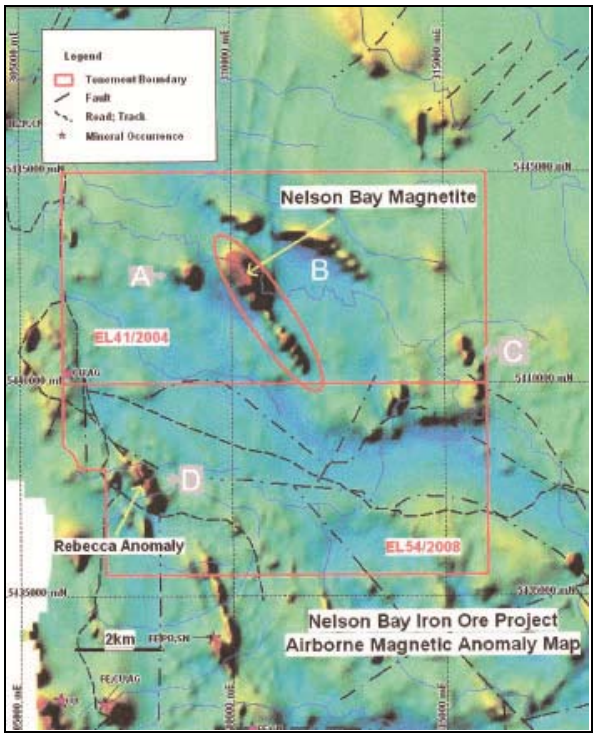
SHREE MINERALSLIMITED
ACN 130 618 683

ANNUAL REPORT FORTHE PERIOD 1.03.2010 to 28.02.2011
NELSON BAY RIVER - EL41/2004 -



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Author : M. Pal
Shree MineralsLimited
ACN 130 618 683
Unit 4, Pine Buiness Centre, 86 Forrest Street
Cottesloe WA 6011

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SUMMARY

The Nelson Bay River tenement (EL41/2004) covers an area of 50 km^2 and is located about 5 km east of the town of Temma and about 70 km southwest of Smithton, in North West Tasmania.

During the report period about 820 m of diamond drilling with the aim to upgrade the existing Inferred magnetite resource to an Indicated Category and define further goethitic-hematite Direct Shipping (Iron) Ore (DSO) resource was undertaken.

The drilling was along 8 holes (including an extension of the previously drilled NBR5) for about 820m. Drilling initially focused upon defining grid north (NW) extension of the magnetite resource. Holes NBR19, 20, 22 and 23 targeted the near surface goethitic - hematite potential.

Additional to drilling, parts of the Prospect were ground magnetic surveyed resulting in better determination of the magnetic distribution and character of known magnetite mineralisation at the Prospect.

Further, compilation of previous and recent drilling data and significant upgrading of the access track were undertaken.

The.work done todate has upgraded the project potential many folds; Global iron resource has increased from 4 Mt (2006) to 12.6 Mt (2010), out of which 1.7 Mt @38.5 % Fe (capable to produce 0.7 Mt magnetite concentrate) is of Indicated Category, 0.5 Mt of goethitic-hematite (DSO) @. 57.8% Fe with low deleterious elements is of Inferred Category, and remaining is beneficiable resourcece of Inferred Categorgy.

The DSO resource has only been explored by one hole at 100 m interval along the strike over about 1 km length The DSO ore occurs as a cap over the magnetite resource, which as per geophysical studies covers a strike lenth of more than 4 km.

In view of the highly encouraging results, the Company has commissioned studies; like mine planning, metallurgy, environmental, Aboriginal Heritage Assessesment, etc., and has submitted a comprehensive exploration program [drilling (~2000 m RC Percussion), mapping, geophysical survey, geotech,etc.], to MRT for approval with the view to extend DSO resources and start DSO mining some time in 2011/12.

Depending on work priority and resource availability, in addition to the above, the following may be attended to:

- A comprehensive phased program of integrating the magnetic data with surface mapping, supported by susceptibility measurements on drill cores.
- A petrography study and some rock magnetic property measurements to help understand the nature of the Iron Deposit and subsequent alteration.
- A low level cropduster aeromagnetic survey as an alternative to ground magnetic surveys.

1. INTRODUCTION

The Nelson Bay River Project tenement (EL41/2004) has been explored since 1968 by various explorers for base metals, gold and iron. Serious exploration for iron commenced in 2006 when the licence holder, Gujarat NRE Resources NL estimated iron resources of 4 Mt @ 40% Fe, capable of producing magnetite concetrates for use in pig iron making and coal washeries.

Since then a great deal of exploration along with various studies for the tenement have been undertaken, and reported in Annual Reports. This report summaries work performed by Shree Minerals Limited from 1 March 2010 to 28 February 2011; details are given in Appendices I to VII.

2. AIM

To explore for iron (magnetite and goethitic-hematite) resources

3. LOCATION AND ACCESS

The Nelson Bay River tenement (EL41/2004) cover an area of 50 km^2 and is located about 5 km east of the town of Temma and about 70 km southwest of Smithton, in North West Tasmania (Figure 1).

Access to the tenements is via the Temma and Heemskirk sealed road and thereon via nicely maintained forestry tracks.

4. TENEMENT STATUS

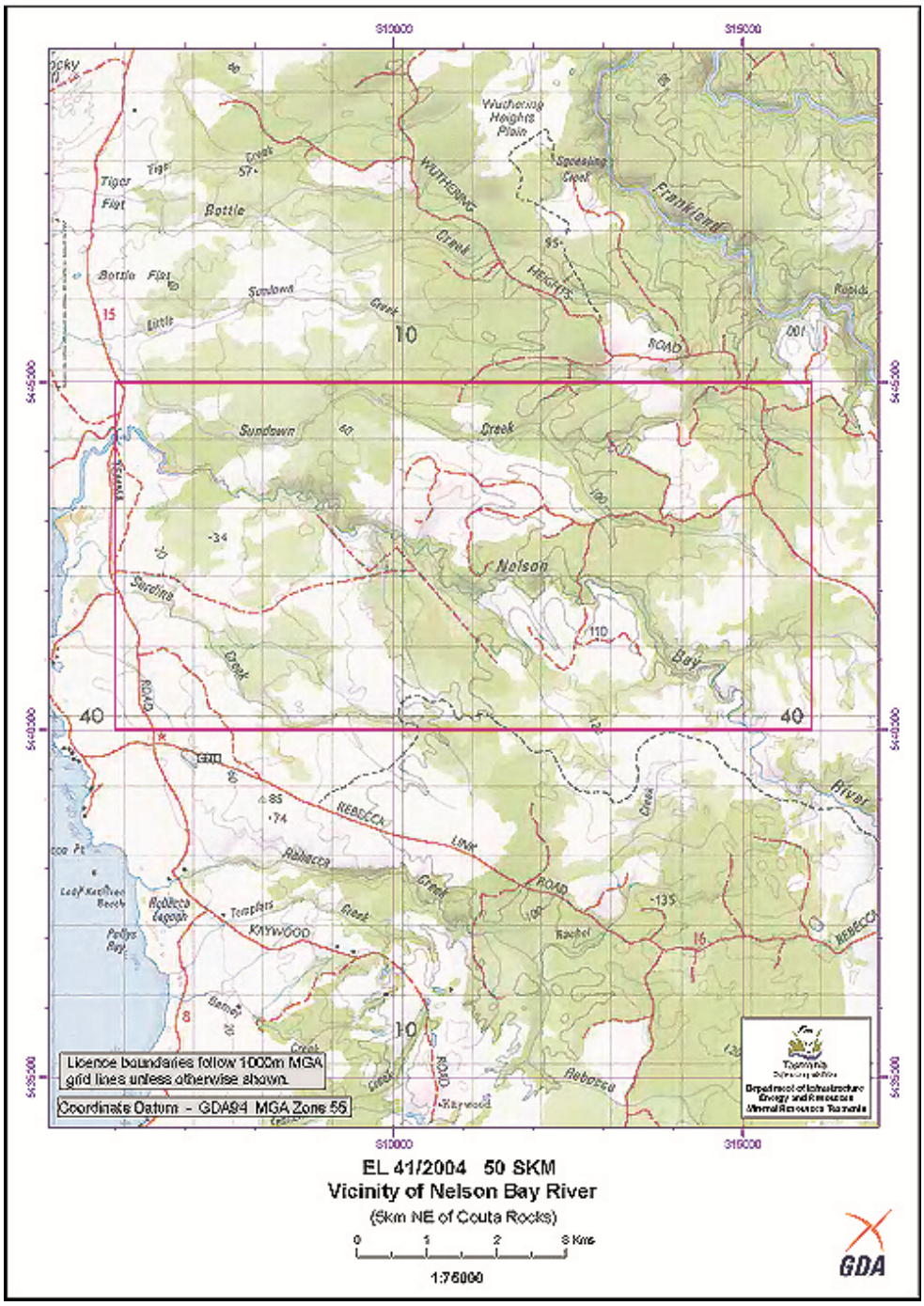
The tenement EL41/2004 (Figures 1) was granted to Zinico NL on 1 March 2005 for 5 years with expiry on 28 February 2010 for exploring all Category 1 Minerals. On 22 November 2005 Zinico NL changed its name to Zelos Resources NL (Zelos)., and on 23 November 2006, to reflect the major shareholding, the Zelos name was changed to Gujarat NRE Resources NL. Shree Minerals Limited in May 2008 acquired the tenement from Gujarat NRE Resources NL.

