



## ASX ANNOUNCEMENT

13 DECEMBER 2010

# Shaw River to Acquire 75.5% Interest in Namibian Manganese Project

Acquisition set to transform Shaw River into a significant manganese producer

### Highlights

- Shaw River has entered into an agreement to acquire 75.5% of the Otjozundu Manganese Project ("Otjo") in the mining friendly African nation of Namibia for a combination of shares, cash and options.
- Shaw River has estimated an exploration target of 35Mt to 50Mt at 23% Mn to 27% Mn at Otjo.
- Shaw River expects to report a maiden JORC Inferred Resource estimate from Otjo in the first half of 2011, based primarily on existing diamond drilling (22,000 metres) and RC drilling (11,000 metres) at the Otjo project.
- Significant exploration upside exists along strike and at depth, with only a 24% portion of the 44km mineralised strike length drill tested so far indentifying seven deposits.
- The acquisition includes 5 granted EPL's, 1 granted Mining Lease over 1,367 km<sup>2</sup> and a plant capable of producing up to 10,000t per month of 36% to 42% manganese product from run-of-mine material.
- Extensive road, rail and port infrastructure elements are available for Otjo, including the bulk commodity port facilities at Walvis Bay, which are controlled by the Otjo project's 24.5% joint venture partner, Oreport Namibia.
- Historical production of 500,000t of high grade (+42%Mn) has occurred at Otjo since the 1950s. Recent trial mining and jig processing operations have produced up to 10,000 tonnes per month at 36 to 38% Mn.
- Shaw River is targeting to commence production by early 2012, with feasibility work and additional exploration expanding on the extensive prefeasibility work conducted to date.
- Drilling and detailed scoping study to commence immediately on completion of the transaction.
- Shaw River is targeting to double production within five years.
- Acquisition of Otjo is complimentary to Shaw River's existing manganese strategy, and builds on Shaw River's Pilbara and Ghana manganese project portfolio.

Shaw River Resources Limited (ASX:SRR) ("Shaw River" "the Company") is pleased to announce that it has reached an agreement to acquire a 75.5% interest in the Otjozundu Manganese Project in Namibia ("Otjo"), in a deal which will see Shaw River join the ranks of global manganese producers by 2012. Subject to completion of due diligence, shareholder approval and satisfaction of conditions precedent, which under the terms of the acquisition agreement must be completed by 31 March 2011, Shaw River will acquire 75.5% interest in Otjo through the purchase of 100% of Otjozundu Holdings Pty Ltd, a Namibian company that holds a 75.5% stake in Otjo.

Otjo will represent an important acquisition for the Company. Otjo will be progressed along with Shaw River's manganese projects in the Pilbara and in Ghana, pursuing the Company's strategy to build a global manganese business. Shaw River will continue its strategy of developing a pipeline of manganese exploration and production assets. The 20,000 metre drilling program at Baramine in the first half of 2011 is intended to continue as planned and Shaw River is confident economic studies commencing in early 2011 will highlight the value to be realised by bringing Baramine into production. The drilling program at Shaw River's Ghana manganese project is also intended to continue as planned.

## Historical Bulk Exploration and Trial Mining at Otjo

Otjo, which is located 150km north-east of the Namibian capital of Windhoek (see Figure 3), lies in a historical manganese field which has produced in aggregate approximately 500,000t of high grade manganese since the 1950's. Production at Otjo is currently by way of a shallow drill-and-blast mining method, using a basic crusher and jigging circuit to produce saleable ore. Otjo has been periodically mined since 2008, however, previous mining and processing has been based on very limited mine planning, infrastructure planning and limited laboratory scale metallurgical testwork to refine manganese recovery. Recently, the Otjo project has produced manganese on a trial mining basis at the relatively limited rate of approximately 25,000 tonnes per year grading approximately 38% manganese. It is believed that the Otjo project's operating costs, scale and product quality delivery can be vastly improved with adequate planning, testwork, capital investment and best practice operations management.

## Shaw River's Production Objectives at Otjo

Shaw River's technical due diligence to date, including multiple site visits, technical reviews and logistics due diligence, has confirmed that the introduction of modern technology, mine planning practices and processing expertise could see production commence in early 2012. This would involve the use of a jigging or dense media separation plant, which would produce manganese lump and fines products. Shaw River is targeting to double production at Otjo within five years.

