

## ASX ANNOUNCEMENT



**RELEASE DATE:** 29 July 2010

**TO:** **Manager Companies**  
**Australian Securities Exchange**  
**Company Announcements Office**

**CONTACT:** **Trevor Harris (08 9 322 8393)**

**RE:** **June 2010 Quarterly Report & Appendix 5B**

**PAGES:** 1 of 11

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Dear Sir/ Madam

Please see attached Quarterly Report and Appendix 5B for the period ending 30 June 2010.

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## **QUARTERLY ACTIVITIES REPORT**

### **FOR THE PERIOD ENDED 30 JUNE 2010**

The following reported activity covers corporate activity, exploration and field work at Shield Mining's projects in Mauritania, West Africa.

#### **Corporate**

- **Recommended takeover bid made by Gryphon Minerals Limited to create a significant west African gold exploration company**
- **Terms of the Offers are one (1) Gryphon share for every three (3) Shield Shares (Share Offer) and one (1) Gryphon Share for every eleven (11) 20 cent August 2011 Option (Option Offer)**
- **The Offers are UNANIMOUSLY recommended by the Shield Board**
- **\$3m Share Placement successfully completed and approved at EGM**

#### **Exploration**

##### **Tijirit Gold Project**

- **Soil sampling, mapping and drill chip re-logging to prepare for the next drill programme**

##### **Saboussiri Copper/Gold project**

- **New gold prospect discovered (Toumbou)**

#### **Corporate Activities (during and after the quarter)**

##### **Takeover Offer**

On the 30 June 2010, Gryphon Minerals Limited ("Gryphon") and Shield Mining Limited ("Shield") announced that Gryphon has offered to acquire 100% of Shield.

Gryphon and Shield have agreed to effect the takeover offer by way of an off-market takeover bid under which Gryphon will offer to acquire all of the shares on issue in Shield on the basis of one (1) Gryphon share for every three (3) Shield shares ("**Share Offer**").

Gryphon is also offering to acquire Shield's 21.3 million 20 cent August 2011 options ("**August 2011 Options**") on the basis of one (1) ordinary Gryphon share for every eleven (11) August 2011 options ("**Option Offer**").

Gryphon also announced that it had entered into pre bid agreements with Shield shareholders representing 19.9% of Shield shares and has secured a call option agreement to acquire those shares in the event of a competing offer.

The Shield directors unanimously recommend shareholders accept the Offers for their Shield Shares and Shield Bid Options, in the absence of a superior proposal. The Directors also confirm they intend to accept the Offers in respect of their own share and options holdings.

As part of the Offers, Mr David Netherway will join the Board of Gryphon as a non-executive director.

The Directors of Shield and Gryphon believe the Offers are a compelling proposition for Shield Shareholders and Bid Option holders and will provide significant benefits including:

- a 35.8% premium for Shield Shareholders to Shield's closing price and a 55.8% premium to the three month VWAP of Shield shares based on the price of Gryphon and Shield shares prior to the announcement on 30 June 2010;
- an investment in Gryphon's JORC inferred resource estimate of 14Mt@ 2.4g/t for 1.1 million ounces of gold in Burkina Faso (Refer to ASX announcement 21 September 2009);
- an investment in a substantially larger West African focused gold company with a combined tenement holding of approximately 3,600km<sup>2</sup>;
- strategic growth in West Africa through a portfolio of high quality assets;
- a highly experienced and successful exploration and management team;
- a stronger financial base from which to explore and advance Shield's tenements in Mauritania; and
- greater analyst coverage and expected significantly improved share trading liquidity.

**The Offers are currently scheduled to close on Monday 9 August 2010.**

### **Placement**

On 31 May 2010, the Company announced the successful placement of 22,565,565 shares at a price of 15 cents to raise \$3,384,845 before costs. At 30 June 2010, the issue of 10,980,879 Tranche 1 shares allowed under the company's 15% placement capacity had been effected, raising \$1,647,131.85 before costs, with the balance requiring shareholder approval.

On 16 July 2010, following approval by the shareholders at an Extraordinary General Meeting, the company completed the share placement announced on 31 May 2010 via the issue of a further 11,584,686 Tranche 2 shares, raising 1,737,702.90 before costs.