4.1. Schedule

Land district: Russell vicinity of Nelson Bay River (5 km NE of Couta Rocks)
Municipality: Circular Head
Exploration Licence: 41/2004
Area: 50 km^2
Ownership: Shree Minerals 100%
Operator: Shree Minerals Ltd.

The coordinate datum for the licence is based on AGD 1966, AMG Zone 55. Tenement boundary is shown in Figures 1 and 2.

Commencing at the southwest corner at grid coordinates 306 000 metres E 5 440 000 metres N thence grid north to 5 445 000 metres N -end east to 316 000 metres E grid south to 5 440 000 metres N aforesaid thence grid west to the point of commencement.



Source: MRT

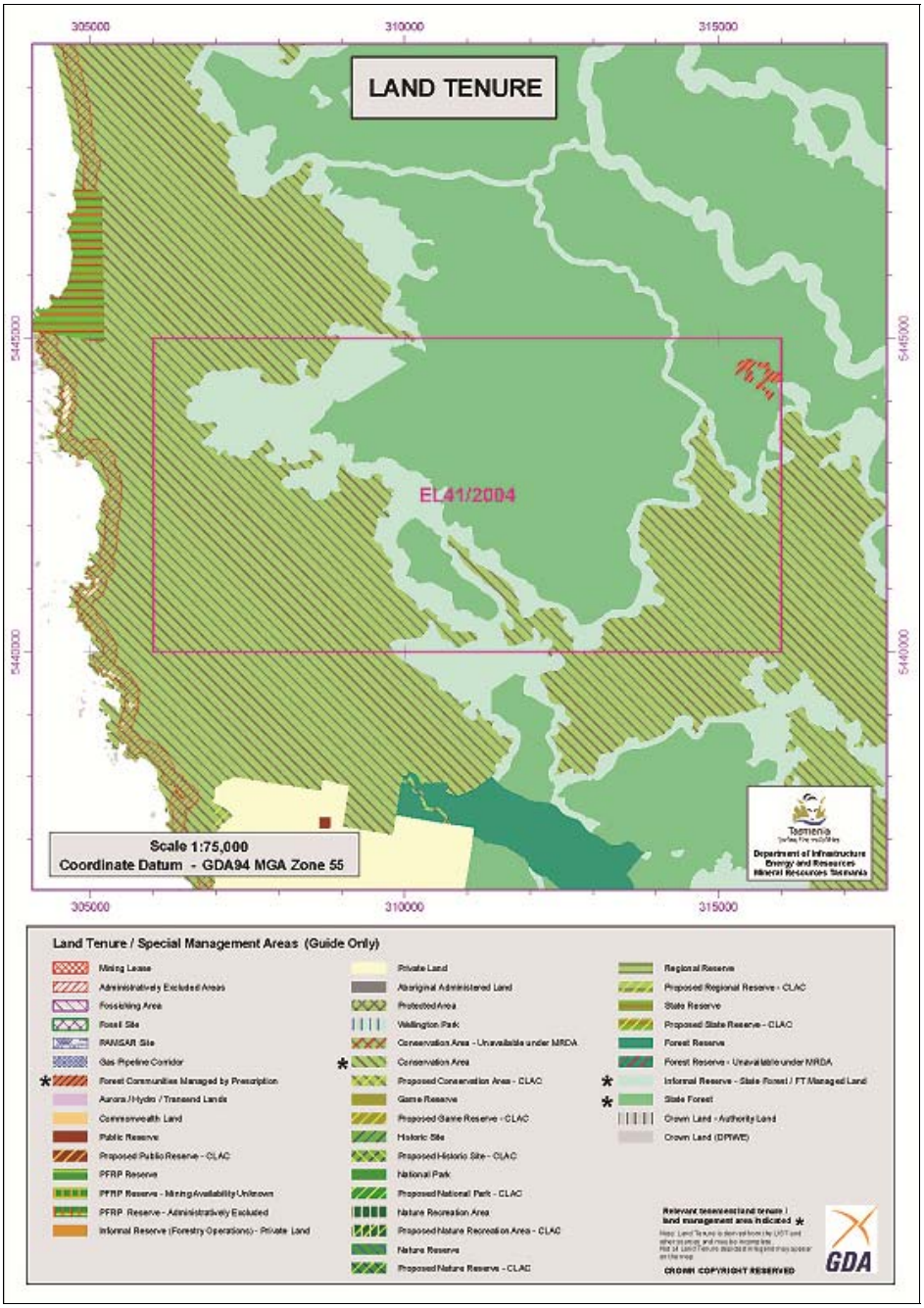
Figure 1: Tenement (EL41/2004) Location and Acess Map

4.2. Land Tenure

The area comprises (Figure 2):

- Multiple use State Forest
- MDC Informal Reserves
- Arthur – Pieman Conservation Area

The licence area contains Forest Communities Managed by Prescription and areas which are listed (including listed on an interim basis) on the Register of the National Estate kept under the *Australian Heritage Commission Act 1975.*



Source: MRT

Figure 2: Nelson Bay River Project (EL41/2004) Land Tenure Map

4.3. Exclusion

The exclusion areas are list below:

- Any land owned or leased by the Commonwealth of Australia.
- Crown reservations or other land set apart or dedicated for any public purposes such as public reserves, municipal reserves or roadways unless such areas have been brought under the provisions of the *Mineral Resources Development Act 1995.*
- Areas of private land which either have been, or are in the process of being, purchased by the Crown under the Regional Forest Agreement - Private Forests Reserves Program and / or private land over which the landowners have agreed, or are in the process of

agreeing, to place a covenant or management agreement for conservation purposes under the Regional Forest Agreement - Private Forests Reserves Program.

5. PHYSIOGRAPHY & VEGETATION

The west of the properly lies within a peneplained hinterland to the coast with fossil sand dunes locally. In the east the terrane becomes more undulating with incision by creeks. There are major rivers draining east to west, close to or through the property, including Sundown Creek, Sardine Creek and the Nelson Bay River (Figure 1).

Climate is temperate with substantial annual rainfall typical of Western Tasmania. Temperature ranges from just above freezing in winter to a likely maximum of 30°C in summer

Vegetation cover is a mixture of low level heath (Plate 1) in the west of the licence and forestry plantation (Plate 2) in the east of the area.

Plate1: Low Heath Peneplain

Plate2: Forestry Plantation

6. GEOLOGICAL SETTING

6.1. Regional Geology

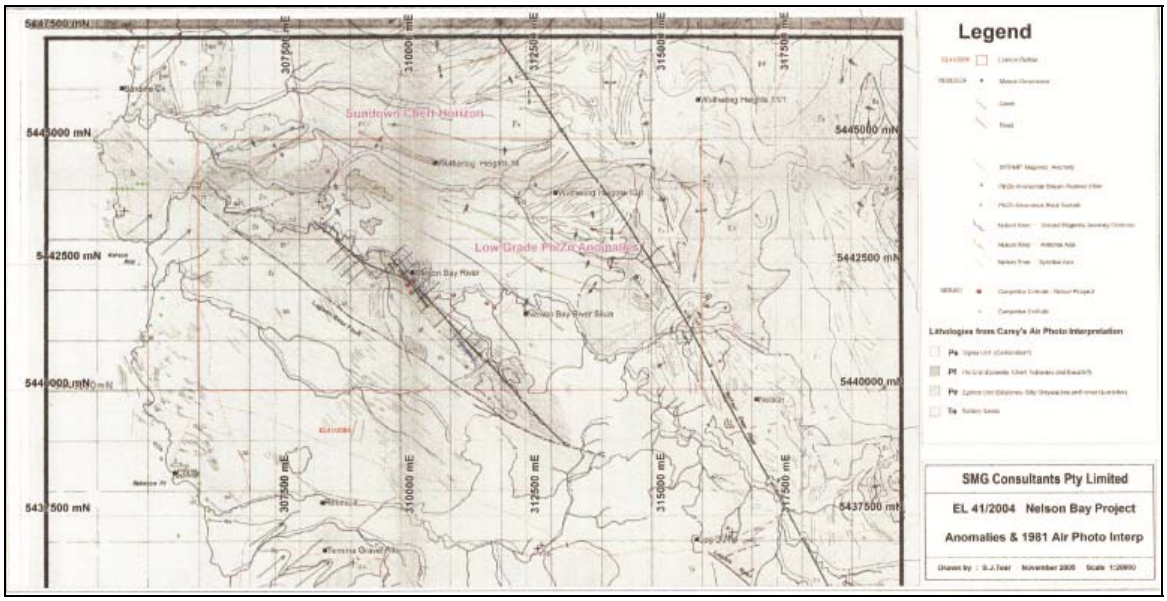
The geology of the Nelson Bay River tenement consists of siltstones, sandstones and carbonaceous mudstones of the Cowrie Siltstone, part of the Rocky Cape Stratotectonic Element. This element consists of Early Neoproterozoic autochthonous marine shelf clastic sequences, relatively unmetamorphosed to lower greenschist facies, overlain (outside the licence area) unconformably by various suites of younger Neoproterozoic rocks.

