H & S Hellman & Schofield Pty Ltd

Technical specialists to the minerals industry
ABN 14 083 082 722

mineral resource and ore reserve studies	geostatistical applications and research
geostatistical software	JORC compliance assessment
technical audits and reviews	geological databases and modelling
MP© grade control systems	geochemical exploration

15th November 2010

Shree Minerals Limited
14 Marita Road,
Nedlands, WA 6009

Nelson Bay Iron Ore Project, NW Tasmania

Hellman & Schofield ("H&S") was requested by Shree Minerals Limited ("Shree") to complete updated resource estimates for the Nelson Bay Iron Prospect located 120km south west of Burnie in north western Tasmania. The prospect lies within exploration licence EL 41/2004, which is 100% owned by Shree.

The Nelson Bay Iron Ore Project comprises a steeply SW dipping mafic dyke intruded into siliciclastic sediments of the Proterozoic Rocky Cape Group. The dyke has an unusual mineral assemblage of magnetite, siderite and grunerite and is reminiscent of skarn-type mineralogy. The deposit displays a very distinct airborne magnetic anomaly.

The mineralisation is divided into three components:

1. Fresh rock iron-rich mineralisation (referred to as Skarn Dyke) generally consisting of dominantly magnetite, siderite and grunerite with subordinate, calcic green amphiboles, chlorite and stilpnomelane. Other gangue material includes some pyrite and quartz.

2. Oxide mineralisation consisting of strongly oxidised Skarn Dyke material comprising goethite and hematite clays and gossan. This unit is sub-divided into a southern DSO zone and a northern low grade stockpile zone

3. A distinctly defined fresh rock magnetite mineralisation body within the Skarn Dyke, characterised by coarse grained magnetite intergrown with siderite and grunerite.

Exploration work completed by Shree in 2009-2010 includes surface mapping and geochemical sampling, modelling of airborne and ground magnetic data, and limited diamond drilling.

Resource modelling included the generation of mineral wireframes based on geological logging and nominal iron or magnetite cut off grades. Ordinary Kriging was used on 1m composites from within the wireframes to generate block models for the different resource types. Blocks within the wireframes that had no modelled grade were allocated the average resource grade and classified as Inferred Resource.

Shree plans to mine the deposits using a selective mining technique in an open pit scenario and the resources have been classified according to this assumption.

SYDNEY	BRISBANE	PERTH
6 / 3 Trelawney St.. Eastwood, NSW, 2122	Lvl 4, 46 Edward St, Brisbane, QLD, 4000	102 Colin St., W.Perth, WA, 6005
P.O. Box 599, Beecroft, NSW, 2119	Po Box 16116, City East, QLD, 4002	P.O. Box 125, W.Perth, WA, 6872
Ph: (02) 9858 3863 Fax: (02) 9858 4057	Ph: (07) 3012 9393 Fax: (07) 3012 9373	Ph: (08) 9485 0403 Fax: (08) 9485 0406
Email: hellscho@hellscho.com.au	Email: brisbane@hellscho.com.au	Email: perth@hellscho.com.au

www.hellscho.com.au

The resource estimates are as follows:

Skarn Dyke Iron Resource Estimate (includes Magnetite Resource material)
(30% Fe cut off)

Category	M Tonnes	Iron %
Indicated	1.8	38.6
Inferred	10.8	35.6
Total	**12.6**	**36.1**

(average density 3.5t/m^3)

Magnetite Resource Estimate
(20% magnetite (DTR) cut off)

Category	M Tonnes	Mag %	Mag M Tonnes
Indicated	1.7	38.5	0.7
Inferred	6.1	38.2	2.3
Total	**7.8**	**38.3**	**3.0**

(average density 3.71t/m^3)

Oxide Inferred Resource Estimates
(30% Fe cut off)

Resource	Tonnes	Fe %	P %	SiO_2 %	S %	Al_2O_3 %	LOI %	Fe (Cal)%
South	0.5	57.8	0.06	8.8	0.03	1.4	6.3	61.7
North	0.7	46.8	0.02	23.7	0.07	2.7	4.7	49.1
Total	**1.2**	**51.0**	**0.04**	**18.0**	**0.05**	**2.2**	**5.3**	**53.9**

(average density 3t/m^3; the use of significant figures does not imply precision

In addition there are similar magnetic anomalies within the Nelson Bay licence area that have not been included in any Exploration Target assessment reported to date. This includes the Southern Anomaly and the Western Anomaly and the Rebecca Creek magnetite mineralisation.