Shaw River will undertake feasibility studies commencing in the first half of 2011, to guide development for an open cut mining operation, targeting commencing production in 2012 and doubling this production rate by 2015.

Shaw River proposes to use a combination of existing road and rail infrastructure to transport ore 538km to the Walvis Bay port where it will be loaded onto Handymax-sized vessels of up to 25,000 tonnes. The 24.5% project partner, Oreport (subsidiary of JSE listed Grindrod SA) brings with it a number of infrastructure advantages including control of the bulk commodity port facilities at Walvis Bay, the largest port in Namibia.

"Otjo provides Shaw River with the opportunity to realise its plan to become a global manganese producer. We are confident that Shaw River can leverage its manganese expertise to transform Otjo into a world-class manganese project that delivers significant wealth for our shareholders," Shaw River's Managing Director Vincent Algar commented. "The potential to grow Otjo through additional exploration, resource development and investment in processing and mine planning is vast. The Otjo project will benefit immensely from the application of the correct technology, improved mine planning and improved use of the excellent local infrastructure. We are highly confident that Otjo will quickly become a major, low-cost manganese producer that will generate significant future cashflows."

"Shaw River is acquiring Otjo because it 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-scale operation with a substantial resource inventory within two years, which is significantly leveraged to the manganese price."

## Resource & Exploration Potential

Extensive technical due diligence undertaken by Shaw River has concluded that there is excellent potential to increase the manganese inventory. This confidence stems in part from the fact that the Vendor has provided evidence, confirmed by Shaw River, of an exploration target at 35 to 50 million tonnes grading 23% to 27% manganese contained in seven deposits which cover just 24% of the total 44km interpreted strike length at Otjo. Importantly, most of the existing drilling (diamond drilling - 22,000 metres and RC drilling - 11,000 metres) at the Otjo project does not extend below 85m depth. Following completion of the acquisition, Shaw River will immediately undertake a resource/reserve definition drilling program in the first half of 2011 and expects to report a maiden JORC Inferred Resource estimate at Otjo, on three of the seven deposits in the first half of 2011.

## Namibia

As at October 2010, the Organisation for Economic Co-operation and Development ("OECD") rated Namibia country risk as 3. By comparison, the OECD rates Australia and Canada as 0, Chile and China as 2, Indonesia as 4 and Afghanistan as 7. Within the African region, Namibia compares well, sharing the same country risk rating as South Africa and Botswana. It is rated better than other local mining economies such as Ghana at 6 and Guinea and Burkina Faso at 7.

Namibia is a politically stable country with a modern system of mineral tenement management. The process of tenement application and renewal is reported to be comparable with other politically stable countries. In addition, the Namibian mining industry and government is very supportive of foreign investment in the country. Paladin Energy Ltd and Rio Tinto have been successfully operating in Namibia a number of years.

## Terms of Acquisition

Shaw River has agreed to acquire 100% of the issued capital of Otjozondu Holding Pty Ltd ("OH"), the company that holds a 75.5% interest in Otjo, in consideration (the "Consideration"- see Appendix 1 for further details) for:

- The payment of US\$5.13 million cash, being A\$5,236,831 (deemed exchange rate of US\$0.9796=A\$1);
- 31,495,417 Shaw River shares issued at a deemed issue price of 13.573 cents per share, valued at US\$4.2 million (subject to voluntary escrow for a period of 12 months from completion);
- 2,053,114 Atlas Iron (ASX: AGO) shares at a deemed issue price of \$3.08269, valued at US\$6.2 million;
- 45 million unlisted Shaw River options exercisable at A\$0.20 each and expiring 5 years after the date of issue (subject to voluntary escrow for a period of 12 months from completion);

Hartleys Limited is Corporate Advisor to Shaw River in respect of the acquisition. Shaw River's largest shareholder Atlas Iron Limited ("Atlas Iron") will provide an unsecured loan of US\$11.3 million comprising US\$5.1 million in cash and US\$6.2 million in Atlas Iron shares to help facilitate this transaction. Shaw River intends on retiring the loan from Atlas Iron through a capital raising during 2011 facilitated by Hartleys Limited. Evolution Securities Limited introduced the transaction to Shaw River.