6.2. Local Geology

Rocks in the Nelson Bay area comprise finely laminated, psammo-pelitic, Proterozoic-aged siltstones with medium grained sandstones/quartzites. The quartzites are clean, well sorted, and massive to thinly bedded and up to 200 m thick. Variable siltstones include finely laminated units to 'pyjama' siltstones, chloritic siltstones/schists and carbonaceous siltstones - similar to the rocks seen at Balfour. The rocks strike northwest and generally dip and face to the east between 55^{o} and 65^{o}.

Carey's 1981 air photo interpretation divides the licence area into two sections using the Lagoon River Fault (Figure 3). Southwest of the fault he interprets finely bedded slates and silty greywackes with only minor amounts of quartzite (the Epsilon Unit). He has equated this unit to the Balfour Slates and the Interview Group. Northeast of the fault and much higher in the Proterozoic sequence lies the Phi and Sigma Units, the former

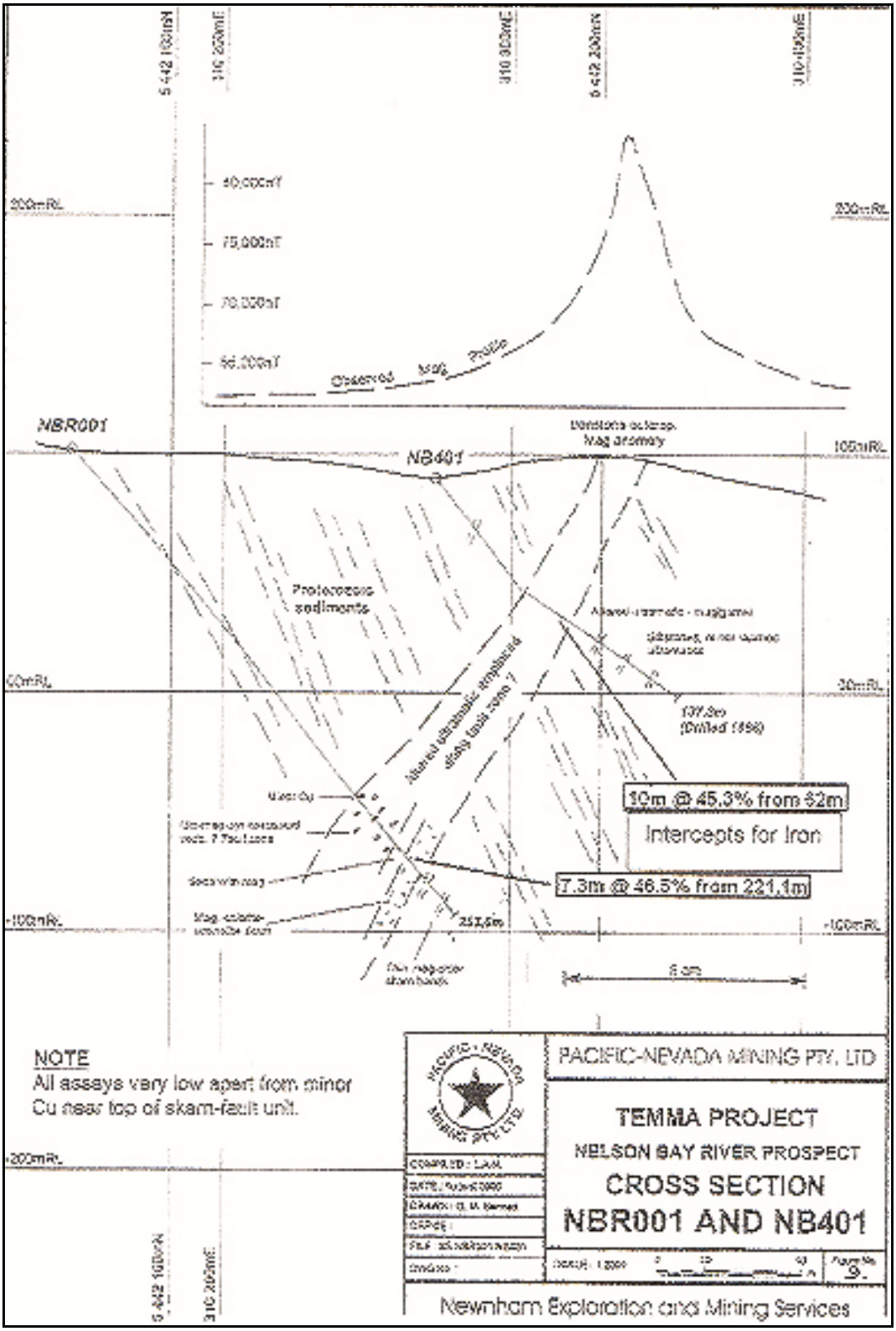
has a lot of carbonate/dolomite within it, whilst the latter comprises a mixed sequence of dolomite, chert, volcanics and basalts, however, Tear (2005) does not support this view. Carey's structural interpretation implies multiple fold hinges of varying orientations and also suggests that the Balfour Deep Fault passes through the northeast corner of the tenement EL41/2004. However, Tear based on work reported by Tear 1996 and Tear & Russell 1998 believes that the Balfour line lies further to the east (Tear 2005).



Source: Tear 2005

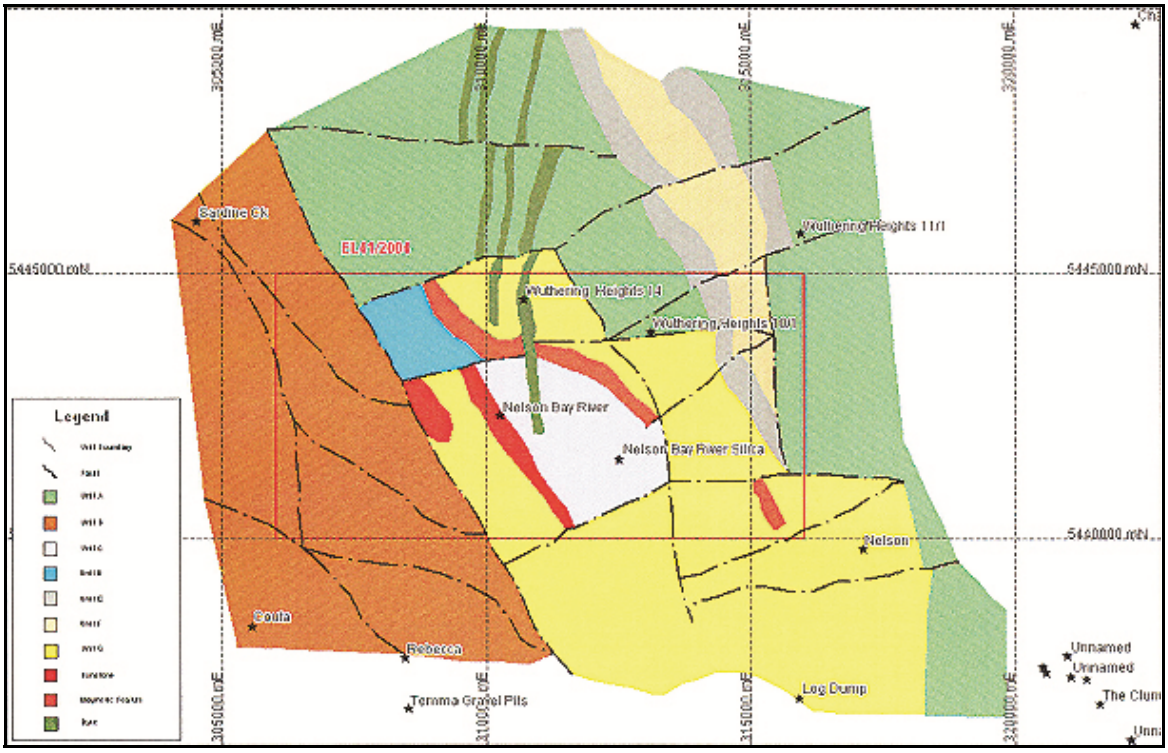
Figure 3: NBR Project – 1981 Carey Photo Interpretaion

Prospect scale mapping of the Nelson River area by Australian & NZ Exploration Co (Brandt 1973) records a series of clean quartzites units on the south west side of the iron feature. Whilst the Geopeko mapping is confined to the magnetic grid, it details a series of interbedded quartzite and siltstone units. The Pacific Nevada drilling results (NBR1 and NBR2) confirm the northeast dip of the beds (Figure 4). The Geopeko work also indicates the oblique cross cutting nature of the magnetite bearing ultramafic dyke, whilst the Pacific Nevada data confirms the steep (>60^{o}) dip of the intrusive to the southwest (Tear 2005). An interpreted geology map of the tenement by consultant (Tear 2005) is given below(Figure 5)



Source: Newnham 2000

Figure 4: NBR Project – Cross Section



Source: Tear 2005

Figure 5: Interpreted Geology Map of EL41/2004

6.3. MINERALISATION

Within the Nelson Bay River Licence there are four mineral occurrences listed in the MRT database. The main one of interest to the licence holder is the Nelson Bay River iron (magnetite and goethitic-hematite) occurrences.

The Nelson River magnetite occurrence is a 4km long magnetic feature confirmed by the WTMRP airborne surveys. Follow up ground magnetic work by Geopeko in the 1980's has shown that the airborne feature splits into two anomalies, a northern one and a southern one. In field, the northern anomaly comprises of an 800 m long lode of granular aggregates of hematite and magnetite in an iron clay and/or siliceous matrix. At depth it is up to 40m wide "ultramafic dyke-like structure" comprising a quartz-carbonate-magnetite-pyrite-garnet-chlorite-amphibole assemblage that dips 60° west and cross cuts stratigraphy at about 70° (Figure 4). Alteration associated with the dyke consists of a "white mineral and olive coloured silicate, fibrous amphibole and green silicates". In addition, dense clusters of garnet are reported at the ultramafic's contact with the sediments. This mineral style has been linked in the past to Proterozoic iron formations similar to that which occurs at Tennant Creek (Newnham 2000).