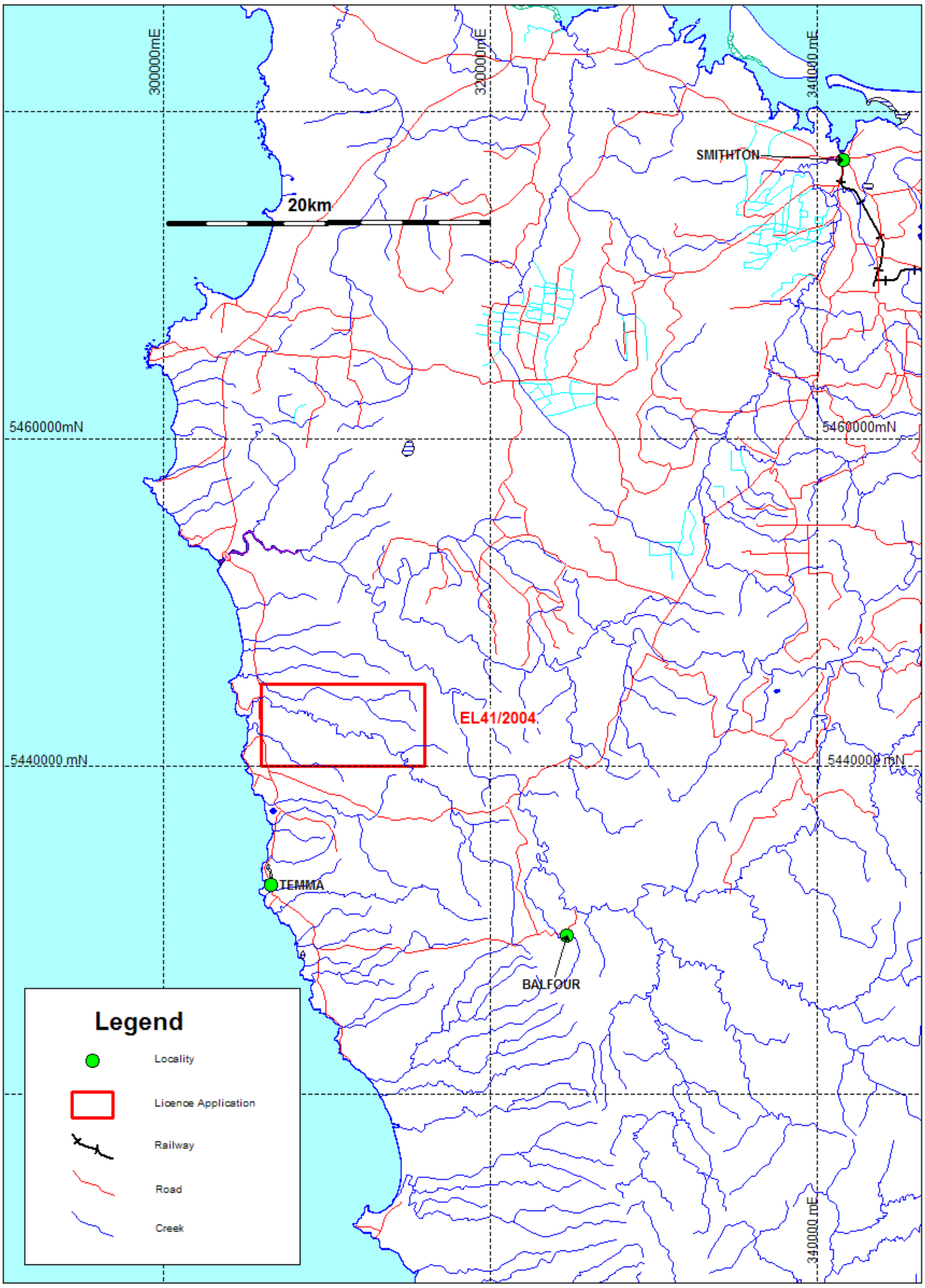
The data in this report that relates to Mineral Resources for the Nelson Bay Iron Ore Project is based on information evaluated by Mr Simon Tear and Mr Arnold van der Heyden who are Members of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who have sufficient experience relevant to 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 (the "JORC Code"). Mr Tear and Mr van der Heyden are full-time employees of Hellman & Schofield Pty Ltd and they consent to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

Appendix 1

Introduction

The Nelson Bay River exploration licence EL 41/2004 measures 50km^2 and is located about 7km north east of the small township of Temma, and about 60kms southwest of Smithton, in North West Tasmania (Figure 1). The licence contains the Nelson Bay Iron Project and is 100% owned by Shree.

Figure 1 Nelson Bay Iron Project Location Map

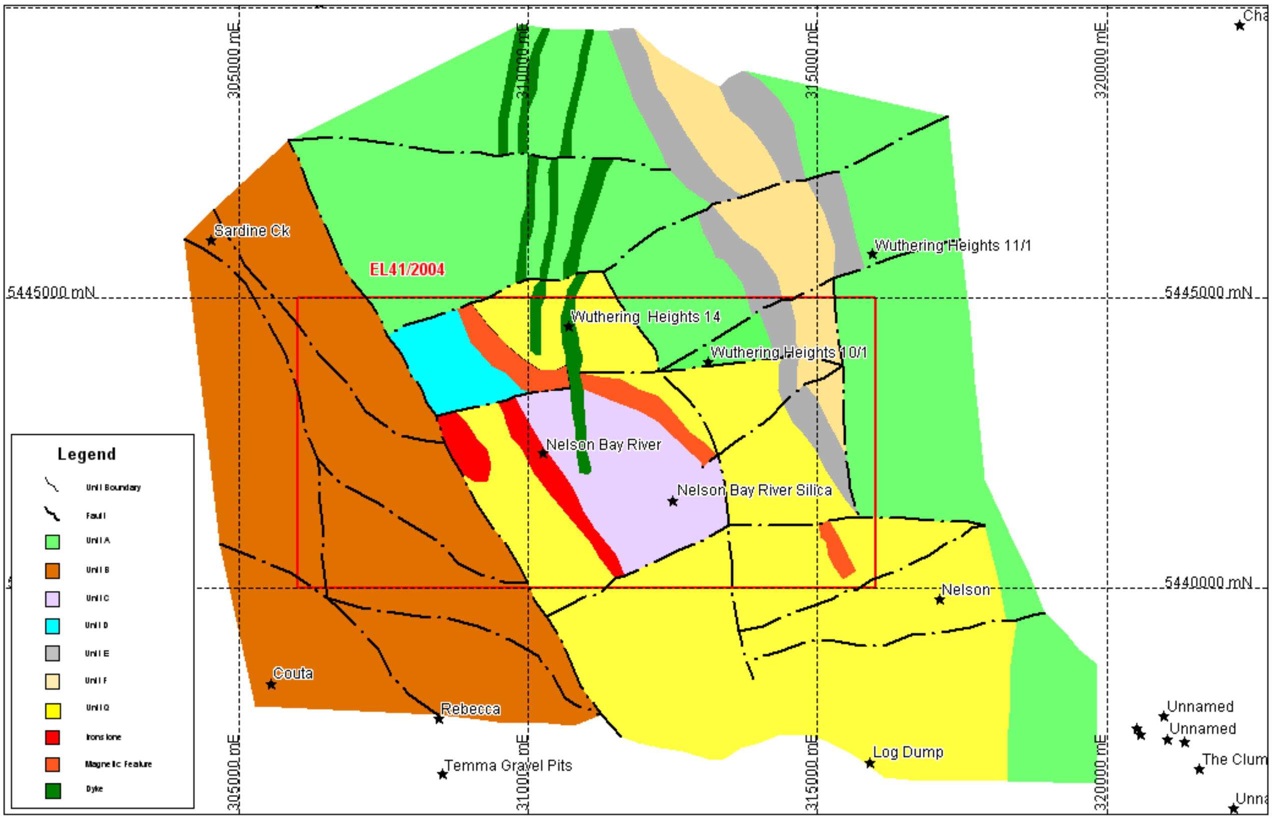


H&S

Deposit Geology

Rocks in the Nelson Bay area comprise finely laminated, psammo-pelitic, Proterozoic-aged siltstones with medium grained sandstones/quartzites, the Proterozoic Rocky Cape Group. 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. The rocks strike northwest and generally dip between 55^{o} and 65^{o} north east and face east. Metamorphic grade is low grade greenschist (Figure 2).

