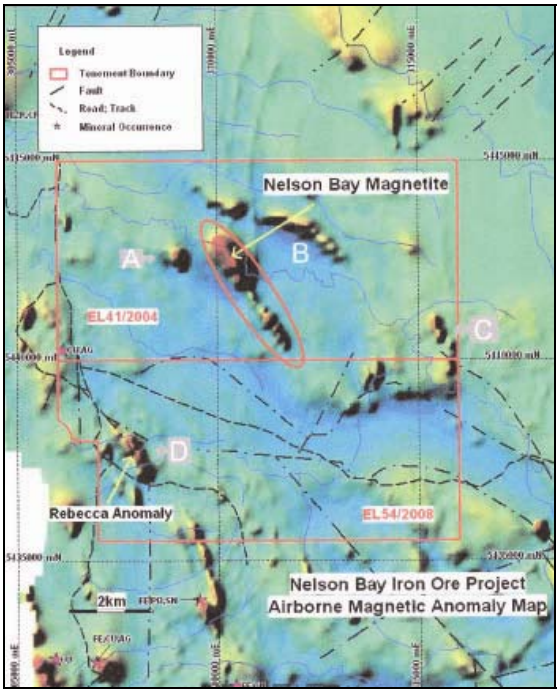
SHREE MINERALSLIMITED
ACN 130 618 683

ANNUAL REPORT FORTHE PERIOD 1.03.2012 to 28.02.2012
NELSON BAY RIVER - EL41/2004 -



26 January 2012

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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 a total of 1568 m (1259 m RC along 23 holes for resource delineation, 236 m RC along 6 holes for ground water studies and ~73 m PQ diamond drilling for metallurgical studies) along 32 holes was drilled and 280 RC and 31 (core) samples for resource delineation and Acid Rock Draimnage Investigation study were respectively collected and analysed.

Additionally, logging of drill cuttings, magnetic susceptibility reading, metallurgical study of Beneficiable Feed Ore (BFO), some geological mapping, upgrading of access tracks and preparation of drill sites and rehabilitation and a number of studies related to NBR Project development were under taken.

In view of the 2011 RC drilling, the DSO resource figures were revised. Preliminary figures suggest (702,908 tonnes) an increase of 55% in the global resources over the 2010 figures (448,963 tonnes @ 57.8% Fe, 8.8% SiO_2, 1.4% Al_2O_3, 0.064% P, 0.028% S, and 6.3% LOI) with a similar iron grade and similar values for the likely contaminant elements.

The increase is mainly due to the increased depth of the deposit and additional material from the southern end.

Drilling commenced on 7th March 2012 and completed on 29th May 2012. The drilling principally aimed to better define the goethitic–hematite resource with the view to commence mining of Direct Shipping Ore (DSO) some time in 2012.

In view of highly encouraging results and receipt of favourable response from government agencies on various mandatory approvals required for mining, the Company has decided to upgrade the DSO resources in category as well extend them along strike. Accordingly, a tentative comprehensive exploration program , drilling (1200 m RC Percussion and 200 m diamond), mapping, geophysical survey, geotech,etc., will be planned in the coming months for MRT approval and execution during 2012/13.

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 2012 to 28 February 2012; details are given in Appendices I to VI.

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

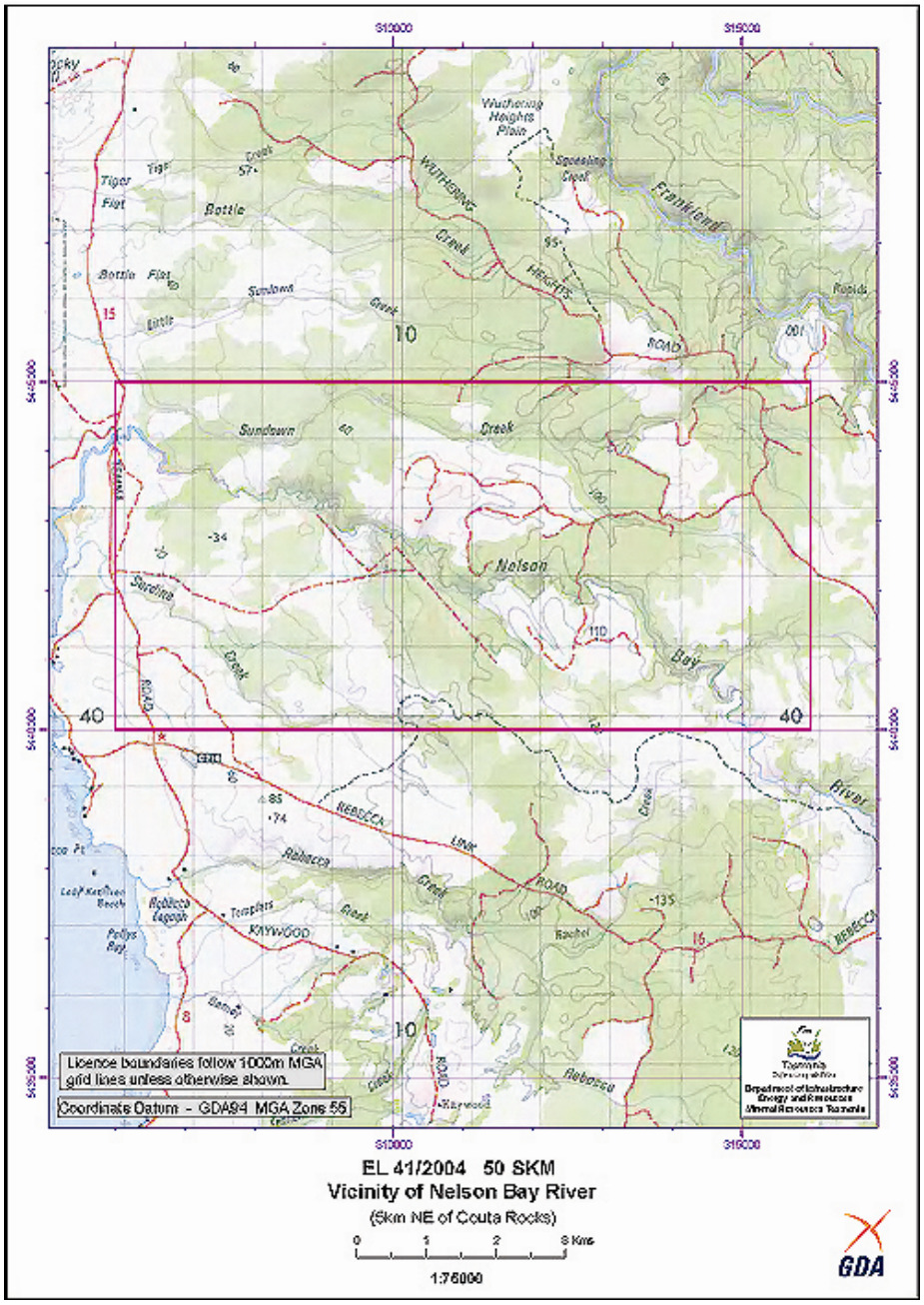
The tenement EL41/2004 (Figures 1) was granted to Zinico NL on 1 March 2005 for 5 years with expir y on 28 February 2010 for exploring all Category 1 Minerals. On 22 November 2005 Zinico NL changed its name to Zelos Resources NL (Zelos)., and on 23 No vember 2006, to reflect th e major shareholding, 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