7. PREVIOUS EXPLORATION

In the area of Nelson Bay River the main target has been the iron occurrence (magnetite & goethitic hematite) commonly known as Nelson Bay River Magnetite. Other areas of interest include the Sundown Chert anomaly and other

untested magnetic features highlighted by the WTMRP airborne magnetic-radiometric survey data.

Below is a very brief out line of previous explorers´ activitites:

7.1. Pickands Mather - 1966 to 1972 - (EL16/68)

Pickands Mather International was the first to carry out exploration in the tenement area (held as EL 16/68). The exploration activities included identification and geological mapping of the magnetite dike area, and drilling of NB401 for 137.6 m. Drilling intersected 10 m of magnetite @ 45.3% Fe. Additionally, a weakly anomalous zone of lead, zinc, silver, copper and arsenic was also noted with the magnetite lode.

The company also carried out some soil sampling.

7.2. Australian & NZ Exploration Co – 1972 to 1973 - (EL8/72)

The Australian & New Zealand Exploration Company provided details of the Pickands Mather exploration work at the Nelson River prospect (Brandt 1973). Their main area of interest was the nearby clean quartzites for the potential production of silica.

7.3. CRAE Pty Limted – 1977 to 1984 - (EL1/77)

CRAE Pty Ltd. in 1978 undertook exploration beginning with a major regional stream sediment and rock chip sampling programme (Weir 1981). This work was reported to have delineated a five anomalous value cluster for the Nelson River iron feature with peak rock chip values to 105 ppm Pb, 475 ppm Cu, 130 ppm Zn and 170 ppm As. However, an inspection of maps with the creeks and anomalies marked on seems to indicate that the anomalous creeks are not draining the main drill tested anomaly but appear to come from the southern rnagnetic anomaly area. No further work was undertaken by CRAE. Not all of the CRAE stream sediment sites are in the MRT stream sediment database.

7.4. CRAE & Geopeko – 1981 to 1982 – (EL1/77)

Geopeko (Herrmann & Sumpton, 1982) repeated the Pickands Mather work at Nelson River, by re-establishing the baseline and the grid. They then completed a ground magnetic survey that separated the airborne anomaly into two distinct anomalies, a southern and a northern one. In addition, a geochemical survey was completed by collecting C-horizon soil samples. This work produced a very distinct soil anomaly over the northern magnetic feature with Cu to 350 ppm and Pb to 725 ppm. There was no anomaly over the southern magnetic feature but this may be a function of overburden thickness and type. Geopeko also re-assayed the Pickands Mather drillhole N401 recording 0.42% Cu over 1.22m from 85.2m. Gold assays indicated presence of only low levels.

CRAE undertook further mapping in 1983 (Weir 1984) for an area around Sundown Creek in the north of the current licence and just beyond. "The Company identified a mixed sequence of northwest striking quartzites, black siltstones with cherts, chloritic siltstones (possibly tuffs) and black shales. Thin section work suggested that a pyrite-chalcedonic rock was a

volcanic sinter hosted within the chloritic tuff units. Locally there are varying quantities of pyrite within the sediments and pyritic quartz veins developed in fault zones were observed." A black carbonaceous chert was found in Sundown Creek with anomalous levels of lead and arsenic. This package of rocks is very similar to rock sequences mapped by CRAE at Balfour in 1996 (Tear & Russell, 1998) although no volcanics have been confirmed at Balfour. Interestingly this unit appears to be along strike from the Nelson River iron occurrence; although the geology map indicates a possible truncation of the chert unit by an ENE fault.

7.5. Bach Holdings - 1986 to 1990 – (EL33/86)

Bach Holdings, auger tested various Quaternary sand deposits in EL33/86 for heavy minerals.

7.6. Aureole Resources – 1989 to 1990

During 1989/1990, David Leaman, for the Aureole Resources, produced a set of regional structural interpretations from geophysical data for a large area of northwest Tasmania. He identified a northwest trending 'anticlinal' residual Bouguer gravity anomaly roughly centred on the Nelson River iron feature. He deduced a possible conjugate set of structures striking east-north-east and northwest. He also proposed that the Proterozoic sequence was thrusted over the Cambrian sequence with the contact depth between 0.5 to 1 km. A shallowing of this feature was thought to exist in the Nelson River area.

7.7. Pacific Nevada – 1998 to 2000 – (EL15/97)

From 1998-2000 Pacific Nevada used a Tennant Creek model for gold and base metal mineralisation on the Nelson River iron occurrence. Their work involved completing a magnetic re-interpretation of the pre-WTMRP, AGSO airborne magnetic data which confirmed that the strong anomaly at Nelson River was due to a large amount of magnetite (Turner, 1999). Re-logging and re-sampling of the Pickands Mather drillhole N401 was undertaken followed by diamond drilling, NBR1 and NBR2 (Newnham 2000). The drilling covered 200 m of strike length of the main airborne magnetic anomaly and confirmed the geological nature of the anomaly i.e. a magnetite body dipping 60° west hosted by an ultramafic dyke within a fault zone. NBR1 recorded two main mineralised zones, 43 m wide in total, consisting of upper quartz - magnetite-pyrite unit with brecciated sediments and a lower magnetite-chlorite-amphibole unit. The best base metal result from drilling was 5.5 m @ 0.4% Cu from 192.7 m, but this zone was characterised by poor recoveries. NBR2 was drilled 200 m to the south of the first hole and encountered a breakup of the main ultramafic zone into two 9 m wide dykes with 22 m of sediments in between. The second of these magnetite dykes is a high-grade zone that appears to be present in the footwall of the magnetite/ultramafic body in NBR1 and N401. No resource figures were reported for the iron grades and nickel values for the ultramafic dyke were low, often below detection of 10 ppm.

7.8. Zelos Resources NL NL. 2005 – 2006

Literature review and an estimation of resource based on drilling done till 2000 was carried out by SMG Consultants Pty Ltd. The exercise resulted in an Inferred Resource of 4 million tonnes @ 40% Fe.

Additionally, 4 core samples from drill hole NBR1 were petrographically studied at AMDEL and 4 diamond drillholes (3 angled and 1 vertical, numbered NBR 3 to 6) for 597.9 m were drilled into the NBR anomaly. The petrographic study confirmed magnetite as the predominant mineral contributing to Fe values.

NBR3 was collared at 10 000 m E/10 100 m N (local grid) inclined at -45° azimuth 050, drilled to 225.6 m depth and intersected 19 m of iron zone from 148-167 m.

NBR4 was collared at 10 000 m E/10 200 m N (local grid) inclined at -45°, azimuth 050, drilled to 187.4 m depth and intersected 20 m of iron zone from 157.7 to 177.7 m.

NBR5 was collared at 2 m west of the baseline 10 000 m E and 10 m north of cross line 9800 m N. The hole was inclined to -45°, azimuth 065, and drilled to 151.4 m depth and only intersected the top dyke wall skarn zone from 114-115.5 m.

NBR6 was collared at 9 350 m N/9 994 m E. The hole was drilled to 33.50 m depth and intersected 14.20 m of goethitic-hematite from 13.5-27.7 m.

7.9. Gujarat NRE Resources NL - 2006 to 2008

Gujarat NRE Resources NL (the Company or Gujarat) commissioned Minserve Pty Ltd to carry out a conceptual mining study of 4 Mt of magnetite resource estimated by previous holder at the Nelson Bay River Magnetite project and to provide an indicative estimate of capital cost to produce saleable products for use in pig iron making and coal washeries.

The study concluded that with open cut mining ore could be mined to 225 m depth and the production of magnetite concentrates for coal washing purposes is the highest value market for the NBR product. In addition, it pointed out that the Australian mines supplying this product are few and supply only 50 000 - 100 000 tonnes per annum, whereas market demand is for more. This finding was highly encouraging for Gujarat NRE Resources NL.

Resource Estimation

Following this the Company re-commissioned SMG Consultants to carry out a new resource estimate incorporating additional drilling (NBR3 to NBR6) done by Zelos Resources NL in 2006. A new estimate of 6.9 Mt of Inferred Resources (as per JORC classification) @ 38.2 % Fe Magnetite with magnetite content of 2.63 Mt was estimated. The magnetite resources

were estimated using a 20% magnetite cut off. The new resource figure was about 72% increase over the 2005 estimate.

Metallurgical Study

The DTR analysis was undertaken on samples from earlier diamond drillholes from the tenement. Results are given below in Tables 1&2

Table 1: DTR Results of Drill Core Samples

Hole ID	Sample Interval (m)		DTR (%)
	From	To	Magnetite
NBR1	51.0	70.5	52.2
NBR2	58.9	61.9	32.5
NBR3	44.2	70.6	65.6
NBR4	47.0	69.7	59.5

A composite sample of the above intervals gave following results (Table 2).

