURCES LIMITED

ACN 121 511 886

EXPLANATORY MEMORANDUM

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 Friday, 21 January 2011 at 9.30am (WST) ("Meeting").

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 Shares to existing shareholders of Shaw River pursuant to a Share Purchase Plan announced on 28 October 2010 and not approved at the Annual General Meeting on 30 November 2010.

The Company confirms that the issue and allotment of the Shares the subject of Resolution 3 did not breach ASX Listing Rule 7.1. 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 to existing shareholders of Shaw River pursuant to a Share Purchase Plan and not approved at the Annual General Meeting on 30 November 2010 is 8,010,000 Shares;
- (b) The Shares were issued at an issue price of 13 cents each on 6 December 2010;
- (c) The Shares rank equally with the existing Shares on issue;
- (d) \$1.04 million was raised by this placement; and
- (e) Funds raised by the Company from this placement will be used to fund further exploration on its existing manganese tenements in 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.

2. Resolution 2 – 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 2 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify the previous issue of Shares to Atlas Iron Limited (Atlas), an existing shareholder of Shaw River.

The Company confirms that the issue and allotment of the Shares the subject of Resolution 3 did not breach ASX Listing Rule 7.1. The Company confirms that Atlas is not a related party of the Company.

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 and not approved at the Annual General Meeting on 30 November 2010 is 5,575,914 Shares;
- (b) The Shares were issued to Atlas at an issue price of 13 cents each on 6 December 2010;
- (c) The Shares rank equally with the existing Shares on issue;
- (d) \$0.725 million was raised by this placement; and
- (e) Funds raised by the Company from this placement will be used to fund further exploration on its existing manganese tenements in 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 2.

3. Resolution 3 – Approval to issue Shares and Unlisted Options to Vendors of Namibian Manganese Project

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of Shares and Unlisted Options pursuant to the acquisition of the Namibian Manganese Project as announced on 13 December 2010 to the Vendors the Namibian Manganese Project, Metalcorp Group B.V., Creo Investments (Pty) Limited, Goldex Investments (Pty) Limited and Henbase Holdings (Pty) Limited. The passing of Resolution 3 will allow the Directors to issue up to 31,500,000 Shares and 45,000,000 Unlisted Options 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 3 will be to allow the Directors to issue up to 31,500,000 Shares and 45,000,000 Unlisted Options, without using up the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Company confirms that none of the Vendors the Namibian Manganese Project are related parties. For the purposes of ASX Listing Rules 7.3, information regarding the Shares is provided as follows:

- (a) The maximum number of securities the Company can issue under this resolution is up to 31,500,000 Shares and 45,000,000 Unlisted Options.
- (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.
- (c) Shares will be issued by the Company at a deemed issue price of 13.573 cents each and Unlisted Options are deemed to be issued for Nil consideration.
- (d) The Shares rank equally with the existing Shares on issue. The terms and conditions of the Options are set out in Schedule 2.
- (e) No funds are raised pursuant to this resolution.
- (f) The Shares and Unlisted Options will be issued to Vendors the Namibian Manganese Project, being Metalcorp Group B.V., Creo Investments (Pty) Limited, Goldex Investments (Pty) Limited and Henbase Holdings (Pty) Limited or their nominees.

A voting exclusion statement is included in this Notice for Resolution 3.

4. Resolution 4 – Approval to issue Shares

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of Shares following the Namibian Manganese Acquisition announcement on 13 December 2010 to Atlas Iron Limited and OM Holdings Limited to fund the cash consideration referred to the Company. The passing of Resolution 4 will allow the Directors to issue up to 42,000,000 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 4 will be to allow the Directors to issue up to 42,000,000 Shares, without using up the Company's 15% placement capacity under ASX Listing Rule 7.1. The Company confirms that neither Atlas Iron Limited nor OM Holdings Limited are related parties.