Figure 2 Nelson Bay Iron Project Geology Map



The Nelson Bay mineralisation comprises a steeply SW dipping mafic dyke intruded into the siliciclastic sediments. The dyke has an unusual iron-rich mineral assemblage of magnetite, siderite and grunerite and is reminiscent of skarn-type mineralogy.

The mineralisation is divided into three components:

1. Fresh rock iron-rich mineralisation (referred to as Skarn Dyke) generally consisting of dominantly magnetite, siderite and grunerite with subordinate, green amphiboles, chlorite and stilpnomelane. Other gangue material includes some pyrite and quartz.

2. Oxide mineralisation consisting of strongly oxidised Skarn Dyke material comprising goethite and hematite clays and gossan. This unit is sub-divided into a southern DSO zone and a northern low grade stockpile zone

3. A distinctly defined fresh rock magnetite mineralisation body within the Skarn Dyke, characterised by coarse grained magnetite intergrown with siderite and grunerite.

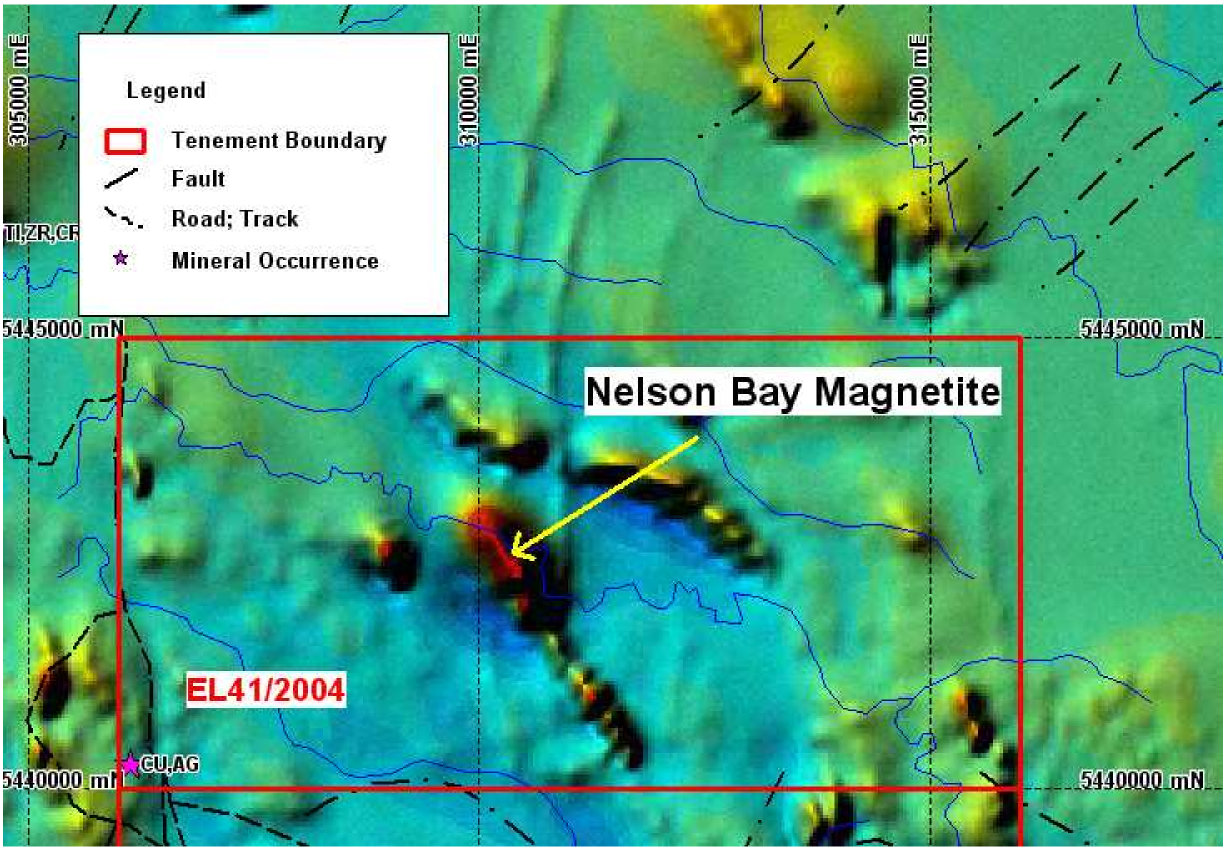
The shape of the mineralised body is sigmoidal, which may have been generated by a sinistral wrench fault active during the intrusive episode. The spatial arrangement of the lode suggests NW directed compression and is consistent with the currently understood tectonic history of the area. With this compression it is anticipated that dilation would have occurred with an associated tectonic rotation that would have produced a NW-striking thick lode with thinner tails striking NNE – SSW.

Thermal metamorphism is associated with the intrusive and comprises a 1-2m thick aureole in the host sediments with chlorite/amphibole on the outer margin and massive to semi-massive fine to coarse grained garnet (0.5m thick) immediately adjacent the dyke.

There are minor intrusive/skarn bands, generally <1.5m wide, which occur in both the footwall and the hanging wall of the main magnetite lode.

Figure 3 shows that the iron lode corresponds to a strong 2km-long discrete airborne magnetic anomaly. Ground truthing of the airborne data has been completed with a series of lines of ground magnetic data completed over the main anomaly. This work has confirmed the existence and correct location of the magnetic anomaly. The southern portion of the anomaly has been tested with another ground-based magnetic survey and drilling has indicated a modest magnetite/goethite intercept. This demonstrates in conjunction with historical deep auger soil sampling the continuity of the iron mineralisation over the length of the anomaly.

Figure 3 Nelson Bay Iron Project Magnetic Anomaly Map



The stockpile oxide mineralisation, rather than the DSO material, overlies the higher grade magnetite material and the thickest portion of the magnetite resource coincides with the highest magnetite grades.

Data Validation

The current estimates are based on sampling data supplied by Shree as series of Excel files which H&S has compiled into an Access database (nelson_bay.mdb*)*. A series of error queries and software-based database auditing has removed numerous data entry errors, typos etc. H&S completed site visits in September 2006 and May 2010 and have been able to check both the geological scenario and the drillcore. Assay results were supplied as laboratory-issued digital files.

