Shaw River Manganese Limited

SEPTEMBER 2011 QUARTERLY REPORT

SUMMARY OF QUARTERLY ACTIVITIES

HIGHLIGHTS

- OTJO - NAMIBIA
  - 8,000M DRILLING PROGRAM COMPLETED - RESULTS EXPECTED IN NOVEMBER 2011
  - RESOURCE UPGRADE MODELLING UNDERWAY
  - FEASIBILITY STUDY PROGRESSING
- BARAMINE - PILBARA
  - 10,000M RC DRILLING COMPLETED
  - RESOURCE ESTIMATION UNDERWAY
  - FURTHER BENEFICIATION TEST WORK UNDERWAY
- BUTRE - GHANA
  - DRILLING RESULTS HIGHLIGHT MANGANESE CARBONATE ORE POTENTIAL
  - DRILL PROGRAMS PLANNED FOR 2012 TO TEST STRIKE AND DEPTH EXTENTS
- CORPORATE
  - TRADING SUSPENDED PENDING CLARIFICATION OF LEGAL MATTER IN NAMIBIA
  - NON–EXECUTIVE DIRECTOR APPOINTMENT

Shaw River Manganese Limited ("Shaw River" or "the Company") (ASX:SRR) is a manganese focused exploration and development company focused on commencing manganese production in 2012 from its 75.5% owned Otjozondu Project "Otjo" in Namibia. Shaw River is advancing its other manganese exploration projects in Ghana and the East Pilbara Manganese Province of Western Australia.

During the quarter, Shaw River advanced its manganese projects with further successful drilling at its Baramine (Pilbara) Project and completion of its first resource infill drilling program at Otjo in Namibia. Significant advances were made at Otjo focused on exploration and advancing a range of key aspects of the ongoing feasibility study.

The Company had $11 million in cash available at the end of the quarter.

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

Overview

The Otjo Project is located 150km north-east of the Namibian capital of Windhoek (see Figure 1), and lies in a historical manganese field which has produced manganese since the 1950's. Manganese ore is currently being mined and exported from the neighbouring manganese operations which are located on parts of the same manganese field.

The Otjo Project has access to public road and rail infrastructure from the mine to the Port of Walvis Bay, which is located 550km to the East (see Figure 1). The Otjo Project has significant potential to expand through additional exploration, resource development and investment in processing and mine planning. Shaw River's current feasibility study is focused on these elements and is working towards its goal of making the Otjo Project a major, low-cost manganese producer that will generate significant cashflows.

Highlights for the September 2011 quarter

- Completion of the maiden Shaw River managed drill program, comprising 7,900m of Diamond (41 Holes for 1,718m) and RC (154 holes for 6,205m) drilling.
- Manganese mineralisation intersections comprised 24.5% of these drilled metres.
- Samples have been despatched to an Australian laboratory for analysis with complete results for the program expected in November 2011.
- RC and diamond drilling geological information is currently being utilised in geological modeling pending resource upgrade and extension.
- Over five tonnes of beneficiation test samples (PQ core) have been despatched to a Perth lab for test work.
- Logistics company Matomo have been awarded the infrastructure review component of the feasibility study.
- Significant advances were made during the quarter in on-site safety awareness, job categorisation and provision of health services for our Namibian employees.

Resource Development Update

In April 2011, Shaw River released a maiden Inferred Resource of 6.8Mt at 23.1% Mn at the Otjo Project. This Resource has been calculated on just 5% of the known strike potential of the manganese field under Shaw River's control. Shaw River has an Exploration Target* of 30Mt-50Mt grading 23-27% Mn at Otjozondu. The Company plans that the ore will be upgraded to export grade product (35% Mn-44% Mn) by the use of simple gravity beneficiation technology.

In May 2011, Shaw River announced the commencement of diamond drilling at the Otjo Project. The initial program of 8,000m is now completed with ~6,000m of RC and ~1,700m of diamond drilling completed on four key prospects. Manganese intersections in drilling comprised 24.5% of total metres. Drilling focused on resource infill drilling (increased quality) and resource extension drilling (increased tonnage).