For the purposes of ASX Listing Rules 7.3, information regarding the Shares is provided as follows:

- (g) The maximum number of Shares the Company can issue under this resolution is up to 42,000,000.
- (h) 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 issued simultaneously with the Shares issued pursuant to Resolution 3.
- (i) Shares will be issued by the Company at an issue price of 13.573 cents each.
- (j) The Shares rank equally with the existing Shares on issue.
- (k) Up to \$5,700,660 will be raised by issuing the Shares.
- (l) The Shares will be issued to Atlas Iron Limited and OM Holdings Limited.
- (m) Funds raised by the Company from this issue will be used to fund the acquisition of the Namibian Manganese Project as announced on 13 December 2010 and to fund further exploration on the Company's existing manganese tenements in Australia and Ghana.

A voting exclusion statement is included in this Notice for Resolution 4.

5. Resolution 5 – Renewal of Employee Share Option Scheme

On 26 November 2007 the Company received the approval of Shareholders, in accordance with Exception 9 of ASX Listing Rule 7.2, and established the Shaw River Resources Employee Share Option Scheme ("Employee Share Option Scheme").

ASX Listing Rule 7.1 prohibits a Company (unless it falls within one of the exceptions contained in ASX Listing Rule 7.2) from issuing more than 15% of its securities on issue in any 12 month period, without obtaining shareholder approval.

Under ASX Listing Rule 7.2 (exception 9) securities issued under an approved employee incentive scheme (such as the Employee Share Option Scheme) do not reduce a company's 15% capacity if it is approved by shareholders.

The notice for the meeting of the Company held on 26 November 2007 disclosed the terms and conditions of the Employee Share Option Scheme.

ASX Listing Rule 7.2 (exception 9) requires that Shareholder approval is obtained for the Company's Employee Share Option Scheme every 3 years. The purpose of this resolution is for Shareholders to approve the Company's Employee Share Option Scheme for a further 3 year period to enable the Company to issue options under the scheme without reducing its 15% capacity.

Requirements of ASX Listing Rule 7.2 (Exception 9)

- (a) A summary of the terms of the Employee Share Option Scheme are in Schedule 3.
- (b) Since 26 November 2007, the Company has issued 6,875,000 options under the Employee Share Option Scheme.
- (c) A voting exclusion statement is included in the Notice of Meeting.

Directors' Recommendation

The Directors recommend that Shareholders vote in favour of renewing the Company's Employee Share Option Scheme for another three years.

6. 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.

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.

Option means an option to acquire a Share.

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.

Unlisted Options means an option to acquire a Share, issued pursuant to the terms and conditions set out in Schedule 2.

Vendors of Namibian Manganese Project means Metalcorp Group B.V., Creo Investments (Pty) Limited, Goldex Investments (Pty) Limited and Henbase Holdings (Pty) Limited.

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

Schedule 2 - Terms and Conditions of Unlisted Options

- (a) Entitlement: The Unlisted Options entitle the holder to subscribe for one (1) Share upon the exercise of each Unlisted Option.
- (b) Exercise Price
The exercise price of each Unlisted Option is A\$0.20 (**Exercise Price**).
- (c) Expiry Date
The Unlisted Options are exercisable wholly or in part at any Time before 5:00 pm Western Standard Time on the date which is 5 years after the issue of the Unlisted Options. Unlisted Options not exercised by that date shall lapse.
- (d) Exercise Period
The Unlisted Options are only exercisable during the exercise period (being from the date of issue to the expiry date set out above).
- (e) Quotation of Unlisted Options
Application will not be made by the Company to ASX for official quotation of the Unlisted Options.
- (f) Notice of Exercise
The Unlisted Options may be exercised by notice in writing to the Company. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Unlisted Option as at the date of receipt.
- (g) Timing of issue of SRR Shares
Within 15 Business Days after the later of the following:
- (i) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Unlisted Option being exercised; 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 30 Business Days after receipt of a Notice of Exercise and applicable cleared funds given in accordance with these terms and conditions and payment of the Exercise Price for each Unlisted Option being exercised the Company will:
- (iii) allot and issue the Shares pursuant to the exercise of the Unlisted Options;
 - (iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
 - (v) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Unlisted Options.

(h) Shares issued on exercise

Shares issued on exercise of the Unlisted Options rank equally with the then Shares of the Company.