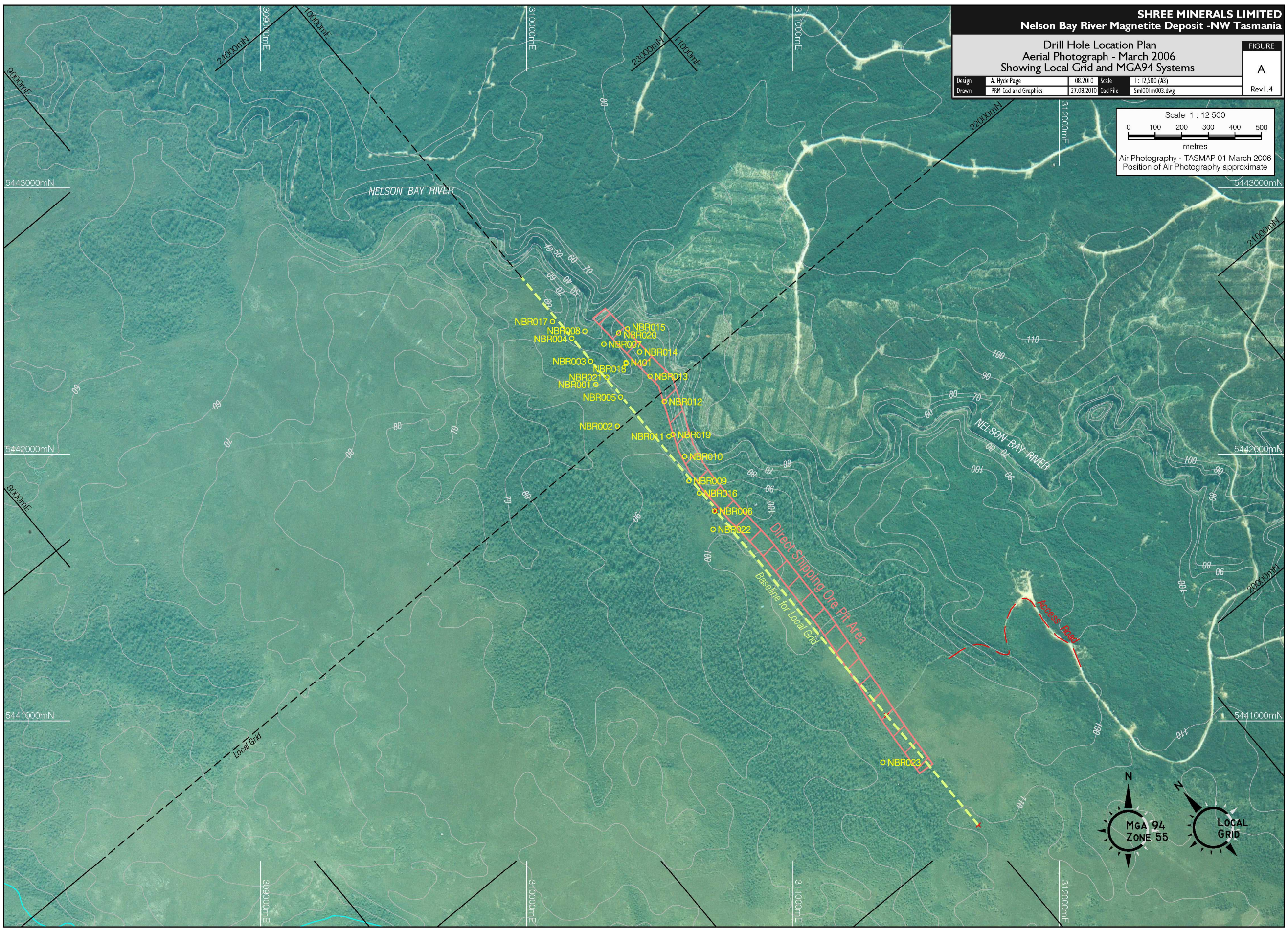
Collar locations for holes prior to 2010 were picked up in MGA94 and AGD66 projections by a Registered Surveyor using a DGPS system. Collar locations for the 2010 holes have been picked up by hand held GPS in the MGA94 grid projection with an accuracy of +/-5m. The orientation of the deposit has resulted in the development of a local grid with the conversion coordinates detailed in Table 2. The conversion involved a grid rotation of 40^{o}.

Table 2 Local Grid Conversion Details

Coordinate	MGA94	Local Grid
X1	311355.545	10000
Y1	5441024.071	20000
X2	309741.822	10000
Y2	5442933.494	22500

The location of the drillholes and the local grid in relation to the MGA94 grid are shown in Figure 4.

Figure 4 Nelson Bay Iron Project Drillhole Location Map



(supplied by Minserve)

H&S

Digital topography was supplied by the Tasmanian Government as a 25m DEM and as 10m contour lines. This data was modelled as a 3D surface using Surpac software. The 2010 collar elevations have been matched with the topographic surface.

Downhole surveys were only measured in drillholes testing the deeper, magnetite zone and used a single shot Eastman camera at 30 to 50m intervals. Spurious azimuth readings for surveys within the magnetite zone were discarded. No downhole surveys were completed for the oxide holes.

A summary of the drilling is included in Table 3. Primarily NQ core was used for the magnetite zone whilst HQ core was taken for the oxide zone.

Table 3 Details of Drilling

Company	Year	No of Holes	Type	Hole Numbers.	Metres
Pickands Mather	1967	1	DD	N401	137.56
Pacific Nevada	2000	2	DD	NBR001-2	492.70
Zelos	2006	4	DD	NBR003-6	596.00
Shree	2009	10	DD	NBR007-16	502.10
Shree	2010	7	DD	NBR017-22	784.60
	Total	24		Total	2512.96

(NBR005 was originally drilled to 150m in 2006 and extended in 2010)

The oxide mineral zone has been tested by generally 50 metre spaced diamond holes inclined 45^{o} to grid east. The magnetite zone has generally been drilled on a 100m by 75m spacing and testing is limited to 200m depth.

Sampling of core for the fresh rock material consisted of sawn half or quarter core depending on what was available. Cut or sawn half core was collected from the oxidised zone. Sampling was generally on 1m intervals under geological control.

Samples were sent for laboratory analysis to SGS labs in Perth, WA. Assaying consisted of a mixture of ICP and XRF for a typical suite of elements for Iron Ore including Fe, P, S, SiO_2, Al_2O_3 and LOI. In some instances multi-element data was received. Analysis for magnetite consisted of Davis Tube Recovery ("DTR") tests on selected samples that represented the full width of the mineralised zone. All DTR tests were on the same 1m sample intervals used for the initial iron assays, no compositing was undertaken.

