

20th December 2010

The Registrar of Mines
Mineral Resources Tasmania
30 Gordons Hill Road
ROSNY PARK, TASMANIA 7018

SUBJECT: SURRENDER REPORT - EL32/2005

MINERAL RESOURCES		
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30 Gordons Hill Road
ROSNY PARK, TASMANIA 7018

Dear Sir/Madam,

SUBJECT: SURRENDER REPORT - EL32/2005

Background

The Exploration Licence, EL 32/2005 (Catamaran Coal) is located at the very southern end of Tasmania about 110km south of Hobart. The licence covers an area of 84 km². Shree Minerals Limited (the Company) acquired the EL32/2005 in May 2008 from Gujarat NRE Resources NL.

During the report period, i.e. 15th February 2010 to 14th February 2011 no exploration work has been carried out. (*For earlier work reader is requested to refer to previous reports on EL32/2005*)

Tenement Potential

The coal resources in the tenement occur in Triassic sediments intruded by dolerite in fault bounded blocks. The coal target is the uppermost part of the Triassic Coal Measures. The coal is bituminous and the major litho type is dull. Earlier explorers in the area have recognised six coal intervals (A to F). Exploration highlighted, Coal Interval A as to be the only coal interval of potential economic significance. The other coal intervals were found to be too high in ash and produce unacceptable products upon washing. Moreover, macroscopically the coal seams present in the tenement consist of dull coal.

Average raw coal quality of Coal Interval A

Air Dried Moisture	7%
Ash	49%
Specific Energy Moisture MJ/kg	12
Total Sulphur %	0.27

Resources

Marathon in 1984 estimated a total of 17 Mt of *Inferred Category* (5.5 Mt extractable by Open cut mining and 11.5 Mt by underground mining) resources at Catamaran. The *insitu* coal resources of 5.5 Mt were based on 2 drill holes (CA106F and CA110) with average coal seam thickness of 2.7 m with an overburden: coal ratio of 10:1, and the coal resources of 11.5 Mt (considered suitable for underground mining) were also estimated on two drill holes (CA111F and CA115) with coal seam thickness of 4 m in drill hole CA115 and 1.8 m in CA111F.

Discussion

The mining in the area was concluded in 1939, when available quality resources were exhausted. Since then the area has been explored, but no substantial quantity of resources have been defined. However, the resources of *inferred category* (based on 1984 resource parameters) by Marathon are based on *mere 4 drill holes*; the basic information of this estimate falls long way below the current JORC definition for Inferred Resources and has been reclassified by independent geologists Hellman & Schofield as Exploration Target. The size of resource is considered too small to develop any mine economically. A substantial size of Resource would need to be discovered to justify the infrastructure investment.

Ms Carol Bacon's Comments

The potential for open cut coal in any appreciable quantity is virtually nil, and the most accessible parts of the coalfield have already been well worked by underground means. However, small areas between the original workings are likely to contain limited. The coal seams are expected to be thin, banded, discontinuous, and badly disrupted by faulting. Nevertheless, the Catamaran area offers the best potential of the southern coalfields for yielding small quantities of useful coal. The inferred reserves of the coalfield are very small. (Bulletin 64, The Coal Resources of Tasmania, by C. A. Bacon, page 105).

In view of the above and the Company's decision to divert major part of its resources towards the development of its Core Iron Ore Project, the Nelson Bay River Iron Project, no exploration work at the tenement EL32/2005 during the report period, i.e. 15th February 2010 to 14th February 2011 was carried out. As a result the Company has decided to surrender the tenement. The intention of surrender and the background were discussed on 23 September 2010 at a meeting of the Company representatives with MRT Officers, which included Ms Carol Bacon, Managing Geologist, Industrial Minerals and Land Management.

Yours sincerely,



Mahendra Pal
Non-Executive Director
Shree Minerals Limited