



# ASX Announcement

6 December 2011

## COMPANY UPDATE

### NAMIBIAN LEGAL MATTER SETTLED - SHARES TO RESUME TRADING

*Settlement clears the way for development of the Otjozundu Manganese Project to proceed unhindered*

- *Settlement reached in Namibian legal matter – court action against Shaw River's Namibian subsidiary abandoned, and broad deed of release executed in favour of the Shaw River Group.*
- *No significant financial or ongoing negative legal effects on Shaw River Group or its Otjozundu Project.*
- *Voluntary suspension of Shaw River shares on the ASX expected to be lifted on Friday, 9 December 2011 following release of its 2011 Annual Report on 8 December 2011.*
- *Feasibility Study continuing on the Otjozundu Project, with a major program of resource extension drilling recently completed and multiple JORC resource upgrades expected.*
- *Ongoing exploration continuing to identify new potential Manganese exploration targets.*
- *Investigations into metallurgy, environmental, hydro-geology, mine cost analysis and logistics relating to the infrastructure corridor to Walvis Bay progressing well.*
- *Shaw River team to review development timetable for Otjozundu Project based on start-up production rate of 250,000tpa ramping up to 500,000tpa.*

### NAMIBIAN LEGAL MATTER

#### Summary

Shaw River Manganese Limited (ASX: SRR – “Shaw River” or “the Company”) is pleased to advise that settlement has been reached in its legal case in Namibia, clearing the way for its shares to be reinstated to trading on the ASX later this week and allowing the Company to press ahead with the development of the Otjozundu Manganese Project (“Otjo Project”), which forms the backbone of its global manganese production strategy.

Pursuant to the settlement agreement, the plaintiff has abandoned its court action and provided Shaw River and its subsidiary companies (“Shaw River Group”) with a broad release from future legal action. The settlement and release will have no significant financial or ongoing negative legal effects on the Shaw River Group or its flagship Otjo Project.

The legal action by the plaintiff related to a terminated contractual arrangement between Otjozondu Mining (Proprietary) Ltd ("OM") (Shaw River's 75.5% owned Namibian subsidiary which holds the Otjo Project), and the plaintiff, to mine, process and sell the ore from the Otjo Project. This agreement had been executed and terminated in early 2010, being prior to Shaw River's involvement with the Otjo Project.

Due to the timing and risks involved in pursuing a resolution of the case in the Namibian Courts, Shaw River and OM engaged in a settlement process with the plaintiff.

The settlement amounts are to be paid by OM which is owned 75.5% by Shaw River and 24.5% by Oreport Pty Ltd ("Oreport") (a wholly-owned subsidiary of the JSE-listed, Grindrod Ltd).

Having settled the legal matter with the plaintiff, Shaw River has started the process of recovering the settlement amounts from the project vendors. Specifically, recovery will be sought in the form of the outstanding compensation due to the vendors, being the production royalty payment and the vendor's outstanding loans to OM. Negotiations with the vendors are at an advanced stage.

In the event that a suitable agreement cannot be reached with the vendors, Shaw River will consider its options under the original share sale agreement with the vendors ("Share Sale Agreement"), pursuant to which the vendors provided a comprehensive set of warranties to Shaw River on a joint and several basis, backed by an indemnity, also on a joint and several basis. There is no limit on the quantum of a warranty claim that Shaw River can make under the Share Sale Agreement.

### **Background**

- In September 2011, the High Court of Namibia issued a default judgment against OM for a significant amount, in favour of the plaintiff.
- Until this time, Shaw River and OM were unaware that any legal proceedings had been initiated, as the legal documents had been served at an incorrect address.
- A subsequent review of the plaintiff's documents revealed that the quantum of damages sought in the underlying claim (and consequently awarded in the default judgement) was grossly exaggerated.
- Shaw River took the necessary steps for OM to lodge a rescission application in respect of the default judgment in the High Court of Namibia.
- Due to the uncertainty of the circumstances surrounding the plaintiff's claim and the circumstances which gave rise to the default judgement, Shaw River's Board decided, on 16 September 2011, to enter a trading halt and subsequently, on 20 September 2011, to enter voluntary suspension, until further information could be gathered.
- A key factor in the decision to remain under suspension was the requirement to finalise and lodge Shaw River's annual accounts. The default judgment may have created a misleading view of the case, which OM had not had an opportunity to review or take action in respect of.
- Following a review of the legal matter by Shaw River's advisors, Shaw River and OM made the necessary submissions to the High Court of Namibia. However, it was unlikely that the rescission application would have been heard until 2012. Even if the rescission application was successful (which was not guaranteed), the underlying matter may have taken a further 1-2 years to be heard by the Namibian courts.