Analysis of the magnetic fraction indicated a range of iron content for the concentrate material of between 51 and 71.3% Fe with the average being around the 66% Fe mark. Significantly the 2010 results showed a distinct uniformity at a high level for the iron concentrate grade when compared to the previous work. This suggests some variation in the sample prep method i.e. inconsistent use of grind size or some analytical error. This is also suggested by the silica data which is significantly higher for the earlier work i.e. 1-10% SiO_2 (and higher) cf 1-3% for 2010 work.

No magnetic susceptibility data was supplied.

Core recovery data for the magnetite indicated very good recoveries generally >95%, although there were areas of localised poor recovery associated with faulting and some locally penetrative surface weathering. NBR001 recorded an average recovery of 78% interpreted to be due to more prevalent interstitial zones of barren and magnetite material compounded with a less diligent drilling operator. Recoveries were more variable for the oxide drilling ranging from 47 to 90% for the mineralised zone, but appeared to indicate no relationship to iron grade or density.

A substantial amount of bulk density data has been collected for both oxide and magnetite drillcore and Shree are to be commended for this. Density measurements have been either by core measurement using a ruler and callipers and weighing the core or by the water immersion method (Archimedes Technique). Some of the results were for the full sample length; others were based on selected pieces of core from the relevant sample interval. Whole core, half core and quarter core have been used depending on availability and sampling has also included background host rock material. A total of 81 samples have been collected by the water immersion method and 188 samples by the measuring method. There was also some check sampling of the calliper measuring method by the immersion in water technique; no issues were noted.

Resource Domains and Composites

The mineralised domains used for the current estimates were interpreted by H&S from the drillhole database and surface exploration work including rock chip sampling, historical soil sampling and ground magnetics. Outlines capturing zones of continuous mineralisation were digitised on cross sections aligned with the drillhole traces and linked to form closed three dimensional wireframes.

The oxide mineral wireframe was designed primarily using the drillhole logging for gossan material, additional input was from the iron grades above a nominal 30%, the ground magnetic anomaly contours and any surface rock chip sampling. At Shree's request the southern zone was modified to be a high grade zone with a nominal 45% iron cut off reflecting the higher grade material in this area. Shree were confident that selective mining would allow for mining the higher grade material separately. Shree also requested that the uncharacteristic intercept from NBR11 be omitted from the resource as they believed it had stopped short of the target zone. The base of oxidation has been difficult to define due to no holes passing through the mineralised zone that started in oxide material in the hangingwall and passing through fresh footwall mineralisation. An estimated down dip extent of 40m was selected by H&S. This figure was based on the minor oxidation associated with magnetite mineralisation in NBR018/N401 and the oxide mineralisation at 30m vertical depth in NBR006.

A combination of geological logging and a 20% magnetite (DTR) cut off was used to define the magnetite mineral shape. Fine tuning of the shape involved matching the top of the lode with the base of oxidation. Along strike extrapolation was 50m from the last drillhole guided by the ground magnetic anomaly. This meant extending the lode to the grid NNE from hole NBR017 and to the grid SSW from hole NBR002. A minor amount of internal waste was included usually as a single zone in different positions relative to the hangingwall and footwall positions. However NBR001 contained three low grade zones although it should be noted that this is the deepest drillhole into the main magnetite mineralisation. 2D geophysical modelling by D. Cowan has indicated a lode width and dip angle and direction consistent with the current geological understanding. This modelling has indicated a down dip extent for the magnetic body of 300m which has been incorporated into the geological interpretation of the mineralisation.

The wireframe for the skarn mineralisation is essentially an interpretation of the main dyke and is based on geological logging (the skarn rock type) and iron assays. Generally there is a distinct boundary in iron grades that corresponds to the skarn logging. The wireframe was extrapolated down dip to just reach beyond the magnetite lode. Along strike extrapolation was guided by the oxide mineralisation from both the diamond drilling and the surface mapping. In the main magnetite zone the boundary of the skarn wireframe generally coincided with the magnetite wireframe. A good example of substantial separation of the two mineral styles occurs in NBR002 where logging and iron grades indicate a 10m wide intercept of mineralisation whilst the DTR results indicate only 2.5m of low grade magnetite within the skarn lode.

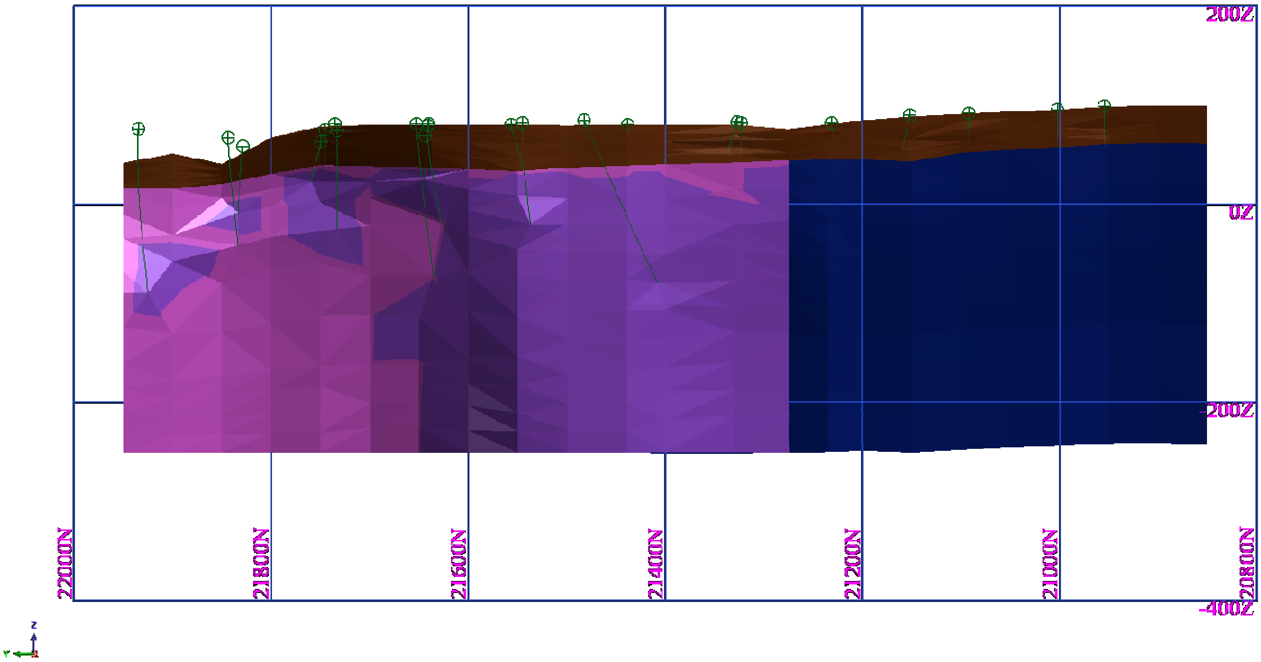
Mineral zone dimensions are detailed in Table 4 and shown in Figure 5.