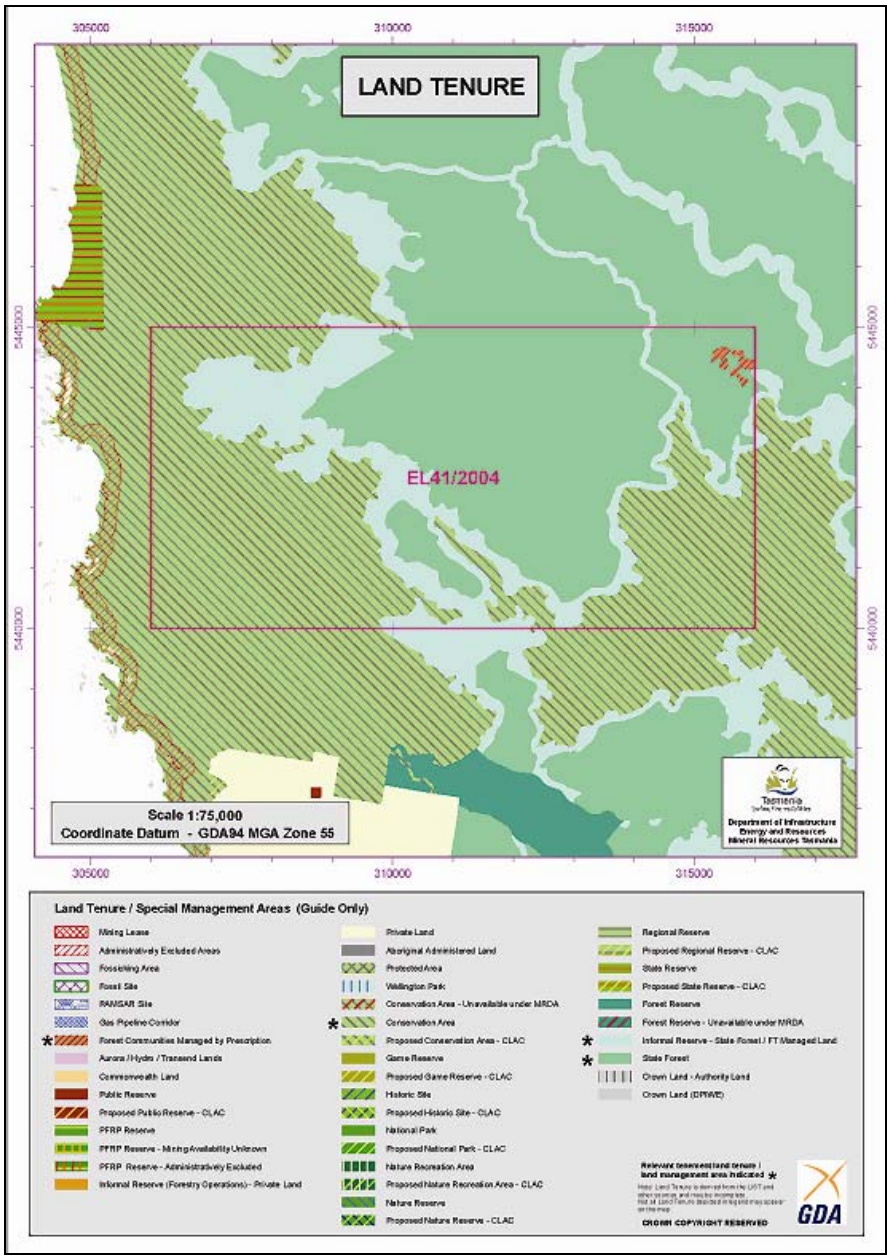
Figure 1: Tenement (EL41/2004) Location and Acess Map

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 in terim basis) on the Reg ister 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

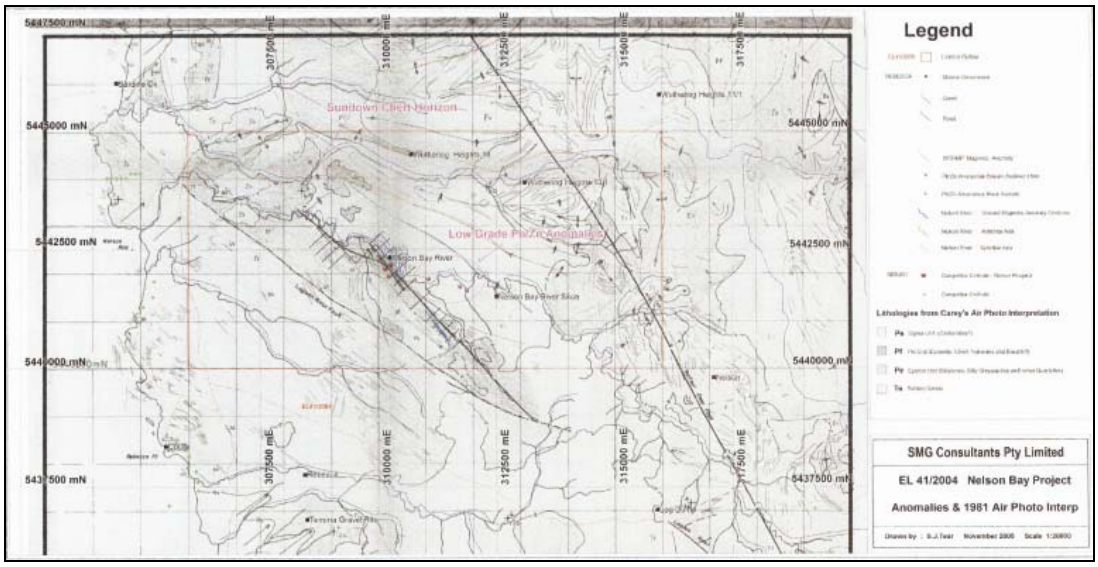
The geology of the Nelson Bay River tenement consists of siltstones, sandstones, and carbonaceous mudstones of the Cowrie Siltstone, part of the Rocky Cape Stratotectonic Element. This element consists of Early Neoproterozoic autochthonous marine shelf clastic sequences, relatively unmetamorphosed to 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

