



DECEMBER 2011 QUARTERLY REPORT

Shaw River takes key steps towards manganese production

HIGHLIGHTS

- OTJO - NAMIBIA
 - 8,000M DRILLING PROGRAM COMPLETED – EXCELLENT RESULTS RECEIVED, HIGH GRADE MN RESULTS RELEASED
 - RESOURCE UPGRADE EXPECTED IN FEBRUARY 2012
 - FEASIBILITY STUDY – KEY COMPONENTS NEARING COMPLETION
 - REGIONAL EXPLORATION COMMENCED ON 1,300 KM² OF GRANTED EXPLORATION LEASES
- BARAMINE - PILBARA
 - RESOURCE MODELLING EXPECTED IN MARCH 2012 QUARTER
 - FURTHER BENEFICIATION TEST WORK NEARING COMPLETION
- BUTRE - GHANA
 - DRILL PROGRAMS PLANNED FOR 2012 TO TEST STRIKE AND DEPTH EXTENTS
- CORPORATE
 - NAMIBIAN LEGAL DISPUTE SETTLED – COMPREHENSIVE AGREEMENT REACHED, RECOVERY OF SETTLEMENT AMOUNT BEING PURSUED UNDER SALE AGREEMENT

Shaw River Manganese Limited (ASX:SRR) is a manganese exploration and development company, focused on exploring and developing its 75.5% owned Otjozondu Project (Otjo or Otjo Project) in Namibia.

Shaw River is also advancing its other manganese exploration projects at Butre in Ghana and Baramine in the East Pilbara Manganese Province of Western Australia.

During the December 2011 Quarter, Shaw River finalised the results of a highly successful 8,000m drilling program at Otjo. The results were strongly supportive of the previous work at the Otjo Project and will allow Shaw River to deliver further growth in resources during the March 2012 Quarter. Significant advances were made at Otjo, with the completion of a number of key studies in the ongoing feasibility works, results of which are expected in the March 2012 Quarter.

OTJO 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 a neighbouring manganese operation, which is located within 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 December 2011 Quarter

- Completion of the maiden Shaw River managed drill program, comprising 7,986m of diamond (41 holes for 1,718m) and RC (154 holes for 6,205m) drilling. Drilling included 10 water bores.
- Overall 132 of the 212 holes drilled returned significant manganese intervals greater than 15% Mn (62%). A 15% Mn cutoff used to delineate manganese mineralisation at Otjo.
- Of these holes, 74 reported intervals greater than 30% Mn, with 12 holes intersecting high grade DSO grade manganese in intervals greater than 40% Mn.
- A consistent zone of high grade manganese is evident at Labusrus in both outcrop, historical drilling (eg 4.08m @ 45.35% Mn from 47.51m in J259_096), and in recent Shaw River drilling 1.81m @ 45.13% Mn from 12.68m in LABDH0003A. This zone will be targeted with additional exploration drilling and early stages of mining.
- A significant portion of the drilling was focused on the known Inferred Resource areas at Bosrand and Labusrus (See Figure 2), where Shaw River is expecting to achieve Indicated Resource status for its resources in those locations.
- RC and diamond drilling assay and geological information is being incorporated into geological modelling pending resource upgrade and extension.
- Over five tonnes of samples (PQ core) have been despatched to a Perth laboratory for additional beneficiation and ore classification test work.
- Regional exploration on key geophysical targets commenced in earnest during the quarter with over 8,000 soil samples collected over 8 brownfields and regional targets. Samples are being analysed in the on-site laboratory at the mine using handheld XRF units. Targets generated from this ongoing exploration will be incorporated in 2012 drilling programs.
- Key components of the Feasibility Study were completed including; community and environmental; infrastructure and road condition report; mining and processing costs, plant and camp construction and truck and rail haulage costs.
- On-site training in field exploration and sample management were greatly advanced during the quarter as well as ongoing improvements to on-site safety awareness and job categorisation. A number of new farm access agreements were concluded in the December Quarter, allowing drilling and other exploration activities to commence on new target areas, such as the Ongorusengo prospect

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 Target¹ of 30-50Mt grading 23-27% Mn at Otjo. Shaw River

plans that the ore will be upgraded to export grade product (36-42% Mn) by the use of simple gravity beneficiation technology.