Table 4 Dimensions for Mineral Resources

Zone	Strike (m)	Dip (m)	Width (m)	Ave Width (m)	Volume (m^3)
Iron	1125	305	6-31	10.5	3,615,134
Magnetite	690	300	2.5-28	10.0	2,104,546
Oxide	1125	40	7-13	9.0	404,563

(Volume is from wireframe shape)

Figure 5 Nelson Bay Iron Project Mineral Wireframes



(Looking east; pink/purple = magnetite lode, brown = oxide lode and blue/purple = skarn)

The oxide resource is divided into a high grade DSO material and a lower grade stockpile material with the separation at 21300mN.

The average sample size is 1m and thus 1m composites were selected for all mineral types from the drillhole database, constrained to within the mineral wireframes. Details of the summary statistics for the composites for the different mineral zones are included in Tables 5 and 6.

Table 5 Summary Statistics for Oxide Mineral Composites

Oxide Mineralisation		1m Composites				
Variable	**Iron**	**Phosphorous**	**Silica**	**Sulphur**	**Aluminium**	**LOI**
Units	(%)	(ppm)	(%)	(ppm)	(%)	(%)
No. Data:	110	110	110	110	110	110
mean:	51.905	465	16.94	505	2.102	5.776
variance:	98.213	206386	155.943	1059446	17.019	5.463
CV:	0.191	1	0.737	2	1.963	0.405
Minimum:	21.8	25	0.68	25	0.08	0.19
Q1:	44	150	4.98	120	0.28	4.45
Median:	53.7	330	15.3	293	0.55	5.52
Q3:	60	590	25.1	470	1.16	7.22
Maximum:	67.6	2270	51.7	8720	23.4	13.5
IQR:	16	440	20.12	350	0.88	2.77

Table 6 Summary Statistics for Fresh Mineral Composites

Fresh Iron Mineralisation						
Magnetite Zone		1m Composites		Skarn Dyke	1m Composites	
Variable	Magnetite	Density		Variable	Iron	
Units	(DTR %)	(t/m^3)		Units	(%)	
No. Data:	108	108		No. Data:	183	
mean:	41.946	3.736		mean:	38.174	
variance:	126.466	0.043		variance:	94.37	
CV:	0.268	0.055		CV:	0.254	
Minimum:	17	3.1		Minimum:	9.25	
Q1:	34.7	3.6		Q1:	31.36	
Median:	42.37	3.753		Median:	40.9	
Q3:	50	3.887		Q3:	45.2	
Maximum:	66.83	4.1		Maximum:	54.3	
IQR:	15.3	0.287		IQR:	13.84	

Resource Modelling

A review of the summary statistics for the different resources indicated to H&S that Ordinary Kriging ("OK") would be the most appropriate modelling method for all resources. Table 7 shows the dimensions and block sizes of the block model created for the current study (nbr_working_131010.mdl). The block size dimensions were selected on the basis of sample spacing for the oxide portion of the resource. Ideally a different block size would have been created for the magnetite resource on account its wider spaced drilling but this would have meant two block models which would be very cumbersome for subsequent mine planning.

Table 7 Summary Details for the Block Model

Type	Y	X	Z
Minimum Coordinates	20750	9807.5	-305
Maximum Coordinates	22250	10252.5	115
User Block Size	20	5	10
Min. Block Size	20	5	10
Rotation	0	0	0

Details of the search ellipse criteria for all resources are included in Table 8.

Table 8 Search Ellipse Parameters (Ordinary Kriging)

Magnetite & Skarn Lode			
Search 1 with 50% Expansion	**Pass No 1**	**Pass No 2**	**Pass No 3**
X	25m	37.5m	37.5m
Y	100m	150m	150m
Z	50m	75m	75m
Composite Data Requirements			
Min Data	8	8	4
Max Data	32	32	16
Octants	4	4	2
Search Ellipse Orientations	**X axis**	**Y Axis**	**Z Axis**
(trigonometrical orientation)			
Domain 1	0	25	5
Domain 2	0	25	-15

Oxide Lode			
Search 1 with 100% Expansion	**Pass No 1**	**Pass No 2**	**Pass No 3**
X	15m	30m	30m
Y	60m	120m	120m
Z	40m	80m	80m
Composite Data Requirements			
Min Data	8	8	4
Max Data	32	32	16
Octants	4	4	2
Search Ellipse Orientations	**X axis**	**Y Axis**	**Z Axis**
(trigonometrical orientation)			
Domain 1	0	25	-15.5
Domain 2	0	25	7.7

Modelling used H&S's GS3M in-house software.

Based on detailed analysis of the density data supplied by Shree, H&S decided to use an average density for the iron oxide resource of $3t/m^3$. Density for the magnetite portion of the resource was modelled (ie OK) using the data supplied by Shree. This produced an average density for the resource of $3.71t/m^3$. For the remaining iron/Skarn Dyke resource the density data analysis indicated an average density of $3.5t/m^3$.

Classification of the magnetite resources has been based mainly on the drillhole spacing, the data point variography, the geological understanding and the geophysical modelling. For the oxide mineralisation the base of oxidation, core recoveries, density data are the main aspects that have meant an Inferred-only classification (Table 9).

Table 9 Resource Classification Details

Skarn Dyke and Magnetite	
H&S Pass No	**Category**
1	Indicated
2	Indicated
3	Inferred
Iron Oxide	
H&S Pass No	**Category**
1	Inferred
2	Inferred
3	Inferred

Resource Estimates

Shree requested that the resources be reported as an overall iron resource for the Skarn Dyke within which the magnetite zone and the iron oxide zone would be broken out as separate resources. In addition the iron oxide resource was to be separated into a high grade DSO resource and Low Grade Stockpile resource with the separation between the two made on grid north line 21300mN. The Skarn Dyke resource estimate is included in Table 10 with the mineral wireframe being the constraint i.e. 20% Fe (with a partial percent volume adjustment). The Inferred Resource includes blocks within the designed wireframe that had no block grade estimated from the OK modelling. The average iron block grade was assigned to these Inferred Resources.