(i) Quotation of SRR Shares on Exercise

Application will be made by the Company to ASX for Official Quotation of the Shares issued upon the exercise of the Unlisted Options.

(j) Participation in new issues

There are no participation rights or entitlements inherent in the Unlisted Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Unlisted Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced. This will give holders of Unlisted Options the opportunity to exercise their Unlisted Options prior to the date for determining entitlements to participate in any such issue.

(k) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other Securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Unlisted Optionholder would have received if the Unlisted Optionholder had exercised the Unlisted Option before the record date for the bonus issue and no change will be made to the Exercise Price.

(l) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Optionholders will be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) Options transferable

The Unlisted Options are transferable subject to any escrow restriction which may be imposed by ASX.

(n) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not negotiable". The application for Shares on exercise of the Unlisted Options with the appropriate remittance should be lodged at the Company's Share Registry.

Schedule 3 - Terms and Conditions of the Shaw River Resources Employee Share Option Scheme

1. Employee Option Scheme Terms and Conditions

The Directors are empowered to operate the Employee Option Scheme in accordance with the Listing Rules and on the following terms and conditions:

- (a) Subject to paragraph (d), the Directors may offer to issue Employee Options to Eligible Employees in accordance with Class Order 03/184, the Employee Option Scheme and in such manner and on such terms and conditions as they in their absolute discretion determine.
- (b) To accept an offer of Employee Options complete the Acceptance Form or accept in such other form as the Directors may in their absolute discretion approve from time to time.
- (c) The Eligible Employees to participate in the Employee Option Scheme shall be as the Directors in their absolute discretion determine and shall take into account skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances.
- (d) Employee Options may not be offered under this Employee Option Scheme without the issue of a prospectus in accordance with Chapter 6D of the Corporations Act, if the aggregate of:
 - (i) the number of Employee Options to be issued;
 - (ii) the number of Shares which would be issued if all the current Employee Options issued under any employment incentive scheme were exercised;
 - (iii) the number of Shares which have been issued as a result of the exercise of Employee Options issued under any employee incentive scheme, where the Employee Options were issued during the preceding five years; and
 - (iv) all other Shares issued pursuant to any employee incentive scheme during the preceding five years;

but disregarding any offer made, Employee Options or Shares issued by way of or as a result of:

- (v) an offer to a person situated at the time of receipt of the offer outside Australia;
- (vi) an offer that was an excluded offer or invitation within the meaning of the Corporations Act as it stood prior to the commencement of Schedule 1 of the Corporate Law Economic Reform Program Act 1999;
- (vii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (viii) an offer under a disclosure document,

would exceed 5% of the then current number of Shares on issue.

- (e) The Directors may, in their absolute discretion, offer to Eligible Employees Employee Options under the Employee Option Scheme, notwithstanding that it has previously issued more than the 5% limit in paragraph (d), up to a maximum of 10%, provided that the issue is made in accordance with the requirements of Chapter 6D of the Corporations Act.
- (f) Employee Options will be issued free of charge to Eligible Employees. The exercise price of the Employee Options shall be as the Directors in their absolute discretion determine, provided that it shall not be less than that amount which is equal to 90% of the average market price of the Shares in the 5 days in which sales in the Shares were recorded immediately preceding the day on which the Directors resolve to offer the Employee Options.
- (g) The Directors may limit the total number of Employee Options which may be exercised under the Employee Option Scheme in any year.
- (h) The Directors, in their absolute discretion, having regard to skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances, shall determine criteria to establish the periods during which the Employee Options may be exercised.
- (i) All Employee Options with a common expiry date shall have the same exercise price and rights to participate in issues of securities by the Company.
- (j) Unless the Directors in their absolute discretion determine otherwise, Employee Options shall lapse upon the earlier of:
 - (i) the expiry of the exercise date;
 - (ii) the Employee Option holder ceasing to be an Eligible Employee by reason of dismissal, resignation or termination of employment, office or services for any reason;
 - (iii) the expiry of 30 days after the Employee Option holder ceases to be an Eligible Employees by reason of retirement; or
 - (iv) a determination by the Directors that the Employee Option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate;
- (k) If an Eligible Employee accepts an offer from the Company to participate in the Employee Option Scheme then the Company will evidence the issue of an Employee Option to an Eligible Employee by issuing that Eligible Employee a Certificate for that Employee Option.
- (l) Each Employee Option entitles the holder to subscribe for and be issued with one Share.
- (m) Shares issued pursuant to the exercise of Employee Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.
- (n) There are no participating rights or entitlements inherent in the Employee Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Employee 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 Employee Option holders the opportunity to exercise their Employee Options prior to the date for determining entitlements to participate in any such issue.