Table 2: Recovery & Grades of Magnetite Fraction at Different Mesh

Sample particle size (dry magnetic separation)	Sample particle size (DTR)	Magnetic fraction recovery (%)	Grade (%)				
			Fe	SiO_2	Al_2O_3	S	P
-3.35 mm	95%-75µ	57.0	69.9	1.58	0.05	0.08	0.00
-2.0 mm	95%-75µ	61.3	70.1	1.57	0.06	0.10	0.00
-0.5 mm	95%-75µ	61.1	70.4	1.49	0.05	0.08	0.00

The test work indicated that a recoverable magnetite concentrate by weight should be in the range 57% – 61% with Fe grade greater than 69.0% and SiO_2 less than 1.6%, Al_2O_3 less than 0.05%, S less than 0.1% and P less than 0.01%.
From the above results it is apparent that impurities overall are a small percentage of the ore and would be removable by beneficiation to produce a suitable product for sale. This implies that more than 96% of the magnetic material is magnetite.

Further, the results indicated that material from the Nelson Bay River deposit should be suitable to produce a marketable magnetite concentrate for either heavy media markets or pellet production.

7.10. Shree Minerals – 2008 to 2010

In May 2008 Shree Minerals Ltd acquired 100% interest in the tenement (EL41/2004) from the Gujarat NRE Resources NL and exploration was rejuvenated with fervour.

The 1980 Geopeko grid of 4 km was re-cut and a Consulting Botanist was commissioned to carry out a botanical survey of the tenement area. No rare plant species were found. Subsequently, using a Geometrics G859 Cesium magnetometer, a ground magnetic survey of the main NBR magnetic anomaly was carried out. Survey data was processed, which confirmed the strike length of the NBR magnetic anomaly.

Geoscientists associated with the Company management anticipated presence of an oxidised zone (goetitic-hematite) over the magnetic anomaly. To confirm this view, following the ground magnetic survey, 26 samples (rock chip/channel) were collected and analysed for iron industry standard suit elements.

Assay results confirmed the presence of oxidised zone (goethitic-hematite) in the tenement. The highest and lowest iron grades were of 65.1 and 22.9% Fe respectively; most of the samples assayed were in the 60 - 65% Fe range. The two lowest Fe results were from sandstones.

Following this, the access tracks were up-graded, 12 drill pads were prepard, drilling operation related logistics were organised and a total of 501.8 m for 10 diamond drill holes (NBR 7 to NBR 16) were drilled, gelogically logged, mineralised intrvals were sampled at 1m intervals and analysed for iron industry standard suit of elemements and DTR of magnetite.

Drill holes NBR 9 & 16 intersected goethitic-hematite mineralisation assaying greater than 60% Fe, with low deleterious elements (Al_2O_3 SiO_2 , P etc.). This confirmed managements´ belief that the NBR project has two types of iron mineralisation, i. e. goethitic-hematite of greater than 60% Fe capable of producing Direct Shipping (Iron) Ore (DSO) and magnetite ore which on beficiation can produce concentrates for pig iron making and coal washeries.

With these encouraging results the Company planned a further drilling program of 7 holes to delineate further resources in the tenement. Additionally, environmental, Aboriginal Heritage assessment, engineering,etc., studies were initiated.

8. WORK PERFORMED

During 2010/11 the following tasks were undertaken:

8.1. Geological field work

8.1.1. Drilling

During the report period about 820 m diamond drilling program with the aim to upgrade the existing Inferred magnetite resource to an Indicated Category and define further goethitic-hematite direct shipping ore (DSO) resource was undertaken. Work commenced on 10th February 2010 and was completed on 16th May 2010.

The drilling was along 8 holes (including an extension of the previously drilled NBR5) for 818.05 m (Table 3). Drilling initially focused upon defining grid north (NW) extension of the magnetite resource. This was successful, with drill hole NBR17 intersecting magnetite bearing skarn of lesser width than anticipated. Infill drilling of the magnetite resource followed with a successful extension of the previously drilled NBR5, which previously stopped short, and included further holes NBR18 to NBR21. Drillhole NBR18 was a redrill of N401 (Figure6), largely for metallurgical purposes. Holes NBR19, 20, 22 and 23 targeted the near surface goethitic - hematite potential, both within the main magnetite zone and extension to south to 9300 m N.

Table 3: NBR Drill Hole Details – 2010/2011

	Location [GDA94 (m)]					
Hole ID	**Easting**	**Northing**	**RL**	**Azimuth (True N)**	**Dip(°)**	**Depth (m)**
NBR017	310096.3	5442497	77	50	-45	260
NBR018	310372.6	5442342	70	50	-45	110.2
NBR00 (Re-entry)	310352.4	5442215	82	74.35	-45	153.55 to 211
NBR019	310548.9	5442074	83	50	-45	50.1
NBR020	310345.2	5442455	75	50	-45	60
NBR021	310300.2	5442289	80	50	-45	188
NBR022	310699.3	5441719	99	50	-45	55
NBR023	311337.2	5440844	109	50	-45	37.3
Total (m)						**818.05**

The Prospect is defined in part by a regionally significant aeromagnetic high. The known magnetite resource corresponds to the central southern part of the strong northern portion of the anomaly, with strong magnetic signature extending a further 700 m north west of the current drilling. Extending south east is an attenuated magnetic extension with a stronger zone in the vicinity of 8200 m N targeted by drill hole NBR23. Drill hole NBR23 intersected a weakly disseminated magnetite-pyrite mineralised, strongly faulted amphibole skarn.

8.1.2. Ground Magnetic Survey

Additional to drilling, parts of the Prospect were ground magnetic surveyed The ground magnetic survey was undertaken over all accessible / existing tracks, resulting in better determination of the magnetic distribution and character of known magnetite mineralisation at the Prospect.

8.1.3. NBR Western Anomaly

The Western Anomaly is located ~1km west of the main Nelson Bay River Anomaly. The anomaly was investigated by geological mapping, which in general confirmed the previous mapping by Geopeko (TRC 82-1721) and soil augering at three points to establish bedrock geology.

No significant iron oxide mineralisation was located in the area investigated. Peripheral to skarn alteration in the form of pervasive silica and semi-pervasive silica-chlorite veining was observed at several sites. A key finding is the presence of folded structure with strong axial cleavage; these zones lie adjacent to iron rich soil anomalies. The observtion suggests that the mineralisation maybe fault hosted on the eastern limb of a regional anticline and possibly within the hinge zone of parasitic folds with a plunge component of ~30 to 55^0 to the NW to N. These observations potentially have great significance for comparison to the mineralisation at the main Nelson Bay River Anomaly. The lack of magnetite exposure at the Western Anomaly above a high magnetic amplitude suggests that the magnetic body may have a steep NW plunge.

Additionally, compilation of previous and recent drilling data and significant upgrading of the access track were undertaken.

8.2. Resource Estimation

The iron mineralisation at NBR Iron Project (EL41/2004) is hosted by a 10 to 28 metres wide mafic dyke, which cross-cuts the country rocks and increases in width with depth (Figure6). Within this dyke is a magnetite-rich section and oxidation of the magnetite section by weathering has generated near surface goethite-hematite mineralisation; capable to produce direct shipping iron ore (DSO) occurs at the top of magnetite resource (Figure 7)

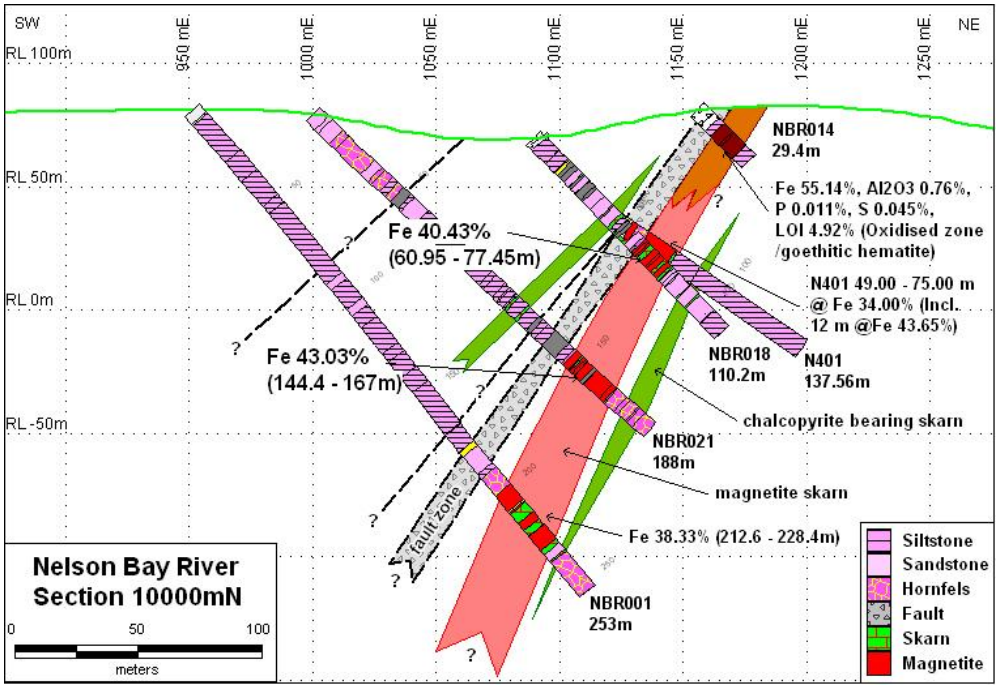
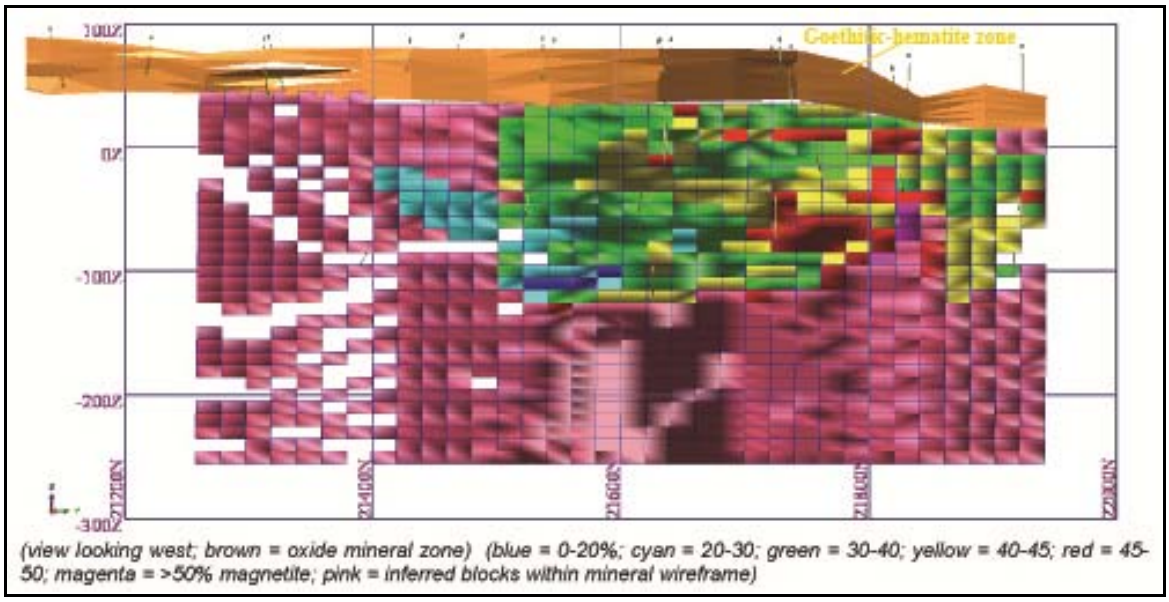