Completion of the Acquisition is subject to a number of conditions precedent (see Appendix 1 for further details), including but not limited to:

- a) Shaw River's shareholders passing all the resolutions required to complete the acquisition of Otjo by 22 January 2011;
- b) Shaw River completing due diligence to its satisfaction by 18 January 2011;
- c) Shaw River agreeing terms for the assignment of overdrafts and equipment leases at Bank Windhoek by 31 January 2011;
- d) The Namibian Minister of Mines and Energy approving the acquisition by Shaw River of the 100% interest in OH, and consequently the 75.5% interest in OH's subsidiary Otjozondu Mining (Pty) Ltd ("OM") by 31 March 2011;
- e) Namibian competition authorities unconditionally approving in writing the transaction by 31 March 2011; and
- f) The unconditional consent in writing of the 24.5% shareholder of OM for the acquisition by 22 December 2011.

## About Shaw River Resources

Shaw River is a manganese explorer, currently operating five Pilbara manganese projects, including the Baramine project, and one Ghanaian manganese project. 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, strong global demand and low capital and time costs for the development of feasible projects. In 2011, Shaw River will continue to aggressively advance its projects at its Baramine (Pilbara) projects, Butre (Ghana) and Skull Springs (Pilbara). Shaw River is maintaining its active manganese project acquisition strategy as it continues to build its manganese project pipeline.

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

For further details, contact Vincent Algar, Managing Director, on (08) 9226 4455

#### 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 and Mr Adriaan du Toit 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, consultant, and 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: The Otjozondu Manganese Project and bulk exploration/trial mining infrastructure



Figure 2: Bulk sampling/Trial Mining Infrastructure in use



Figure 3 Location Diagram Otjozondu Manganese Project, Namibia, Walvis Bay Port



## Appendix 1. Material Terms of the Agreement

### Consideration

The aggregate Consideration for the acquisition of 100% of the issued capital of OH shall be:

- US\$5,130,000 in cash -A\$5,236,831 (deemed exchange rate of US\$0.9796=A\$1);
- US\$10,370,566 to be satisfied by the issue of:
  - 31,495,417 Shaw River shares valued at US\$4,170,566 based on the 5 day VWAP prior to announcing this transaction; and
  - 2,053,114 Atlas shares valued of US\$6,200,000 based on the 5 day VWAP prior to announcing this transaction;
- 45 million unlisted 5 year SRR options exercisable at A\$0.20 each;
- the grant of a 3% revenue royalty capped at US\$12,733,000; and
- Shaw River procuring the release (by the substitution of the guarantee of any person) of the OH Vendors from any guarantee given by the OH Vendors in respect of any obligations of the Company or OM to Bank Windhoek relating to overdrafts and equipment leases up to the combined sum of N\$22,320,000.

Conditions Precedent (including but not limited to):

1. The unconditional consent in writing of 24.5% shareholder of OM per the OM Shareholders Agreement.
2. Shaw River's shareholders passing all the resolutions required under the ASX Listing Rules and the Corporations Act to give effect to the acquisition of the Shares by SRR and the issue of the Consideration Shares and the Unlisted Options.
3. Shaw River completing Due Diligence to the satisfaction of Shaw River R.
4. Shaw River agreeing terms on taking over the surety of the overdrafts and equipment leases at Bank Windhoek for a total combined sum of no more than N\$22,320,000 excluding any accrued interest thereon from date of execution of this Deed.
5. To the extent required in terms of the Namibian Competition Act, No 2 of 2003, the applicable Namibian competition authorities unconditionally approving in writing the transactions recorded in this Deed (or if such approval is conditional, such condition(s) being satisfactory to Shaw River and the OH Vendors (each acting reasonably).
6. To the extent required, Bank Windhoek having agreed in writing to release the OH Vendors as sureties and/or guarantors for the obligations of OM to the Bank with effect from the Completion Date, on terms acceptable to the OH Vendors, Oreport and Shaw River (each acting reasonably).

ENDS -