Large diameter PQ diamond holes (see image) have been drilled and over five tonnes of mineralized material from the Otjo Project have been transported to NAGROM laboratories in Australia for beneficiation test work.

Results from the full program are expected in November 2011 and a resource upgrade from the new diamond and RC drilling is expected to be completed in December 2011.

Independent consultants Cube Consulting (Perth) and The Mineral Corporation (Johannesburg) have been engaged to assist with geological and resource wireframing and grade modeling (Cube), with The Mineral

Corporation verifying and supporting resource classification. During the quarter, consultants from The Mineral Corporation visited the Otjo Project and provided the Company with detailed commentary and input on issues relating to sampling, drilling, geology and resource classification.

The recently completed drilling program at the Otjo Project has achieved its primary objectives:

- **Infill drilling within predicted pits.** This was primarily aimed at increasing the confidence of the orebody continuity, position and grade within a series of preliminary pit designs, for the first five years of mining. Samples from this program will also be used for metallurgical test work to confirm process design criteria.

- **Geotechnical assessment of predicted pits**. This was specifically aimed at testing the geotechnical conditions of the predicted pit wall positions to allow suitable risk analysis and geotechnical design of the pits.

- **Resource Expansion.** This was primarily aimed at confirming new or additional potential pits along known strike and outcrop areas, not previously effectively drilled or modeled.

Feasibility Study Update

- **Hydrogeological study**. Test bores drilled and significant quantities of high quality water found, pump testing is being finalized. Public consultation meeting held with farmers. No significant issues.
- **Environmental study**. Site visit conducted, no significant flora or fauna issues to date.
- **Logistics study**. A new location for the rail siding at Okahandja is being considered and negotiations are progressing well. A detailed road condition study commenced with field testing of the current road condition completed.
- **Mine geotechnical study** commenced. International mining consultants, Golders and Associates attended site and reviewed core.
- **Beneficiation test work** continues at Nagrom in Perth. An additional five tonnes of PQ Core sample is currently being shipped to Nagrom for mini pilot plant testing.
- MSP Engineering preparing preliminary documentation. On completion of beneficiation testing, MSP will complete and formalise crusher & concentrator design.

Near Term News Flow from the Otjo Project

Despite delays experienced during the quarter, studies and activities centered around the Otjo Project are advancing well. Shaw River expects a steady newsflow of information to be forthcoming to keep investors updated over the coming months.

It is anticipated that during the December 2011 quarter, drill results from the recently completed program will be released. In addition, beneficiation test work will be quantified and if required, additional work commissioned. A resource update is currently underway to underpin work on cost modeling and capital estimates for the project. As an ongoing process, marketing discussions are being held with potential customers with regards to product specifications and sales arrangements.

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 80km northwest of the Woodie Woodie Manganese Mine and 280km east of the port of Port Hedland. 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 70km^2. Shaw River is targeting manganese mineralisation similar to that at the adjacent world-class Woodie Woodie deposits.

Drilling Program Completed at Baramine

During the quarter, Shaw River completed a 10,000m RC Drilling program focused in the Area 3 and Area 4 prospects (see Figure 3) at Baramine where significant surface manganese mineralisation is evident.

The drilling at Baramine returned a host of highly promising results with grades of up to 46% Mn, the highest achieved at the project to date. The results highlight Baramine's strong potential and Shaw River is planning further resource estimation, drilling and beneficiation testwork programs.

The drilling followed up earlier encouraging drilling results which identified a prominent corridor of manganese mineralisation known as the Area 3-Area 4 corridor.