Figure 6: Ore Body Cross Sctional View With Mineralisation Types & Grade



Modified from Tear 2010

Figure 7: NBR Project Magnetite Block Grade Distribution with Goethitic-Hematite Mineralisation on the Top

The resource estimates are made by the independent geological consultants Hellman & Schofield Pty Ltd and are reported according to the JORC Guidelines, based on information from 24 diamond holes, drilled for 2,512.96 metres. The resource type, category and grades are given in below (Tables 4 to 6):

Table 4: Iron Resource Estimates at Nelson Bay River Iron Project

Resource Category	Mass (Mt)	Fe %
Indicated	1.8	38.6
Inferred	10.8	35.6
Total	**12.6**	**36.1**
Note: The resource estimate includes the magnetite resource material and is estimated using a 30% Fe cut off and with an average density of 3.5 t/m^3		

Table 5: Magnetite Resources at Nelson Bay River Iron Project

Resource Category	Mass (Mt)	Mag% (DTR)	Contained Magnetite (Mt)
Indicated	1.7	38.5	0.7
Inferred	6.1	38.2	2.3
Total	**7.8**	**38.3**	**3.0**

Table 6: Goethite-Hematite Inferred Resources at Nelson Bay River Iron Project

Resource Category	Mass (Mt)	Grade (%)							Remarks
		Fe	Sio_2	Al_2O_3	P	S	LOI	Fe (Cal)	
Inferred	0.5	57.8	8.8	1.4	0.06	0.03	6.3	61.7	DSO
Inferred	0.7	46.8	23.7	2.7	0.02	0.07	4.7	49.1	Beneficiable material
Total	**1.2**	**51.0**	**18.0**	**2.2**	**0.04**	**0.05**	**5.3**	**53.9**	

The Consultant´s report is given as Appendix III

8.3. Metallurgical Study

Mineral Engineering Technical Services (METS) was commissioned to design and co-ordinate a test work programme to characterise and determine a process of beneficiation of the goethitic-hematite ore and review the proposed conceptual magnetite flow-sheet, modify it to include a High Pressure Grinding Roll (HPGR) instead of secondary and tertiary crushing and conduct test-work to establish the amenability of the magnetite ore to HPGR.

Sample selection for the test-work was based on drill core sample location, head grade and sample availability to represent proposed high grade (HG) direct shipping ore (DSO) and low-grade (LG) hematite/goethite ore and magnetite ore.

A number of physical ore characterisation tests were carried out on the hematite/goethite ore which were; unconfined compressive strength, crushing work index, bond abrasion index and drop tower test. ***The results of these tests indicated that the ore is typical of an iron ore of this nature and would be amenable to crushing and producing lump ore.***

The study is in progress and details will be submitted on receipt of final results from the Consultants (Mets).

8.4. Petrological Study

As a part of a study of the magnetite deposits of Tasmania, six drill core samples from the NBR magnetite containing ultramafic dyke were subjected to petrological and mineralogical examination at MRT. To this, for comparison, Dr Ralph Bottrill added two samples from other magnetite deposits of Tasmania.

As per Dr Bottrill, the NBR drill cores represent complex iron formations (mixed carbonate-oxide-silicate), probably of metasomatic origin, and some probable mafic rocks, highly altered and of uncertain origin.

The samples contain siderite, magnetite, stilpnomelane, quartz and amphiboles (probably grunerite). Their origin is uncertain, but their medium to high temperature mineral assemblages and lack of strong foliation is suggestive of a Devonian origin, possible unusual iron skarns?
The study report is given in Appendix IV

8.5. Geophysical study

The study was carried out by Dr. Duncan Cowan of Cowan Geodata Services, Geophysical Consultants and is based on aeromagnetic/radiometric data collected by Tesla Airborne Geoscience Pty Ltd as a part of a semi-regional (Arthur-Pieman) airborne survey covering the area of interest in 1996. Study details are given in Appendix V.

8.5.1. Survey technical background information

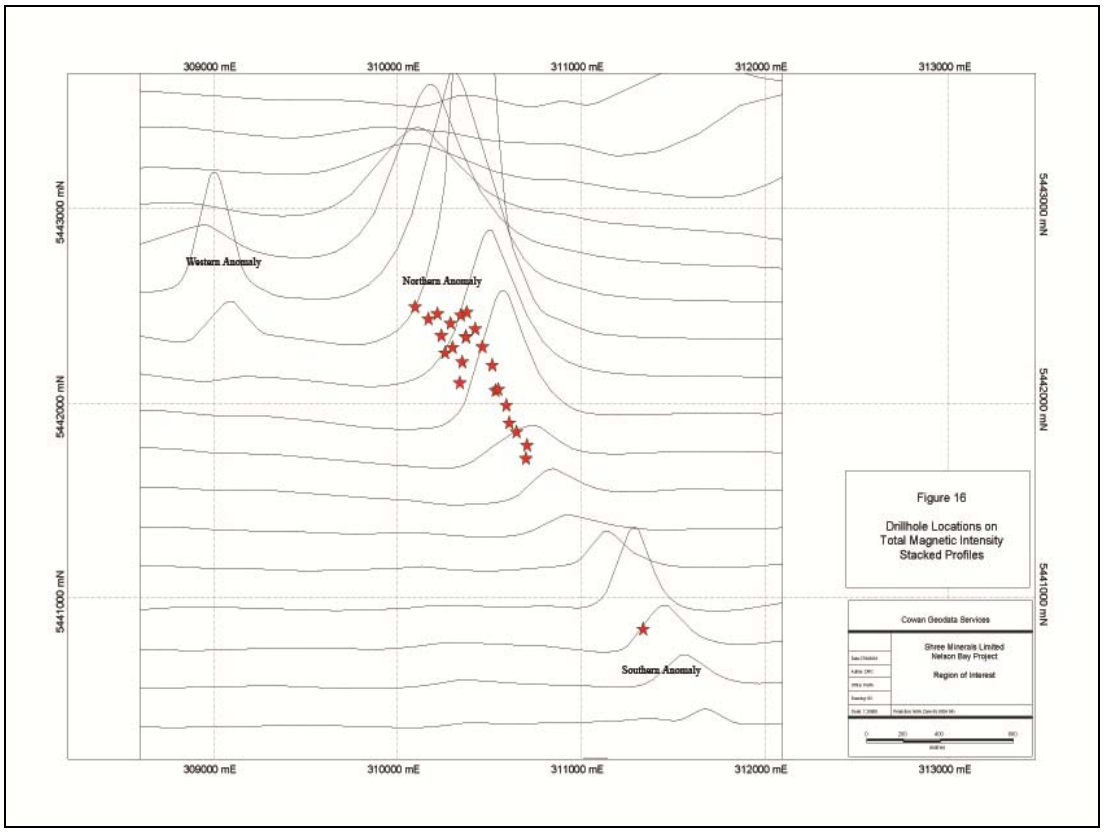
The survey was flown along east west lines with 200 m line spacing at a nominal flight height of 90 m, using a Cessna 210 platform. Tie line spacing of 2000 m. Navigation was GPS utilising a Novatel 951R GPS receiver, differentially corrected in real time. The magnetometer system was a Scintrex CS-2 cesium vapour magnetometer with 0.001nT resolution and an AADC compensator operating in real time. The magnetometer was sampled 10 times a second corresponding to approximately 7 m sampling

The Exploranium GR-820 gamma ray spectrometer used 33.6 litres of detector crystal. The spectrometer sample interval was 1 second, corresponding to 70m sampling.