Shaw River completed a 7,986m drill program at Otjo in September 2011. Drilling focused on resource infill drilling (increased quality) and resource extension drilling (increased tonnage).

Results from the full program were received in December 2011. A summary of the best results are shown below:

- **Labusrus Deposit** (see Figure 3)
 - 7.29m @ 27.75% Mn from 7.2m incl 1.81m @ 45.35% Mn from 12.68m in LABDH0003A
 - 8.31m @ 28.23% Mn from 2.69m incl 3.19m @ 29.87% Mn from 3.19m and 1.35m @ 44.38% Mn from 9.15m in LABDH0005
 - 8.25m @ 28.53% Mn from 8.42m incl 2.28m @ 31.7% Mn from 8.72m and 1.67m @ 42.89% Mn in LABDH0001
 - 9m @ 25.74% Mn from 2m incl 2m @ 45.13% Mn in LAB_RC_102
 - 9m @ 26.85% Mn from 30m incl 4m @ 31.18% Mn in LAB_RC_084
- **Bosrand Deposit** (see Figure 4)
 - 3.55m @ 37.2% Mn from 0.35m in BOSDH0002
 - 11.9m @ 27.89% Mn from 33.57m incl 4.62m @ 35.6% Mn from 34.04m in BOSDH0005
 - 7m @ 30.6% Mn from 12m incl 4m @ 35.3% Mn from 13m in BOS_RC_020
 - 14m @ 28.78% Mn from 25m incl 3m @ 37.21% Mn from 26m in BOS_RC_018
 - 7m @ 32.6% Mn from 35m in BOS_RC_008
 - 12m @ 25.14% Mn from 4m incl 5m @ 34.72% Mn from 4m in BOS_RC_004
- **North Bosrand Deposit**
 - 13m @ 25.09% Mn from 25m incl 3m @ 35.08% Mn from 25m in NBR_RC_048
 - 10m @ 28.96% Mn from 35m incl 6m @ 30.78% Mn from 38m in NBR_RC_048
 - 28m @ 21.05% Mn from 14m in NBR_RC_066
 - 12m @ 28.43% Mn from surface in NBR_RC_050
- **Ouparakane Deposit** (See Figure 5)
 - 5m @ 31.05% Mn from 20m incl 3m @ 33.72% Mn from 21m in OUPRC005
 - 6m @ 27.42% Mn from 9m incl 1m @ 31% Mn from 12m in OUPRC002
 - 9m @ 21.75% Mn from 18m in OUPRC006

Results are consistent with the extensive outcrop and previous historical drilling (33,000m) conducted at Otjo and will underpin further upgrades to the resource base expected in the March 2012 Quarter.

The Bosrand and Labusrus prospect areas are expected to make a significant contribution towards growing the manganese resource inventory for the Otjo Project. The results achieved during the December 2011 Quarter confirmed the presence of a high grade (+40% Mn) manganese horizon located within the wider mineralised zone at the Labusrus Deposit (defined by a grade of Mn >15%), located along 1km of strike and within 200m North of the Otjo Project's existing processing infrastructure.

Some historical intersections at Labusrus greater than 40% Mn include;

- 4.08m @ 45.35% Mn from 47.51m in J259_096 (part of mineralisation which begins at 10m depth and include 14.76m @ 28.24% Mn from 19.64m)
- 1.65m @ 43.86% Mn from 64.55m in J211_085 (part of 9.92m @ 23.66% Mn from 56.68m)
- 2.55m @ 40.39% Mn from 3.65m and 2.16m @ 42.71% Mn from 17.7m in J145_045 (high grades in two zones , first 9.51m @ 25.11% Mn from 3.3m and 3.57m @ 35.3% Mn from 16.75m)

The results from the Ouparakane prospect area (see Figure 5), form part of a new resource area for the Otjo Project. Ouparakane, which returned assay intervals up to 33.7% Mn from shallow drilling, is typical of many target areas at Otjo, which are characterised by outcropping manganese, predictable geology, historical shallow mining and stockpiles of hand sorted ore, and wide spaced drilling. At Ouparakane, historical drilling had identified intersections over a strike length of 750m including;

- 5.78m @ 30.86% Mn from 17.32m and 3.07m @ 38.32 % Mn from 25.9m in I888_454
- 2.61m @ 35.84 % Mn from 56.33m in I887_457
- 3.56m @ 33.93% Mn and 4.35m @ 34.43% Mn from 24.62m in I888_454
- 3.81m @ 33.77% Mn from 20.44m in I137_444
- 2.96m @ 31.03% Mn from 40.2m in I865_450

Mineralisation at Otjo is generally outcropping and dips steeply to the north. Manganese mineralisation is known to continue to depths up to 250m below surface from drilling information.