### **Exploration Activities (during the quarter)**

#### **1. Tijirit Gold Project**

During the Quarter, the geological team undertook a field programme to infill the soil sampling grid at Eleanor, to trench at all five main prospects and to re-log the drill chips in preparation for a revision of the plans and sections of the various prospects drilled. As part of the programme of re-logging drill chips a number of samples were taken to be submitted to a petrologist for petrological description. A number of areas were also re-mapped.

### **Background**

*The Tasiast gold mine (owned by Redback Mining Inc.), is 35km to the northwest of Tijirit and in an adjacent Achaean Greenstone belt. Tijirit exhibits a similar geology to Tasiast. Previous explorers outlined broad spaced (1km centres) gold in soil anomalies on Tijirit in the 1990s during the same campaign that delineated Tasiast. Tasiast now hosts a world-class gold project with reserves of 2.28Moz and resources of 3Moz and is now producing 230,000 ounces per annum.*

*In three seasons (March – April 2008, September 2008 and September – December 2009), Shield collected soil samples on four grids with results confirming the broad spaced anomalies defined from earlier work. These grids were infill sampled to 80m x 40m with results enhancing and extending previously delineated anomalies. Ground geophysics was also successfully undertaken. The anomalies were then trenched to give better guidance to the drill programme.*

*In April, 2009 a 3,275 metre drill programme was undertaken over three of the prospects. The results from this confirmed the presence of gold and the similarity of geology to the Tasiast Gold Mine. This was further confirmed in a 5,026 metre RC drilling programme completed in January, 2010. The programme tested the Lily, Sophie I and Sophie II prospects at Tijirit with the majority of holes angled 60°. Average hole depth was 70m with the two deepest holes (150m and 140m) at Sophie II. All holes drilled at Lily were 60m in length save for two holes each of 70m.*

*The results confirmed that there is a strong gold mineralised system developed at Tijirit that needs further drilling to delineate high grade zones within the lower grade halo. The results delineate discrete higher grade structures and mineralised BIFs at Sophie I and II, with broader zones of lower grade mineralisation at Lily. The results are particularly encouraging at Lily where 18 of the 26 holes drilled during the Phase 2 campaign intersected wide zones of +0.1g/t Au mineralisation. These intercepts together with those previously reported delineate a 130m wide gold mineralised zone trending NNE within epiclastic rocks and which reflects the strong soil geochemistry at Lily. The zone may be traced over a strike length of more than 500m as delineated on three sections and contains discrete structures with higher values. Additional drilling is warranted in this area to demonstrate continuity of the higher grade gold mineralisation within the consistent lower grade halo. Prospect plans showing hole locations with respect to the soil geochemistry can be viewed below and on the website at [www.shieldmining.com](http://www.shieldmining.com).*

## **2. Akjoujt Copper Gold Project**

No fieldwork was undertaken during the quarter. The results of some rock chip samples taken at the Tabrinkout prospect were of little interest.

### **Background**

*The Akjoujt tenement covers 749km<sup>2</sup> and is 33km east of the Guelb Moghrein Copper/Gold mine owned by First Quantum Minerals Ltd (FQML) and which produces 35,000 tonnes of copper and 100,000 ounces of gold per annum.*

*The Guelb Moghrein mineralisation is classified as an Iron Oxide Copper Gold (IOCG) deposit and has a characteristic carbonate and magnetite alteration signature. Shield's tenement is also regarded as having IOCG potential and contains a number of zones of carbonate alteration with magnetic anomalies.*

*Selected magnetic anomalies have been targeted by the gravity survey using Bell Geospace 3D Full Tensor Gravity Gradiometry. The Shield portion of the joint survey comprises 1,423 line kms over an area of 463km<sup>2</sup> covering the most prospective areas of the Akjoujt tenement and the survey was conducted in conjunction with FQML. A number of residual gravity anomalies were discovered and then field checked and abundant Fe carbonate alteration with some magnetite was noted at four of the sites. Fe carbonate and magnetite alteration is an attribute of the IOCG mineralisation at the nearby First Quantum projects of Guelb Moghrein and El Joul. These anomalies together with several other targets will be followed up with field programmes comprising mapping, soil sampling, ground magnetic and gravity in the latter half of 2010.*

### **3. Saboussiri Copper and Gold Project**

#### **Diaguili Prospect**

Drilling commenced in May on the Diaguili copper prospect but was suspended shortly after commencing. The 3 hole/760m RC percussion drilling programme to test the VTEM anomaly was effected by equipment problems and the onset of the wet season. It is expected that the programme will be completed when heavy equipment access to the site becomes more viable in December 2010.