The field strength is approximately 61900 nT, inclination is 72° and declination –12°. Average terrain clearance was 72 m with a range of 63 to 137 m. The located data were gridded at 50 m mesh size using bi-directional spline gridding.
Quality Control (QC) on the airborne data revealed few problems apart from some minor level issues, seen as flight line striping. The process of removing the flight line noise is called "decorrugation" and was corrected by wavenumber filtering.

8.5.2. Magnetic Anomalies of Nelson Bay Prospect

As per Dr Cowan, the available semi-regional aeromagnetic data are not really suitable for prospect scale interpretation but help to provide a framework. The Nelson Bay Iron deposit is visible on 16 flight lines, whereas the small western anomaly is only visible on 3 flight lines. The southern anomaly zone is located on a small ridge but the main northern part is partly across the Nelson Bay River. The highest amplitude anomalies plot on a small ridge next to the river (Figure 8).



Source: Cowan 2010 (Modified)

Figure 8: NBR Drill Holes & Anomalies on TMI Stacked Profiles

8.5.3. Study findings

Modelling/inversion of selected anomalies indicates significant variation along the strike length of the deposit. Some profiles require the addition of a deeper body below the shallow iron deposit. Depth extent estimates are also variable with some anomalies indicating limited depth extent but others indicating an infinite depth tabular body (Figures 9 and 10).

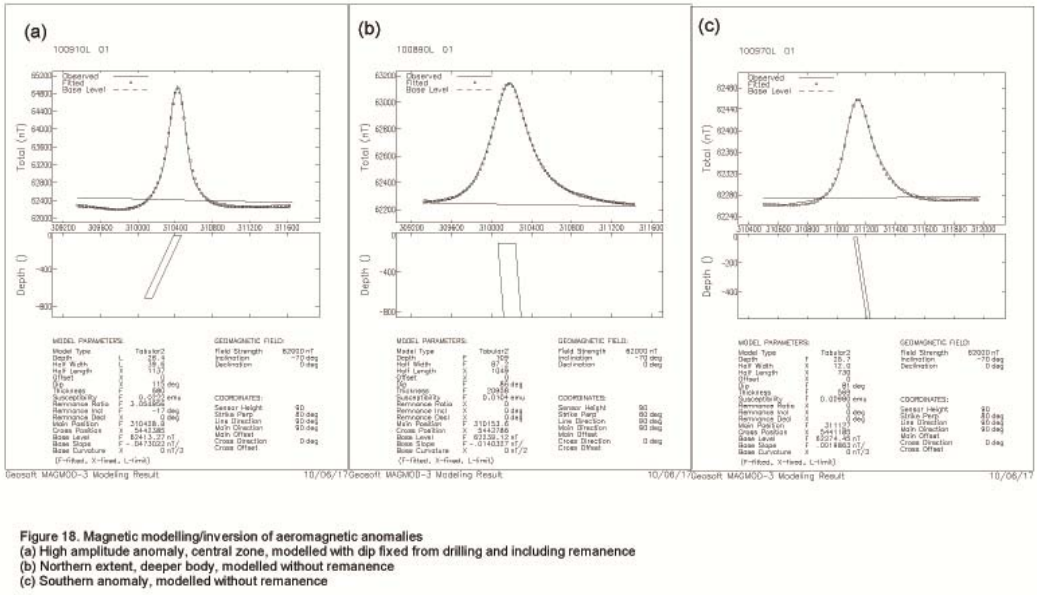


Figure 18. Magnetic modelling/inversion of aeromagnetic anomalies
(a) High amplitude anomaly, central zone, modelled with dip fixed from drilling and including remanence
(b) Northern extent, deeper body, modelled without remanence
(c) Southern anomaly, modelled without remanence

Source: Cowan Geodata 2010

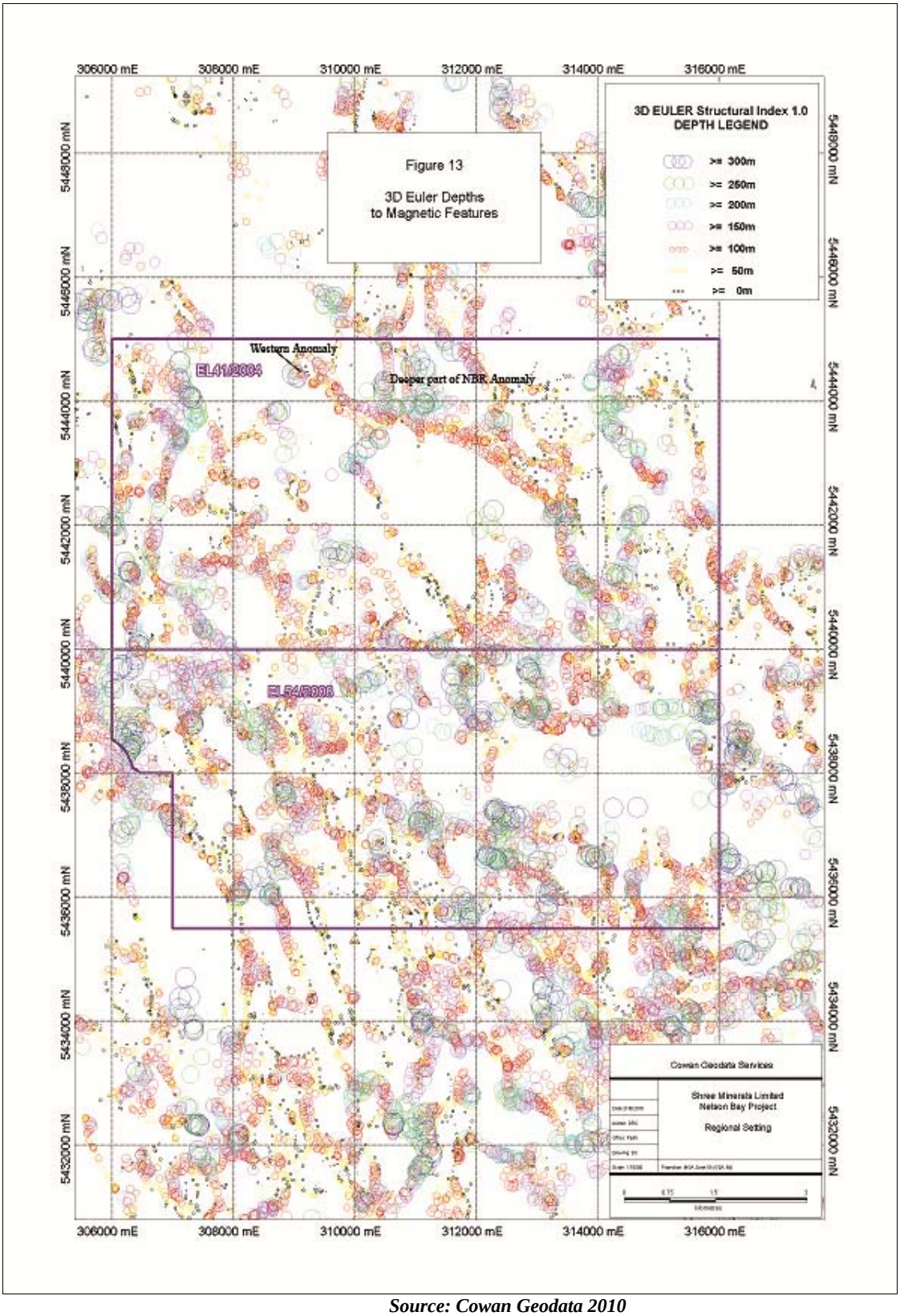
Figure 9: Modelling Inversion of Selected Anomalies – NBR Prospect

The depth results confirm the 3D Euler deconvolution results, indicating that the central iron deposit anomaly is relatively shallow but becomes much deeper to the north. The significance of the depth variation is uncertain but may be a combination of plunge variation and variable oxidation levels.

8.5.4. Criteria for identifying possible iron ore targets:

- Local magnetic highs, especially those adjacent to major dykes
- Changes in magnetic anomaly amplitude along strike as the hematite/magnetite ratio varies.
- Subtle increase in estimated depth to magnetic source because the host magnetite deposit is deeper because of the oxidized layer.
- Tight folding and sheath folds interpreted from high-resolution aeromagnetic data may indicate favourable fold closures. Mineralized areas are generally more structurally complex than neighbouring unmineralised areas

Major faults interpreted from aeromagnetic data may indicate favourable structural settings, especially where magnetic interpretation indicates magnetite destruction.



Source: Cowan Geodata 2010

Figure 10: 3D Euler Depths to Magnetic Features – NBR Prospect

9. EXPENDITURE

Table 7 Tenement Expenditure for Period 1 March 2010 to 31 December 2010

Activity	Expenditure ($)
Drilling , sample preparation & assaying , Geophysical & Pterology studies , Resource Modelling , Environmental & Feasibility studies (engineering , metullargy , mine engineering etc) , etc	577334.34
Administration (subject to max 10% of above)	57733.43
Total	**635067.774**

10. CONCLUSION AND RECOMMENDATIONS

The.work done todate has upgraded the project potential many folds; Global iron resource has increased from 4 Mt (2006) to 12.6 Mt (2010), out of which 1.7 Mt @38.5 % Fe (capable to produce 0.7 Mt magnetite concentrate) is of Indicated Category, 0.5 Mt of goethitic-hematite (DSO) @. 57.8% Fe with low diliterous elements is of Inferred Category, and remaining of Inferred Categorgy beneficiable resourcece.