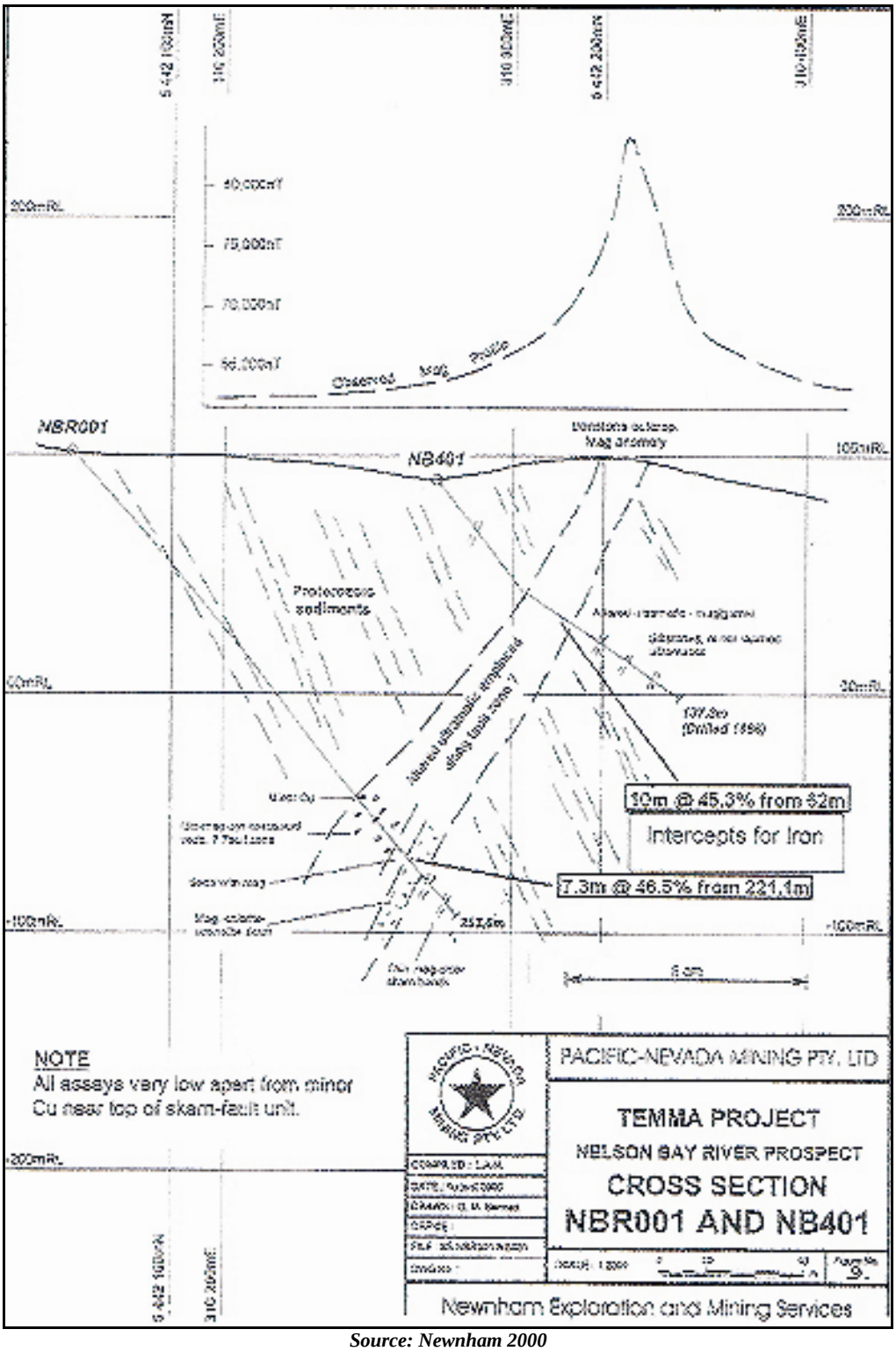
has a lot of carbonate/dolomite within it, whilst the latter comprises a mixed sequence of dolomite, chert, volcanics and basalts, however, Tear (2005) does not support this view. Carey's structural interpretation implies multiple fold hinges of varying orientations and also suggests that the Balfour 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

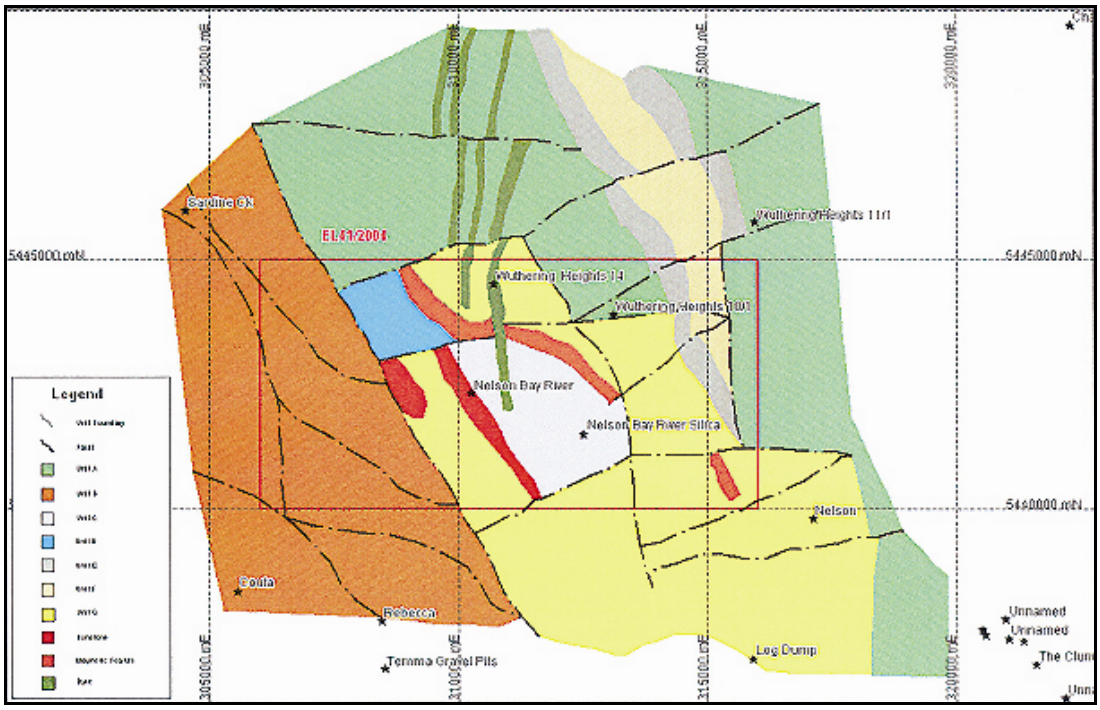
Figure 3: NBR Project – 1981 Carey Photo Interpretaion

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 e xploration 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. Addition ally, a weak ly anomalous zone of lead, zi nc, 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 iro n feature with peak rock chip valu es to 105 p pm Pb, 475 ppm Cu, 130 ppm Zn and 170 ppm As. However, an inspection of maps with the creeks and anomalies marked on see ms to in dicate that the anomalous creeks are not draining the main drill tested anomaly but appear to come from the southern rnagnetic ano maly 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) rep eated the Pickands Mather work at Nelson Riv er, by re-establishing the baseline and the grid. They then completed a ground magnetic survey that separated the airbor ne anomaly into two dis tinct anomalies, a southern and a northern on e. In addition, a geochemical survey was completed by collecting C-horizon soil samples. This work produced a very distinct soil ano maly over the northern magnetic feature with Cu to 350 ppm and Pb to 725 ppm. There was no a nomaly 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 (We ir 1984) for an area around Sundown Creek in the north of the current licence and just bey ond. "The Company identified a m ixed sequence of northwest striking quartzites, black siltstones with cherts, chloritic siltstones (possibly tuffs) and black shales. Thin section wo rk 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. It 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.

