

7th February, 2011

Nelson Bay River Iron Project Mine Plan

Shree Minerals is pleased to advise the Feasibility studies are progressing on schedule. Based on the new Resource Estimation by Hellman & Schofield in October 2010 (Table 1), mine planning & site layout has been done for mining of DSO & Magnetite Resources by Minserve.

Table 1: Iron Resource Estimates at Nelson Bay River Iron Project

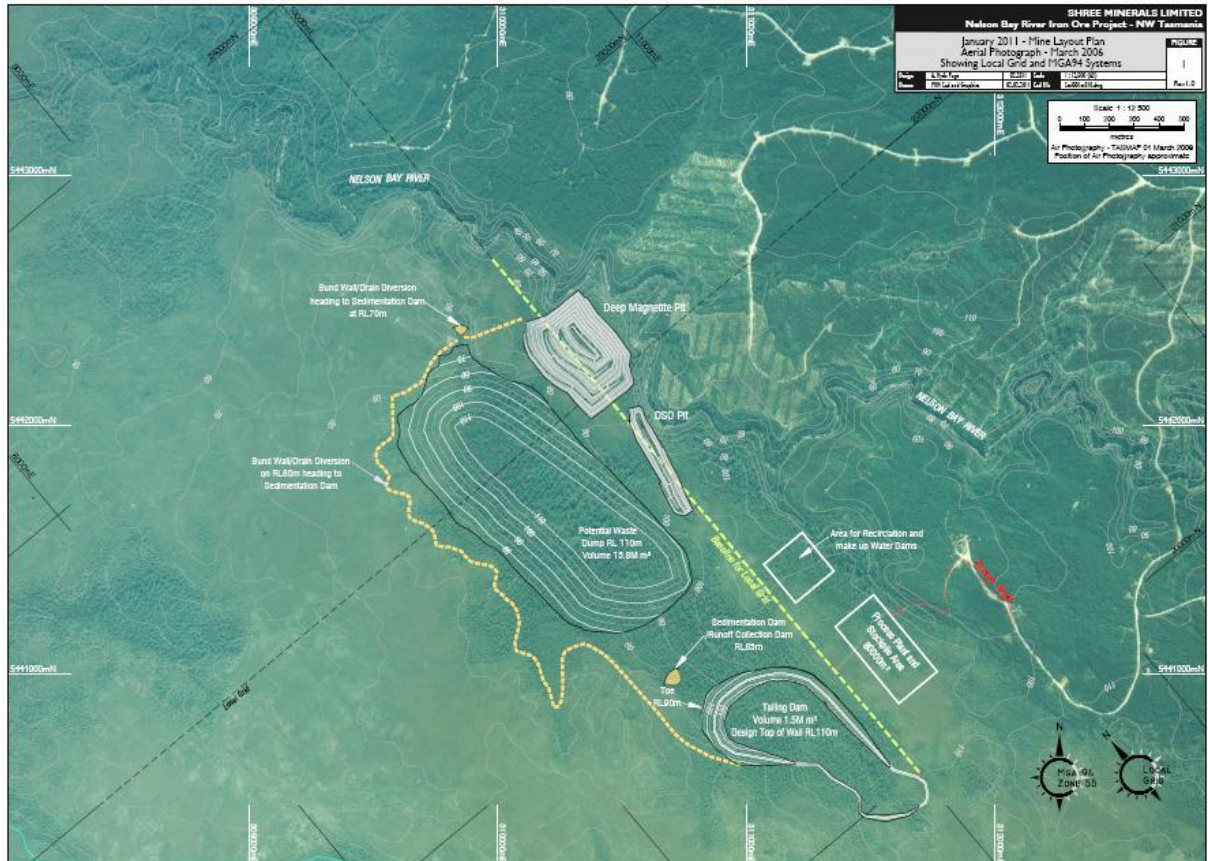
	Indicated	Inferred	Total
Resources (Mt)	1.8	10.8	12.6

The plan is based on the DSO being mined first. The Magnetite would be mined after the DSO. The DSO Pit design is based on a pit depth of 40m. The Magnetite Pit is designed to a depth of 225m. The mine plan has been done based on **open pit mining for an initial 10 year mine life based on 400,000 TPA of ore** (Table 2).

Table 2: Mining Pit Quantities

Waste	M ³	11,627,562
Oxide Ore	tonnes	1,013,359
Magnetite Ore	tonnes	2,902,946
Total Ore	tonnes	3,916,305
Strip Ratio	M ³ /t	2.97
Ore per year	tonnes	400,000
Years of Production		9.9

Figure 1: Project Layout



The mine plan has been done for mining the resource only to the South of the Nelson Bay River (as shown in Figure 1). **It is noted the significant magnetite ore is exposed in the northern face of the open cut and the ore extends to the north under the Nelson Bay River.** Additional ore can be mined from this resource utilising underground mining techniques providing an adequate safety pillar is left underneath the river and the appropriate prior geotechnical investigations and analyses have been done on which to base the design and approve any method selected for this task. **No production from this source has been considered in the 2011 design, as the mine plan is done for initial 10 years only at this stage.**

As part of the feasibility study, budgetary proposals have been obtained for operations based on mobile contractor equipment, transport contractors & port. **These studies have indicated an estimated FOB Burnie port cash cost in the range of AUD \$45 to \$50 per ton for DSO product.** Physical ore characterisation tests on DSO drill core from NBR suggest that the ore is moderately strong and bulk handling of the Nelson Bay River ore should not have any issues due to the **high ratio of lump to fine split (68% to 32%),** (table 3). The company is encouraged by these results especially in current market conditions which are robust for Iron Ore with recent spot prices of iron ore Fines 62% Fe product CFR China of around U\$186 per ton and strong outlook driven by demand growth from China. Lump ore prices are trading at a premium to these prices.

Table 3: Physical ore characterisation test results

SAMPLE	SIZING			% Lump		% Fines		Total
	+6.3mm	-6.3mm	Total	+6.3mm	-6.3mm	Total		
Composite - HG	(kg)	(kg)	(kg)					
Crushed on CSS 31mm	74.80	14.56	89.36	83.71	16.29			100.00
After 5 Drops (+6.3)	60.20	13.96	74.16	81.18	18.82			100.00
Total for Testwork	60.20	28.52	88.72	67.85	32.15			100.00

Feasibility studies are progressing well & the company anticipates in near future to complete necessary work to lodge applications for approvals including Mining Lease.

Yours faithfully

Sanjay Loyalka
Chairman

The information reported herein is based on information compiled by Mr Mahendra Pal who is a Fellow of the Australasian Institution of Mining and Metallurgy and a Member of the Society of Geoscientists and Allied Technologists, India. Mr Pal is a member of the Shree Minerals Board (Non-Executive Director) and has sufficient experience relevant to the style of mineralisation and deposit type under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pal consents to the inclusion of this report of the matters based on his observations in the form and context in which it appears.