The drilling program highlights included;

- Drilling returned manganese grades up to 46% Mn
- Results from Area 3 at Baramine include :
    - 10m at 31% Mn from 36m in BRC 290, including 1m at 37.2% Mn and 1m at 46.3% Mn
    - 6m at 28.8% Mn from 67m in BRC 290, including 1m at 46.4% Mn, (part of 3m at 39.7% Mn)
    - 5m at 22.8% Mn from 46m in BRC 307 including 2m at 30.4% Mn
- Results from Area 4 at Baramine include :
    - 10m at 19.3% Mn from 91m in BRC 266 including 2m at 35.3% Mn (part of 6m at 25% Mn)
- 4km strike length zone identified for resource definition
- Current Exploration Target* confirmed at Baramine is 10 Mt to 15 Mt at 18 % to 25% Mn
- Initial resource calculation to commence at Baramine in the December 2011 quarter

Earlier beneficiation test work using Dense Media Separation (DMS) indicated the ability of 20% Mn feed material from Baramine being able to produce a concentrate grading of 43% Mn and 10% Fe.

An extensive soil sampling program using a low cost method that uses -80micron samples and calibrated handheld XRF analysis has been completed. The aim is to identify the merits of this method in identifying buried mineralised trends and hosting structures across the entire target area for manganese mineralisation at Baramine.

Results Build on Earlier Success at Baramine

Exploration at Shaw River's Pilbara manganese flagship, Baramine, has previously identified widespread manganese occurrences in a similar setting to those elsewhere in the East Pilbara manganese province. At Baramine, one such zone of intense manganese mineralisation was identified through rock chip sampling, soil sampling, mapping and drilling. This zone extends over a distance of 4km from Area 3 in the North to Area 4 in the South with an average width of alteration across strike of 150m (See Figure 3).

Drilling in the current program focused on the Area 3 prospect where previous drilling has intersected 18m at 21.4% Mn including 4m @ 33.6% Mn from 86m and 15m at 17.2% Mn including 5m @ 27.6% Mn from 57m in 2 distinct zones over a 500m N-S trend.

Previous drilling at the Area 4 prospect include 18m at 21.4% Mn including 4m at 33.6% Mn from 86m and 15m at 17.2% Mn including 5m @ 27.6% Mn from 57m had previously been identified in a E-W trending 300 metre zone of intense manganese alteration.

Plans for the December 2011 quarter

In the December 2011 quarter newsflow from Baramine is expected as follows;

- Resource estimation based on recent drilling results to be completed.
- Soil sampling results from the extensive survey recently conducted across the project.
- Beneficiation testing on recent drilling to be completed to determine upgrade and yield characteristics of mineralized material at Baramine Area 3-Area 4.
- Further Resource/Reserve drilling program planning for 2012.

BUTRE MANGANESE/GOLD PROJECT, GHANA

Shaw River's Butre Manganese Project located in the mining friendly Republic of Ghana in West Africa (see Figure 3). 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 30km on sealed roads from the bulk port of Takoradi, and 200km west of the Capital, Accra. Takoradi Port currently ships over 1.7 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 and carbonate manganese ore.

Given the projects location in close proximity to a port and attractive distance to European markets, a low cost operation could produce an attractive margin from even a medium grade, low iron, oxide manganese ore product. The growing market for carbonate ores as seen by the increasing sales of nearby Nsuta carbonate ore to China is seen as a major potential upside of the Butre Project.

Highlights for the September 2011 quarter

Shaw River released drilling results from a 1,000m Air Core program, during the quarter, which returned assays of up to 35% Mn with low iron and other impurities with intersections up to 27m at 20.48% Mn and 6m at 26.4% Mn.

- The program extended the known strike length of the manganese mineralised zone to over 600m and gave a new understanding of the mineralisation revealed strong potential to increase Butre both over strike and at depth
- Research into the carbonate nature of the material and the potential markets for the ore were undertaken during the period and it was concluded that the potential for carbonate ore at Butre is high, and must be investigated by further exploration and drilling.
- Due to the current focus on Namibia, activities were limited to tenement management, desktop review of beneficiation data and drill planning for a program to commence in 2012.

Shaw River expects to be in a position to assess the resource potential and product specifications and project economics following the completion of the planned March 2012 quarter RC drill program.

Plans for Butre

- 2,000 to 4,000m RC drilling program planning will be completed in the December 2011 quarter for execution in the March 2012 quarter to identify depth and strike extensions and carbonate ore potential
- Bulk sampling for further beneficiation processing to take place in the March 2012 quarter to support previous testwork, indicating dense media product grades of 34-37% Mn.
- A further evaluation of the gold potential will be undertaken at Butre during the December 2011 quarter.