7.11. Shree Minerals – 2010 to 2012

During 2010/11 report period about 820 m diamond drilling to upgrade the existing Inferred magnetite resource to an Indicated Category and define further goethitic-hematite direct shipping ore (DSO) resource was undertaken.

Based on drilling inform ation from inception to 2010 (2,512.96 metres along 24 diamond holes) the following resource type, category and grades were estimated (Tables 3 to 5):

Table 3: 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 4: 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 5: 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**	

In addition, some ground magnetics, petrography, metallurgical and geophysical studies were carried out.

8. WORK PERFORMED

During the 2012/12 field season, the Company carried out 1568 m drilling (1259 m RC along 23 holes for resource delineation, 236 m RC along 6 holes for ground water studies and ~73 m PQ diamond drilling for metallurgical studies) along 32 holes and collected and analysed 280 samples for resource delineation.

Additionally, logging of drill cuttings, magnetic susceptibility reading, sampling, asaying for resources, sampling of 31 core intervals from various diamond drill holes (Table 7) and analysis for "Acid Rock Draimnage Investigation," metallurgical study of Beneficiable Feed Ore (BFO), some geological mapping, upgrading of access tracks and preparation of drill sites and rehabilitation was under taken.

Drilling commenced on 7th March 2012 and completed on 29th May 2012. The drilling principally aimed to better define the goethitic–hematite resource with the view to commence mining of Direct Shipping Ore (DSO) some time in 2012.

8.1. Drilling

A total of 1568 m drilling (1259 m RC along 23 holes for resource delineation, 236 m RC along 6 holes for ground water studies and ~73 m PQ diamond drilling for metallurgical studies) along 32 holes was drilled (Table 6 and Figure 6).

Drilling started with the DSO area and mostly comprised 20 m step out collars on sections spaced at 50 m over the initial half of the DSO area, then extending to 100 m spaced for the SE half of the area. Holes varied from 27 to 82 m depth. Details on drilling and associated work are given in Appendix I.