- (o) The Employee Options will not be quoted on the ASX. However, application will be made to the ASX for official quotation of the Shares issued on the exercise of the Employee Options if the Shares are listed on the ASX at that time.
- (p) An application to be issued Employee Options may be made by Eligible Employees invited to participate in the Employee Option Scheme in such form and on such terms and conditions concerning the closing date for applications as the Directors in their absolute discretion determine.
- (q) If at any time the issued capital of the Company is reconstructed, all rights of Employee Option holders are to be changed in a manner consistent with the Listing Rules.
- (r) Subject to and in accordance with the Listing Rules (including any waiver issued under such Listings Rules), the Directors (without the necessity of obtaining the prior or subsequent consent of shareholders of the Company in a general meeting) may from time to time amend (including the power to revoke, add to or vary) all or any provisions of the Terms and Conditions in any respect whatsoever, by an instrument in writing, provided that rights or entitlements in respect of any Employee Option issued before the date of amendment shall not be reduced or adversely affected unless prior written approval from the affected holder(s) is obtained.
- (s) At the absolute discretion of the Directors, the terms upon which Employee Options will be issued may incorporate performance related factors. Such factors may reflect, inter alia, profitability levels, increases in production or decreases in production costs and may, subject to clause (r) above, be amended from time to time in a manner favourable to the Employee Option holder. However such performance related factors, if included in the Employee Option terms or so amended shall not act in any way to constitute a breach of the Terms and Conditions.
- (t) Notwithstanding the Terms and Conditions, upon the occurrence of a Trigger Event the Directors may determine:
 - (i) that the Employee Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the Employee Options shall lapse to the extent they have not been exercised; or
 - (ii) to use their reasonable endeavours to procure that an offer is made to holders of Employee Options on like terms (having regard to the nature and value of the Employee Options) to the terms proposed under the Trigger Event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the

Employee Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.

- (u) An Employee Option may not be transferred or assigned except that a legal personal representative of a holder of an Employee Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Employee Option after the production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.
- (v) An Employee Option is exercisable by the holder lodging with the Company a Notice of Exercise of Employee Option together with a cheque for the exercise price of each Employee Option to be exercised and the relevant Employee Option Certificate. If not all of the holder's Employee Options are being exercised, a holder must exercise Employee Options in multiples of 1,000.
- (w) Neither participation in the Employee Option Scheme by the Company or an Associated Body Corporate or any Eligible Employees or Employee Option holders or anything contained in these Terms and Conditions shall in any way prejudice or affect the right of the Company or an Associated Body Corporate to dismiss any Eligible Employees or Employee Option holder or to vary the terms of employment of any Eligible Employees or Employee Option holder. Nor shall participation or the rights or benefits of an Eligible Employees or Employee Option holder under the Terms and Conditions be relevant to or be used as grounds for granting or increasing damages in any action brought by an Eligible Employees or Employee Option holder against the Company or an Associated Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.
- (x) At all times during which Eligible Employees may subscribe for or purchase Shares upon exercise of an Employee Option issued pursuant to the Employee Option Scheme, the Company shall provide, within a reasonable period of a request by Eligible Employees, the current market price of the Shares. Contact the Company Secretary to obtain this information.
- (y) The Employee Option Scheme shall be administered by the Directors who shall have power to:
 - (i) determine appropriate procedures for administration of the Employee Option Scheme consistent with these Terms and Conditions;
 - (ii) resolve conclusively all questions of fact or interpretation or dispute in connection with the Employee Option Scheme and settle as the Directors in their absolute discretion determine expedient any difficulties or anomalies howsoever arising with or by reason of the operation of the Employee Option Scheme;
 - (iii) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of the Directors' powers or discretions arising under the Employee Option Scheme; and
 - (iv) subject to the Listing Rules, waive strict compliance with, amend or add to the Terms and Conditions of the Employee Option Scheme except for the provisions of clause (d), and where such actions are taken such actions shall be conclusive, final and binding on Employee Option holders.