Independent consultants Cube Consulting (Perth) have been engaged to assist with geological and resource wireframing and grade modeling as well as verifying and supporting resource classification. During the quarter, consultants from The Mineral Corporation (South Africa) visited the Otjo Project and provided Shaw River with detailed commentary and input on issues relating to sampling, drilling, geology and resource classification.

The resource modeling and classification is anticipated to be completed and released in February 2012. JORC Indicated Resources will form the initial basis of pit optimization and Reserve classification at Otjo. Inferred Resources will be utilized for further studies and exploration planning.

Feasibility Study Update

Significant advances were made on the Feasibility Study during the December 2011 Quarter. Key external studies were completed and final or draft reports delivered to the Company. Shaw River is currently compiling these results and investigating key conclusions with the study partners. Overall, the study is focused on the production of a gravity-beneficiated manganese lump ore from Otjo for export via the Port of Walvis Bay. Historical production from the project, as well as current production by a neighbouring operator, point towards upgrading of in-situ material to manganese products between 36% and 42% Mn.

The following studies were advanced or completed during the December quarter:

- **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.
- **Site Support Infrastructure.** No issues were identified.
- **Logistics Corridor and Transport study.** A new location for the rail siding at Okahandja is being considered and negotiations are progressing well. A detailed road condition assessment was completed.
- **Mine geotechnical study.** Completed by international mining consultants, Golder and Associates.
- **Beneficiation test work.** Continues at Nagrom in Perth. An additional five tonnes of PQ Core sample is being prepared for mini pilot plant testing.
- **Mining and processing.** MSP Engineering preparing preliminary documentation. On completion of beneficiation testing, MSP will complete and formalise crusher & concentrator design.
- **Costs.** Operating and Capital cost estimates being advanced. All current indications suggest that these remain in line with previous forecasts.
- **Construction strategy and timing being finalised.**

- **Resource Estimation.** Commenced with Cube Consulting utilising new and existing drilling and geological data. Work is ongoing and nearing completion.

The following studies remain underway, with additional information expected in the March 2012 Quarter:

- **Resource modeling and classification**
- **Beneficiation test work and ore recovery modeling**
- **Finalisation of Key Access Agreements with infrastructure operators**

Near Term News Flow from the Otjo Project

Shaw River expects a steady flow of information to be forthcoming to keep investors updated over the coming months. This will include;

- Resource Upgrade and updated resource inventory statement
- Key outcomes of the Feasibility Study including capital and operating cost estimates
- Beneficiation test results
- Trial manganese ore product sales (from existing stockpiles)
- Commencement of extensive resource extension drilling program targeting significant increase in Resource base
- Review of new exploration target areas for exploration

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 (Baramine) consists of three tenements located 80km north-west 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 70km². Shaw River is targeting manganese mineralisation similar to that at the adjacent world-class Woodie Woodie deposits.

Resource Estimation and additional beneficiation test work completed at Baramine

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

The drilling program in 2011 included highlights of;

- 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 Target¹ confirmed at Baramine is 10 - 15 Mt at 18 - 25% Mn

Initial resource calculation commenced on the Baramine data in the December 2011 Quarter and a maiden resource is expected in the March 2012 Quarter.

A series of composite samples from the recent drilling were sent for further beneficiation test work to confirm earlier Dense Media Separation (DMS) testwork in 2011 which confirmed the nature of the mineralized material at Baramine to deliver a manganese concentrate using beneficiation of over 40% Mn. The previous test work, taken from a number of drill sample composites, indicated that a feed grade of 20% Mn from Baramine upgrades using DMS to produce a concentrate grading of 43% Mn and 10% Fe.

The additional samples and test work final results are expected in the March 2012 Quarter.

Plans for the March 2012 Quarter

In the March 2012 Quarter newsflow from Baramine is expected as follows;

- Results from the resource estimation study by an external consultant are expected
- 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
- Economic scoping study level estimates of mining, transport and logistics will begin

BUTRE MANGANESE/GOLD PROJECT, GHANA

Shaw River's Butre Manganese Project located in the mining friendly Republic of Ghana in West Africa. 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 Mt per annum of manganese ore from the nearby Nsuta Manganese Mine, which has been operating since 1923 and has produced some 25 Mt of high grade oxide and carbonate manganese ore.