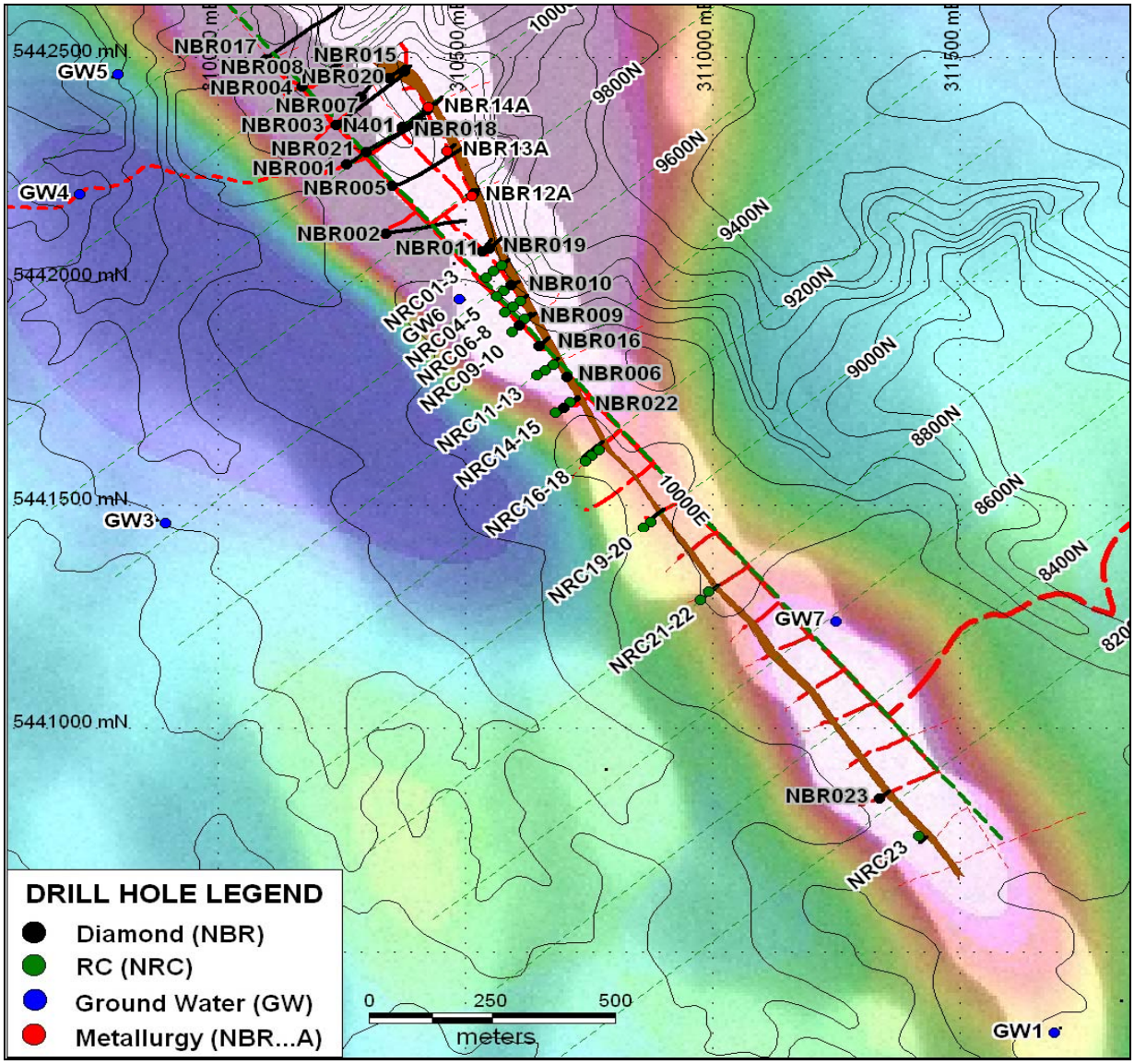


Figure 6: Nelson Bay River Iron Project drillhole location plan

Table 6: NBR 2012 drilling summary

Hole_ID	East MGA94	North MGA94	RL (m)	Azimuth	Dip	Depth (m)	Section	Date Commenced	Date Completed
RC Resource drilling									
NRC01	310573	5442036	81.0	50	-45	27	9650	9/03/2012	10/03/2012
NRC02	310556	5442023	85.4	50	-45	48	9650	10/03/2012	10/03/2012
NRC03	310541	5442010	88.3	50	-45	69	9650	10/03/2012	11/03/2012
NRC04	310577	5441980	87.7	50	-55	55	9600	15/03/2012	16/03/2012
NRC05	310562	5441968	90.6	50	-55	74	9600	16/03/2012	17/03/2012
NRC06	310612	5441956	85.0	50	-55	33	9550	17/03/2012	17/03/2012
NRC07	310597	5441944	88.8	50	-55	55	9550	17/03/2012	18/03/2012
NRC08	310580	5441931	91.2	50	-55	74	9550	18/03/2012	22/03/2012
NRC09	310620	5441917	90.1	50	-55	40	9500	22/03/2012	22/03/2012
NRC10	310595	5441888	92.8	50	-55	74	9500	22/03/2012	24/03/2012
NRC11	310679	5441815	95.3	50	-55	27	9400	24/03/2012	24/03/2012
NRC12	310661	5441801	95.9	50	-55	52	9400	24/03/2012	25/03/2012
NRC13	310644	5441792	96.1	50	-55	64	9400	28/03/2012	28/03/2012
NRC14	310682	5441708	99.1	50	-55	79	9300	29/03/2012	31/03/2012
NRC15	310712	5441731	99.2	50	-55	34	9300	31/03/2012	31/03/2012
NRC16	310743	5441599	100.4	50	-55	82	9200	31/03/2012	31/03/2012
NRC17	310756	5441612	100.3	50	-55	62	9200	0/01/1900	0/01/1900
NRC18	310771	5441624	100.2	50	-55	30	9200	4/04/2012	4/04/2012
NRC19	310875	5441462	100.2	50	-55	41	9000	4/04/2012	5/04/2012
NRC20	310861	5441451	100.2	50	-55	74	9000	5/04/2012	5/04/2012
NRC21	310993	5441305	99.9	50	-55	46	8800	5/04/2012	6/04/2012
NRC22	310976	5441288	100.0	50	-55	67	8800	6/04/2012	6/04/2012
NRC23	311416	5440759	101.0	50	-55	52	8100	6/04/2012	7/04/2012
Sub Total						**1259**			
RC Hydrological drilling									
GW1	311703	5440331	110.3	0	-90	35		11/04/2012	11/04/2012
GW3	309894	5441462	80.6	0	-90	35		14/04/2012	14/04/2012
GW4	309716	5442199	73.4	0	-90	35		14/04/2012	14/04/2012
GW5	309788	5442458	63.0	0	-90	28		13/04/2012	13/04/2012
GW6	310487	5441962	89.0	0	-90	35	9600	14/04/2012	15/04/2012
GW6A	310459	5441935	89.3	0	-90	33	9600	14/04/2012	14/04/2012
GW7	311249	5441240	101.4	0	-90	35	8600	12/04/2012	13/04/2012
Sub Total						**236**			
PQ diamond drilling (metallurgical drilling)									
NBR12A	310513	5442192	81.2	50	-50	22.7	9800	28/04/2012	29/04/2012
NBR13A	310462	5442292	82.3	50	-50	28.9	9900	18/04/2012	21/04/2012
NBR14A	310425	5442389	81.4	50	-50	21.3	10000	26/04/2012	27/04/2012
Sub Total						**72.9**			
Total						**1567.9**			

8.2. Sampling and analysis

A total of 280 samples at 1m intervals from the outlet of a cyclone were collected. About ~ 3 kg, sample material was collected in a calico sample bag and remaining sample was collected in a large plastic bag. For bulk density determination, all drilled intervals were weighed for the first 3 drill holes. Subsequently only the oxidised intervals and a few metres extending into the footwall and hanging-wall were weighed.

The cyclone was cleaned between holes, immediately before or upon entry to the ore zone, at the end of wet sample runs and otherwise when required. Clayey blockage was evident in the cyclone feeder hose and the cyclone itself periodically.

Three sample batches covering holes NRC01 to 22 were submitted for whole rock XRF analysis. Analysis was undertaken on all goethite-hematite intersections with each sample run typically included additional sample(s) at the start and end of the apparent intersection to define ore waste boundaries. Analytical details are given in Appendix II.

Note: Drillhole NRC23 was not sampled, given that visual inspection and magnetic susceptibility measurements revealed weak magnetite within silicification.

Significant ore intersections with grades along with their Calcined Fe are given below in Table 7.

Table 7: Significant iron ore assay intersections at NBR

Location (N)	Hole ID	From	To	Interval(m)	CaFe %	Fe%	SiO2%	Al2O3%	P%	S%	LOI%
9600	NRC04	29	45	16	58.65	54.98	14.18	0.59	0.05	0.05	6.17
9550	NRC06	7	24	17	62.53	59.06	7.18	2.31	0.06	0.03	5.62
9550	NRC07	30	46	16	64.39	59.71	6.03	0.52	0.16	0.02	7.26
9550	NRC08	56	66	10	57.38	54.53	15.99	0.50	0.08	0.12	4.98
9500	NRC09	20	33	13	63.73	59.80	6.86	0.99	0.07	0.02	6.19
9500	NRC10	66	75	9	64.78	60.59	5.95	0.58	0.11	0.01	6.45
9400	NRC11	7	15	8	55.05	51.68	12.03	7.15	0.04	0.04	6.33
9400	NRC 12	33	46	13	63.39	58.73	6.22	1.63	0.10	0.02	7.30
9400	NRC 13	58	64	6	66.31	62.39	3.91	0.39	0.11	0.01	5.93
9300	NRC 15	7	27	20	63.25	58.05	4.47	1.41	0.06	0.03	8.24
9200	NRC 17	46	48	2	63.80	60.53	5.92	1.78	0.07	0.03	5.13
9200	NRC 18	12	24	12	63.38	58.19	5.91	1.84	0.14	0.03	8.18
8800	NRC 21	23	28	5	60.11	57.81	10.52	1.96	0.05	0.05	3.85
Note 1:	Missing samples withion the significant intervals have been applied averages of the whole interval . This is relevant										
	for 2 missing samples in NRC 12 & 1 sample in NRC 18										
Note 2 :	CaFe is calculated as "Fe/(100-LOI)X 100" and is commonly referred to as calcined iron.										

The drilling has extended the width as well as depth of goethitic-hematite mineralisation to more than 60 m (Figure 7) in the proposed DSO pit area at several places.

8.3. Logging

Drill cuttings were geologically (lithology) and geophysically (magnetic susceptibility of logged intervals) logged and recorded (Appendix 1).

8.4. Ground water drilling

A total of 7 bores for *ground water monitoring* was planned, but due to access problem only 6 bores were drilled (Figure 6).

Ground water drillhole logs are presented in *NBR Drilling Compilation.xls.* Logging was cursory; covering the initial near surface intervals on a metre basis and thereon commonly logging 3 to 5m intervals, but varying according to lithology changes observed through sample colour change.