CORPORATE

- Shaw River entered a trading halt on 16 September 2011 and subsequently voluntary suspension on 20 September 2011 as a result of Namibian legal action (relating to a historical contractual arrangement) involving its 75.5% owned subsidiary, Otjozondu Mining (Pty) Ltd. The issue does not affect Shaw River's legal title to its Namibian asset. Shaw River is obtaining in-country legal advice and is not currently in a position to make a more detailed statement or release its annual audited financial statements.
- Pieter Jonckheer (Mining Engineer) was appointed as non-executive Director of the Company.
- The Company's cash position as at 30 September 2011 was $11.0 million.

SHAREHOLDER INFORMATION

At quarter end, Shaw River had 451,657,803 ordinary shares on issue. The top 20 shareholders held 75.42% of the Company's issued capital.

Vincent Algar
Managing Director
31 October 2011

This information can be downloaded from www.shawriver.com.au

**** Exploration Target Statement**:*
The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and 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 Manganese 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. The potential quantity and grade of 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 Location Diagram Otjo Manganese Project, Namibia, Walvis Bay Port

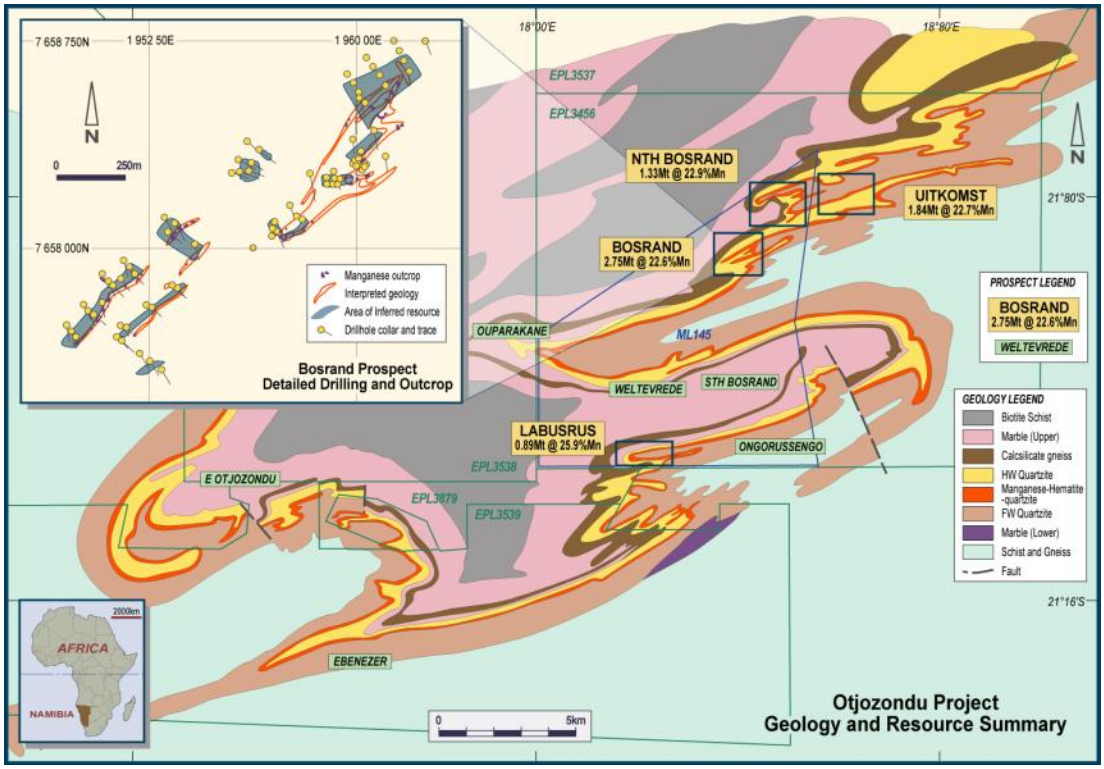

Figure 2. Otjo Manganese Project, Geology and Prospects

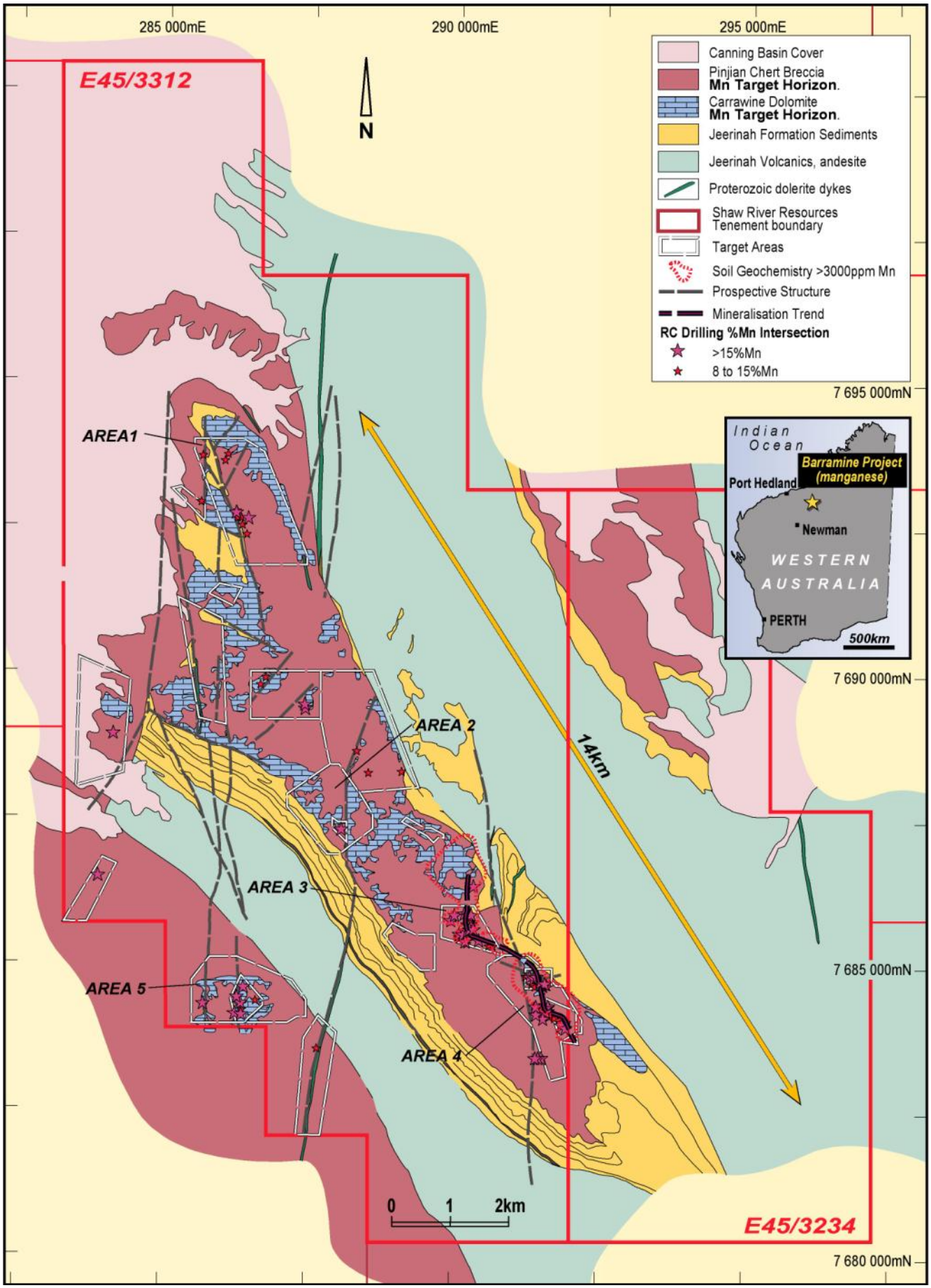

Figure 3 Baramine Manganese Project Exploration Targets