Given the project's 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 December 2011 Quarter

Activities focused on tenement management, acquisition of new Satellite imagery, review of beneficiation data and drill planning for a program to commence in 2012.

Significant progress was made in streamlining management of the Butre project from our Namibian base in Windhoek with our geological team in Windhoek taking charge of planning of exploration and drilling activities. Ghana and Windhoek are in similar time zones and the change will facilitate activity and feedback from our Ghanaian teams.

Artisanal workers identified a new gold bearing horizon on the licence, previously un-tested by soil sampling. Management in Ghana is managing their presence while seeking to clarify the gold potential of their find, to be utilised in future drilling program.

Plans for Butre in 2012

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

- A 2,000 to 4,000m planned RC drilling program will be completed in 2012 to identify depth and strike extensions and carbonate ore potential
- Bulk sampling for further beneficiation processing to take place in 2012 to support previous testwork, indicating dense media product grades of 34-37% Mn
- Following a new artisanal gold discovery, further evaluation of the gold potential will be undertaken at Butre to allow Shaw River to evaluate its opportunities with respect to the significant gold present.

CORPORATE

- Namibian Legal Action

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, Otjozundu Mining (Pty) Ltd.

- Shaw River reached a settlement with the plaintiff in December and the court action against Shaw River's Namibian subsidiary was abandoned. A broad deed of release was executed in favour of the Shaw River Group.
- The settlement incurred no significant ongoing negative financial or legal effects on Shaw River Group or its Otjo Project.
- The voluntary suspension of Shaw River shares was lifted on ASX on Friday 9 December 2011.
- Shaw River is actively seeking to recover the settlement amount and costs from the vendors of the Otjo pursuant to the Share Sale Agreement.
- Pieter Jonckheer resigned from his position as non-executive Director of Shaw River, following his resignation from Metalcorp BV (one of the Otjo vendor companies) on 4 January 2012.
- Shaw River's cash position as at 31 December 2011 was \$5.0 million.

SHAREHOLDER INFORMATION

At quarter end, Shaw River had 451,657,803 ordinary shares on issue. The top 20 shareholders held 70.71% of the Company's issued capital.