The DSO resource has only been explored by one hole at 100 m interval along the strike over about 1 km length (Figures 7 and 12, shown in brown colour). The DSO ore occurs as a cap over the magnetite resource, which as per geophysical studies covers a strike lenth of more than 4 km (Figure 11).

In view of highly encouraging results the Company has commissioned studies; like mine planning, metallurgy, environmental, Aboriginal Heritage Assessesment, etc., and have submitted a comprehensive exploration program [drilling (~2000 m RC Percussion), mapping, geophysical survey, geotech,etc.], to MRT for approval with the view to extend DSO resource and start DSO mining some time in 2011/12. The exploration potential areas are shown in Figure 12 .

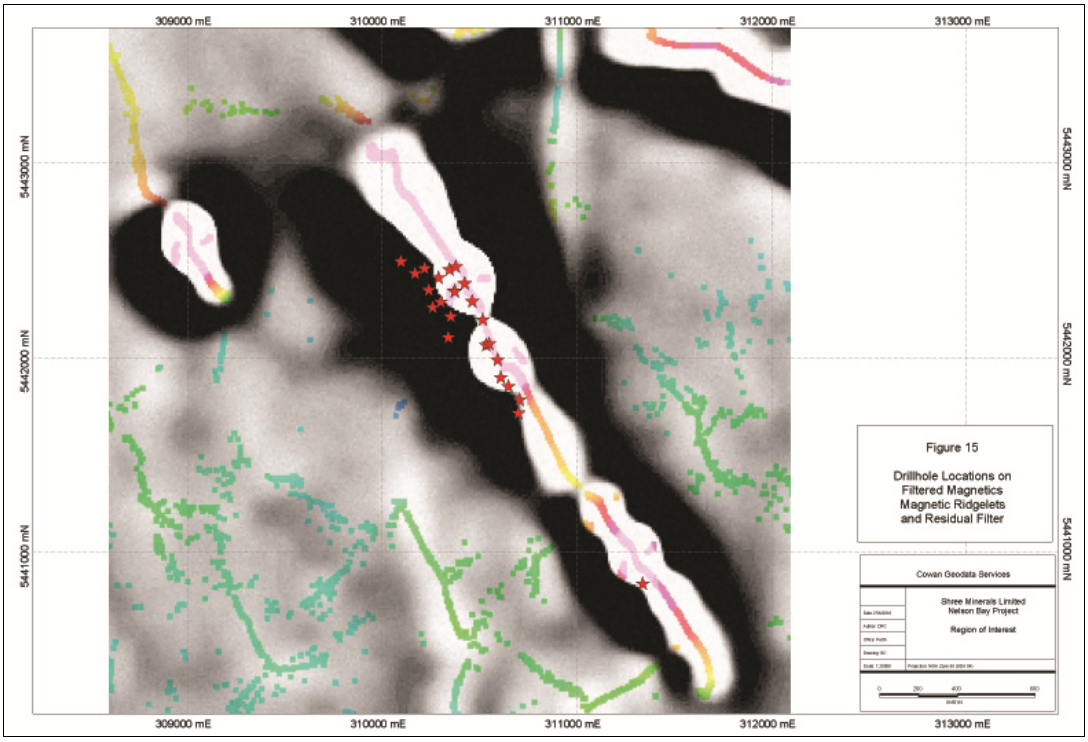


Figure 11: NBR Prospect Drillhole Location on Filtered Magnetics

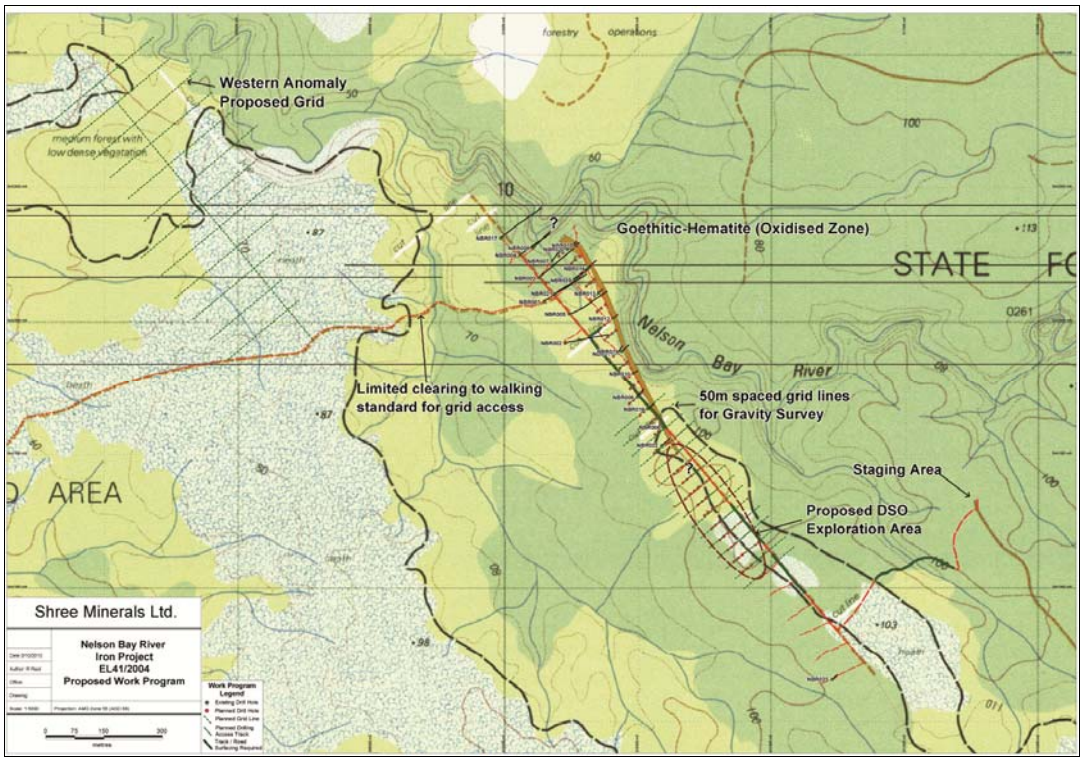


Figure 12: Plan showing Propsed Exploration Work at NBR Prospect

As NBR and environs is prospective for iron resources and is covered with thick vegetation, the best technic for exploring such areas is by geophysical methods.

Accordinly,Consultant, Dr Cowan for better prospectivity has made the following recommendations:

- As a first step, a comprehensive phased program of integrating the magnetic data with surface mapping is recommended. This should be supported by susceptibility measurements on drill core.
- A petrography study and some rock magnetic property measurements are recommended to help understand the nature of the Iron Deposit and subsequent alteration. This could be followed by analysis of magnetic profile data to help to classify magnetic anomalies.
- Consideration should be given to a low level cropduster aeromagnetic survey as an alternative to ground magnetic surveys.

11. REFERENCES

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APPENDIX I

Nelson Bay River (EL 41/2004) 2010 Resource Drilling Report
By
Rob Reid (BSc Geol. Hons., MSc Econ. Geol.)
October 2010

APPENDIX II

Assay Results

APPENDIX III

Resource Estimation
By
Simon Tear,
Consulting Geologist, Hellman & Schofield Pty Ltd

APPENDIX IV

Petrological and Mineralogical Analyses
Nelson Bay River Prospect
MRT Mineralogical/Petrology Laboratory
Job No. M09081
By
R S Bottrill
Mineral Resources Tasmania
31 August 2008

APPENDIX V

Aeromagnetic Modelling - Nelson Bay Deposit 2010

By

Dr. Duncan Cowan

Cowan Geodata Services
12 Edna Road – Dalkeith – WA 6009

APPENDIX VI

Nelson Bay Aeromagnetic and Ground Magnetic Surveys Reprocessing and Preliminary Interpretation

By

Dr. Duncan Cowan

Cowan Geodata Services - Geophysical Consultants

12 Edna Road - Dalkeith - Western Australia 6009

APPENDIX VII

List of appended digital data files

EL412004_201102_01_Digital_Files.txt
EL412004_201102_02_Annual_Report.pdf
EL412004_201102_03_Drilling_Report.pdf
EL412004_201102_04_Assay_Results.txt
EL412004_201102_05_DH_Collar.txt
EL412004_201102_06_DH_Analysis.txt
EL412004_201102_07_DH_Survey.txt
EL412004_201102_08_DH_Geology.txt
EL412004_201102_09_DH_Structure.txt
EL412004_201102_10_DH_Geotech.txt
EL412004_201102_11_DH_SpecificGravity.txt
EL412004_201102_12_DH_MagSus.txt
EL412004_201102_13_DH_Lookups.txt
EL412004_201102_14_GroundMagnetics.txt
EL412004_201102_15_Resource_Estimation_Report.pdf
EL412004_201102_16_Petrology_Report.pdf
EL412004_201102_17_Aeromag_Modelling_Report.pdf
EL412004_201102_18_Geophy_Report.pdf
EL412004_201102_19-38_Geophy_Report_Fig01-Fig20-NB.pdf