Table 10 Skarn Dyke Iron Resource Estimate

Category	Volume	Tonnes	Iron %
Indicated	516,134	1,806,472	38.64
Inferred	3,099,981	10,849,932	35.63
Total	**3,616,115**	**12,656,404**	**36.06**

(average density 3.5t/m^3; the use of significant figures does not imply precision)

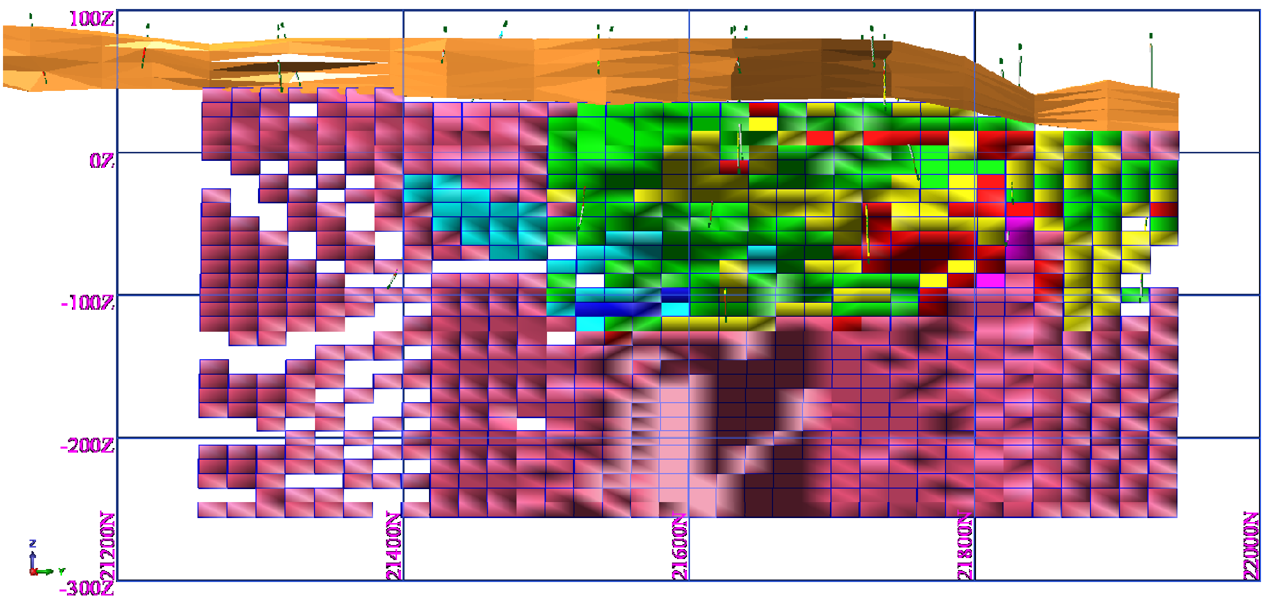
The Skarn Dyke iron resource includes the magnetite zone with estimates of the latter detailed in Table 11. The constraint on the reporting of the resource is the mineral wireframe i.e. 20% magnetite (DTR). The Inferred Resource includes blocks within the designed wireframe that had no block grade estimated from the OK modelling. The average magnetite block grade was assigned to these Inferred Resources. An example of the block grade distribution for magnetite is included as Figure 6.

Table 11 Skarn Dyke Magnetite Resource Estimate

Category	Volume	Tonnes	Mag %	Mag Tonnes
Indicated	466,980	1,734,100	38.5	667,096
Inferred	1,639,873	6,083,630	38.2	2,323,947
Total	**2,106,853**	**7,817,730**	**38.3**	**2,991,043**

(average density 3.71t/m^3; the use of significant figures does not imply precision)

Figure 6 Nelson Bay Iron Project Magnetite Block Grade Distribution



(view looking west; brown = oxide mineral zone) (blue = 0-20%; cyan = 20-30; green = 30-40; yellow = 40-45; red = 45-50; magenta = >50% magnetite; pink = inferred blocks within mineral wireframe)

The previous 2007 resource estimate was a sectional polygonal model that produced an estimated resource of 6.9Mt at 38.2% magnetite for a total magnetite content of 2.63Mt. The 2010 modelling has generated a 14% increase in contained magnetite. Shree still plan to mine the resource via an open pit method in order to generate a coarse magnetite concentrate for the coal washing business.

For the sake of completeness the analysis of the magnetic fraction was also modelled using OK with the average grades for the magnetite grade given in Table 12.

Table 12 Average Values of the Analysis of the Magnetic Fraction

	Magnetite %	Fe Con %	SiO_2 con %	S Con %	Al_2O_3 Con %	P Con %
Average Grade	38.4	65.5	5.2	0.3	0.2	BD

(BD = below detection)

The oxide resource estimates are detailed in Table 11. As mentioned previously the oxide resource has been divided into northern and southern zones reflecting a difference in the average iron grade. Shree anticipate being able to mine the southern section as DSO material on its way down to the fresh rock magnetite zone.