Vincent Algar
Managing Director
 31 January 2012

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

¹ **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

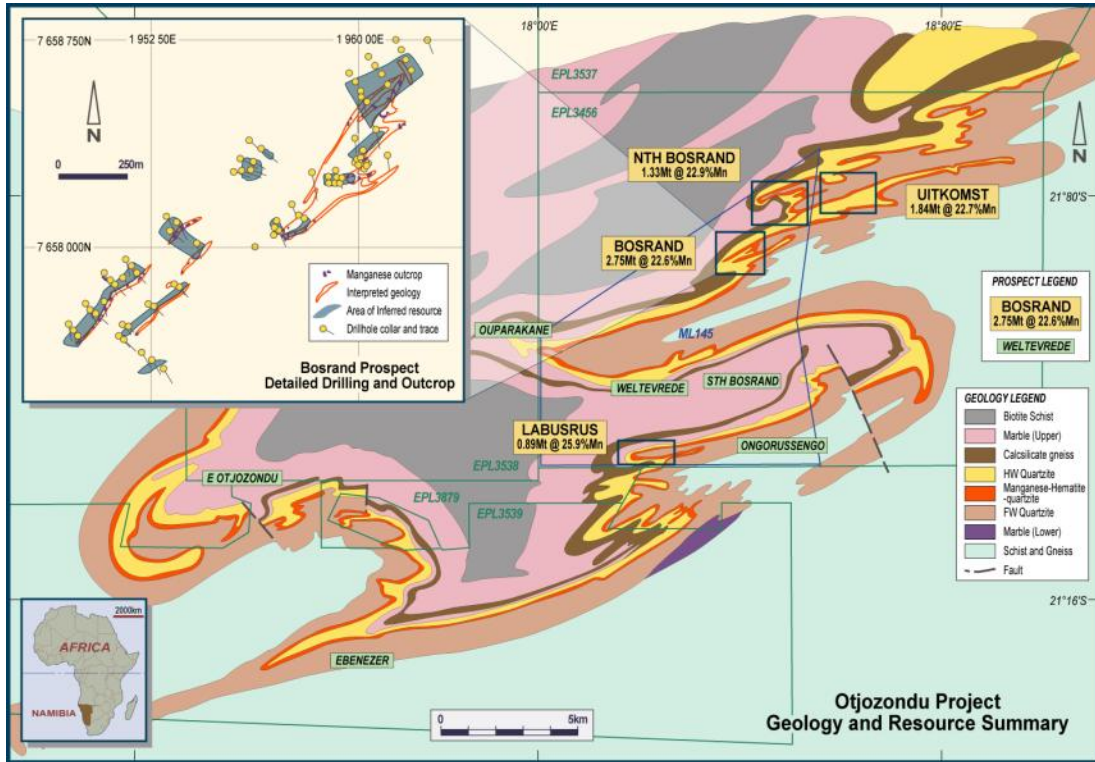


Figure 2 - Otjo Manganese Project, Geology and Prospects

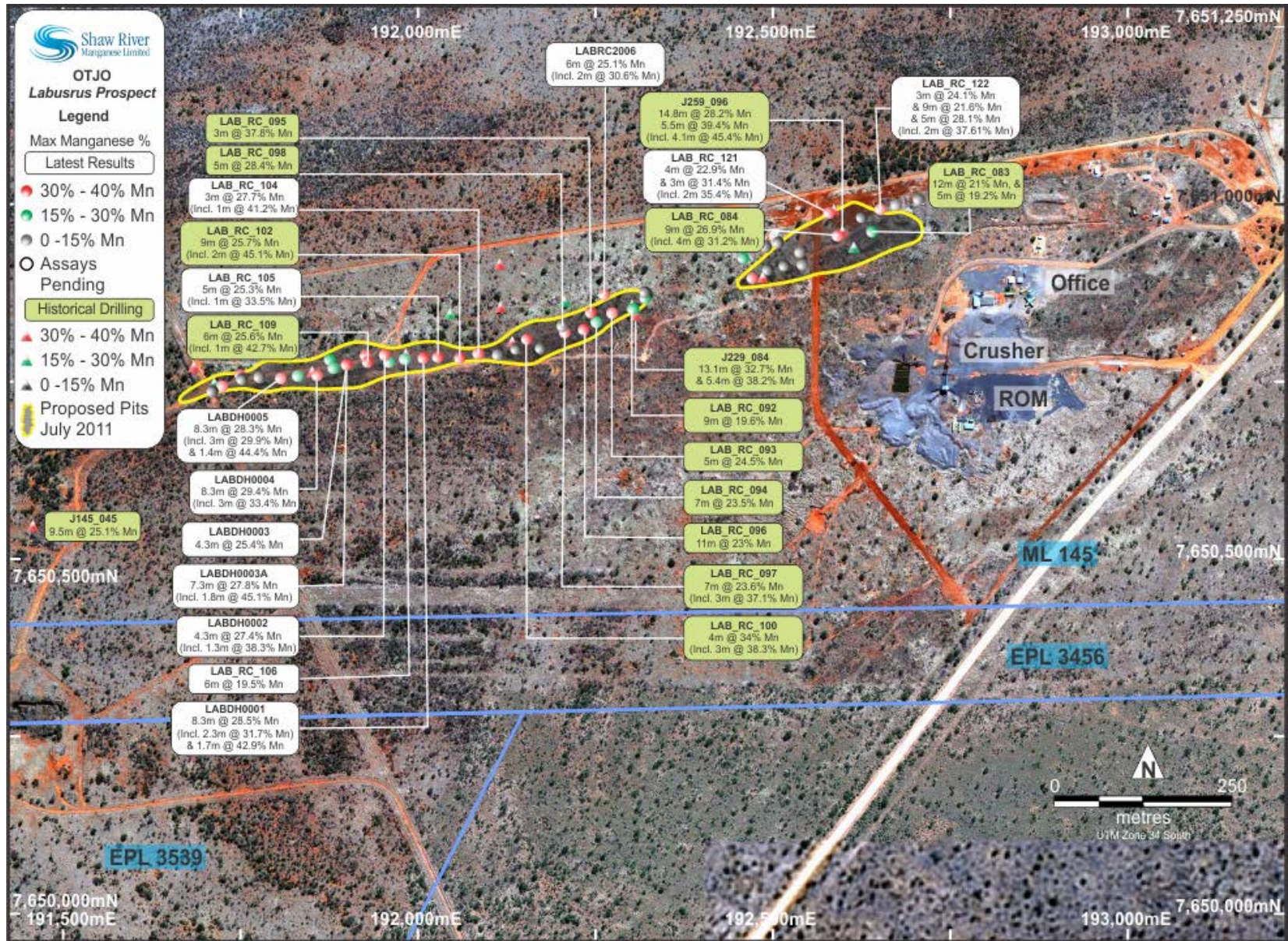