#### **Tombou Prospect**

During the quarter, the Company announced that it has identified a robust and strongly coherent gold mineralised zone at least one kilometre in length and up to 250 metres wide at the Tombou Prospect.

The zone comprises gold-in-soil anomalies on which Shield undertook a followup 900 plus soil sampling program in March this year. Values of +0.1ppm (100ppb) Au delineate the zone which includes 11 values above 0.5ppm Au and three values above 1ppm Au, topping out at a maximum value of 1.33ppm Au.

Tombou was initially located from modest drainage and rock chip values identified during Shield's 2008 regional exploration program, leading to a followup 40m x 40m spaced soil sampling program over four small grids in March this year. Results from this work delineated strong anomalies over three adjacent grids, prompting additional sampling over an extended area of 3.5kms x 1.5kms at a spacing of 40m x 80m.

The anomaly is coincident with an interpreted ESE trending fault which is a spur of a major E-W fault. A second, smaller, gold-in-soil anomaly is located at the junction of the spur and main faults. Trenching is now planned across the zone when the 2010 field program resumes in December at the end of the rainy season.

### ***Background***

*Saboussiri is located in the south of Mauritania, with Shield earning a 60% interest under a joint venture with General Mining Services (GMS). It consists of two licence areas totalling 220km<sup>2</sup>, EL879 of 187km<sup>2</sup> and EL236 of 33km<sup>2</sup>. Shield announced a strong geophysical target on EL236 in 2008.*

**Details of Sampling & Analysis:** RC samples were collected every metre, split to approximately 125gms and composited every 2m to 2.5kg on site. Samples are transported by road to SGS Laboratories in Kayes, Mali. Gold only analysis is by aqua regia digestion thence flame AAS detection on a 50gm charge (0.01ppm Au detection limit) (SGS ARE155 method). Quality control is by 10% field duplicates sent to Ultra Trace laboratories in Perth following pulp preparation at SGS Kayes.

*The information in this Report that relates to exploration results is based on information compiled by Mr Phil Fillis who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Fillis is a geologist consulting to the company, with over 30 years experience as a geologist. Mr Fillis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Fillis consents to the inclusion in the report of the matters based on his information in the form and context in which it is used.*

**Shield Mining Limited (ASX: SHX) is an Africa-focused gold and base metals explorer listed on the Australian Securities Exchange. Shield is active in Mauritania where it holds 100% of 2 and 60% of 2 exploration licences, covering a total area of 2,429km<sup>2</sup>.**

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Shield Mining Limited
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ABN

62 108 267 063
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Quarter ended ("current quarter")

June 2010
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### Consolidated statement of cash flows

	June Quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(238)	(2,028)
(b) development	-	-
(c) production	-	-
(d) administration	(193)	(751)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	99
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(415)</b>	<b>(2,680)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(50)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities		
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>(50)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(415)</b>	<b>(2,730)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Shield Mining Limited June 2010 Quarterly Report**

1.13	Total operating and investing cash flows (brought forward)	(415)	(2,730)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,536	3,617
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>1,536</b>	<b>3,617</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,121</b>	<b>887</b>
1.20	Cash at beginning of quarter/year to date	1,856	2,090
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter*</b>	<b>2,977</b>	<b>2,977</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		June Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	84
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Directors fees and salaries including any superannuation, and payments to Director related entities.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	805
4.2 Development	-
<b>Total</b>	<b>805</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	March quarter \$A'000	June quarter \$A'000
5.1 Cash on hand and at bank	315	425
5.2 Deposits at call	513	403
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposits	1,028	2,149
<b>Total: cash at end of quarter (item 1.22)*</b>	<b>1,856</b>	<b>2,977</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Shield Mining Limited June 2010 Quarterly Report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 <b>+Ordinary securities</b>	84,204,355	84,204,355		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,980,879	10,980,879	\$0.15	\$0.15
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted Options	3,000,000	-	\$0.40	30 Jun 2011
Unlisted Options	21,313,143	-	\$0.20	31 Aug 2011
Unlisted Options	1,000,000	-	\$0.25	15 Nov 2012
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~\* give a true and fair view of the matters disclosed.



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Company Secretary  
Trevor Harris

Date: 29 July 2010

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.