Table 11 Oxide Iron Inferred Resource Estimate

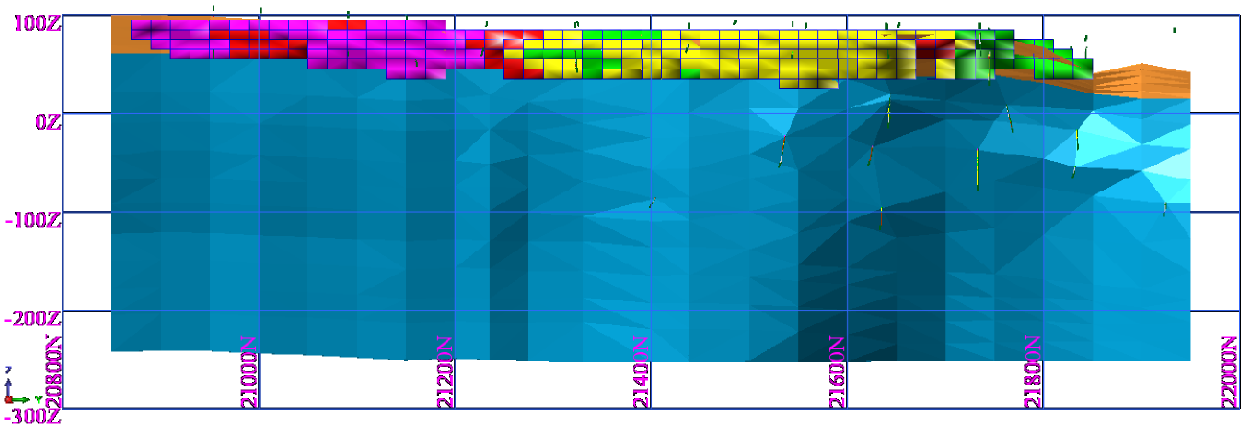
Resource	Volume	Tonnes	Fe %	P %	SiO_2 %	S %	Al_2O_3 %	LOI %	Fe (Cal)%
South	149,654	448,963	57.8	0.064	8.8	0.028	1.4	6.3	61.7
North	244,822	734,466	46.8	0.018	23.7	0.068	2.7	4.7	49.1
Total	394,476	1,183,429	51.0	0.036	18.0	0.053	2.2	5.3	53.9

(average density 3t/m^3; the use of significant figures does not imply precision)

The Fe (Cal) grade is the calcined iron grade with the loss on ignition material removed from the block grade value [Fe_Cal = Fe/(100-LOI)]. This reflects the head grade at the blast furnace minus any contained moisture.

Examples of the block grade distribution for iron in the oxide mineralisation are included as Figures 7 and 8. The brown areas represent zones within the block model where the modelling failed to assign a block grade. These areas were allocated an average block grade relevant to their location and added to the Inferred Resource category.

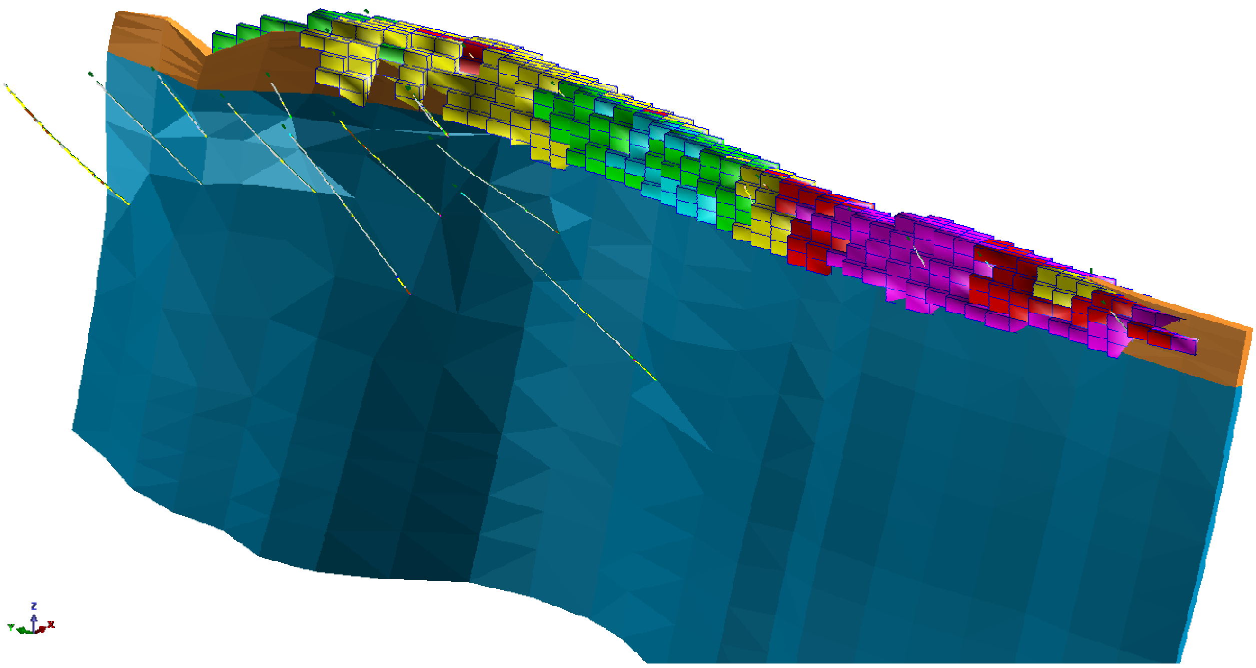
Figure 7 Nelson Bay Iron Project Oxide Iron Block Grade Distribution I



(view looking grid west; cyan = fresh iron mineral zone; brown = oxide mineral zone)
(blue = 0-30%; cyan = 30-37; green = 37-45; yellow = 45-52; red = 52-57; magenta = >57% Fe)

H&S

Figure 8 Nelson Bay Iron Project Oxide Iron Block Grade Distribution II



(view looking grid north east; cyan = fresh iron mineral zone; brown = oxide mineral zone)
(blue = 0-30%; cyan = 30-37; green = 37-45; yellow = 45-52; red = 52-57; magenta = >57% Fe)

The effects of new data since the 2007 magnetite resource estimates are listed below:

- Additional drillholes have been drilled i.e. NBR005, 007, 008, 017, 018, 021. These holes cover the range of the deposit. Holes NBR005 and NBR017 have a size reduction impact on the northern and southern ends of the resource. Holes NBR007, NBR008, NBR018 and NBR021 are essentially infill drillholes with slightly better grades than the previous drilling.

- The along strike extrapolation of the wireframe has been reduced from 100m to 50m beyond the last hole but the down dip extent has been increased from 225m to 300m (based on recent geophysical work and the geological model). The overall effect of this will be to slightly increase the overall size of the resource.

- The oxide resource has been extended from 30m down hole to 40m down dip; this will reduce the size of the magnetite resource.

- NBR005 is thinner than expected producing a narrowing of the deposit in the southern half.

- NBR0017 is very thin and has substantially cut the width at the northern end of the deposit.

- The interpreted relationship between NBR021 and NBR001 has allowed for an increase in the amount of internal waste included with NBR001.

- A slightly lower average density of 3.71t/m^3 was used compared to the 2007 figure of 3.85t/m^3. This will produce a slight drop in the resource tonnage.

- Historical hole N401 has been replaced by a much better hole, NBR018, with improved core recoveries and new DTR results.

Simon Tear
Consulting Geologist
Hellman & Schofield Pty Ltd