8.5. Preliminary resource estimation

In view of the 2011 RC drilling the DSO resource figures were revised. Preliminary figures suggest (702,908 tonnes) an increase of 55% in the global resources over the 2010 figures (448,963 tonnes @ 57.8% Fe, 8.8% SiO_2, 1.4% Al_2O_3, 0.064% P, 0.028% S, and 6.3% LOI) with a similar iron grade and similar values for the likely contaminant elements.

The increase is mainly due to the increased depth (Figure 7) of the deposit and additional material from the southern end.

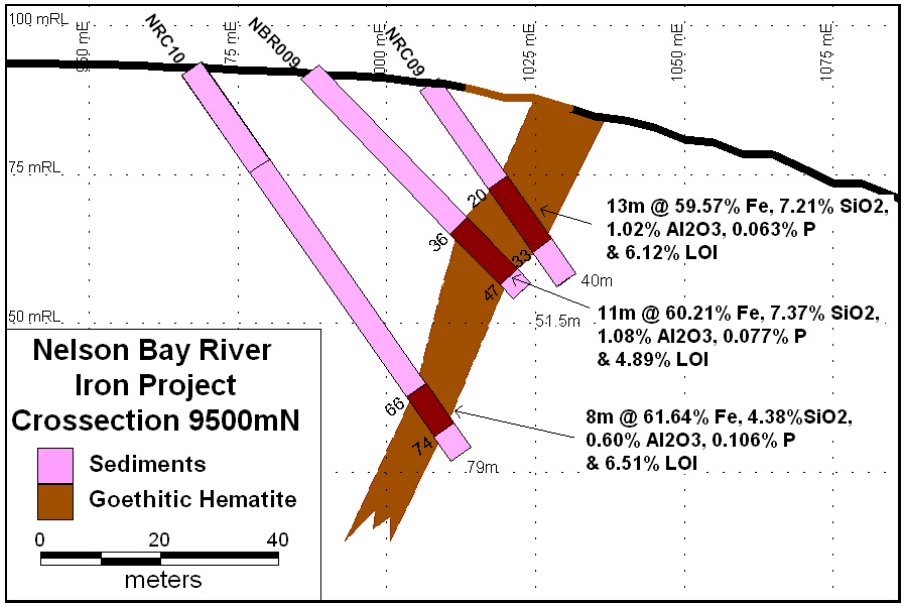


Figure 7: Cross section showing extent of iron mineralisation

Comments:

- Drill hole spacing appears to be reasonable
- RC drilling has confirmed extension of quality iron mineralisation to greater depths than thought in 2010 (Figure 7)

- No bias associated between iron grade and RC chip recovery.
- Sampling of below water table ore will need some work
- Information on QA/QC will need upgrading
- Upgrading of bulk density information

8.6. Acid Rock Drainage (ARD) Potential Sampling

A total of 31 samples from the areas of propsed mining (Magneitirte and DSO pits) for Potential Acid Forming (PAF) rocks was collected, analysed and classified for the excercise (Tables 8 and 9). Details are given in Appendix 1.

Table 8: Acid Rock Drainage sample list - NBR

Hole_ID	From (m)	To (m)	Sample Number	Description	Py (%)	Classification
NBR007	21.63	22.13	520901	thin bedded grey slst	0	UC
NBR007	85.5	86	520902	lam bedded slst & fg q-sst	0	NAF
NBR003	22	22.5	520903	weakly weathered grey / cream irregular lam bedded slst, ch(w, flecks), dss py (0.5%)	0.5	PAF
NBR003	58.5	59	520904	grey lam bdd slst with oxidised bn flecks after chlorite / sulphide?, minor straight sil veinlets on fractures with perv sil(vw)	0	PAF
NBR003	79.5	80	520905	lam bedded slst, very weak FeOxidised exterior	0	PAF
NBR003	110.1	110.6	520906	grey lam bdd slst, py(1% overall)-ch blebs / flecks (w, ~1% overall), perv sil(w/m)	1	PAF
NBR021	7.6	8.1	520907	cream perv sil(m/s) - dss fg py(0.5%) sandstone	0.5	PAF Low Capacity
NBR021	27.7	28.2	520908	cream strongly leached and pitted likely after pyrite, perv sil(m/s) relict sst	1	PAF
NBR021	45.2	45.7	520909	cream perv sil(m/s) - dss fg py(0.5%), sparse ch flecks(vw) sandstone; sil-vnlets(w) on straight fractures	0.5	PAF Low Capacity
NBR021	63	63.5	520910	grey lam bdd slst with py dss(0.5%) within ch(vw) patches/flecks, with sil-py-ch veining on straight fracs(w, <0.5%)	0.5	PAF
NBR021	84.95	85.45	520911	grey lam bedded fg sst and slst, dss py(1%) with ch(vw) flecks on silicified crm fg sst interbeds. Perv sil(w)	1	PAF
NBR021	105.2	105.7	520912	grey lam bdd fg sst and slst	0	NAF
NBR021	181.9	182.4	520913	grey mottled sil(w/m) - ch(w) pervassive alteration within thin bdd fg/mg sst.	0	NAF
NBR005	35.5	36	520914	grey lam bdd fg sst & slst	0	PAF Low Capacity
NBR005	95.9	96.4	520915	grey lam bdd slst & fg sst	0	PAF
NBR005	137.9	138.4	520916	grey perv sil(w/m) - ch(vw) altered fg sst with slst interbeds	0	NAF

NBR005	53.9	54.4	520917	grey lam bdd slst & fg sst, py(0.5%) dss within ch(vw) flecks	0.5	PAF
NBR002	14.9	15.4	520918	grey lam bdd slst and fg sst, weathered(w)	0	NAF
NBR002	50.3	50.8	520919	grey lam bdd slst and fg sst, weathered(w)	0	UC
NBR002	77	77.5	520920	crm / grey perv sil(w/m) over fg q-sst with minor laminar beds bearing weak slst.	0	NAF
NBR002	93.6	94.1	520921	grey lam bdd fg sst and minor slst, perv sil(w/m), ch (w) flecks, dss Py?	0.1	PAF
NBR002	124.5	125	520922	grey lam bdd fg sst and minor slst; ox dss py?(0.5%)	0.5	NAF
NBR002	169.5	170	520923	lht bn lam bdd fg sst and minor slst, perv sil(m), brown FeOxidised surface(w)	0	NAF
NBR002	180.8	181.3	520924	grey mostly fg q-sst with sparse slst lam interbeds, perv sil(w/m)	0	PAF
NBR009	31.8	32.3	520925	grey thin bdd slst and fg q-sst, sparse pits after py?(0.5%)	0.5	NAF
NBR016	35	35.5	520926	crm / grey perv sil(w/m) over fg/mg q-sst	0	NAF
NBR022	46.2	46.7	520927	pale green perv sil(m) with speckled chlorite(w/m) overprinting fg/mg q-sst, sparse relict surface pits after py?	0.1	PAF Low Capacity
NBR001	41	41.5	520928	grey and pgn lam bdd slst and minor fg q-sst. Weak pgn FeO stained exterior. Sparse ch flecks(vw) and relict cubic Py pits(0.5%)	0.5	PAF
NBR001	115.5	116	520929	grey lam bdd slst and minor fg q-sst. Dss py(1%) mostly in fg sst interbeds and locally weakly framboidal / rounded appearing. Perv sil(vw), Fresh no oxidn	1	PAF Low Capacity
NBR001	161	161.5	520930	grey lam bdd slst and minor fg q-sst. Dss py(<1%), perv sil(w) Fresh no oxidn	0.75	UC
NBR001	189.3	190	520931	brown oxidised (m) silicified(m) dgn skarn; half core sample,	0	UC

