

Shaw River poised to join select group of global manganese miners

The team at Shaw River Manganese know how to move fast to capitalise on opportunities. Since the company was created by spinning out the gold and base metal assets from Atlas Iron in mid-2006, Vincent Algar and his team have built a portfolio of highly prospective manganese projects and are on schedule to start production of the base metal in 2012.

Manganese is an alloy used in steel to increase its hardness, toughness and wear resistance. More than 90 per cent of the 54 million tonnes of manganese ore produced annually is used in steelmaking and the insatiable appetite for the metal from steel mills in China, Korea and Japan is expected to drive increasing demand in the medium term.

The decision to focus on exploring and developing manganese prospects came from a series of opportunities that presented themselves to the company.

"We inherited some good base metal prospects from Atlas and we started to look for other metals in an area of the Pilbara that is a world-class corridor for manganese," Managing Director Vincent Algar says.

"We also picked up a 70 per cent stake in the Baramine project in the Pilbara for a relatively low price for such a good asset during the GFC. We then had a couple of very good manganese projects and the manganese price was having a strong run. By mid-2009, we started to look overseas and we found the Butre project in Ghana and people were starting to get to know us. We were on a roll."

Then came the Otjozundu (Otjo)

project in Namibia with its potential to be producing high quality, low cost manganese ore within two years and catapult Shaw River into the realm of a globally significant manganese producer.



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- Shaw River MD Vincent Algar

"Our consultant geologist Adriaan du Toit happened to have worked on Otjo on and off for 11 years so we knew what was possible there," Algar says.

Shaw River's major shareholder, Atlas Iron, agreed with Shaw River's assessment of the project's potential and provided funding for the purchase. "This indicated we had quality ground so we persisted, came up with a deal to buy a 75.5 per cent stake and closed that deal in February 2011," he says.

The team's decision to follow a focused manganese strategy has pleased not only Atlas, which holds a 45.4 per cent stake in Shaw River, but found fans among global fund managers. A recent capital raising of \$25 million saw Blackrock, Schroders, Bluegold and York join the share register.

The \$25 million will be used to fund further development of its projects in Namibia, Australia and Ghana. "Our target is to become a producer of 1-2 million tonnes of manganese per year from various places around the world for export to Asian and European markets. We want to target mid-sized alloy producers that can usually only get manganese through traders, rather than straight from a supplier like us, so we expect there to be no shortage of buyers," Algar says.

The projects Otjozundu, Namibia

Shaw River began a feasibility study at its Otjozundu project in Namibia in the June quarter of this year. There is an existing 6.8 million-tonne resource at Otjo



BELOW LEFT: The processing plant at Otjozundu



ABOVE: Workers study drill core at the Otjozondou manganese project in Namibia

which would underpin the first five years of production. However, this resource figure is based on drilling done on only 7km of the 144km-long field and is expected to grow considerably with the results of further drilling. The resource has only been explored to a depth of 85m, although high-grade mineralisation is known to extend to depths of more than 250m.

A scoping study completed in April 2011 placed the exploration target at a world-class 30-50 million tonnes of ore at 23-27 per cent manganese. With some simple beneficiation, the quality of the saleable product is expected to increase to 38-40 per cent manganese. The initial production target is 250 kilotonnes per annum from 2012 for an initial capital expenditure of \$AUD37 million, building to 500 kilotonnes per annum for an additional outlay of A\$22 million by 2015. Production costs are expected to range between \$AUD110-140 a tonne with the end product likely to fetch A\$198-\$254/t.

Broking house Hartleys noted that if the manganese price rose by one-third, operating cash flow would increase by three quarters, “demonstrating significant leveraging to the manganese price”.

A drilling program commenced on May 31, 2011 with manganese found multiple times in each of the four initial drill holes. The size of the resource is expected to be

revised by the end of the September quarter with the feasibility results presented to the board in the fourth quarter of 2011.

The remaining 24.5 per cent of Otjo is owned by Oreport, whose parent company Grindrod Ltd owns the port at Walvis Bay, 538km away. The port has capacity available at the bulk terminal for the project to use. Good quality road and rail infrastructure exists near the mine to get the product to port.

Hartleys has valued the project at 20c a share, accounting for a major portion of its 28c share price target for Shaw River. “As Shaw River progresses the project and transitions from an explorer to producer over the next 12-18 months, we expect the company to be progressively re-rated and continue to recommend Shaw River as a speculative buy,” says Hartleys.

Baramine, Pilbara

Closer to home, Shaw River was firming up the size of its 70 per cent-owned Baramine manganese deposit in the East Pilbara. Baramine is in a world-class manganese corridor with Palmary Enterprises’ successful Woodie Woodie mine only 80km to the south-east. The company expected to have drilling results for up to 15,000m by the end of the year and was targeting a resource of 10-15 million tonnes of ore with 18- 25 per cent man-

ganese content. When processed, this was expected to produce a saleable product of 43 per cent manganese. Baramine is only 280km east of Port Hedland, where the ore would be shipped to Asian markets.

Butre, Ghana

The Butre manganese deposit in the north-west African nation of Ghana is 80 per cent-owned by the company. Additional drilling , a scoping study and permit application processes are underway and Shaw River plans to carry out drilling, bulk sampling and beneficiation testing in this calendar year.

SHAW RIVER MANGANESE SNAPSHOT

Stock Exchange Listings
ASX: SRR

Issued shares
451.6M

Market capitalisation
A\$77M at 17c

2011 broker research:

State One Stockbroking – 7 April,
Target: 30c

Hartleys – 21 March, Target: 30c