2. Definitions

In this Schedule the following terms shall bear the following meanings:

"Acceptance Form" means the Acceptance Form which will accompany the invitation to the Eligible Employee to participate in the Employee Option Scheme.

"Associated Body Corporate" means:

- (v) a related body corporate (as defined in the Corporations Act) of the Company;
- (vi) a body corporate which has an entitlement to not less than 20% of the voting shares of the Company; and
- (vii) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

"ASX" means the Australian Stock Exchange Limited.

"Business Day" means those days other than a Saturday, Sunday, New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which the ASX shall declare and publish is not a business day.

"Certificate" means a certificate for any Employee Option issued to Eligible Employees which will include all of the terms and conditions of the Employee Option and the Notice of Exercise of Employee Option or such other evidence of ownership that the Directors may in their absolute discretion determine from time to time.

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

"Company Group" means the Company and its Associated Bodies Corporate.

"Corporations Act" means the Corporations Act 2001 (Commonwealth).

"Directors" mean the directors from time to time of the Company.

"Eligible Employees" means any full time employee, part time employees and consultants of the Company or its Associated Bodies Corporate excluding Directors.

"Employee Option Scheme" means the Shaw River Resources Limited ACN 110 396 168 Employee Option Scheme in which Eligible Employees may be invited to participate in accordance with the Terms and Conditions.

"Listing Rules" means the official listing rules of ASX as amended from time to time.

"Notice of Exercise of Employee Option" means the Notice of Exercise of Employee Option which will accompany the invitation to the Eligible Employee to participate in the Employee Option Scheme.

"Offer Period" means the period referred to in the definition of that expression in Section 624 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of an off-market bidder's statement on

the Company in relation to that takeover bid the Offer Period shall be deemed to have commenced at the time of that announcement.

"Employee Option" means an option to acquire a Share issued in accordance with the Employee Option Scheme.

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

"Terms and Conditions" means the terms and conditions in this section 1 as amended from time to time.

"Trigger Event" means:

- (i) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- (ii) the service of a bidder's statement or a like document on the Company; or
- (iii) the date upon which a person or a group of associated person becomes entitled, subsequent to the date of issue of the Employee Option, to sufficient Shares to give it or them the ability, in general meeting to replace all, or allow a majority, of Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

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SHAW RIVER RESOURCES LIMITED

ACN 1 2 1 5 1 1 8 8 6

PROXY FORM

The Company Secretary
Shaw River Resources Limited

By delivery: 33 Ventnor Avenue, **By post:** PO Box 1259 **By facsimile:** (08) 9226 4255
West Perth WA 6005 West Perth WA 6872

I/We ¹ _____
of _____

being a Shareholder/Shareholders of the Company and entitled to _____
votes in the Company, hereby appoint ² _____

or failing such appointment the chairman of the general meeting as my/our proxy to vote for me/us on my/our behalf at the general meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 21 January 2011 at 9.30am (WST) and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

IMPORTANT:

The chairman of the general meeting intends to vote undirected proxies in favour of the Resolution.

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Ratification of issue of Shares pursuant to Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of issue of Shares pursuant to Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of issue of Shares and Unlisted Options to Vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval to renew Employee Share Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Authorised signature/s This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director/Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of Shareholder

²Insert name and address of proxy

*Omit if not applicable

The Chair of the meeting intends to vote undirected proxies in favour of the resolutions

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Proxy Notes:

A Shareholder entitled to attend and vote at the general meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting. If the Shareholder is entitled to cast 2 or more votes at the general meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting, the representative of the body corporate to attend the general meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the general meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company or by post to 33 Ventnor Avenue, West Perth, WA 6005, or Facsimile (08) 9226 4255 if faxed from within Australia or +61 8 9226 4255 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the general meeting (WST).