Table 9: Material cllassification for ARD study

Material	Abreviation
Acid rock drainage	ARD
Potentially acid forming	PAF
Non acid forming	NAF
Unclassified	UC
Acid consuming material	ACM
Acid neutralising capacity	ANC
Maximum potential acidity	MPA
Net acid production	NAP
Net acid generation	NAG

8.6.1. ARD study findings

- A poorly constrained PAF material of 4.5 Mt @ 0.88% pyrite is inferred for >0.5% pyrite containing rock in the Magnetite Pit, with a comparatively small ~40kt @ 3.21% pyrite for the DSO Pit.
- The majority of the significant PAF rock is shown to be in the northern half of the Magnetite Pit on sections 10000 and 10100mN (Figure s 8 and 9).
- Pervasive silica, primarily located within more porous sandstone, appears to encapsulate elevated pyrite concentrations, resulting in some NAF classifications for this material, whereas the disseminated pyrite within the less altered siltstones is more often classified as PAF.
- PAF distribution and character is uncertain, partly because the country rock containing pyrite is sub-parallel to hole dip and therefore more work is required to better define this aspect.
- Pyrite is mostly erratically distributed within the quartz veins occuring in the hangingwall within the DSO Pit area, but should easily be identified during mining and grade control.

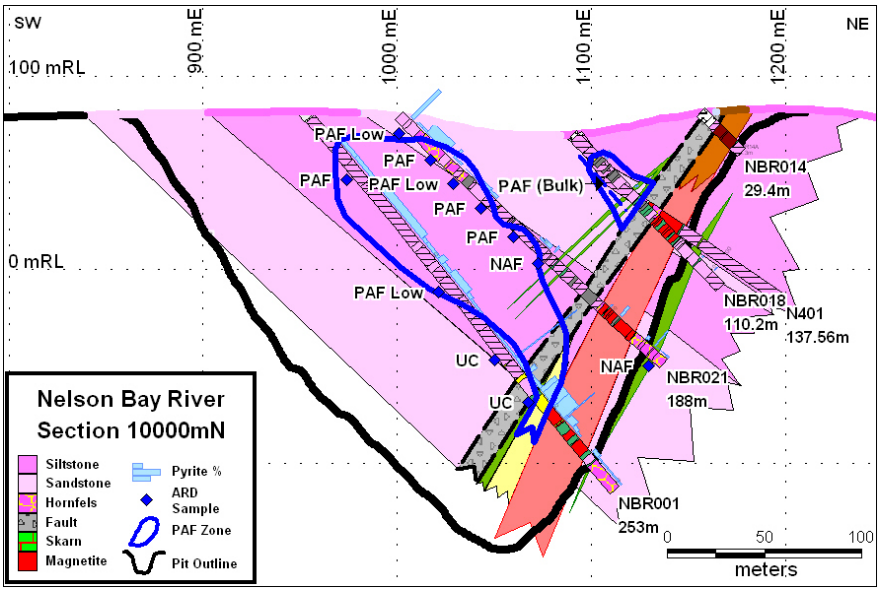


Figure 8: PAF rock distribution along cross section 10000 mN

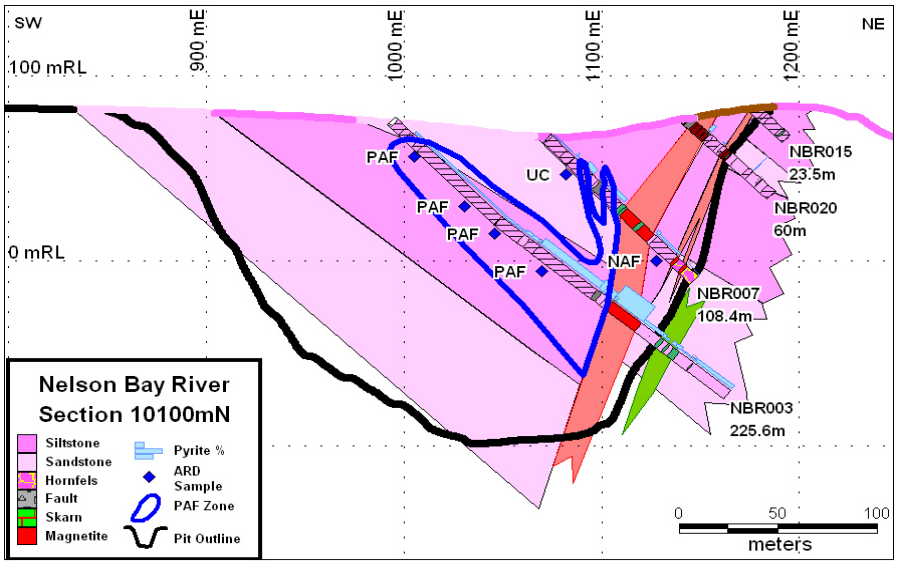


Figure 9: PAF rock distribution along cross section 10100 mN

8.7. Metallurgical Studies

A total of 3 PQ diamond drill holes , namely NBR 12A, 13A, and 14A, for 72.9 m were drilled in the BFO zone defined earlier by 2009 diamond drilling program above the proposed deep magnetite pit (Figures 3 and 5). From this drilling, based on material characteristics, two composite samples for metallurgical testing were prepared. Composite one consists of cores from drill holes 13A and 14A, while the second composite was made from core of drill hole 12A. The significant results of the tests include that the composite of hole 13A & 14A was upgradeable to 56.1 % Fe by a dry low intensity magnetic separation (LIMS) with recovery of 83.6% (Table 10).

Table 10: Significant Metallurgical Test Results

COARSE COBBING - DRY LIMS TEST @ P100 1.0mm															
			Fe	SiO_2	Al_2O_3	CaO	MnO	P	S	MgO	Na_2O	Zn	TiO_2	K2O	LOI-1000
DRY LIMS @ 1100 GAUSS	FRACTION WEIGHT (Kg)	Wt. DISTn. (%)	Fe Grade (%)	SiO_2 Grade (%)	Al_2O_3 Grade (%)	CaO Grade (%)	MnO Grade (%)	P Grade (%)	S Grade (%)	MgO Grade (%)	Na2O Grade (%)	Zn Grade (%)	TiO2 Grade (%)	K2O Grade (%)	LOI-1000 Grade (%)
Mags	14.17	83.6	56.10	11.90	1.72	0.01	1.39	0.010	0.039	0.40	0.019	0.007	0.051	0.048	2.90

8.8. Pre-feasibility Study

8.8.1. Study Findings

- The study confirms the viability of the project to become a producer of iron ore in North West Tasmania.