- Having assessed the risks associated with the potential outcomes of the case, OM and Shaw River decided to engage with the plaintiff to negotiate a settlement.

### **Settlement**

- The settlement amounts payable to the plaintiff by OM (75.5% owned by Shaw River) comprise:
  - a cash payment of US\$2 million; and
  - royalties of a capped amount of NAD20 million (approx. US\$2.4 million), which are payable following the commencement of production at the Otjo Project.
- These settlement amounts are well below the potential exposure of OM and Shaw River, had the outcome of the court action been unfavourable.
- Broad deed of release executed in favour of the Shaw River Group by the plaintiff and its associated or related entities.
- The settlement arrangements provide the Shaw River Group and its projects with broad protection from any future action by the plaintiff and its associated or related entities.
- As outlined above, Shaw River is seeking to recover the value of the settlement from the vendors of the project and Oreport.

### **PROJECTS ADVANCING**

In spite of the distraction that the Namibian legal matter has caused, Shaw River's team has continued to work hard to progress the Otjo Project towards production.

A number of activities have been considerably advanced since the Company's shares were suspended, including:

- completion of a major resource extension drilling program at Otjo;
- commencement of the resource estimation process, including an upgrade of resource category and expected increase in the resource base at Otjo;
- commencement of resource estimation and additional beneficiation test work at the Baramine Project in the Pilbara region of Western Australia;
- beneficiation test sampling characterisation at both Otjo and Baramine;
- environmental, water, dust and social impact studies for the completion of a revised production plan at Otjo;
- completion of a road condition report and infrastructure studies at Otjo;
- mine cost modelling at Otjo;
- commencement of a regional soil sampling and exploration mapping program on the 1,300km<sup>2</sup> lease area at Otjo; and
- completion of soil sampling programs at Baramine and 701 Mile in the Pilbara region.

## **PLANS FOR THE REMAINDER OF 2011 AND 2012**

Shaw River is currently reviewing its targeted timing to commence production, and is likely to establish a new timetable based on commencing production at an initial rate of 250,000tpa ramping up to 500,000tpa of manganese ore, placing Shaw River in a very strong position to capitalise on any increase in the manganese price. It is notable that during 2007/08, the manganese price rose from a low of ~\$3.00 per DMTU (Dry Metric Tonne Unit) to ~\$18.00 per DMTU over a period of only 18 months.

Shaw River's Managing Director, Mr Vincent Algar, said "the Company was very pleased to have negotiated a settlement to the legal issue, clearing the way for its shares to resume trading on the ASX and removing any uncertainty over its plans to advance the Otjo Project in Namibia towards production and developing a substantial global manganese business."

"This has been an extremely frustrating period for everyone involved with the Company, and I would like to take this opportunity to thank our shareholders for their patience and support while we worked hard to resolve the matter," Mr Algar said.

"The legal issue arose unexpectedly as a result of circumstances that were outside of our control. However, we have been able to resolve it without any significant financial or legal impact on the Company, and we are now in a position to move forward with our development plans with confidence and certainty."

"Shareholders can look forward to a period of strong news flow from Shaw River over the coming months as we progress the Otjo Feasibility Study, deliver a resource upgrade for the Otjo Project and a maiden resource for our Baramine Project in the Pilbara and press ahead with exploration and development of our Butre Project in Ghana. We are looking forward to building substantial value for our shareholders," Mr Algar added.

**About Shaw River Manganese**

Shaw River is a manganese explorer and developer, currently exploring manganese projects in Namibia, Australia (the Pilbara) and Ghana. Shaw River's acquisition of a 75.5% interest in the Otjozundu Manganese Project in Namibia, will fast track the Company's goal of becoming a significant global manganese producer. Shaw River is currently undertaking a feasibility study to confirm the Otjo Project is capable of producing 250,000tpa ramping up to 500,000tpa of manganese ore for export from Namibia.

Shaw River offers excellent exposure to this strategic metal, critical to the global steel industry. Manganese is a metal used in the steel industry and has no known substitute in modern steelmaking processes. Manganese ore 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.

Shaw River is currently aggressively advancing its projects at Otjozundu (Namibia), Baramine (Australia – the Pilbara), Butre (Ghana). Shaw River is maintaining its active manganese project acquisition strategy as it continues to build its manganese project pipeline.

Following the conclusion of this matter, Shaw River has cash available for exploration of \$6.5m.

Shaw River's largest shareholder, Atlas Iron Limited (45.42%), is a strong supporter of Shaw River's manganese strategy.

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