Figure 3 - Laburus Drilling

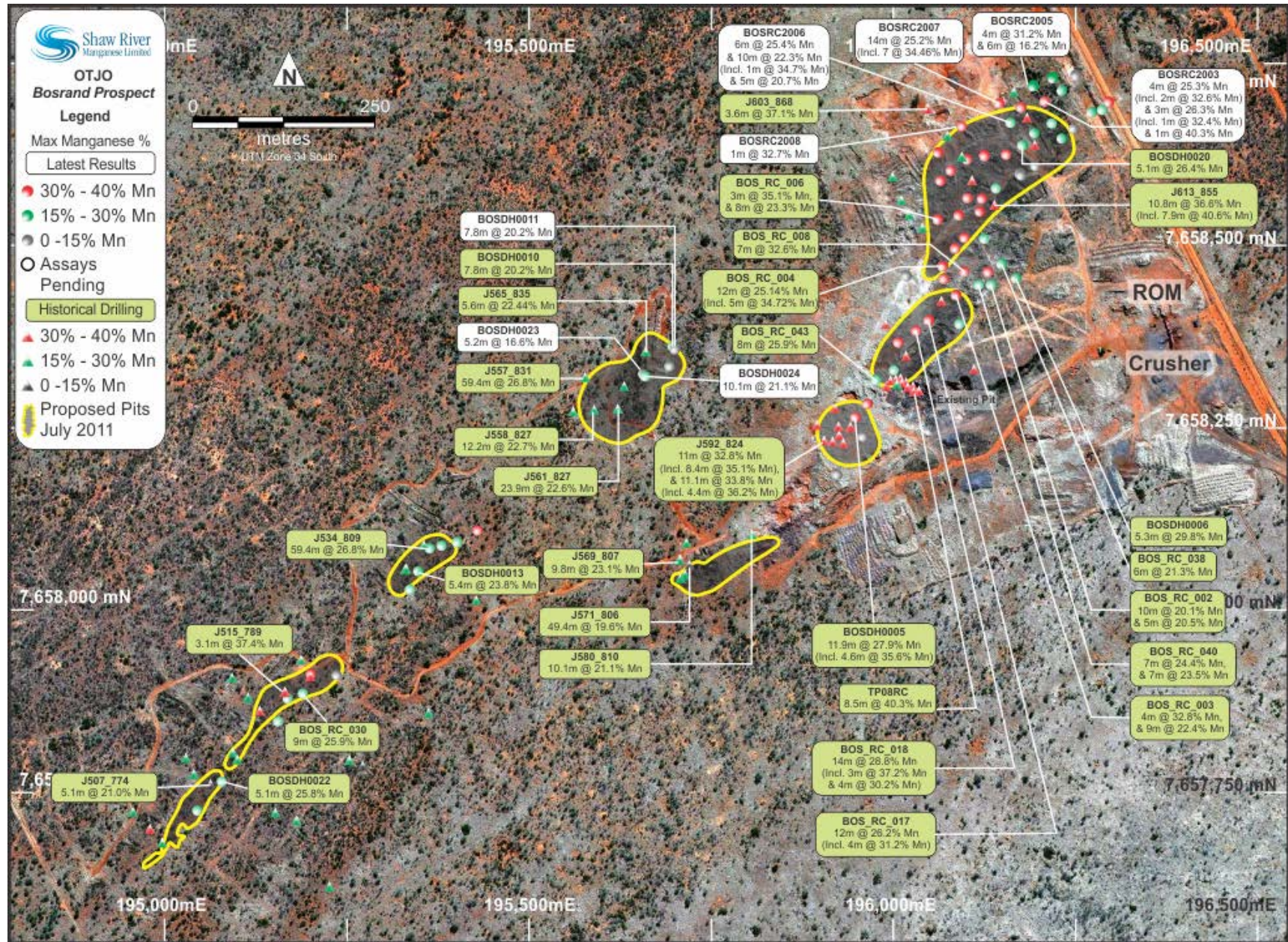


Figure 4 - Bosrand Drilling

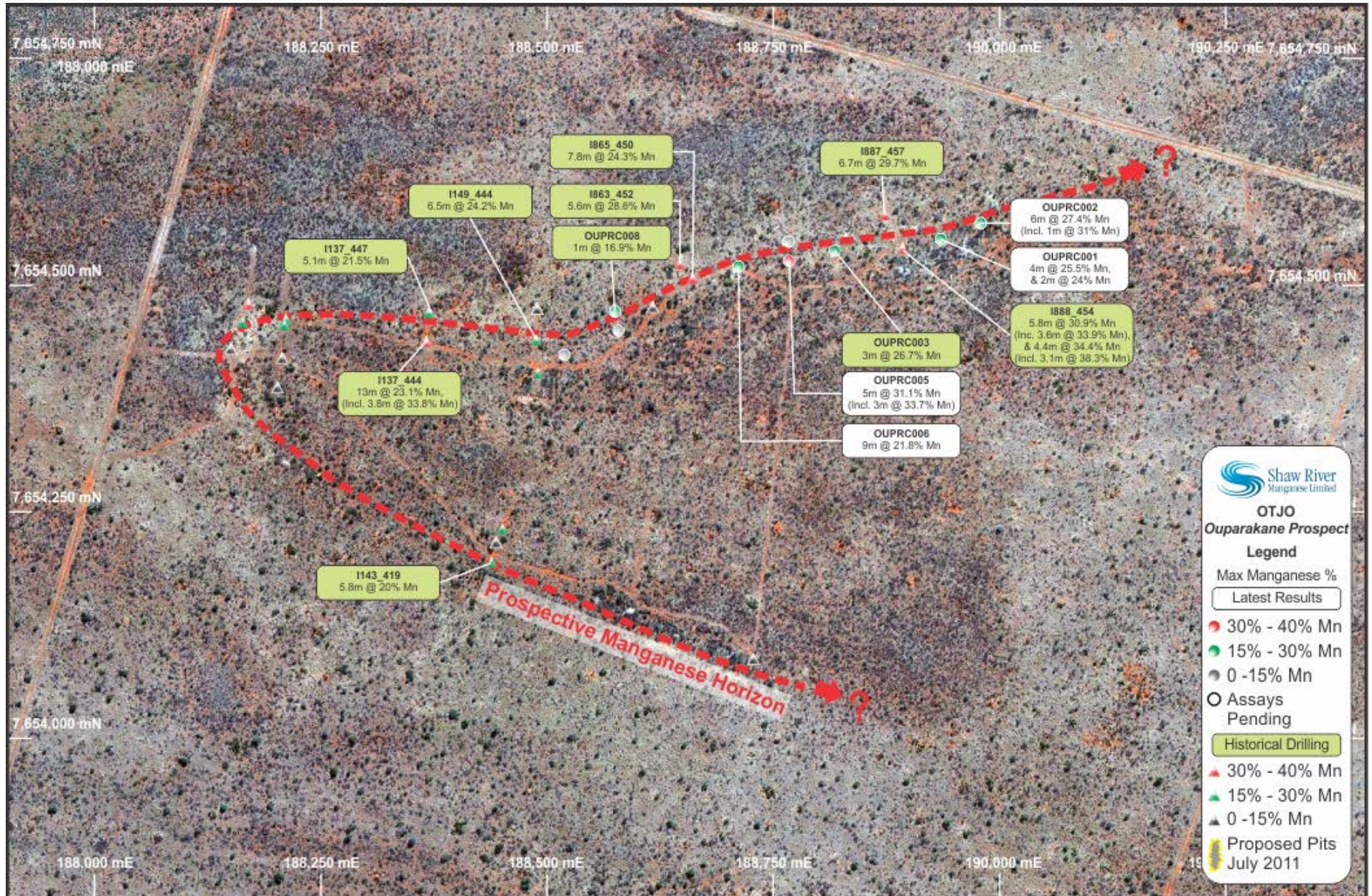


Figure 5 - Ouparakane Drilling