- The Project is located in close proximity to existing infrastructure within an established mineral province with active mining in the region of North West Tasmania.
- The Project has three types of resources: Direct Shipping Iron (DSO), Beneficiable low-grade resource (BFO) and Magnetite resource
- The Company plans to mine the DSO first followed by beneficiable low- grade magnetic goethitic-hematite (BFO) material, and then the magnetite resource.
- Feasibility study of DSO pit will be completed including updating of the resources based on 2011 drilling which based on observations are expected to increase DSO resources.
- The PFS study has highlighted a few areas requiring further technical input before commencing mining of deep magnetite resources. These studies will be attended to during the DSO & BFO production phase. These studies have the potential to improve project economics.

Study details are given in Appendix III

8.9. NBR - Statutory approvals progressed

8.9.1. Mining Lease

A mining lease application (MLA 3 M, 2011) which was submitted to Mineral Resources Tasmania earlier in the year for Category 1 products (metallic substances) has been amended to add Category 3 products (construction minerals) as an additional category. This has been done to provide for the possible beneficial use of suitable parts of waste rock which Shree has identified as potential future opportunities for purposes, such as road base. Testwork has confirmed the characteristics of waste rock to required specifications for such use.

8.9.2. Environment Protection and Biodiversity Conservation Act 1999 (EPBCA)

The Company referred its proposal for developing a mine to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities (the Department) in February 2011. The Minister, the Hon Tony Burke MP, determined in March 2011 that the proposal was a controlled action and required the preparation of an Environmental Impact Statement (EIS) under Part 8 of the EPBC Act. Guidelines for preparation of EIS were issued in July 2011 following public consultation by the department. Draft EIS was submitted to the department & finalized for public exhibition period commencing in December 2011. Report is appended as Appendix IV

8.9.3. Environmental Management and Pollution Control Act 1994

A Notice of Intent (NOI) was submitted on 23 March 2011 to the Board of the Environment Protection Authority's (EPA). In May 2011, EPA issued Guidelines for the preparation of a Development Proposal and Environmental Management Plan for Shree Minerals – Nelson Bay River Magnetite Mine, Tasmania, and May 2011. Draft DPEMP was submitted to the EPA & finalised for public exhibition period commencing in December 2011. Report is appended as Appendix V.

8.9.4. Development application

Application was lodged with the Circular Head council.

8.10. Significant findings

- The Pre-Feasibility Study (PFS) of Nelson Bay River Iron (NBR) Project confirms the viability of the project to be an iron ore producer in the North West Tasmania.
- Draft DPEMP & EIS finalised for Public exhibition.
- Development application lodged.
- Mining Lease application amended to add Category 3 products (construction minerals) as an additional category.
- The 2011 RC drilling shows an increase of 55 % (702,908 tonnes) in the global resources over the 2010 figures (448,963 tonnes @ 57.8% Fe, 8.8% SiO_2, 1.4% Al_2O_3, 0.064% P, 0.028% S, and 6.3% LOI) with a similar iron grade and similar values for the likely contaminant elements.

9. CONCLUSION AND RECOMMENDATIONS

In view of the 2011 RC drilling the DSO resource figures were revised. Preliminary figures suggest (702,908 tonnes) an increase of 55% in the global resources over the 2010 figures (448,963 tonnes @ 57.8% Fe, 8.8% SiO_2, 1.4% Al_2O_3, 0.064% P, 0.028% S, and 6.3% LOI) with a similar iron grade and similar values for the likely contaminant elements.

The increase is mainly due to the increased depth of the deposit and additional material from the southern end.

In view of highly encouraging results and receipt of favourable response from government agencies on various mandatory approvals required for mining, the Company has decided to upgrade the DSO resources in category as well extend them along strike. Accordingly, a tentative comprehensive exploration program , drilling (1200 m RC Percussion and 200 m diamond), mapping, geophysical survey (ground magnetics and gravity), geotech,etc., will be planned in the coming months for MRT approval and execution during 2012/13.

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APPENDIX I

Nelson Bay River Iron Project (EL 41/2004)

Exploration - 2012

By
Rob Reid (BSc Geol. Hons., MSc Econ. Geol.)

July 28th, 2012

APPENDIX II

Assay Results

APPENDIX III

Nelson Bay Iron Project
Pre-feasibility Study
16 December 2011
prepared for
Shree Minerals Limited
by
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APPENDIX IV

Prepared for: Shree Minerals
Prepared by: Dr Ian Woodward, Dr Michael Pollington, Charlie Livesey
28 November 2011

Volume 1 of 2 – Main Report

transport infrastructure | community infrastructure | industrial infrastructure | climate change

Draft Environmental Impact Statement
Nelson Bay River Magnetite Mine
(EPBC 2011/5846)

Images of Nelson Bay River mine site

Volume 2 of 2 – Appendices

APPENDIX V

Prepared for: Shree Minerals
Prepared by: Dr Ian Woodward & Dr Michael Pollington
28 November 2011

Development Proposal and Environmental Management Plan (DPEMP)
Nelson Bay River Magnetite Mine
Volume 1 of 2 – Main Report

transport infrastructure | community infrastructure | industrial infrastructure | climate change

Images of Nelson Bay River mine site

Volume 2 of 2 – Appendices

APPENDIX VI

List of appended digital data files

1. EL412004_201202_01_Digital_Files.txt
2. EL412004_201202_02_Annual_Report.pdf
3. EL412004_201202_03_NBR_Drilling2011_Report_Appendix 1.pdf
4. EL412004_201202_04a_Assay_Results_BR11093604.CSV
5. EL412004_201202_04b_Assay_Results_BR11062254.csv
6. EL412004_201202_04c_Assay_Results_BR11071207.csv
7. EL412004_201202_05_DH_Collar.txt
8. EL412004_201202_06_DH_Analysis.txt
9. EL412004_201202_07_DH_Survey.txt
10. EL412004_201202_08_DH_Geology.txt
11. EL412004_201202_09_DH_Geotech.txt
12. EL412004_201202_10_DH_MagSus.txt
13. EL412004_201202_11_DH_Lookups.txt
14. EL412004_201202_12_NBR_Prefeasibility Study.pdf
15. EL412004_201202_13-17_NBR_Prefeasibility Study-Appendices.pdf
16. EL412004_201202_18_Draft EIS_Rev_00_20111128.pdf
17. EL412004_201202_19_Draft EIS_Volume _2_ of_ 2_Appendices_cover.pdf
18. EL412004_201202_20 - 58_ EIS_appendices_A_to_Q.pdf
19. EL412004_201202_59_DPEMP_Report.pdf
20. EL412004_201202_60-78_DPEMP_Report_Appendices_A_to_S.pdf